

May 11, 2005

## Casinos have benefited South Africa

Mr Mike Pennacchini's letter, 'Learn from South Africa's experience' (ST, April 22), warrants a response, if only to establish accurately what lessons can be learnt from the introduction of a regulated and legal gambling industry in our country.

South Africa's new democratic government legalised casino gambling in 1996, against a background of a flourishing illegal industry which paid no tax, employed very few people, did not address the issue of problem gambling, offered no player protection, and which provided a platform for associated criminal behaviour, such as prostitution and narcotics.

Today this has been replaced by a vigorously and effectively regulated legal industry that contributes substantial taxation to the public purse, and which has funded considerable public infrastructure, particularly in the tourism industry.

The industry has attracted some S\$5 billion in new investment and added billions of dollars to our country's gross domestic product. We have created almost 100,000 direct and indirect new jobs, and we are partners with the government in a cutting-edge programme to deal effectively with problem gambling.

In fact, independent research conducted by South African universities and our government regulator suggests that some 99 per cent of people do not experience problems with gambling; fewer than 1 per cent of people are compulsive gamblers.

Perhaps the most telling statistic of all is that 73 per cent of South Africans, according to research commissioned by our government regulator, approve of our regulated gambling industry, and a further 14.8 per cent state that while they do not participate in gambling, they have no objection to gambling by others.

Mr Pennacchini thus finds himself in sparse company, the 12 per cent of South Africans who either disapprove of gambling, or who do not have an appreciation of what the industry contributes to economic development.

Derek Auret

Chief Executive  
Casino Association of South Africa

## NEWS SNIPPETS FROM MEMBERS

### SUN INTERNATIONAL

Hard work and determination have paid off for Peggy Mselana, who has worked her way through the ranks, starting her career at Sun International as a cleaner 17 years ago to recently being appointed as a Social Equity Manager at the Boardwalk.

Her words of wisdom are simple yet strong, 'take pride in your work, set the right kind of goals for yourself and work hard for what you want in life.'

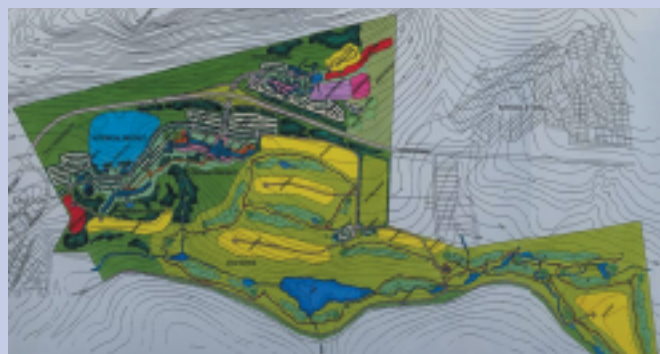
### GARDEN ROUTE CASINO

The Garden Route Casino Community Trust recently contributed a much needed VW Kombi to an old age home in one of the poorer suburbs of Mossel Bay. This has provided them with the means to transport the residents into the town for outings, provide Meals-on-Wheels to the aged in their own homes and ensure that there is sufficient transport to and from clinics.

Besides many other donations, the Trust has also committed to providing R500 000 towards the construction of one of the first Aids Hospices in Mossel Bay.

### CALEDON CASINO

There's no doubt that the Western Cape is renowned for its magnificent golf courses which attract large numbers of golfing enthusiasts from all over the world. This is borne out by the fact that seven of the Western Cape's courses feature in the top 25 list in South Africa as voted by SA Golf Digest. It is therefore fitting that the next phase in the development of The Caledon Resort, Century Casinos is the creation of golfing facilities. This will encompass the upgrade and possible extension of the existing 9 hole municipal golf course and the development of an 18 hole signature golf estate. These facilities will have a sustainable impact on the economy and infrastructure of the Overberg region.



Casino Association of South Africa

## BACON TAKES THE HELM AT CASA

Sun International CE succeeds Jabu Mabuza



Sun International chief executive Peter Bacon has been elected chairman of the Casino Association of South Africa (CASA), succeeding Jabu Mabuza.

CASA chief executive, Derek Auret, making the announcement, said that CASA's new chairman would lead a substantial industry which had created nearly 100 000 direct and indirect new jobs over the past nine years. Annually it contributed over R1.7 billion in taxation to the public sector, and since 1996, had been responsible for more than R12 billion in new investment.

"Peter Bacon is one of South Africa's best known and respected business leaders. It is common

cause that he and his company have been instrumental in the robust growth of our country's tourism and leisure sector in recent years.

"And he has played an acknowledged and constructive role in the development of South Africa's internationally recognised public policy framework for the gambling industry, which role he will continue to fulfil through CASA."

Gambling industry analyst and academic, Professor Peter Collins, executive director of the National Centre for the Study of Gambling at UCT, and director of the Centre for the Study of Gambling and Commercial Gaming at Salford University in Manchester, said that Bacon's appointment would further enhance the international credibility of South Africa's casino industry.

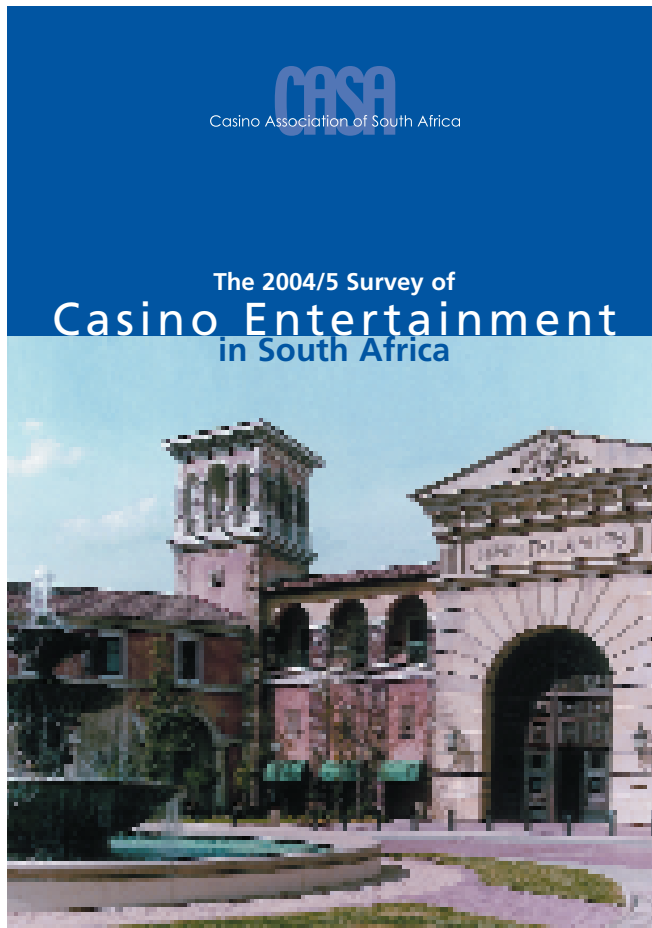
"Peter Bacon is widely regarded among international regulators and industry leaders for his social awareness, and his leadership of an industry in South Africa that has delivered much in respect of the public interest. He has been at the forefront of new thinking in the global gambling industry on key social issues such as problem gambling, and he is a modern business leader who recognises that commercial success depends on being trusted to meet society's expectations," said Collins.

Mr Bacon said that the establishment of CASA in 2003 had been a milestone in the development of a mature, accountable and responsible casino industry in South Africa.

"Our role is to conscientiously represent the interests of our industry, and as important, the public and wide range of stakeholders we serve. Since inception, our organisation has made a significant contribution to the evolution of good public policy and good governance in respect of casino gambling, something which is essential for our long-term sustainability as an industry."

"In the year ahead, it will be my focus to consolidate and expand the casino sector's contributions to public benefits, enhance our commitment to good corporate citizenship as an industry, meet our obligations in respect of social priorities such as problem gambling, and ensure that government understands the industry and our commitment to these issues.

"This builds on the many successes of my predecessor Jabu Mabuza, the founding chairman of CASA, who steered our fledgling organisation through a period of intense activity, including the passage of new gambling legislation and regulations, the appointment of our first chief executive, and the establishment of CASA as a respected and credible industry voice," said Bacon.



## 2004/5 SURVEY OF CASINO ENTERTAINMENT IN SOUTH AFRICA

It is important that South Africa's casino industry should provide regular updates about its contribution to provincial and local economies, as well as its impact on a national scale. CASA's annual survey of the industry therefore gathers together in a single publication data showing the economic impact of casinos - the millions of rands which are generated in tax revenue, the thousands of jobs created, the millions of rands in salaries paid and the tens of thousands of visitors that visit the leisure resorts where the country's casinos are located.

CASA's latest survey of the casino industry - being published this month - paints a picture of a leisure sector which, in just seven years, has been responsible for more than 8.12 billion in new investment in all nine provinces. It is an industry that has added more than R36 million to South Africa's gross domestic product (GDP) over that period and been responsible for the creation of almost 100 000 jobs.

In the financial year which ended on 31 March 2004, gross gambling revenue amounted to R8 240.2 million, and national casino tax revenues totalled R763.7 million in the same period. These figures reflect the fact that the casino sector enjoys by far the largest market share of South Africa's gambling market, accounting for 89% of total revenues, followed by horse-racing which took 10.6%.

But it is clear that this dominance in the gambling market has not resulted in any significant increase in the incidence of problem gambling, and that where growth has occurred it has principally been as a result of growing enthusiasm for the national lottery. The National Responsible Gambling Programme's last national survey of gambling behaviour in South Africa shows that the number of people who play the lottery regularly rose from 67.6% in 2001 to 72.3% in 2004.

The figures in the survey also demonstrate that the casino sector has substantially advanced transformation in the tourism and leisure fields. On average 60% of voting control in the sector is held by previously disadvantaged shareholders, as is a 38% effective economic interest.

## A PEN PICTURE OF THE NEW CASA CHAIRMAN, PETER BACON

Born and educated in England, the son of an industrialist with factories in Sheffield and Wolverhampton, Peter Bacon spent his formative years in the Midlands before obtaining a National Diploma in Hotel Management and Catering.

Bacon arrived in South Africa from England in 1973, having been recruited from the Forte Hotel chain to join the Southern Sun group initially as personnel director.

It was fast recognised that Bacon's expertise lay not only in developing human resources, and within two years he had been appointed regional director, Natal and Indian Ocean Resorts.

His success continued when, in 1984, he became Southern Sun's managing director. This was followed by a period of study at one of America's foremost colleges, Stanford University's Graduate School of Business.

Not long after his return to South Africa, Bacon was appointed deputy managing director of the newly formed Sun International Group. His initial tasks were to oversee an extensive expansion programme at Sun City and to develop other resorts in the Sun International portfolio, including Thaba 'Nchu Sun in the Free State and Amatola Sun near East London. In addition, he was charged with spearheading the group's acquisition of two hotels in Mauritius, Le Tousserok and La Pirogue.

In 1985, Bacon was transferred to Europe to expand the group's international interests. Those duties fulfilled, he returned to South Africa in 1993 to take responsibility as managing director for southern African operations, followed by his subsequent appointment as chief executive of Kersaf and then Sun International Limited.

In this period, Bacon re-positioned the group to secure new licenses after 1994 with the introduction of a new gambling dispensation in South Africa. In this, he achieved considerable success.

He was instrumental in the formation of CASA in 2003, and led the initiative to create the NRGP, today an internationally-unique partnership of government and industry.

# Casino Management and Management Education

Professor Peter Collins

## What, if anything, do casino managers need to know which they can better learn by taking university-based courses than through experience on the job?

More and more people are addressing this question around the world as the casino industry expands, becomes more integrated with the rest of the entertainment industry, responds to new challenges and opportunities resulting from new technology and other innovations, and is increasingly required to help address the concerns of government, especially in relation to employment and social responsibility issues.

However, apart from courses offered at the University of Nevada, Reno, and the University of Salford, UK, there is rather little on offer from University Business Schools and Management Studies Departments which has been specifically designed with the needs of the casino industry in mind.

Some of what casino managers need to learn is what managers need in any industry.

Managers are people charged with making the best use of the human and material resources available to them in order to further the aims of the organisation in which they work.

They, therefore, need the legal and psychological knowledge and skills which will enable them to manage people effectively. They will need to understand the basics of sound financial management. They will need to know something about marketing and about technology. Not all managers, of course, need all these skills though it is desirable that all members of a team have some knowledge of how their fellow members contribute to the successful functioning of the whole.

Some of what managers in the casino industry need to know relates to specifics of the casino business.

They will thus need a deep understanding of what makes their customers tick and how they can best



satisfy them. They will need to understand the nature of the competition they face. They will need to understand how technology and innovation are changing their industry so that they can plan beyond the immediate present. Of particular importance, they will need to understand how dependent their business is on government – on what it allows, forbids and requires them to do. Public affairs management will therefore be vital to their success.

All these skills are often better honed when they are focused on in the environment of a university course and taught by people who have made a specialist study of the different components.

But perhaps the greatest value of university courses to anyone in business is the opportunity they afford to sharpen and deepen the capacity of managers to think; to evaluate arguments for and against different courses of action; to imagine how things might be or will be done differently to the

way we do them now; to identify gaps in our knowledge which need to be rectified by research. For this there is no substitute for the kind of no-holds-barred, expert-led debating of issues amongst peers which is the essence of all university education.

The kind of courses being proposed may be of particular value to the South African Casino Industry in respect of its efforts to enhance employment and to promote black economic empowerment.

Empowerment is notoriously different from mere enrichment and involves enabling people to acquire all sorts of valuable knowledge and skills which will enable them to do things that previously they were unable to do.

True empowerment is about learning how to “go get” not merely about how to “get given.”

The kind of casino management education envisaged here will not only enable South Africans with the requisite drive and potential to earn substantially more money. It will equip them to participate in the management of large modern South African businesses on their own merits, enable them to participate on equal terms in the international elite of expert business managers, and to ensure that they can pit their energies and wits successfully against the most skilled and determined business professionals in an economy which is increasingly global and knowledge-based.

*Prof Peter Collins is Executive Director of the South African National Responsible Gambling Programme and Director of the Centre for the Study of Gambling at the University of Salford.*