



Regulating the world of remote gambling

The rapid development of technology has brought a further twist to the complex and muddled world of gambling regulation. With the huge leaps and bounds being made in internet and mobile phone networks and applications, the public can now access gambling opportunities from almost anywhere, 24 hours a day.

Until recently, despite the easy access to online or remote gambling in South Africa, this sector was not recognised and thus not regulated. The proposed amendments to South Africa's National Gambling Act of 2004 aim to do this, and in doing so, make provision for the legalization of online or 'e-gambling' for the first time.

'E-gambling' spans a wide and complex array of gambling types and opportunities and is defined as all forms of remote gambling taking place via the internet or other related forms of telecommunication. It includes lotteries run through cellphones, virtual poker games and prize competitions, such as TV games like 'Millionaire'. It also includes online fixed odds betting on sports, horse and reality TV shows. In fact, it includes almost every form of gambling, as everything that can be delivered on land can be delivered through cyberspace.

The popularity and the reason for its rapid global expansion are due to the wide range of channels in which the public can now access gambling opportunities, quickly and easily. They can use telephones, personal computers and interactive TV, meaning that gambling occasions that were once limited to casinos or public events, can now be accessed virtually anywhere, anytime - at home, at work or while mobile, in addition to existing land based gambling outlets and purpose built gambling venues, such as sports cafes.



E-gambling therefore brings its own sets of problems in terms of encouraging or driving problem gambling. Its convenience means that gambling is available 24/7, permitting all forms of gambling for unlimited stakes and prizes, and therefore the most dangerous form from the point of view of impulse gambling and excessive gambling. This is driven even more by the extreme convenience of paying, especially through telephone or TV rental accounts. It is also extremely hard to enforce implementation of safeguards and so there are issues in terms of advertising control and identification of players, especially minors.

Online or e-gambling has long been a reality in South Africa, and yet this sector of the industry was not until recently regulated, although it is not yet legal. It is fair to say that online gambling in general is hard enough to regulate - the wide array of forms of gambling mean that it is difficult for authorities to develop fixed parameters for

taxation and even harder to develop measures to ensure games are crime free and honest and that all providers ensure consent amongst consumers and limit excessive gambling.

The very nature of online gambling means that regulatory measures globally are even more shambolic. Despite the international nature of the internet, there is no consistency in regulations for e-gambling globally. In fact the opposite is often true, with many governments having state monopolies on some or all of the commercial gambling in their jurisdiction or lobbying actively for e-gambling suppliers to locate within it. Conversely, many governments respond to prohibitionist pressure, while land based industries form alliances with religious puritans.

However, it is not all bad news. With online gambling, every transaction is recorded and so patterns of risky play are easily identified, meaning that loss limiting facilities are easily introduced and problem gambling education easily delivered. Access to Responsible Gambling sites are only a click away and counselling can also be delivered "remotely".

The proposed amendment to the National Gambling Act in South Africa makes initial steps towards regulations though a number of measures that aim to protect players from dishonest and unfair practices and keep money from being spent outside of South Africa.

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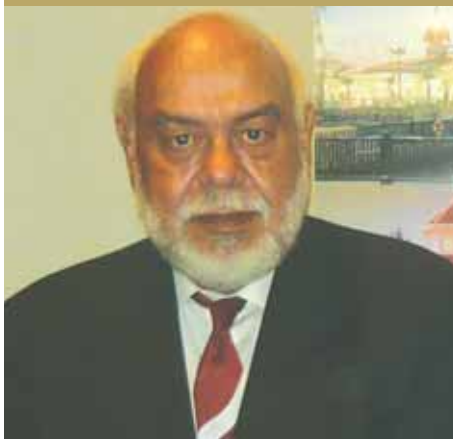
In South Africa, as elsewhere, the casino sector has benefited considerably from the the past decade's wave of economic growth and customers' ready supply of disposable income. In the past year, however, this era of prosperity and booming revenues has been dramatically reversed as international recessionary pressures, the declining availability of credit and falling visitor numbers have had a devastating effect on international casinos and associated leisure operations.

In his 2008 review, Rob Becker, the chief financial officer of Sun International, pointed out that "the impact of the tough economic environment on disposable income and consumer spending resulted in a slowdown in gaming revenue growth to 9% following three consecutive years of over 18% growth in these revenues". This account of an industry under pressure has been replicated by all the casino companies operating in South Africa and the prospects of growth in the current year are no better.

The news from the United States is not encouraging. America's recession has resulted in declining gambling revenues and a consequent fall in much-needed tax income in those states and cities that are dependent on the industry for economic growth, employment and tourism, and even given rise to speculation that Congress will be forced to consider intervention in the gambling industry to forestall its total collapse.

These developments contradict the industry's conventional wisdom which held that in times of economic hardship the profitability of the gambling sector was

CE'S COLUMN



immune from crisis, as hopeful gamblers continued to flock to casinos to try their luck in the face of straitened incomes. The contrary is now the case, as Atlantic City experiences dramatic bankruptcies, Macau reports a 30% drop in casino revenues in 2008 and Las Vegas casinos accumulate staggering levels of debt.

South Africa can ill afford a struggling casino industry. The industry's contribution to local, provincial and national revenues, its role in the creation of jobs, and its considerable expenditure on infrastructure and corporate social investment projects make it an irreplaceable partner in the growth of the nation's economy.

For an industry that has always prided itself on its capacity for innovation and adaption, the deterioration of the global and national economies presents a new array of challenges that will demand inspired leadership if the sector is to survive the downturn and emerge from it in a sustainable and profitable state.

In his budget speech last month, Finance Minister Trevor Manuel said that our response to the present crisis should be to face the challenges before us boldly. "Our resolve will be tested to its limits. We have to put self-interest aside, we have to face each other honestly and openly. Our task is to see through the challenges of economic vulnerability today to the construction of the new South Africa that is our passion and our pride. We can do this all the better as a united people."

He referred to a truism long ago acknowledged by South Africa's gambling regulatory regime - that a "utopian faith" in self-regulation has led repeatedly to irresponsible exuberances in which regulatory oversight has failed to serve its intended purposes. It is precisely because South Africa is able to boast a rigorously and effectively regulated legal casino industry, governed by the most stringent standards of financial probity, that we will escape the worst excesses that are now coming home to roost in the North American casino industry.

The year ahead will prove enormously difficult for our business, but I am in no doubt that if the industry maintains its focus steadily on excellence in customer service, prudence in short-term borrowing and the diversification of our entertainment package, it will weather the storm that must inevitably pass.

Derek Auret

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All players will now need to register before playing, thus denying access to minors while enabling the monitoring of problem gamblers. Operators now need to comply with the provisions of the Finance Intelligence Centre Act and advertising of service providers will be limited.

There is no doubt that these are valuable developments. The question still lies, however, in how e-gambling can be regulated even more efficiently. There need to be international agreements in place and the industry needs to come together to agree on appropriate and effective ways in which to minimize the harm caused by

problem gambling. In short, to offer online gamblers the same education and protection offered currently with casino gambling, horse racing and other forms of land-based gambling. Positive opportunities to use technology to tame technology need to be developed even further - player tracking, loss-limiting, e-consumer education and e-counselling. Most importantly, we need to be alert to the wider civil liberty issues and acknowledge the impact of vested interests from providers and governments alike.

This is an extract of a speech given at the Faculty of Law, University of West Bohemia

in Pilsen, Prague, in the Czech Republic by Peter Collins, Professor of Public Policy Studies at The University of Salford and Director of the Centre for the Study of Gambling.

Collins is also executive director of the National Responsible Gambling Programme in South Africa, - a public /private sector initiative and the only one of its kind in Africa. It was founded in June 2000 and is acknowledged internationally to be among the most comprehensive in the world. The NRGPP offers education and prevention, treatment and counselling, a Problem Gambling counselling helpline, research and training.

CASA ECHOES IDEALS OF TOMORROW'S LEADER'S SUMMIT

The legalised casino industry in South Africa, since its inception more than a decade ago, has become an important cog in the economic and social machinery of this country.

It has done this by taking a keen interest in the policies of government, not only of those that affect the day-to-day running of its casino operations, but through a broader interaction and a 'finger-on-the-pulse' approach to the country's socio-political and fiscal future.

Through CASA, the casino industry has managed to lobby effectively for change to existing legislation deemed a hindrance to a successful gaming industry as well as provide positive input to planned regulatory changes. The casino industry has also become a powerful player in the country's provincial economies through its job creation, social investment initiatives and tax generation. Accordingly, and as a civic-minded organization, the casino industry has been at the forefront of responsible gambling initiatives and its role in contributing to the welfare of the communities in which it operates.

As a fully-compliant business sector involved in possibly one of the world's most stringent gaming jurisdictions, the casino industry's willingness to comply with set rules and standards and to be a keen law-abiding corporate citizen, has shown that it has a role to play in the larger picture of ensuring good governance and accountability to the public and the country.

It is for all these reasons then, that CASA became involved as a sponsor of the Tomorrow's Leaders Summit held in Johannesburg in March. CASA's role in identifying and creating new leaders within its own ranks through numerous BEE initiatives and in-house mentoring programmes within the casino sector to ensure the sustained viability of its business interests, echoes the ethos of the Tomorrow's Leaders Summit. This is especially in ensuring that the country proceeds along the 'high-road' that political analyst and businessman Clem Sunter had foreseen for the country prior to its first democratic elections, where good corporate governance, integrity and transparency are key elements.

By engendering the ideals of sound business and social ethics amongst its junior leaders and middle-management within the industry today, CASA also aspires to create a legion of tomorrow's leaders for the casino industry that will actively seek to build on and uphold the work done by the casino industry to date.

This year's summit was one of special interest given the challenges facing new leaders in the uncertain years ahead, especially mindful of the current global economic downturn and the unique set of political factors that may impact the



country's sustained growth. Being an election year, 2009 may also be a watershed in terms of a changed political landscape for the next five years.

CASA's sponsorship of a breakaway session at the Tomorrow's Leaders Summit signalled its alliance with the vision of the summit in identifying managers and young leaders who will be leading the organizations within the near future and share with them not only some of the values required for future business leaders but create awareness around factors, both political and economic that could impact upon future business and social development. Among the speakers at the summit were political economist Professor Brian Kantor, who spoke on the economics of gambling, Professor Peter Collins who spoke on Responsible Gambling, and Peermont CEO Anthony Puttergill who gave his views on the future of gambling in the country.

For the casino industry, today's global recessionary pressures have seen disposable income shrink and create a negative impact on casino and hotel operations. For the first time since its inception, the casino industry will be facing new challenges that will require innovative and inspired leadership in the years to come to ensure a vibrant and sustained casino industry.



On 26 January 2009, a notice was published in the Provincial Gazette Extraordinary of the Gauteng Province, advertising the Gauteng Gambling Amendment Bill, 2009 ("the Bill"). The Bill contains proposed amendments to the Gauteng Gambling Act which, if enacted in their present form, are set to have a far-reaching impact on various sectors of the licensed gambling industry in Gauteng.

Readers will recall that in Issue 12 of the CASA Newsletter published in September 2008, CASA reported on a judgment of the Transvaal Provincial Division of the High Court, which had been handed down in July 2008. The report noted that the Court had set aside a decision of the Chief Executive Officer of the Gauteng Gambling Board to approve real touch bingo ("RTB") devices for use in licensed bingo premises, on the basis that the game offered on the RTB was not bingo as defined in the National Gambling Act, 2007 ("the National Act"). The Court recognised that, to the extent that the game in question was not bingo, it could not lawfully be exposed for play on licensed bingo premises, but would enable the holders of bingo licences to compete unlawfully with the holders of casino licences.

However, despite the above judgment, the amendments proposed by the Bill once again seek to open the door for the distribution of RTBs in Gauteng. The Bill contains a new definition of "bingo", which appears to have been designed to overcome the conclusions drawn by the Court in reaching its finding that the RTB did not offer the game of bingo. Whereas the Court highlighted the fact that, in the case of the RTB, no operator physically calls or displays the selected numbers, as required by the definition of bingo in the National Act, the proposed definition now provides for the

electronic generation and display of the selected numbers, thus obviating the need for a physical operator. Whereas the Court also found that the game offered on an RTB cannot be bingo, because the player does not physically and actively match the selected numbers, as required by the definition, the proposed definition now provides that this matching process may be electronically performed on behalf of the player. Effectively therefore, the proposed new definition of bingo contained in the Bill, if passed, will purport to render lawful something which the High Court has declared to be unlawful - the exposure for play of devices which do not offer the game of bingo, but are in reality slot machines masquerading as bingo games, outside of the licensed casino environment in Gauteng, under the auspices of a new definition.

CASA's stance has repeatedly been that RTBs are nothing more than slot machines purporting to be bingo machines. The games on offer display no material similarities with the traditional game of bingo. RTBs look, feel and operate in the same manner as slot machines and their payout structures, which deliver only a small percentage of the amount wagered to the winning player, also distinguish them from the traditional game of bingo. Moreover, they offer additional prizes and progressive features not encountered in the traditional game of bingo.

The enactment of the proposed definition will mean that it will ostensibly be lawful to expose slot machines for play on licensed bingo premises in Gauteng. This will not only mean that licensed casinos in Gauteng will lose their hard-earned market share, but also that there is likely to be a proliferation of slot machines in the province on an unprecedented scale.

In limiting the number of casino licences, both in the province of Gauteng and nationally, the national legislature sought to control the availability of gambling opportunities. The restriction on the number of casino licences necessarily entails a corresponding restriction on the number of slot machines which can be made available for play. If the proposed definition is enacted, however, these restrictions will fall away, and what were intended to be traditional bingo halls offering an entirely different form of entertainment to an entirely different market, will be replaced by gambling outlets offering slot machines in competition with licensed casinos. Similarly, the holders of route operator licences, which have been granted these licences on the basis that there would be a maximum number of slot machines available for play outside licensed casinos, will be negatively affected, by the inroads this will make into the markets which they serve. Moreover bingo premises can be expected to offer significantly more RTBs for play per site than is permissible in respect of limited payout machine sites.

The proliferation of slot machines in the province of Gauteng will not only cause immense economic prejudice to the casino industry, which has invested billions in infrastructure in exchange for geographical exclusivity. It is also highly likely to make inroads into the national government's objective of ensuring that gambling opportunities are restricted in a socially responsible manner and that the temptation to over-stimulate the latent demand for gambling is resisted. It is hoped that the Provincial Legislature will be alive to this - and the real import of the Bill - when considering it and will reject the proposed amendments.

LAUNCH OF COMMUNITY LEARNING CENTRE IN RUYTERWACHT

A brand new Community Learning Centre (CLC) was opened in February at the Zerilda Steyn Hall in Ruyterwacht with the help of GrandWest.

The Centre will be run by social housing company Communicare who are actively involved in revitalizing the area. They conducted a needs assessment for Ruyterwacht and it recommended the development of social and economic infrastructure in order to develop a sustainable community there.

Urban regeneration and poverty alleviation form an integral part of this and a Community Learning Centre was identified as being an effective way to provide learning opportunities for people

of all ages and levels of education.

Aware of their ongoing involvement in neighbouring Ruyterwacht, Communicare approached GrandWest Corporate Social Investment (CSI) for assistance with the CLC and particularly its need for IT equipment. As a result, the Zerilda Steyn Hall-based facility now boasts 12 state-of-the-art flat screen computers and a printer provided by GrandWest CSI.

The Community Learning Centre will serve as a wireless network facility with computers and internet where the people of Ruyterwacht will be able to acquire skills, tuition, life skills training, career guidance and also have access to employment opportunities.



SUNCOAST... SPREADING THE COMMUNITY SPIRIT

As part of its ongoing corporate social investment activity Suncoast Casino & Entertainment World (Suncoast) is involved in assisting with the needs of local communities and community organisations in the greater Durban area.

Kicking off the new year, Suncoast made an impact on the dance-floor, when an enthusiastic crowd celebrated Malusi Fipaza's victory as the first 'Footsteps To Fortune' winner of R15 000 at the grand finale. Almost 500 young hopefuls were whittled down to the final 11 dancers, in the inaugural dance talent competition sponsored by Suncoast and Makulu Event Producers. East Coast Radio DJ Nelisa Kala garnered a cool R5000 in the Celebrity Dance Challenge, which she donated to a charity of her choice, NOAH, a non-profit organisation caring for AIDS orphans.

On the sportsfield, as a contribution towards the Durban Country Club's Ladies Golf Day, Suncoast's executive director, Mike Dowsley, made a R20 000 donation to Vukukhanye, an organisation that assists in KwaZulu-Natal's greater Chesterville area with a number of sporting, school and social projects.





THE FUTURE OF THE GAMING INDUSTRY IN SOUTH AFRICA

ANTHONY PUTTERGILL, CEO PEERMONT

Looking into my crystal ball and addressing the topic of “the future of the gaming industry in South Africa” is quite a tall order when we don't have any clear visibility on the general economic environment for the world as a whole over the next 3-5 years. The general economic environment will of course have a great deal to play in shaping the future of the gaming industry in South Africa and will also impact on the other drivers of the industry in future.

Regulation

First and foremost, we have a stable and well established regulatory framework in South Africa, coupled with the effective enforcement, by and large, of these gambling laws. As casino operators in South Africa, we can and have planned our investments in the knowledge that:

- The number of casino licences is limited to 40 nationally, broken down to limits by province
- The licences, subject to ongoing suitability and compliance, have an indefinite life with the exception of the Eastern Cape
- Illegal casinos, by and large, are shut down by the authorities

Without these prerequisites, there is no way that the industry would have invested over R15-bn in less than a decade developing multifaceted destination resorts of the size and standard that we see today and which have been so key in driving business and leisure tourism to the shores of South Africa, with its attendant benefits.

Today the government is the largest stakeholder in the casino industry, receiving around 42% of casino revenues through a combination of specific taxes on the industry in addition to the general tax structure applicable to all industries. The industry has created almost 100 000 jobs and created world-class destination resorts, driving tourism in the country. In Gauteng alone, two of the top three convention centres, of which the Sandton Convention Centre is one, were built by the casino industry.

These are the fruits of a well thought out and executed but more importantly stable, regulatory framework. We would not continually be re-investing in our properties to the degree we do, expanding our facilities, creating more jobs and attracting more tourists, if this stable regulatory framework did not exist.

How is this regulatory environment likely to change in future? Will there be a change to the number of casino licences permitted in South Africa? Let's look for some clues.

One clue is the situation in the North West Province. As you may recall, due to a change in the provincial border between North West and Gauteng, the Morula Sun casino was effectively transferred from the North West to Gauteng. The number of casino licences allocated to North West reduced from 5 to 4, while the number allocated to Gauteng increased from six to seven, leaving the total number of casino licences in the country at 40. The North West province was probably not happy at the loss of casino tax revenue to its coffers, but had little choice at the time. Earlier this year, the North West Gambling Board published a notice in the newspapers calling for expressions of interest in a 5th casino licence, even though it does not have a 5th casino licence to allocate. Why has it done so? It would seem that it is clearly the intention to use the outcome of this process to petition the DTI to increase the allocation of casino licences to the province, especially as economic conditions continue to deteriorate.

How is national government likely to react to this? While I have learned that one can never say never, I would suspect that DTI will be very cautious and mindful of the perceived social risks of "overstimulating the latent demand for gambling" and I would suspect it is not the present inclination of national government to support the expansion of gaming supply in general, especially considering the rollout of LPM's.

My belief is that this request will be unsuccessful in the short to medium term. However, it may well be possible that existing casino licences are permitted to relocate within provincial borders to locations that maximise revenues for the province. In this event, these cases would have to be thoroughly motivated and considered to carefully consider the potential social and displacement effects of any such relocation.

In the longer term, it may well be possible to increase the number of casino licences in provinces in areas where there is little or no presence of casinos and where there is clear evidence of demand. I would not think it very likely that the number of casino licences will be increased in areas where there is intense competition and overlapping casino catchment areas, such as Gauteng which is well served by seven casinos.

Overall, my prediction is that in the next 3-5 years there will not be an increase in the total number of 40 casino licenses nationally, all of which will become operational and very few, if any, of which may change their present locations. If this is the case, I believe that existing casino operators will continue to review, develop and expand their existing product offerings at existing locations to attract the maximum number of patrons to existing sites.

Other areas of regulatory focus are likely to include:

- Roll-out of LPMs
- Bingo halls
- Harmonisation of provincial rules and regulations
- Control Illegal casinos and activity
- B-BBEE
- Interactive gaming

With respect to the roll-out of LPMs, it seems clear that this will pick up pace and will eventually roll out through all the provinces. This process is likely to keep the PLAs busy for quite some time.

There have been some notable regulatory developments in the area of electronic bingo terminals in bingo halls. Following the decision of the GGB to permit the licensing of certain types of slot machines in bingo halls, and the successful review of this decision by the Gauteng chapter of CASA in the courts, the Gauteng Gambling Act has recently been amended to give the responsible MEC wide powers in determining what constitutes the game of bingo. We will have to watch this space carefully to understand the intention behind this amendment. At least the number and size of these bingo halls is currently restricted.

As operators operating in multiple provinces in South Africa, we are subject to different rules and regulations in each province. It is very difficult to standardise operating procedures across the country under this current system.

It clearly makes sense both for the regulators and operators to have one national minimum set of rules, regulations and standards in place for all operators nationally. These can be supplemented by additional provincial regulation where commonality cannot be achieved e.g. fees and taxes.

As far as illegal casinos are concerned, in most provinces these have been by and large eliminated through a concerted effort by the regulators in collaboration with the law enforcement agencies and backed by the requisite political will. However, there are notable exceptions.

In the North West Province for example, there are still significantly more illegal slot machines than licensed slots. In the KOSH area for example where we operate our Rio casino, we estimate that there are over 1000 illegal slot machines as compared to our 274 licensed slots in the same area. These illegal casinos are not paying tax and are not held to the same high standards of regulation required of the legalised industry.

This situation has continued for years with little improvement and the efforts of the authorities thus far have been ineffective. It is also likely that as economic conditions deteriorate, there will be more illegal casino activity throughout the country in general and law enforcement officials will have to be increasingly vigilant in policing this activity.

In many respects, the casino industry was a pioneer as far as Black Economic empowerment is concerned. Applicants for casino licences were required to place special emphasis on job creation and shareholding and funding in respect thereof, skills and enterprise development, corporate social investment, and related requirements. Provision was thus made for all facets of B-BBEE in the casino licensing process.

Consequently, the authorities will continue to place pressure on the casino industry to be at the forefront of B-BBEE initiatives nationally.

As a measure of its serious commitment to B-BBEE, the casino industry has set itself a target to attain a Level 4 rating by 2010 (i.e. 100% compliance) and individual companies, members of CASA, have set in motion programmes and protocols to achieve this objective. Moreover, as a further indication of the progressive implementation of this policy, the members of CASA have undertaken to undergo another full industry audit to verify this achievement by no later than April 2011. We are certain that this will be a first for any industry in the country.

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Internet gaming

As the penetration of internet access and infrastructure increases in South Africa, the regulation of Internet gaming is becoming increasingly pertinent and urgent. It is very frustrating for the licensed casino industry to see the rapid growth in the presence and visibility of this industry, which is not currently regulated in South Africa. The reason for this frustration is that we are effectively precluded from participating in interactive gaming since the legality or otherwise of internet gaming is currently pending determination by the courts. In our view, there is a high degree of risk that these current activities are unlawful and hence we cannot offer such services until the position is clarified.

Once the final regulations supporting the Amended National Gambling Act become effective, we expect a limited number of internet gaming licences to be issued (10 as per the draft regulations). For these licences to be worth anything, there will have to be effective policing of the law.

All internet gaming that is conducted outside of the law will have to be effectively shut down. This can be effectively achieved by collaborating with banks and credit card issuers to prevent payment to unlicensed operators and by collaborating with media houses to prevent advertising by unlicensed operators.

A very interesting question will be whether the regulators will permit the so called "white-listing" of overseas sites in South Africa. In terms of this practice, regulators may permit reciprocal permission to each other's licensees to accept bets from players in each other's jurisdictions. If this practice is permitted, bearing in mind the effective mooted tax on internet gaming of around 18% (including VAT) on revenues, it may be more logical for operators to be licensed and based in recognised offshore jurisdictions which have much lower tax rates, rather than being licensed in South Africa. This would give such white-listed operators a significant advantage over their locally licensed counterparts by enabling them to use the lower tax rates to market and promote themselves more effectively.

Technology

Technology has evolved to the degree where we can offer our players more choice than ever before. For example, players have the option of choosing:

- Coinless slot play using TITO, smart card or magstripe solutions or a combination of the above as well as traditional coin play
- Multi-line, multi-denomination, video slots with second screen features or traditional steppers
- Progressive, personal progressive, mystery, bonusing or standalone jackpots
- Automatic loyalty benefits such as cash back, non redeemable credits or comp points
- Tables play against live or electronic dealers

Whether or not server based gaming develops to its full potential remains to be seen. I believe that ultimately we will see some pilot experiments on local casino floors within the next few years but that the ultimate success of this technology will depend on what the regulators will require (in terms of notices to players when changes are made online to games and game logic) and also very much on the commercial model adopted by manufacturers. If the end result is more costly than the current free standing slot machines, then it is unlikely to find much support among operators.

As for what technology holds in store for us, I believe the developments to come are even much more exciting than we have seen in the past and will enable us to keep in touch with the next generation of tech-savvy gamers. For example, the latest Microsoft SURFACE consoles provide an intuitive integrated way to blend the electronic world with the real world. It is just a matter of time before this technology finds its way onto the casino floor.

New markets

It is inevitable that the SA gaming industry will expand into Africa and other developing markets. I believe the casino industry has the potential to play an enormous role to assist the development of economies in the African region by encouraging investment, job creation and facilities for business and leisure tourism.

What is most important is that regulation in these new markets is stable, fair, consistent and provides the investment climate and trust necessary to maximise benefits from the industry.

The casino industry has the ability to provide much-needed hotel, conference, dining and entertainment facilities to many regions in Africa. Operators that have integrated in-house hotel, dining, entertainment, conference and casino

expertise are those most likely to succeed in Africa. The synergy between these different aspects is significant and the mix of all of the above is most likely to result in successful developments.

Social acceptance of gaming

There is no doubt that other African countries have looked to SA and witnessed the increased social acceptance of gambling as a form of entertainment. In UNISA's BMR 2004 study of gambling behaviour in Gauteng commissioned by the GGB, only 17.4% of respondents (less than 1 in 5) found gambling unacceptable. My own view is that this increasing acceptance is driven by the following:

- The integrated dining/entertainment and other facilities on offer at casino resorts which appeal to a much broader market
- The extensive competition between operators, facilities which are widely promoted and advertised, which results in consumers receiving lots of prizes
- The efforts of the regulators and operators in funding the efforts of the NRGT and the good work done by the NRGP in minimising the effects of problem gambling
- The broad base of beneficiaries of the industry including a wide variety of CSI trusts.

The state of the consumer

This is probably the most important determinant of the success of the gaming industry in South Africa. However, this is not an economics presentation and the subject matter is best left to an economist. Save to say that in general I believe the industry is most dependent on the size and the health of the middle class customer.

Final consumption expenditure for households in nominal terms is forecast at 5.5% for 2009 and 8.5% for 2010.

Conclusion

In summary, while we are operating in tougher economic times and being subjected to additional cost pressures, and despite the challenges, I believe the prognosis for the casino industry in Africa as a whole to be positive. There is no doubt that with the right fundamentals in place that Africa will experience a period of sustained high economic growth. With the right regulatory frameworks in place, there is no doubt that the industry will play a key role to assist the development of economies in the African region by encouraging investment, job creation and facilities for business and leisure tourism.