



Four new hotels at South African casino properties, totalling nearly 450 keys, have opened in the past four months. This underscores the major contribution which the industry is making to the creation of much-needed new tourism infrastructure, as well as new and sustainable employment creation, in the country's hospitality sector.

MAJOR NEW HOTELS

DEVELOPED



The Sun Coast Hotel and Towers, located in Durban's famous Golden Mile, has 128 rooms, including 17 premier rooms, ten junior suites, eight luxury suites and a penthouse. It includes a 700m² wellness centre and spa, butler service, and superb Indian Ocean views.



At Worcester in the Cape, in the heart of the historic Breede River Valley, the high-quality R65-million Golden Valley Lodge at Sun International's Golden Valley Casino opened in March. The two-storey, Golden Valley Lodge boasts a spectacular mountain backdrop and has 96 rooms and two suites, business and meeting facilities, a lounge and breakfast room and a swimming pool.

It is bordered by the casino on the one side and the 18-hole Worcester Golf course on the other, and will become the hotel destination of choice for travellers to the broader winelands districts.



SA's newest casino resort, Silverstar, on the West Rand, offers 38 luxury suites in a hospitality product that will fill a crucial niche in a region of Gauteng sorely lacking in premium, quality accommodation.

At Montecasino north of Johannesburg, Southern Sun have opened a stylish new 179-room hotel property overlooking the resort's popular Piazza Square. Ultra-modern in its room appointments and electronic wizardry, the new hotel compliments the development of the stylish Tuscan restaurant Mondo Vino which specializes in rustic and classical Tuscan cuisine.



The Limpopo Gambling Board has decided that proposals submitted for the casino license in the Greater Sekhukhune region (centered around Burgersfort) did not meet expectations and a new Request for Application (RFA) will be issued in the first half of this year.

Limpopo, which was allocated three casino licenses, has successfully operating properties in Polokwane (Meropa), and Thoyandou (Tusk Venda). The original RFA for the Burgersfort license was published in mid-2006 and bids were submitted in August of that year. Two applications were received.

LGB chief executive, Serobi Maja, said in a press statement that the Board deliberated upon the applications by evaluating and comparing the applications in accordance with the assessment criteria as set out in the RFA. The Board decided that the proposals submitted failed to meet its expectations and therefore decided not to award the license.

The Board is hoping to issue the license in the second half of this year.

LIMPOPO TO REPEAT SEKHUKHUNE LICENSE PROCESS

The Price of Moving The Goalposts?

Historically, perhaps the one issue which most bedevils relationships between industry and regulators in jurisdictions globally is the debate which arises when one or other party believes that "goalposts" are being shifted with regard to either compliance with, or attempts to amend, license conditions. Similarly, when previously-agreed tax rates, on which investment decisions were based, are changed *post-facto*, shareholders cry foul.

This was highlighted recently when Adelaide's SkyCity casino, along with the South Australian TAB, issued joint

court proceedings against the South Australian State Government over what they believe to be "a breach in commercial agreement in relation to tax charges".

According to the *New Zealand Herald*, SkyCity said both it and TAB had negotiated agreements with the state government to set taxes and charges when they first invested in South Australia.

The newspaper reports that SkyCity Adelaide, which made a R125-million operating profit last year, pays 44.5% of

its machine revenue and 12% of its table game revenue to the State Government. In 2004 it also began paying a fee of R1.6-million per year for its licensing through the government's Office of Liquor and Gambling. The law change means that the fee would go up by R2.1-million per year.

The State Government's position is that the tax increase is necessary to cover in full the cost to the state of regulating gambling operations. At present, operators meet some 66% of the cost of licensing, monitoring and regulation. The case goes to court this month.



news LETTER

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Fanfare as SA's next phase of newest casino property, Silverstar,



The completed Silverstar Casino in Mogale City on Gauteng's West Rand opened to the public on Friday 21st March 2007.



Silverstar Casino, holders of the sixth and final gaming license for Gauteng, had opened its Casino Floor and Privé in December 2007 along with a temporary buffet restaurant and the Black Cherry coffee shop, while the balance of the complex was

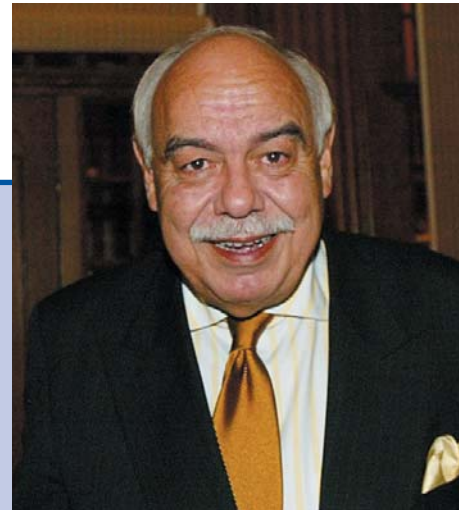
still under construction. The phased opening has enjoyed a strong response from the public. Within the first two months of opening, over 200,000 guests had visited the casino and 22,800 people signed up to Silverstar's 'Strike It Rich' loyalty programme.

With the next phase of the development now complete, there is even more entertainment available at Silverstar Casino. Guests will be able to dine at Ciao Baby Cucina, Steak Restaurant, Fashion TV, Centre Star Buffet Restaurant or a selection of fast food outlets. The restaurants all lead out to a boardwalk that overlooks the southern hemisphere's largest musical fountain, a spectacular display of light, water and music that shoots up to 60 metres high.

Patrons are able to enjoy an overnight experience at Silverstar Casino, with the opening of the hotel that has 38 luxury suites. Younger guests are also catered for, with the Twinkle Club and the Magic Company providing entertainment for kids of all ages.

The final phase of construction is the development of the Soulstice Spa, a world-class spa that will offer a range of health and beauty treatments. This facility is scheduled to open in July.

QUO VADIS INTEREST RATES?



As I was preparing this column came the news that, for the first time in seven years, retail sales year-on-year fell in November and December. House prices grew at their slowest pace in eight years also in December, and business confidence fell as the high cost of capital dampened sentiment.

All this signals that Governor Mboweni's tighter monetary policy is, as designed, moderating consumer demand (and thus economic activity), and no doubt will be felt as much in our casino properties as in the country's supermarkets.

While this may please the Reserve Bank in terms of its inflation targets, it has worrying implications for economic growth, not least of which because, as *Business Day* points out, consumer spending still accounts for nearly two thirds of GDP. Coming on top of fuel price increases, power outages, a slowdown in manufacturing, and ripples of unease about the changing of the guard at Tuynhuys, this is not the best news.

All of this is hardly to suggest a meltdown is on the way and analysts and economists commonly and widely agree that our economic fundamentals are strong and will remain so for the foreseeable future. And there are other strongly performing sectors in the economy, like tourism, which is booming as we in the industry know.

But it gives pause for thought about the timing of an interest rate cut. Mboweni will probably want to wait to see inflation heading obviously and tangibly southwards, which almost certainly means next year. Some relief during this year would be a welcome shot in the arm, but with the recent news that consumer inflation (excluding interest on mortgage bonds) is expected to surge to 9.4% year on year in February from 8.8% a month ago, that may be wishful thinking.

We await the upcoming April rates decision with bated breath.

Riding Out The Storm

Finance Minister Trevor Manuel produced another sensible and prudent budget in March.

CASA members will welcome the cut in the corporate tax rate, allied to changes in secondary tax. This was a timeous intervention when business needs confidence-building measures to maintain new investment spending.

Bigger allocations for infrastructure will stimulate economic growth and stability, to the benefit of all South Africans, as will his efforts to make life easier for small business people and entrepreneurs.

And contrary to those who would argue that a capital-scarce developing county can't, or shouldn't, budget for a surplus, it seems to me a smart move to put something away to ensure that resources for future spending are available in possibly choppy times ahead. Savings are never a poor idea.

Manuel and his team at Treasury continue to impress.

Interactive Gambling

The select committee at the National Council of Provinces is wrapping up its work on the National Gambling Amendment Bill, and all the signs are that the upper house will pass the proposed

legislation. It remains our view that the Bill is anything but perfect, with serious fault lines and flaws that have not been properly addressed, as a number of provinces have also pointed out. While we at CASA remain supportive in principle of regulating the online industry, this Bill, simply put, does not meet the bill.

Sundays

The abuse of alcohol by young people is a serious issue for parents, educators, social workers, law enforcement people and governments everywhere. In the UK, for example, it is a major issue which gets extensive media airtime and a heap of political attention, and here in South Africa, one regularly sees alarming statistics about the hugely negative social impacts, including serious crime and violence, linked to alcohol abuse.

At CASA, we share society's disquiet and alarm about this phenomenon, and as our stakeholders know, we have committed ourselves to a binding responsible beverage service policy as contained in our ground-breaking industry code of conduct.

But recent calls, by the ANC Youth League among others, to ban the sale of alcohol on Sundays are retrogressive and nonsensical.

Of course, the original case for alcohol-free Sundays, here and elsewhere, was the religious view that Sundays should be days of sombre abstinence from all worldly pleasures.

Appropriately, in a multi-faith secular society like ours, not to mention one with a vibrant and successful leisure and tourism industry, it is today accepted that the law should not arbitrarily impose specific religious obligations of this type on everybody. No doubt the ANC Youth League would accept this.

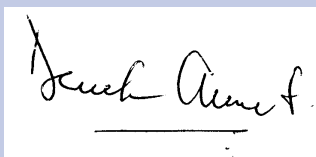
But if their argument is motivated by believing that alcohol-free Sundays would reduce the prevalence of alcohol abuse, the fact is that there is no empirical evidence, anywhere in the world, that restricting the point-of-sale availability of liquor in this way reduces the abuse of alcohol. An alcoholic, the story goes, is the one person who'll be sure to remember to bring along a hip flask to a "dry" party.....

Rather, it has been found that the most effective method for reducing alcohol abuse - apart from greatly increasing the price - is to make society in general more widely aware of the many dangers of excessive drinking by comparison with the harmless and enjoyable pleasures of moderate drinking.

And we in the gambling sector have a useful and telling precedent which is instructional, and is substantiated by research. The NRGF's internationally-acknowledged public awareness programme, for example, has done more to educate the public, and help problem gamblers, than the once-mooted six-hour casino closing period could ever have accomplished.

Zimbabwe

Spare a thought for the financial managers and cashiers in Zimbabwe's casinos. The country's official annualised inflation rate, according to government's Central Statistical Office, rose to a record 66 212.3% in December, and the central bank last month said inflation had hit a record 26 470.8% in November. But my contacts in Zimbabwe's casino industry tell me the real inflation rate is more like 150 000%....perhaps Governor Mboweni is spending too much time looking north?



HOW BADLY DO YOU WANT A BEEMER?

The National Lottery Board has decided that a Vodacom promotion, in which subscribers participate by sending a R10 SMS hoping to win one of 100 BMWs, was an illegal lottery. The regulator launched an enquiry, after a "chorus of complaints" when *Rapport* carried the story that pensioner Hermann Wessels ran up a bill of R48 000 in SMS charges, and has since instructed the company to cease the "100 cars 100 days" promotion. While Vodacom continued to argue that the competition was legal, it complied with the instruction.

NLB spokesman, Sershan Naidoo, says that any promotional competition in which the cost of any entry exceeds a normal SMS charge is illegal.

Fin24 reports that one unnamed Johannesburg client alleged that he was allowed to send SMSs amounting to R150 000 before his cellphone service was suspended.

In the meantime, Cape-based Wessels, who was dispatching up to 300 SMS entries a day before his service was suspended, is to be rescued by Virgin Mobile. The company has offered to settle his R48 000 tab, grant him a free SMS service for 12 months, and organise professional counselling for him at the NRGF.

"Lou the Shoe", "Sheepshead" and "Box" Indicted in New York

As figures released by the US Senate suggest that lobbyists arguing for the legalization and regulation of online gambling are outspending their opponents, notably American sports associations, US authorities have indicted another high profile group of online industry executives.

Following the well-publicised arrest of Betonsports CE David Carruthers last year, another 12 managers from a Costa Rica-based operation were indicted in New York in January.

According to the *Financial Times*, the prosecution of foreign online gambling companies has sparked some international criticism, and the US has been accused of breaking World Trade Organisation rules by singling out foreign internet gambling businesses.

Since the indictment of Carruthers, the US Congress has passed the Unlawful Internet Gambling Enforcement Act, the primary purpose of which was to deny credit card companies from making payments to foreign operators.

Straight from a dime novel, the newspaper says that the 12 indicted in January "included men with a list of colourful pseudonyms, such as Louis "Lou the Shoe" Santos, Marc "Box" Group, and Charl "Sheepshead" Muraco". The case has been handled by the organized crime unit of the US attorney's office.

In the meantime, just three lobbyists for the online industry spent more than US\$1.4-million during the first half of 2007. They were Partygaming of Gibraltar (\$440 000), the Interactive Gaming Council (\$300 000), and the Poker Players Alliance (\$700 000).

Opposition came from the NBA (\$330 000), the NFL (\$430 000), and the National Collegiate Athletics Association (\$80 000).



U.K. Court Rules Poker is a Game of Chance; What Will SA Decide?

In a possible precedent for other jurisdictions, a British appeals court declared in February that poker is a game of chance under U.K. Law, and that operators need a license if they want to offer the game in a private club.

Gutshot, which operates popular online poker room and the community Gunshot.com, opened a brick-and-mortar facility in 2004 to complement its online business.

But the British government shut it down and charged Gutshot with operating a (land-based) poker room without a license.

Gutshot defended itself in court by arguing that poker was a game of skill, and therefore not prohibited by the 1968 Gaming Act.

During the Gutshot's original trial, Buffalo State business law professor, and regular contributor to *CASA News*, Joe Kelly,

testified that "poker is overwhelmingly a game of skill".

But the British courts have ruled that poker "contains a significant element of chance, and therefore is prohibited".

The key distinction is the significance of chance, Kelly said.

In chess, the element of chance is insignificant so that game is not prohibited, Kelly said.

Gutshot has one appeal left - to Britain's highest court - but its chances of victory are seen as remote.