



CE'S COLUMN

VIP VISITOR TO SOUTH AFRICA: The UK's new gambling minister, who is also responsible for Culture, Sport and The Olympics, the Rt Hon Richard Caborn, visited South Africa in October and met with CASA CE Derek Auret. Caborn was on a fact-finding trip to gain insights into how the casino licensing process had advanced urban regeneration, as well as to better understand South Africa's internationally-respected approach to dealing with problem gambling.

The National Gambling Board recently published a study undertaken by Wits University on the incidence of youth gambling in South Africa, the results of which showed that 5% of school goers who were sampled claim that they gamble "regularly". CASA's response and comments were well publicised in the media at the time.

This, of course, is a controversial question in many jurisdictions and I thought it worthwhile to reflect on some of the issues which were raised in the Wits research:

The Numbers

Perhaps the most salient observation to be made on the Wits research is that the prevalence of young people in South Africa to gamble is within what is described as "international norms". In the formal, regulated industry it is lower than in many other jurisdictions. For example, 1.4% of adolescents in the study claim to have laid bets at a casino, in person or through a third party. In Australia and some US jurisdictions the number is twice that amount, and of course in arcades, British children of all ages are legally entitled to play low-prize slot machines. In both Britain and the US, the prevalence of problem gambling among adolescents is 6% higher than in adults.

Also sociologists would concur that as adults in surveys often downplay their gambling, or for that matter, smoking or drinking, adolescents are known to stress their maturity by exaggerating their participation in adult practices such as these. It may be, as has been found in other jurisdictions, that the Wits numbers therefore are higher than is actually the case in reality.

Types of Gambling

What is clear from the Wits report is that at gambling venues where there are well-policed access controls, such as

casinos, there is a much lower likelihood of adolescents being able to gamble.

Thus, it is no surprise that the number of young people who claim to have gambled in a casino in person or by agency (1.4% of the sample), is substantially less than those who have purchased lottery tickets (9.1%), scratch cards (4.5%) or indulged in sports betting (5%).

Similarly, unregulated or informal gambling, presumably in playgrounds or at home, features much more regularly than casinos. Gambling and wagering via flipping coins (3.5%), informally organised card games (2.7%), cellphone gambling (2%), or dice (1.9%) for example, show a much higher participation from young people than those who say they have gambled themselves, or via a third party, in a casino. We note the researchers' concern over the amount of adolescent gambling on the lottery, the most common form of gambling practiced by young people. It is thought-provoking that the study speaks of the growing tendency of learners to disassociate the lottery from mainstream gambling, which, after all, it is. Also of concern is the indication that the incidence of underage gambling is highest in the North West Province where there are still significant illegal gambling operations.

Income Groups

Independent research, undertaken in both 2003 and 2004, has shown that the very poor do not patronise casinos in significant numbers. This is because casinos are less accessible and convenient than other forms of gambling, such as the lottery, and also, the price of casino gambling constitutes an effective barrier to entry. Casino gambling in South Africa is very much an activity of the middle class.

This is corroborated in the Wits Study, which suggests that young people in

disadvantaged urban areas were much less likely to engage in organised gambling. For the poor among the young people surveyed, informal gambling, such as dice games, that offer lower barriers to entry, are most common.

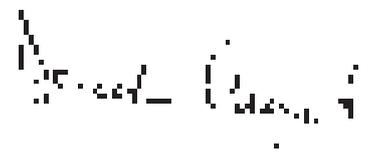
Prevention

One acknowledges that many young people have a high propensity to take risks, and this is a reality not just in South Africa, but throughout the world. It is very much true of the behaviour of some adolescents in respect of alcohol consumption, drugs, unprotected sex and smoking, as it is with gambling.

This is why the casino industry has helped to fund, through the National Responsible Gambling Programme (NRGP), an extensive public education programme about gambling and the need for young people to understand not just the law in respect of gambling, but the risks.

Over the past three years, the NRGP has educated over 50 000 learners at nearly 180 schools as part of this comprehensive initiative, in addition to the programme's regular public service education campaigns.

The Wits research makes the important point that parents also have a significant responsibility to not only engage with their children on the subject of high risk behaviours, but it notes that most young people who claim to gamble do so with funds from their parents. Clearly this is something which needs attention.



CODE OF CONDUCT FOR RESPONSIBLE GAMBLING

A SOCIAL CONTRACT WITH THE PEOPLE OF SOUTH AFRICA

The Casino Association of South Africa (CASA) was founded in 2003 with the aim of creating a better understanding of casino entertainment by bringing the facts about the industry to the general public, the media, public representatives, regulators, and policy and other decision makers through education and advocacy.

CASA represents South Africa's licensed casino industry. In just eight years this new industry has been responsible for more than R12-billion in new investment in all nine provinces, adding more than R36-billion to GDP in terms of economic multipliers. The industry has created almost 100 000 direct and indirect jobs and in 2003/2004 alone, accounted for nearly R1.7-billion in provincial gaming taxes and VAT which, together with company tax, contributed more than R2.7-billion to government revenue. In addition, the casino industry has substantially advanced transformation in the tourism and leisure sector.

CASA's members are employers, property owners and taxpayers and place the highest priority on the obligations of corporate citizenship and social responsibility.

CASA and its members are committed to making responsible gambling an integral part of our daily operations at all our casinos throughout South Africa. To advance this goal, CASA members have agreed on a code of conduct which details how we fulfil this pledge.

CODE OF CONDUCT FOR RESPONSIBLE GAMBLING

Commitment To Our Employees

- CASA members will educate new employees on responsible gambling.
- CASA members will train employees in respect of responsible gambling and provide periodic refresher training.
- CASA members will implement communications programmes for employees to improve their understanding of responsible gambling and related policies and procedures.
- CASA members will make available to new employees brochures regarding responsible gambling and where to find assistance.
- CASA members will post responsible gambling awareness signage bearing a toll-free helpline number at various locations where employees congregate.

Commitment To Our Customers

Responsible Gambling

- CASA members will make available brochures regarding responsible gambling and where to find assistance. These will be available and visible in gaming areas.
- CASA members will make available on their web sites information regarding responsible gambling and where to find professional help.
- CASA members will display in gaming areas signage bearing a toll-free helpline number.
- CASA members will provide opportunities for customers to request in writing that they not be sent promotional mailings and for revocation of their privileges for specific casino services such as loyalty card promotions. In addition, each CASA member shall make reasonable efforts to honour a written request from any person that it not knowingly grant that person access to gaming activities at one or more of its properties.
- CASA members reserve the right to exclude a patron from gaming, without a request from the patron.

Underage Gambling and Unattended Children in Casinos

- CASA members will make diligent efforts to prevent children from loitering in the gaming area of a casino.
- CASA members will communicate the legal age to gamble through appropriate signage and/or brochures.
- Employees working in relevant areas will receive training in appropriate procedures for dealing with unattended children, underage gambling, and the purchase and consumption of alcohol and tobacco by underage persons.

- Where, in the opinion of management, an unaccompanied child on the complex appears to be at risk, appropriate personnel will be contacted and remain with the child while reasonable steps are taken to locate the parent or responsible adult on the property or by telephone. If efforts are unsuccessful, the unaccompanied child will be released to the care of an appropriate third party.

Alcohol

CASA members will observe a responsible beverage service policy and not knowingly serve alcoholic beverages to an underage person.

Responsible Advertising

This code applies to the advertising and marketing of casino gaming by CASA member companies. It does not pertain to advertising and marketing that is primarily of hotels, restaurants and entertainment that are often associated with or operated by casinos. For the purposes of this code, and as reflected in the national regulations, advertising and marketing include radio and television ads broadcast off the premises, print, brochures, direct mail, billboard and internet promotions.

- All casino advertising and marketing will:
 - Be consistent with principles of dignity and integrity and subject to the jurisdictions in which it operates.
 - Contain the NRGPs responsible gambling message and the NRGPs toll-free helpline number.
 - Reflect generally accepted contemporary standards of good taste.
 - Make no false or misleading claims.
- Casino advertising and marketing materials will not:
 - Degrade the image or status of persons of any ethnic or religious group or affiliation.
 - Feature anyone who is or appears to be below the legal age participating in gaming.
 - Contain claims or representations that gaming will guarantee an individual's social, financial or personal success.
 - Exhort gaming as a means of covering past financial losses.
 - Be placed in media where most of the audience is reasonably expected to be below the legal age to participate in gaming.
 - Imply or suggest any illegal activity of any kind.
 - Be placed in media specifically oriented to children.
 - Be placed at any venue where most of the audience is normally expected to be below the legal age to participate in gaming.

Commitment To The Public

Funding the NRGPs

- In terms of agreements reached at the SA Advisory Council on Responsible Gambling (SAACREG), CASA members will continue to provide funding for the National Responsible Gambling Programme (NRGP)
- CASA members will work with the NRGPs to identify the best practices for casinos to follow to promote responsible gambling.

Commitment on Money Lending

- CASA recognises that some money lending practices could be harmful.
- CASA will strive to deter the practice of illegal money lending ("money lending") at casino properties.
- Casinos will take reasonable measures to discourage money lending which will include the following:
 - Placing appropriate warning notices in the casino
 - Investigating any complaints or incidents of suspected money lending
 - Co-operating fully with any investigation regarding money lending by any relevant authority
- Should there be factual proof supporting a suspicion of a money lending transaction, the casino will take the appropriate action, taking into account all the circumstances surrounding the incident.
- Casinos will forward appropriate details of the evidence and any action against an alleged moneylender to all other CASA affiliated casinos.

All aspects of CASA's Code of Conduct are subject to provincial and national regulations and statutes. Enacted on 1 August 2005, by the CASA Board of Directors.



Casino Association of South Africa

news LETTER

NOVEMBER 2005 | ISSUE THREE

ECONOMIC GOOD TIMES TO LAST?

A bright economic future lies ahead for South Africa, with possible growth of some 5% in real household spending in the next ten years, and inflation at about 3%.

Casino industry shareholders and operators will be encouraged to learn that one of South Africa's top economists, Professor Brian Kantor, believes that the outlook for our economy going forward is positive.

In a report of his presentation to the South African Congress of Shopping Centres, carried by the Cape Argus, Kantor praised the government's fiscally-conservative policies, which he said were at the root of near record household spending that accounted for more than 60% of the gross domestic product and faster-than-expected economic growth.

"It is the confidence of the household sector, their willingness to spend more and to borrow more, that is leading growth in South Africa."

That confidence was fuelled by low interest rates and low inflation, with the strong rand, said Kantor.

"The strong rand is good for our economy. It is good for inflation, for interest rates and for household spending".

The South African economy was underestimated by those who did not respect the government's economic policies, said Kantor.

"They didn't believe that the South African government would stick to its fiscally conservative policies of restraint," he said, adding that monetary policies had included keeping a tight rein on government spending, keeping the tax rate down and providing room for the economy to grow. These monetary policies were succeeding, with credit rating agencies taking note of the rapid growth in the economy.

Savings were too low in this country to finance new investments, but growth could be financed by savings borrowed from elsewhere, said Kantor.

"If we grow faster we can attract those savings, and that is exactly what we have been doing. Because we are growing faster, we have been able to make a case for foreign capital, which has been forthcoming".

South Africa was able to raise its investment rate from 16% to about 19% with the aid of foreign capital, said Kantor.

"We mustn't be scared of growing our economy faster," he cautioned, adding that it was critical for South Africans to get over the sanctions mind set, which says this kind of capital inflow is unsustainable. I say it is sustainable. Keep interest rates down, encourage household spending, and the economy will grow and the capital will be forthcoming".

Kantor said Australia borrowed about 5% to 6% of its GDP consistently every year to finance its growth.

"We can get into that same position. We will continue to rely on foreign capital at the rate of 24% of our GDP and will sustain growth of the order of 5% real growth as long as we don't lose our courage and do something stupid with interest rates".

He predicted that the Reserve Bank would reduce short-term interest rates by a further half percent.

"A good reason for a cut will be further evidence that inflation is very well contained within the target range", said Kantor.

WINDMILL BOOSTS BROAD-BASED LOCAL EMPOWERMENT IN THE FREE STATE

South Africa's newest casino property, Sun International's Windmill Casino & Entertainment World in Bloemfontein, is the biggest single boost for empowerment and transformation in Bloemfontein in many years.



Speaking at the opening on 30 September of the new R240-million development, the chairperson of Etapele, holding company Mangaung Sun's empowerment partner, Mr Joe Mhlambi said that every analysis of the Free State economy argued that the rapid and sustained growth of the leisure sector should, and could, be the engine room of the province's ambition to become one of the leading regions in Africa.

"But despite our province's latent and widely acknowledged potential, we in the Free State are confronted by an awesome range of development challenges. Poverty levels, unemployment, and lack of access to basic services continue to be obstacles to overcoming the social legacy of our recent past.

"It is for this reason that we must increasingly look to the leisure industry, the world's most rapidly expanding economic sector, because it is a sector which has the ability, through its labour intensiveness and positive economic knock-on effects, to address the challenges of under-development.

"Our R240-million development is expected to add approximately R74-million to the Free State's gross domestic product. Gambling levies, rates, service fees, RSC levies and other municipal taxes are expected to earn provincial and local government an average of R25-million after the first year of operations, escalating each year thereafter". Mr Mhlambi said that Mangaung Sun shared the provincial government's belief that the Windmill development should, as its primary goal, advantage the citizens of the Free State, especially those who had suffered discrimination in the past.

"With the establishment of Windmill, the largest-ever leisure industry investment in the Free State, we have set new goals and standards in terms of broad-based empowerment, and I know of no other investment in recent years in which the disadvantaged sector has received such preference as has been the case at Windmill".

"Together with the dividend flow to Etapele Investments, the Thaba Trust, and our local employees through the Sun International Employee Share Trust, and the impact of our BEE protocols which give preference to local businesses and people, I believe we have succeeded in substantially advancing transformation in the nature and character of the Free State's leisure and tourism industry", he said.

According to GM Mike van Vuuren, the casino's BEE programme was a well-documented and customised model for strongly-localised empowerment.

Windmill's BEE empowerment philosophy, he said, contained strict protocols to:

- Facilitate the widespread and broad participation of the historically-disadvantaged in the Free State in the ownership of equity in holding company Mangaung Sun;
- Enhance participation by the empowerment sector in private business by focussing on innovative methods that would strengthen and expand the capacity of these businesses to compete for contracts of increasing size and complexity;



Peter Bacon addresses the audience at the opening of Bloemfontein's latest leisure attraction.



Guests were treated to a dance extravaganza at the opening of Windmill Casino.

CHAIRMAN'S COLUMN

- Create new employment opportunities in the leisure industry, especially those groups currently under represented in management in the workforce: persons of colour, woman and people of disabilities;
- Implement an integrated programme of corporate social investment which recognised the unique and specific obligations of the Free State's new gambling industry.

"Apart from the equity in empowerment hands, we have made firm commitments to the gambling board that we will achieve our targets in respect of recruiting, procurement, the supply of services, outsourcing and other critical areas of the business.

"Our BEE protocols are more than idealistic rhetoric and good intentions: they are a documented instrument for delivery in the genuine empowerment of Free State-based emerging businesses, suppliers, new employees and the community. And they provide a strict regime for Windmill's compliance with these undertakings, ensuring that we make good on our promises to the people of this province.

"For example, we aimed to achieve a minimum target of 30% in the construction phase of the development, and I am delighted to report that in fact, we achieved just over 50%. And we estimate that 60% of construction spend will be retained in the Free State. Going forward, I fully expect that we will meet our 30% target in respect of all procurement in our operations".

Mr van Vuuren said the new development would account for some 500 new employment opportunities, and local recruitment had been an automatic consideration, as had the achievement of PDI targets.

"Corporate social investment is another powerful instrument to achieve social development and change, and we have pledged R1-million for CSI projects in the year ahead. A total of 2% of nett profit after tax will be committed to social investment spending over the period of our license.

"Our BEE programme is all about the bottom line. It is about real and broad empowerment, and not enrichment of the few. Above all, it is an effective social and economic contract between our company and the people of Bloemfontein and the Free State. It is their written guarantee", he said.

The contribution of casinos to economic development, job creation, and public revenues is well documented, in South Africa and elsewhere. But this issue was brought into sharp focus, however, once again when Hurricane Katrina devastated the Gulf Coast in August, negatively impacting on all business activity in the region, including the casino industry, and the effects may be felt for a long time to come.

According to Amy Yee, Andrew Ward and Guy Dinmore, writing in the Financial Times of 9 September, affected state governments will struggle to replace millions in lost tax revenue and thousands of jobs in the casino sector. Nothing illustrates the power of Hurricane Katrina better than a giant concrete and steel casino barge marooned on the inland side of a wide beachfront road, hundreds of metres from where it used to be moored. The barge, part of the Grand Casino in Gulfport, Mississippi, was tossed ashore by Katrina's 25ft storm surge as if it was no heavier than a bath toy. Wrecked slot machines and arcade games are piled up outside the vessel. The Grand, owned by Harrah's, the world's largest gaming company, is one of dozens of casino barges along the Gulf Coast destroyed or damaged by Katrina.

"Louisiana and Mississippi, two of America's poorest states, stand to lose thousands of casino jobs and hundreds of millions of dollars in gambling tax revenue because of the storm. The Gulf Coast had one of the largest US concentrations of casinos outside Las Vegas and Atlantic City. Taxes from gambling funded nearly 10 per cent of Mississippi's budget last year, making it one of the state's main sources of revenue," says Bill Thompson, professor of public administration at the University of Nevada, Las Vegas.

Mississippi's 29 dockside casinos employed about 29 000 people last year, contributed \$333m in state taxes, and generated \$2,8bn in gross gambling revenues, excluding business from their hotels, restaurants and shops. Louisiana's 18 casinos employed about 20 000 and generated \$437m in taxes.

"Mississippi and Louisiana are among a growing number of cash-strapped US states that have turned to gambling to help fill the coffers and create jobs. Although states hit by Katrina will receive federal relief aid, requests for aid to replace gambling revenue could be difficult," according to Thompson.

The widespread destruction of the Gulf Coast's floating barges has exposed the vulnerability of the gaming industry to extreme weather and may prompt legislation demanding land-based casinos.

"Not all casinos in the path of Katrina were wiped out. Amazingly, the floating Treasure Chest casino on Lake Pontchartrain – which burst levees and inundated New Orleans – rode out the storm tethered to a barge. Harrah's casino in central New Orleans and the Boomtown floating casino in the city also avoided serious damage but the timing of their reopening will depend on when people are allowed back into the Big Easy".

But along the Gulf Coast, the outlook is much grimmer. Industry experts say the worst-hit casinos could be closed for at least a year. Engineers, restoration specialists and insurance experts are now visiting Gulfport casinos to consider whether they should be salvaged or demolished. But restoring or rebuilding the barges and hotels is only half the challenge. The surrounding town must also be cleaned up and rebuilt if they are to lure back tourists.

A tragedy by any description: not just for affected casinos, but the public services, infrastructure and other businesses that depend on our industry.



The aftermath of Hurricane Katrina on the Treasure Bay Casino in Gulfport (Photo courtesy of Joe Raedle/Getty)

Is the debate about GAMBLING and MORALITY still an issue?

An interview with Steven Joffe, CE of Gold Reef City Resorts

In the past 30 years, gambling has evolved from a predominantly illegal activity into a legitimate \$250-billion global industry. In jurisdictions throughout the world, governments, including South Africa, seeking to create new employment, new investment and enhanced public services and infrastructure, are making it easier for people to gamble in a legal and regulated environment.

But does this mean that the debate about gambling and morality has exhausted itself?

In more and more jurisdictions, in the US, Australia, South Africa, Canada and others, it has been recognised that the gambling business should not be governed by ordinary business principles, and sensitive to social issues, law makers in most countries in the world have made the important presumption of an exceptional public interest in this growing industry. Is this for moral reasons?

CASA News spoke to Gold Reef City Resorts CE, Steven Joffe, on these issues.

CASA News: Steven, is gambling still perceived widely to be immoral?

SJ: Until relatively recently, and still the case in some countries such as China, gambling is treated as a vice to be discouraged. In such societies, people are more accepting of the idea that government has an obligation to ensure that its citizens live virtuously, enforced by legal and/or religious sanction. Societies such as these, incidentally, are sometimes those where a variety of individual and political freedoms are proscribed.

It should be remembered that, at one time, the theatre was judged to be a vice, with acting being seen essentially as an immoral profession, and theatrical entertainment was vigorously circumscribed by laws. This shows that perceptions of what is immoral have changed as societies have changed.

And more recently, in the secular culture which increasingly dominates most societies, including those in the developing world, people have come to accept either that it is impractical for government to ban real or perceived vices, or that the notion of government undertaking the enforcement of moral standards is itself undesirable.

CASA News: Who ought to decide about morality? Why not government?

SJ: More and more, the issue of the morality of gambling, as Professor Peter Collins points out, is as much an issue about the principles that should determine and constrain the conduct of governments. With respect to allowing people to gamble, it seems to me that the most important of these moral principles is that governments should treat their citizens as autonomous adults entitled to decide for themselves, subject to preventing harm to innocent third parties, how to live their lives.

To my mind, this position is consistent with human rights policy frameworks in most countries and their laws on political and personal freedoms.

Any other policy is probably paternalistic and morally indefensible.

CASA News: But then how does government justify its high degree intervention in the gambling industry?

SJ: It's historical, largely. Obviously, the immoderate pursuit of pleasure of any sort can be damaging to the well being of an individual, and there is no doubt that many aspects of the regulation of gambling today have their origins in a time when gambling was thought, unlike today, to be an unsavoury activity, or one in which organised crime was unacceptably involved, as was indeed the case in Nevada in the early years of that jurisdiction's history.

This explains the exceptionally vigorous probity investigations which governments today require for those in the gambling industry, and the high degree of consumer protection against fraud and exploitation which governments require for the customers of gambling companies.



CASA News: How strong is the anti-gambling lobby?

SJ: The minority of people today who disapprove of gambling and favour prohibition on moral grounds – just 12% in South Africa according to independent research – argue that gambling creates yet another insurmountable problem of addiction. Too often, unfortunately, some look for inflated measures of the harm that problem gambling can cause in order to render more plausible their moral position on gambling.

Unlike alcohol or narcotics, which can be mind-altering drugs, or smoking, which is impossible to undertake safely, gambling does not generate the same kind of physical or chemical dependency. In fact, 95% of people gamble safely and responsibly.

In comparison to overeating, smoking, drinking or taking drugs to excess, excessive gambling, in terms of the danger of physical damage or harm, scores low in comparison.

But I would be the first to recognise that gambling can clearly be a dangerous activity for some people, if only a minority, because it can seriously threaten a person's financial health, and it is an activity to which poor people are particularly vulnerable.

And this is why both governments and gambling companies like those in CASA invest heavily, and sensibly, in measures to address the question of problem and compulsive gambling.