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State out to kill goose that lays the golden eggs

South Africa's casino industry is regarded as one of the world's most successful and well regulated since the introduction of a new gaming dispensation in the mid-1990s. Through a series of uncoordinated and poorly thought through regulatory amendments, the government now appears hell bent on destroying the industry it created.

Mabuza is CEO of the Tsogo Sun group and also chairman of the Casino Association of SA and SA Tourism
The gaming industry is not an enemy of the state, but a comrade Jabu Mabuza

Source: Sunday Times, Business Times 17 July 2011

In addition to substantial increases in rates and utility costs and deteriorating basic services such as water and power, SA's gaming industry has been rocked recently by proposed regulatory changes with significant unintended consequences. These include:

- A withholding tax on winnings from the National Treasury;
- Increased provincial gaming taxes by the Mpumalanga, North West, Limpopo and, more recently, Gauteng governments;
- Increased BBBEE requirements as a condition of licence by all provincial gaming boards; and
- New regulations affecting marketing activities and equipment certification by the Department of Trade and Industry.

While conceivably founded on good intentions, these actions have the potential to kill the goose that lays the golden eggs. In particular, the uncoordinated nature of the amendments has resulted in proposals that have multiplier effects in undermining the sustainability of the industry.

While the Tsogo Sun group enjoys a strong balance sheet with low levels of gearing, other industry participants are not as fortunately positioned. In fact, if all of the proposed regulatory changes are implemented, they will almost certainly result in the destruction of empowerment wealth, if not corporate failures.

If currently stressed gaming entities do avert failure, investment in both maintaining and growing gaming and nongaming facilities will be severely curtailed, including projects being pursued by Tsogo Sun.

This will, at best, inhibit job creation and at worst, result in significant job shedding by the industry.

Politicians have also sought to undermine the gambling industry through anecdotal and unsubstantiated allegations that relate to the socioeconomic impact of gambling, with scant regard for the facts.

The National Responsible Gambling Programme, the Gambling Review

Commission and the Gauteng Gambling Board have all published reports which corroborate the view that it is not casinos which prompt problem gaming, but rather illegal and informal gaming platforms such as dice and fafi, as well as Lotto, which is one of the most accessible forms of gambling available to virtually the entire population, particularly the poor.

The aftermath of the gaming dispensation promulgated some 15 years ago resulted in the elimination of a substantial illegal industry. It eradicated some 150 000 machines, accessible even to minors, which made a zero contribution to the fiscus in the form of taxes at a time when no responsible gaming programmes existed and the public had no protection from payout manipulation and criminal elements like drugs, loan sharks, money laundering and protection rackets.

The new industry has invested more than R20-billion in infrastructure, leading to the development of world-class entertainment

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Gambling Review Commission

In June, Trade and Industry Minister Dr. Rob Davies released the long-awaited report of the Gambling Review Commission. Publication of the report followed months of research by the five-member commission, encompassing public hearings in all major centres in South Africa, submissions by industry representatives – including CASA - and opinion-leaders in the field, and consultations with government.

The commission was appointed by Dr. Davies in December 2009 and was requested to review the evolution of the gambling industry since 1996; to assess its social and economic impact, with specific reference to the demography of gambling participants, the incidence of problem gambling and gambling addiction, and youth gambling; and the efficiency and effectiveness of current strategies to mitigate the negative effects of gambling. It was further tasked with an assessment of proliferation in South Africa, considering licensed and unlicensed activities and technological developments and the viability of new gambling activities.

Specifically, it was asked to “consider if the currently legalized gambling activities can/should be expanded or curtailed considering the number of casinos, limited payout machines and bingo outlets already licensed.”

Chaired by Astrid Ludin, the members of the commission were: Prof. Sphiwe Nzimande, Dr Stephen Louw, Mr Clement Mannya and Adheera Bodasing. Their report now lies with Parliament's Portfolio Committee on Trade and Industry, who will study its findings and recommendations and hold public hearings to allow broader public participation in determining the future of the gambling industry in South Africa. The Committee has invited stakeholders to make submissions at public hearings scheduled for 26 and 28 October.

CASA has reviewed the GRC report, and prepared the following submission:

CASA SUBMISSION ON THE REPORT OF THE GAMBLING REVIEW COMMISSION:

DETAILED COMMENTS

CASA is of the considered view that, with some exceptions, the report of the Gambling Review Commission (GRC) presents a balanced and realistic picture of gambling in South Africa. From a casino perspective it is heartening that, for the first time, a definite distinction is drawn between the various forms of gambling that exist in South Africa and that the single concentration on casino gambling as the only form of gambling that had to be contended with and which therefore had to bear the brunt of all criticism against gambling and against which new regulatory practices were aimed, has disappeared. It is also to the credit of the GRC that it has identified and laid bare the causality between informal and illegal gambling and the problems that are experienced by the poor as a result of their unfettered exposure to this type of gambling.

It is encouraging that the GRC recognises the need for policy to be based on empirical research, a position that CASA has long advocated and practised in terms of its constructive and cooperative approach to the development of sound public policy. However it has come as somewhat of a surprise that the GRC has, in view of the time restriction with which it was encumbered and which has hampered research into critical issues, in many instances made recommendations or indicated policy directions that do not comply with the goals that it has set itself with regard to evidence-based policy making. Examples are in respect of certain findings regarding further measures to control gambling activity, aspects of the work of the NRG, many aspects in regard to advertising, as well as issues relating to the National Lottery and others. CASA would not wish to see the implementation of further restrictive measures in respect of the casino industry and it is welcomed that the GRC report is very cautious about the imposition of such measures in respect of casinos.



The casino industry operates within a very highly regulated environment and despite the many and onerous measures that already exist in this regard - including the imminent imposition of a gambling withholding tax - and the serious impact that the economic downturn over the past years has had on the industry, it has taken measures that have safeguarded jobs (some 51 000) and other economically beneficial activities. It would be unfortunate if new measures were to be imposed by the Commission that would force the casino industry to abandon these carefully balanced business strategies. Such a situation will undoubtedly lead to significant job losses and, for example, the curtailment of the upgrading and expansion of existing facilities. Moreover, it would also negatively affect the generation of revenue for the provinces which, as the report of the Commission points out, is the second largest generator of own income at provincial level.

(i) The increase in the number of slot machines and tables:

The GRC's view that “there is a need to monitor the growth of slot machines and tables at casinos”, which is said to be “at odds with the desire to prevent a proliferation of gambling in South Africa” and which is said to have taken place “without an assessment of the social impact on the communities in which they are located” is a sweeping statement which is, moreover, not substantiated in any way or supported by the facts.

Much of the growth in question was the result of the opening of new casinos which were licensed following competitive bid processes in which the socio-economic impact of the project was thoroughly canvassed. It is also at odds with the other observations of the Commission regarding the incidence of problem gambling and negative social impact, which has, through empirical research, been shown to be at its least prevalent in relation to persons patronising the formal gambling sector and is acknowledged to be as such in the report. In addition, the increase in slots and tables has taken place at existing facilities and at a substantial cost per position and has not meant that the public is exposed to additional casino venues where gambling can take place.

Government cannot expect economic growth and job creation (or that current job numbers be maintained) without facilitating further investment (including permitting investment in additional gaming positions). Its role must be to create an enabling environment. Also, the growth of sometimes uneconomic non-gaming facilities at casino complexes (such as hotels, theatres, restaurants, banqueting and conferencing facilities) and the growth of the broader regional economy since the initial award of casino licenses, has taken place in many instances without a commensurate increase in the number of gaming positions at that property. The opportunity for licensees to apply to increase the gaming experience at their respective properties (whether to meet increased demand, subsidise these uneconomic facilities, to maintain or increase jobs and investment spend or otherwise on good cause shown) must not be forfeited.

The Provincial Gambling Regulatory Authorities (PGRAs) thus ought to retain their existing prerogative whether or not to permit an increased number of gaming positions, on a case-by-case basis determined on the merits of each application. The basis of any such approval must also be reasonable and realistic, in order not to suppress investment. A permitted increase would then stem the proliferation of informal and illegal gaming and would satisfy the increased demand for gaming by providing a legal, regulated and

compliant casino gaming environment (to the benefit of the fiscus, the economy and of society at large).

(ii) EBTs:

CASA welcomes and strongly supports the realistic findings and the definitive stand taken against the introduction of EBTs in their current form. It also welcomes the recommendation that provincial legislation in Gauteng be brought into line with national gambling legislation.

(iii) LPMs –The proliferation of high stake slot machines:

CASA is of the view that introducing a third category of slot machine in South Africa is totally inappropriate, as it would lead to the proliferation of high stakes gambling outside of casinos. This seems to fly in the face of the overall stance of the Commission, which generally aims to restrict the proliferation of gambling opportunities and appears also to be inconsistent with the recommendation elsewhere that the number of casino tables and slots be capped. This recommendation appears to be aimed at assisting forms of gambling that have clearly not proven to be economically viable. This would in effect amount to a form of subsidisation of other industry sectors, which is not compatible with the principles of a free-market economy. The recommendation that *“LPMs located in dedicated gambling venues (racetracks, tote outlets and bingo halls) should be allowed machines with higher stakes and payouts”* of 40 such machines per site (the licensing of which is currently much restricted) has far reaching implications.

It is not understood how this will square with the GRC’s stated intention of limiting the proliferation of gambling opportunities, specifically limiting the number and type of slots. In addition it is likely that such “LPMs” would be made available to the public in easily accessible premises such as shopping malls since the majority of operational bingo halls is currently located in shopping malls, a development which the report highlights as a concern and is at pains to discourage. The experience in other jurisdictions such as Australia has been that this type of

convenience gambling carries a social cost which far outweighs any benefits that it may provide.

(iv) Participation by gambling mode:

CASA has in the past consistently indicated the significant contributory role of illegal and informal gambling to problem gambling in South Africa. This contention has now been confirmed by the Report that provides a clear, but disturbing, focus on the extent to which poorer people engage in informal, unlicensed gambling, which of course cannot be laid at the door of the licensed industry. CASA welcomes the finding that casino gambling does not contribute significantly to the creation of problem gambling amongst the poor. It is clear from the report that illegal and informal gambling is largely responsible for this unfortunate state of affairs. CASA welcomes the call by the report for the authorities (i.e. PGRAs and law enforcement agencies) to take decisive action against illegal operators. CASA has, since its inception, sought to eradicate this scourge from the provinces where illegal operations continue with impunity. It has cooperated closely with the PGRAs, SAPS and SARS to close down unlicensed slot parlours and casinos in a number of provinces. This has involved significant legal costs for the members of CASA, which is still continuing.

CASA is also concerned by the continued perception that poor people spend their government grants on gambling. In this regard the GRC pointed out that it had not at any time during its work, become aware that that was in fact the case. In this regard CASA would invite the attention of the Portfolio Committee to the findings of a study entitled *“A Profile of Social Security Beneficiaries in Selected Districts in the Western Cape”* which was commissioned by the Department of Social Services and Poverty Alleviation to construct a socio-economic profile of social security beneficiaries in the 12 magisterial districts of the Western Cape. The report was developed by Datadesk at the Department of Sociology and Social Anthropology (University of Stellenbosch) and released in April 2004. In regard to concerns raised about the use of social grants for the purposes

of gambling, the report concludes that “Hardly any beneficiaries participate in gambling activities other than a relatively small percentage playing the lotto”. (p. 488)

As its contribution to alleviate this problem CASA has committed, through the NRGp, to increase the informational outreach of the programme into informal settlements and poor areas in order even more widely to make information about (the free) assistance and counselling services of the programme available to poor people.

(v) Advertising:

The remarks of the GRC on casino advertising are disturbing, inasmuch as they suggest that licensed casinos are “getting around” the provisions of the National Gambling Act by luring the elderly to gamble at licensed venues by providing chips as a component of junket-type packages. It is unclear whether this observation is based on empirical evidence of any kind. The assertion that casinos are “getting around” the provisions of the National Gambling Act is simply not the case and there is no concerted action, or any other action for that matter, by any casino that attempts to lure the elderly to its facilities with the objective of getting them to gamble. It is unfortunate that the GRC apparently relied on anecdotal evidence to support this contention and has not provided any concrete evidence in support of its position.

The GRC does not take account of the restrictive measures that are currently in place and that severely limit the type of advertising that may be done by casinos, most notably by the provisions of regulation 3 of the Regulations promulgated in terms of the National Gambling Act, 2004 and which reads as follows:

- “3. (1) Advertising in respect of gambling must not
- (a) contain any lewd or indecent language, images or actions;
 - (b) portray excessive play;
 - (c) imply or portray any illegal activity;
 - (d) present any game, directly or indirectly, as a potential means of relieving financial or personal difficulties;

- (e) exhort gambling as a means of recovering past gambling or other financial losses;
- f) contain claims or representations that persons who gamble are guaranteed personal, financial or social success;
- g) represent or imply that-
 - (i) gambling is an alternative to employment or a means of acquiring financial security;
 - (ii) winning is the probable outcome of gambling;
 - (iii) gambling primarily involves skill;
 - (iv) gambling is a form of investment;
 - (v) the more or longer one gambles, the greater the chances of winning; or
 - (vi) that gambling is likely to make players’ dreams a reality”.

CASA’s position is that even if the view of the GRC is that “the current restrictions [on advertising] must be enhanced and properly enforced”, it should provide significantly greater clarity on what “enhancements” could properly and feasibly be considered and what “enforcement” mechanisms are contemplated, as well as an indication of how (and why) these initiatives could be expected to contribute positively towards the performance of the gaming regulatory mandate, over and above the provisions of regulation 3. There is no indication as to why the current provisions of Regulation 3 are considered to be “ineffective” (as opposed to not being enforced uniformly). CASA does not believe that more regulation in this regard will provide any answers and believes that there may be constitutional grounds to challenge any further restrictions. A more sensible approach would no doubt involve seeking more effective regulation via existing measures such as contained in Regulation 3. Moreover, given the findings of the GRC that casinos (or advertising by casinos) cannot be seen as being primarily responsible for problem gambling or gambling by the poor it would be grossly unfair and counter-productive to insist that casinos advertising be further curtailed.

(vi) The National Lottery and Lottery advertising:

CASA strongly opposes the assertion by the GRC that there should be a distinction

between advertising under the so-called revenue generation and sumptuary models of gambling and would point out the demonstrably stark contrast in approach to advertising by the National Lottery which this approach brings about. The postulation of two different models of gambling and the acceptance by government of one, at the expense of the other, appears to be an attempt to justify lottery advertising. This is totally unacceptable if one is seriously to deal with problem gambling.

The Portfolio Committee should be mindful of the fact that persons who develop problems with gambling do not have the luxury of distinguishing between whether the form of gambling in which they participate falls within the revenue generation or sumptuary model! Differently put, the argument that government has chosen one model for the lottery that allows unfettered advertising which, amongst others, robustly promotes the proposition (to especially the poor) that the lottery can help gamblers to change their lives, calls into question its contention that it is concerned about problem gambling and that it is serious about dealing with the problem. The advertising restrictions that it justifies for other forms of gambling using the sumptuary approach cannot be the fig-leaf that justifies its supposed public concerns about this problem.

Government must consequently accept responsibility for the impoverishment of people via their shameless exploitation through the National Lottery advertising. It should not further burden a responsible and already severely constrained casino industry with additional advertising restrictions because it is unable to deal with the results of its own actions in promoting the Lottery at all costs.

(vii) The number of casinos:

With regard to the GRC’s position regarding the number of casinos in South Africa, CASA supports the existing cap on the number of licences as well as the current allocation of casinos per province.

(viii) NRGP and Research:

In connection with the NRGP it was the casino industry that first recognised that problem gambling was an issue that needed to be dealt with and therefore put in place the programme that has subsequently evolved into the internationally acclaimed NRGP. It did so since casino operators share the view that it is not in their interest to have problem gamblers at, or to encourage them to visit, their establishments. Thus the decision was made to have an effective and accessible programme in place, even if it catered for only a very small percentage of its customers. This leads to the second point: it should be borne in mind that there is general agreement that the percentage of problem gamblers in South Africa is less than 2%. This means that upwards of 98% of casino patrons do not have problems with this form of entertainment.

It is CASA's view that the GRC report provides the Portfolio Committee with the opportunity decisively and holistically to deal with the question of harm minimisation. It is most unfortunate that the GRC did not make a decisive recommendation to establish one comprehensive problem gambling programme for all forms of gambling. The financial contribution of the National Lottery to the NRGP would be more than adequate to accommodate the additional costs involved in the expanded work that the GRC foresees for the NRGP and would not, once

again, rely on the casino sector to increase its financial contribution. Fragmenting of assistance to problem gamblers by allowing two (competing) programmes does not appear to be a good idea if for no other reason than that it presupposes the doubling of administrative costs that could be far better spent on the treatment of problem gamblers or the other elements of a single programme. Moreover, the areas pointed out by Gidani as the *"focus of the programme...to support people with gambling problems"* have very little to do with real harm minimisation.

CASA does not oppose the expansion of research and the inclusion of additional research capacity, provided that such research is clearly focussed on research that can add value to the process of finding solutions to the difficulties faced by problem gamblers, that the independent organizations in question are guided and audited by the NRGP and that administrative costs do not exceed 10% of budget. CASA does not support any proposal that would possibly undermine the efficacy of the public/private sector partnership that characterises the very effective institution that has been created and that has been functioning very effectively over the past 10 years.

(ix) Poker:

CASA opposes the GRC recommendation in connection with poker. Poker is a licensed

game that may currently only be played in a casino. CASA is of the view that this position should be maintained and that poker is played only in licensed premises. To allow other operators to offer poker at venues other than casinos pursuant to *"occasional" licences ... "to be obtained through a local government office"* is seemingly to permit what are essentially unlicensed persons, whose probity has not been established (and who could well undermine the hard-earned image of the licensed industry), to compete with licensed casinos. In addition, this will involve a further approval process by a body (such as a local government agency) which is eminently unqualified to perform this function.

(x) Online Gambling:

In respect of online gambling, CASA remains of the view that online gambling should be regulated and that land-based casinos, because of their already licensed and regulated status, should be given priority to bid. The regulation of the industry must however take place within clearly defined governmental policy objectives and within the parameters of its overall gambling policy and the latest international realities. Because of significant changes in the approach to online gambling internationally, CASA believes that the existing legislation should first be reviewed in its entirety before further decisions are taken.

ONLINE GAMBLING IS RULED AS ILLEGAL IN SOUTH AFRICA

The Supreme Court of Appeal's landmark decision that the offering of online casinos in South Africa is illegal, has been welcomed by the Gauteng Gambling Board which is strongly opposed to this form of gambling.

The effect of the decision confirms that internet operators who offer online gambling (i.e. interactive games) to South Africans are operating illegally. Players or punters who participate in online gambling transactions are doing so against the law and any individual or organisation which facilitates the provision of online gambling (internet service providers or financial transaction providers such as banks) are in direct contravention of the law. Online

gambling may also not be advertised.

The Supreme Court of Appeal's decision comes after years of protracted litigation between the Gauteng Gambling Board and Piggs Peak Casino. The Gauteng Gambling Board has promised to pursue any person or organisation which contravenes the gambling legislation. Persons who are prosecuted and found guilty, or in breach or contravention of

the gambling legislation may expose themselves to the following consequences:

- Liable for a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years or to both such fine and imprisonment.
- May not be suitable to hold an on-line gambling licence when South Africa invites application for on-line gambling licence.

FORM OR SUBSTANCE? – LEGISLATIVE AMENDMENTS PROPOSED BY THE GAMBLING REVIEW COMMISSION

The release, in June 2011, of the Final Report of the Gambling Review Commission has opened the door to what is likely to be an extensive debate regarding gambling in South Africa. In the weeks to come, the Portfolio Committee on Trade and Industry will hear the responses of different industry sectors and external stakeholders to the Report of the Commission, after which it will assess the merits of the Commission's findings and recommendations and determine the future policy framework for the regulation of the gambling sector. It is a seminal point in the reasonably short history of regulated gambling in South Africa and one which can be expected to inform its sustainability in the future.

The starting point for the deliberations of the Portfolio Committee will of course be the findings and related recommendations of the Commission, particularly those which directly propose or necessarily imply legislative amendments. These range from substantive proposed amendments affecting specific industry sectors to procedural and structural measures which will impact on the industry as a whole. While the former are likely to be ventilated at length during the upcoming public hearings, the latter are equally deserving of attention to the extent that, if they are adopted, they will change the face of gambling regulation in South Africa in a material way. It is therefore of great importance to establish whether the industry, and the government, will be well served by these changes.

The Commission has made a number of key proposals regarding regulation on a national level. The first of these is that the regulation of online

gambling and the lottery and sports pools should be combined to resort under the jurisdiction of a single national regulator. This would involve a combination of the resources of the National Gambling Board ("NGB") and the National Lotteries Board ("NLB") as we know them today. These suggestions on their own would involve a comprehensive overhaul of both the National Gambling Act and the Lotteries Act, which can be expected further to retard the introduction of licensed interactive gambling in the country.

It is important, however, to determine whether these proposed measures can be expected to result in a better structured, more effective regulatory dispensation. A determination of this nature requires an analysis of the respective roles and functions of the NGB and the NLB in their current form, and the extent to which these have been successfully executed. Where there has been found to be room for improvement, it must be determined whether combining these bodies can be expected to have that result.

The Commission found that the NLB is under-resourced and has failed to achieve its mandate in certain respects, more particularly in the context of the distribution of funds. It has recommended that the distribution process be removed from the control of the NLB, and vested in a separate body with its own staff and management, and that the NLB should therefore "focus only on the regulatory aspect of its mandate". In respect of the NGB, the Commission found that it had also "struggled to fulfill key areas of its mandate", and that this was due, in large measure, to the NGB's reliance on co-operation

from provincial licensing authorities. As a result, one of the key objectives of the NGB, namely to procure uniformity in licensing and regulatory processes, and adherence, on a provincial level, with national standards, has, to a large extent, not been attained. Recognising this, the Commission has recommended that the NGB no longer exercise oversight over the provincial licensing authorities, but that "the auditors of provincial regulators could be required to audit provincial compliance with national norms and standards on an annual basis and this should be disclosed in annual reports", effectively introducing a self-policing system on provincial level, which will ultimately be overseen by the provincial and national legislatures. The Commission contemplates that pursuant to this proposal provincial gambling boards "should be called to account". How this process will work in practice is, however, not made clear.

The above proposals effectively translate into sweeping changes to the National Gambling Act and the Lotteries Act, in terms of which a single body will be tasked with little more than the day-to-day licensing and regulation of interactive gambling, lotteries and sports pools. Given the inherent limitations of its mandate, it must be doubtful whether such a body would be in a position to bring about any of the changes in approach which are required to reverse the most significant deficiency identified, namely the lack of uniformity, on provincial level, in the approach to licensing and regulation. Accordingly, questions must attach as to whether any real value will be added by the wholesale legislative amendments proposed by the Commission.



In addition, the Commission has proposed that there be a five-yearly "comprehensive licence review", which would focus on "licensing conditions, the socio-economic impact of the casino, the B-BBEE compliance and the implementation of measures to protect the vulnerable and to minimise the harm of gambling", on the basis that "consistent failure to meet the licence requirements or to rectify areas of concern can result in the revocation of the licence". This recommendation appears to ignore the fact that, in terms of section 53(2) of the National Gambling Act, regulators are required to review licences on an annual basis, and that it is in any event, open to a regulator, at any stage, to suspend or revoke a licence granted by it on the basis of inter alia, failure to comply with the material terms thereof or with the requirements of applicable law. Apart from being silent as to why such a process is considered necessary, the Commission has not indicated whether these reviews should be undertaken by the provincial gambling boards (in which case they are not needed) or another body (in which case no indication has been given as to how such a body would be composed and funded, and what its relationship with the licensing authority would be).

Ordinarily, sound policy would require that, before amendments to legislation are made, the need for such amendments has been conclusively established, and that reasonable assurances are in place that the amendments proposed will address the identified shortcomings in the legislation in such a way as to remedy them effectively. However, in this case, it would appear that, while there is a clear need for improvement in certain areas, the most effective method of securing that improvement requires considerably more attention. Change for the sake of change would place form over substance, while it is ultimately attention to substance which will form the bedrock of good policy for the industry going forward.

State out to kill goose that lays the golden eggs

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destinations incorporating hotels, restaurants and eventing facilities, not to mention singlehandedly reviving the arts through theatres, museums and the development of new cinema complexes.

More than 100 000 direct and indirect jobs have been created, many of which gave employment to people with no previous work experience, in addition to BBBEE shareholding structures that are the envy of traditional industries struggling to transform.

From a Tsogo Sun perspective, we have been at the forefront of these developments — simultaneously driving growth through acquiring and supporting the leading hotel group in the country, Southern Sun, and leading industry consolidation by purchasing Century Casinos and the reverse merger of Gold Reef Resorts in the past five years. All this has resulted in a group with significant scale on a global basis that the country can be proud of.

Since the economic crisis in 2008, attention has focused on ensuring the group weathered the storm and continued to provide acceptable returns to its shareholders, maintained and enhanced its properties and provided a platform for future growth.

In this period, a strategic decision was taken that retrenchments would not be implemented and staff would be given increases, despite the hotel industry reporting the lowest occupancies on record. The view we took as management was that economic cycles come and go, and that the impact of retrenchments on business morale was not worth the short-term cost savings that would be achieved.

In addition, Tsogo Sun continued to look for avenues to deploy capital, and we are currently investigating hotel, casino and property projects in four South African provinces and hotel opportunities in three African countries.

Unfortunately, as the local economic situation has begun to stabilise, the government's radical shift in its stance on casinos, with little industry consultation, jeopardises this strategy.

The government wants to create additional jobs, stimulate investment activity, increase tax revenues and enhance BBBEE scores — all of which are capital-intensive — while simultaneously reducing the ability of casinos to trade.

The government holds all the aces, but something has to give. A realisation is needed at the highest level that the industry is not an enemy of the state, but a comrade that efficiently delivers significant social benefits to society and billions in revenue.



*Season's Greetings
and a
Prosperous New Year*

from all at
CASA