

# IMPACT OF EBTs ON THE TRADITIONAL BINGO, LIMITED PAY-OUT MACHINE AND CASINO SECTORS WITHIN THE REGULATED GAMBLING INDUSTRY OF SOUTH AFRICA







**National Gambling Board**

*South Africa*

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a member of **the dti** group

IMPACT OF ELECTRONIC BINGO  
TERMINALS ON THE TRADITIONAL  
BINGO, LIMITED PAYOUT MACHINE  
AND CASINO SECTORS WITHIN THE  
REGULATED GAMBLING INDUSTRY  
OF SOUTH AFRICA

**Research Report**  
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# ABBREVIATIONS

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<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>EBT</b>	Electronic Bingo Terminal
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>GGR</b>	Gross Gambling Revenue
<b>GIS</b>	Geographic Information Systems
<b>LPM</b>	Limited Payout Machine
<b>NCEMS</b>	National Central Electronic Monitoring System
<b>NGA</b>	National Gambling Act, 2004 (Act 7 of 2004)
<b>NGB</b>	National Gambling Board
<b>PLA</b>	Provincial Licensing Authority
<b>Qrt</b>	Quarter
<b>RFA</b>	Request for Applications
<b>RFP</b>	Request for Proposal
<b>RO</b>	Route Operator
<b>RTP</b>	Return to Player
<b>SA</b>	South Africa
<b>SO</b>	Site Operator
<b>the dti</b>	the Department of Trade and Industry
<b>TO</b>	Turnover



## EXPLANATORY NOTES

TERM	EXPLANATION
<b>Bingo</b>	Bingo means a game played in whole or in part by electronic means that is played using cards or other devices; that are divided into spaces each of which bears a different number, picture or symbol; and which are arranged randomly such that each card or similar device contains a unique set of numbers, pictures or symbols; in which an operator calls or displays a series of numbers, pictures of symbols in random order and the players match each such number, picture or symbol on the card or device as it is called or displayed; and the player who is first to match all the spaces on the card or device, or who matches a specified set of numbers, picture or symbols on the card or device, wins a prize.
<b>Bookmaker</b>	A bookmaker, bookie or turf accountant is a person or organization that takes bets on various events or contingencies such as horse racing, football, rugby union or marriages, births, names, divorces and even in extreme cases death, etc. at agreed upon odds (fixed odds). A bookmaker may be licensed to operate on or off-course, that is at licensed premises, other than a race course.
<b>Casino</b>	A casino is a facility which is licensed to house or accommodate certain types of licensed casino style slots and table gambling games.
<b>Employment (direct)</b>	Key (licensed) and other gaming (licensed) employees
<b>Gambling machine/ slot machine (used interchangeably)</b>	A slot machine, informally known as a fruit machine, is a casino gambling machine with three or more reels which spin when a button is pushed or a handle is pulled (older mechanical types). These slot machines are also known as one-armed bandits because of the one lever on the side of the machine (the arm) and because of their ability to leave the gamer penniless (bandit). The machine pays off based on patterns of symbols visible on the front of the machine when it stops. Slot machines are the most popular gambling method in casinos and constitute about 80% of the average casino's income.
<b>Gross Gambling Revenue (GGR)</b>	Gross Gambling Revenue is defined as the Rand value of the gross revenue of an operator in terms of turnover less winnings paid to players.
<b>Horse racing</b>	Horse racing is the sport in which horses and their riders take part in races, typically with substantial betting on the outcome.
<b>Licensed (all modes and outlets)</b>	Licensed is when a person or company is in possession of a valid license, registration card or certificate allowing him/her/them to offer approved gambling activities within licensed premises to over 18year old persons.
<b>Limited Payout Machine (LPM)</b>	Limited payout machine means a gambling machine/slot machine outside of a casino in respect of the playing of which the stakes and prizes are limited.
<b>Route Operator (RO)</b>	Route Operator is a juristic person which is licensed to own or operate limited payout machines, maintain and effect the collection of money and paying of taxes and levies in respect of all machines under its license.
<b>Site Operator (SO)</b>	Site Operator is a natural or juristic person licensed to manage limited payout machines owned by a route operator on his licensed premises (also known as a site) and to make them available to be played by members of the public.

TERM	EXPLANATION
<b>Table game</b>	In casinos, the term table game is used to distinguish games such as blackjack, craps, roulette and baccarat that are played on a table and operated by one or more live dealers like a croupier or poker dealer.
<b>Taxes/levies</b>	Gambling tax levied by and collected by Provincial Licensing Authorities
<b>Totalisator/ Pari-Mutuel betting (used interchangeably)</b>	<p>Totalisator is the name for the automated pool betting system which runs pari-mutuel betting, calculating payoff odds, displaying them, and producing tickets based on incoming bets.</p> <p>Pari-mutuel betting is a betting system in which all bets of a particular type are placed together in a pool; taxes and the “house-take” are removed, and payoff odds are calculated by sharing the net pool among all the winning bets.</p>
<b>Turnover (TO)</b>	Turnover is the rand value of money wagered. This includes “recycling” which refers to amounts that are staked on more than one occasion. “TO” in the fixed odds/bookmaking environment is, however, different from other forms of gambling in that the amount of money crossing the table is NOT seen as turnover, because the amount of money staked/wagered/bet on an event is returned to the player should the player win the wager/bet, so a true description of turnover in fixed odds/bookmaking parlance is money wagered minus the stakes wagered on winning bets = fixed odds/bookmaking turnover.





# CHAPTER 1

## INTRODUCTION

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### 1.1 INTRODUCTION AND BACKGROUND

In the South African regulated gambling industry there are currently two (2) forms of bingo on offer, namely traditional bingo and playing bingo on Electronic Bingo Terminals (EBTs). An EBT is a technological aid to the playing of bingo. The bingo game itself is powered by an independent system, with the machines functioning as terminals for bingo play. Linking EBTs within a hall allows the game to be fast and more secure. The current regulatory framework does not, however, make provision for EBTs and no distinction is made between traditional bingo and EBTs.

Although EBTs look and feel like slot machines (i.e. flashing colourful lights, changing graphics with depictions of cherries, diamonds and other icons familiar to slot players and blinking buttons), there are fundamental differences between the two games, as outlined by a study undertaken by the NGB towards the end of 2006 and beginning of 2007:

- With EBTs, players effectively play against each other by means of a linked network whereas with slot machines the players play against the machine.
- EBTs are linked to form a network whilst slot machines are entirely independent of one another and one slot machine play is not dependent on any other slot machine.
- The central Random Number Generator (RNG) in the EBT is located on a server and does not form part of the machine; it serves a number of EBTs and supplies each terminal with an identical, randomly selected sequence of numbers and a unique set of bingo cards. In slot machines the RNG which determines the outcome of the game is contained in the slot machine itself and determines its outcomes independently of any other slot machines.
- In the case of a slot machine, various combinations of symbols attract various predefined winning amounts stipulated in a pay-table whilst in EBTs the player wins only one interim prize which is the highest-ranked interim pattern.

- Unlike in the slot machine, the display on the lower cabinet of the EBT has no effect on the outcome of the game; it is there mainly for entertainment.
- EBTs always feature a progressive jackpot while a slot machine may or may not feature a progressive jackpot.
- EBTs guarantee that at least one player will win by completing the game winning pattern whilst slot machines do not guarantee any wins.

It is understood that, over the past few years, there has been a shift in the bingo industry from traditional bingo to EBTs. EBTs are currently found in bingo halls, however, as a result of the growth in the number of EBTs and bingo outlets, the casino industry regards EBTs as a threat. More specifically, the decrease in traditional bingo and even casino revenue is being attributed, correctly or incorrectly so, to the rising popularity of EBTs. A trend analysis by the NGB is indicative of the fact that there are more EBTs than traditional bingo positions with a huge potential for further roll-out of EBTs and offering of bingo to gamblers. The impact thereof on other modes in the regulated gambling industry (i.e. LPMs, casinos, traditional bingo) is, however, unknown at this stage. The NGB subsequently commissioned an in-depth economic analysis to determine the current and estimated future impact of EBTs on specifically the casino, traditional bingo and LPM sectors.

### 1.2 STUDY RATIONALE AND OBJECTIVES

The rationale for the study is to ultimately advise the Minister on the impact of the current and future roll-out of EBTs on traditional bingo, as well as on the current and estimated future roll-out of LPMs and operational gambling positions in casinos in South Africa within the context of the regulated gambling industry (national lottery modes excluded), based on an understanding of the causality and correlation of variables in the relationship between these various modes of gambling.

The purpose of this report is to present the findings of an analysis in terms of future expectations and estimates relevant to the bingo, LPM and casino sectors, including determining:

- Future projected growth in number of EBTs with a distinction made between traditional bingo and EBTs, and on what basis these decisions are made;
- Projected (future) employment estimates in the EBTs and how this may affect the bingo, LPM and casino sectors;
- Government revenue generation and opportunities for growth and potential economic benefit to licensees / operators / owners in the bingo, LPM and casino sectors (excluding national lottery);
- Future stimulation of the economy and economic benefits of EBTs as a result of existing and estimated growth in the bingo, LPM and casino sectors (excluding national lottery);
- Future estimate of household disposable income effect of increased participation in gambling in EBTs as well as legal gambling modes with specific reference to the bingo, LPM and casino sectors (excluding national lottery);
- Future estimate related to increase in household and expenditure displacements and future forecasting relative to the bingo (EBTs), LPM and casino sectors (excluding national lottery);
- Future impact of the bingo (EBTs), LPM and casino sectors on the provincial and national economy and related economic benefits and risks (excluding national lottery);
- Future competition effects of EBTs in terms of current shareholding and mergers, and impact on the bingo, LPM and casino sectors;
- Impact of existing and future corporate social investments projects in the bingo, LPM and casino sectors;
- Future estimate contribution of the bingo (EBTs), LPM and casino sectors to the GDP (excluding national lottery);
- Future impact of estimated growth of the bingo (EBTs), LPM and casino sectors on SA's economy (direct, indirect, induced, dynamic and total).

### 1.3 RESEARCH DESIGN

As emphasised by the background information and study rationale, there is a growing concern over the potential impact of current and future roll-out of EBTs on other regulated modes of gambling. This concern has been prompted by not only a trend analyses that was completed by the NGB, indicating the decline in traditional bingo seats and casino revenue while showing an increase in EBTs, but also through a position paper compiled by the Casino Association of South Africa

(CASA) in which they object towards the further roll-out of EBTs without proper regulation – as the current regulatory framework does not make provision for EBTs and no distinction is made between traditional bingo and EBTs. It is therefore important to understand the relationships (causality versus correlation) between the various modes of gambling- just because there is some form of correlation observed does not imply that it is due to causality.

**The hypothesis contemplated by the NGB is thus that the reduction in casino revenue is in all likelihood attributable to the increase in EBT gambling.**

The National Gambling Board's responsibility lies in the coordination of activities relating to the exercise of concurrent competence within the national and provincial spheres of government to establish certain uniform norms and standards, namely to ensure that members of the public who participate in any licensed gambling activity are protected, society and the economy are protected against over-stimulation of the latent demand for gambling and the licensing of gambling is transparent, fair and equitable. It is therefore imperative that the NGB understands the impact of EBTs on other modes of gambling.

The key research questions that need to be addressed are:

- To what extent can apparent internal shifts in gambling revenue/expenditure be quantified?
- Does the relationship between these trends embody correlation or causality – i.e. can one trend be attributed to another, or are they simply correlated with yet another longer external driving force?
- Do these trends represent short-term (i.e. temporary and cyclical) preferences or deeper foundational and structural shifts?
- Given the outcome of the above, how should the NGB ideally respond?

### 1.4 METHODOLOGICAL APPROACH

This report is submitted as a final phase deliverable in a three-phased approach (see figure).

This report was preceded by two deliverable reports, namely the Status Quo Report and the Primary Data Analysis Report. This report is the final deliverable in the process and is a comprehensive research report which includes aspects from the first two deliverable reports.



## PHASE 1

### STEP 1: PROJECT INITIATION

The **purpose** of the first step was to start the project through an inception meeting/preliminary workshop where specific goals, objectives, and the project approach were agreed upon. A detailed inception report

was submitted outlining the agreed-upon scope of work and secondary objectives, milestones and timeframes, methodological approach and data collection measures, project management aspects and organisation of the evaluation (key role players and agencies, key evaluation questions, performance criteria, etc.), reporting, action points, etc.



## STEP 2: STATUS QUO OF THE LEGAL GAMBLING SECTOR

The **purpose** of this step was to determine and report on the current status of the legal gambling industry, with specific reference to bingo, casino and LPM sectors, and to understand the trends and impact of trends within this industry. This step included a **desktop review** of all possible secondary information and data to develop a quantitative understanding and status quo of the legal gambling industry in South Africa. Existing/available and applicable research reports and information were identified, and were obtained from the relevant role-players. These included various research reports and audited statistics from the NGB, Statistics and research from industry associations, annual reports, statistics and research reports from the various PLAs, and well as other publically available research on the gambling industry.

In addition to the scope of work, international case studies were also undertaken to understand how EBTs are being regulated in other countries, and how certain interventions have impacted on the gambling industry. Benchmark comparisons were made, where possible, to determine the most competitive approach/policies taking into consideration support provided, and other.

In addition, interviews were also conducted with key stakeholders and role-players (including all PLAs and industry associations) to obtain a better understanding of the current situation in the gambling industry based on qualitative information; and also to fill any quantitative gaps that might exist within the existing secondary information.

The outcome of this step, and the first phase deliverable, was a Status Quo Report, based on the desktop research and qualitative interviews.

## PHASE 2

### STEP 3: ECONOMIC IMPACT ANALYSIS

The **purpose** of this step was to obtain an understanding of the potential future growth of EBTs and the potential impact on current and future projected positions in the LPM and casino sectors, based on economic analysis and modelling of future expectations and estimates. The data obtained from the previous step was analysed using both generally accepted qualitative and quantitative **analysis techniques**.

The quantitative analysis was guided by the research objectives and design of the project and complemented by the qualitative analysis.

The outcome of this step was an **economic impact analysis report**, including future expectations and estimates and potential impacts.

### STEP 4: UNDERSTANDING THE PROFILE AND PERCEPTIONS OF GAMBLERS

The **purpose** of this step was to conduct qualitative and quantitative research amongst gamblers through surveys and focus group sessions to understand the profile and perceptions of gamblers – specifically those frequenting bingo halls – and to understand the following:

- Public's perceptions on the differences and similarities between EBTs, LPMs and slot machines in casinos and the like/dislikes of these different machines
- Profile of the punters who participate in these modes of gambling and understanding their preferences (e.g. demographic profile, employment status, household income, frequency of using different modes, etc.)
- Reasons for participating in different modes (i.e. benefits and positive outcomes/experiences)
- Reasons for not participating in different modes (i.e. disadvantages and negative outcome experiences).

The outcome of this step, and the second phase deliverable, was a **primary data analysis report** detailing the future expectations and estimates and potential impacts (as per Step 3), as well as the profile and perceptions of gamblers (as per Step 4).

## PHASE 3

### STEP 5: OVERALL CONCLUSION AND RECOMMENDATIONS

This step involved consolidating information relative to the status quo, economic impact analysis and quantitative and qualitative research. The aim was to have conclusive findings on whether EBTs have an impact on traditional bingo, LPMs and casinos; and if not, the prospects of such in the future.

Recommendations were made based on the current status quo of the legal gambling industry, as well as the future estimates and projections and whether there is any room for expansion in the bingo sector and at what cost or effect to the LPM and casino sectors.



#### STEP 6: STAKEHOLDER WORKSHOP

The **purpose** of this step was to present and discuss the draft results and draft report with the Project Team through a workshop where specific results of the research objectives were discussed, and improvements/ suggestions/ recommendations/ feedback/ input were considered and taken into account.

#### STEP 7: REPORT FINALISATION AND RECOMMENDATIONS

The **purpose** of this step was to develop a comprehensive final report, with infographic maps and charts; and to finalise the project through a close-out meeting with the client.

The final deliverable, and third phase deliverable, was a final Comprehensive Research Report with conclusive findings and recommendations.

### 1.5 REPORT OUTLINE

The remainder of the report comprises the following chapters:

- Chapter 2: Overview of the Gambling Industry
- Chapter 3: Qualitative Analysis
- Chapter 4: Punter Perception Survey Results
- Chapter 5: Quantitative Analysis
- Chapter 6: Case Studies
- Chapter 7: Concluding Remarks and Recommendations

## CHAPTER 2

# OVERVIEW OF THE GAMBLING INDUSTRY

The purpose of this chapter is to provide an overview of the gambling industry, with specific reference to Electronic Bingo Terminals within the Bingo Industry, providing background and insight into the rationale behind this study.

## 2.1 PROVINCIAL LEGISLATION AND LICENSING PROCESSES

Gambling was introduced to the different provinces as a way to achieve and enhance economic growth and development through the stimulation of different sectors (e.g. tourism, retail, short-stay accommodation, restaurants and theatres). One major objective has been the creation of sustainable employment opportunities in order to uplift, advance and economically empower historically disadvantaged communities. However, there is a growing concern regarding the inconsistency of defining and regulating bingo (and more specifically EBTs) within the various provinces.

This section aims to list, analyse and compare the different components of Bingo as per province.

### 2.1.1 BINGO LICENSE REQUIREMENTS

The following bingo license requirements are discussed and outlined in this section for each of the provincial licensing authorities (where the information is available in either the provincial gambling act and regulations, licensing conditions or request for applications/proposals):

- Definition of Bingo
- Corporate Structure/Ownership
- Number of Bingo licenses
- Seats per Bingo Operation
- Bingo Equipment
- Stakes
- Issues pertaining Bingo and LPM operations
- Social responsibility and community projects
- Monitoring and control of devices
- Guarantees and payment of levies
- Prohibition of gambling by certain persons

#### 2.1.1.1 North West Gambling Board

##### A. Definition of Bingo

The gambling game known as bingo and any similar gambling game which is played with cards (including electronic screens) on which appear a set of numbers or symbols and in the course of which each player attempts to match for money, property, cheques or anything of value, all or a specified set of numbers or symbols on his or her cards to calls made by the operator and includes any similar gambling game operated in whole or in part by electronic means.

##### B. Corporate Structure/Ownership

Bingo Operator license must be operated by a company or corporation registered in the Republic of South Africa and must have at least sixty percent (60%) shareholding by Local Previously Disadvantaged Individuals (PDIs), of which 35% shall be held by Black women, with full exercisable voting rights and economic interest.

##### C. Number of Bingo licenses

The number of bingo licenses and geographical distribution is limited to the following:

- Bojanala Platinum- 1
- Ngaka Modiri Molema- 1
- Dr Kenneth Kaunda- 2
- Dr Ruth Mompati- 1

##### D. Seats per Bingo Operation

Minimum- 50 Seats, Maximum- 150 Seats

An applicant for a Bingo license which provides for a number of seats in excess of 150 but limited to 300 seats must furnish motivation to the Board why such a number of seats would be appropriate for licensing in a particular area within a specific district municipality.

##### E. Bingo Equipment

The game of Bingo shall be played using cards, and such devices or equipment as may be approved by the





Board from time to time. All gambling equipment shall be supplied and maintained by licensed manufactures, suppliers and distributors.

#### **F. Stakes**

The maximum amount, including participation fee, which may be charged to participate in a game of Bingo, shall be subject to approval by the Board.

#### **G. Issues pertaining Bingo and LPM operations**

The Board acknowledges that Bingo Operations may co-exist with Limited Pay-out Machines.

It is therefore acceptable for a Bingo Operator to apply for a Limited Payout Machine site license, as provided in terms of the Act, read with the Regulations. Bingo Operators are, however, limited to hold interest in not more than five (5) Limited Payout Machine Operations of either a Type A or a Type B.

#### **H. Social responsibility and community projects**

The Board acknowledges the lack of infrastructure and the need for social or community development projects in the Province and therefore expects Bingo Operators to make available at least one percent (1%) of their gross gambling revenue (GGR) to specific projects, in line with Government Medium Term Strategic Framework objectives and priorities within the Province in this regard.

#### **I. Monitoring and control of devices**

Monitoring and control of Bingo gambling devices include that the computer system will comply with the minimum specifications of the Board and that testing and certification of such a system by the NRCS in terms of SANS shall be required, and that an electronic link facility for linking the Bingo computer system with the offices of the Board be installed, at the cost of the operator.

#### **J. Guarantees and payment of levies**

The Bingo Operator must provide the Board with guarantees amounting to 50% of three months proposed Gross Gaming Revenue (GGR), within three (3) months after granting of the license and before commencement of the Bingo operations, to cover its liabilities in relation to gambling levies in case of failure to activate the license, as well as providing cover for debts flowing from its operations, including future pay-outs.

It will be the responsibility of the Bingo Operator to pay levies, calculated on gross gambling revenue in accordance with the prescribed formula, to the Board within the specified time frame, as indicated in Regulation 134.

#### **K. Prohibition of gambling by certain persons**

A person under the age of eighteen (18) years shall not apply for a Bingo license, or enter any licensed premises, unless a specific area has been demarcated for betting purposes. In such cases, a licensee or employee of such licensee may not permit any person who is under the age of eighteen (18) years to enter or remain in the designated area.

##### **2.1.1.2 Mpumalanga Economic Regulator**

#### **A. Definition of Bingo**

A game played in whole or in part by electronic means

(a) that is played for consideration, using cards or other devices –

(i) that are divided into spaces each of which bears a different number, picture or symbol; and

(ii) with numbers, pictures or symbols arranged randomly such that each card or similar device contains a unique set of numbers, pictures or symbols;

(b) in which an operator or announcer calls or displays a series of numbers, pictures or symbols in random order and the players match each such number, picture or symbol on the card or device as it is called or displayed; and

(c) in which the player who is first to match all the spaces on the card or device, or who matches a specified set of numbers, pictures or symbols on the card or device, wins a prize, or any other substantially similar game declared to be bingo in terms of section 6(4) of the National Gambling Act.

#### **B. Corporate Structure/Ownership**

The bingo centre must be owned and operated by a company (other than a state-owned company), registered in the Republic of South Africa and proof that the applicant is a company, duly incorporated in terms of the Companies Act, No. 71 of 2008 must be provided;

Local BEE Ownership of at least **40% in the applicant**. The Local BEE shareholders may only dispose of their shareholding (which can only happen after one year of operation of the bingo centre), if such disposal does not negatively impact on the local empowerment status of the licensee.

### C. Number of Bingo licenses

The Board resolved that proposals for 8 additional bingo centres be invited in terms of this RFP.

Therefore, a total of **10 licenses may be operational in the Province**, at the conclusion of the process determined in this RFP. Furthermore, **a shareholder is not allowed to hold a direct or indirect interest** in more than three of the ten licenses.

Bingo operator licenses must be spread geographically to all areas of the Province, as far as possible (number per district is not specified).

### D. Seats per Bingo Operation

The number of seats per bingo centre shall be a minimum of 50 gambling positions and a maximum of 350 gambling positions.

### E. Bingo Equipment

No information available

### F. Stakes

No information available

### G. Issues pertaining Bingo and LPM operations

No information available

### H. Social responsibility and community projects

Socio-economic development initiatives and sector specific contributions will be considered and full details must be provided, including corporate social investment (CSI), including strategies for the promotion of local B-BBEE with regard to socio-economic development initiatives.

Proposals with less than one percent of gross gambling revenue for CSI purposes will score zero points under sub-section 10.1 of the Evaluation Matrix.

### I. Monitoring and control of devices

The licensee shall have a bingo server and an electronic monitoring system, certified in terms of applicable

South African National Standards (SANS) and approved by the Board, with access to the system provided and maintained for the Board, as required by the Board from time to time, at the cost of the licensee.

### J. Guarantees and payment of levies

The guarantees shall be maintained at such levels as may be determined by the Board from time to time. The licensee shall provide to the Board guarantees, as determined by the Board from time to time, for its liabilities in relation to:

- a) gambling levies payable, and
- b) gambling debt payable by the licensee.

### K. Prohibition of gambling by certain persons

The licensee shall on a continuous basis, satisfy the Board of sufficient measures taken to ensure that persons under the age of 18 years are not allowed access or to remain on the designated area, approved by the Board from time to time.

#### 2.1.1.3 Gauteng Gambling Board

### A. Definition of Bingo

A game played in whole or in part by electronic means

- (a) that is played for consideration, using cards or other devices –
  - (i) that are divided into spaces each of which bears a different number, picture or symbol; and
  - (ii) with numbers, pictures or symbols arranged randomly such that each card or similar device contains a unique set of numbers, pictures or symbols;
- (b) in which an operator or announcer calls or displays a series of numbers, pictures or symbols in random order and the players match each such number, picture or symbol on the card or device as it is called or displayed; and
- (c) in which the player who is first to match all the spaces on the card or device, or who matches a specified set of numbers, pictures or symbols on the card or device, wins a prize, or any other substantially similar game declared to be bingo in terms of section 6(4) of the National Gambling Act.

### B. Corporate Structure/Ownership

No details/requirements in terms of corporate structure/ownership.





### C. Number of Bingo licenses

No details/restrictions in terms of number of bingo licenses.

### D. Seats per Bingo Operation

Every applicant for a Bingo operator license shall submit to the Board, for approval, a detailed floor plan, drawn to scale, of the premises on which the game of Bingo is to be conducted, on which plan shall be indicated the seating arrangement for the players, as well as the placement of all necessary equipment. No limit on the number of seats.

### E. Bingo Equipment

A licensee shall not keep or expose for play any equipment which may be used in the operation of a bingo game other than equipment which-

- (a) is identical in all material respects to equipment approved by the board for distribution by the manufacturer or supplier; and
- (b) in the case of such equipment as the board may determine, has on application in the manner and form determined by the board, been separately registered by the board.

(1A) The approval granted by the Board in respect of electronic gaming equipment in terms of sub-regulation (1) shall be valid for a period of 7 (seven) years from date of approval: Provided that any approval granted prior to this sub-regulation shall be valid for a period of 7 (seven) years from date of publication of the regulation: Provided further that the Board may extend the period of 7 (seven) years if deemed appropriate in the circumstances.

(2) A licensee may at any time prior to the lapse of approval and registration, in the manner and form determined by the Board, apply for the deregistration of equipment registered in terms of sub-regulation.

### F. Stakes

The maximum amount, including participation fee, which may be charged to participate in a game of bingo, shall be as determined in the license. A bingo game shall render a theoretical and demonstrable return to players of not less than sixty five percent.

### G. Issues pertaining Bingo and LPM operations

No information available

### H. Social responsibility and community projects

No information available

### I. Monitoring and control of devices

It is a condition precedent of this invitation that all licensees will have to implement an electronic monitoring system, which has been approved by the Board, over the bingo operation e.g. tickets in play, turnovers, prizes, taxes etc.

### J. Guarantees and payment of levies

No information available

### K. Prohibition of gambling by certain persons

No information available

#### 2.1.1.4 KwaZulu-Natal Gambling and Betting Board

#### A. Definition of Bingo

A game played in whole or in part by electronic means

- (a) that is played for consideration, using cards or other devices –
  - (i) that are divided into spaces each of which bears a different number, picture or symbol; and
  - (ii) with numbers, pictures or symbols arranged randomly such that each card or similar device contains a unique set of numbers, pictures or symbols;
- (b) in which an operator or announcer calls or displays a series of numbers, pictures or symbols in random order and the players match each such number, picture or symbol on the card or device as it is called or displayed; and
- (c) in which the player who is first to match all the spaces on the card or device, or who matches a specified set of numbers, pictures or symbols on the card or device, wins a prize, or any other substantially similar game declared to be bingo in terms of section 6(4) of the National Gambling Act.

KZNGBB Gaming Rules 2013 document further records the definition of 'bingo operator' and 'bingo equipment'.

#### B. Corporate Structure/Ownership

Required organisational structure:

- Operations;
- Security;

- Compliance;
- (Internal Audit;
- (Electronic Data Processing / Information Technology; and
- Accounts/Treasury.

### C. Number of Bingo licenses

No details/restrictions in terms of number of bingo licenses

### D. Seats per Bingo Operation

No details/restrictions in terms of number of seats per bingo operation/license

### E. Bingo Equipment

Every licensee must ensure that the bingo hall meets the requirements as set out in the Board's Minimum Internal Control Standards and Procedures.

The game of bingo must be played using **cards or other such device** which meet the Board's Minimum Internal Control Standards and Procedures.

Electronic **cards** used to play bingo must be approved by the Board.

### F. Stakes

No details regarding minimum and maximum stakes

### G. Issues pertaining Bingo and LPM operations

No information available

### H. Social responsibility and community projects

No information available

### I. Monitoring and control of devices

Each operator must have a computer system (application for approval of system is necessary) linked to the control desk on which must be recorded, simultaneously with the playing of each game using bingo cards, all information relevant to each game of bingo as prescribed in the Board's Minimum Internal Control Standards and Procedures.

Each operator must have a computer on which must be recorded, simultaneously with the playing of each bingo game using electronic bingo cards or other devices.

The information recorded in terms of Rules 20.6.1 and 20.6.2 must be stored in electronic format for a minimum of five (5) years after completion of each game.

### J. Guarantees and payment of levies

No information available

### K. Prohibition of gambling by certain persons

Display clear and visible notices instructing that "No person under the age of 18 may participate in or win a prize in a bingo game or enter the bingo hall", or similar notice prohibiting persons under the age of 18 from being in a bingo hall or participating in a bingo game.

#### 2.1.1.5 Limpopo Gambling Board

### A. Definition of Bingo

"bingo" means a game, including a game played in whole or in part by electronic means-

- (a) that is played for consideration, using cards or other devices (whether electronic or otherwise)-
  - (i) that are divided into spaces, each of which bears a different number, picture or symbol; or
  - (ii) with numbers, pictures or symbols arranged randomly such that each card or device contains a unique set of numbers, pictures or symbols;
- (b) in which either-
  - (i) an operator or announcer calls or displays a series of numbers, pictures or symbols in random order and the players match each such number, picture or symbol to numbers, pictures or symbols appearing on the card or device as such series is called or displayed; or
  - (ii) an electronic or similar device generates and displays a series of numbers, pictures or symbols and then, on behalf of the players, matches each such number, picture or symbol to the numbers, pictures or symbols appearing on the electronic card or other similar device after such number picture or symbol is generated or displayed; and
- (c) in which either-
  - (i) the player who is first to match all the spaces on the card or other similar device, or who matches a specified set of numbers, pictures or symbols on the card or device, wins a prize; or



- (ii) the player on whose behalf the electronic or similar device referred to in paragraph (b)(ii) first matched all the spaces on the card or similar device, or matches a specified set of numbers, pictures and symbols on the electronic card or similar device, wins a prize or more than one prize;

or any other substantially similar game declared to be bingo in terms of section 49(6) of the Limpopo Gambling Act.

#### **B. Corporate Structure/Ownership**

No information available

#### **C. Number of Bingo licenses**

No information available

#### **D. Seats per Bingo Operation**

No information available

#### **E. Bingo Equipment**

No information available

#### **F. Stakes**

No information available

#### **G. Issues pertaining Bingo and LPM operations**

No information available

#### **H. Social responsibility and community projects**

No information available

#### **I. Monitoring and control of devices**

No information available

#### **J. Guarantees and payment of levies**

The gaming levy payable in terms of section 54 of the Act, shall be paid at the rate of eight per cent of the licensee's bingo revenue.

#### **K. Prohibition of gambling by certain persons**

No information available

### **2.1.1.6 Eastern Cape Gambling and Betting Board**

#### **A. Definition of Bingo**

A game played in whole or in part by electronic means

- (a) that is played for consideration, using cards or other devices –
  - (i) that are divided into spaces each of which bears a different number, picture or symbol; and
  - (ii) with numbers, pictures or symbols arranged randomly such that each card or similar device contains a unique set of numbers, pictures or symbols;
- (b) in which an operator or announcer calls or displays a series of numbers, pictures or symbols in random order and the players match each such number, picture or symbol on the card or device as it is called or displayed; and
- (c) in which the player who is first to match all the spaces on the card or device, or who matches a specified set of numbers, pictures or symbols on the card or device, wins a prize, or any other substantially similar game declared to be bingo in terms of section 6(4) of the National Gambling Act

ECGBB Bingo Rules document further records the definition of 'bingo card', 'bingo hall', 'bingo license holder', 'central bingo hall'.

#### **B. Corporate Structure/Ownership**

Required organisational structure:

- An internal audit department,
- An information technology (IT)/Technical department
- A security department
- A bingo operations department
- A bingo accounting department or treasury

#### **C. Number of Bingo licenses**

No details/restrictions in terms of number of bingo licenses

#### **D. Seats per Bingo Operation**

No details/restrictions in terms of number of seats per bingo operation/license

## E. Bingo Equipment

Have equipment, for conducting the game of bingo, of the type and format of bingo approved by the Board, inclusive of and contain:

- any cards or other devices to be used and the types of prizes and jackpots and the manner in which it may be won.
- a random number, picture or symbol selecting device or some other similar device approved by the Board, which shall operate either electronically or mechanically whereby the numbers, pictures or symbols drawn must be either called, displayed or distributed to the players.

## F. Stakes

No information available

## G. Issues pertaining Bingo and LPM operations

In the case of a casino having authority to conduct the game of bingo, such casino shall have a separate department contemplated in sub-rule A.6.2(d) while the functions of the departments contemplated in sub-rules A.6.2(a), A.6.2(b), A.6.2 (c), and A.6.2(e) shall be performed by the relevant department in the casino which performs those functions.

## H. Social responsibility and community projects

No information available

## I. Monitoring and control of devices

Each operator shall have a computer system or electronic recording device, approved by the Board, in which

shall be recorded, simultaneously with the playing of each game, all information relevant to each game of **traditional bingo**.

The Electronic Player Terminals (EPTs) or any other operating systems or device to be utilised for bingo game **must be compatible to be interfaced with a CMCS utilized to monitor and control EPTs** or any other operating systems or device to be utilized for bingo game's data and functionalities.

The EPTs or any device as approved by the Board utilized for bingo game operators implement any computerised on-line central monitoring and control system (CMCS) capable of meeting with the Board's requirements.

## J. Guarantees and payment of levies

No information available

## K. Prohibition of gambling by certain persons

Display clear and visible notices instructing that "No person under the age of 18 may participate in or win a prize in a bingo game or enter the bingo hall", or similar notice prohibiting persons under the age of 18 from being in a bingo hall or participating in a bingo game.

### 2.1.2 ASSESSMENT CRITERIA

Application documentation, prepared in accordance with the requirements of the documents cited, must be submitted to the various provincial boards for assessment. The following table lists the different assessment criteria for Bingo license applicants in the provinces of North West, Mpumalanga, Gauteng KwaZulu-Natal, Limpopo and Eastern Cape.

**Table 2.1: Summary of Provincial Bingo License Assessment Criteria**

Assessment Criteria	North West	Mpumalanga	Gauteng	KwaZulu-Natal	Limpopo	Eastern Cape
Location of the proposed project (e.g. locality, zoning, etc.)			x	x		x
Project concept		x	x	x		x
Suitability and management competence	x	x	x			
Viability of financing of project	x	x	x	x		



Assessment Criteria	North West	Mpumalanga	Gauteng	KwaZulu-Natal	Limpopo	Eastern Cape
Empowerment, economic and community benefits (employment opportunities, positive social impact, etc.)	x	x	x	x		
Socio-economic development and sector specific contributions	x	x		x		
Training & skills development	x	x		x		
Investment and/or construction		x		x		
Ownership (preferential procurement and enterprise development)	x	x	x	x		
Perceived risks and uncertainties/safety and security measures	x	x		x		

From the preceding outline of provincial legislation, licensing requirements and assessment criteria it is clear that there are significant inconsistencies amongst the various provinces and a definite disconnect in terms of reporting.

## 2.2 MARKET SUPPLY AND KEY ROLEPLAYERS

Of the nine provinces in South Africa, bingo has been rolled out in six provinces namely Gauteng, Mpumalanga, Limpopo, North West, Eastern Cape and KwaZulu-Natal in FY2018/19. The bingo operators that are operational in South Africa are Galaxy Bingo in Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North West and Eastern Cape; Goldrush in Gauteng, KwaZulu-Natal, Limpopo, North West and Eastern Cape; Great Bingo in KwaZulu-Natal and Mpumalanga, Vegas Bingo in Limpopo and North West, Viva Bingo in Mpumalanga, and Boss Gaming in Eastern Cape as reflected in Table 2.2 below.

**Table 2.2: Licensed operational bingo operators per province (FY2018/19), as at 31 March 2019**

Province	Names of licensed bingo operators	Total number, as at 31 March 2019
Gauteng	Galaxy Bingo, Goldrush	2
Western Cape	N/A	-
KwaZulu-Natal	Galaxy Bingo, Goldrush, Great Bingo	3
Mpumalanga	Galaxy Bingo, Great Bingo, Viva Bingo	3
Limpopo	Galaxy Bingo, Goldrush, Vegas Bingo, Star Bingo	4
North West	Galaxy Bingo, Goldrush, Vegas Bingo	3
Northern Cape	N/A	-
Eastern Cape	Galaxy Bingo, Goldrush, Boss Gaming	3
Free State	N/A	-

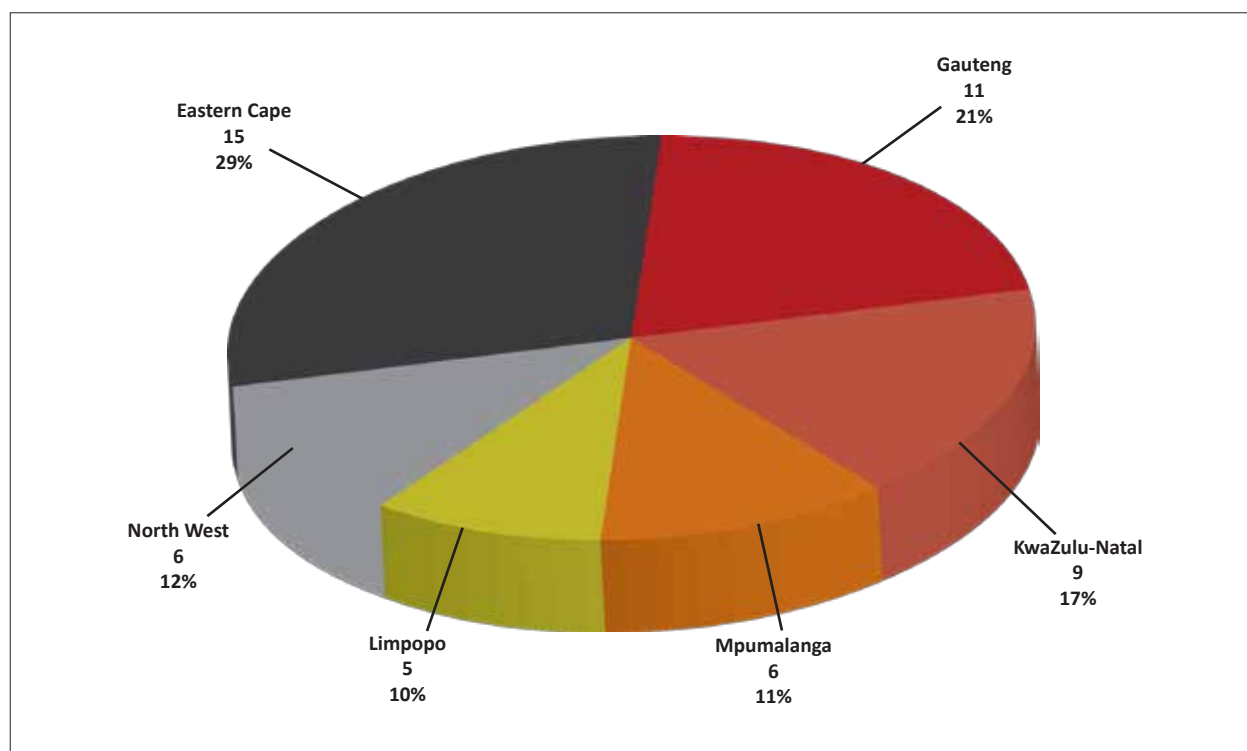
Source: Gambling Sector Performance South Africa, National Gambling Board, 2019

A total number of 52 (out of 56 licensed) bingo halls were operational as at 31 March 2019 of which 11 were operational in Gauteng, 15 in Eastern Cape, 9 in KwaZulu-Natal, 6 in North West, 6 in Mpumalanga and 5 in Limpopo, as reflected in Figure 2.1 and Table 2.3. Gauteng accounted for the highest number of licensed operational bingo positions or seats totaling 2 981 (34.6%) out of a national figure of 8 610 licensed operational positions in FY2018/19 as at 31 March 2019, compared to Eastern Cape (2 206, 25.6%), KwaZulu-Natal (1 173, 13.6%), Mpumalanga (614, 7.1%), North West (834, 9.7%) and Limpopo (802, 9.3%).

Overall, more EBTs (7 391) were operational than traditional bingo positions or seats (1 219) as at

31 March 2019. The number of operational bingo positions increased by 31.3% from FY2016/17 (6 497) to FY2017/18 (8 520), but growth slowed down to a mere 1.1% from FY2017/18 to in FY2018/19 (8 610). The slowing down of growth might be a result of a decline in the number of operational bingo positions in Gauteng and Mpumalanga, and only slight increases in KwaZulu-Natal, Limpopo and Eastern Cape (refer to Figure 2.2). It is important to note that as at 31 March 2019, more EBTs than traditional bingo seats were operational in all provinces offering bingo for play. No traditional bingo seats were operational in Mpumalanga and Eastern Cape as at 31 March 2019.

**Figure 2.1: Number of operational bingo outlets per province (FY2018/19) as at 31 March 2019**



Source: Gambling Sector Performance South Africa, National Gambling Board, 2019



**Table 2.3: Number of licensed operational bingo outlets and positions (FY2016/17-FY2018/19)**

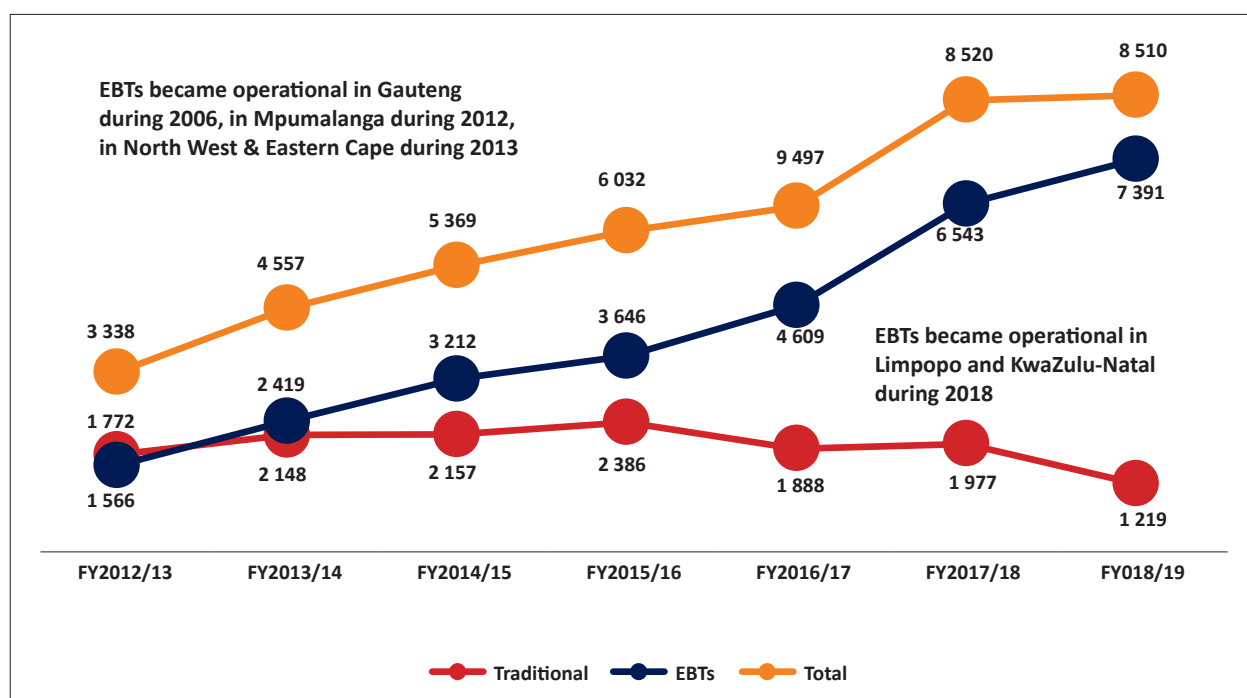
FY	Bingo	GP	WC	KZN	MP	LP	NW	NC	EC	FS	Total
FY2016/17	Number of licensed bingo outlets	11 22.4%	N/A	17 34.7%	2 4.1%	N/A	4 8.2%	N/A	15 30.6%	N/A	49 100%
	Number of licensed operational bingo halls/outlets	11 29.7%	N/A	6 16.2%	2 5.4%	N/A	4 10.8%	N/A	14 37.8%	N/A	37 100%
	No of licensed bingo seats (traditional)	N/A	N/A	2 604	217	N/A	113	N/A	0	N/A	N/A
	No of licensed operational bingo seats (traditional)	926 49.0%	N/A	690 36.5%	159 8.4%	N/A	113 6.0%	N/A	0	N/A	1 888 100%
	No of licensed electronic bingo terminals	N/A	N/A	0	180	N/A	567	N/A	2 000	N/A	N/A
	No of licensed operational electronic bingo terminals	1 930 41.9%	N/A	0	170 3.7%	N/A	521 11.3%	N/A	1 988 43.1	N/A	4 609 100%
	No of licensed bingo seats (traditional and EBTs)	5 216 47.9%	N/A	2 604 23.9%	397 3.6%	N/A	680 6.2%	N/A	2 000 18.4%	N/A	10 897 100%
	No of licensed operational bingo seats (traditional and EBTs)	2 856 44.0%	N/A	690 10.6%	329 5.1%	N/A	634 9.8%	N/A	1 988 30.6%	N/A	6 497 100%
FY2017/18	Number of licensed bingo outlets	11 20.4%	N/A	7 13.0%	8 14.8%	7 13.0%	6 11.1%	N/A	15 27.8%	N/A	54 100%
	Number of licensed operational bingo halls/outlets	11 22.0%	N/A	7 14.0%	6 12.0%	5 10.0%	6 12.0%	N/A	15 30.0%	N/A	50 100%
	No of licensed bingo seats (traditional)	N/A	N/A	N/A	162	132	113	N/A	0	N/A	N/A
	No of licensed operational bingo seats (traditional)	659 33.3%	N/A	1 073 54.3%	52 2.6%	80 4.0%	113 5.7	N/A	0	N/A	1 977 100%
	No of licensed electronic bingo terminals	N/A	N/A	N/A	947	749	767	N/A	2 660	N/A	N/A
	No of licensed operational electronic bingo terminals	2 415 36.9%	N/A	90 1.4%	617 9.4%	510 7.8%	721 11.0%	N/A	2 190 33.5%	N/A	6 543 100%
	No of licensed bingo seats (traditional and EBTs)	5 275 37.7%	N/A	3 184 22.8%	1 109 7.9%	881 6.3%	880 6.3%	N/A	2 660 19.0%	N/A	13 989 100%
	No of licensed operational bingo seats (traditional and EBTs)	3 074 36.1%	N/A	1 163 13.7%	669 7.9%	590 6.9%	834 9.8%	N/A	2 190 25.7%	N/A	8 520 100%



FY	Bingo	GP	WC	KZN	MP	LP	NW	NC	EC	FS	Total
FY2018/19	Number of licensed bingo outlets	11 19.6%	N/A	9 16.1%	8 14.3%	7 12.5%	6 10.7%	N/A	15 26.8%	N/A	56 100%
	Number of licensed operational bingo halls/outlets	11 21.2%	N/A	9 17.3%	6 11.5%	5 9.6%	6 11.5%	N/A	15 28.8%	N/A	52 100%
	No of licensed bingo seats (traditional)	N/A	N/A	N/A	62	132	113	N/A	0	N/A	N/A
	No of licensed operational bingo seats (traditional)	564 46.3%	N/A	462 37.9%	0	80 6.6%	113 9.3%	N/A	0	N/A	1 219 100%
	No of licensed electronic bingo terminals	N/A	N/A	N/A	947	961	767	N/A	2 660	N/A	N/A
	No of licensed operational electronic bingo terminals	2 417 32.7%	N/A	711 9.6%	614 8.3%	722 9.8%	721 9.8%	N/A	2 206 29.8%	N/A	7 391 100%
	No of licensed bingo seats (traditional and EBTs)	5 287	N/A	N/A	1 009	1 093	880	N/A	2 660	N/A	N/A
	No of licensed operational bingo seats (traditional and EBTs)	2 981 34.6%	N/A	1 173 13.6%	614 7.1%	802 9.3%	834 9.7%	N/A	2 206 25.6%	N/A	8 610 100%

Source: Gambling Sector Performance South Africa, National Gambling Board, 2019

Figure 2.2: Increase in the number of operational traditional bingo positions versus operational EBTs from FY2012/13 to FY2018/19



Source: Gambling Sector Performance South Africa, National Gambling Board, 2019





## 2.3 SHAREHOLDING & OWNERSHIP

Goldrush and Galaxy Bingo are the two most prominent licensed bingo operators within the bingo industry, with both operators being active in the six provinces that have rolled-out bingo licenses. Goldrush is owned by

RECM and Calibre Limited, while Galaxy Bingo is owned by Niveus Investments, a wholly owned subsidiary of Hosken Consolidated Investments Ltd (HCI).

The controlling shareholders within the Bingo sector are presented in Table 2.4 below.

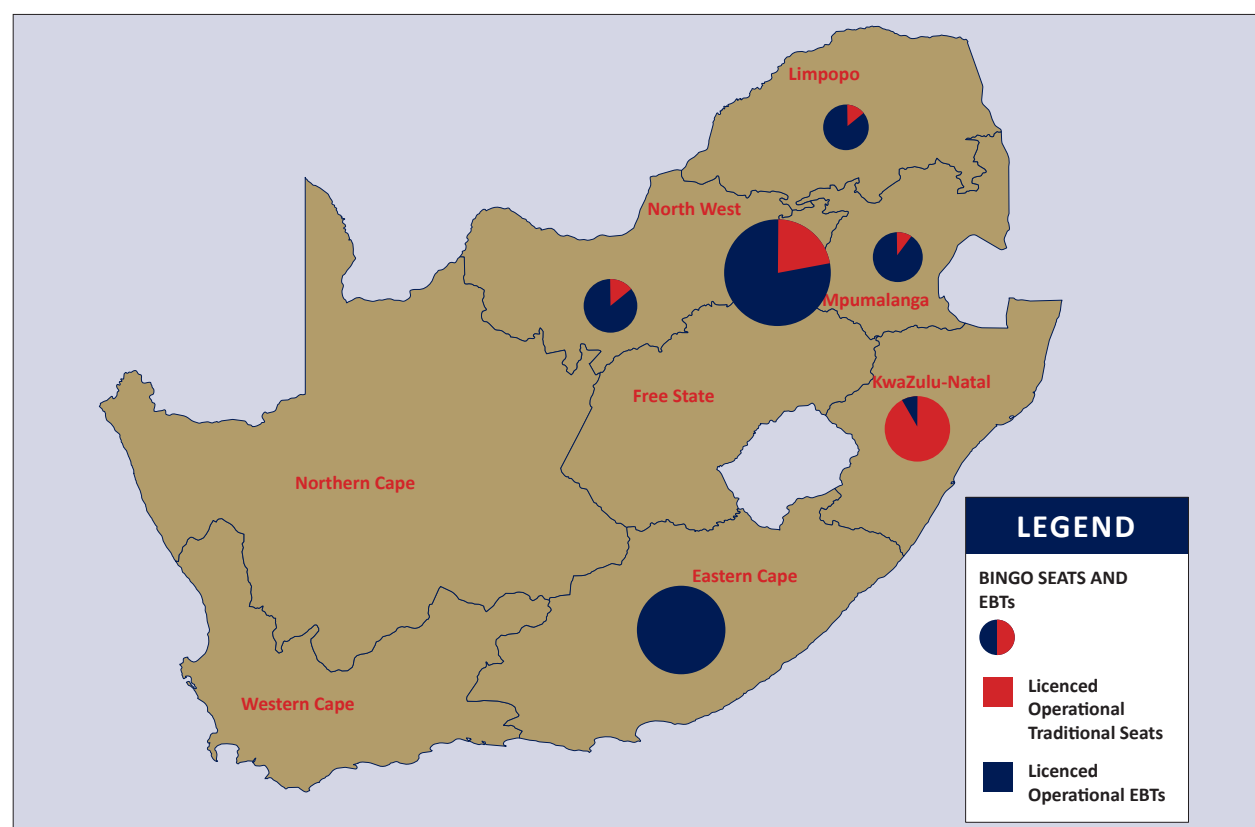
**Table 2.4: Controlling shareholders in the Bingo Sector**

Controlling shareholders	Names of licensed bingo operators
RECM and Calibre Limited	Goldrush Bingo (North West, Mpumalanga, Eastern Cape, KwaZulu-Natal, Limpopo, Gauteng); Boss Gaming (Eastern Cape)
Niveus Investments/ HCI	Galaxy Bingo (North West, Mpumalanga, Eastern Cape, KwaZulu-Natal, Limpopo, Gauteng)
Mr P Shabalala	Great bingo (Mpumalanga, KwaZulu-Natal)
African Pioneer Group	Pioneer Bingo (North West)
Eliocube Pty Ltd	Eliocube (North West)
Vegas Bingo	Vegas Bingo (Limpopo)

## 2.4 GEOGRAPHICAL SPREAD

Map 2.1 presents the geographical spread of licensed operational bingo seats (traditional and EBTs) across South Africa (based on 2019 audited statistics). From the map it is clear that Gauteng has the largest supply of bingo positions followed by Eastern Cape, and KwaZulu-Natal. It is also clear that EBTs outnumber traditional bingo positions in all the provinces offering, with the exception of KwaZulu-Natal where traditional bingo still outweighs EBTs.

**Map 2.1: Market supply: Licensed operational traditional bingo seats vs EBTs**



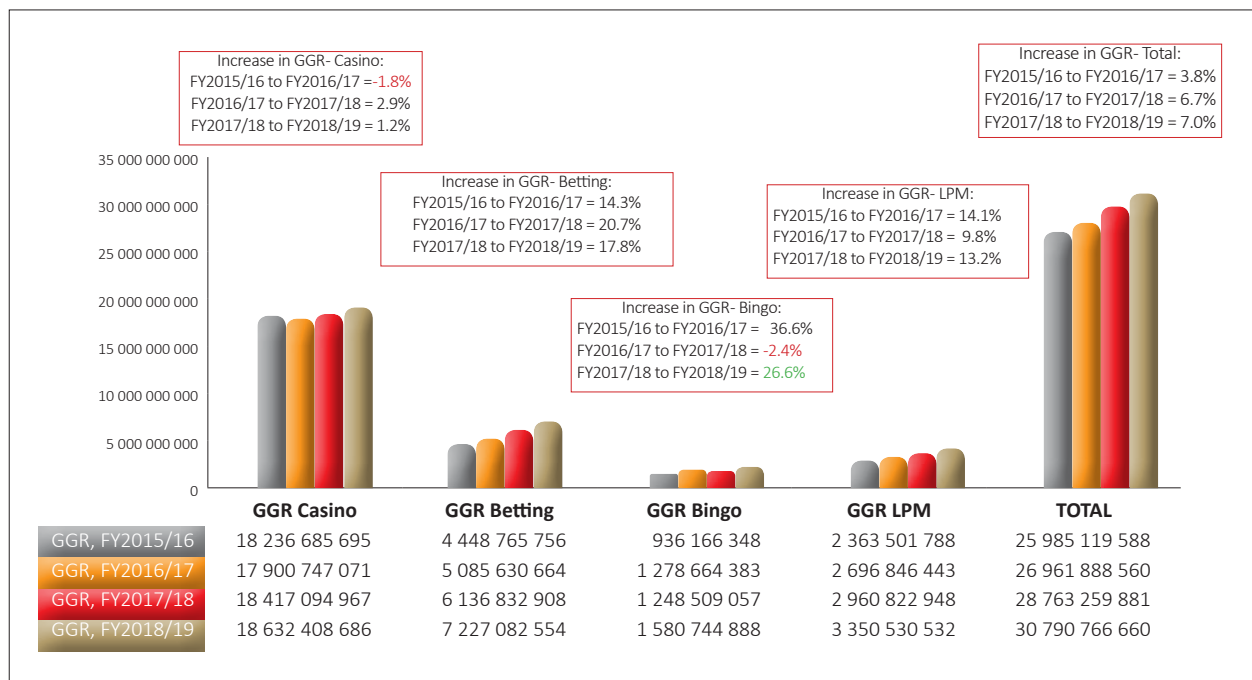
## 2.5 GROSS GAMBLING REVENUE TRENDS

Figure 2.3 illustrates the trends in GGR growth in all gambling modes between FY2015/19 to FY2018/19.

Analysis of GGR and gambling positions per gambling mode during the period FY2015/16 to FY2018/19 reflected the following growth and trends:

- In terms of the generation of GGR, positive growth in GGR has been recorded in all gambling modes, whereas the highest increase in GGR for the last financial year was noted in the bingo sector (26.6% from FY2017/18 to FY2018/19) followed by the betting sector (by 17.8% from FY2017/18 to FY2018/19) specifically as a result of betting on sports as offered by bookmakers. For the LPM sector an increase by 13.2% was reflected during the same period.
- The highest growth (increase) in GGR generated per province was noted in Limpopo (by 23.4% from FY2017/18 to FY2018/19), followed by KwaZulu-Natal (by 19.7%) and Mpumalanga (by 14.1%) during the same period. Negative growth in GGR was recorded in North West and Northern Cape.
- The highest increase in gambling positions was recorded in the LPM sector i.e. an increase by 9.6% in the number of active LPMs from 11 896 in FY2017/18 to 13 034 in FY2018/19. No substantial growth in the number of operational bingo positions was recorded, whereas negative growth in the number of operational gambling positions in casinos was noted.
- An ongoing substantial decrease was noted in the number of traditional bingo positions, whereas substantial continuous growth was noted in the number of EBTs.

**Figure 2.3: GGR Trends in all Gambling Modes (FY2015/16 – FY2018/19)**



Source: Gambling Sector Performance South Africa, National Gambling Board, 2019



## 2.6 FINDINGS AND CONCLUDING REMARKS

From the preceding overview of the gambling industry, the following key remarks/findings can be made:

- Provincial legislation, licensing requirements and assessment criteria indicate that there are significant inconsistencies amongst the various provinces and a definite disconnect in terms of reporting.
- The growth of operational EBT positions recorded high growth at certain time periods over the past decade or so – especially during the years when EBTs became operational in different provinces. Overall, it is thus obvious that the overall growth in EBTs would be high.
- The growth in operational EBT positions can be expected to again record high growth rates should the remaining three provinces also introduce EBTs.

The preceding trends are based on nominal growth and to enable a comparative analyses and to ultimately test the hypothesis that EBTs are the cause of decreased revenue in other modes, it is firstly necessary to convert the current or nominal revenue statistics to constant or real. This will enable an analysis of trends taking into account economic realities like national economic growth as well as the effect of inflation. Secondly, it is necessary to take into account internal factors and trends, specifically within the different modes of gambling. Ultimately, it is then necessary to understand which trends correlates and/or what is causality.

The following section will investigate how different role players and stakeholders view the impact of EBTs based on primary qualitative research. Thereafter a quantitative analysis is done of the real GGR trends within the gambling industry.

## CHAPTER 3

# QUALITATIVE ANALYSIS

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The focus of this section is to understand how the bingo industry is regulated in the various provinces and which licensing conditions exist, as to ascertain whether the introduction of EBTs has changed the bingo industry and whether this has had any impact on the other regulated modes of gambling. This section is based on qualitative interviews conducted with the various PLAs that have rolled out bingo licenses in their areas of jurisdiction.

### 3.1 LICENSING CONDITIONS

One of the PLAs interviewed indicated that when they issued the Request for Applications (RFA) for bingo licenses, they decided to only license bingo operations in areas where they will not affect current casino revenue (based on some provinces' experience with casinos opposing bingo licenses). Although it is not the PLA's mandate to protect one business from another, it was indicated by the respective PLA that they have to take into account the resources that casinos put in to be operational and if these operations are not profitable/sustainable it becomes a major issue and can have a definite impact on, *inter alia*, employment.

### 3.2 PERCEIVED IMPACT OF BINGO ON OTHER MODES OF GAMBLING

The PLAs interviewed indicated that they believed that bingo operations have the biggest impact on the casino industry as they are closer to the community (proximity) and therefore easily accessible, whilst casinos are sparsely located and not easily accessible to everyone, especially those located far from existing casinos.

In contrast, however, and based on the Gambling Commission Review Report of 2010 whereby they recommend that EBTs be banned, one industry association believes that EBTs and bingo has no major impact or effect on the casino industry. In a presentation made by the industry association in 2011, it was suggested that casinos' fears of competition from bingo operators (even if it were well-founded, but which they believe are not) provides no rational or lawful basis to ban EBTs. In the presentation, this industry association quotes the Constitution in protecting competition as being in the public welfare:

*"Any form of competition will pose a threat to a rival business. However, not all competition or interference with property interests will constitute unlawful competition... The Bill of Rights does not expressly promote competition principles, but the right to freedom of trade, enshrined in section 22 of the Constitution is, in my view, consistent with a competitive regime in matters of trade and the recognition of the protection of competition as being in the public welfare."*

This industry association further motivates that all existing casino licenses allow for EBTs to be installed and operated at a casino site- e.g. it was stated that a certain casino obtained approval to install in excess of 100 bingo seats, but chose not to implement any form of bingo; thus demonstrating that EBTs are not as lucrative as the casino games and slots machines.

Another industry association indicated that, although they believe that EBTs have an impact on the casino industry, it is more related to the fact that bingo licenses do not have the same strict license conditions than casinos. This industry association indicated that the biggest threat to the casino industry (and any other form of regulated gambling) is rather online and illegal gambling.

The issues of causation versus causality are complex, and it would be equally inappropriate to simply relate the performances of two market segments purely on competition considerations between the two. In view of competition considerations raised, it is worth considering the flipside of the coin, i.e. protectionism. More specifically, in the face of structural market changes, protectionism tends to be ineffective in protecting a receding industry/market segment.

### 3.3 LIMITATIONS ON NUMBER OF BINGO SEATS PER SITE

Upon submission of licensing applications, applicants indicate the number of bingo seats they intend to operate and should their application be granted, that number becomes a maximum number. However, the PLAs made a provision for licensees to increase or decrease bingo seats as reflected in the license conditions, subject to sufficient and acceptable motivation. For example, a bingo license might allow for a maximum of 400 seats,



but more seats could be allowed if sufficient motivation is made.

A certain industry association indicated that they support the recommendation made by the GRC that it would be appropriate for limits to be placed on the number of bingo licenses and seats per province. This industry association also stated that they propose national norms and standards be issued dealing with total number of bingo licenses to be rolled-out in each province, the provincial allocation of licenses and the total number of seats / gaming positions per license.

### **3.4 COMPLAINTS AGAINST EBTs FROM OTHER MODES OF GAMBLING**

One of the PLAs interviewed indicated that they currently have cases under sub-judicare, whereby the applicants are contesting the issuing of bingo licenses in specific geographical areas.

Another PLA indicated that although they have not received any major complaints in their province, they know of the cases in other Provinces, and it was based on this that they decided not to license bingo operations within close proximity to casino operations.

### **3.5 TOTAL NUMBER OF BINGO SEATS PER PROVINCE**

The PLAs that were interviewed indicated that they do not have a limit on the number on EBTs that can be issued in the province, but rather a maximum number of bingo seats that are allowed (which includes both traditional and EBTs). In other words, the PLAs do not make a distinction between traditional vs EBT seats, but rather refer to bingo seats in general. One of the PLAs indicated that they are currently in process of conducting research to determine to what extent the Board can grant additional licenses per mode (excluding casinos).

## CHAPTER 4

# PUNTER PERCEPTIONS ON EBTs

### 4.1 INTRODUCTION

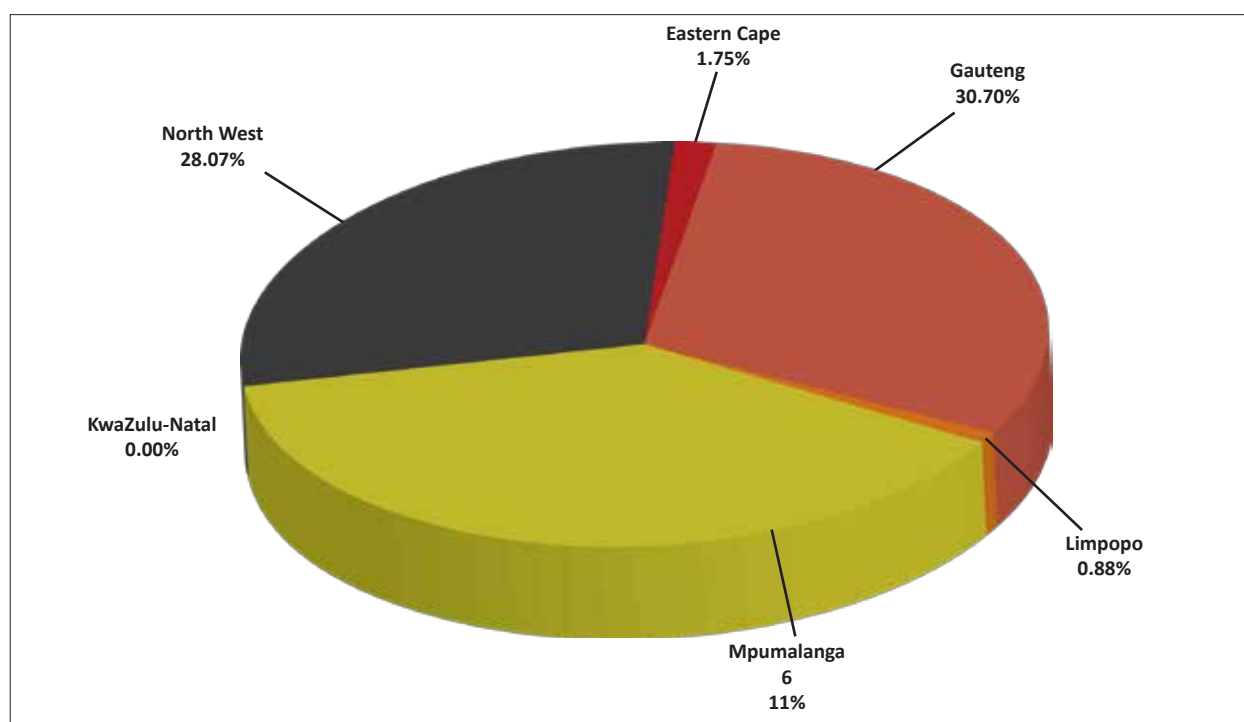
The purpose of this Chapter is to outline the profile and perceptions of gamblers based on qualitative and quantitative research amongst gamblers through surveys. This is, in particular, with the focus of understanding the following:

- Public's perceptions on the differences and similarities between EBTs, LPMs and slot machines in casinos, as well as the likes/dislikes with regard to these different machines
- Profile of the punters (gambler) who participate in these modes of gambling and understanding their preferences (e.g. demographic profile, employment status, household income, frequency of using different modes, etc.)
- Reasons for participating in different modes (i.e. benefits and positive outcomes/experiences)
- Reasons for not participating in different modes (i.e. disadvantages and negative outcome experiences).

### 4.2 SURVEY METHODOLOGY AND APPROACH

Six out of nine provinces in South Africa currently license EBTs, namely Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North-West and Eastern Cape. The research was conducted through qualitative and quantitative surveys in three provinces with high numbers of bingo positions (especially EBTs). The research, however, was limited through the unwillingness of a key bingo operator in the Eastern Cape to partake in the survey process. Face-to-face surveys were therefore conducted in three provinces namely Gauteng, Mpumalanga and North West Province. In an attempt to cover all provinces, telephonic surveys were also conducted with consumers residing in the immediate areas surrounding existing bingo halls in all six provinces, however this process yielded a very low response rate and no responses were obtained within the KwaZulu-Natal Province. Figure 4.1 presents the provincial spread of the 114 punters that participated in the survey. The majority of respondents reside in urban areas, with 10.5% indicating that they resided in rural areas.

Figure 4.1: Participating punters' provincial spread

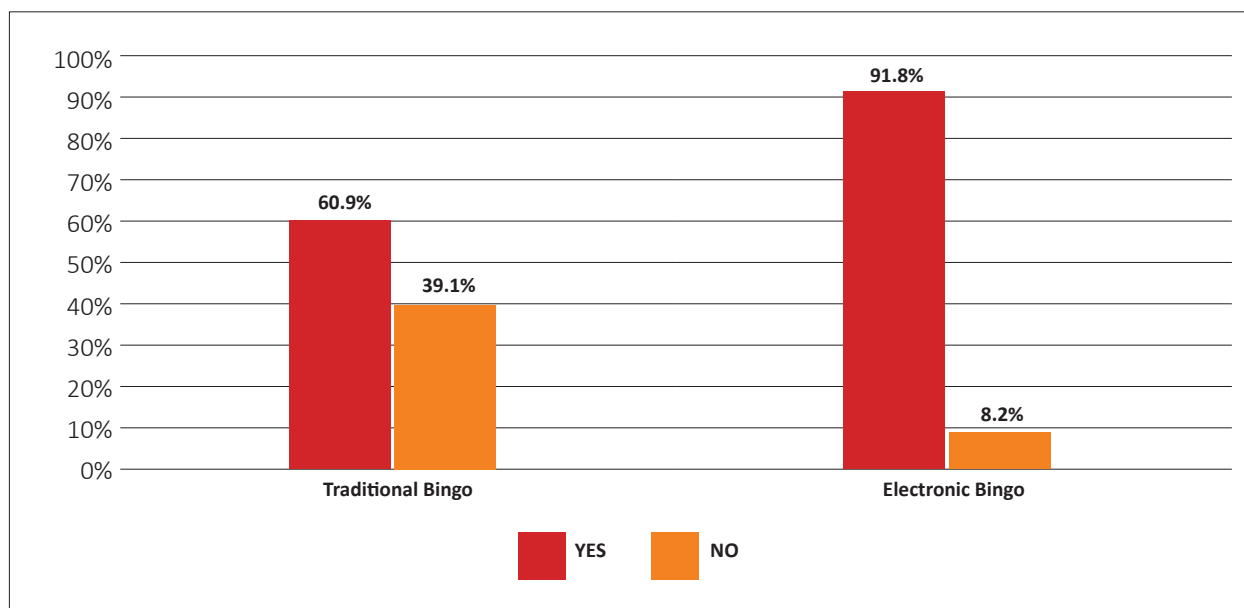




### 4.3 AWARENESS OF DIFFERENT TYPES OF BINGO

Respondents were asked whether they were aware of the different types of bingo that can be played (refer to Figure 4.2). The majority of respondents were aware of both types of bingo, with 60.9% of respondents indicating that they know of traditional bingo and 91.8% of respondents indicating that they are aware of EBTs. It is interesting to note though that respondents were more aware of EBTs than of traditional bingo.

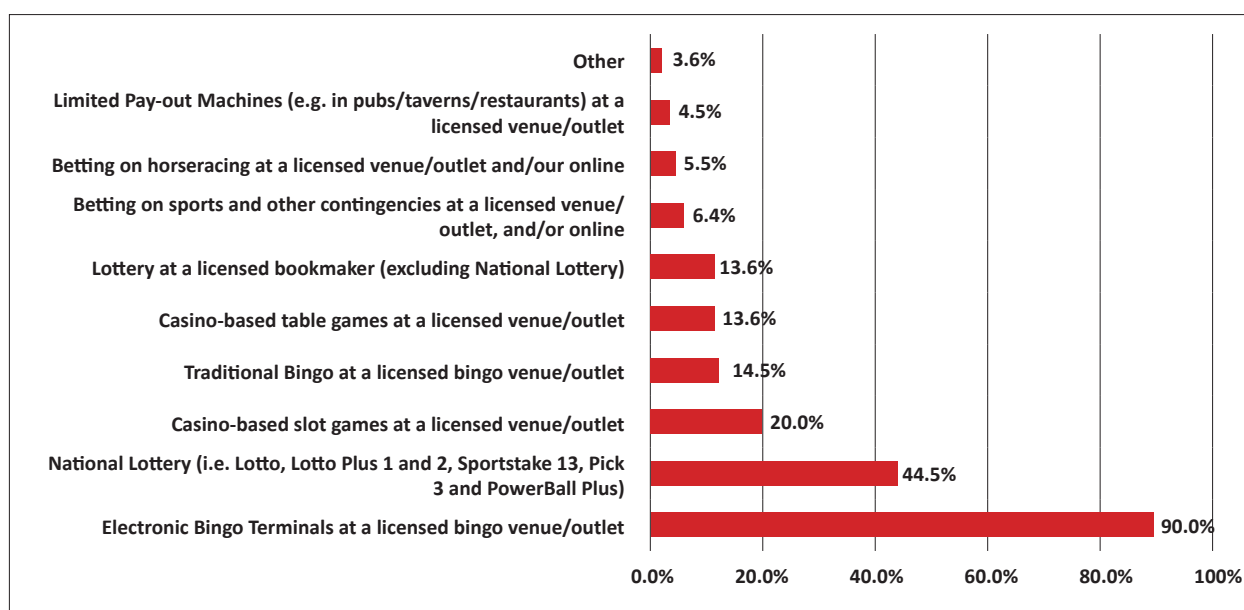
**Figure 4.2: Are you aware of these different modes of playing bingo at a bingo hall?**



### 4.4 PUNTER PREFERENCES

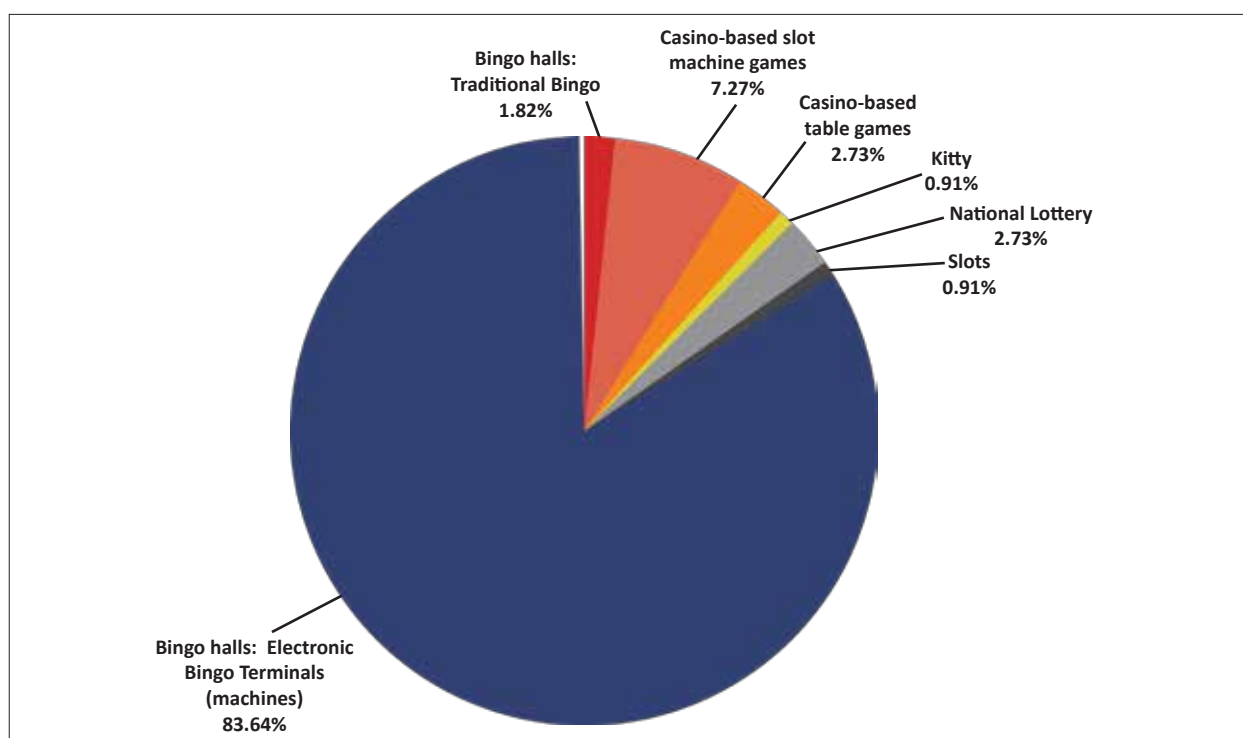
Punters were asked to indicate which modes they participated in on a regular basis over the past 12 months (Figure 4.3).

**Figure 4.3: Punters' regular participation in the various gambling modes in the past 12 months**



EBTs are evidently the mode that is most participated in, with 90.0% of punters indicating that they have participated in EBTs over the past 12 months (this is, however, understandable considering that the majority of respondents were interviewed while playing bingo in a licensed bingo venue/outlet offering predominantly EBTs). National Lottery was also a popular choice, with 44.5% of punters indicating that they participate in this mode of gambling on a regular basis, followed by casino-based slot games (20.0%), traditional bingo (14.5%) and other lotteries (13.6%).

**Figure 4.4: Punters' preferences with regards to different types of gambling**



The majority of punters interviewed indicated that they prefer Electronic Bingo Terminals (83.6%), followed by casino-based slot machines (7.3%), and then casino-based table games and lotteries (2.7% respectively).

Respondents were asked why they prefer a certain mode of gambling. The top reasons provided (per preferred mode) are as follows:

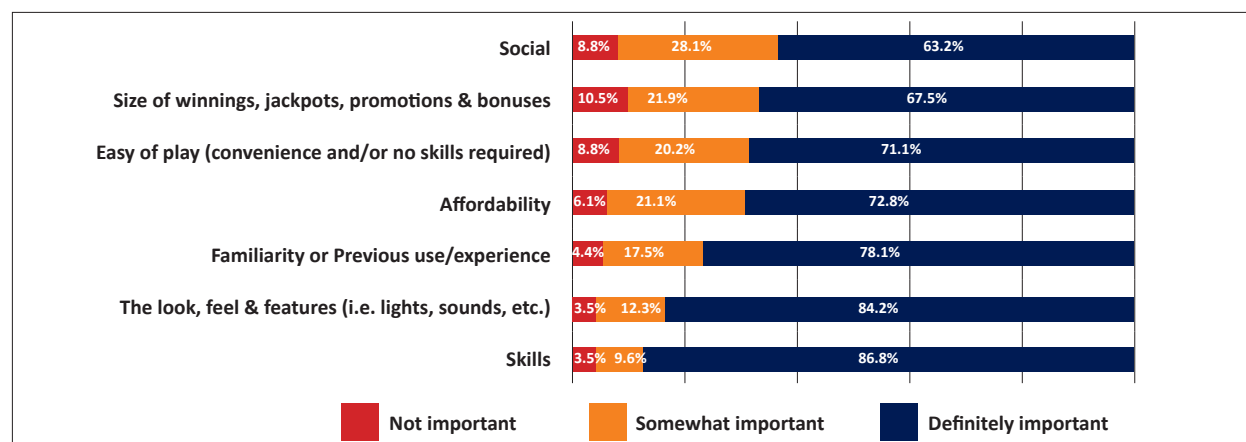
- Electronic Bingo Terminals:
  - o It is easy to play and very understandable
  - o Played for the winnings/It pays well
  - o It is a fun game and enjoyable
- Casino-based slot machine:
  - o It is easy to play and very understandable
  - o It is safe and secured
  - o It is convenient.

Respondents were asked to rate a specific set of criteria in terms of importance when choosing a gambling mode (Figure 4.5). The most important factor for punters when choosing a gambling mode is affordability (86.8%) and the size of winnings, jackpots, promotions and bonuses (84.2%) – i.e. risk versus reward consideration. Ease of play, social connection / enjoyment and skills were also aspects that were highlighted as definitely important by respondents, while the familiarity or previous use/experience with gambling mode was the aspect that scored the lowest rating in terms of importance.



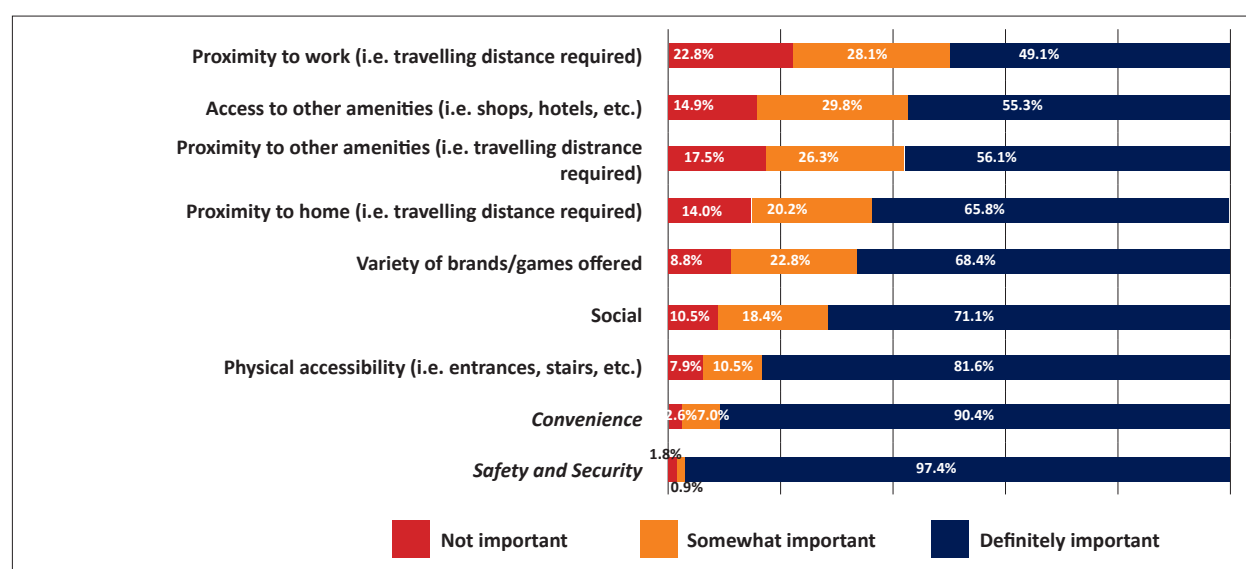


**Figure 4.5: Importance of aspects when choosing a gambling mode**



Respondents were then also asked to rate the importance of a specific set of aspects in terms of importance when choosing a gambling venue.

**Figure 4.6: Importance of aspects when choosing a gambling venue**



The following aspects were seen as being the most important when choosing a gambling venue (in order of importance):

- Safety and Security
- Convenience
- Physical accessibility (i.e. entrances, stairs, etc.)
- Social connection / enjoyment
- Variety of brands/games offered
- Proximity to home
- Proximity to other amenities
- Access to other amenities (e.g. shops, hotels, etc.)
- Proximity to work.

The preceding is indicative that the punter has to make an intuitive risk calculation when choosing a gambling

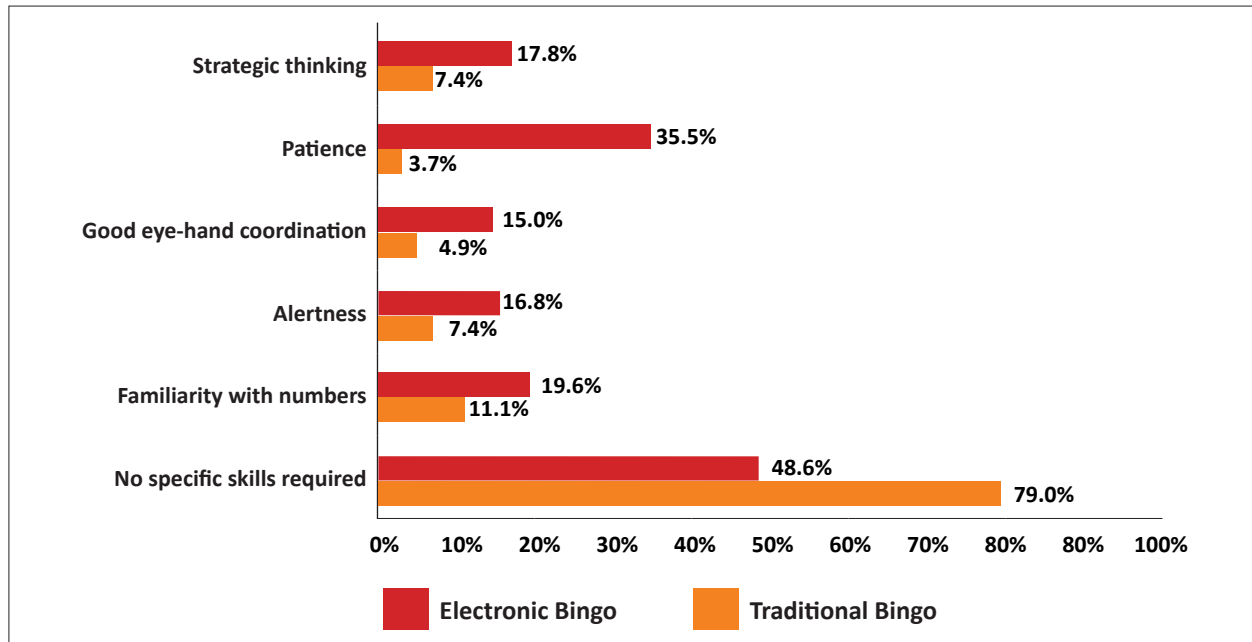
mode and gambling venue. Punters' decisions in this regard seem to be contextual to the prevailing macro-economic environment and other economic factors such as the receding economic growth, rising household debt trends and rising joblessness.

Less than a tenth of respondents (7.9%) indicated that they have gambled online in the past 12 months – of which 56% participated in online gambling playing casino and card games such as slots, blackjack, poker, roulette, etc.; 22% participated in international lotteries, and another 22% participated in local lotteries. The local lotteries listed, however, could have been perceived as playing lotto via the National Lottery website or via Online Banking sites.

## 4.5 KNOWLEDGE OF THE GAME BINGO

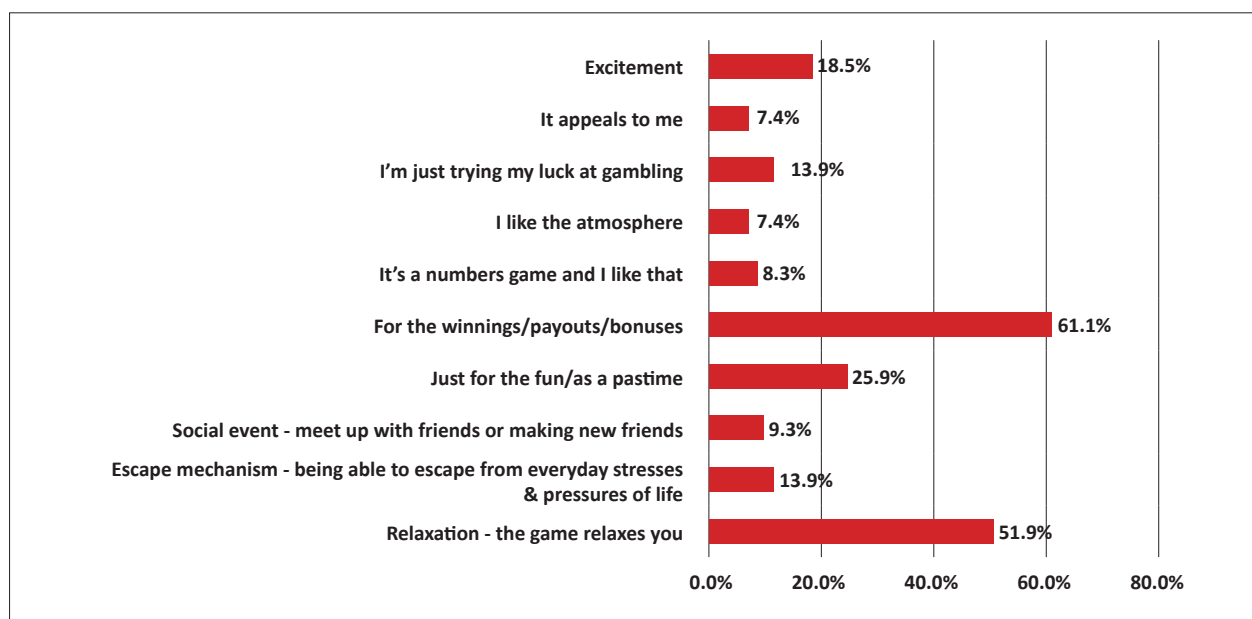
Respondents were asked which skills are required to play the different forms of bingo. The majority of respondents that played traditional bingo felt that no specific skills are required to play it (79.0%). Although a similar perception was recorded amongst those respondents that played EBTs with 48.6% indicating that no specific skills are required, other respondents did highlight some skills that are required such as patience (35.5%), familiarity with numbers (19.6%), strategic thinking (17.8%), alertness (16.8%) and good eye-hand coordination (15.0%).

**Figure 4.7: Skills required to play different forms of bingo**



When asked why respondents like playing bingo, the majority indicated that it is for the winnings/pay-outs/bonuses (61.1%), followed by relaxation purposes (51.9%), as depicted in Figure 4.8 below.

**Figure 4.8: Reasons for playing bingo**





The majority of respondents understood that playing bingo constitutes a form of gambling (89.8%), however 10.2% of respondents indicated that playing bingo is not a form of gambling.

**Figure 4.9: Respondents' perceptions on whether bingo is perceived as a form of gambling**

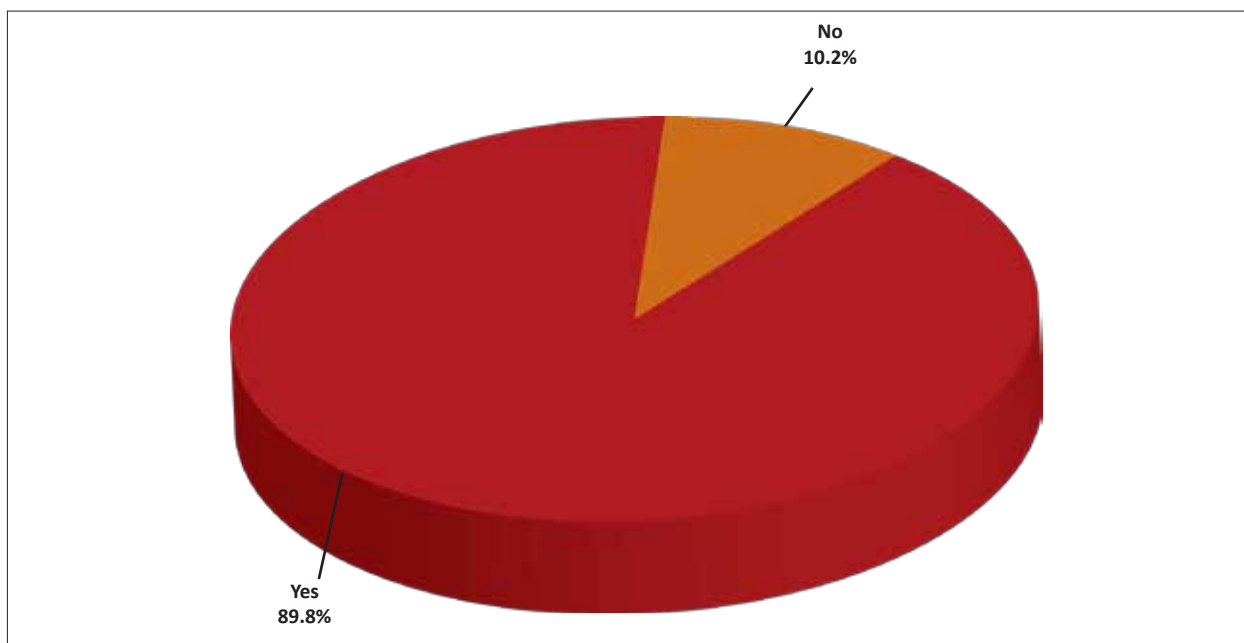
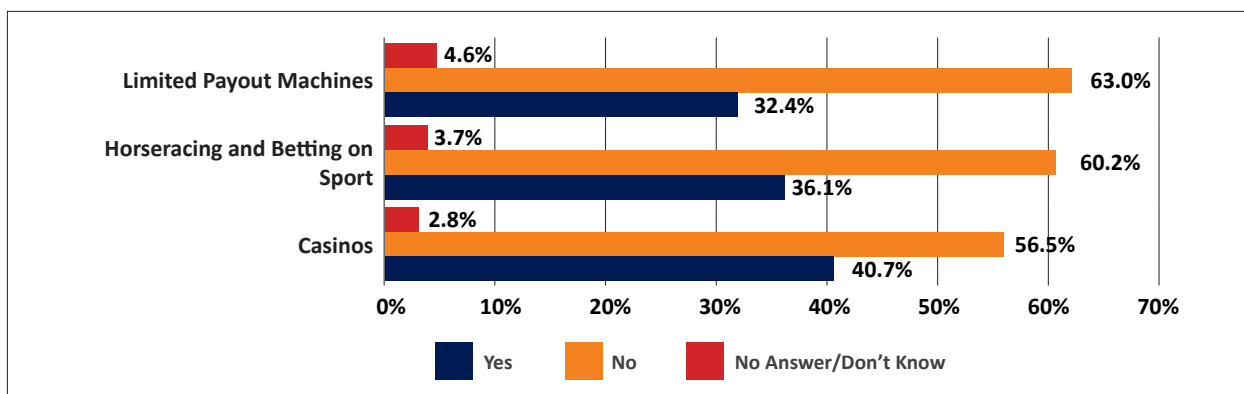


Figure 4.10 presents the perceptions of punters regarding whether bingo is similar or different to other modes of gambling. Respondents felt that playing bingo is more similar to LPMs, than it is to casinos and betting on sport and horseracing.

**Figure 4.10: Is bingo different from other modes of gambling?**

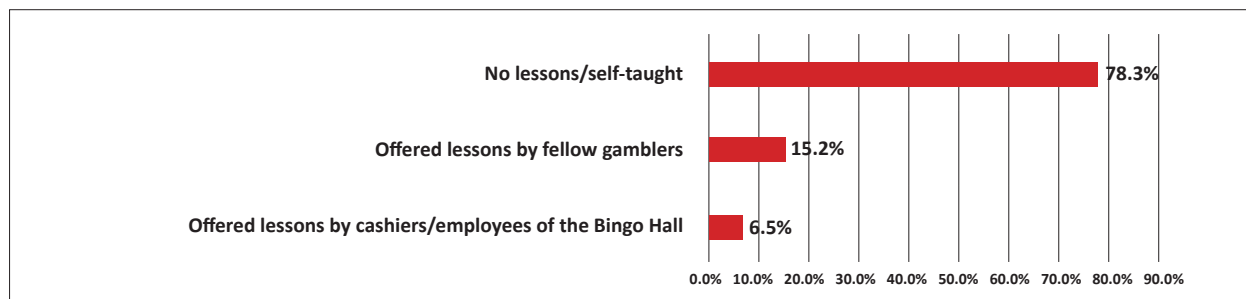


## 4.6 PERCEPTIONS AND KNOWLEDGE REGARDING EBTs

Approximately 8.9% of respondents that were interviewed indicated that they haven't played EBTs before, while the remaining 91.1% were further questioned regarding their perceptions and knowledge surrounding EBTs.

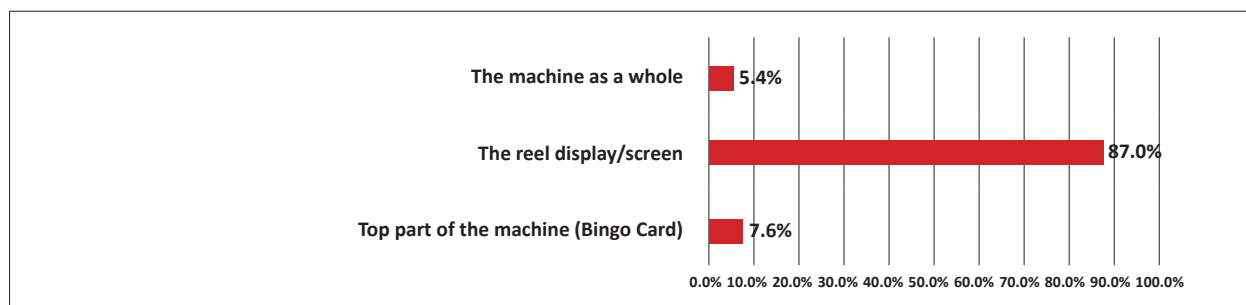
Punters that play EBTs primarily learned to play EBTs on their own, i.e. self-taught (78.3%); followed by punters that were offered lessons on how to play EBTs by fellow gamblers (15.2%).

**Figure 4.11: How did you learn to play EBTs?**



When asked whether punters that play EBTs were aware of the “bingo card” on an EBT machine, only 2.2% of respondents indicated that they were not aware of it. Even though the majority of punters were aware of the “bingo card” on the machine, only 7.6% of respondents indicated that they actually focus on that part of the machine, while 87.0% indicated that they focus on the reel display/screen part of the machine.

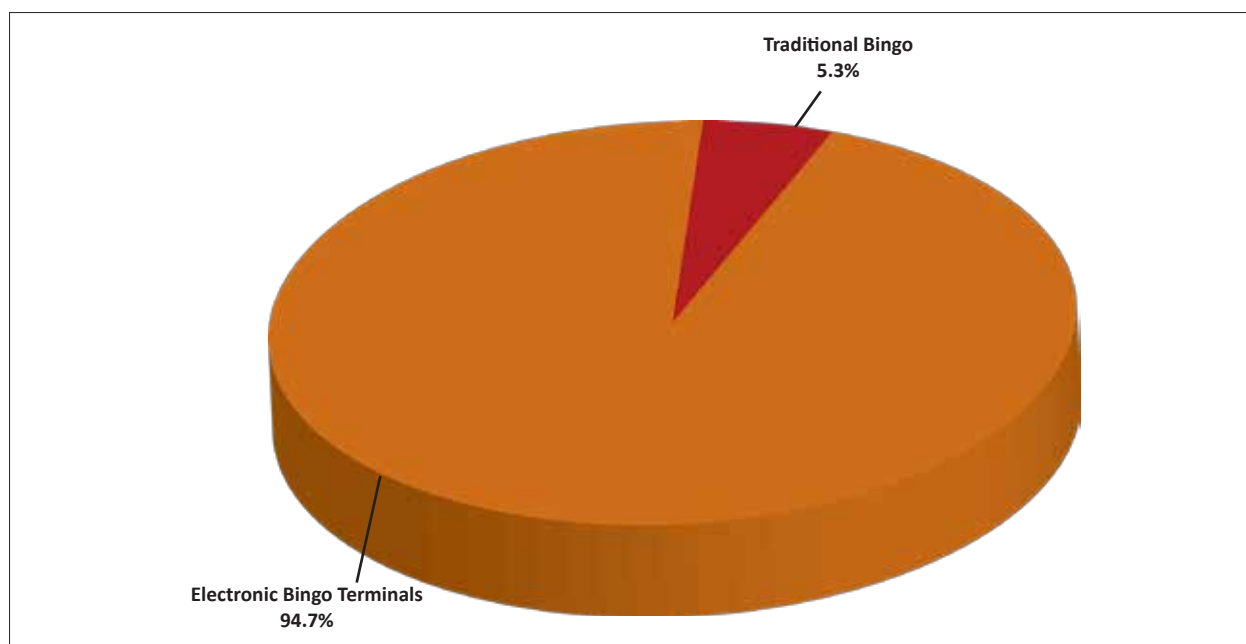
**Figure 4.12: Part of the machine being focused on when playing EBTs**



## 4.7 INCIDENCE OF PLAYING BINGO

The overwhelming majority of respondents preferred playing EBT’s (94.7%) above traditional bingo (5.3%).

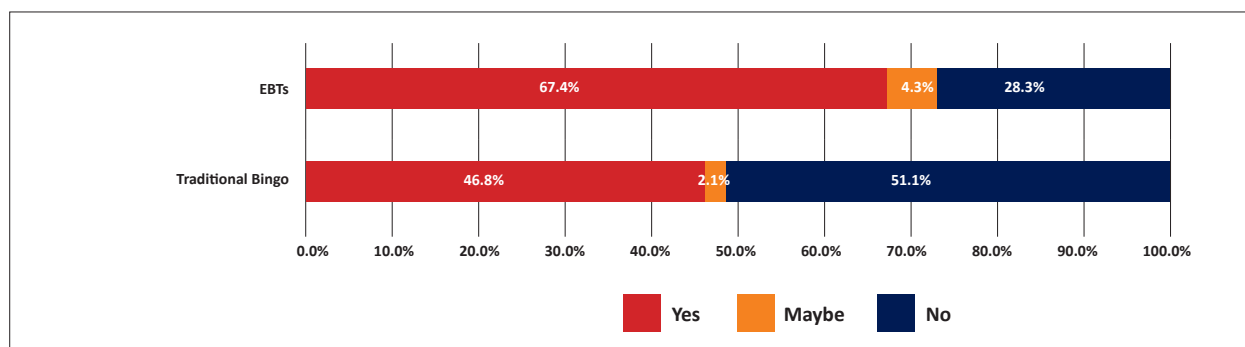
**Figure 4.13: Preferred method of playing bingo**





From the surveys, it seems as though EBTs are regarded as more of a social event than traditional bingo, with 67.4% of punters that play EBTs indicating that they make friends while playing EBTs; and only 46.8% of punters that play traditional bingo indicating that they make friends while playing traditional bingo.

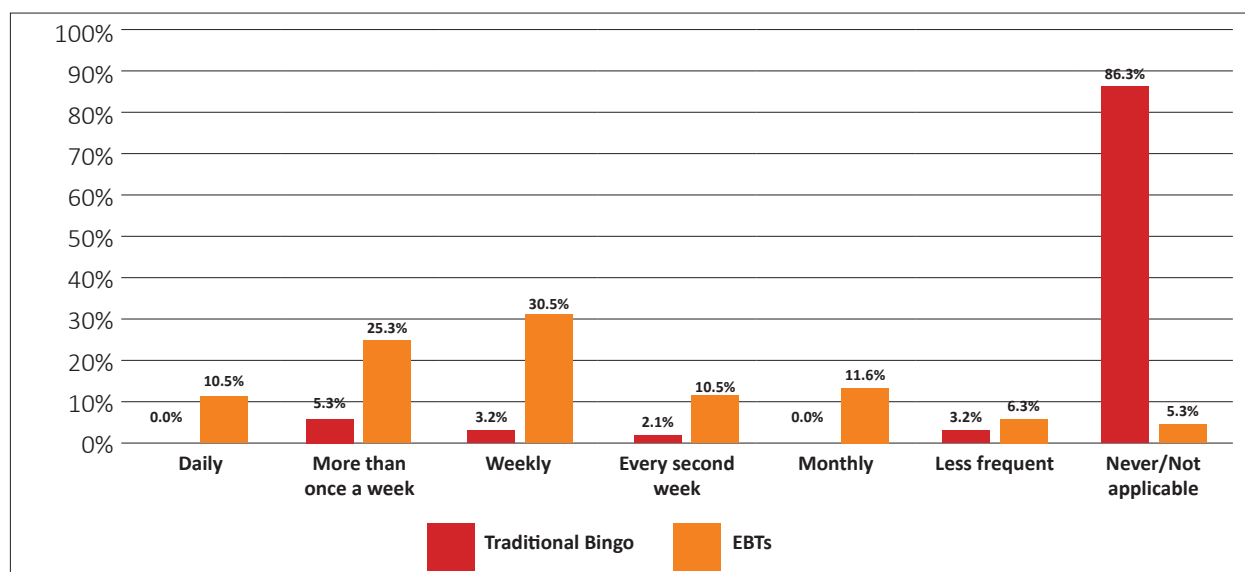
**Figure 4.14: Do you make friends while playing Traditional bingo/EBTs?**



Source: NGB Punter Surveys 2019

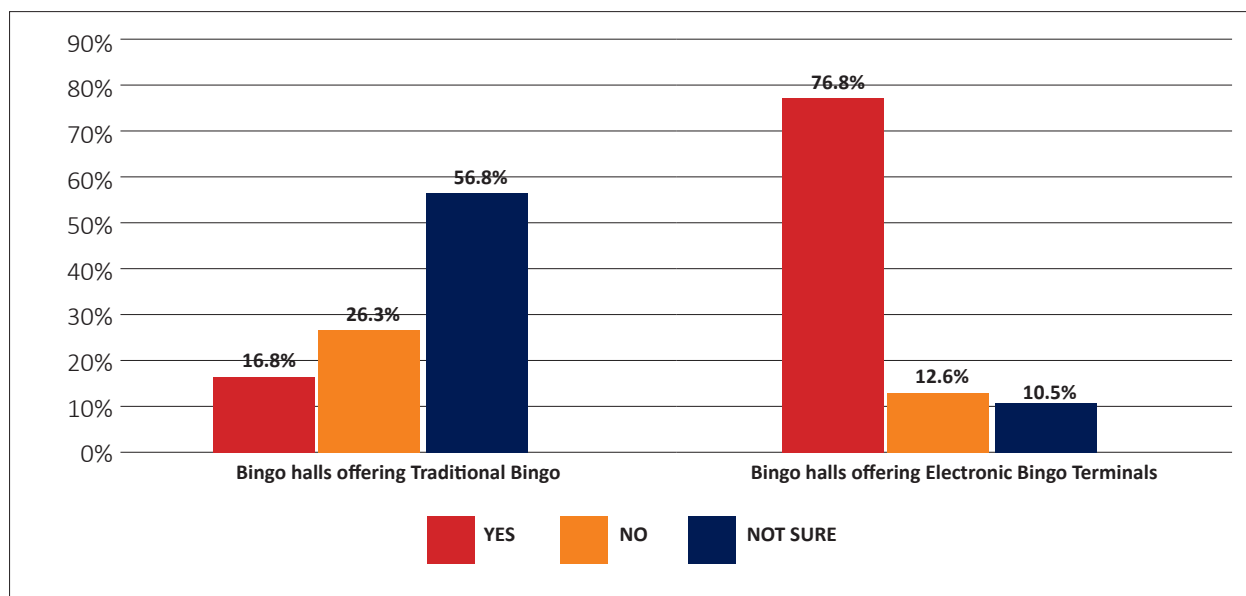
When asked how frequently punters play the different types of bingo, it became clear that EBTs are generally played more frequently than traditional bingo, with approximately 66.3% of respondents indicating that they play EBTs on a weekly or more often basis. Traditional bingo recorded a skewed frequency distribution, while EBTs recorded a more even/bell-shaped and rounded distribution.

**Figure 4.15: Frequency of playing bingo**



Respondents were asked whether they felt that there were enough bingo halls in their area offering the different types of bingo. Generally it seems people were satisfied that there were enough bingo halls offering EBTs (76.8%), while respondents were unsure regarding the supply of bingo halls offering traditional bingo (56.8%), perhaps because the majority of respondents did not play traditional bingo on a frequent basis.

**Figure 4.16: Satisfaction with supply of number of bingo halls in the area offering different types of bingo**

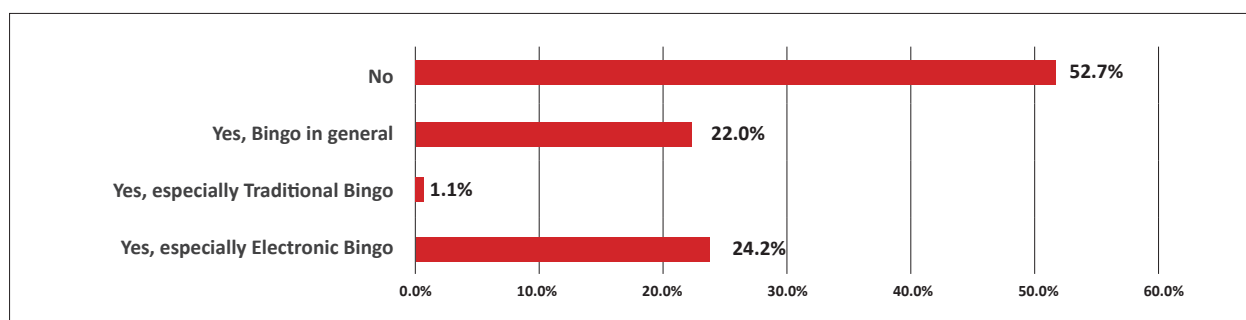


## 4.8 RESPONSIBLE GAMBLING

When respondents were asked whether they felt that playing bingo should be encouraged, the majority indicated that it should not be encouraged at all (52.7%). The main reasons why respondents felt it shouldn't be encouraged were:

- That people have to decide for themselves on whether they would like to gamble or not (personal preference) and should therefore not be encouraged or forced to participate
- That generally people lose more money than they gain, and in a lot of instances people even go into debt to be able to gamble
- That gambling can become an addiction and should therefore not be encouraged.

**Figure 4.17: Should playing Bingo be encouraged?**



Those that indicated that playing bingo (whether traditional or EBTs) should be encouraged, gave the following motivational answers:

- Because it is something that is fun and exciting
- Because it is relaxing
- So that people can try and learn new things
- Because bingo is easier to play than casino games
- To have an opportunity to try their luck in a safe environment and perhaps win something.



When looking at the respondents' gambling habits (specifically when playing bingo), it generally seems as though respondents are very responsible when playing bingo. However, concerning behaviour includes the following:

- 8.9% of respondents indicated that they always go back another day to try and win back money that they have lost, with 18.9% indicating that they do it most of the time, and 18.9% doing it sometimes.
- 5.6% of respondents indicated that they always bet more than they can afford to lose or that gambling caused financial problems for them or their households and 4.4% indicated that they always borrowed money or sold something to get money to gamble.

**Table 4.1: Punters' bingo playing habits**

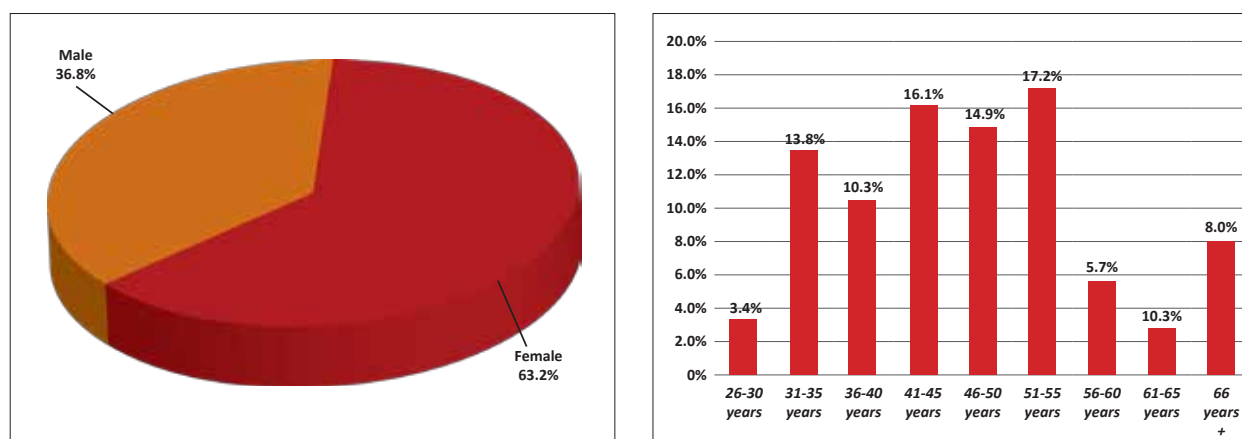
	Never	Sometimes	Most of the time	Always
You bet more than you can really afford to lose	78.9%	7.8%	7.8%	5.6%
Thinking about the past 12 months, how often did you have to gamble with larger amounts of money to get the same feeling of excitement	71.9%	18.0%	6.7%	3.4%
When you gambled, did you go back another day to try and win back the money you lost?	53.3%	18.9%	18.9%	8.9%
You borrowed money or sold something to get money to gamble	83.3%	8.9%	3.3%	4.4%
You felt that you might have a problem with gambling	80.0%	15.6%	2.2%	2.2%
Gambling caused health problems, including stress or anxiety	84.4%	11.1%	2.2%	2.2%
People criticised your betting habits or told you that you had a gambling problem, regardless of whether or not you thought it was true	80.0%	13.3%	5.6%	1.1%
Your gambling caused financial problems for you or your household	84.3%	7.9%	2.2%	5.6%
You felt guilty about the way you gamble or what happens when you gamble	84.4%	11.1%	2.2%	2.2%

When asked how responsible gambling can be encouraged amongst gamblers, the majority of respondents indicated that it is a self-control consideration and that people should know their limits and know when to stop. One respondent suggested that venues impose a limit on the amount of money that one is able to spend per day, another suggested that responsible gambling adverts be played on a regular basis in the bingo halls.

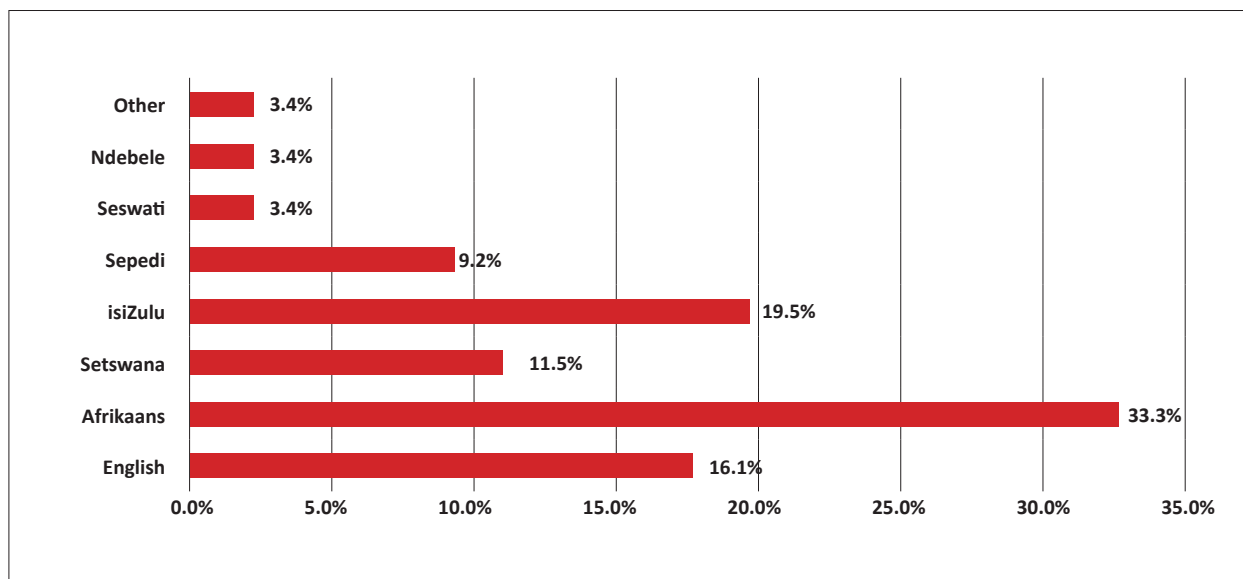
## 4.9 PUNTERS SOCIO-ECONOMIC PROFILE

The majority of respondents were females (63.2%), and were aged between 51 and 55 years, followed by 41 to 45 year olds. The majority of the respondents were Afrikaans-speaking (33.3%), followed isiZulu-speaking (19.5%) and English-speaking respondents (16.1%).

**Figure 4.18: Age and Gender profile of respondents**

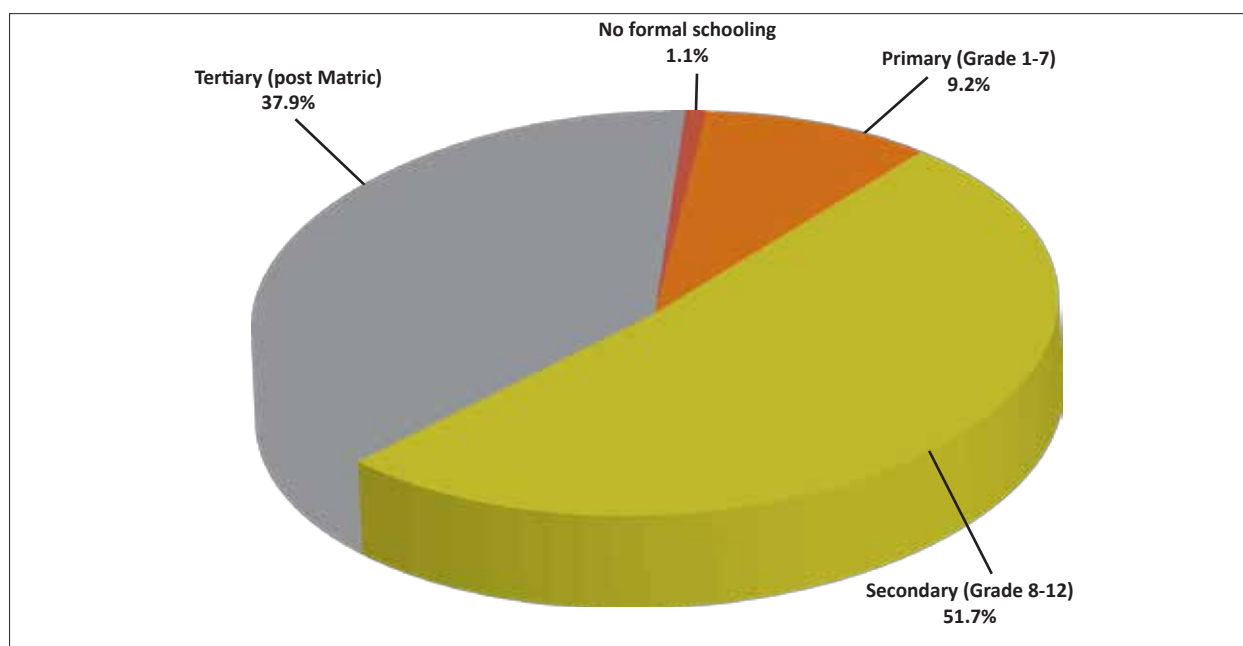


**Figure 4.19: Home language of respondents**



The majority of respondents had a secondary grade qualification (51.7%), with a very significant portion (37.9%) also having some form of post-matric qualification – this corresponds with the profile of punters interviewed during the 2006/2007 perception survey conducted by the NGB.

**Figure 4.20: Respondents' educational profile**

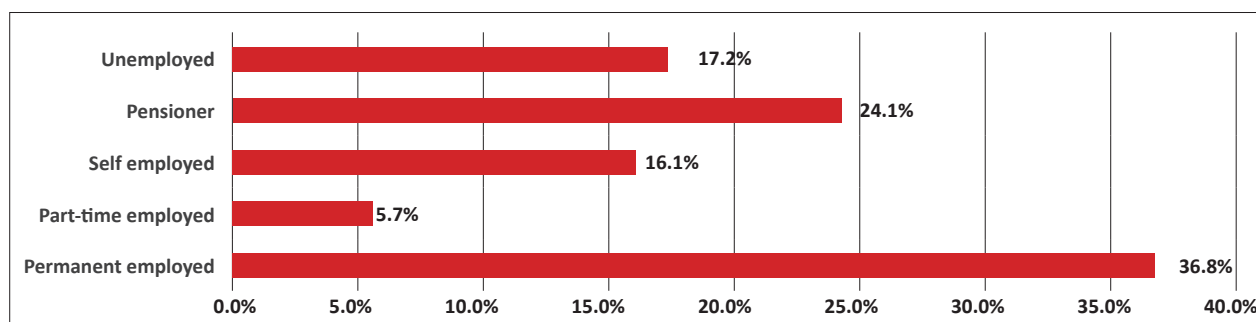


The majority of respondents were permanently employed (36.8%) followed by pensioners (24.1%), unemployed (17.2%) and self-employed individuals (16.1%) and lastly part-time employed (5.7%). When compared to the results from the perception survey on EBTs conducted in 2006/07 by the NGB, it is noticeable that the percentage of pensioners have increased significantly from 8.1% to 24.1%, possibly indicative of punters using government grants (such as old age pensions) for gambling purposes.



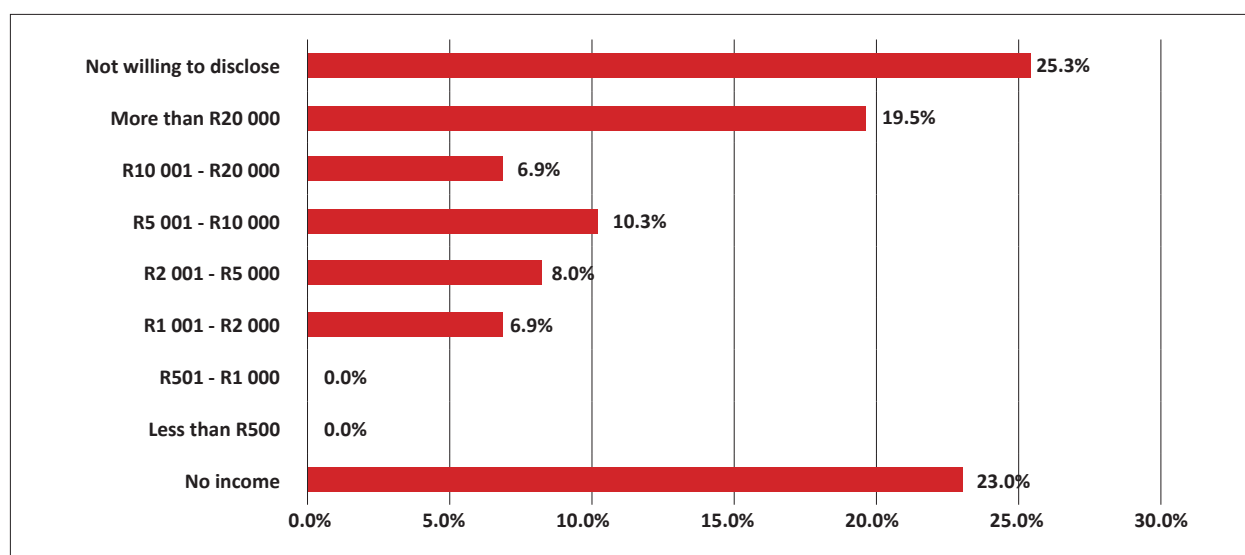


**Figure 4.21: Respondents' employment status**



Respondents were asked to indicate their joint average monthly household income (before deductions). Due to the sensitivity of the information, a large number of respondents were not willing to disclose this information. The largest portion of the respondents that were willing to disclose this information, had no income (23.0%), while 19.5% of respondents earned more than R20 000 per month, followed by 10.3% earning between R5 001 – R10 000; and 8.0% earning between R2 001 – R5 000.

**Figure 4.22: Respondents' household income profile**



It is important to take into consideration (both in terms of household income and gambling expenditure) that survey questions related to income and expenditure remain the questions with the lowest response rate. It is also worth considering that respondents often understate income (some sources predict an underestimation of around 30%) - in rural and informal areas this figure could be even higher, with a lot of informal income sources not taken into consideration.

## 4.10 GAMBLING EXPENDITURE

Respondents were mostly reluctant to disclose the monthly amounts that they spend on the different forms of gambling. However, the majority of respondents that play EBTs were willing to disclose and this revealed that on a monthly basis the majority spend more than R1000 per month (35.6%), followed by R501 – R1000 (17.2%) and R251 – R500 (12.6%).

**Figure 4.23: Gambling expenditure**

	R0 - Don't partake in this mode	R1 - R20	R21 - R50	R51 - R100	R101 - R250	R251 - R500	R501 - R1 000	R1 000+	Not willing to disclose
Casino-based table games at a licensed venue/outlet	74.7%	0.0%	0.0%	1.1%	0.0%	0.0%	2.3%	3.4%	18.4%
Casino-based slot games at a licensed venue/outlet	69.0%	1.1%	0.0%	0.0%	2.3%	2.3%	3.4%	4.6%	17.2%
Limited Pay-out Machines (e.g. in pubs/taverns/restaurants) at a licensed venue/outlet	78.2%	1.1%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	19.5%
Traditional Bingo at a licensed bingo venue/outlet	74.7%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	3.4%	18.4%
Electronic Bingo Terminals at a licensed bingo venue/outlet	9.2%	3.4%	1.1%	2.3%	9.2%	12.6%	17.2%	35.6%	9.2%
Betting on horseracing at a licensed venue/outlet and/or online	79.3%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	19.5%
Betting on sports and other contingencies at a licensed venue/outlet, and/or online	79.3%	0.0%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	19.5%
Lottery at a licensed bookmaker (excluding National Lottery)	72.4%	0.0%	5.7%	1.1%	3.4%	0.0%	0.0%	1.1%	16.1%
National Lottery (i.e. Lotto, Lotto Plus 1 and 2, Sportstake 13, Pick 3 and PowerBall Plus)	77.0%	0.0%	2.3%	1.1%	2.3%	0.0%	0.0%	1.1%	16.1%
Other	80.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.5%

## 4.11 SUMMARY OF FINDINGS

- Respondents were generally more aware of EBTs than of traditional bingo, however, observing the halls where the surveys were conducted, most were predominantly filled with EBTs in relation to traditional bingo seats.
- When respondents were probed regarding their preferred gambling mode the majority of respondents indicated that they preferred EBTs. Other preferred modes include casino-based slot machines and table games and the National Lottery. This suggests that consumers base their preferences on modes that are easily accessible and quick to play.
- When consumers were asked why they prefer EBTs it became clear that punters view EBTs as fun and relaxing; and a different social environment than casinos – which are seen as more formal and secured.
- Punters were also probed as to what the most important factors are when choosing a gambling mode. The most important factors, as stated by the respondents, are (in order of importance):
  - Affordability
  - Size of winnings, jackpots, promotions and bonuses
  - Ease of play (convenience and/or no skills required)
  - Skills
  - Social connection / enjoyment
  - The look, feel and features (i.e. lights, sounds, etc.)
  - Familiarity or previous use/experience
- Punters have to make intuitive risk calculations when choosing a gambling mode and gambling venue (i.e. risk versus reward consideration). Punters' decisions in this regard seem to be contextual to the prevailing macro-economic environment and other economic factors such as the receding economic growth, rising household debt trends and rising joblessness.
- Less than a tenth of respondents indicated that they have gambled online in the past 12 months. Some of these respondents indicated that they played local lotteries online – this, however, could have been perceived as playing LOTTO via the National Lottery website or via Online banking sites. It appeared as though respondents were generally uninformed and uneducated with regards to the legality of online gambling as well as what constitutes online gambling.
- Respondents indicated that more skills are required to play EBTs than traditional bingo, specifically patience, familiarity with numbers,



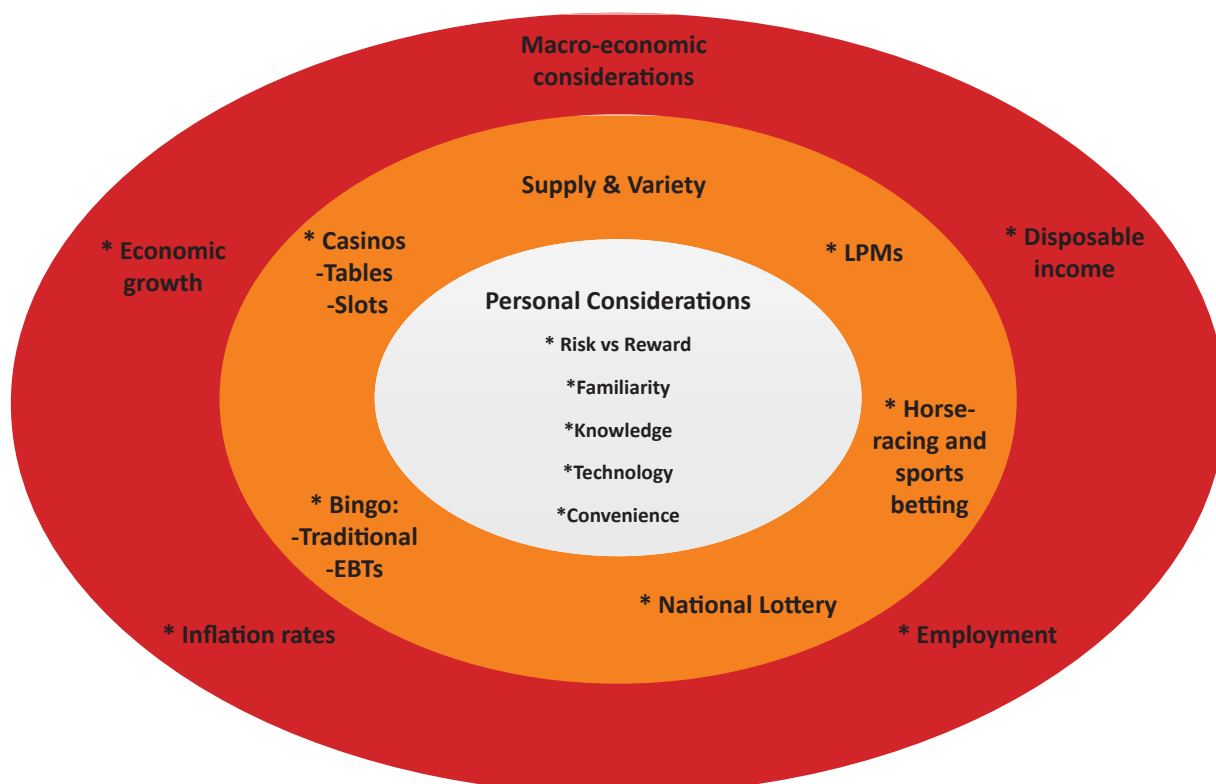
strategic thinking, alertness and good eye-hand coordination.

- Respondents felt that playing bingo is more similar to playing LPMs than it is to playing casino-based games.
- The majority of punters interviewed indicated that they were aware of the Bingo Card on the EBT, but didn't really focus on it but rather on the reel display/screen part of the machine.
- The overwhelming majority of respondents preferred playing EBTs above traditional bingo.
- EBTs are regarded more of a social event than traditional bingo, with the majority of punters that play EBTs indicating that they make friends while playing EBTs.
- With regards to responsible gambling habits the following observations/findings were made through the interviews with punters:
  - Punters felt that playing bingo should not be encouraged, although the reasons provided related to gambling in general and not specifically to the game of bingo, such as the

addictiveness of gambling, the loss of money and possible debt, etc.

- The respondents that were interviewed generally seemed very responsible when playing bingo based on their bingo playing habits
- A recommendation was made by a respondent that venues should impose a limit on the amount of money one is able to spend per day, and another suggested that responsible gambling adverts be played on a regular basis.
- The majority of respondents that were interviewed were female and between the ages of 51 to 55 years.
- When compared to the results from the perception survey on EBTs conducted in 2006/07 by the NGB, it is noticeable that the percentage of pensioners have increased significantly, possibly indicative of punters using government grants (such as old age pensions) for gambling purposes.

In conclusion, it can be deduced that the punters interviewed generally preferred EBTs to traditional bingo. This trend is in line with consumer behaviour and generational trends, whereby consumers shift towards more modernised products. The infographic below summarises the decision-making considerations that punters take into account, as spheres of influence.



## CHAPTER 5

# QUANTITATIVE ANALYSIS

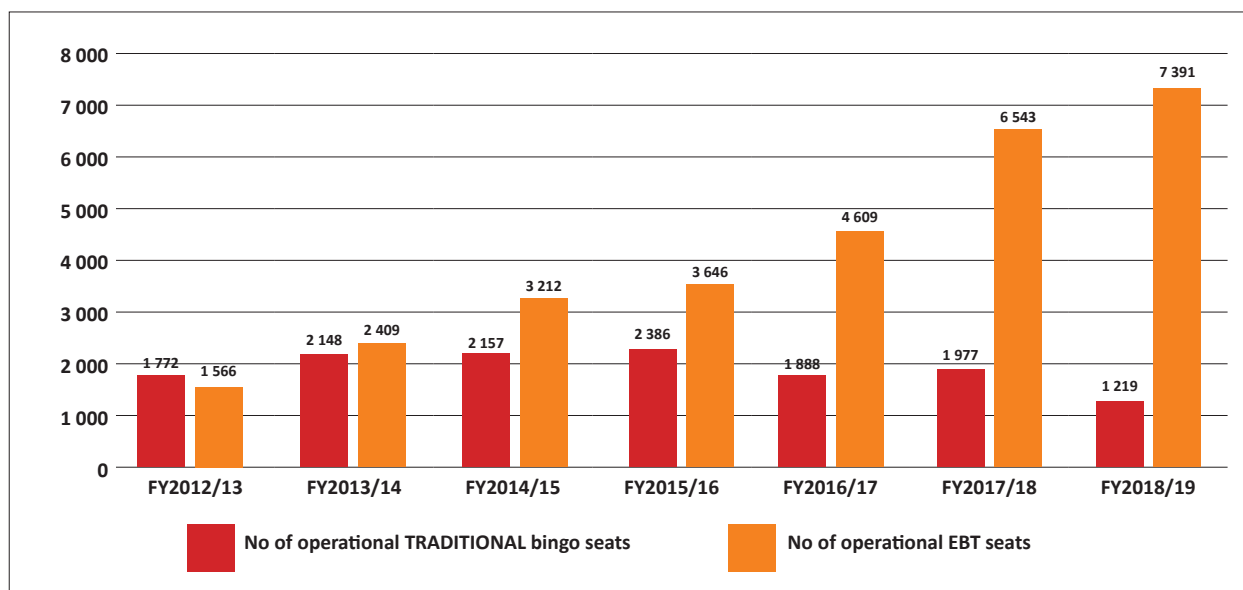
### 5.1 INTRODUCTION

The purpose of this Chapter is to present the findings from the Quantitative Analysis and to ultimately test the hypothesis of the study. This will entail, firstly, the conversion of the current or nominal revenue statistics to constant or real. This will enable an analysis of trends taking into account economic realities like national economic growth as well as the effect of inflation. Secondly, internal factors and trends, specifically within the different modes of gambling, will be investigated. Lastly, the analysis will include an investigation of the trends observed in terms of relationships and correlation versus causality.

### 5.2 FUTURE PROJECTED GROWTH OF EBTs

The historical growth in bingo seats/positions over the past seven years is reflected in the figure below. A distinction is made between traditional bingo and electronic bingo terminal operational positions. From the figure it is clear that the EBT sector has grown quite significantly over the past 7 years, while traditional bingo has decreased over the same time period.

**Figure 5.1: Historical growth in number of traditional bingo and EBT - operational positions, FY2012/13-FY2018/19**

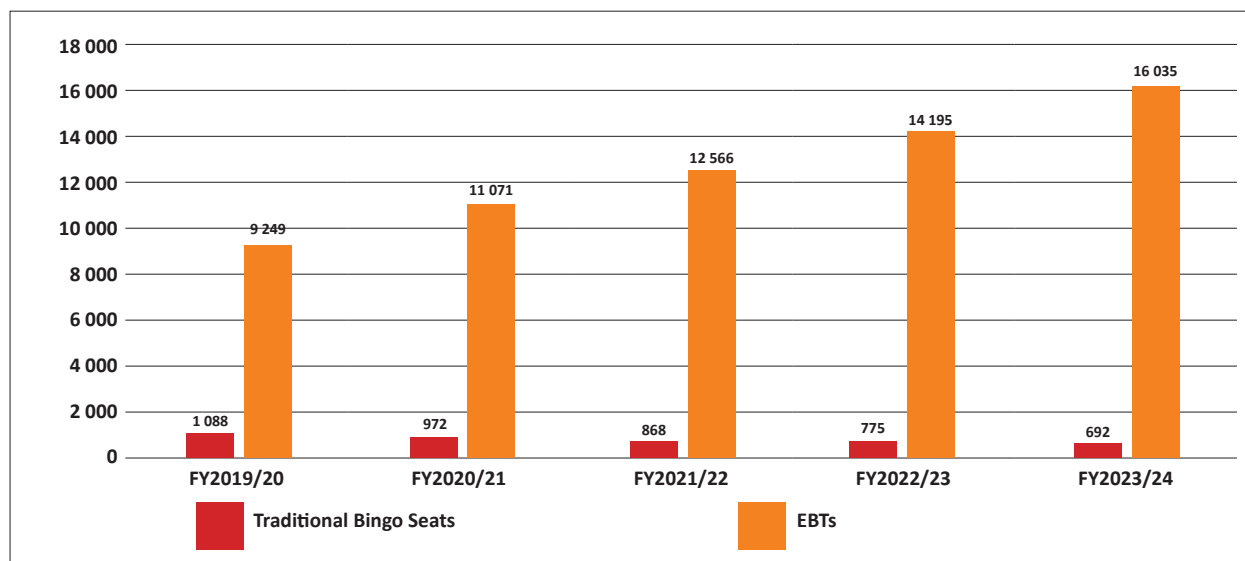


Source: Statistics obtained from NGB's Gambling Sector Performance Reports, 2015-2019

Figure 5.2 presents the future projected growth in the number of Traditional Bingo and EBT seats based on historical growth. Based on historical growth trends in the bingo industry, it is anticipated that the traditional bingo operational positions continue its downward trajectory and shrink by a further 37% to 850 operational positions in FY2023/24; while EBT operational positions are expected to increase significantly to approximately 13 623 operational positions in 2023/24, with growth rates decreasing systematically as the market reaches maturity.



**Figure 5.2: Future projected growth in Traditional Bingo and EBT operational positions, FY2019/20 – FY2023/24**



### 5.3 PROJECTED FUTURE EMPLOYMENT ESTIMATES

The Provincial Licensing Authorities currently do not provide a breakdown of employment for the two different kinds of bingo – employment is reported for the bingo industry as a whole.

Certain assumptions therefore had to be made, to enable future employment estimates to be calculated:

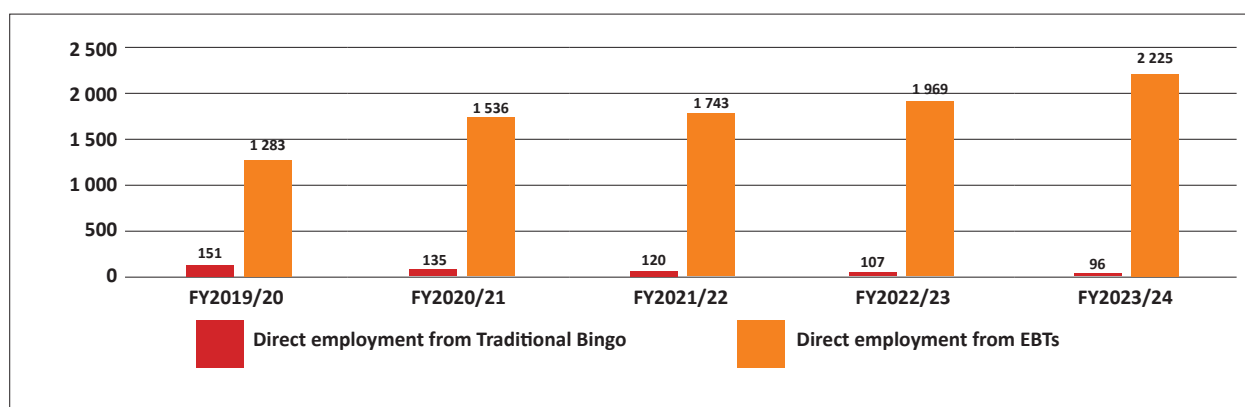
- An employment creation factor was calculated per bingo type based on the number of operational seats (as per the previous subsection) in comparison to the total direct employment figure for the

corresponding year (as reported by the NGB's GSP reports).

- Future estimates were calculated using the employment creation factor in relation to the future estimated seats (as calculated in the previous subsection).

Based on the preceding assumptions, the future projected employment estimates were calculated per bingo type (Figure 5.3). It is estimated that the overall employment figure for the Bingo industry will increase to approximately 2 321 jobs in 2023/24, of which 2 225 jobs would have been from EBTs, while the remaining 96 jobs would be from traditional bingo.

**Figure 5.3: Future projected employment estimates for Traditional Bingo and EBTs, FY2019/20 – FY2023/24**



## 5.4 PROJECTED FUTURE STIMULATION OF THE ECONOMY (GGR GENERATED)

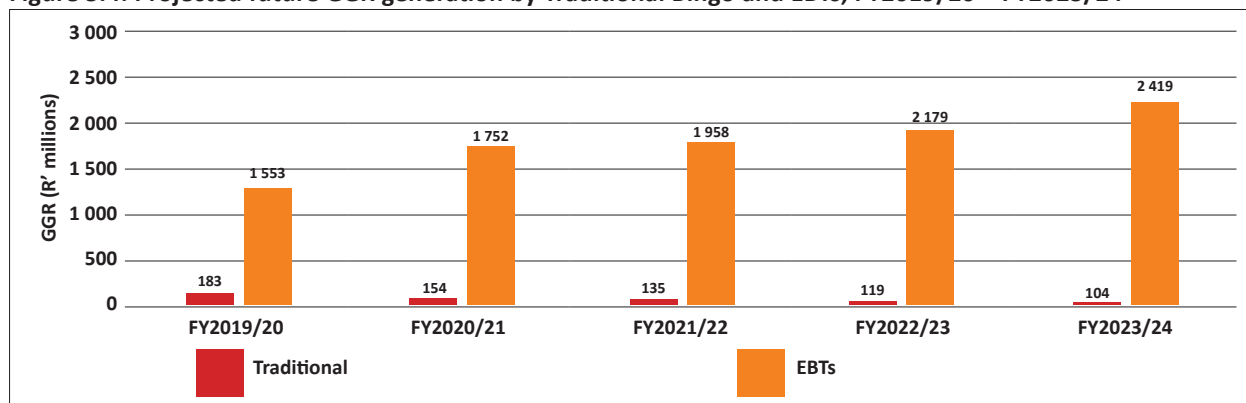
The Provincial Licensing Authorities currently do not provide a breakdown of GGR generated by the two different kinds of bingo – GGR is reported on for the bingo industry as a whole.

Certain assumptions therefore had to be made, to enable future estimates of GGR generated to be calculated:

- It is projected that the Bingo sector will grow at a Compounded Annual Growth Rate (CAGR) of 9.8%,
- GGR per type of bingo was calculated using a projected position:GGR ratio.

based on historical growth rates (average growth rate of 37.61% from 2011 to 2015) and taken into account that more recently the bingo industry has stabilised somewhat (average growth rate of 9.22% in the past three years). Based on the CAGR of 9.8% it is anticipated that the bingo sector will grow to an estimated R2.42 billion in FY2023/24. The high CAGR is motivated by the continued expansion of bingo positions in the provinces where legal bingo is permitted, and specifically the growth in electronic bingo terminals (EBTs), which have proven to be very popular.

**Figure 5.4: Projected future GGR generation by Traditional Bingo and EBTs, FY2019/20 – FY2023/24**



## 5.5 ECONOMIC CONTRIBUTION

For the purposes of this study, the most recent multipliers are based on StatsSA Input-Output and SAM Modelling and developed by Quantec was used..

A GDP multiplier of 1.51 means that for every initial R100 value added (GDP) generated by the gambling sector, a further R51 value added (GDP) is produced through the indirect and induced effects of the initial gambling

activity. This is slightly lower than the average economy-wide multipliers of around 1.54.

Based on the GDP multiplier of 1.51 the following contribution of the bingo, LPM and casino sectors to the South African economy can be calculated for FY2018. It is clear from the table that the casino sector is currently the largest contributor to the South African economy, followed by the LPM sector, EBTs and lastly traditional bingo.

**Table 5.1: GDP Contribution of the Bingo, LPM and Casino sector, 2018**

	Traditional	EBTs	LPM	Casino
GGR	R 193.8 million	R1 369.5 million	R 2 960.7 million	R18 417.0 million
GVA (based on GVA output ratio of 72.4 to 100)	R 140.3 million	R 991.5 million	R2 143.5 million	R13 333.9 million
GDP multiplier	1.51			
Total GVA	R 199.8 million	R 1 697.8 million	R 3 236.8 million	R 20 134.3 million
GVA at basic prices of South Africa (2018)	R 4 341.2 billion			
Contribution of the mode to SA's economy	0,005%	0,039%	0,075%	0,464%



## 5.6 FUTURE ECONOMIC CONTRIBUTION

Table 5.2 presents the future (2023) economic contribution of the Bingo, LPM and Casino sectors to the National economy.

**Table 5.2: Future Economic Contribution of the Bingo, LPM and Casino Sectors, 2023**

	Traditional	EBTs	LPM	Casino
GGR	R 143.9 million	R2 307.2 million	R4 084.4 million	R22 681.7 million
GVA (based on GVA output ratio of 72.4 to 100)	R 104.1 million	R1 670.4 million	R2 957.1 million	R16 421.5 million
GDP multiplier	1.51			
Total GVA	R 114.1 million	R 2 644.4 million	R 4 465.3 million	R 24 796.5 million
GVA at basic prices of South Africa (2023)	R 5 782.5 billion			
Contribution of the mode to SA's economy	0,002%	0,046%	0,077%	0,429%

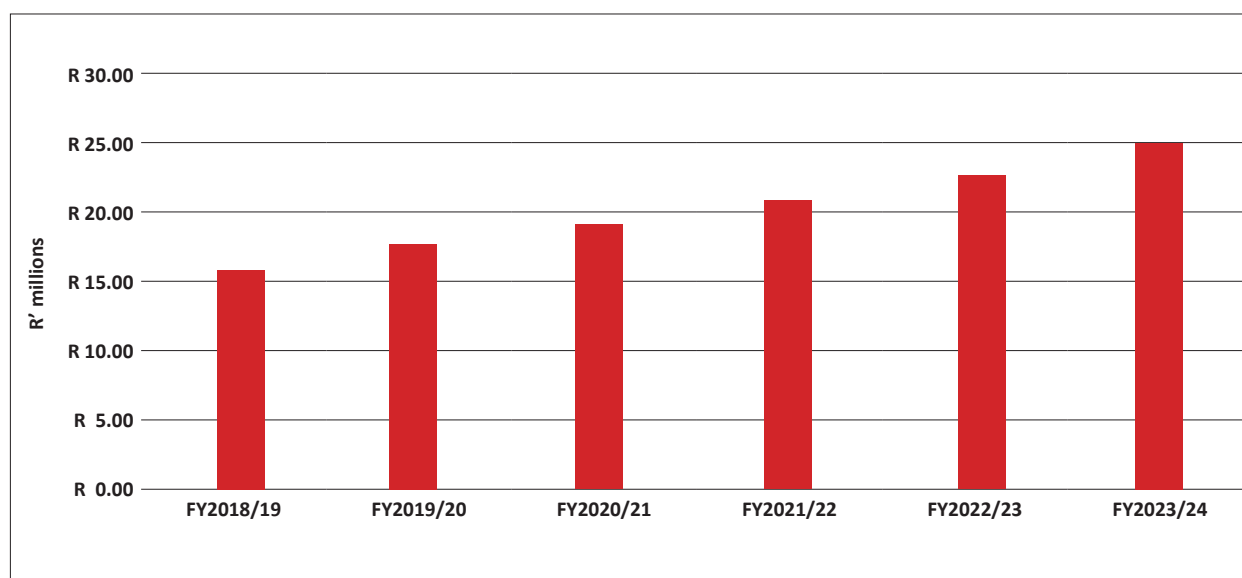
From the preceding table it is clear that the casino sector remains the largest contributor towards the South African economy, although the percentage contribution has decreased slightly (compared to Table 5.1), this still represents a net gain of approximately R4.6 million. Traditional bingo's percentage contribution is also predicted to decrease, representing a net loss of R85.7 million. EBTs will increase its percentage contribution with approximately R946.6 million in net gains and LPM will increase its percentage contribution with approximately R1 228.5 million in net gains. Overall, it is expected

that the industry will have a net gain of approximately R6 751.6 million.

## 5.7 CORPORATE SOCIAL INVESTMENT IMPACT

Figure 5.5 presents the future Corporate Social Investment projects of the Bingo Sector. Unfortunately, actual statistics on CSI spend by the bingo sector are not available, and the calculations are therefore based on a 1% CSI spend of GGR, as stipulated in the majority of licensing conditions.

**Figure 5.5: Bingo Sector Corporate Social Investment**



It is expected that the bingo sector's contribution in terms of Corporate Social Investment will increase by 37.4% over the next 5 years (average of 7% per annum) with a total net gain of R9.4 million.

## 5.8 REGRESSION MODELLING AND PROJECTED TRENDS ANALYSIS

### 5.8.1 ANALYSING THE DATA

For the purposes of predicting the possible future sales per gambling mode per province from 2018/19 up to the 2024/25, regression modelling is done. A polynomial regression model is applied in order to predict future revenue generated per gambling mode. Polynomial is a form of linear regression in which the relationship between the independent variable (time) and dependent variable (revenue) is modelled. Polynomial regression provides the best approximation of the relationship between the dependent and independent variable.

Key elements of the regression model applied to gambling mode data relate to:

- the time period interpretation used for the historical data
- the statistical variance of the r squared value (i.e. regression model fit to data)
- the statistical slope and change.

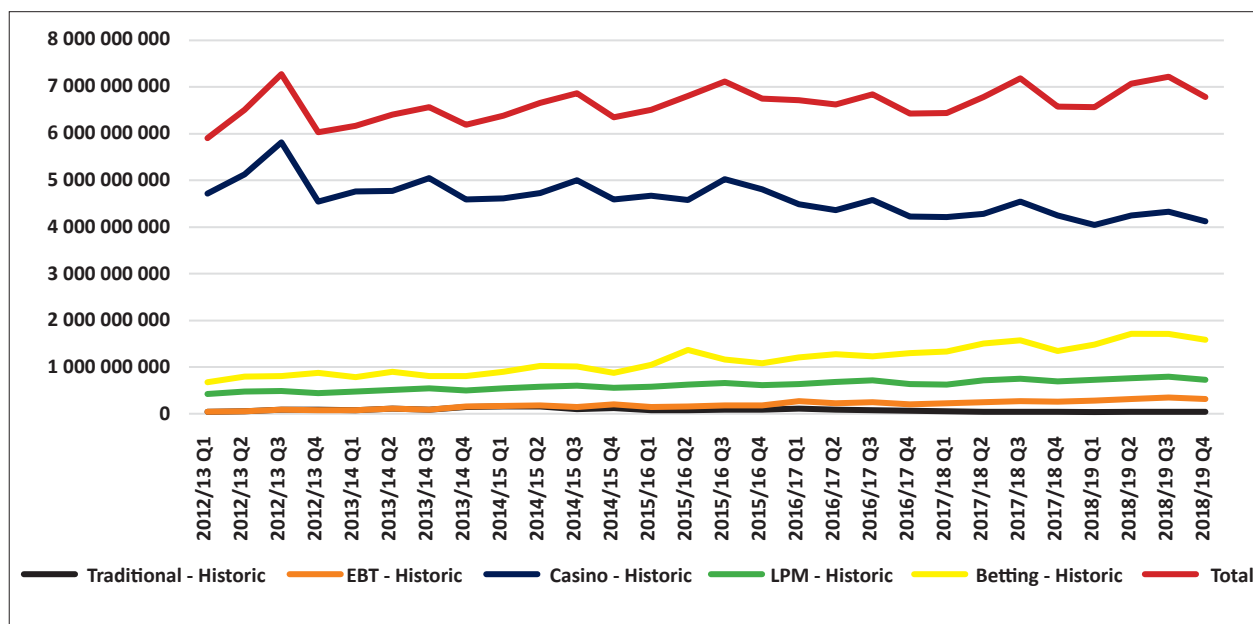
#### *Time period and Data*

The data supplied is provided for the year 2012/13 to 2018/19 on a quarterly basis. The quarterly basis of the data is used as an indicative period for data meaning that quarter 1 of 2012/13 is known as period 1 and quarter 4 of 2018/19 is known as period 28.

The data supplied refers to the revenue generated per gambling mode for the defined time period. Analysis of each gambling mode per province is done. GGR for EBTs versus Traditional Bingo was calculated using an annual operational EBT:Traditional Bingo ratio. For the purposes of this section, a review of the total revenue generated historically and in future is reviewed.

The following graph provides an overview of the historical revenue trend per gambling mode.

**Figure 5.6: Historical Total Revenue Growth per Gambling Mode**





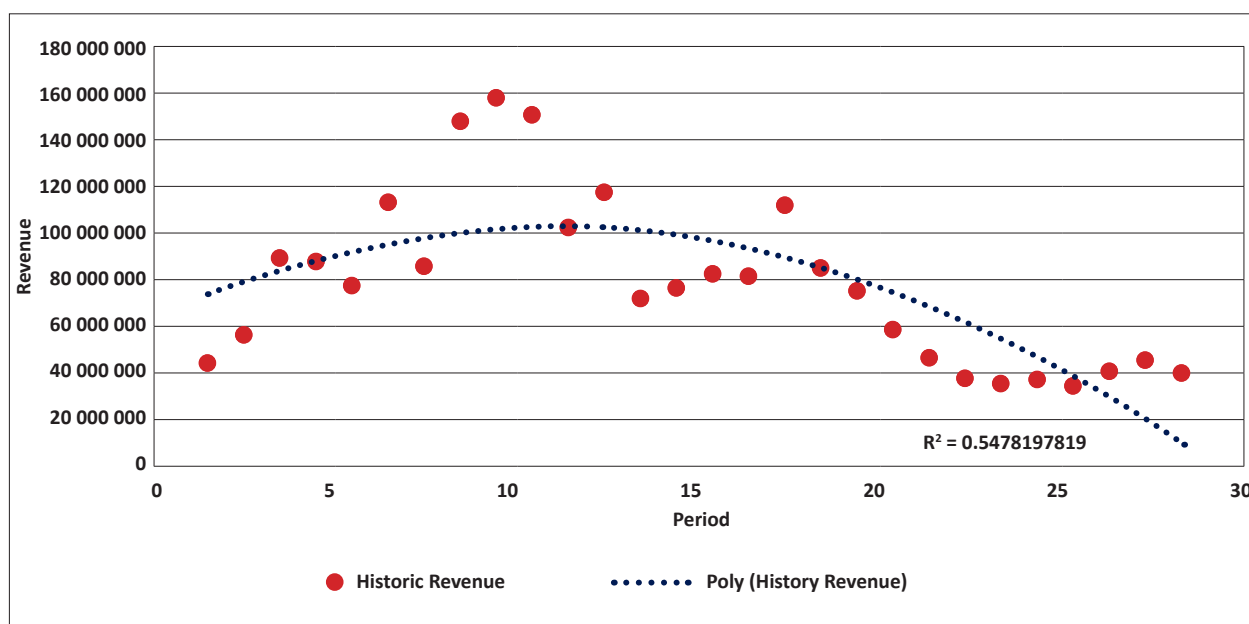


### Statistical Variance

The historic gambling mode data per province undergoes statistical variance analysis. Statistical variance analysis is conducted to determine the extent to which the historical data aligns to the fitted regression line per gambling mode per province.

A fitted regression line on a graph represents of the mathematical regression equation for the data. Fitted regression lines are used to illustrate the relationship between a predictor variable (x-scale) and a response variable (y-scale) and to evaluate whether the model fits the data. The following graphs provide an overview of the long-term trend regression curve for total revenue generated per gambling mode.

**Figure 5.7: Regression Curve for the Traditional Bingo Gambling Mode**



**Figure 5.8: Regression Curve for the EBT Gambling Mode**

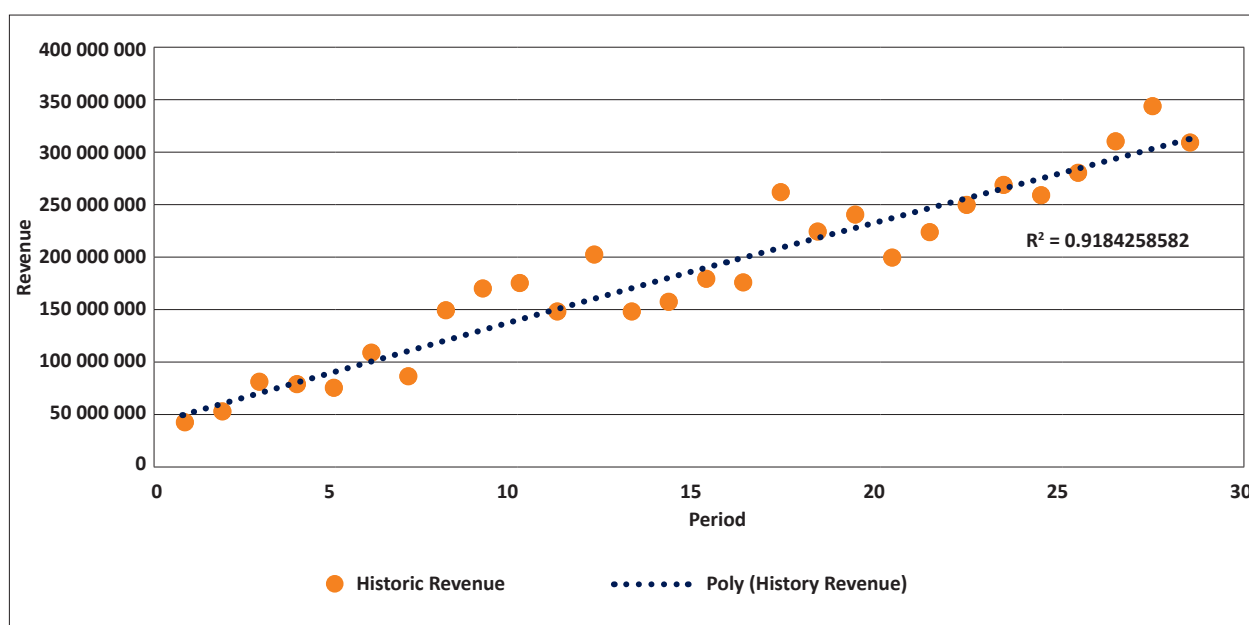


Figure 5.9: Regression Curve for the Casino Gambling Mode

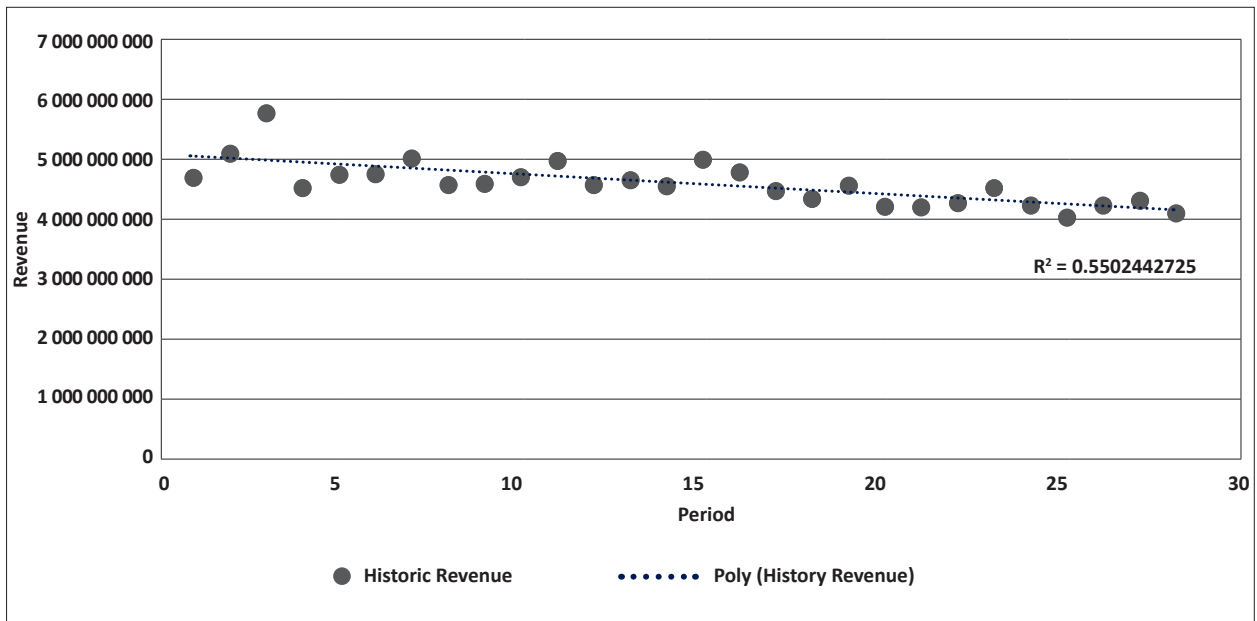
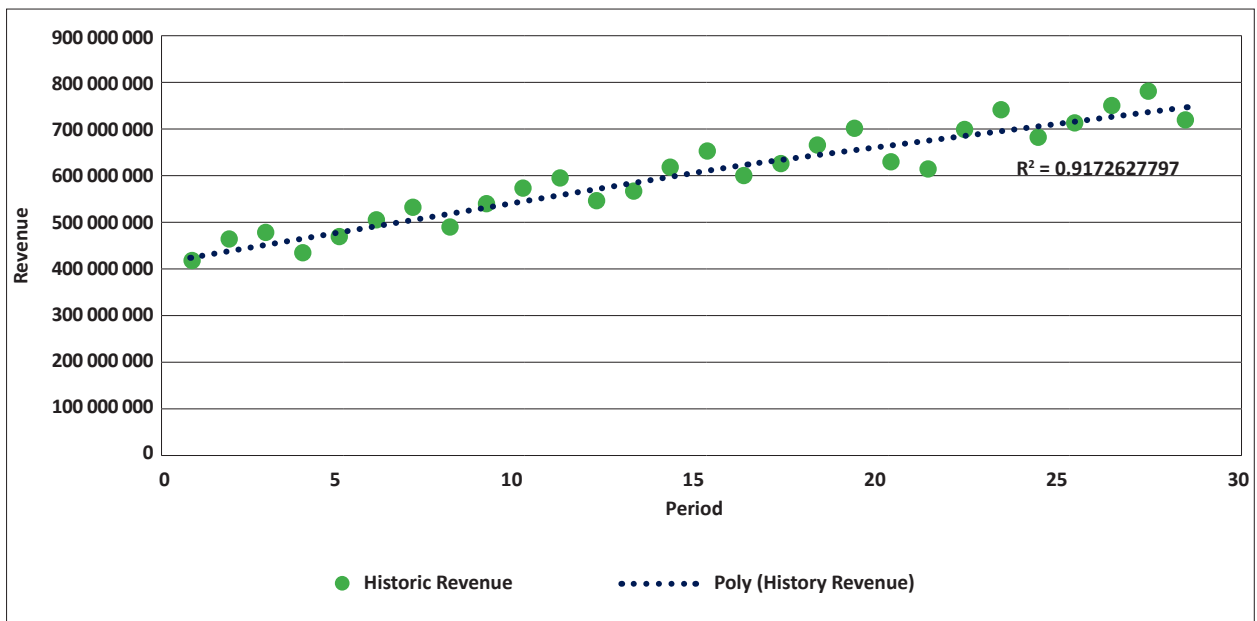
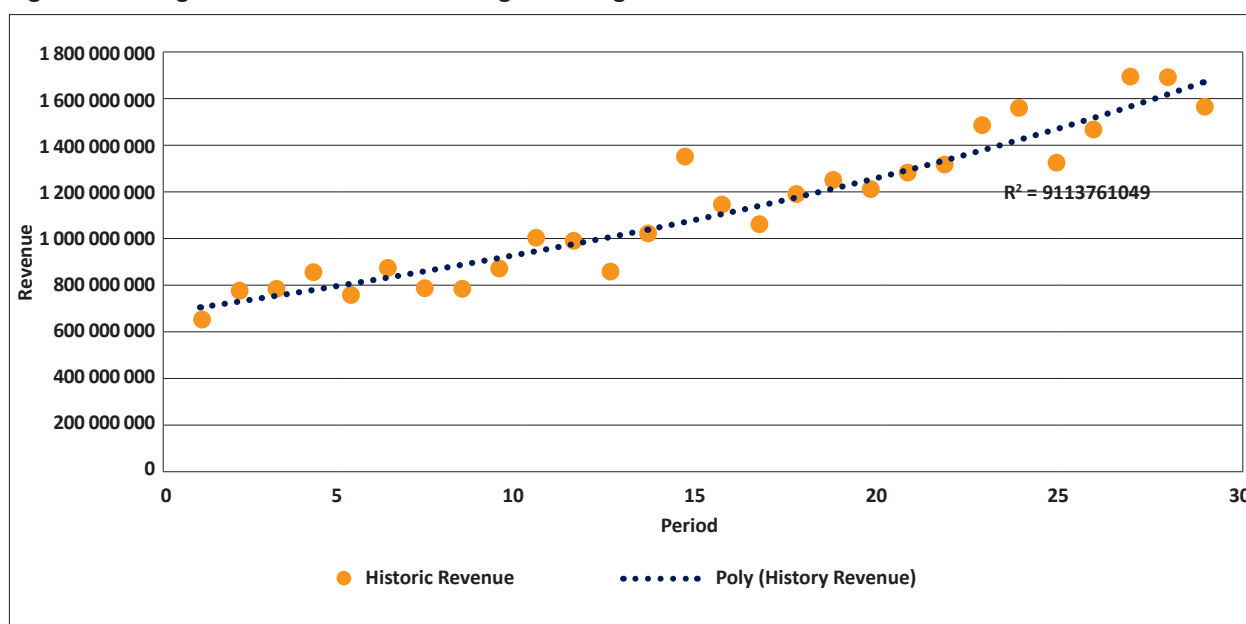


Figure 5.10: Regression Curve for the LPM Gambling Mode





**Figure 5.11: Regression Curve for the Betting Gambling Mode**



The variance is determined by considering the R squared value of a regression dataset (i.e. fitted regression line).

Where  $r$  (the correlation coefficient) can be calculated per below:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

Where,

$r$  = The Correlation coefficient

$n$  = number in the given dataset

$x$  = first variable in the context

$y$  = second variable.

The R squared variance is interpreted by considering its value. An  $r$ -squared variance of 1 presents a perfect fit with a dataset. This, however, is seldom achieved in practice.

For the purposes of this review, the total revenue generated by each gambling mode is considered between 2012/13 and 2018/19. The following table provides an indication of the  $r$  squared value per gambling mode based on the regression model, as well as an interpretation of the trends.

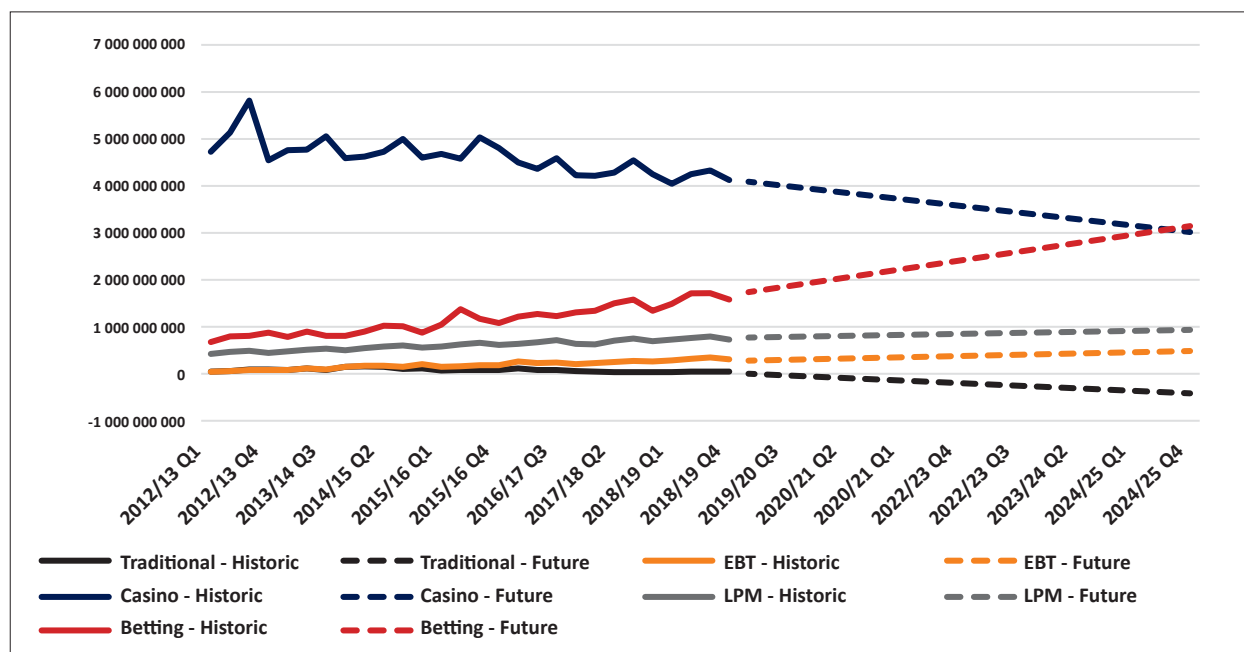
Gambling mode	R square variance	Interpreting the fit/correlation	Interpreting the trend
Traditional bingo	0,55	Moderate	The relationship that can be observed is notably cyclical but almost exclusively downward (negative)
EBT	0,92	High	There is some degree of cyclicity that can be observed but the trend is notably positive and upward
Casino	0,55	Moderate	Minor cyclical variations can be observed and the trend is moderately downward (negative)
LPM	0,92	High	Minor cyclicity can be observed and the trend is notably positive and upward
Betting	0,91	High	Moderate degree of cyclicity with isolated outliers can be identified and the trend remains fairly consistent in an upward, long-term trajectory

From the table above it can be deduced that for the traditional and casino modes' historical data, a moderate fit to the fitted regression line can be observed. The remainder of modes have a high fit. It should be noted that for the traditional mode many gaps in the data exist which creates a significant variance from the mean of the data – i.e. a considerable number of outliers exist. For

the casino mode the same is true but to a less significant extent.

Based on the respective preceding analyses, regression modelling of each gambling mode is conducted. The output of the analysis is represented by the following graph. It should be noted that the outcome is represented by the total revenue generated per gambling mode.

**Figure 5.12: Regression Modelling per Gambling Mode between 2018/19 and 2024/25**



### 5.8.2 INTERPRETING THE DATA

In view of the above data sets and subsequent regression analyses the following can be observed:

- All gambling modes, save for traditional bingo and casino gambling, recorded positive growth trajectories over the period analysed (7 years, 28 quarters).
- Both traditional bingo and casino gambling recorded a fairly consistent long-term contraction trend.
- The negative growth observed in traditional bingo gambling is particularly pronounced especially since 2014/15 Quarter 1 – a distinct watershed can be observed at this particular point in time, and from that point onwards traditional bingo gambling shrunk from R156.6 million in the fourth quarter of 2014/15 to R41.1 million in the fourth quarter of 2018/19 – an almost four-fold reduction in size.
- The loss observed for casino gambling is also negative but less pronounced – from a best quarter of R5.8 billion in the third quarter of 2012/13 shrinking to R4.1 billion by the fourth quarter of 2018/19 – a loss of some 29%.
- Over the corresponding period EBTs grew seven-fold from R41.9 million to R311.5 million, LPMs almost doubled from R422.8 million to R730.3 million, and betting doubled from R675 million to R1.5 billion.
- The correlation between rapidly increasing EBT revenue and concomitant rapidly decreasing traditional bingo revenue points to substitution behaviour - i.e. the consumer systematically substituting a dated mode of bingo gambling with a modernised mode of bingo gambling.
- In absolute terms total gambling revenue (all modes) increased from R5.9 billion to R6.7 billion over the time period analysed. This represents a net gain of R881.7 million. This represents a percentage



growth of 13% translating into an average growth of around 2% per annum.

- However, the internal structure of revenue changed over this period. Proportionally larger contributions (i.e. net gains) were generated by EBTs, LPMs and betting, whereas net losses were recorded by the casino and traditional bingo gambling modes.

The above may well correlate with cyclical economic fluctuations and subsequent impacts on consumer behaviour over the time period analysed. The fact that most betting modes, however, managed to record positive growth in both real and nominal terms would suggest that factors other than economics continue to influence consumer expenditure and gambling revenue. Similar structural trends observed in other sectors of the economy driven by consumer demand were found to be more closely related to consumer behaviour and generational profiles that emerged in the context of overarching macro-economic conditions.

From the consumer survey it is evident that as economic conditions deteriorate, consumers tend to shift gambling behaviour from larger and perceived high-risk amounts and modes to a higher frequency of gambling by virtue of smaller amounts on what is perceived to be lower stakes gambling modes. This would explain the rapid advances in gambling revenue recorded at EBTs in relations to the sustained deterioration of real gambling revenue at casinos. Although the former is not necessarily directly responsible for the latter, the correlation between the two datasets suggests that structural changes in consumer behaviour fuel this trend. Similar trends have been observed in retailing where a combination of economic considerations and changing generational dynamics have shifted consumer spend from hypermarket type facilities to more conveniently located neighbourhood-based supermarket outlets. This was accompanied by a shift in low frequency bulk-purchases (e.g. once or twice a month) to a higher frequency of repetitive smaller

basket purchases (three to four times a week). These shifts resemble unavoidable evolutionary trends within an industry. The one trend does not necessarily cause the other. Instead, both are a function of changing consumer behaviour within a changing economic environment. Across various sectors these structural changes invariably hold real estate and tenancy implications. An important consideration remains the overarching industry trend which, in terms of gambling revenue, remains high and positive amidst internal structural shifts. These shifts effectively embody the market mechanism (Adam Smith's so-called invisible hand). The natural tendency from regulators and administrators is to enforce protectionism. In retailing, this has proven to be highly ineffective and even counterproductive in that a natural emerging trend is stifled and a diminishing mode of gambling still does not gain by holding back advances in another subsector of the market. Because of these fundamental underlying shifts in consumer thinking and behavior, it was found in retailing that certain formats (e.g. hypermarkets) continue to deteriorate even in the face of attempts to constrain the supply side of other formats. The above hold important implications for gambling and may suggest that some form of mechanism (e.g. licensing and trade area radii) could be considered to manage the growth of EBTs. The objective, however, should not be to protect casinos *per se* given the fundamental shifts that appear to be emerging among consumers.

The long-term prognosis (Fig 5.12), based on regression model forecasting, points toward an intensification of these trends. The likelihood of this trend materialising is considered to be high in view of the sustained changes occurring within consumer markets and the economy in general. The consistency of the trajectory that can be observed in the various gambling sub-segments add credence to this assertion. It is thus necessary to consider and raise the issue of protectionism versus change management.

## CHAPTER 6

# CASE STUDIES

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### 6.1 INTRODUCTION

Since its inception in South Africa, bingo was a relatively insignificant mode of gambling. Those who participated in the industry played in traditional bingo halls or casinos, with the marking of numbers manually as the host calls them out. In 2005, EBTs were introduced and resulted in a rapid increase in bingo revenues. Since the introduction of EBTs bingo has become a viable component of the gambling sector.

The South African Gambling Review Commission recognises that bingo, and specifically traditional bingo, has not done particularly well in South Africa and that alternative revenue sources for the industry should be considered to make the sector viable. There is, however, a challenge concerning LPM licencing in the country (International Case Study of Gambling Jurisdiction, 2010, p. 54).

In countries where the public participate in the bingo industry (legalised or not), it is played in various ways; land-based, commercial bingo, charitable bingo, online bingo, EBT, etc. The aim of this section is to provide a comprehensive understanding of the bingo industry (EBTs in particular) on an international scale. This is so as to provide some insight into the different contexts in terms of the regulation and operation of the industry so that there may be a thorough analysis of the status quo, challenges, successes and failures of the bingo industry (with a specific focus on the EBTs) within the various case study subjects. This might ultimately inform the recommendations that may possibly be contextually applicable to the bingo industry in South Africa and in terms of the regulation of bingo in future.

The industry is not documented extensively on the international front and reliable studies are not readily available. Reliable information was sourced as far as possible in terms of the prevalence of EBTs, the regulatory environment, trends and spatial distribution/location environment.

Countries were selected, based on developments within their bingo industries, especially related to EBTs, as well as based on available secondary information. The aim is to analyse the secondary information available

(plans, strategies, academic resources, etc.) in an effort to identify possible successful policy interventions that regulate the bingo industry, in particular EBTs, as well as to identify challenges and risks that are being mitigated through regulatory and policy interventions. The jurisdictions included in this section are (along with the reasons for inclusion of each country):

- International:
  - United Kingdom (UK): The UK is said to have the largest gaming industry in Europe. It is also reported that the UK has a very complex and focused regulatory framework with regards to Bingo, and specifically electronic terminals
  - Canada: Bingo was traditionally a source of fundraising for charities and religious institutions, but more recently provinces begun to operate bingos, leading to the need for regulation of bingo and more specifically EBTs
- BRICS (Brazil, Russia, India, China, South Africa):
  - Brazil: Brazilian bingo industry and its regulators were repeatedly ensnared in corruption, organised crime, and money laundering scandals. Just seven years after opening the licensed bingo market, the federal government attempted to close it. It is important to learn lessons from the mistakes of others.

No case studies could be found for Electronic Bingo Terminals in African countries.

The information at the disposal of this chapter are scholarly articles, website articles, plans, policies, strategies charters and other reliable secondary desktop sources.

### 6.2 UNITED KINGDOM

#### I. BACKGROUND

Bingo is the only form of gambling recognised in the UK's Gambling Act 2005 (the Act) that does not have a specific statutory definition. The Act provides simply that 'bingo' means 'any version of the game, irrespective of by what name it is described'. The Act provides for a range of



licenses to be granted to both non-remote (i.e. land-based), as well as remote businesses.

The definition of “Electronic Bingo” in the United Kingdom is not necessarily singular. Electronic bingo in the UK has been described to be the operation of bingo without the usual bingo tickets; instead, an electric device is used to record the called numbers using an electronic bingo card. Some sources regard Bingo that is played through slot machines as ‘Bingo machines’ and therefore excluded as part of the term “electronic bingo”.

It is reported that the UKs Gambling Commission had, both before and since the coming into force of the Act, received many enquiries from both the ‘traditional’ bingo industry and from new entrants, or potential new entrants to the market, about new game formats proposed to be offered as bingo in bingo licensed premises. It is against this backdrop that the Commission, through correspondence with The Bingo Association, published an advice note in January 2014, setting out the Commission’s views as to the essential requirements for a gambling product to be recognised as bingo.

The Commission considers there are three fundamental principles of bingo. These principles are:

- **Principle 1: Bingo must be played as an equal chance game**
  - In order for a game to be classed as ‘bingo’, it must meet the Act’s definition (in Section 8) of ‘equal chance gaming’ (as opposed to casino gaming). Thus it:
    - a. Must not involve playing or staking against a bank, and
    - b. Must be a game in which the chances are equally favourable for all participants in the sense that each ticket or chance has the same probability of success as any other
  - The Commission sees no objection to players in bingo being able to select some, or indeed all, of their numbers provided there is a mechanism to ensure that each player nevertheless has a unique set of numbers and the game therefore remains equal chance. The Commission also consider that fixed odds bingo games are acceptable provided they are structured to ensure there is no banker’s interest

- The Commission has produced a note addressing what it considers constitutes a banker’s game and how equal chance gaming can be distinguished from it

- **Principle 2: Bingo must involve a degree of participation**

- To distinguish a bingo game from a straight lottery, a player must be required to participate in order to be successful. Participation could, and traditionally does, take the form of human interaction with the game, i.e. players actively marking their cards and/or claiming to have won. Alternatively, as is often the case in modern bingo formats, especially when played on-line, by means of bingo machines or hand-held devices, technology can be used to act as the participant’s agent in playing out the game which the player has initiated. In this way participation can be made up of a combination of activity taking place both within the mechanic of the game and by the player’s own actions
- Bingo games where the winning numbers are pre-selected are acceptable, provided that those numbers are subsequently called or displayed

- **Principle 3: Bingo games must have a clearly defined end point**

- A fundamental element of a game of bingo, as with any game, is that it needs to end at a predetermined designated point or time. This end point needs to be appropriate, realistic and clearly communicated to players. The period within which a player is able to claim a prize should be factored in to the timeframe of the game, determining who has won is part of the game.

The UKs Gambling Commission published a revised list of characteristics in 2014, which it considered should be present in games, whether or not played by machine, in order for them to be classed as bingo. The list of characteristics is particularly relevant to bingo machines, also known as video bingo terminals (VBTs). Machines that play bingo are exempt from limits on numbers, and stakes and prizes which apply to gaming machines. If these characteristics are not present, it is likely that the Commission will view the machines as gaming machines and regulate them accordingly.



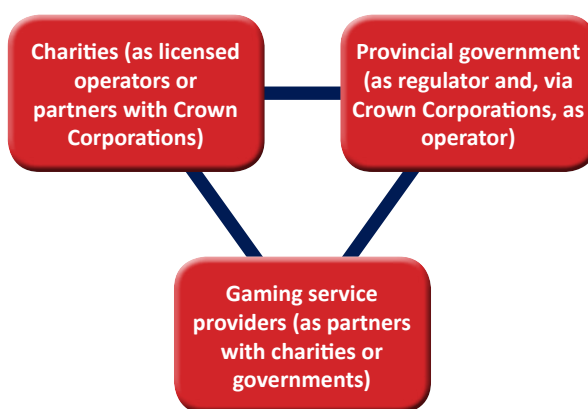
The list of key characteristics of bingo includes the following (Gambling Commission, 2014):

- Players' payments must be divided between stakes and participation fees, although they may consist entirely of stake or entirely of participation fee
- The way the division is made must be transparent to the player and in particular there must be a notice displayed showing participation fees in a way that makes it readily accessible to players. Any stakes must be returned to players, either in the particular game or in a subsequent one
- Each game must be played to a single set of numbers, or symbols; drawing a second set starts a new game
- Any game formats must clearly be presented as offering the player the opportunity to participate in a game of bingo. This includes numbers (or symbols) being marked off and the game having the appearance of a game of bingo (rather than a gaming machine)
- Any 'added prize money' stated to be available in the game, once offered (and unless the offer is specifically limited in time), must remain available until won in that or subsequent games, i.e. by way of rollover; the operator cannot claim them back. Prizes clearly advertised as being offered only for a limited period can be claimed back if they are not won. All prizes offered in each game must be transparent to the player
- Games may operate with a single player, provided there is a meaningful opportunity for other players to participate in the same game
- The game must comply with the requirements of the Gambling Act 2005 and must be capable of audit, where appropriate, to demonstrate legal compliance. Such audit data will demonstrate for example how players' payments are split between stakes and participation fees and that all stakes are returned to the players either in that game or subsequent games.

Characteristics specific to bingo machines, over and above the previous list, include the following:

- The speed of the game, including the time taken to join, should be similar to that of an interval game. Games must not have an auto play function
- The machines must provide a facility for the player to extend the playing time by a minimum of 100%
- The amount that can be staked in a set period should be not greater than on a Category C machine.

In the UK various bingos (according to their operational equipment) are regulated on different terms. For example, gambling software and remote operating license holders are required to comply with 'Remote Technical Standards' (RTS) with its own requirements relating to the timing and procedures for testing. Remote gambling and software technical standards details the specific technical standards and the security requirements that any licensed remote gambling operators and gambling software operators need to attain. These include technical standards and security requirement. These RTSs are consulted and amended when necessary (Bingo: Sector Specific Compliance).



## II. REGULATION OF BINGO

Gambling regulation in the UK is driven by the Gambling Act 2005 (the Act). This is aimed to modernise gambling regulation, reflecting a New Labour desire to encourage the leisure sector as a crucial part of the UK economy. It replaced a law and policy approach characterised by a reluctant tolerance of gambling. The 2005 Gambling Act aimed to move to a more self-regulatory approach, where operators had more freedom to decide how they could best comply with standards laid down by the new national regulator, the Gambling Commission.

The Gambling Commission also developed the statutory "Guidance to Licensing Authorities" (GLA), issued under section 25 of the Gambling Act 2005, which requires the Commission to issue guidance on the manner in which local authorities are to exercise their functions under the Act. This Guidance has a particular role and significance in the context of the principles that must be applied by licensing authorities when exercising their functions in relation to Part 8 of the Act, including premises licensing.





The aim of this Guidance is to ensure that every licensing authority has the information it needs to make effective decisions. It does not seek to impose a 'one size fits all' model across all licensing authorities. The Gambling Commission recognises that every licensing authority is different and will have different views about how it wishes to manage gambling locally. Indeed, the Act establishes a high degree of local accountability for gambling regulation.

Part 18 of the GLA provides guidance related to the regulation and licensing of bingo; and in terms of gaming machines states that the holder of a bingo premises license may make available for use a number of category B gaming machines not exceeding 20% of the total number of gaming machines on the premises. For example, premises with a total of 25 gaming machines available for use can make five or fewer category B3 gaming machines available on that premises. Premises that were licensed before 13 July 2011 are entitled to make available eight category B machines, or 20% of the total number of gaming machines, whichever is the greater. There are no restrictions on the number of category C or D machines that can be made available. Regulations state that category B machines at bingo premises are restricted to sub-category B3 and B4 machines, excluding B3A machines. Gaming machines must remain within the licensed area covered by the premises license. In the unusual circumstance that an existing bingo premises covered by one premises license applies to vary the license and acquire additional bingo premises licenses (so that the area that was the subject of a single license will become divided between a number of separate licensed premises) it is not permissible for all of the gaming machines to which each of the licenses brings an entitlement to be grouped together within one of the licensed premises.

Section 18.10 of the GLA further states: "Equipment operated by a bingo operating license for the purpose of playing bingo, for example what are currently known as mechanised cash bingo, EBT and video bingo terminal (VBT), will be exempt from controls on gaming machines provided they comply with any conditions set by the Commission and, **in the case of EBTs, do not hold gaming machine content.**"

**An EBT that offers gaming machine content in addition to bingo content is considered to be a gaming machine and would count towards the total number of gaming machines or towards the offering of bingo. Any EBTs that do not offer gaming machine content would not count towards the number of gaming machines.**

The Act and associated regulations set out a comprehensive regulatory framework for controlling gaming machines. By linking different machine entitlements to different types of premises, the framework seeks to ensure that the number and power (in terms of stakes, prizes and speed of play) of machines is proportionate to the premises. For such, a framework to have any meaningful effect it must be possible for regulatory authorities and consumers to distinguish between different gambling premises.

The License Conditions and Codes of Practice (LCCP) requires, in terms of Social Responsible Code Provision 9, that gaming machines are only made available in combination with the named non-remote activity of the operating license. So, unless a bingo premises operator offers substantive facilities for non-remote bingo it should not make gaming machines available for use on the premises in question. To contain the unavoidable risk to the licensing objectives associated with gaming machines, premises which offer machines must be appropriately supervised.

Licensing authorities are not being asked to impose a 'one size fits all' view of the how a bingo premise should look and function. Rather they are ensuring that premises licensed for the purposes of providing facilities for bingo is operating as such and is not merely a vehicle to offer higher stake and prize gaming machines.

### III. KEY FINDINGS AND LESSONS LEARNED

- It is clear that confusion exists amongst the gambling industry stakeholders as to what constitutes bingo, especially given the new and digitised formats of the game. The advice notes developed by the Gambling Commission is an effort to clear up the confusion and to assist bingo operators to avoid creating or offering products that are considered to be casino games, lotteries or fixed odds betting.
- The Gambling Commission also developed the statutory "Guidance to Licensing Authorities" which provides guidance related to the regulation and licensing of bingo, and in terms of gaming limits the number of machines that the holder of a bingo premises license may make available on the premises. What is important to note is that an EBT that offers gaming machine content in addition to bingo content is considered to be a gaming machine and would count towards the total number of gaming machines or towards the offering of bingo. Any EBTs that do not offer gaming machine content would not count towards the number of gaming machines.

- Through these limitations Licensing Authorities are able to ensure that bingo halls are utilised for the purposes of playing bingo and are not increasingly used as a vehicle to offer higher stake and prize gaming machines.

## 6.3 CANADA

### I. BACKGROUND

In Canadian law, bingo is considered as a game of mixed chance and skill. This means that it must fit within the specified exemption from gambling prohibitions. Bingo in Canada (Ontario and British Columbia) has seen a decline, it is said that this is to the effects of a) smoking bans and b) the expansion of other forms of gaming such as casinos. The Bingo Project states that the Canadian bingo industry has declined on an average of 13% per year from 2011-2015. This evidence is supported by the significant drop of hall attendances and numbers that constantly go down rapidly, with most bingo operators predicting even further decline (The Bingo Project, 2016).

Bingo's boom in Canada was due to charitable operations, be it religious or social organisations raising funds for different courses. In 2016, the Bingo Project recorded 61 bingo halls that remained in Ontario, and of the 61, there were 30 that were operated by associations of charities (The Bingo Project, 2016, p. 27).

The Canadian bingo industry has three major (tripartite) stakeholders:

1. Charities: They are licensed operators or partners with Crown Corporations
2. Provincial government: They are the regulators and via Crown Corporations, act as an operator
3. Gaming service providers: They act as partners with both charities and governments.

### II. THE REGULATION OF BINGO

There are three key themes in the Canadian Bingo industry. Firstly, there is a shifting debate concerning the charitable role of bingo. This involves the significant role volunteers in charitable bingo play. In Ontario, the tripartite understanding of how this may work as the charities, businesses and government continually partner in order to promote charitable gaming halls. There is an Ontario Charitable Gambling Association that has taken a significant role in the drafting of applicable standards to charities that raise funds.

The second theme involves coping with the rapid decline of the bingo industry and ensuring regulating diverse game innovations. Due to the decline, there have been measures taken to 'refresh' or revitalise the game. Firstly, the introduction of side games that are designed to extract extra revenue. Secondly, invigorating entertainment by having themed bingo games, e.g. late night bingo, drag bingo, disco bingo etc. (The Bingo Project, 2016, p. 28). Thirdly, the introduction of electronic bingo; this was to act as the solution to the declining revenues and as a possible target market to bring in youths. According to The Criminal Code, electronic bingo involves provincial involvement because the play is run through a computer.

Finally, the introduction of "slot machines" in bingo facilities. In a "revitalisation" program launched in 2011, the Ontario government renamed bingo halls charitable gaming centres, adding TapTix machines — the so-called break-open ticket games — and electronic bingo terminals. The "play-on-demand" screens let gamers have virtual cards — as well as the old-fashioned paper ones — in live, communal bingo. The devices also offer individual, fast-paced games with colourful graphics.

Ontario Lottery Gaming (OLG), which operates gaming services on behalf of the government, is constrained by provincial regulation from introducing slot machines in its gaming facilities. However, the OLG has introduced 'electronic break open machines', which were originally designed and made in the United States of America for the Native American gaming facilities that were not allowed to have slot machines. These electronic break-open machines do not depend on random number generation for their outcomes, however, many of the interviewees that The Bingo Project spoke to, did state that these appear to be slot machines.

The main apprehension by some local governments as well as responsible gambling advocates in Ontario concerning the introduction of these, is that they may possibly be an introduction of harder gambling forms within the bingo environment.

After the introduction of 'electronic break open ticket machines' into the bingo facilities, there is a rising emphasis and consensus from charitable and commercial respondents that there was a great need for responsible gambling measurements that should be put in place. This has been met with resistance by those who do not regard bingo as a significant site for problem gambling (The Bingo Project, 2016, p. 31).



In a paper just published by the International Journal of Mental Health and Addiction, Harrigan and colleagues document how the individual games on EBTs have the same features that in slot machines have been proven to — inadvertently at least — encourage addiction.

### **III. KEY FINDINGS AND LESSONS LEARNED**

- In Canada, other forms of playing bingo (i.e. electronic, online, etc.) was introduced in an effort to save a declining bingo industry, and bingo halls were quickly renamed as Charitable Gaming Centres (CGC).
- The ageing population and declining traditional bingo ultimately led government to introduce BETs in an effort to draw younger generations (millennials and x-generation consumers).
- Bingo halls are constrained by government to introduce slot machines at their premises, they are, however, not constrained to introduce ‘electronic break open machines’ and ‘electronic bingo terminals’. Investigations, however, have shown that the punters do not know the difference, and have stated that these machines appear to be slot machines.
- There are growing concerns from industry stakeholders that the introduction of these electronic forms of bingo (having the same features as slot machines) can increase the incidence of problem gaming, and therefore increased efforts need to be put in place to regulate these machines.

## **6.4 BRAZIL**

### **I. BACKGROUND**

According to the history of Brazil, there was a prohibition of any form of gambling with the exception of lotteries and horse racing. In 1941, all unauthorised sports betting activities had already been outlawed by the Criminal Contravention Act which is still in place (Online Gambling in Brazil, 2013). The sports-betting that is available is through state-operator CAIXA. Although this authorisation is very much still active, there are other forms of gambling activities that are now allowed. Video gambling, in the 1990s, grew rapidly due to a legal oversight that allowed for bingo machines to sponsor amateur sporting events and teams.

In Brazil, although attached to political scandals, bingo halls are legal, unlike casinos. After the 9 month ban in 2004 due to such political headlines, bingo was reinstated. The legality and exemption of the bingo game in Brazil was not due to a careful policy consideration and

objective to widen the gambling market - it was instead due to the democratisation of sports administration and this caused a bridge in terms of regulatory framework as the game ‘lacked a robust articulation of objectives, instruments and methods’ (The Bingo Project, 2016). The establishment and legalisation of the bingo Industry is said to stem from the UK’s bingo sector’s involvement and sponsorship of elite sports, thus neglecting transplantation into the Brazilian socio-economic context (The Bingo Project, 2016).

Brazil experimented with various systems for allocating regulatory licensing measures and authorities while bingo was legal. The unfortunate and perhaps telling reasons why bingo was not a sustainable industry was the fact that the model introduced was unable to instil public confidence in the resilience of the bingo market against corruption and criminality.

At first, the regulatory authority over bingo business including (i.e. licensing authorities) was distributed to State Treasury departments. The fall of the industry began with the corruption scandals that were found in five states that boasted of important commercial bingo market. This included organised crime and corruption in Brazilian Bingo (The Bingo Project, 2016, p. 12). This caused a transferral of regulatory authority (i.e. licensing) to a federal organisation, that is the “Instituto Nacion do Desenvolvimento do Desporto”/ National Institute for the Development of Sports (INDESP). This organisation is said to have never risen to the required capacity to regulate the bingo industry (The Bingo Project, 2016, p. 13). This resulted in contractual partnership with larger states that had large bingo markets.

The failure of the bingo market and industry that damaged public confidence was due to the lack of systematic attention to regulatory objectives and processes. The association of the bingo industry to that of sports fundraising and irregularities and corruption worsened the matter. It is said that many clandestine casino users migrated to bingo when it got illegalised.

There are three major happenings in the Brazilian bingo industry that caused the public to undermine the industry, and therefore result in its failure (The Bingo Project, 2016, p. 18):

- The fact that bingo was legalised as the only mass participation game that was provided by non-state actors. This made the game enticing and inviting to criminal organisations that operated illegal games such as “jogo do bicho”

- The licensing standards had a misdirected focus. The entry to the bingo market had requirements were said to not be well structured, resulting in regulators that were unable to minimise the risks exploitation of the industry
- The lack of structural building and investment into the regulatory bodies was a problem. The challenge that came with multi-level regulation was that the state and federal regulatory institutions competed with one another instead of collaborative regulation.

There were different types of bingo games in Brazil. There were those that targeted the mass market with low prices, strategically located in the populated shopping malls for public consumption. Then there were bingo games that opted to present bingo as a sophisticated leisure activity. This is done through the creation of affluent and glamorous environments which may be luxurious and opulent halls that were used both for relaxation and business networking. Some bingo businesses invested in the creation of ‘casino-like’ environments to attract more players. This was done through electronic bingo machines and slot machines. The bingo project findings state that many associated the bingo challenges in Brazil to the excessive spread of these machines. The interviewees from the study shared different views on this matter. Some emphasised how the bingo halls were introduced to the ‘slot machines’. This is said to have expanded, making little to no room for traditional bingo as the space and gambling environment made space for the EBTs to grow even more. Some interviewees said that they believed the slot machines would destroy the bingo game.

The bingo industry was no longer legalised. There then came clandestine operations that developed over time. These are also known as the ‘pop-up bingo’. There are even itinerant bingos whereby setups are changed and established in different places. These have affected the standards that bingo once had in Brazil, having to customise the pop-up bingo halls/ clandestine operations/ casinos to an environment that may be changed as fast as possible in the possible event of police raiding, i.e. furniture and equipment that is removable should a police raiding take place. Bingo has been perceived as a gateway to the other ‘harder gambling forms’ while bingo was legalised.

The Bingo project states that the social impacts and gambling addiction effects of the highly social traditional

bingo halls versus that of the individualised electronic machines were completely different. It is said that the slot machines in bingo halls encouraged repetitive play, leading to a concern of over-consumption, compulsiveness and pathology of gambling services (The Bingo Project, 2016, p. 18).

‘The changing environments in Brazil from diversity to clandestine have decapitalised uniformity’ (The Bingo Project, 2016).

## **II. THE REGULATION OF BINGO**

The tensions between the state and federal regulatory bodies ended when INDESOT as the national regulator claimed itself as the sole and exclusive regulator of the electronic bingo market across the country. This was followed by allegations of a corrupted system that supported electronic gaming in bingo halls. The authority of bingo regulation was then transferred to CAIXA (a federal licensing authority). The frequent change of regulatory bodies of bingo regulation between various levels of government made it difficult for the public to know the responsible agency for bingo industry. The constant conflict between different levels of governance has been a concern. The inability to consider the impact of the legalisation of Bingo on the then existent gambling market and environment was a failure. The established standards created in a bias manner added to perverse incentives that benefitted a few as well as the under investment in regulation all reduced public confidence in the capacity of Brazil’s bingo market regulation and ultimately, operation (The Bingo Project, 2016, p. 19).

The social effect of the EBTs on Brazil, even years after bingo’s legalisation, is a concern. The failure to control the excessive spread of the electronic bingo machines in halls was not well regulated and therefore, had major effects on the bingo market’s diversity and thus effective regulation.

## **III. KEY FINDINGS AND LESSONS LEARNED**

The illegality of the bingo game in Brazil did not stop public support for the game. It instead generated cost of enforcement, and the legalisation of gambling due to the possible realisation of fiscal and economic benefits. The corruption and foregone jobs as well as taxable revenues are a loss. These resulted in an industry that is further exploited yet unregulated.



The largest contributing factor towards the fall of the bingo industry in Brazil was the multi-level regulation of the industry, whereby the state and federal regulatory institutions competed with one another instead of collaborative regulation.

The following key findings can be made from the Brazil case study:

- One of the demises of the bingo industry in Brazil was that there was no clear definition and indication between bingo and casinos, especially since bingo halls were permitted to use slot machines. In addition, there was also no clear line between what constituted terrestrial bingo, online bingo and mobile bingo.
- The Brazil government lost and are still losing out on an online market due to illegality of bingo in an online or mobile form. The online and mobile market is ever-growing (and popularity is increasing) and currently feeds revenue to Portuguese language sites that are not in Brazil.
- It was ultimately proposed that policy makers in Brazil introduce a network model of regulation that ensures “licensing, inspection, revenue distribution, consumer protection and enforcement powers at the state level is done in other federal states, for the sake of uniformity and coordinated regulatory processes.”

## 6.5 CONCLUSION

There are various definitions of bingo, given different backgrounds and contexts. The regulation of the industry is very context driven, however, major common challenges are experienced within these different countries and places. The consensus in all case studies shows that bingo is moving towards a more digital era, be it in online bingo or EBTs.

The findings can be summarised as follows:

- There is a clear shift from traditional to more modernised forms of bingo (online/EBTs).
- Clear definitions, norms and standards are required to successfully regulate bingo (and EBTs) in the context of casinos and LPMs.
- There seems to be a correlation between the age/generational profile of punters and the popularity of traditional bingo. Nevertheless, it is not only the younger generations that prefer more modernised modes of gambling, but older generations are also becoming increasingly tech-savvy.

It is clear that proper regulation of EBTs and other forms of bingo is required to ensure that bingo halls are not used as vehicles to offer higher stake and prize gaming machines, or even for illegal activities such as money laundering. The UK seems to be well organised in terms of its regulations and guidelines in terms of EBTs.



## CHAPTER 7

# CONCLUDING REMARKS AND RECOMMENDATIONS

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### 7.1 INTRODUCTION

The purpose of this chapter is to present the main findings from the preceding analyses, and to ultimately make conclusive recommendations with regards to the regulation of EBTs.

### 7.2 SUMMARY OF FINDINGS

- All existing casino licenses allow for EBTs to be installed and operated at a casino site- e.g. it was reported that a certain casino obtained approval to install a substantial number of bingo seats, but chose not to implement any form of bingo; thus demonstrating that EBTs are perhaps not as lucrative as the casino games and slots machines, or the cyclical exposure may be true.
- The GRC previously recommended that it would be appropriate for limits to be placed on the number of bingo licenses and seats per province. Should these limits make a clear distinction between traditional seats and EBTs, the creation of “mini-casinos” can be prevented.
- It has been recommended by certain role players that national norms and standards should be issued dealing with the total number of bingo licenses to be rolled out in each province, the provincial allocation of licenses and the total number of seats/gaming positions per license – same as casinos.
- In issuing licenses, PLAs do not make a distinction between traditional vs EBT seats, but rather bingo seats in general. The number of EBTs specifically are thus not being limited.
- Some PLAs indicated that they restrict the issuing of licenses in certain geographic locations in an effort to “protect” other forms of gambling, especially casinos – based on the potential impact in terms of revenue, employment, etc.
- Certain industry role players are of the view that EBTs might have the greatest impact on and defers income from the casino industry– as EBTs are located closer to communities and thus easily accessible, whilst still being lucrative, whilst casinos are sparsely located and not easily accessible

to communities located far from these existing casinos.

- Interestingly, some of the PLAs are of the view that the shift in consumer expenditure patterns from traditional bingo and/or casino slot games may well be a reality, but that this serves as an expression of consumer preferences. This opinion affirms observations of similar structural market shifts in countries with diverse demographic profiles.
- Respondents were generally more aware of EBTs than of traditional bingo, however, observing the halls where the surveys were conducted, most were predominantly filled with EBTs in relation to traditional bingo seats.
- When respondents were probed regarding their preferred gambling mode the overwhelming majority of respondents indicated that they preferred EBTs. Other preferred modes include casino-based slot machines and table games and the National Lottery. This suggests that consumers base their preferences on modes that are easily accessible and quick to play.
- When consumers were asked why they prefer EBTs it became clear that punters view EBTs as fun and relaxing; and a different social environment than casinos – which are seen as more formal and secured.
- Punters were also probed as to what the most important factors are when choosing a gambling mode. The most important factors, as stated by the respondents, are (in order of importance):
  - o Affordability
  - o Size of winnings, jackpots, promotions and bonuses
  - o Ease of play (convenience and/or no skills required)
  - o Skills
  - o Social connection/enjoyment
  - o The look, feel and features (i.e. lights, sounds, etc.)
  - o Familiarity or previous use/experience
- Punters have to make intuitive risk calculations when choosing a gambling mode and gambling venue (i.e. risk versus reward consideration).



Punters' decisions in this regard seem to be contextual to the prevailing macro-economic environment and other economic factors such as the receding economic growth, rising household debt trends and rising joblessness.

- Less than a tenth of respondents (9%) indicated that they have gambled online in the past 12 months. Some of these respondents indicated that they played local lotteries online – this, however, could have been perceived as playing LOTTO via the National Lottery website or via Online banking sites. It appeared as though respondents were generally uninformed and uneducated with regards to the legality of online gambling as well as what constitutes online gambling.
- Respondents indicated that more skills are required to play EBTs compared to traditional bingo, specifically patience, familiarity with numbers, strategic thinking, alertness and good eye-hand coordination.
- Respondents felt that playing bingo is more similar to playing LPMs than it is to playing casinos or betting on horseracing and sports. This feeling/observation can be motivated by the fact that punters listed “look, feel and features” as the most important factor when choosing a gambling mode (in this instance, EBTs offer the same look and feel as LPMs and casino slot-machines), but also listed “convenience” as the most important factor when choosing a gambling venue. In the case of the latter, LPMs are more easily accessible to the average punter than casino-based games.
- The majority of punters interviewed indicated that they were aware of the Bingo Card on the EBT, but didn't really focus on it but rather on the reel display/screen part of the machine.
- The overwhelming majority of respondents preferred playing EBTs above traditional bingo.
- EBTs are considered to be more of a social event than traditional bingo, with the majority of punters that play EBTs indicating that they make friends while playing EBTs.
- With regards to responsible gambling habits the following observations/findings were made through the interviews with punters:
  - o Punters felt that playing bingo should not be encouraged, although the reasons provided related to gambling in general and not specifically to the game of bingo, such as the addictiveness of gambling, the loss of money and possible debt, etc.
  - o The respondents that were interviewed generally seemed very responsible when playing bingo, based on their bingo playing habits
  - o A recommendation was made by a respondent that venues should impose a limit on the amount of money one is able to spend per day, and another suggested that responsible gambling adverts be played on a regular basis.
- The majority of respondents that were interviewed were female and between the ages of 51 to 55 years.
- When compared to the results from the perception survey on EBTs conducted in 2006/07 by the NGB, it is noticeable that the percentage of pensioners playing EBTs have increased significantly, possibly indicative of punters using government grants (such as old age pensions) for gambling purposes. This could also be indicative that even older generations' preferences are starting to shift towards more modernised products and offerings.
- The EBT sector has grown quite significantly over the past 7 years, while traditional bingo has decreased slightly. This is in line with the trends observed through the punter surveys whereby punters generally prefer EBTs to traditional bingo. In this context, it makes sense that operators would change their operations in order to cater more towards the EBT market.
- It is estimated that the overall employment figure for the Bingo industry will increase to approximately 2 321 jobs in 2023/24, of which 2 225 jobs would be from EBTs.
- It is projected that the Bingo sector will grow at a CAGR of 9.8%, based on historical growth rates (average growth rate of 37.61% from 2011 to 2015) and taken into account that more recently the bingo industry has stabilised somewhat (average growth rate of 9.22% in the past three years). Based on the CAGR of 9.8% it is anticipated that the bingo sector will grow to an estimated R2.42 billion in FY2023/24. The high CAGR is motivated by the continued expansion of bingo positions in the provinces where legal bingo is permitted, and specifically the growth in electronic bingo terminals (EBTs), which have proven to be very popular.

## 7.2 CONCLUDING REMARKS AND RECOMMENDATIONS

From the qualitative research and punter surveys, it is indicated that the popularity of EBTs amongst punters is growing consistently. It became clear that punters prefer EBTs to traditional bingo; and also that they viewed EBTs to be similar to both LPMs and casinos. With EBTs being compared to casinos, and with its increasing popularity, it is therefore advised that EBTs be regulated more diligently and more in line with the strict regulation of casinos.

The case studies support this by proving that proper regulation of EBTs and other forms of bingo is required to ensure that bingo halls are not used as vehicles to offer higher stake and prize gaming machines, or even for illegal activities such as money laundering. The case studies further emphasise the need for clearly defining bingo halls versus casinos, as well as what is considered to constitute bingo versus casino games.

In view of the preceding analyses, it would be useful to consider the future long-term growth prospects of the gambling industry as a whole, and the various sub-segments individually – and more specifically the spatial manifestation of growth. It might prove both useful and necessary to develop an instrument(s) to guide this future growth process. In formulating these interventions careful consideration should be afforded to inter and intra-sectoral impacts, socio-economic impacts and spatial (geographic) impacts as well as real estate impacts. Based on the increasingly popularity of EBTs, changing punter preferences, demographic shifts, and macro-economic considerations, there seems to be a case to be made for change management, as opposed to rigid protectionism.

In view of the above, the following recommendations are made:

### 1. Research

- Ongoing Consumer Research. Ongoing consumer research to track consumer preferences and trends over time.
- Benchmarking. Ongoing research in consumer-driven sectors and subsectors and other countries where electronic and modernised products/offering impacts/changes the consumer behaviour – and undertaking benchmarking on how the various industry regulators/governments have responded to such changes.

## 2. Administration & Reporting

- Reporting guidelines. The lack of detailed statistics on specifically EBTs with regards to revenue generated and employment created makes the monitoring of actual impact very difficult. It is recommended that reporting guidelines be developed enabling bingo licensees to report on the different types of bingo seats (i.e. traditional versus bingo) in terms of especially revenue and employment generated.
- National norms and standards. National norms and standards should be issued dealing with total number of bingo licenses to be rolled-out in each province, the provincial allocation of licenses and the total number of seats / gaming positions per license.
- National and Provincial caps. Similar to the cap placed on casino development it might be useful to consider the development of a per-capita parameter for bingo licenses per province, given the rapid and sustained growth experienced in this segment, due to EBTs. It is furthermore recommended that a similar per-capita parameter for bingo seats (whether traditional or EBTs) are considered per bingo license.

## 3. Strategic Planning & Analysis

- Growth Modelling. The NGB should ideally commission research to model the anticipated future expansion of the various gambling modes in terms of an expected long-term geographic footprint – i.e. network growth and network densification.
- Guideline Policy. Developing a Guideline Policy that would set out parameters to guide the locality/positioning of future gambling modes in terms of influence-spheres (i.e. catchment size), demographic (including market segmentation) parameters and locational guidelines. User guidelines should ideally be formulated to guide the application of such a policy document. The policy should be flexible and revisited on a regular basis in response to market trends. The Guideline Policy will ultimately act as a Growth Management Tool – the rationale being that the performance of high-growth sectors can be optimised by sensibly guiding future growth and development – as opposed to an uncontrolled proliferation of facilities which may lead to destructive business practices.





## NOTES

[illegible]





National Gambling Board  
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a member of the dti group

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**PROBLEM GAMBLING IS TREATABLE**  
**GAMBLE RESPONSIBLY**

