

# COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 19/LM/Feb09

In the matter between:

**Main Street 581 (Pty) Ltd**

Acquiring Firm

And

**Century Casinos Africa (Pty) Ltd**

Target Firm

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Panel	:	D Lewis (Presiding Member), Y Carrim (Tribunal Member) and N Manoim (Tribunal Member)
Heard on	:	21 April 2009
Order issued on	:	21 April 2009
Reasons issued on	:	05 June 2009

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## Reasons for Decision

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### Introduction

- [1] On 21 April 2009 the Tribunal unconditionally approved the acquisition by Main Street 581 (Pty) Ltd of Century Casinos Africa (Pty) Ltd. The reasons follow below.

### Parties

- [2] The primary acquiring firm is Main Street 581 (Pty) Ltd ("Main Street"), a wholly owned subsidiary of Tsogo Sun Gaming (Pty) Ltd ("Tsogo Gaming"). Tsogo Gaming is controlled by Tsogo Sun Holdings (Pty) Ltd ("Tsogo Holdings"). Tsogo Holdings is ultimately controlled by Hosken Consolidated Industries Ltd. Main Street does not control any firm.
- [3] The primary target firm is Century Casinos Africa (Pty) Ltd ("Century Casinos"), a wholly owned subsidiary of Century Resorts Ltd ("Century

Resorts"). Century Resorts is in turn controlled by Century Casinos Inc. Century Casinos controls the following firm:

- Century Casinos West Rand (Pty) Ltd
- Celebrations Accommodation Food Services Management (Pty) Ltd
- Century Casinos Caledon
- Velvetsky Eleven (Pty) Ltd
- Century Casinos New Castle (Pty) Ltd
- Rhino Resort Ltd
- Boyne Marketing (Pty) Ltd

### **Description of the transaction**

- [4] Main Street intends to acquire the entire issued share capital of Century Casinos from Century Resorts. On completion, Main Street will acquire 100% shareholding in Century Casinos Caledon and 60% in Century Casino New Castle.

### **Parties' Activities**

- [5] The acquiring group is involved in the provision of the following services: gaming and hotel operations, media and broadcasting, transport, property and exhibitions, industrial operations, energy, food and beverages and clothing and textile.
- [6] Century Casinos is an international casino entertainment company that owns casinos in Colorado, Canada and the Czech Republic. In South Africa it owns the Caledon Hotel, Spa and Casino in Western Cape and Century Casino Newcastle in Kwa-zulu Natal.

### **Rationale for the transaction**

- [7] Tsogo Gaming submitted that it wishes to gain exposure to additional casino and hotel operations in South Africa.

- [8] For Century Casinos, the rationale for this transaction is that it wishes to focus its business in specific countries in order to increase its operational efficiencies. It has decided to exit its gaming investments in South Africa.

### **Competition Analysis**

- [9] There is an overlap between the activities of the merging parties in respect of hotels (short term accommodation) and casinos (gaming). Tsogo Gaming holds licenses to own and operate casinos in Mpumalanga, Eastern Cape, Gauteng and Kwa-zulu Natal whilst Century Resorts holds licenses to own and operate casinos in the Western Cape and Kwa-zulu Natal.
- [10] The geographic market for casinos and hotels is regional.<sup>1</sup> Thus, the only area of overlap between the activities of the merging parties is in Kwa-zulu Natal. In this regard, Tsogo Gaming's casino is situated in Durban whilst Century Resorts's casino is in Newcastle.
- [11] According to the merging parties, a casino in Durban does not compete with a casino in Newcastle as each casino has its own catchment area and that license conditions attached to casino licenses prescribe a limited area in which licensed casinos may operate. The Commission contacted the Kwa-zulu Natal Gambling Board and the Casinos Association of South Africa both of whom confirmed the merging parties' submission.
- [12] The Kwa-zulu Natal Gambling Board further stated that a casino in Durban does not compete with a casino in Newcastle as the two are about 400km apart. The Commission therefore concluded that there is no geographic overlap between the activities of the merging parties.
- [13] In light of the above we find that the transaction is unlikely to result in a lessening or prevention of competition.

### **Public Interest**

- [14] The transaction does not raise any significant public interest concerns.

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<sup>1</sup> See a merger between Gold Reef resorts and Akani Leisure, case no: 33/LM/Mar07.

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**Y Carrim**

Date

Date

**D Lewis and N Manoim concurring.**

Tribunal Researcher : I Selaedi

For the merging parties : Webber Wentzel Attorneys

For the Commission : T Mavhase