

RIDING THE RECESSION BEAR

continued from front page

So, while it may not be entirely true that casinos and gambling, along with alcohol and cigarettes tend to attract people that are looking to drown their economic sorrows or look for an easy way to find their way out of their financial troubles, people are going to smoke, drink and gamble regardless of the state of the economy. Whether they gamble more in tougher times, may only hold true for a very small percentage of people with addictive personalities.

Possibly the better-than-most performance of casinos despite people generally gambling

less can be ascribed to South Africa having a culture of responsible gambling backed up by stringent legislation. The initial planning prior to the rollout of the country's casino industry in ensuring that hard gambling only forms a small part of a greater entertainment-oriented mix, may also now be paying social dividends, albeit at the slight detriment of the casino industry's short term bottom-line. It also just may be that South African gamblers, while driving the casino industry to success, are mature enough to view excessive gambling in tough times as a desperation move.

As Professor Peter Collins, Executive Director of the NRGF (National Responsible Gambling Programme) puts it, the general perception is that as people become more desperate they will turn to casinos in the vain hope of gambling themselves out of trouble. But instead, the vast majority of gamblers tend to set themselves limits and budget what they can afford and view their gambling as a luxury and part of an evening's entertainment, he says.

Gambling and risk-related behaviour: differences between individuals

In order to add to our scientific understanding of the relationship between gambling and risk-taking, University of Lethbridge Ph.D. student Sandeep Mishra initiated an institute-funded research investigation entitled "Gambling and risk-taking: Individual differences in risk-acceptance and variance preference".

independent of risk propensity in terms of high variance preference."

Based on an analysis of data collected from this experiment, Mishra and colleagues were able to make a number of tentative conclusions about their risk-relating findings.

The first conclusion was that risk conceptualized as a personality trait is significantly related to risk conceptualized as variance preference. A second finding from the research was that, under conditions of need, participants tended to make the most "rational" decision, regardless of sex or personality type. A third research finding was that gambling tendencies do not predict risk decision-making under conditions of need.

One of the most important implications of the research being undertaken by Mishra is the relationship between risk-taking and crime. He notes that, "One of my related lines of research involves using archival data in crime reports to

investigate patterns of criminal behaviour and risky behaviour over time at the aggregate level. I've found that crime rates significantly vary over time with rates of risk behaviour like violence, accidents, sexual behaviour, drug use, and school dropout.

In the future, Mishra expects that he will continue investigations relation to risk-related decision-making, and beyond using both human and non-human subjects. "Almost every human decision involves an element of risk, and so, the study of risk decision-making is extremely broadly applicable and relevant," says Mishra. Indeed, his plan to focus on special populations under conditions of high need (e.g. the unemployed, problem gamblers, young moles, and offenders) will undoubtedly have a number of important public policy implications.

Source: excerpts from *Gambling Research Reveals*, Alberta Gaming Research Institute, Volume 7/Issue 6 Aug/Sept 2008.



December 2008 | Issue thirteen

RIDING THE RECESSION BEAR

That old adage oft touted by Vegas casino operators that 'gambling is recession proof' is being sorely tested in the current global recession.

And, while it may be true that gambling operations and their stocks in past economic downturns may have emerged largely unscathed, the dark cloud hanging over the world's economy at the moment has a different shade to it.

It is a bit of a paradox that when the man in the street has less disposable income to hand and the economy is not performing well, casinos, along with other so-called 'sin' industries like tobacco manufacturers and alcohol producers conversely perform well - the thinking being that when times are tough, people turn to these pastimes in order to escape their woes. But, it may not be that simple and certainly may not hold true anymore. As, Paul Adams, CEO of British American Tobacco put it recently to investors when he said that his company's shares weren't recession-proof, but rather more "recession-resistant" than most.

Like a good quality raincoat that still may get a little damp on the inside during a deluge, this sentiment is echoed in the performance of South Africa's casinos.

While those listed casinos like Sun International, Tsogo Sun through its holding company HCI and Gold Reef Casino Resorts, have shown that they definitely aren't immune to recession-driven economic pressures and their shares have dipped as gamblers spend less at their operations, in comparison to other sectors they tend not to be as hard hit.

And although Sun International and HCI's shares have fallen considerably in recent months, this is borne out by comparing the performance of 'sin shares' (gambling, alcohol and tobacco) on the JSE with other companies. Since 2003 the sin stocks have outperformed the JSE's All Share Index (AlsI) at almost two-to-one.

continued on back page





Derek Auret FIFA 2010 Showcase



While the world is gripped in the claws of an economic recession, many analysts believe that South Africa's economy may not be as badly hit as other emerging markets. One major cause for their optimism is the hosting of the FIFA 2010 Soccer World Cup and the spill-over business it will bring. While we can debate the impact that this future event has on our current economic climate, one thing is certain: The FIFA 2010 will bring a much-needed injection of cash, tourists and exposure to our shores.

Considered to be the greatest single-code sporting event in the world in terms of viewership, estimates are that the 2010 showcase will also attract in the region of half-a-million tourists to the event, bringing an additional R8.5-billion in tourist spending into the local economy.

According to recent research released by Grant Thornton, the World Cup's total contribution to South Africa's gross domestic product (GDP) will be a massive R55.7-billion, of which R33-billion will be in direct spending on stadia and infrastructure (R17.4-billion in 2010 alone), spectator trip expenditure (R8.1-billion), ticket sales (R6-billion), rights and sponsorships (R750-million). In addition just over 415 000 jobs will be created in tourism, transport, construction and other industries and the benefits are expected to create a ripple effect well beyond 2010, with an indirect impact that may be even more meaningful for a sustainable economic life in subsequent years. With an expected global television audience of 35 to 40-billion "cumulative viewers", around 487 000 foreign visitors, and a 19 000-strong visiting media contingent, the World Cup presents South Africa with a marketing opportunity second to none... and one for which we as casino operators, cannot afford to be ill-prepared.

From the front office and security to the staff on our casino and hotel floors, the people behind the scenes will need to convey that quintessential South African hospitality and excellent service of which we are capable. Because 2010 will not only bring short-term benefits in terms of visitors to the event, but through the media army that will arrive with the World Cup, South Africa and its rich possibility as a tourist destination will reach the entire globe. The effects of this will be felt well after the sound of vuvuzelas have stopped echoing around the soccer stadia.

CHRISTMAS MESSAGE FROM CASA

On behalf of all the staff at CASA, I would like to wish the entire casino industry and their families a heartfelt Merry Christmas and a prosperous New Year!

While the past year has seen the casino and hotel industry takes its fair share of knocks along with all other sectors of our economy, we cannot lose sight of the fact that business has been extraordinarily good in the years preceding this current economic downturn. As such, we need to be mindful of the opportunities given to us in the past and those heady days that lie ahead as we prepare to deal with and then emerge from this downturn and prepare for the excitement that lies ahead with 2010.

Derek Auret

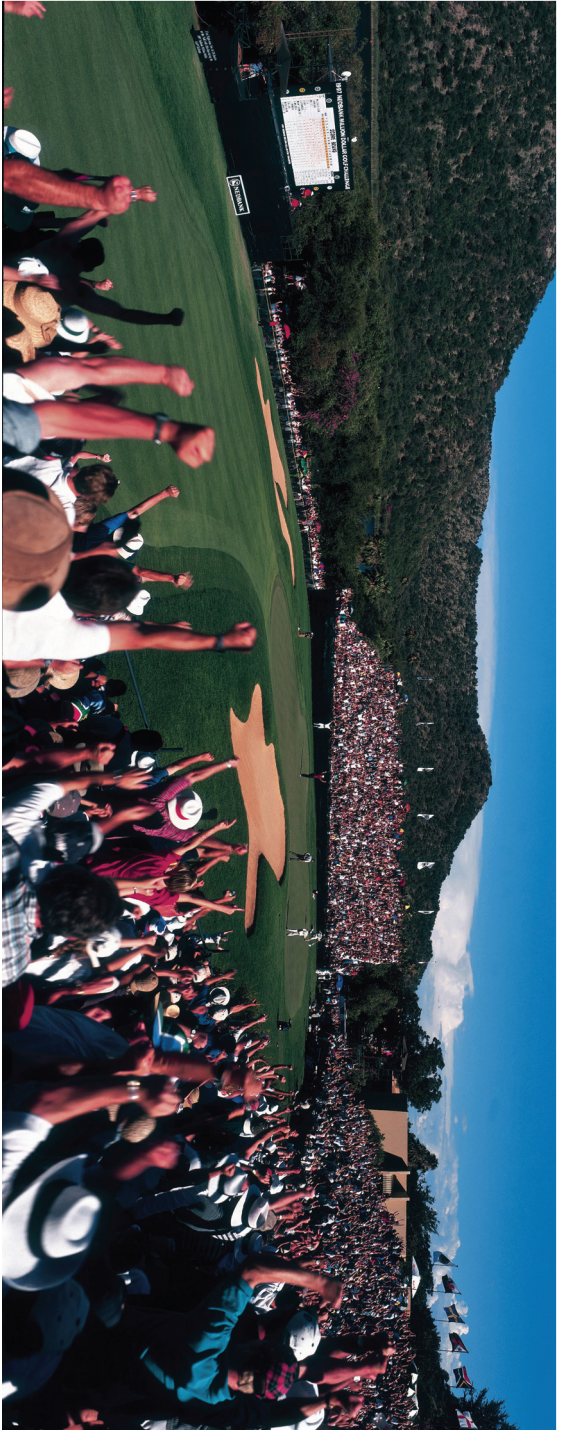
Derek Auret - CEO,
Casino Association of South Africa

Along with the advent of wide-spread satellite television coverage, the professional nature of sport, lucrative sponsorship deals and resulting increased viewership the traditional sports-betting paradigm is bound to be stretched.

What better way to not only generate revenue from sports-betting at a casino but to create a new revenue stream from sports fans attending the event, than to host an international or well-attended local sport event within a casino resort's environs. The spill-over to a casino's floors as well as hotel and retail patronage has not been lost on some casino operators.

A SPORTING CHANCE

The traditional link between sport and casinos - namely sports betting - forms a fair part of most South African casino operators' entertainment mix nowadays, with most casino operations offering some form of sports-betting operation or TAB on site.



The hosting of sporting events to maximize visitor numbers in or near a casino resort complex may not be a novel idea as evidenced by the 'Roof of Africa Rally' in Lesotho which has drawn a fair number of motorsport enthusiasts over the years and the high-profile Sun City Million Dollar Golf Challenge, with both events becoming entrenched as fixtures on the local and international sports calendar.

David Ferrer. It will also be the first time since 1995 that the Open returns to South Africa as a full ATP event after it had to be sold. For Montecasino, this is not only a minor coup in itself, but the event - if it is to become a regular feature on the international tennis calendar as the casino hopes - is bound to create a whole new generation of tennis patrons that would otherwise not have had reason to visit a casino complex.

The latest entry on the international sporting-casino calendar will be Montecasino after its recent announcement that the Johannesburg complex will be hosting next year's ATP (Association of Tennis Professionals) South African Open in February. The event will feature as draw-card two top-ranked players on the ATP men's professional tour in the form of world fifteenth-ranked Frenchman Jo-Wilfried Tsonga and world fifth-ranked

The Sun City Million Dollar Golf, Montecasino South African Open and other events such as the Sunshine Tour golf tournament traditionally held at the Royal Swazi Sun attract a significant number of sports fans and visitors, and while the cost of building a golf course or tennis arena fit for international events may be out of reach for some casino operations it may not be long before we see casinos looking to cash in by hosting other non-traditional sports.

A younger generation of sports fans and potential casino patrons may yet be found in the extreme sports arena. Most of us may not have heard of the X-Games, Moto-X, Demolition Derby and Speedway, but with an army of fans - and reasonably cheap to build arenas required for these events, it may not be long before we see casinos gambling on a whole new revenue stream.

G2E GLOBAL GAMING EXPO IN LAS VEGAS: 17 TO 20 NOVEMBER 2008



State of the Industry Keynote address discussed the evolution of global gaming. Moderator: Frank J. Fahrenkopf, Jr., president and CEO of the American Gaming Association. Panelists: Armin Karu, Chairman of the Management Board, Olympic Entertainment Group; Gary Loveman, Chairman, CEO and President of Harrah's Entertainment, Inc.; Thomas J. (TJ) Matthews, Chairman, President, CEO and COO of International Game Technology (IGT); and Ernie Stevens, Jr., Chairman of the National Indian Gaming Association.

From 17 to 20 November 2008, just under 30,000 gaming industry professionals flocked to the Las Vegas Convention Center to see the latest new products from hundreds of exhibitors, learning about where the industry is headed in the most comprehensive conference globally, and to network with the who's who of gaming from around the globe.

The conference created the opportunity for attendees to gain information and insights they need to succeed in gaming's fiercely competitive marketplace and introduced new products, technologies, insights and innovations. Various industry leaders delivered a number of keynote addresses, more than 750 exhibitors took part and over 150 discussion sessions took place.

It was interesting that the global economic situation dominated most of the discussion sessions. Its influence on the industry, globally, in every aspect and topic was raised in one or other form in most sessions I attended. During a discussion on the evolution of global gaming, panelists

agreed that gaming has become more diversified and global. There was also agreement that the global economic downturn has influenced the industry on two levels, firstly in the reduction of consumer spending, and secondly (and more importantly) in the liquidity of the financial markets. Gary Loveman, CEO and President of Harrah's entertainment said that the "elaborate spending in building resorts will no longer be possible due to the inability of borrowing money for this purpose." He added that although the gaming business is fundamentally strong and the industry will survive, "balance sheets will have to be changed significantly".

Various speakers in other sessions also urged regulators to take the economic downturn into consideration with regard to tax rates and costs related to renewal of gaming licenses. In Nevada, it was inevitable for government and regulators to cut gaming tax rates to keep the casinos in business and to ensure that the industry could continue to stimulate investment and job creation. There was general agreement that this is not only true for Nevada, but is also applicable globally in the gaming industry.

Charl Faurie CASA General Manager.

The year behind us has been a worrying one, with global markets hovering on the edge of recession, and it would be unrealistic to expect that the casino industry could escape the resulting ravages.

MR DAVID COUTTS-TROTTER HOVERING ON THE EDGE OF RECESSION

Even in Las Vegas, the dominant star in the gambling universe, there have been reports that some of the world's best-known casinos are holding back on expansion plans, while across North America casinos have experienced decline in revenue and a decrease in gambling activity. It was recently reported that Las Vegas casino revenues fell for the eighth consecutive month in August 2008 - the longest recorded period of straight losses since records were first kept in 1983.

I believe one of the reasons South African casinos will weather this financial storm is because most of them offer very much more than a mere gambling opportunity. By creating total entertainment packages, including such recreational features as theatres, restaurants, golf courses and other visitor attractions, our properties appeal to a diverse customer base at a time when more and more South Africans will opt for holidays at home rather than abroad.

Against the bleak international background, it is worth noting that the South African casino industry has continued to demonstrate confidence in our future. All around the country and in our neighbouring states, there have been expansions, renovation projects and even new casino openings. Thus, in the past year, Sun International opened the the Monticello Grand Casino and Entertainment World in Chile in October and has greatly expanded the facilities available at GrandWest in Cape Town, and opened the

CHAIRMAN'S COLUMN



levels of public confidence reinforced by a stable and well-established regulatory framework. According to data released by the National Gambling Board, South African casino revenues rose from 10.1 billion to 13.1 billion between 2006 and 2008, a growth which provides a solid platform from which to mature the sector further.

The economy moves in often-incomprehensible cycles and the locust years have always been followed by periods of renewed prosperity. So now is the time to lay the groundwork for the turn of the current cycle, by continuing expansion projects and expanding the range of attractions offered to visitors and customers. 2009 will not be a good year for the timid and the unimaginative, and it will be those who strive to turn challenging times into moments of opportunity who will prosper best when the global and local economies return to stability.

It gives me great pleasure to take this opportunity to wish you, your families and the loyal men and women who have contributed to the successes of the past year, a blessed and safe Christmas and an enjoyable and prosperous 2009.

David.

ONLINE GAMBLING WILL SOON BE A SAFER BET

For now, though, its illegal in most forms offered on your PC, writes Gillingham

The National Gambling Amendment Act is set to open the door for companies to apply for online gambling licences.

Online gambling operation based outside the country have been targeting South African punters, but anyone in South Africa who used unauthorised, unlicensed online gambling is committing an illegal act that could leave them facing criminal prosecution .

Some forms of remote interaction are legal. For example, a gambler may place a bet on a horse by phone or even over the Internet, with a licensed bookmarker.

Further, it is also legal for people to access games via a licensed casino's computer server while at the casino.

However, an interactive gambling game offered or played over the Internet is illegal.

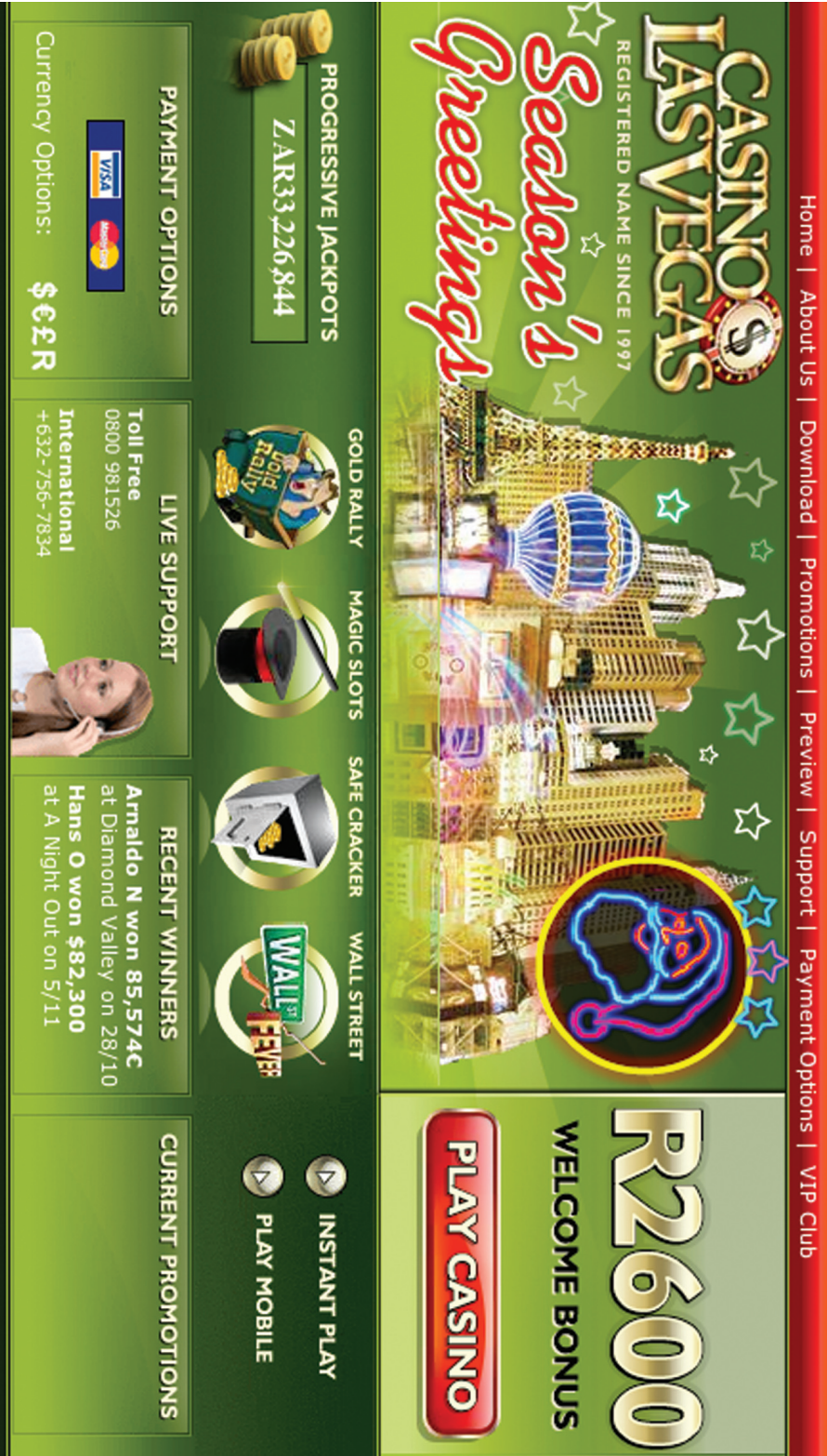
Alicia Gibson, industry and legal consultant at AG Consulting, said that the Amendment Act put in place the required regulatory framework for the licensing and regulation of interactive gambling in South Africa.

She said unregulated online gambling poses a threat to local punters as they have no recourse if there is a dispute.

“Unlike the highly regulated casino gambling industry in this country, for online gambling there is often little or nothing to ensure payment or that the games are fair.”

“People must be aware that in many cases they have no recourse or protection in the current online gambling environment,” said Gibson

“These cross-border operations are either not regulated at all or they are not regulated with the rigour we would consider necessary in South Africa to ensure an honest and fair industry.”



“In this country we have a very balanced, fair and rigorous regulatory regime and this gives the gambling public peace of mind and comfort that remedies are available if disputes arise,” Gibson said.

Another issue is that South Africa's casinos contribute to the National Responsible Gambling Programme - and cross-border online gambling operations do not as they are not subject to South African regulations.

Further, while casinos pay tax (to the tune of 43% of their value-added revenue), online gambling operations do not pay tax in South Africa even though they earn much of their income in the country.

“It is an open question as to whether any online gambling operations currently targeting the South African public will be

able to qualify for interactive gambling licences when the time comes for them to be issued.”

“If they apply, they may face questions about their probity, given that the regulatory authorities may form the view that their conduct has shown little regard for South African law in the past,” Gibson said. It is also unlawful to advertise interactive gambling in South Africa.

Cross-border online gambling operators have argued that the gambling takes places outside South Africa and that advertising their operations is, therefore, not illegal.

However, there is a strong counter argument to the effect that gambling takes place at the punter's location.

“Enforcement is an issue but once mechanisms are put in place to track online gambling activities, whether through technology solutions or by monitoring payment, people who use unlicensed interactive gambling will be opening themselves up to criminal charges,” Gibson said.

Property licensed online gambling will soon be available.

Before licences can be put up for grabs, a number of regulations and industry standards must be finalised and a tax bill must be enacted by the minister of trade and industry.

It remains to be seen whether land-based casino operators will apply for online gambling licences, which may have the effect of levelling the tax playing fields should disparities be regulated.

The process of implementing the necessary regulatory requirements is well under way and licence applications may be possible in the next year.

“Several other issues remain to be clarified, such as whether there will be a cap on the number of licences that can be issued.”

“If history is anything to go by, regulatory authorities can be expected to develop a comprehensive licensing and regulatory regime for online gambling.”

Section 11 of the act already makes it illegal for any person to engage in or make available interactive gambling except as authorised by South African law. “This means that local gamblers are precluded, irrespective of whether cross-border online gambling operators advertise locally, from taking part in unlicensed online gambling.”

Number of pathological internet GAMBLER grows

Online gambling has become increasingly popular, with the internet becoming easier to access, and no regulatory systems in place adding to the prevalence of pathological gambling. Unlike land-based casinos, where help is readily available for gambling addictions and self exclusion, online gambling sites offer little or no help when it comes to addiction.

According to Yasser Khazaal from the University Hospital of Geneva, the number of pathological gamblers was growing across the world. Speaking at the 10th Annual International Society of Addicted Medicine (ISAM), he said that while a country can ban internet gambling, it could not control all internet sites and people could still gamble from foreign websites.

Khazaal commented that there is a control illusion problem with gambling with people believing the more you gamble the greater the probability is that you will win, but more probability that you will lose more money. “A uniform system of regulation was needed”, he said.

Parliament approved a new internet gambling law in May in an attempt to regulate the industry.

Source: The Cape Times
20/11/2008