

BOARDWALK LAUNCHES COURT ACTION ON ELECTRONIC BINGO TERMINALS

Emfuleni Resorts, the owner of the Boardwalk Casino, said that it would be launching a high court action today aimed to set aside the decision by the Eastern Cape Gambling and Betting Board (ECGBB) to authorise bingo licences within the Boardwalk's casino catchment area. In 2010, Emfuleni Resorts received an extension of the Boardwalk's casino licence to 2025 based on its commitment to invest R1-billion in the complex. The significant commitment was made based on the fact that the casino licence gave the Boardwalk gambling exclusivity in its catchment area in Port Elizabeth and surrounds.

In 2014, ECGBB-sanctioned electronic bingo terminals (EBTs) commenced operations and have had a material impact on Boardwalk's casino revenues.

Bongi Siwisa, Chairman of Emfuleni Resorts, said that the two EBT businesses currently operating in Boardwalk's catchment area were effectively mini-casinos in that their slot machines were indistinguishable from those found in mainstream land-based casinos. *"Thus, the exclusivity that was awarded to us based on our significant investment in the Boardwalk has to all intents and purposes been materially compromised."*

Emfuleni Resorts said it would also be seeking compensation for the extent of the revenue losses incurred to date as a result of the operation of these EBTs in its catchment area.

"We have exhausted all other options, having engaged extensively with both the Provincial Government in the Eastern Cape and the Eastern Cape Gambling and Betting Board."

This news follows the announcement in June that the Emfuleni Resorts proposal to invest R1.3-billion in mixed use development on currently under-utilised land in the Boardwalk Precinct in Port Elizabeth would not go ahead. This followed the decision of the ECGBB to not extend the term of the casino licence of The Boardwalk further, on which the development was fully conditional.

At the time, the ECGBB said it did not have the authority to extend the licence, a view disputed by Emfuleni Resorts.

"Emfuleni Resorts' losses at the Boardwalk following the introduction of EBTs have been significant. The considerable investment made by Emfuleni Resorts in the Boardwalk, of R1.5-billion in total, is now being seriously affected."

"Based on what we have experienced to date, we can reasonably expect that revenues will continue to drop.

"We have engaged extensively with senior legal counsel and we are confident the court will apply its mind in regard to our application for the setting aside of the ECGBB's decision."

NOTE TO EDITORS

In June this year, Emfuleni said its proposal to develop a R1.3-billion mixed use development on currently under-utilised land in the Boardwalk Precinct in Port Elizabeth would not go ahead. This followed the decision of the Eastern Cape Gambling and Betting Board to not extend the casino licence of The Boardwalk, on which the development was fully conditional.

The R1.3-billion development would have been the largest ever single investment in the tourism and hospitality industry in Port Elizabeth, creating thousands of jobs.

The decision to go ahead with the development – on a 13.3 hectare site within The Boardwalk precinct – was entirely conditional on the ECGBB amending the current 15 year term of the casino licence by extending it from 2 October 2025 for a period of not less than a further 20 years. This was essential to grant the Boardwalk Consortium, and Emfuleni, the assurance that they would be guaranteed more than the currently remaining 9 years of its casino licence to generate a return on their significant investment, and to refinance Emfuleni's empowerment shareholders' loans over a longer period thereby enabling better dividend payments to BEE shareholder Zonwabise Resort Holdings.

The Boardwalk Mall was set to include a retail mall, a multi-purpose events venue, entertainment offerings and corporate offices. Emfuleni, together with partners Parktown Capital, believed that the current site offered exceptional opportunities for all.

Emfuleni in October 2015 made application to the Eastern Cape Gambling and Betting Board to amend its casino licence for an additional 20 years beyond its current expiry date of October 2025 in return for this investment. In 2000, Sun International and Emfuleni originally invested over R500-million to build the Boardwalk and a further R1-billion was recently invested in the hotel and conferencing facilities in order to extend its licence to 2025.

The investment proposal was designed to deliver on the Eastern Cape Provincial Government's objectives in terms of job creation and black economic empowerment. As many as 8 500 new jobs were envisaged to be created during a two year construction period and 1 500 jobs during operations.

Without the amendment of its casino licence and the commercial viability and security of tenure that would bring, the project could not go ahead. Taken together with the licensing of Electronic Bingo Terminals (EBTs) in its catchment area and their impact on revenue, the business was already under too much commercial pressure.