

CE's column



BACK TO THE DRAWING BOARD

More research into the commercial viability and socio-economic implications of a legalised interactive gambling industry, and further consultation with national and international stakeholders, is required before parliament should accept the proposed National Gambling Amendment Bill.

Addressing the Portfolio Committee on Trade and Industry last week, our chairman, Jabu Mabuza, said that while CASA supported in principle the legalisation and proper regulation of interactive gambling, the National Gambling Amendment Bill was inadequate in a number of serious respects, and should be referred back for further research, stakeholder consultation and redrafting.

In our view the amendments as tabled simply do not do the job adequately. There are a number of issues and shortcomings which need further thought and debate, notable among which is the remarkable absence of any clear thinking with regard to taxation, which will determine the positive and negative effects, and ultimate success or failure, of the interactive industry. High levels of tax on interactive gambling compared to other jurisdictions will discourage the entry of new operators into the market, while low taxation will prejudice other gambling sectors in South Africa. Either way, the fiscus will lose.

It is also questionable, without access to players in the United States, the world's biggest market, whether the interactive industry in South Africa is even viable. Our own domestic interactive gambling market is insufficient.

It is essential, we believe, that everything possible should be done to ensure that any interactive gambling which is introduced, is done so in such a way that the advantages of legalising this form of gambling outweigh its disadvantages.

LEVEL PLAYING FIELD

There has to be a level playing field. All that has been achieved, and all the benefits of the existing regulated gambling industry in South Africa, should not be put at risk. To ensure consistency and fairness, for example, interactive operators ought to pay a rate of tax no less than those paid by other sectors of the gambling industry.

New interactive gambling operators should also be subject to no less stringent requirements with regard to empowerment, probity, financial credibility, skills development, job creation, regulation, taxation, and measures to prevent underage gambling and the promotion of responsible gambling, than those which are applied to land-based casinos.

Regrettably, there are already inconsistencies as we know in the application of these standards among different sectors of the industry in South Africa. The lottery, for example, with 8 000 gambling outlets was not subject to the same advertising and other regulations, and made no contribution to addressing the question of problem gambling.

INTERNATIONAL ISSUES

CASA also warned the Portfolio Committee against going ahead with the amendments without due regard for international considerations.

We made the point to MPs that it is essential that our interactive gambling legislation is compliant with South Africa's commitments in terms of international treaties and conventions, such as the World Trade Organisation (GATS, General Agreement on Trade in Services). Cognisance should be taken of the possible impact of pending litigation by Brussels against those countries in the EU with a monopolist approach to

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interactive gambling, who are seeking to exclude licensed operators from other member states.

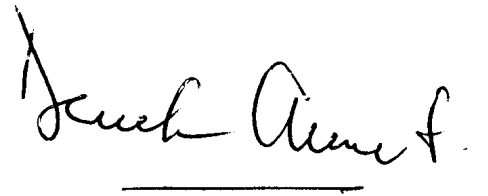
In our view, much more homework also needs to be done on complex issues surrounding international reciprocity in this sector of the industry.

There are a number of other key issues, such as establishing guarantees to cover debts to players and the fiscus, equal access to communication platforms, duplication of inspections, personal licenses, and the role of interactive intermediaries, among others, which need greater certainty and resolution.

For all these reasons, we at CASA are strongly of the view that the Bill should go back to the drawing board for improvement, as well

as more extensive consultation with informed national and international stakeholders.

Presently, South Africa has some of the world's most effective and well-formulated legislation governing land-based gambling. It stands to reason that legislation for interactive gambling should be as comprehensive and thorough. The current proposals do not accomplish that goal in our view.



MEET ANTHONY PUTTERGILL

CEO PEERMONT GLOBAL (PTY) LTD

Anthony served articles with KPMG in Johannesburg for three years after obtaining his B.Acc degree at Wits University. Thereafter, he was seconded to KPMG London where he served in the organisation's travel, leisure and tourism division for 18 months. After returning to South Africa and learning more about the hospitality and gaming industry, he established a specialised gaming industry practice within KPMG, which he ran as managing consultant until being approached to join Peermont in 1999.

Anthony joined Peermont as commercial director, taking charge of the financial and administrative functions within the group when it was in the early stages of developing the permanent phase of Emperors Palace. His involvement throughout the group has been varied and extensive, ranging from corporate finance and strategic initiatives to operational responsibility.

Anthony has been instrumental in the formulation, funding, structuring and execution of various strategic initiatives, such as the management-led institutional buy-out of the company in 2003; the subsequent listing of Peermont Global in 2004; the acquisition of



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rights to an additional 242 gaming positions for Emperors Palace in 2004; the acquisition of the Syringa hotels in Botswana in February 2005; the acquisition of the South African interests of Caesars South Africa Inc. for US\$145 million in March 2005; the acquisition of a controlling interest in the Tusk Group announced in December 2005; and the R7,3 billion buyout, de-listing and re-organisation of Peermont in April 2007.

Anthony became deputy chief executive officer of Peermont Global in 2002 and also served as the group financial director. He relinquished his duties as group financial director in June 2006 to enable a greater focus on strategic initiatives. In November 2006, Anthony was appointed as CEO of the new Peermont Global (Pty) Ltd, which eventually acquired control of Peermont Global Limited in April 2007.

Q&A WITH ANTHONY PUTTERGILL

Q: How long have you been in the gaming industry?

A: 11 years

Q: What do you rate as your biggest career achievement in the industry?

A: Raising R7 billion in capital from offshore equity and debt investors to execute the largest broad-based BEE public to private transaction to date in South Africa, the result of which is that Peermont is now black owned and controlled. This was a resounding vote of confidence in our management team, the company, the credentials of its BEE equity partners and the South African gaming industry.

Q: To what do you ascribe the excellent performance of the gaming industry in recent years?

A: There is a lot to be said for the process in terms of which casino licenses were originally awarded, which resulted in world-class integrated resorts being proposed as a result of intense competition among bidders for casino licences. The upshot is that our industry offers the public high-quality, multifaceted entertainment facilities which are well positioned to compete for a share of our guests' entertainment wallets. The availability of this high quality supply, combined with increasing demand due to disposable incomes rising at around 5% per annum in real terms and the emergence of a burgeoning black middle class, has driven the growth in the industry of late.

Q: Other forms of gambling, like LPMs, are being introduced; is there now too much available gambling and will these new products affect casino revenues?

A: My view is that products such as LPMs appeal to a very different market than casino customers. This is of course providing that the restrictions surrounding these forms of gambling (i.e. low maximum bet, low jackpots and low numbers of machines per site) remain firmly in place otherwise the boundaries between them will begin to blur.

Q: What are your thoughts on the planned introduction of online gambling? Will the internet capture customers from casinos?

A: The fact of the matter is that internet gambling takes place already, albeit illegally. Again my view is firmly that the online gambling market is presently very different to the land based casino market and attracts different customers. As far as licensed casino operators are concerned, the licensing of online gambling in South Africa therefore represents an opportunity to capture market share from the present illegal operators. One would expect some synergies between land-based and online casino operations and the internet would therefore be a natural extension to the product distribution of land-based casinos.

Q: Almost all SA's available casino licenses have been awarded; to where will you look for expansion and growth in future?

A: I believe all of our existing resorts have significant expansion and growth potential and we will be looking to expand our product offerings at each resort.

Q: How important is social responsibility to your business?

A: It is absolutely vital to our long-term sustainability and survival. We need to continuously demonstrate that the benefits to society from our industry outweigh the costs. This is one of the reasons that we restructured our ownership so that 50% is held by broad-based community trusts, benefiting more than 1 million people across South Africa.

Q: Problem gambling is often described as the industry's 'Achilles Heel'; does it surprise you that the prevalence of problem gambling in SA has come down since 2003?

A: Not at all. This is the logical outcome of the worthwhile initiative taken by the industry in forming the NGRP, in partnership with government. This programme is widely recognised as being one of the most successful of its kind in the world.

Q: Is the industry in SA over-regulated? Is the tax rate fair?

A: While the costs of compliance are high and there are always opportunities for streamlining of regulation, it is certainly far preferable to being under-regulated. One has only to compare to the state of the industry prior to the new legislative framework being introduced in 1996 to see that regulation is good for our customers, the fiscus, society in general and operators alike. As far as tax rates are concerned, one should always bear in mind that the main objectives in regulating this industry were to stimulate direct investment, tourism, job creation and BEE. Naturally, any tendency to increase the tax rates would mitigate to some extent against these other objectives. It should be born in mind that this industry currently has one of the highest overall tax burdens in South Africa, given the direct taxes imposed on revenues in addition to the usual profit-based taxes levied on companies.

Q: Is crime a big issue for your business?

A: As with almost all other companies and industries in South Africa dealing with cash, the answer would have to be a resounding yes. We spend millions of rand in designing our facilities and operating them with the safety of our customers and employees in mind.

Q: Why do you suppose relations between regulators and industry aren't characterised by the animosity one finds in other jurisdictions?

A: I guess that the visibly successful results of the licensing and regulatory framework implemented in South Africa have been seen by both regulators and operators alike, forging commonality of purpose in many respects.

PEERMONT GLOBAL RESORTS OFFICIALLY OPENED THE FRONTIER INN AND CASINO IN BETHLEHEM ON 16 NOVEMBER LAST YEAR. THE PROPERTY BOASTS A CASINO, HOTEL, REVUE BAR, 120 SLOTS, BLACKJACK, SALON PRIVÉ, A SPUR FRANCHISE, A GAMES ARCADE AND A CHILDCARE FACILITY.



ROSSOUW LUBBE APPOINTED MD OF CENTURY CASINOS AFRICA

Rossouw Lubbe was appointed as managing director of Century Casinos Africa on 1 July 2007 and oversees the operations in South Africa.

Rossouw was born in Namibia, where he attended school. After he matriculated he studied BA Honours in Administration at the University of Stellenbosch. Shortly after graduating he returned to Windhoek where he worked for the government of the- then South West Africa.

In 1982 Rossouw took up a position with the Western Cape Provincial Administration until 1997. During this time he was the director: human resources of the province and the chief executive officer of the Western Cape Provincial Service Commission.

During 1997 he joined the Western Cape Gambling and Racing Board as its first chief executive officer until he resigned in June 2007, making him the longest serving CEO of a gambling board in the country.

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Q: How long have you been in the gambling industry?

A: I have been involved with the gambling industry since the 1 August 1997, the date the Western Cape Gambling and Racing Board was established.

Q: What is your biggest career achievement in the industry?

A: It would have to be the fact that we could license and open all the casinos in the Western Cape – without any litigation.

Q: To what do you ascribe the excellent performance of the gaming industry in recent years?

A: The gambling industry has matured. There is no argument about that. The professionalism of operators; the products on offer, as well as the fact that people are now seeing casinos as a fun destination, all contribute to this. Casinos are no longer considered to be a place you go in secret.

Q: Other forms of gambling, like LPMs, are being introduced. Could this possibly mean that there are now too many options that might affect casino revenues?

A: I am convinced that LPMs won't have a significant impact on casino revenue. In fact, we have already seen this with the number of machines that have been rolled out. LPM sites are not seen as destinations and these machines are mostly played by the patrons of the primary business. If someone wants to gamble, they will go to a casino. However, LPMs play a significant role in providing entertainment in the outlying areas – those far away from existing casinos. As I have said, the gambling market has matured significantly over the past seven years and I think we have reached a good equilibrium in the gambling offered versus the patrons available. As long as we stay within the framework of the National Gambling Act, I would argue that there is not an over-stimulation of the latent demand for gambling.

Q: What are your thoughts on the planned introduction of online gambling? Will the internet capture customers from casinos?

A: I feel that online gambling should be regulated rather than be driven underground. Only a small percentage of the population has internet access and this form of gambling will not have a significant impact on casino revenues. However, I feel very strongly about the fact that these licences must go to our land-based casinos, which have invested heavily in infrastructure, corporate social spending and job creation.

I feel it is only fair that these institutions be afforded the opportunity to manage online gambling in the country. All these casino operators are already licensed with good compliance records and have shown that they have the capacity to professionally manage and operate online gambling.

Q: Almost all SA's available casino licenses have been awarded. To where will you look for expansion and growth in future?

A: That is difficult to say. I think that the rest of Africa is still a possibility, but it must be in countries that have a credible regulatory framework.

Q: How important is social responsibility to your business?

A: I consider it an extremely high priority and Century Casinos will continue to invest in the communities in which we operate. We have a number of exciting projects in the pipeline, both in the Caledon and Newcastle areas. I feel that it is important that we show our commitment and dedication, regardless of regulatory requirements such as the Code of Good Practice.

Q: Problem gambling is often described as the industry's 'Achilles Heel'. Does it surprise you that the prevalence of problem gambling in SA has decreased since 2003?

A: Not at all. Since the introduction of casinos in the country we have always promoted responsible gambling. We are fortunate in that the National Responsible Gambling Programme has made huge progress in this regard. My opinion is that it is the best programme of this nature in the world.

Q: Is the industry in SA over-regulated? Is the tax rate fair?

A: I have to be careful on this one, but ultimately I don't think we are over regulated. The regulatory framework in South Africa is excellent and proves the local gambling industry is a credible one. This is crucial for investors, decision-makers, politicians and the communities in which we operate. The tax regime differs from province to province and it has always been clear that casinos especially would contribute significantly to the fiscus.

Q: Is crime a big issue for your business?

A: No, fortunately not. I can still recall how segments of the population objected to the introduction of casinos in South Africa because it was thought it would increase criminal activities in and around the casinos. I haven't heard that argument in some time now and it is evident that if anything, casinos have been able to reduce criminal activities in the areas in which they operate.

Q: Why do you suppose relations between regulators and industry aren't characterised by the animosity one finds in other jurisdictions?

A: There are a number of reasons for this. Firstly, casinos have never objected to the regulatory framework that is in place. In fact, they embrace these regulations for reasons I mentioned earlier. Secondly, the professional manner in which operators conduct their business is more than pleasing to the Gambling Boards, and this facilitates effective and productive communication between the parties.

GETTING TO KNOW THE PEOPLE AT THE HELM OF OUR PROVINCIAL GAMBLING BOARDS

FREE STATE GAMBLING BOARD

The first black woman to be appointed as both chairperson and, most recently, CEO of the Free State Gambling Board, **Jennifer Sehume**, has a number of firsts and notable achievements to her credit. She was the first black woman to be appointed executive officer of the Free State Law Society, the first black woman to be appointed principal attorney at the Legal Aid Board in Bloemfontein, and the second black woman to serve articles of clerkship in Welkom.

Born and bred in Thaba-Nchu, Jennifer attended high school in Tweespruit and obtained her BLuris and LLB degrees at the then-University of Bophuthatswana, now called University of the North West. Jennifer served her articles of clerkship at a Welkom law firm and was admitted as an attorney in May 1998.

She practised for her own account from July 1998 until January 2001 when she joined the Law Society of the Free State as an executive officer managing the Disciplinary Department, whereafter she joined the Legal Aid Board as a principal attorney in June 2006. Jennifer trained as candidate attorney and professional assistant in the Magistrate Courts in both litigation and criminal work and was appointed chairperson of the Free State Gambling and Racing Board from June 2005 until June 2007. She was appointed as Chief Executive Officer on 1 July 2007 and attributes her achievements to hard work, dedication and humility.

Jennifer has been involved in the strategic leadership of the board as a chairperson and plans, in her role as CEO, to maintain the board's high standards and achieve more from an operational point of view.

Jennifer has two daughters, Kegomoditswe and Bontle, and is engaged to be married to attorney Ronnier Bokwa in November. Her hobbies include gardening, listening to classical music and ballroom dancing.



Jennifer Sehume

NORTHWEST GAMBLING BOARD

After having held a number of positions on both sides of the fence, both with casino operators and gaming regulators, **Charles Baloyi** can consider his gaming education complete. Charles has been appointed acting CEO of the North West Gambling Board, taking over from Thuli Nxumalo, who resigned to pursue business interests.

Born in Elem in the Limpopo Province, Charles matriculated in Mabopane near Pretoria, before attaining a business management diploma and taking up employment with Sun International. Thereafter he joined Tsogo Sun and Akani Egoli where he was appointed surveillance manager before joining the North West Gambling Board in 2002 as compliance inspector. Prior to being appointed acting CEO, Charles served the board as compliance manager.

Charles is married to Keetseng and they have three sons – Lebogang, Omphile and Onalena – ranging in age from six to 14.



Charles Baloyi

EASTERN CAPE GAMBLING BOARD



Mabutho Zwane

Mabutho Zwane was recently appointed acting CEO of the Eastern Cape Gambling and Betting Board. Born in KwaZulu-Natal in 1977, Mabutho completed his high school and tertiary education in his home province and graduated from the Durban University of Technology.

Mabutho's first appointment within the gambling industry came in August 2003, when he was appointed by the Eastern Cape Gambling Board as an investigator, followed six months later by his appointment as compliance manager, a position he held until being

appointed acting CEO recently. During his tenure with the Eastern Cape Board, Mabutho also served as acting head of the legal affairs division from May to November 2006.

Prior to taking up employment in the gambling sector, Mabutho gained a huge amount of experience working for organisations such as KZN Wildlife's Hluhluwe Imfolozi Park, Ernst and Young, the KZN Provincial Treasury's Internal Audit department, the KZN Department of Education's Internal Audit division and Metropolitan Life.

Mabutho enjoys travelling and spending his spare time with his two "angels" – beautiful girls, six year-old Nokwanda and three year-old Ntokomalo.

Mabutho believes that education is an integral part of regulating the gaming industry and that his main challenge is striking a balance between regulation and what could sometimes be perceived by the industry as interference with operations.



Casino Association of South Africa