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## BIG TOP ARENA

### The Supreme Dancer of the Year Championship

12-14 September

The Supreme Dancer of the Year Championship features over 1000 competitors from around the world competing in more than 13 different styles for the prestigious title of "Champion of Champions".

### Katie Melua

18 and 19 September, 20:00

Georgian-born songstress Katie Melua will be touring South Africa for the first time since 2005 - and her first stop sees her performing at Carnival City's Big Top Arena on 18 and 19 September.

### Smokie

4 October, 20:00

British rock legends Smokie will be back in South Africa in October as part of their world tour. Smokie will be performing at Carnival City's Big Top Arena on 4 October 2008 at 20:00.

### Helmut Lotti - Time to Swing

31 October and 1 November, 20:00

Talented Belgian singing star Helmut Lotti is set to delight his huge army of local fans as he brings his latest concert "Time to Swing" to South Africa.

## MARDI GRAS THEATRE

### Groet die Grotman

7-26 October

The Afrikaans version of Rob Becker's highly successful comedy, *Defending the Caveman*, - *Groet Die Grotman* - is back! Koos Kombuis translated the play into Afrikaans and adapted it, Sandra Prinsloo directed it, and Hannes Muller plays the role of Die Grotman.



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## NATIONAL DATABASE TO CURB ILLEGAL SLOTS

The National Gambling Board has signaled its intention to implement a national register to keep track of all legal gambling devices bought and sold in South Africa, and hopefully eliminate de-commissioned legal slots being dumped in other African countries as illegal slots.

While not quite on the same scale as the dumping of illegal arms in Africa, the problem of illegal slots in Africa is a serious one and South African regulators are determined that the South African gambling jurisdiction - as one of the most rigorously enforced in the world and as a result highly respected internationally - will not become part of the problem. Other countries across the continent will also benefit from the South African register, as second-hand slots sold legally to other African countries will also be accounted for through the National Gambling Board's excellent co-operation with GRAF (Gambling Regulators Africa Forum).

The gambling industry's attention was brought sharply into focus on this problem during the recent 5th National Gambling Board Biennial Conference in Johannesburg, when a question from the floor by KZN Gambling Chairman Ashwin Trikamjee sparked a heated debate over the issue.

Advocate Trikamjee raised the issue that, in the absence of a national slots register or database to keep track of decommissioned slot machines, South Africa could be the source of a large number of illegal slots operating in slots shops in other African countries where gambling was not as rigidly enforced. His contention was

supported by a few legislators from neighbouring countries.

This statement was countered by members of the audience involved in the licensed manufacture and supply of slots to the country's casino and LPM industry, who defended licensed manufacturers and suppliers by positing that no licensed manufacturer would risk the ire of the legalised casino industry, and eventual censure through the loss of a national suppliers licence, by becoming involved in the sale of illegal slots, either as a complete slot machine or as disassembled parts.

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Three recent court judgments have forcefully strengthened the law-enforcement role of the provincial gambling boards and established important precedents which assert the legal rights of licensed casino operators. In doing so, they have reinforced the reputation of South Africa's gambling regulatory regime as one which can be relied on to protect the integrity of the industry.

# LANDMARK COURT DECISIONS STRIKE A BLOW

In the first case, in the Transvaal Division, the High Court struck a firm blow in favour of the ability of provincial licensing authorities to execute their law enforcement obligations by closing unlawful gambling operations. The court firmly dismissed a challenge to the constitutionality of certain provisions of the North West Gambling Amendment Act, which sought to close a legal loophole by prohibiting the unlicensed possession of gambling machine components and devices which are effectively modified gambling machines. The applicants - who by their own admission own gambling machines and conducted business from the relevant addresses - had asked the court to set aside the coming into operation of the Amendment Act on the grounds that the prohibition of possession of these machines would unjustifiably deprive them of their constitutionally protected rights of ownership. They also argued that the Amendment Act was unreasonable because it had been implemented without warning and without affording them the opportunity to get rid of the machines.

In dismissing the application, the court held that the applicants had been given more than adequate warning of the imminent promulgation of the Act and had taken no steps to address the matter, despite having been afforded a period of more than a

year to do so. In addition, the Court noted that the applicants had not presented evidence that the machines could not have been disposed of and had not provided an indication as to why they could not themselves have procured the necessary licences to legalise their possession.

The Court further found that no criticism could be leveled against the appropriate authorities' failure to create further categories of licences in order to accommodate the applicants. It was noted that while they had denied that they made use of the machines for gambling purposes, they had failed to explain how they used the machines to make an income. This made it impossible for the Court to establish whether they were entitled to continue the activities for which they required continued possession of the machines.

Importantly, the court affirmed that, in the light of the need for strict regulation of the gambling industry, there were legitimate reasons for prohibiting the unlicensed possession of gambling machines. It accordingly concluded that the prohibitions contained in the Amendment Act were indeed constitutionally sustainable.

In the second case, the Court recognised the legitimate interests of licensed casino operators when it set aside a decision of the CEO of the Gauteng Gambling Board to

approve real touch bingo (RTB) devices for use in licensed bingo premises. Casino operators sought the review of this "unlawful" approval on the grounds that RTBs are in effect nothing other than slot machines that do not offer the game of bingo.

In analysing relevant provisions of both the Gauteng and National Gambling Acts, the Court found that both effectively preclude the holder of a bingo licence from making available any gambling game other than bingo. The Gauteng Gambling Board conceded that if the game offered by the RTB was not bingo, its approval of such machines would be unlawful. Thus, the only question to be determined by the Court was whether the game offered on an RTB was or was not bingo.

The licensed distributor of the RTBs argued that the approval issued was merely a "type approval" and therefore authorised the distribution of RTBs, without specifying to which category of licence holder such devices could be provided. Therefore, it was argued, the approval would have no specific impact on the rights of any other person. The Court rejected this argument, finding that the decision to approve the RTBs for distribution was an approval to distribute to specified licence holders. Accordingly, it could affect the rights of licensed casino operators, because if the game offered on the RTB were not bingo,

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# Gaming not immune to recession

the distribution of RTB's to the holders of bingo licences would allow the latter unlawfully to compete with the holders of casino licences.

The Court analysed the game provided on the RTB and concluded that it was not bingo, as it did not comply with the definition of bingo contained in the National Gambling Act. Accordingly, the Court held that the game offered on the RTB was not bingo and that the approval given for the distribution of RTB's was invalid.

In the third case, the Durban High Court was asked to decide whether the KwaZulu-Natal Gambling Board had acted within its powers in deciding to hold an enquiry into the registrability of Electronic Bingo Terminals (EBTs), as part of a Board hearing for bingo licences. During the Board hearing, objectors had argued that EBTs could not lawfully be distributed, offered for play by the holder of a bingo licence or registered for the game of bingo. The Board had resolved to consider, as part of the hearing, the question of whether EBTs could be used and licensed for the game of bingo, as no norms and standards existed in respect of EBTs and uncertainty existed as to whether it would be lawful to issue licences authorising their use.

In considering the question of whether the Board had acted irregularly by failing to separate the issues of licensing, on the one hand, and registrability, on the other, the Court noted that the KwaZulu-Natal Gambling

Act prohibits the use of gaming equipment which does not conform to the applicable standards. Thus the issue of a licence to an applicant where the requirements of the Act had not been met, would be an academic exercise only, as the licensee would not be authorised to use the equipment until it conformed to the requirements of the Act. Moreover, the Court held that nothing in the Act precluded the Board from considering the issue of registrability during the course of the licence enquiry itself.

Significantly for the casino sector, the Court found that the game played on the machines was not Bingo. Moreover, the Court noted that the SABS approval of equipment used for play in casinos pertained to casinos only and was therefore not applicable outside the casino environment.

At a time when the South African judicial system is under assault from many quarters, it is encouraging to note that our courts continue to protect the rights of properly licensed casinos against illegal gambling activities, and against the proliferation of "bingo machines" which are, in reality, no more than slot machines which, but for the court rulings, would have been permitted to make unjustifiable inroads into the legitimate market share of licensed casinos.



As slow economic growth and high prices continue to weigh on consumers, several of the world's gaming firms, including South African casino groups, are feeling the pinch.

For the first time ever, gambling revenues from the largest casinos on the US state of Nevada's Las Vegas strip are on track for an overall annual decline after they fell 1.5 percent in the first half of the year.

In South Africa the bulk of gambling revenues come from the middle-income market and interest rate increases over the last two years, as well as food and transport inflation, have significantly weakened trading conditions.

"Certainly the initial theory was that gambling would be recession-proof", said a top-rated South African leisure analyst. "But in fact it's not. There are no rules to gambling. It's not just an interest rate story, but also food and transport cost increases. That will be the biggest difference going forward."

In Gauteng the year-to-date growth in gambling revenue is about 7 percent. As this percentage reflects new revenues from the opening of Silverstar Casino in December, there has most likely been no organic growth in this market, which accounts for about 40 percent of South African gaming revenues.

Year-to-date growth in KwaZulu-Natal is about 6 percent, with the Western Cape at about 5 percent.

At the other end of the scale South Africa's limited payout machine market has experienced significant growth.

# SUN RISES IN NIGERIA



Sun International's \$177-million investment in Nigeria has reached a number of milestones in the last few months and looks set to change the face of both casino gambling and high level leisure and business tourism in this key African country.

The Federal Palace property is a landmark on Victoria Island. It has two buildings, the first, built in 1972, is a tall concrete tower standing to the east of Victoria Island overlooking the harbour. The hotel requires extensive refurbishment. Phase II of the investment will comprise refurbishment of the Federal Palace Towers Hotel and the addition of a new casino.

The second hotel (The Federal Palace Hotel), which was purchased from government as part of the privatization process, underwent a complete refurbishment prior to Sun International's investment. Phase I of the investment included the furnishing and completion of the Federal Palace Hotel. The construction of a temporary casino will commence in September 2008 ready for opening in January 2009. The temporary casino will offer 10 tables and 175 slot machines.

The overall development consists of two hotels linked by a new casino facility. The 14-floor Federal Palace Towers hotel will be

a 5-star plus hotel of 224 rooms and two presidential suites, developed to the highest luxury standards and incorporating world-class features which characterise Sun International properties elsewhere on the continent. The Federal Palace Hotel has been finished to a 5-star standard and has 150 rooms.

The Federal Palace Hotel offers the discerning traveller superior accommodation including 116 King Rooms; 12 Junior Suites; 8 Twin Rooms (4 with disability facilities) 10 one-bedroom apartments and 4 two-bedroom apartments.

The overall décor theme of the hotel is a contemporary African style incorporating a lot of local and natural materials. Local stone, heat-resistant glass that allows for natural light, steel, timber carved to fit spaces and tones of amber, olive, beige, brown and platinum have been specially selected to complement the warm African environment.

Explorers Restaurant located downstairs from the Federal Palace lobby offers a superior selection of culinary delights from Africa to Asia. The varied live-action food stations impart the rich influences of several international cuisines. The Spirit and Wine Bar recaptures the independence era of the 1960s offering a stylish respite with light musical entertainment nightly.

Situated in the heart of the commercial hub of Victoria Island, Lagos, the Federal Palace is a destination perfectly suited and situated to meet all business needs. Boardroom meetings can be held in one of the eight boardrooms or the Executive Business Centre.

In both hotels, there is considerable emphasis on the provision of superior entertainment and recreational facilities. Full advantage will be taken of the hotels' waterfront position.

The permanent casino component of the development will incorporate 300 slot

## KEY STATISTICS

### PHASE 1 (Refurbishment of the Federal Palace Hotel) - opened in August

- Construction is complete
- A soft opening was conducted on 18 July 2008
- Refurbishment of the Federal Palace Hotel
- 5 Star hotel
- 150 Keys (116 king rooms, 12 junior suites, 8 twin rooms and 14 apartments)
- Buffet restaurant
- Bar
- Conference facilities
- Business center
- Retail area (Standard Bank will have a small branch)
- New porte cochere
- New parking area
- New access road
- Re-commissioning of infrastructure
- Budget US \$10 Million

### TEMPORARY CASINO

- To be located within the Federal Palace Hotel in the Independence Hall, while the main casino is being built
- 200 slots, 10 tables
- Construction work currently out to tender
- Construction planned from early September to mid December 2008
- Opening planned for January 2009
- Budget US \$17 Million

### PHASE 2 (Refurbishment of the Federal Palace Towers Hotel and construction of a permanent casino)

- Construction planned for January 2009 to December 2010
- **Hotel**
  - 5 Star plus hotel
  - 224 keys
  - Buffet restaurant
  - Signature restaurant
  - Hotel bar and lounge
  - Resort type swimming pool
  - Spa
  - Meeting and business centre facilities
- **Casino**
  - 300 slots and 24 tables initially installed but built with space to house 500 slots
  - Casino restaurant
  - Casino bar
  - External works and landscaping
  - New infrastructure
  - New road access and gate houses
  - Budget US \$150 Million



machines and 24 tables (with capacity for 500 slots) located in both the general gambling area and in adjacent private rooms and a salon prive.

The 15-acre Federal Palace Hotel waterfront property, affording superb views of Lagos' ports and the islands, with its access off a main road, and its linkage to the main business districts of the city, is arguably one of the best pieces of real estate in Lagos.

In summary, the site has excellent views from all floors across the ocean to the west and the city to the east, is highly visible from Ahmadu Bello Way, a major artery road, has easy access to the hotel from the main road, and close proximity to the oil and banking corporate headquarters on Victoria Island.

Sun International will have a 49% interest in the Federal Palace property and will benefit from long-term development and management agreements.

Sun International assumed operational responsibility for the hotels in October 2007.





# GOLDEN HORSE CASINO UNDERGOES RENOVATION

The Golden Horse Casino in Pietermaritzburg opened in 2001 and the complex is now undergoing renovation.

Situated on the Scottsville racecourse, the complex can best be described as a "Racino", offering gamblers, horseracing and gaming under one roof. This product mix differentiates the casino and it is the only casino in Africa offering both products.

The hotel is presently being upgraded and they will be opening a new restaurant -

"Ninos" serving breakfast to hotel guests from December 2008. They are also currently renovating their old restaurant BBQ and fast food facilities. At the same time they are currently working on expanding the car park area to the infield of the racecourse.

New developments that were completed this year were the opening of its upmarket

Casino Gaming Area, "Rosewoods" and the Ola Milky Lane Restaurant.

These renovations are important in maintaining a good product mix for customers. They will be looking at further new developments in the future and will update readers on further happenings at the Golden Horse Casino.

## NATIONAL DATABASE TO CURB ILLEGAL SLOTS *continued from page 1*

While both viewpoints merit further debate, the issue has been aired and the National Gambling Board, to its credit, has not hesitated in seeing the need for such a register and has set about implementing the process to set up and maintain such a database of all legal slots and gambling devices; the idea being that all slots and key components will be able to be tracked and accounted for from sale until decommissioning or destruction.

The planned register, which will be maintained and operated under the auspices of the NGB, will enable all regulators countrywide to identify, approve and register all gambling machines and devices in the country, which includes casino slots, LPMs and Electronic Bingo Terminals.

At a glance regulators will be able to uniquely know the number of both gambling machines and gambling devices in the country, identify each gambling machine and gambling device, identify the name of the manufacturer, importer and or owner, identify the date the product was manufactured and the location of the gambling machine and/or gambling device, type of the machine or device, date of modification and unique serial number.

The register will also enable regulators to share information on all registered gambling machines and gambling devices and to have control over all licensed gambling machines and gambling devices, enabling them to identify illegal gambling machines and gambling devices. To

counter the possibility of legal slots being disassembled and the key components being sold off illegally, an inventory of all such components will also be maintained.

Besides provincial and national regulators, licensed gambling operators and machine manufacturers will have various levels of access to the register, enabling them to input and access data to enable the register to be kept updated.

The NGB envisages announcing a successful bidder for the implementation of the national register around 31 October this year.

## LOOKING BEYOND SA'S BORDERS

Local casino operators wanting to expand their operations are looking for growth opportunities beyond South Africa's borders. Tsogo Sun's Rob Collins says that the answer to generating growth does not lie in the opening of more casinos locally.

With only a certain number of slot machines, tables and gaming positions permitted at each venue, organic growth is also difficult.

"If you want to grow by acquisition or by building new operations, expansion is only practical cross border," Collins said.

This option, however, presents its own challenges. Major international industry players are keen to take advantage of new opportunities, with South African players often unable to compete when large deals are on the table.

Opportunities in Europe are limited, as the continent boasts its own well established casino industry. Development opportunities exist in Asian markets, but challenges like language prevent the best use of existing resources.

Africa on the other hand is a market in which South African casinos already have a degree of expertise and one that is not attracting much interest from the major world casino players. Local banks now operating on the continent is another advantage for local operators.

"All the South African casino groups have pursued or are pursuing opportunities as they arise in Africa," Collins said.

He added that South Africa's effective entertainment destination and casino resort model should work well elsewhere on the continent as long as groups take a conservative approach.

Collins stressed that opening new operations is both time consuming and expensive and the industry is likely to become as highly regulated in the rest of Africa as it is in South Africa.

Christian Neuberger, chief operating officer at Gold Reef Resorts, said there are ways for existing casinos to develop, but that opportunities for more casinos in South Africa are limited.

"One expansion path is to add more facilities to existing casino resorts. With the Soccer World Cup around the corner Gold Reef Resorts and other casino operators are considering expanding its number of hotel rooms and adding theatres and restaurants to provide a more diverse entertainment experience," Neuberger said.

He agreed that the natural expansion path for local operators is into the rest of Africa. "This is a risk, but there are strong indications that it is getting better and this is where the opportunities will be in the years to come," Neuberger said.