

**An Assessment of Casino Gambling on Black Economic
Empowerment: Western Cape as a case.**

**A full-thesis submitted in partial fulfilment of the requirements for the degree
of MAGISTER COMMERCII in the Department of Management, University
of the Western Cape.**



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Country : South Africa

DECLARATION

“I declare that AN ASSESSMENT OF CASINO GAMBLING ON BLACK ECONOMIC EMPOWERMENT: WESTERN CAPE AS A CASE is my own work, and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.”

This study is submitted for the degree Masters Commercii at the University of the Western Cape.

I testify also that this study has not been submitted for any other degree or at another institution of higher learning.



Signed:.....

K.L. Pilane

23 June 2006



Dedicated to: My parents
Teko Norman and Dineo Joyce Pilane (both deceased)

WESTERN CAPE

Acknowledgements

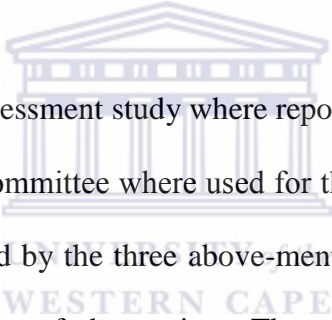
My earnest gratitude and sincere love is hereby directed to God, my Lord, who worked through my friends in making this study a success and for loving me and keeping his promises.

I hereby acknowledge the contribution of the following people, in no particular order;

- My supervisor, Professor Linda De Vries for her belief in my ability and manner of conduct in ensuring the completion of this study. Her family should also be mentioned for allowing me into their lives and providing access to their family resource(s) for my research's interest.
- My family, my parents Dineo Pilane and Teko Pilane (both deceased), sisters Mpho and Segomotsi, and nephew Rebaone, for building my character and constantly reminding me of my life objectives every time my motivation for the research was down.
- Lecturers at the Department of Management, University of the Western Cape, for the direct and indirect contributions towards the shaping and execution of my project.

SUMMARY

The study has three objectives; firstly to assess the (manner of) implementation of black economic empowerment (BEE) principles by casino licence operators in the Western Cape, namely GrandWest, Casino Mykonos, and Caledon Casino & Spa, during the construction and initial operation phases; secondly, to discuss casino gambling from a marketing strategy theory perspective; and thirdly, to measure consumer behaviour theory as demonstrated by casino patrons. Government(s) and casino industry executives present casino gambling as a source of revenue and employment, and disregard the social costs incurred by society in the production of this revenue and employment sustenance.



This study is an evaluability assessment study where reports from the Western Cape Gambling and Racing Board's social equity committee were used for the objective of the study. As a result, the sample of the study was formed by the three above-mentioned casinos that were operating in the Western Cape at the beginning of the project. The proposed government strategy on Black Economic Empowerment (BEE) was critiqued to try and understand the government's position relative to the initiative. The social equity committee monitoring reports were analysed to assess the performance of casino operators relative to their BEE undertakings in their licences.

Data formed by reports and literature has been summarised and presented to try and help in clarifying the position of casino gambling on black economic empowerment and specifically the (economic) empowering of host communities and society at large.

Recommendations were made with the view highlighting the need for a strategy towards greater empowerment of host communities. As a result, the researcher suggests that further research be conducted into the relationship between the profitability of a casino and proliferation of social problems attributed directly to the presence of a casino complex.



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CHAPTER ONE

I. ABSTRACT

This thesis is an assessment of casino gambling on black economic empowerment, using the Western Cape Province as a case study. The problem is formulated in a form of a question; what does casino gambling industry contribute to the economic empowerment of host communities? The research problem involves the Black Economic Empowerment (BEE) principles developed by both government and private sector in South Africa, also an assessment of the extend to which the sampled casinos in the Western Cape are complying with the initiative.

The research's unit of analysis is hotel-casinos in the Western Cape Province. The sampled hotel-casinos are Club Mykonos in Langebaan; Overberg Hotel & Spa in Caledon; and GrandWest Casino in GoodWood-Cape Town. The point of focus on these three casinos is their implementation (i.e. during construction and operation) of their BEE undertakings.

The prevailing nature of South African socio-economic conditions where the few have excessive power on the macro economy needed an initiative such as BEE. Friedman (1998) defines empowerment as an alternative development, which places emphasis on the improvement in the conditions of life and livelihood of the excluded majority. South African government legalised gambling in 1996, and hotel-casinos were constructed all over the country (apart from those already existing from the previous homelands such as Bophuthatswana). The concept of empowerment and host community brings out questions such as who the local community is (local community or province), and who is the beneficiary of this empowerment if there is any? The interest in the location of casinos in

South Africa, their intended purpose(s) and potential impact on host communities and patrons as such, is what led to the problem question.

The following are specific questions that have to be answered in order to assist an attempt to answer the main problem question. The main research question is stated as such; *what does casino gambling industry contribute to the economic empowerment of host communities?*

Sub-questions;

What is gambling?

What is the history of gambling?

What is casino gambling and what are its characteristics?

How is casino gambling marketed?

What is the impact of casino gambling on the economy?

What is the position of government on casino gambling?

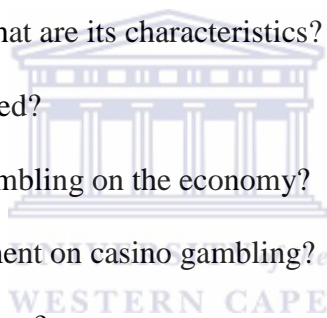
What is (economic) empowerment?

What are the criteria for contribution to (economic) empowerment?

What are the initiatives taken by casinos in the Western Cape relative to economic empowerment of host communities?

Who/what is the host community? And

Who are the beneficiaries?



II. TERMS OF REFERENCE

This thesis is submitted in fulfilment of the requirements of a Masters degree in Commerce from the University of the Western Cape.

The specific aims of the research are to;

- To investigate the nature and history of gambling
- To look into the concept of black economic empowerment within the casino industry
- To assess the rationale for casino gambling, focusing on marketing strategy and consumer behaviour theory.
- To conceptualise and measure the importance of casino gambling on black economic empowerment, using Western Cape jurisdiction as a case.
- To draw conclusions based on the analysis of secondary data
- To make recommendations and highlight areas for future research based on the conclusions.

III KEYWORDS

An Assessment of Casino Gambling on Black Economic Empowerment: Western Cape as a case.

Kealeboga Lincoln Pilane

Keywords

Casino

Gambling

(Black) Economic Empowerment

Host community

Previously Disadvantaged Individual (PDI)

Consumer Behaviour

Pathological gambler

Problem Gambler

Marketing Mix

Black Economic Empowerment(BEE)

Marketing Strategy

Positioning

Segmentation



1.1 INTRODUCTION

Gambling in South Africa was legalised in 1996 (Act No. 33 of 1996), which excluded horse racing (it was already legalised at the time). The purpose of the government legalising gambling was among others, to create employment and stimulate the tourist industry (Lotteries and Gambling Board, 1995). The National Gambling Act (No. 33 of 1996) allows the establishment of a maximum 40 casinos in the republic, inclusive of the 17 casinos that were in operation before the Act was made into law. The Western Cape had, by 11 July 2002, granted four casinos operator licences in the province (Western Cape Gambling and Racing Board annual report, 2001/2002). This research thesis sampled three casinos that were in operation at the beginning of 2002.

The establishment of hotel-casino premises involves two phases; the construction phase and the operations phase. Construction of any physical structure involves a multiple of economies and subsequently, a number of businesses from suppliers of raw material to labour. The research will focus attention partially on the implementation of BEE principles throughout the construction phase. Examples will include ownership and operations of entities awarded contracts. The operation phase will also receive attention, relative to ownership and management of casinos sampled. The manner through which BEE principles are implemented will be looked into. Literature will be reviewed on topics that include;

- Casino gambling and the issues it presents to society.
- Conceptualisation of black economic empowerment as a national socio-economic strategy
- Report(s) on the 'performance' of casino licence holders relative to their BEE deliverables as stated in their licences.

- Marketing strategy theory
- Consumer behaviour theory

1.2 PROBLEM DEFINITION

1.2.1 Marketing Problem

Casino licence operators are using marketing strategies that lead to development of latent demand for casino gaming and over use of casino gaming. The thesis is using the framework of BEE and adopted definition of empowerment to see how the use of marketing strategies is empowering or disempowering casino gaming consumers. Based on the same marketing problem, consumer behaviour framework of casino gaming customer will be developed.

1.2.2 Research Problem

The existence of a casino gambling complex in any community is expected to have many benefits like employment and business opportunities. Business opportunities and employment presented by the casino are expected (as per their license undertakings) to be delivered within the framework of BEE. Casino license operators use strategies for BEE (that of ownership and employment) that are not directly inclusive with their benefits. The three sampled casinos (two resort casino and one Metropole casino) are under the spotlight to understand how their presence contributes to the economic development of their host communities respectively.

1.2.3 Research Objectives

1.2.3.1 Primary Objective

To assess the (manner) implementation of BEE principles by casino licence operators during the construction and initial operation phases.

1.2.3.2 Secondary Objective

To assess how consumer behaviour theory by Neal, Quester, & Hawkins (1999), in relation to casino gaming in the Western Cape is formulating.

1.2.4 Preliminary Hypothesis

1.2.4.1 Primary Hypothesis

Ownership by a few and employment of a few does not translate to economic empowerment of the host community.

1.2.4.2 Secondary Hypothesis

Casino complex development is not directly related to host community empowerment.

1.3 SCOPE AND LIMITATIONS

1.3.1 Scope

The research will focus on the Western Cape Province. The units of analysis are Social Equity reports and the BEE government strategy document. Three casinos have been sampled, and they are; GrandWest Casino, Club Mykonos, and Overberg Hotel and Spa. For the purposes of this thesis, the newly opened Mosselbaai (Pinnacle Point casino –a resort casino) is not included as its processes were not completely audited and rolled during the selection of the sample at the beginning of the study.

1.3.2 Limitations

The understanding of internal relations between ideas and events within the casino industry will not reflect the total picture. The consumer behaviour model used is not predicting turn of events, but is showing a framework within which casino customers can be expected to act.

1.4 PRELIMINARY LITERATURE REVIEW

Preliminary scanning of literature relative to the marketing problem shows that gambling as a social activity has been facing regulation in South Africa since the arrival of traders from Europe in the late 19th century. In the Cape Colony, the Art Union Act, 1860 (Act No. 28 of 1860), legalised voluntary art unions and a form of lottery in the Cape Colony, which could be run on condition that the revenue derived there from was used for the encouragement of the fine arts (Lotteries and Gambling Board, 1995). Literature also shows that, relative to the research problem, gambling was used for revenue generation by the South African government. The defence bonds scheme was introduced in 1st October 1979. This scheme generated revenue for the defence force at a time when sanctions prevented South Africa from acquiring money from overseas sources (Lotteries and Gambling Board, 1995).

The Mpumalanga Gaming Board published a report in July 1999, documenting the impact (negative) of casino development on the host economy and of Mpumalanga as a province. Titz, Andrus, and Miller (2002), made an exploratory research examining relationships between casino play and hedonic factors. The hedonic factors examined were emotion, sensation seeking and impulsivity, absorbing experiences, and analytical characteristics. The objective of this report was to understand the differences in casino customers that lead to different choices of games available in the casino. Also, Menestrel (2001) talks about the process approach to the utility for gambling. This model treats choices made by gamblers as composing both a process and a consequence, and maintains an expected utility function restricted to consequences. The Australian Productivity Commission (1999) report has casino industry leaders questioning pathological gambling as a phenomenon. The view from casino industry leaders is that there are people with problems who gamble and get to be called ‘problem gamblers’.

1.5 RESEARCH DESIGN

This research is an assessment study. It is an empirical study analyzing existing data. The first unit of analysis is the three reports of the Social Equity Committee established by the Western Cape Gambling and Racing Board (WCGRB). These reports detail the undertakings made by casino license bidders and also how the bidders (subsequent owners) performed. These undertakings related to how the bidders were going to implement the Black Economic Empowerment (BEE) initiative within their construction and operational phases. The second unit of analysis is the BEE strategy discussion document. The BEE commission in 2001 produced this document. The commission was given a mandate by government to;

- Investigate the status of BEE in the country
- To identify obstacles to the implementation of BEE, and
- To seek a definition for the concept of black empowerment.

The research will critique the BEE commission's report and use the social equity committee reports to assess performance of casino license operators in relation to BEE.

1.6. RESEARCH METHODOLOGY

The research will use hermeneutics as a methodological tool. The aim of the research is to assess casino gaming in relation to BEE. The research will interpret the Social Equity Committee reports of the Western Cape Gaming and Racing Board (WCGRB) with the aim of understanding the nature and character of casino gaming in relation to BEE. The text interpretation will occur on the basis of conformance of the casino license operators to the BEE principles of:

- Economic development of host community, i.e. how casino gaming directly contributes to the enterprising character of its hosting community

- Social development of host community, i.e. are there any skills training programmes to help communities interact positively with the existence of a casino in their location?

This research will also critique the BEE strategy developed by the BEE commission to be able to assess the nature and character of government's view on BEE.

1.7. DEFINITION OF TERMS

The methodological chapter will show the operationalisation of terms critical to this study.

1.8. ETHICAL STATEMENT

The researcher hereby commits to ethical conduct that is accountable. These commitments include not mentioning the names of casino managers (operators) involved. The research is not a secret and an obligation to the free and open dissemination of research results is accepted.

1.9. REPORTING OF THE DATA

The conclusions of this study will serve as an edition to academic material on the issues of casino gambling and host community empowerment. The research may be used to guide discourse on the domains of casino marketing and casino consumer behaviour. A consumer behaviour audit is addressed to help with the analysis of casino consumer behaviour.

1.10. OUTLINE OF CHAPTERS

Chapter one contains the introduction to the study, problem statement and objectives of the study, and terms of reference.

Chapter two focus on the research methodology and the sub-questions that the study aims to respond to.

Chapter three focuses on marketing strategy theory as applicable to the casino industry. This chapter tries to contextualise and analyse of casino gambling within the marketing strategy framework.

Chapter four focuses on consumer behaviour theory as applicable to the casino industry. The aim of this chapter is to understand how situations and social environment affect the consumer decision-making process of a casino customer.

Chapter five looks at the origins and history of gambling in the world, and specifically in South Africa. The chapter also tries to understand the nature and characteristics of casino gambling.

Chapter six tries to explain what economic empowerment is as a concept and its applicability to the casino industry. The chapter is also critiquing the black economic empowerment strategy (of 2002) as proposed by the Black Business Council.

Chapter seven is a summary of the social equity committee reports. These are the reports used to analyse the empowerment initiatives taken by the three sampled casinos.

Chapter eight is the concluding remarks and recommendations. The chapter provides conclusions regarding the hypothesis and the research question.

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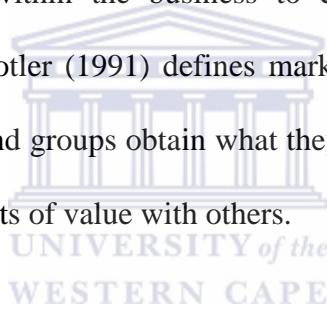
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CHAPTER TWO

2.0 METHODOLOGY

2.1 OVERVIEW

This chapter will return to the major research questions as stated in chapter 1, and develop a conceptual framework and methodology with which to tackle these questions within the casino gambling industry. Chapter 1 does state that the research topic is 'an assessment of casino gambling on black economic empowerment with a focus on Western Cape as a case. As indicated earlier in chapter 1, the aim of the study is to conceptualise and measure the importance of casino gambling on black economic empowerment, using Western Cape as a case. The study will locate within the business to consumer marketing theory, and consumer behaviour theory. Kotler (1991) defines marketing as a social and managerial process by which individuals and groups obtain what they want and need through creating, offering and exchanging products of value with others.



This chapter introduces the major research question and related sub questions. Secondly, the theoretical orientation of this study will be discussed. Thirdly, the conceptual framework will be discussed, the sampled units, the research methodologies and operationalisation of the major concepts.

2.2 RESEARCH QUESTIONS

The major research questions addressed in this study are,

- What does casino gambling marketing contribute to the economic empowerment of host communities?
- What is the relationship between casino industry and government?

The first question aimed at helping in assessing the contribution of the marketing strategies towards the economic and social empowerment of host communities. The second question is aimed at characterizing the value system (i.e. the order of priorities) of government relative to BEE and casino gaming (i.e. accrued benefits for government there in).

To try and answer the first question, the following sub questions were formulated:

1(a) *how is casino gambling marketed?*

The response to this question is based on the marketing mix model of four p's (see figure 2.1). Casino gambling is offered to the public as an intangible product. Literature shows that casino executives see their product as another form of entertainment. Literature also shows that casino gambling as an intangible product offers, apart from the 'benefit' of entertainment, undesirable outputs and externalities such as pathological gambling. Eadington (1995) says gambling on one hand generates local income, employment, and increases the volume of economic activity occurring locally. The pricing strategy used by casino –gambling marketers seems to be that of premium pricing. The strategy uses higher prices with believe that a superior product is being offered in exchange. The economics of gambling suggest that casino gambling customers pay a higher price in exchange for the pleasure of playing games for money. According to Collins (2003), the price at which the trading takes place is mainly set by the odds against winning that the player accept [a question arise as to whether players are aware of the actual odds they are facing since the inspection of mechanics of playing machines is not open to the public]. The Australian Productivity Commission (1999) gives an example of a rhino-betting machine that requires 6.7 million button presses just to obtain a 50% chance of getting the jackpot combination (as confirmed by the manufacturer).

The casino-gambling marketers are using direct channel of distribution. Consumption takes place at the time of production. Locations seem to be chosen with the idea of locating casino complexes near non-affluent communities. According to the publication by Wesgro (2000:3), the choice between the proposed sites of Cape Town’s metropolitan casino was difficult from the outset, since at least four of five locations had the potential for some catalytic impact: the 13 storey Foreshore casino by Akani promised to strengthen the city centre and its links to the Waterfront; the Culemborg project was to utilize the vast Transnet area close to the central business district (CBD); the Century City site was to strengthen a green fields development of major proportion (and inherent risks); and the GoodWood site was seen as closest to Greater Cape Town’s lower income suburbs and thus a significant integrating force. Legislation puts constraints on the promotion activities of casinos. Latent gambling is not supposed to be over stimulated, according to legislation (see Gambling Act, No. 33 of 1996).

Figure 2.1 Casino Marketing Structure

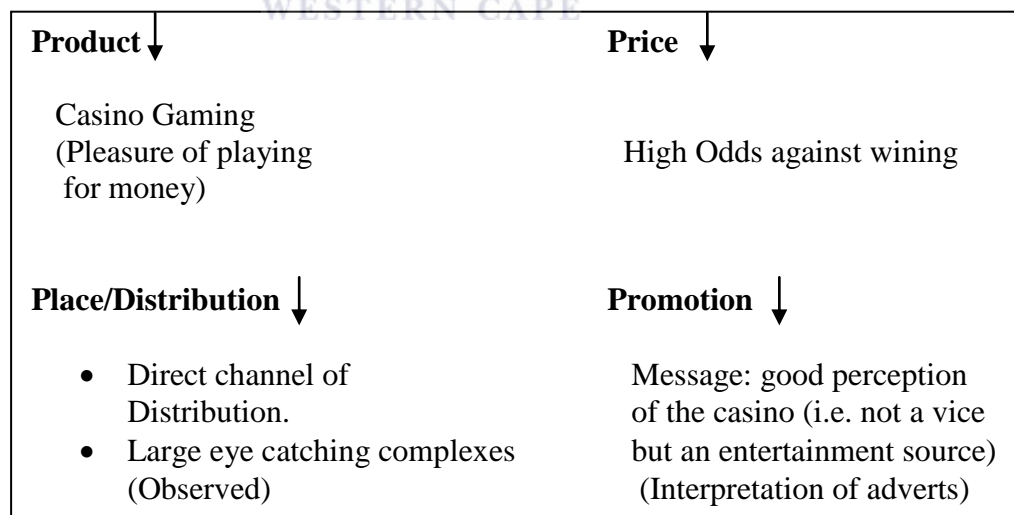


Figure 2.1 above is derived from observable information and by deduction from various readings over time. Casino gaming as a product is said to offer pleasure of playing for money. The product’s target market discriminates only on age (i.e. 18 years and older). It

goes to say that the social group that is targeted by BEE (i.e. the unemployed, unskilled, and socially and economically disempowered) is also targeted by casino gaming operators. On the basis of these premises and conclusion, the question is; how are the unemployed and categorically poor suppose to derive pleasure from loosing often and winning occasionally. Chapter four will raise the issue of consumer behaviour as relating to empowerment of patrons (who are part of the host community).

The pricing structure of the product (i.e. casino gaming) in relation to economic empowerment is not positive. The casino house has high odds against loosing. The BEE target group plays with the hope of solving its financial and social woes forever, while the games are set to have the house winning. The location of three sampled casinos in the Western Cape encourage visitation from the unemployed and destitute. A ‘good’ location would ensure that patrons have to travel considerably to the casino complex instead of having a ‘generally’ convenient location. The product is promoted as entertainment in billboards and television. The messages do not continue to explain that this ‘entertainment’ is derived by those who are not troubled in any way by loosing often and wining occasionally.

Analysis of the social equity reports will look into these issues in assessing casino gaming on BEE. The analysis will be on reports of three sampled casinos, being Grandwest Casino, Club Mykonos, and Caledon Casino and Spa.

1(b) what is the impact of casino gambling on the economy?

The study by the Mpumalanga Gaming Board was released in 1999. The results of the study are used to obtain a general stance on the impact of gambling on national economy.

1(c) what is back economic empowerment

The purpose of this question is to assist the adoption of a definition that will inform the assessment of the casinos' performance. A definition of empowerment from Edigheji (1999) was adopted which says empowerment is an alternative development, which places emphasis on the improvement in the conditions of life and livelihood of the excluded majority.

The expected relations from these sub-questions are formulated in the following hypothesis:

The economic empowering ability of casino gambling marketing is directly related to the degree of market affluence.

2. What is the relationship between casino gambling industry and government?

2(a) how is government opinion on gambling presented?

The South African National Gambling Board, as established by the national government, regulates the gambling industry in its totality. Each province has a board regulating gambling activities provincially.

2(b) what is the position of government on casino gambling marketing?

Government has legalized gambling in South Africa in 1996. This legislation was based, among other reasons, on the supposed economic benefits that South Africa as a nation was to benefit, such as employment for the masses and revenue for government.

2(c) what are the initiatives taken by casinos in the Western Cape relative to economic empowerment of host communities?

Government intentions for legalizing gambling included development of an economic platform upon which the black economic empowerment (BEE) strategy/principle can be further employed and entrenched. Casino licenses include stipulations that require casino

operators to design programs that will ensure BEE policy and practices in the development (construction and operation phases) of their enterprises.

The expected relations between these sub-questions are formulated in the following hypothesis:

Casino operators programs are directly influenced by the values of gambling boards.

The following criteria have been developed, for the purpose of this study, to assess the empowering of host communities by casino gambling;

- Minimization of gambling negative externalities as experienced by casino gambling target market. These negative externalities include examples such as patrons being dependent on casino gaming, which leads to other social problems such as crime and household violence.
- Operational ownership by empowerment partners. Often the BEE partners include community trusts. These trusts were given shares in a deal which sees the majority shareholder (Sun International South Africa in one example) still retaining (warehousing) those shares until the empowerment partner is able to raise enough capital to buy those share out.
- Transfer of skills, education and opportunity. The target group for such programmes would include employees of constructors (during the operational phase) and employees of casinos (during operational phase), shareholders of empowerment partners (so as to be able to comprehend management reports and be able to cast informed votes on strategic issues). Included in this should be educational programmes such as on responsible gaming, counselling for those dependent on casino gaming. When a person voluntarily excludes himself from the casino hall,

there should be assistance from the casino management in terms of ensuring that the patron stays away for a considerable time.

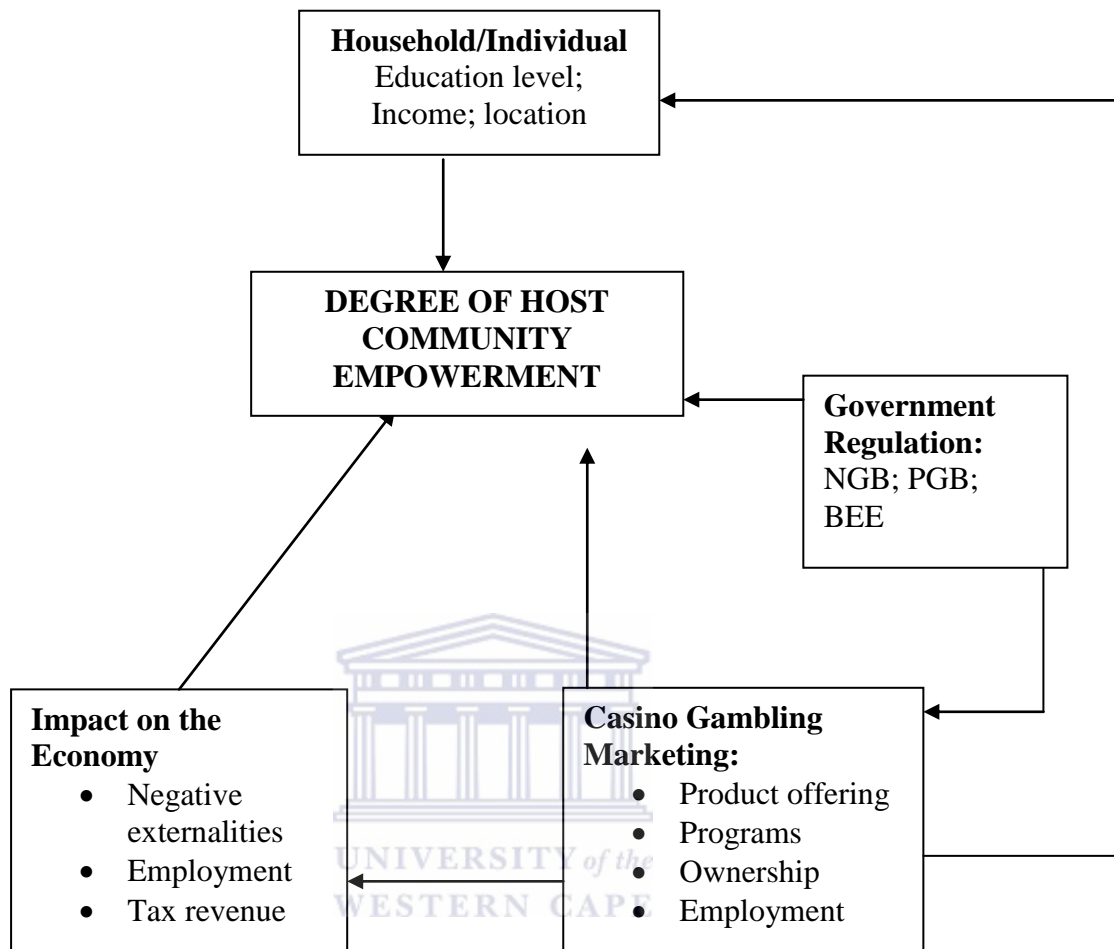
2.3 CONCEPTUAL FRAMEWORK

The relationships that are assumed to exist are expressed in the conceptual framework (see figure 2.2). The center of the framework is occupied by the topic of the research: i.e. the empowering of the host communities by casinos. It is assumed that the degree to which host communities are empowered economically depends on the household's/individual's educational and skills level, income, and location relative to the casino complex. These characteristics form part of the casino empowerment system.

A second element of the casino empowerment system is the regulatory environment as managed and administered by the government. The government is represented by the National Gambling Board (NGB), which governs policy formulation regulating gambling activities. The NGB is in turn helped by provincial gambling boards with the purpose of making the regulations uniform across issues related to casinos and to gambling in general.

A third element is that of casino gambling marketing. This element of the system relates to the offering of the product, the programs put in place to counter negative externalities, the ownership of casinos, and the employment generated by casino gambling. The fourth element of the system is the impact that casino gambling is having on the economy generally. Issues such as income displacement are one form in which the economy is affected. This negative impact is assumed to be directly influencing the degree to which casino gambling is able to economically empower its hosting community holistically.

Figure 2.2 CONCEPTUAL FRAMEWORK



** the arrows in this figure show direct relationships between the system elements.*

This scheme of relations also indicates the limitations of the study. Not all sub-systems relevant to household/individual's economic empowerment are dealt with. The development of the casino empowerment system is therefore not dealt with extensively. The scheme does not deal with elements such as politics, economic cycles and globalisation. The process of empowering society economically is highly depended on a political system that not only fosters an enabling environment, but also provides platforms upon which the empowering processes can be practiced. Literature in this study does show

that black economic empowerment strategy adoption by government is needed for the political stability of the country, given its socio-political history.

Globalisation as a phenomenon influences economic cycles of countries. The economic cycles in turn influence extensively the ability of enterprises to make profits based on the ability of the market to make purchases. Casino gambling is presented as entertainment, which makes it a secondary economic activity that will have its share of an income in so far as basic needs are met. To assess casino gambling on black economic empowerment, a wider context is required. The casino empowerment system scheme developed is regarded and discusses as part of a wider system.

2.4 THE SAMPLED CASINO LICENSE OPERATORS

The Western Cape Gambling and Racing Board (“the Board”) issued casino licenses in the Metropole, Overberg and the West Coast region on 6 December 1999, 14 April 2000 and 04 September 2000 respectively (WCGRB, 2000/2001, pg.10). The Mosselbaai casino (Pinnacle Point casino –a resort casino) is not included in the sample as its processes were not completely audited and rolled during the selection of the sample at the beginning of the study.

2.4.1 GrandWest Casino

The license holder in the Cape metro is SunWest International (Pty) Ltd. According to a Wesgro (Western Cape Investment and Trade Promotion Agency) publication of 2000, the GoodWood site (for the location of the casino complex) was seen as closest to Greater Cape Town’s lower income suburbs and thus a significant integrating force. Wesgro (2000) continues to say that the GoodWood showground site and the GrandWest (name of the casino) package of on-site as well as off-site projects achieve the best development balance

between the proposals. The main site at GoodWood is said to bring much needed upgrading of the area, with the cluster of investments and their attraction of casino visitors (WESGRO 2000):

- Strengthening the road infrastructure in the area
- Increasing the use of the passenger rail line to/from GoodWood
- Potentially attracting business to the Western segment of Voortrekker road; and
- The strengthening of the Vanguard Drive north/south axis.

The off-site investment package is to play an equally important role in the CBD-Waterfront precinct of the inner-city with;

- The R140 million contribution to the Cape Convention center tackling the facility in Foreshore area as a public-private partnership
- The R35 million contribution to the canal link from the Foreshore to the V&A area
- The contribution to the development of a film studio also has a catalytic impact, coinciding with the establishment of a Cape film Commission.

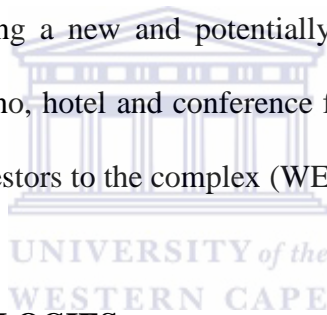
2.4.2 Caledon Casino

The license holder in the Overberg region is Caledon Casino Bid Company. The casino is located within the premises of the Caledon Hotel and Spa, which had to go an upgrading and include related tourism facilities. According to Wesgro (2000), the long- run financial viability of the Overberg and Spa was always in doubt, given the relative proximity to Cape Town (100km) and to the Hermanus-Kleinmond coastal resorts (50km), which led to the facilities being unable to attract enough patrons to ensure profitability. The casino that was integrated into the Hotel and Spa complex is a modest 200 slots, 12 tables and an upgraded hotel and spa. Wesgro's position is that while the Overberg is unlikely to attract many foreign tourists, it will add a further attraction along the 500km tourism axis from Cape

Town to Plettenberg Bay. As such (Wesgro believes), it should help to further cushion the declining role of agriculture in this part of the Western Cape (WESGRO 2000).

2.4.3 Casino Mykonos

The casino license in the West Coast is held by West Coast Leisure (Pty) Ltd. The casino is housed at Club Mykonos along the Langebaan lagoon. According to Wesgro (2000), Club Mykonos was established in the 1980's as one of several speculative coastal resorts, bargaining on a coastal property boom well before urban developments in the Saldanha-Vredenburg area could guarantee long-run demand. The development of Saldanha Steel complex located near by drastically changed the property market in the area in the 1990's, and the modest R50 million investment is helping the local authority to upgrade the relevant infrastructure, providing a new and potentially forceful attraction to the Greek styled village- through the casino, hotel and conference facilities- and should draw further timeshare and other private investors to the complex (WESGRO 2000).



2.5 RESEARCH METHODOLOGIES

It is stated in chapter one that the research orientation of this study is hermeneutics. According to Babbie & Mouton (2002), Hermeneutics is the science of text interpretation. The research's interest is in understanding and explaining the meaning of the actions and their characteristics taken by the casino operators. The actions in this instance relate to the employment of labour during construction phase and operational phase, and the programmes implemented for the purpose of ensuring that casino licence operators comply with their licence undertakings. The concept of characteristics in this instance relates to the structuration of BEE into the manner through which casino licence operators' act or performs. The other relation is that of composition of ownership of these casino license operators. The main aim is to understand and explain if the casino licence operators'

actions total to what (economic) empowerment is all about, i.e. are their actions truly empowering their hosting communities or not. The subject(s) of the research will be casino licence operators (holders). The study focuses on casino gambling (its nature, definition and marketing); problem gambling (its cause and nature); economics of gambling; black economic empowerment, and consumer behaviour of casino patrons. At the time of research commencement, there were only three casinos in operation in the area of focus (Western Cape Province).

2.6 SOURCES OF DATA

Most of the secondary data required to measure black economic empowerment practices by the three mentioned casino operators involves reports. The Western Cape Gambling and Racing Board will release reports from its Social Equity Commission. These reports entail commitments made by bidders (subsequent owners and operators) in relation to the government's BEE initiative. The function of the social equity commission is to monitor and report on the performance of the casino operators with regard to their economic empowerment commitments as stated in their respective licences. Unobtrusive measures are being utilised, like the Internet, to obtain reports and articles. Involvement of the research subject representative has the potential of presenting the data with partiality. The research will focus on academic literature to discuss topics such as consumer behaviour, marketing strategy, problem gambling, and empowerment. The proposed government strategy on BEE will be critiqued to interpret its version of 'truth' with regard to its intentions and mode of operation.

The purpose of analysing the data is to try and help in clarifying the position of casino gambling on black economic empowerment and economic empowerment of host community and society at large.

2.7 OPERATIONALISATION OF MAJOR CONCEPTS

Key variables in this study include previously disadvantage individuals (PDI); empowerment; host community; and casino gambling. For the purpose of this study, the following are adopted conceptions of the above variables;

PDI: all South Africans who could not vote before 1994. This variable will be measured using race i.e. Black, Coloured and Indian.

Empowerment: "...an alternative development, which places emphasis on the improvement in the conditions of life and livelihood of the excluded majority" (Friedman, 1992). These empowerment will be measured by looking for three types of powers; social, political and psychological. Social power is hereby defined as an increase in a household's access to the bases of its productive wealth. Political power is defined as meaning access of individual household members to the process by which decisions, especially those affecting their future, are made. Psychological power is defined as an individual sense of potency demonstrated in self –confidence and derived from successful action at the social and/or political fronts (Friedman, 1992).

Host Community: These are the people who reside in the area on which the casino complex is located. In the case of GrandWest, the host community would include all of the Cape Metropolitan. In Club Mykonos, Langebaan will be host community. Caledon will be regarded as the host community for Overberg hotel and spa casino.

Gaming and betting will define gambling. **Gaming** is defined and measured as a collective term for games which involve a large element of chance, but possibly also, some element

of skill on the part of the player reduce risk exposure and increase the probability of winning. **Betting** is on events and outcomes over which either the bettor has some influence, or the bettor's choice is capable of being based on some degree of more or less rationale analysis (Eadington, 1995).



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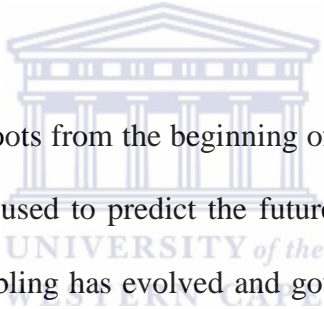
CHAPTER THREE

3.0 CASINO GAMBLING

3.1 OVERVIEW

The chapter looks at how gambling as a social activity has evolved over the recorded history of mankind on earth. Forms of gambling such as lottery and casino were introduced into South Africa by colonizers and traders alike in the form of the Dutch and the Indians and Japanese respectively. Chapter three is also looking at the question of what casino gambling really is. This chapter lastly looks at legislation regarding gambling in South Africa, and the intentions of the legislation regarding the development of casinos around the country.

3.2 INTRODUCTION



The gambling industry has its roots from the beginning of human civilization. Gambling in its primitive form was initially used to predict the future and later to solve disputes over many social issues. Today gambling has evolved and governments around the world have legalised it with the views of earning tax revenue from operators and to also uplift the socio-economic status of hosting communities. Casinos have been opened around South Africa, and currently there are 26 operating nationwide (The National Gambling Act provides for a maximum of 40 casinos nationwide) (Lotteries and Gambling Board, 1995). The current casino experience is made of lodging, food and beverage, recreation and entertainment, retail, and the casino. This multifaceted composition of casino experience means there are many economic domains and levels through which economically active society can engage with the casino industry.

The national government has the black economic empowerment initiative aimed at redressing the economic and social injustices of the past. According to Madi (1997), Black

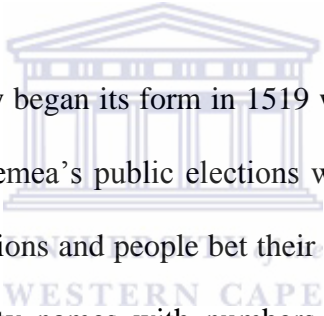
Economic empowerment in its truest sense occurs “every time a black person acquires the means to earn a living...” Casino gambling in its attempt to sustain survival will need to strategize around involving host communities both operationally and managerially.

3.3 HISTORY OF GAMBLING IN THE WORLD

The history of gambling commenced in an ancient world, which presented many mysteries to its human inhabitants. To them eclipses and meteor showers seemed to happen by chance. Tornadoes, hurricanes, floods and other natural catastrophes swept across countryside without warning. In an attempt to understand the incomprehensible, people turned to religion. By throwing sticks, tossing coins, shells or knucklebones, reading the entrails of sacrificed animals or drawing lots, they hoped to find a divine affirmation or condemnation of their plans to plant crops, wage war or undertake major changes in their lives. Pagan priests cast lots or rolled very primitive forms of dice to compel the gods to reveal the secrets of the future and to reduce the uncertainty of decision making. Some of them were not averse to manipulating the process in attempts to outwit the gods and impress the rulers and people. They were probably the first in a long series of cheats that can be found throughout the history of gambling (Lotteries and Gambling Board, 1995).

Times changed and so civilization came along with better understanding of nature. This replaced fear with curiosity. Rather than rely on religion to dictate human actions, other ways were sought to predict the future. Ancient divination arrows evolved into playing cards and knucklebones became dice and dominoes. Some of the methods and devices came and went with changing times, but casting of lots survived. “Lots” is an ancient tonic word describing a pebble, which was cast to decide disputes and divisions of property (Lotteries and Gambling Board, 1995). The bible tells us how Jonah was thrown into the

sea, after having lost in a drawing of lots, to calm the sea (Look at The Book of Jonah, Chapter 1, and verse 7, New International Version). Roman soldiers gambled for Lord Jesus Christ's cloth and few possessions after the crucifixion (Look at The Gospel According to John, Chapter 19, and verse 24, New International Version). These two particular incidents illustrates how gambling came to be the natural being for humans. "In the 16th century, Jacques Carter introduced gambling to America. To his amazement he found that native Americans used games of chance not only to determine how and when to hunt, plant crops or heal the sick, but also as major social and religious events"(Lotteries and Gambling Board, 1995). Given the human preference for gambling, it was to take not a long time before casting of lots was to be turned into entertainment.



The current form of state lottery began its form in 1519 when Benedetto Gentile noted the popularity of gaming during Gemea's public elections when 90 political candidates were running for five senatorial positions and people bet their favourite candidates. Gentile kept the formula, replaced the ninety names with numbers and held the first five-of-ninety lottery. This led to the first government lottery in Florence in 1530 and soon thereafter lotteries became a government monopoly in Venice (Lotteries and Gambling Board, 1995). Lotteries has since been kept as government monopolies and spread around the world.

3.4 HISTORY OF GAMBLING IN SOUTH AFRICA

There is very little if no information available on the practice of gambling by indigenous people of South Africa before the arrival of the European settlers. The thesis will assume that some form of gambling was in practice before the time of Jan van Riebeeck. The thesis also assumes that the early settlers in the Cape Colony practiced some form of gambling (at least brought it along from country of origin).

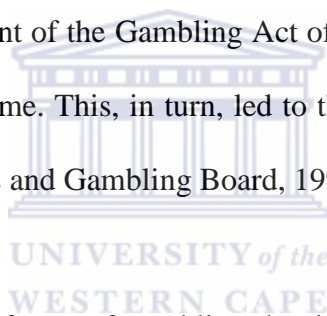
3.4.1 Gambling in the Colonies

Legalization of gambling in South Africa started with the introduction of The Art Unions Act of 1846 to the Cape Colony. According to The Lotteries and Gambling Board (1995), The Art Union Act, 1860 (Act No. 28 of 1860), legalised voluntary art unions and a form of lottery in the Cape Colony, which could be run on condition that the revenue derived there from was used for the encouragement of the fine arts. At the time, a strong aversion to official gambling existed in the Cape Colony. This law relieved these associations from “all pains and penalties” which, by law, they would have been subjected to (Lotteries and Gambling Board, 1995). This concept of arts union and the idea of exemption from gambling law were imported from Britain together with the Arts Union Act of 1846.

Kwa Zulu-Natal (KZN), being on the east coast of South Africa, was more exposed to Asian influences of gambling following the immigration of Indians and Chinese. The European settlers also introduced western types of gambling into KZN. By 1878, the Discouragement of Gambling Act, 1876 (Act No. 25 of 1878), was promulgated. The preamble stated that “great mischief has been found to result from the existence of the practice of gambling”, and the Act therefore declared all lotteries, games of chance, betting stands or booths to be common nuisance and against the law. The law further provided for penalties for both operator and the gambler (Lotteries and Gambling Board, 1995). The republic of the Orange Free State also introduced bans on gambling from the middle of the 19th century until 1902, while the Transvaal government passed the Wet Tegen Hazardspelen in 1889 (Law No. 6 of 1889) which made keeping or visiting of a gambling house or gambling table unlawful (Lotteries and Gambling Board, 1995).

3.4.2 Illegal gambling in South Africa

In spite of the long-standing prohibition of lotteries and gambling in South Africa, illegal casinos with little respectability began operating at the low level in major centres. Until May 1990 the police acted against illegal operators with reasonable success. However, as a result of the evidence of a statistician in a court case in which it was found that, games such as blackjack are statistically games of skill, casinos started to proliferate. Many criminal cases against casino operators were withdrawn and some operators were acquitted during this period. At one stage the police were aware of approximately 2000 illegal casinos operating nationwide. Certain illegal lottery operations like scratch card games - which were designed to raise funds for welfare, were also introduced at the time. This state of affairs resulted in the amendment of the Gambling Act of 1965, to replace the concept of a game of skill with gambling game. This, in turn, led to the closing of some illegal casinos during February 1993 (Lotteries and Gambling Board, 1995).



It is of interest to note that the forms of gambling that indigenous people of South Africa were and are practicing are not appearing in history books of South Africa. Although the Arts Union Act of 1860 came into power in the Cape Colony, it is reasonable to believe that indigenous inhabitants continued practicing their forms of gambling, since law enforcement agencies of the time could not recognize a gambling practice even when they were looking at one. Reasons could range from language barrier to misinterpretation of body language (i.e. expression of emotions). It is also to be noted that gambling due to its reputation for being the source of many social ills, was prohibited (regulated) from its early days. “Exploitation, crime and other undesirable social phenomenon gave rise to the promulgation of the Lotteries Prohibition Act, 1889 (Act No. 9 of 1889)” (Lotteries and Gambling Board, 1995).

3.5 WHAT IS GAMBLING?

There has never been much of an agreed definition of what gambling is. The Australian Productivity Commission Report of 1999 says gambling has been formally defined as ‘staking money on uncertain events driven by chance. In as much as this definition is very simplistic, I feel that it is not explanatory. Felsenstein and Freeman (1998), categorized gambling into the following types;

- Lotteries- which are games of chance designed to produce a random outcome
- Gaming- which is a collective term for games which involve a large element of chance, but possibly also some element of skill on the part of the player reduce risk exposure and increase the probability of winning;
- Betting – on events and outcomes over which either the bettor has some influence, or in which the bettor’s choice is capable of being based on some degree of more or less rational analysis.

For the purpose of this thesis, gambling will be defined as gaming and betting.

“There is much debate as to the place of gambling in local and regional economic development. On one hand, it generates local income, employment, and output, and increases the volume of economic activity occurring locally” (Eadington, 1998). “On the other hand, it is sometimes presented as an ‘inferior’ economic development activity that creates undesirable outputs and externalities at the local level and that needs to be justified in terms of higher –order economic goals such as job and income creation. Moreover, it can be viewed as a ‘second best’ economic activity that can only exist profitably in the presence of (government-oriented) distortions such as regulative, artificial, and non-competitive environments” (Grinols and Omorov, 1996). The gambling industry accordingly encompass those organizations that provide these services- including casinos, clubs, hotels, totalisator agency board (TAB), sports betting enterprises and lottery

organizations. People representing this industry have argued that there is little that is special about them; they are just like other entertainment businesses competing for the consumer's Rand. The Australian Productivity Commission (1999) says in its report that, in the words of one senior executive in the industry, gambling was seen as a 'questionable pleasure'. The perceived 'questionable' nature of the gambling industries reflects their ability simultaneously to provide entertainment that is harmless to many people, while being a source of great distress and even of financial ruin to a significant minority.

Casino gambling involves the 'gaming' and 'betting' part of gambling. People find casino gambling as a source of entertainment. The misconception that gambling generates no worthwhile benefits is based on the 'materialist illusion' that only tangible goods or services yield economic gain. This ignores the pleasure that people derive from some activities of any tangible output. Thus many people gamble because of the enjoyment they get from the venue, the social interaction, the risk, the thrill of anticipation, or some combination of all these (Australian Productivity Commission, 1999). The distinguishing aspect of gambling as a form of entertainment is that patrons are subsequently buying the hope of a win- a life-transforming win in (most) instances. This buying of hope and the thrill of anticipation implies that gamblers derive some utility/disutility from gambling.

3.6 PROBLEM (S) OF GAMBLING

3.6.1 Social Costs of Gambling

To many people, casino gambling is just another source of entertainment, while to others is a source of social disorder. "The gambling industry, particularly casinos, has always been associated in the public's mind with crime, dating from the time gambling itself was largely an illegal and unsupervised activity" (Australian Institute of Criminology and Australian

Institute for Gambling Research , 1998). This view is also made in the light of casino gambling revolving around the casino house always having an upper hand in the bets. As the mathematician by the name John Haigh (French, 1999) puts it: "The combination of a house edge on any bet, whether on one spin or on many, is to ensure that every collection of bets, whether on one spin or on many, is at a disadvantage to the punter". Greed comes into play, and people are willing to do 'anything' to gain or regain the losses. "For the love of money is a root of all kinds of evil, for which some have strayed from the faith in their greediness and pierced themselves through with many sorrows" (see book of Timothy: 10, Bible, New International Version). This proverb is applicable to all, non-Christians alike; since gambling's negative externalities choose no religious status. The most intense of these externalities of casino gambling is 'pathological/compulsive' gambling. Otherwise, people suffering from this condition are generally called 'problem gamblers'.

3.6.2 What is Problem Gambling?

There are a variety of definitions of problem gambling, but most emphasise;

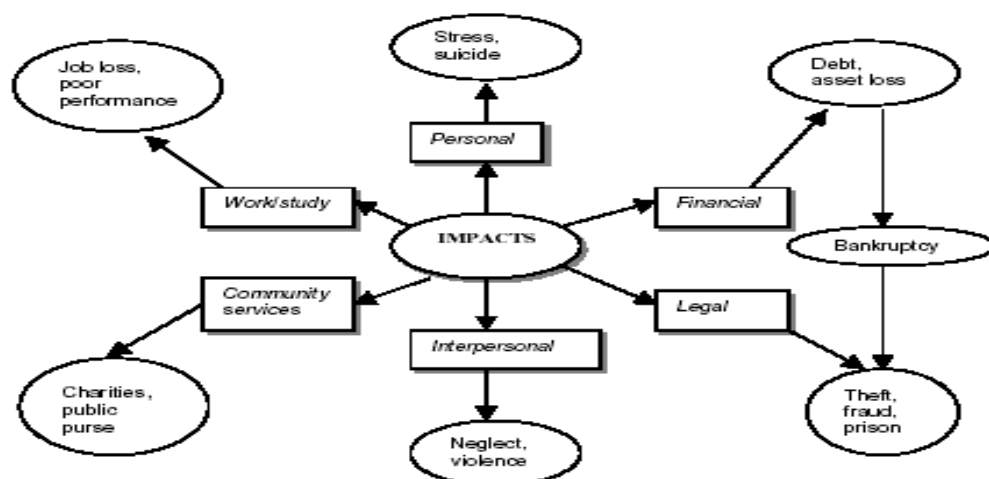
- Lack of control by the gambler over his or her gambling behaviour; and/or
- Adverse personal, economic and social impacts, which result from a gambler's actions – particularly the financial losses (relative to the gambler's means)

There is no clear point, however, at which a 'recreational gambler' becomes a 'problem gambler' and, for problem gamblers, there is a continuum of behaviour and impacts of escalating severity. The following are clips from an article by Peters (2002) about problem gambling in the Western Cape; *The advent of legal casinos in the Western Cape is having a devastating impact on gambling addicts who cannot control their habit...People have lost their homes; others have had to sell cars, fridges, furniture, televisions and other goods to feed their addiction. Some have even raised money for gambling by raising the bonds on their houses...It is estimated that more than R1-billion has crossed the tables and gone into*

slot machines at the casinos at Langebaan, Caledon and GrandWest in GoodWood since they opened late last year... Owners of pawnshops around the Peninsula say their stock has virtually doubled since the casinos opened. "People walk in here with anything they can sell. We see a lot of housewives who pawn their TVs or hi-fi sets in the morning while their husbands are at work. The ones who win come to buy back their equipment to have it at home before their husbands return. But many don't come back," said one owner... Louise, a counsellor from National Treatment and Counselling for Problem Gamblers, said there had been a noticeable increase in calls this year from people who admitted problems with gambling... The counsellor mentioned a young man who was obsessed with Lotto. He did not have a job, but somehow managed to scrape together R250 every week to buy tickets.

These clippings from the article illustrate the extent of problem gambling effects to individuals and society. Problem gambling as a phenomenon does not only affect the said person, but also his/her family and friends, and society at large. The following is a table depicting the impacts of problem gambling on the person and society.

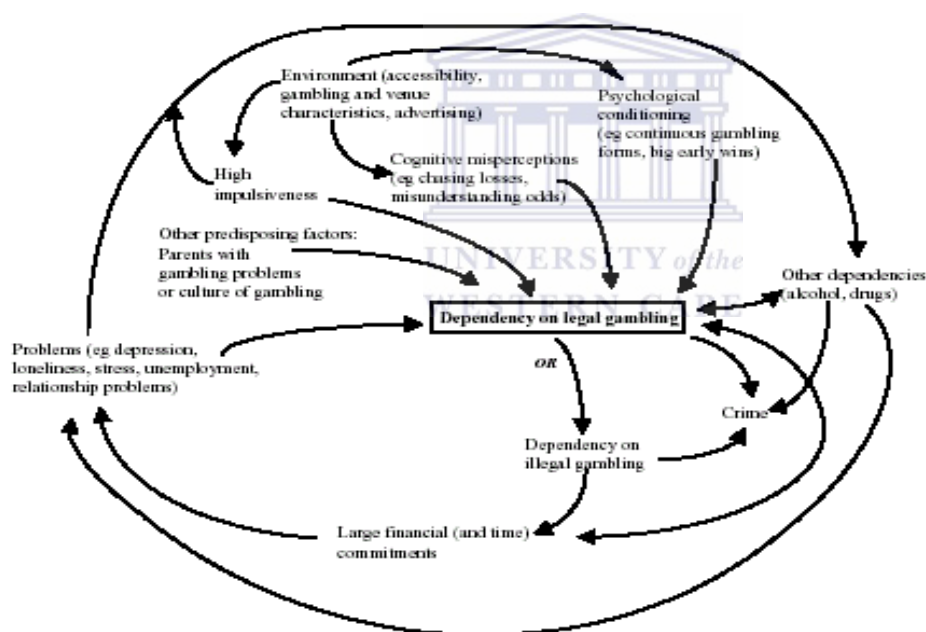
Figure 3.1 Gambling Impact on Society and Person



Source: Productivity Commission, 1999

Gambling starts out as recreational and slowly progresses to the point where it has consequences for both the gambler and their family. Just as with any other addiction, gambling is threefold in nature, mental, physical and spiritual, with its main symptom being denial and its major characteristic loss of control. Availability and accessibility determine the number of people that will gamble. The greater the number of facilities, the greater the number of people who participate and therefore the greater number of people who are at risk of becoming compulsive gamblers (Bekker, 2000) The literature on problem gambling shows that, while prior problems can precipitate problem gambling for some people, there are many pathways that go the other way (See figure 3.2).

Figure 3.2 Dependency on Legal Gambling



Source: Productivity Commission, 1999

In some cases, the problems stem from behaviour conditioned by the nature of the rewards offered by gambling. In others, problems stem from misperceptions about the chances of winning or recouping losses. In yet others, the problem occurs because of boredom, social isolation, depression or cultural factors (Australian Productivity Commission, 1999). A finding of this nature suggests that the existence of ‘problem gambling’ as a phenomenon

can be questioned, more especially by casino industry leaders. It seems as if there are people with problem who gamble and they get to be called ‘problem gamblers’.

3.6.3 ‘Problem Gambling’ – Does it exist?

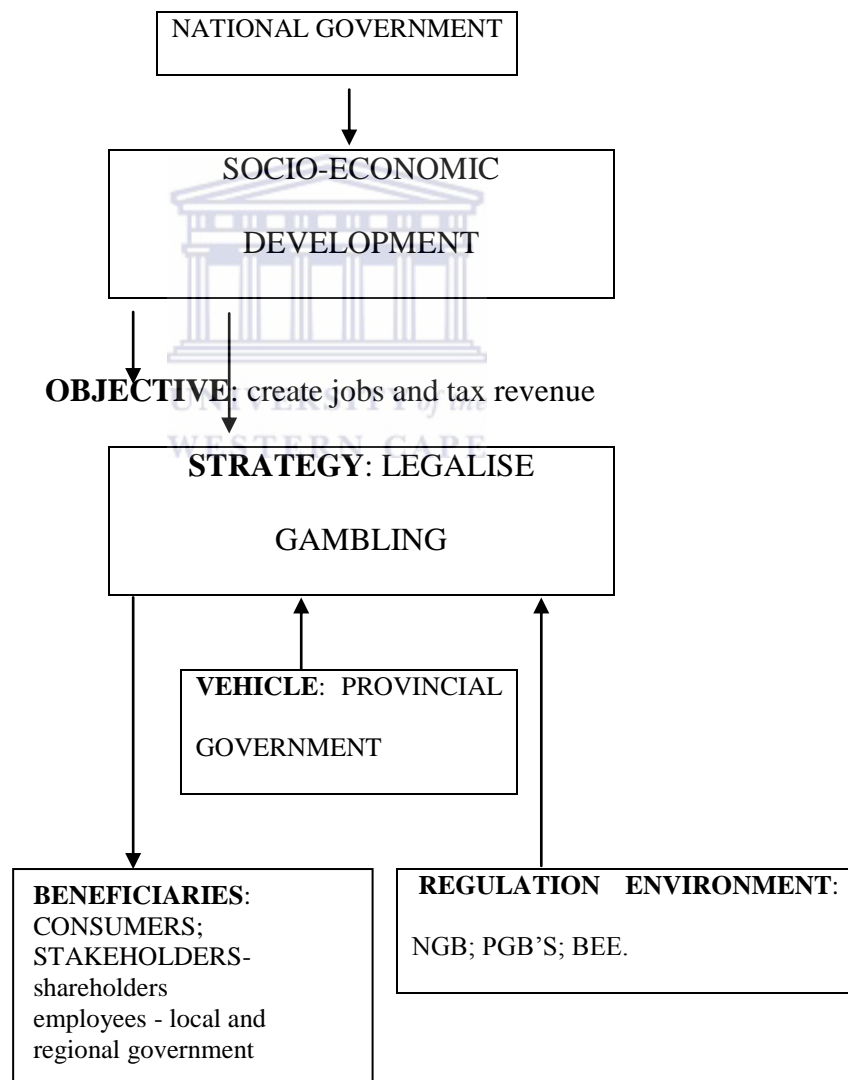
A significant amount of study has been undertaken on problem gambling, gambling behaviour in laboratory settings, and the economic impact of gambling, public policy issues, and gambling regulation. However, little empirical evidence has been gathered on gambling behaviour in an operating casino environment (Titz, Andrus and Miller, 2002). Titz et al. (2002) made an exploratory research examining relationships between casino play and hedonic factors. The hedonic factors examined were emotion, sensation seeking and impulsivity, absorbing experiences, and analytical characteristics. This exploratory research was examining hedonic differences between table game players and slot game players. It must be noted that this research is based on hedonic consumption paradigm, which hypothesize that there is a class of experientially motivated products and services. Gambling as a product is categorised under experiential motivated products which outside of the traditional perspective of the product and service domain. “Experientially motivated products are postulated as motivated by emotional involvement, sensation seeking and impulsivity, absorption into the activity, and a cognitive component” (Titz et al., 2002). According to the report on this particular study, it was found that there are significant differences and similarities between table game players and slot players. Both classes derive pleasure from the pursuit of gambling while they differ in terms of their respective experiences and their extent of involvement with the games. “Gambling is a fun filled activity for many participants” (Titz, et al., 2002). It looks like the problem is not gambling per se, but inability of patrons to resist the pleasure they derive from the activity/process. Researchers have found that gamblers become immersed in gambling activity. Gamblers lost track of time, ignored primary drives such as eating and sleeping, and escaped their

problems while engrossed in games”(Deci, 1975). The problem is not the existence of casinos, but the ability of patrons to derive pleasure from gambling to a point of destruction.

3.7 ECONOMICS OF GAMBLING

The following figure illustrating an economic model has been developed for this study by deduction from readings over time.

Figure 3.3 Government’s Casino Economic Model



According to Gross (1998), Lotteries, casinos, and other forms of gambling are being promoted by state and local government as painless ways to raise revenues. “...The

gambling industry often says that the gambling industry creates jobs. They say for every job created in the casinos, additional jobs will be created elsewhere in service and support sectors. Gambling will have a positive multiplier effect on the economy. The casino itself will purchase goods and services locally. Tourists and industry employees will spend money on local goods and service. The original gambling-industry dollar (Rand) will eventually go through several rounds of local spending” (Gross, 1998). “Gambling, once considered criminal, is now being chosen by business and community leaders as an economic development strategy. This choice poses critical questions for planners: what are the long-term effects on communities that use gambling for economic development? Who decides whether gambling will be introduced and what type of information is being used to make decisions?”(Gross,1998). The question that stands is whether casinos do really benefit host communities in real terms (i.e. initial capital investment v/s costly impacts of gambling industry on communities). The intention of casino development by any jurisdiction is to absorb the unemployed into the economy. As Perskie (1992) puts it, “Once the casino opens and the dice begin to roll, gambling creates an instant constituency. People depend on it for jobs. Governments depend on it for revenues”. According to the Western Cape Gambling and Racing Board annual report of 2001/2002, collectively, casinos generated R85 629 854, 00 in tax revenue for the provincial budget during the year under review. The following tables show statistics of employment generated through casino development (Western Cape Gambling and Racing Board Annual report – 2001/2002).

Table 3.1*

JOBS ALLOCATED TO PDI'S – CONSTRUCTION PHASE

Licence Holder	Construction jobs created	Jobs allocated to PDI's	% of jobs to PDI's
SunWest	6947	5590	80%
Caledon Casino	70	66	94%
Mykonos Casino	125	123	98%
CUMULATIVE TOTAL	7142	5779	81% (of total)

Table 3.2*

JOBS ALLOCATED TO PDI'S – OPERATIONAL PHASE (CASINO & OTHER)

Licence Holder	Operational jobs created	Jobs allocated to PDI's	% of jobs to PDI's
SunWest	2826	2283	81%
Caledon Casino	454	387	85%
Mykonos Casino	181	109	60%
CUMULATIVE TOTAL	3461	2779	80% (of total)

*Source: Western Cape Gambling and Racing Board

3.8 IMPACT OF CASINO GAMBLING ON LOCAL ECONOMY

The potential economic development problems relevant to legal gambling (casino gambling) include the following (Gross, 1998):

- Direct and indirect costs of pathological gambling and increased crime
- Cannibalization of the local economy
- Poor return on public investment in infrastructure
- Destabilization of the real estate market
- Market saturation and the long-term instability of gambling –dependent economies, and
- The regressive nature of gambling-derived revenues

The first problem goes into the core issue of addiction over source of entertainment. People get addicted to commodities from which they derive entertainment utility. “Dependence” is a more scientific construct, occasionally used by lay people (Shaffer, 1999). Direct costs of pathological gambling have to do with the gambler him/herself. Typical problems include loss of job, debt, and involvement in criminal activity. Indirect costs involve family and friends, and society at large. Families are destroyed, friendship ruined and tax revenue used for rehabilitation of an individual while societal needs take a cut in their budget.

In South African context, the second problem mostly implies heavy losses of income for small businesses. The small currency coins that used to buy fresh bread and milk daily at a

spaza (informal) shop, is now being used to play a slot machine to ‘solve financial problems for good’. The majority of South Africans are middle to low income groups and subsequently buy many commodities on credit. According to Joubert (2001), household debt in South Africa is still high, and new industries absorb consumer’s discretionary spending...The Mpumalanga Gaming Board released a report in July 1999 with the aim of evaluating the economic impact on the economy of the Mpumalanga province, specifically looking at the opening of casino outlets in Witbank, Secunda, and Nelspruit. “It is evident that the following business categories reported the highest negative impact from casinos namely:

Recreation and entertainment	42.2% of business
Durable goods	28.0%
Liquor trade	20.0%

These findings correlates with international experience that casino takings are largely redirected from other goods and services within the entertainment industry itself as well as from durable goods where postponement is possible, for example, furniture, jewellery and motor vehicles” (Mpumalanga Gaming Board, 1999). Casino development often brings about initial infrastructure like roads, casino complex, billboards, fuel stations, etc. The roads constructed to cater for traffic to the casino complex often than not are an inconvenience to host communities who have to use alternative roads because of traffic congestion. The billboards spoil the scenery while promoting ‘the road to riches’ which is often leading to misery’. Locals employed in the construction of the casino complex are left in the dust upon completion. The tax revenue derived from business revolving around the casino and including the casino itself do not find their way back to uplifting the very host community.

Casino complexes designed as urban casinos are often not constructed in residential area of the affluent. Host communities with a stable real estate market often experience increases in their estate values because of reasons like the possibility of opening bread and breakfast lodges for tourists. This is so more at the initial stage when the complex is new. Residents take high loans because of the allowing collateral value. The profitability of the guesthouse market will be directly dependent on the ability of the casino complex to sustain attraction of tourists.

The South African government has through its Gambling Act (Act No.33 of 1996) and Gambling Act (Act No. 7 of 2004) tried to contain the casino industry from being saturated. According to section 13(1) C of the National Gambling Act (Act No. 33 of 1996); “society and the economy shall be protected against the over-stimulation of the latent demand for gambling”, and subsequently section 13(1) (J) state that “a maximum of 40 casino licenses may be granted in the Republic, and such casino licenses shall be divided among the provinces...” (National Gambling Act, 1996). The Gambling Act (No. 33 of 1996) allows the Western Cape Province to have only five casinos in its jurisdiction. Given that currently (year 2002) only three casinos have been granted licenses, and that two of the three are resort casinos, there seem to be stiff competition for the same Rand. This unbalanced competition is bound to result in failure of some casinos and thus many becoming unemployed. Economies depending on gambling industry are facing a long-term unstable future with no clear capacity to predict appropriate investment plans for their enterprises.

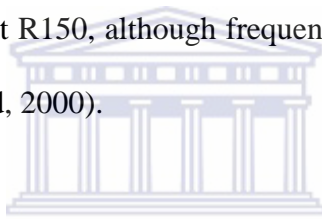
Gambling derived revenues are regressive in nature. The poor sectors of society, often from the host community, are expected to play within the casinos and the owners become rich. Government taxes the casino, and its revenue is being used to develop the very community that gave money in the first place (leaving problems during the process). A family plays

casino games constantly every weekend for about R2500.00 over a period of a year. For their loyalty, 'winning' a car to the value of R80 000.00 rewards the couple. Has not this family paid off the car with their betting?

Casino gambling is a commodity that produces nothing but entertainment to its consumers. "In its most positive light, gambling is a recreational outlet, the present manifestation of an evolution of entertainment and leisure products" (Christiansen and Brinkerhof, 1997). Casino complex centres are mostly designed to cater for entertainment of non-gamblers and in some cases this non-gamblers include pre-school attending children. The Western Cape Gambling Board has made amendments to its operational rules by including the rule relating to the availability of crèche and day-care facilities at casino complex, and prohibiting children from wandering unsupervised in certain areas (Western Cape Gambling and Racing Board, annual report, 2000/2001, p. 15). The question that gets raised with regard to the entertainment perspective on casino gambling is whether there is any consumer surplus? I.e. are casino gambling consumers receiving more value out of gambling than they are paying for? In answering this question, firstly there is a need to understand what exactly a casino-gambling consumer is paying, other than odds against a bet. In understanding the cost, let the point be raised that casino gambling consumers relatively fall into two categories; that of being affluent and thus loss of a bet being more of an inconvenience than anything, and that category of people with little discretionary income of which their bet losses may trigger real economic hardship. The affluent play for the fun and thrill involved and with no false hopes of instant riches, as such they pay the amount they bet and time (of which they had the capacity to create). The poor and working class gamble for more than entertainment if entertainment at all. They play for the possibility of winning the jackpot (highly remote). This category of gamblers can go to

extreme measures in search of a dream combination and ultimately develop into problem gamblers. Eventually what they pay for the fun of entertainment is the bet, time (taken from some important family affair), and social relationships (marriages, work, friendships).

Out of these two categories of casino gambling consumers, it is clear that the poor and working class derive no consumer surplus from their activity. They pay more than they receive for the commodity (i.e. casino gambling). The South African National Gambling Board in its study of year 2000 found that although target markets were middle to high-income groups, most of their customers were middle to low-income people. In most cases, customers lived in close proximity to the casinos they visited. The average amount spent per customer per visit was about R150, although frequent customers tended to spend much more (National Gambling Board, 2000).



Historically, casinos have been isolated from population centres as a protection against the negative social impacts of gambling. The emergence of significant easily accessible urban casinos began only in the 1980's in Holland, Australia, and Canada and more recently in parts of United States (*and South Africa*). Urban casinos, being located closer to where people live, are more accessible and more frequently utilized than rural casinos. However, customers of urban casinos are far more single minded in the purpose of their visits than customers of destination resort casinos. Their primary motivation is to gamble, not to have a resort experience. Thus the ability to support non-gaming activities as part of a casino complex- such as restaurants, hotels, and retail shopping- is less for urban casinos than for their destination resort counterparts (Eadington, 1998).

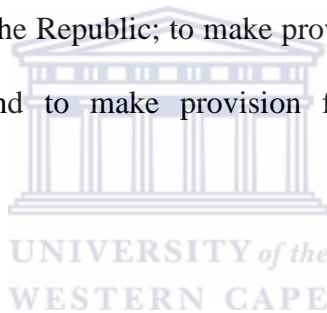
3.9 CASINOS IN THE WESTERN CAPE

There are three hotel-casinos in operation by 2002 in the Western Cape province-South Africa. They are Casino Mykonos in the West coast (a resort casino), GrandWest casino in the Metropole of Cape Town (an urban casino), and Caledon casino in the Overberg – a resort casino. Given that casino customers are mainly locals it then follows that the two resort casinos are competing for the same clientele as the urban casino. It is not possible to have urban casinos without reducing the economic potential of destination resort casinos within the same region. Both types of casinos may be deemed desirable with respect to regional objectives, but urban casinos competing for the same population base will reduce the demand and economic viability of more rural destination resort casinos. Because they are more convenient, urban casinos will be more survivable (Eadington, 1998). Urban casinos, with their ‘convenient’ location, are making money out of the poor and working class groups of society who are not chasing the resort experience but a life changing luck. The latest move in trying to place casino gambling more conveniently has been to introduce permitted gambling at horse racing tracks. The South African National Gambling Board followed this route with the aim of revitalizing the horseracing industry. Horse – racing was also promoted as fun filled family days offering a diversity of activities. Permitted gambling was introduced to horse racing tracks via installation of low paying machines (LPM's), which are casino style gambling. The industry hopes that the presence of these machines at their sites will add to the diversity of entertainment activities and thus draw more people to race meetings and therefore more race meetings (National Gambling Board, 2001). “Indeed, such facilities quickly become not so much race tracks with slot machines as casinos with racing as sort of sideshow” (Eadington, 1998). Policymakers usually authorize permitted gambling to create benefits for certain stakeholders. However, there is a tendency to continue to authorize new forms of gambling without fully

appreciating the adverse effects of such actions on previously authorized forms of gambling and their beneficiaries. To avoid this, policymakers should prioritize their goals and objectives when authorizing gambling and make every effort to understand the qualitative and quantitative trade-offs implied by various approaches to structuring a region's gambling industries (Eadington, 1998).

3.10 LEGISLATION ON GAMBLING: SOUTH AFRICA

The national gambling Act (No. 33 of 1996) of 1996 was enacted to make provision for the regulation and co-ordination of certain matters relating to casinos, gambling and wagering; for that purpose to make provision for the promotion of uniform norms and standards applying generally throughout the Republic; to make provision for the establishment of the National Gambling Board; and to make provision for matters connected therewith (National Gambling Act, 1996).



3.10.1 Legislation Intention

The Act allows the existence in the Republic of only 40 casinos, distributed among provinces in this manner;

Eastern Cape – 5;

Free State – 4;

Gauteng – 6;

Kwazulu Natal – 5;

Mpumalanga – 4;

Limpopo – 3;

Northern Cape – 3;

North West – 5;

Western Cape – 5.

The Act allows gambling debts to be enforced by law. Section 18 of the Act states that; “any gambling debt lawfully incurred by a person in the course of any gambling activity regulated by any law, and which is not in any respect in conflict with such a law, shall, notwithstanding provisions of common law or any other law, be enforceable in law.”

Gambling, a vice it is, has been shown to result in problems such as ‘problem gambling’. It is not known at what point a recreational gambler becomes a problem gambler. Is the Republic going to declare gambling debts incurred by a problem gambler (labelled or not) as lawful? This paper is of the opinion that this law should be looked into, given that problem gambling not only affect the subject person but also family connected to the person. Should the household be punished for ‘allowing’ one of their own to suffer from problem gambling? Did the household allow the person to have a relationship with gambling that led the person to loss of subjective sense and showing overwhelming impulse to gamble? In accepting the fact that there are no clear criteria in defining ‘addiction’, people will be evoked to provide a ready excuse for excessive behaviours that (addicts) people are unwilling to change. According to Shaffer (1999), without more clarity and precision, it will remain difficult to distinguish between someone experiencing an overwhelming impulse to act in a self-destructive way and someone who is simply unwilling to control his or her destructive impulses to act. As a result, clinicians and the criminal justice system alike will punish some people who need treatment and treat some people who really need censure. The Gambling Act, 1996, also establishes a juristic person known as the National Gambling Board. Its main function is to promote the general policy underlying gambling in the Republic as referred to in section 13 of the Gambling Act. According to Gambling Board Report (1996), it is the mission of the National Gambling Board to ensure

that the viability, sustainability and integrity of the gambling industry in South Africa is attained and maintained. This will be achieved by;

- Ensuring that the legislation of both national and provincial governments is guided by the same vision and principles;
- Ensuring that the rights of the operators in the industry and those of the public are protected by, for instance, avoiding over-stimulation of gambling, which can result in habitual gamblers with negative effects to society
- Providing advice, facilitating and establishing guidelines to ensure standardisation and uniformity within the broad regulatory environment.

The intentions of the Gambling Act, 1996, are clear. The implementation of the intentions is another subject to be looked into. The next chapter will look into implementation of the general policy underlying gambling in the Republic, and more so focus on the concept of economic empowerment. Has casino development in this country brought any meaningful economic and social development for the host communities? Gambling has been treated as a vice throughout history because of its documented problems to society and moral values of different religions and cultures. Economically, gambling has been presented as a saviour of the destitute only for the very poor and destitute to be the main source of revenue for the industry.

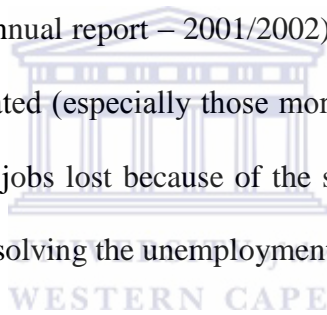
3.11 CONCLUSION

Gambling as a social practice is a cultural object. Ancient world inhabitants used tools (sticks, coins, shells, knuckbones, lots, etc) to obtain divine communication to affirm or condemn their plans. Later civilisation, with a better understanding of nature, replaced fear with curiosity and used the same tools to predict the future on their own without seeking divine intervention.

Introduction of the Art Unions Act of 1846 in the Cape Colony by the British was used as a vehicle through which English culture was promoted. The stated reason for the introduction of this Art Union Act of 1846 was to ensure that revenue derived, from otherwise illegal gambling, would be used for the encouragement of the fine arts.

Gambling is seen both as a source of entertainment and as a social order. The one social disorder that is prominent is pathological gambling. Literature shows that there are many pathways that lead to dependency of gambling; i.e. becoming a problem gambler. The Australian Productivity Commission (1999) says that problems can stem from behaviour conditioned by the nature of the rewards offered by gambling and the misperception about the chances of winning or recouping losses. It must be remembered that, as Haigh (1996) puts it, the house always make sure that combinations on bets are always to the disadvantage of punters. Although casino industry leaders point out that problem gambler are merely people with problems who gamble; it is the view of this dissertation that success of casino gambling as an economic activity depends heavily on the prevalence of an environment that encourages misconceptions about chances of winning or recouping losses.

This dissertation hereby proposes that casinos (and all other gambling form outlets) be forced by legislation to inform patrons that casino gambling does not operate on the chances and luck but on a set system designed to allow the house to always have an advantage. Industries like retailing, banking, and other similar industries are clear to their consumers/customers/patrons that prices are being charged higher than the cost of production so as to make a profit from sales. As one casino industry leader said, for every R1.00 played, only R0.02 cents is earmarked for winnings. The development of hotel casinos in the Western Cape has created 7 142 jobs during the construction phase, with 81% of those jobs going to previously disadvantaged individuals (PDI's). The operational phase has created about 3 461 jobs, with 80% of those jobs going to PDI's (Western Cape Gambling and Racing Board Annual report – 2001/2002). Cannibalisation of the local/host economy makes these jobs created (especially those more 'permanent' jobs of operational phase) to be just substitutes of jobs lost because of the strangled local economy. Jobs are created, but are not necessarily solving the unemployment problem faced by South Africa.



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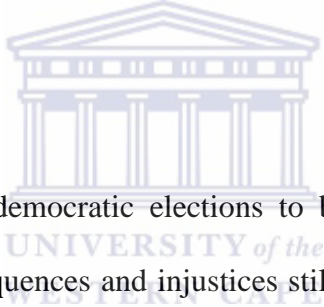
CHAPTER FOUR

4.0 ECONOMIC EMPOWERMENT

4.1 OVERVIEW

The purpose of this chapter is to show how socio-political history of South Africa renders such an initiative as black economic empowerment an important status indeed in the reconstruction of social South Africa. The chapter further critiques the proposed strategy by government for Black Economic Empowerment. The emphasis is put on the social and economic imperative of ensuring that the idea of economic empowerment becomes a success. This chapter is responding to sub-question 1c in the methodology chapter of what economic empowerment is.

4.2 INTRODUCTION



Nine years on from the first democratic elections to be held since the Apartheid Act became law in 1948, the consequences and injustices still affect every aspect of the social and economic life of ordinary South Africans. The scars of colonial and apartheid policies continue to have a devastating impact on the development of black human capital. Racism, poverty, inequity, unequal distribution of incomes, marginalisation of the majority of the population and high unemployment among the indigenous and the blacks are just some of them (New Straits Times – Management, 2001).

Black Empowerment has been a key feature of economic policy since the end of apartheid (*in South Africa*), but it has gained a higher profile under President Mbeki who has long argued that it is the key to transforming the country (South African country report, 2001). “With the majority of the population excluded from participation in productive economic activities, the ability to expand the material base of the economy is likewise limited”

(Enterprise Magazine, 2002, p.8). The gambling industry, as part of the private sector economy, is expected to contribute towards the advancement of economic empowerment in South Africa. This chapter will be looking at the meaning of empowerment and empowerment initiatives in gambling industry in South Africa.

4.3 ECONOMIC EMPOWERMENT IN SOUTH AFRICA

The need for transformation of the business environment in South Africa has grown out of realization that action has to be taken to move the economy from its white orientated past into the present. The political freedom having been achieved, it became imperative that in order for democracy to flourish, and to be embraced by all the people of the land, the equitable distribution of the fruits of liberation had to be ensured (Enterprise, May 2002). In 1998, the Black Business Council (BBC), which is a body of black business structure and professional organizations brought together by the desire to advance the cause of black empowerment, formed the Black Economic Empowerment Commission (Enterprise Magazine, May, 2002.). The BBC's mandate was to investigate the status of black economic empowerment in the country, to identify obstacles to the implementation of empowerment, and also to seek a definition for the concept of black empowerment. The findings as stated by Enterprise magazine (May 2002) came to one point; that less than 6% of the population, mostly white males, run the economy of the country, almost to the exclusion of the majority people of the land. There are also ethical issues that hoist head out from the empowerment concept; the fact that few people have enriched themselves, bring up questions about the efficacy of black empowerment to bring economic relief to the majority of the people, and to be used as an instrument to tackle issues of poverty reduction and rural development. It is interesting to note that companies like Sanlam and Volkskas Bank (now part of ABSA) were created unapologetically as Afrikaans institutions to

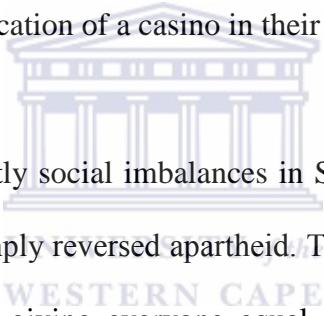
empower Afrikaners to bring them to the same level as the English who ran the economy (of South Africa) at the time. Over the past several years, government has implemented a number of strategies aimed at bringing about structural change in the economy and promoting a better life for all. The principle of democracy has been entrenched and there is new impetus towards building a vibrant economy. However, despite these efforts South African society remains characterized by vast racial inequities in the distribution of and access to wealth, income, skills and employment (Enterprise Magazine, May 2002). The following is a quotation from a discussion document in government forums on BEE (as at May 2002); “It is fundamental that the economy grow so as to ensure that all citizens can advance materially. However, economic growth itself will not lead to redress. Thus, with the intention of increasing the national growth rate, government of South Africa is implementing an integrated package of economic reform responses, which incorporates equity measures. This fundamental task, we believe, can only be achieved through agreement and joint action between the public and private sector and other stakeholders”(Enterprise Magazine, May 2002. Pg.9). The one highlighted objective of BEE has been the ensuring of broader and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity. Meaningful participation as a concept is open to many different interpretations. Hiring a black person for an executive management position by a ‘white company’ just so as to obtain a government contract for example, ensures continuous existence of this particular company -its blue collar workers (mainly black) and financial prosperity for the hired ‘window dresser’ manager. Numerous ‘factual’ examples can be cited of such window dressers, but it should be enough to mention that this phenomenon is prevailing in the South African economy. The research is much concerned about an added BEE objective, that of realizing a sustainable change in the racial composition of ownership, management and

the control of economic activities. The research question was stated earlier, and the hypothesis from which the research question stems is that *casino complex development is not directly related to economic empowerment of host communities*. In as much as the objectives of BEE have been raised this paper can still afford to ask the question; what is black empowerment and how is it archived? Trevor Lowen, managing director of Axis Interim Management introduces a new concept to South Africa of ‘interim management’. Interim management involves skills transfers from highly experienced people who have the right attitude (i.e. advancement of BEE), hard work and co-operation. The following is an illustration as given in Black Business Quarterly magazine-2002; A black person in a job, with the right qualifications but little or no experience, could easily flounder under pressure – anyone would! Surely grooming, guiding, coaching and mentoring a person to take over a management or more senior role makes sense? This is where the interim management comes into play. According to Lowen (2001), the modus operandi for the Black Empowerment process would be;

- A full description of the job/role must be agreed upon between the interim management company and the client.
- The employment of an experienced interim manager, on a contract for a limited time. Key performance areas and objectives, with milestones, are agreed upon with senior managers within the company. There will be clearly defined outputs for the job/role.
- The recruitment of a Black Empowerment Candidate with appropriate senior qualifications, experience and the potential to be groomed to fulfil the designed role.
- The article goes on to say that this process should involve skills testing the likely candidate in order to confirm his or her trainability for the role envisaged. Suites of

tests are available which can be used to evaluate such areas as: feature detection, orientation, reasoning, number speed and accuracy and working memory (Black Business Quarterly Magazine, 2002. Pg. 56). Lowen (2001) says, “It must be noted that ‘interim management’ is not a ‘temporary’ placement. It is a structured approach to achieving specific outcomes that can be measured in terms of both content and value. In this context the ultimate goal is the achievement of Black Economic Empowerment, through the development of the existing skills base.”

Do casinos have programmes that allow existing skills and knowledge in host communities to be developed? If there are no relevant skills, what programme of action is in place to ensure that host communities benefit economically (not just being blue-collar workers during construction) from the location of a casino in their area?



The economical and subsequently social imbalances in South Africa have to be redressed and their redressing need not imply reversed apartheid. The country’s new constitution has balanced the playing fields by giving everyone equal rights in eyes of the law. Black economic empowerment initiative is means by which government is trying to provide equal starting blocks for those who want to be economically active. It is from this perspective that this thesis is assessing the hotel casino industry in South Africa, particularly in the Western Cape province.

4.4 CRITIQUE OF STRATEGY FOR BLACK ECONOMIC EMPOWERMENT

4.4.1 Analysis

The discussion document (A strategy for Black Economic Empowerment, Discussion Document, 2002), is addressing the concept of Black Economic Empowerment (BEE). BEE Act of 2004 refers to that. BEE is a government initiative aimed at redressing the economic imbalances of the past created by apartheid laws that were limiting the

economic development of the black society in South Africa. The topic is focusing on possible strategies that can be followed by both public and private sector to ensure sustainable economic development of South Africa as a nation. The discussion has its boundaries grounded on socio-economic and socio-political environments as they interlink with one another.

The objective or main idea of the strategy is to bring about a structural change that will ensure that the participation of black citizens of South Africa is proportionally in line with their (black citizens) demographic dominance. The main claim of this strategy is that its outcome will in effect be a managed socio-economic revolution that will ensure the future stability and prosperity of all in society. The productivity base of the economy will expand through the inclusion of the majority of people into mainstream economic activities. The strategy also claims that it will be subsequently addressing the following objectives, with the consequence being the growth of a black middle class;

- Access to assets and opportunities for black people;
- Access to financial services and capital for black people, to facilitate affordable ownership, and increases levels of savings;
- The promotion of a targeted investment strategy which, through partnerships, direct public and private sector investments into areas of national priority, promote growth in the economy and provide additional employment and empowerment opportunities;
- Championing human resources development which best meets the needs of the economy and enables enhanced participation of black people at all levels of enterprise through increasing the levels of black skills; and

- Enhancing the commitment of the private sector and other stakeholders to implement and champion BEE measures.
- Ensuring the appropriate governance and institutional structures to implement, promote and monitor BEE.

The position of the document on the concept of BEE and its proposed strategy is that proper championing of BEE by public and private sector in their value chain will enhance competitiveness of firms. Black firms {a “black company” is one that is 50.1% owned and managed by black people. Ownership refers to economic interest. Management refers to executive directors.}(Enterprise Magazine, *Black ownership, control and influence*, May 2002), who still have to compete against established firms on the backdrop of globalisation, will, through support systems, enhance the competitiveness of South African firms and that of the economy. The South African government is said to be firmly viewing BEE as much a political as an economic imperative. The government’s concerns revolve mainly around the following points;

- a society that is characterized by vast racial inequalities in the distribution of and access to wealth, income, skills, and employment.
- Management positions that continue to reflect racial disparities
- Limited success in incorporating black people into controlling or skilled positions in the economy.
- Reinforcement of a low growth cycle by low private sector investment in expansion, jobs, human resources development, small business and infrastructure.

The government believes that if the situation is allowed to continue, it will lead to further erosion of the social fabric of society and create political crises, as the perception that whites are the main beneficiaries of the economy becomes further entrenched. Government,

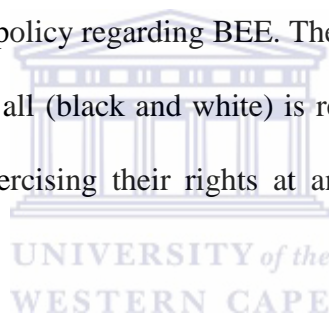
while acknowledging considerable time that will be needed to abolish the legacy of apartheid, believes that circumstances facing South Africa require a set of strategically targeted actions, which shift its (government) programs into another ‘gear’, with new models to facilitate investment in underdeveloped areas and promotion of equality for black people in skills, assets and income.

The discussion paper interprets BEE as a managed socio-economic revolution that will ensure the future stability and prosperity of all in the society. Black Economic Empowerment mainly focuses on the socio-economic development of black people in South Africa. The document is proposing that definition of a ‘black’ person be changed from “previously/historically disadvantaged” to “any person who is disadvantaged by the legacy of apartheid”. BEE also involves black ownership, control and influence in business enterprise. The document has the following definitions regarding economic interest;

- A “black company” is one that is 50.1% owned and managed by black people. Ownership refers to economic interest. Management refers to executive directors.
- A “black empowered company” is one that is at least 25.1% owned and managed by black people. Ownership refers to economic interest. Management refers to executive directors. This is said to be whether the black company has control or not.
- A “black influenced” company is one that is between 5 and 25% owned and managed by black people.
- An “engendered company” is one with at least 30% representation of black women within the black equity and management portion.

The discussion document supports its rationale for promoting BEE strategy through historical context. The preamble of the discussion document quotes President Thabo Mbeki on his 1997 speech about South Africa as a country of two nations. In the speech, the

president went on to talk about the one nation (white) being relatively prosperous with the possibility to exercise their right to equal opportunity. The other nation (black) is poor and underdeveloped. It has virtually no possibility to exercise what in reality amounts to a theoretical right to equal opportunity, with that right being equal within this black nation only to an extent that it is equally incapable of realization. The discussion document paper is in favour of BEE as a government policy. The view is that the success of BEE is important in securing political stability in the country and subsequently ensures sustainable economic development required. The historical context used to develop the argument in the document is that of South African political and socio-economic climate that prevailed in the days of apartheid government policy. Apartheid is seen and used as an explanation of the need to have a government policy regarding BEE. The new constitution of South Africa and the equal rights it gives to all (black and white) is referenced to highlight the need to capacitate all in society in exercising their rights at any given moment without unjust constraints.



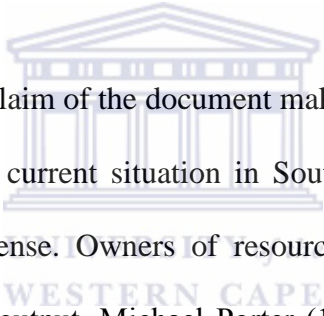
In 1998, the Black Business Council, which is a body of black business structures and professional organizations brought together by the desire to advance the cause of black empowerment, formed the Black Economic Empowerment Commission (Enterprise, 2002). The BEE Commissions' mandate was to investigate the status of black economic empowerment in the country, and to identify obstacles to the implementation of empowerment, and also to seek a definition for the concept of black empowerment. The commission handed its report to government in June 2001, and this document proposes a strategy by government to be followed by both public and private sector. The document follows various discussion documents and debates in parliament on the concept of black empowerment. This particular discussion document was produced in 2002.

4.4.2 Critical Engagement

The document has omitted implications of BEE concept on the mindset of white young South Africans who might view BEE as reversed apartheid. The white youth (maybe male) might feel that they are being ‘punished’ for the apartheid policy through equity discrimination at workplaces. This view could explain the ‘brain drain’ experienced by corporate South Africa (not that it is only whites that are leaving the country ‘for greener pastures’) and the exodus of white community to a country such as Australia. This view should not be misunderstood to mean blacks being apologetic for being blacks. The point is, only informed (correctly so or otherwise) citizens will support and champion any government policy. On another note, the document is proposing that a current approach of defining black as previously disadvantaged or historically disadvantaged be done away with. The new definition of black is proposed in the document as; *any person who is disadvantaged by the legacy of Apartheid*. Present tense is used in the definition, and subsequently, depending on the viewpoint and argument, every one in South Africa is potentially black since the legacy of apartheid is disadvantaging all residents of South Africa (maybe not in equal measure; then again there is no yard stick to be used to decide at what point to label one as being disadvantaged by legacy of apartheid)

The document’s use of word(s) such as ‘championing’ implies a strong support for the proposed strategy. On the other hand, this word, *untrammelled*, taken from the following sentence in the document; “*the untrammelled operation of the market will lead to an under-investment in human capital and inadequate attempts to expand the ownership base, broadly defined*”; is being used out of context. The simplest definition of the word is that of hindering or prevent. The document assumes that market forces are designed to counter-act intentions of BEE concept. Preventing progress of the market and intervening in the market

are two different actions with two completely different implications to the economy of the country. It seems the document is suggesting that economic market in South Africa is synonymous with white advancement. There are cases of Mzi Khumalo (Mawenzi Asset Management); Cyril Ramaphosa (Johnnic Industrial Corporation), Irene Charnley (former Chairperson Non-Exec.M-Cell limited); Tokyo Sexwale (Mvelaphanda Resources Limited); Mashudu Romano (African Harvest); black people who are players in the very market system under scrutiny, Available:www.mbendi.co.za (Accessed: 2003, September 12). The market is not the problem, but rather it is the attitude of big and powerful players in the market that is of concern, of which majority happens to be white. Maybe the issue is not even attitude, but the nature of capitalism.



In a political context, the main claim of the document makes sense, but when looked from a capitalistic viewpoint, then the current situation in South African (i.e. seven years after democracy) economy makes sense. Owners of resources have no intention of sharing proceeds from their resource's output. Michael Porter (1980) talks about four forces that decode competitiveness in the free market. One of these forces is the threat presented by a new entrant into the market. It follows that those current players, who happen to have large control on the resources, will protect themselves from this threat through all legal means necessary. The BEE is seemingly calling for a fundamental shift in the structure of the capitalist economic system.

4.5 CONCLUSION

It is understandable that this discussion document is written in response to a critical socio-economic situation in South Africa where the minority of the population has major control on the country's economy. The document must come clear on the requirements it deem necessary for successful implementation of the BEE initiative. If the requirement is for a paradigm shift in free market economy principles, than it must say that and not use other words that imply the same position. The casino gambling industry will have to ensure that their business structures are such that 'they increase the extent to which communities, workers, cooperatives and other collective enterprises own and manage (existing and) new enterprises and increase their access to economic activities, infrastructure and skills training'. (Broad Based Black Economic Empowerment Act, No. 53 of 2003, 2{c}).



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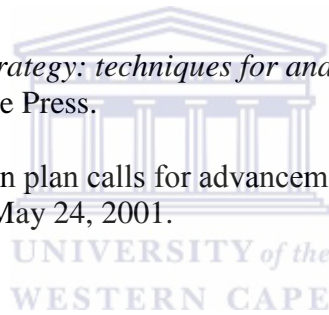
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CHAPTER FIVE

5.0 MARKETING MANAGEMENT THEORY

5.1 OVERVIEW

This chapter seeks to discuss the theoretical orientation of this study. The theoretical orientation is that of business marketing. The aim is to use business-marketing theory as a ground upon which the casino gambling will be assessed. The chapter will adopt a marketing definition and show application of concepts of the marketing mix and strategies of each variable, and market segmentation and its application within the casino gambling industry.

5.2 INTRODUCTION

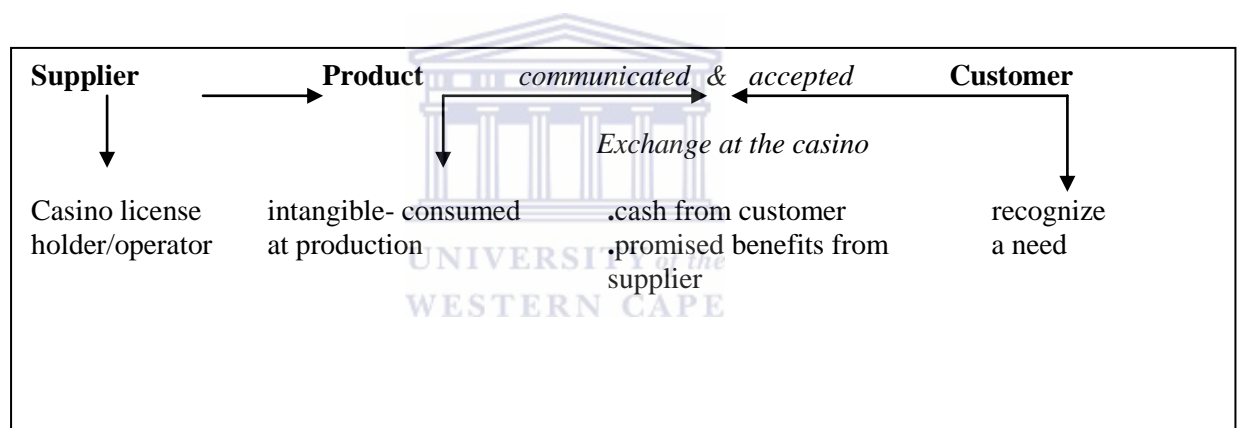
Commercial business entities that are serious about surviving the competitive environment need to be aware of who their [potential] customers are; products they want; prices they are willing and able to pay; the place at which they want the product to be when needed; and time(s) at which they need or want the product. Casinos, like any other commercial entity, are in the business of making a profit by providing something in exchange for the customer's money and time. It follows that casinos must apply marketing strategy within their business to be able to compete for the disposable income of society.

The methodological chapter has the main thesis question and sub-questions. The first sub-question asks how casino gambling is marketed. This chapter will try to address a plausible response to this question.

5.3 THE MARKETING MIX

Marketing mix is the combination of product, pricing, promotion, and place location & distribution activities (Longenecker, Moore, and Petty, 2000: 146). A business entity can only start to entertain activities in the marketing mix once it has identified a target market. “A market is a group of customers or potential customers who have purchasing power and unsatisfied needs” (Longenecker et al, 2000:155). The idea behind marketing mix is to ensure that customers or potential customers choose the organization’s products, accept the price tag, having been made aware of the product and that the product in question is available at the right time. This exchange process of value for money is illustrated as such;

Figure 5.1 Casino Gambling Product Supply Chain



5.3.1 Product Offering

Longenecker et al. (2000:119) grouped the marketing mix variables of product, price, and place as ‘the offer mix’, while promotion as ‘promotional mix’. The organization must decide what/which product(s) are they going to offer. This product has features, which in turn each feature has a benefit it serves for the total product to meet the customer’s need. The product can either be a good [i.e. tangible, less perishable, with greater standardization, and with occurrence of consumption at a different place than the selling point] or a service [i.e. intangible, greater perishability, with less standardization, and with occurrence of

consumption at the same time as production]. Casino gambling can be classified as a service product since consumption takes place at the same time as the betting and gaming is made. This classification is also true for Internet gambling in so far as the betting and gaming is considered to be taking place on the computer used. However, the focus of this study is not on Internet gambling, thus this point will not be entertained in this study.

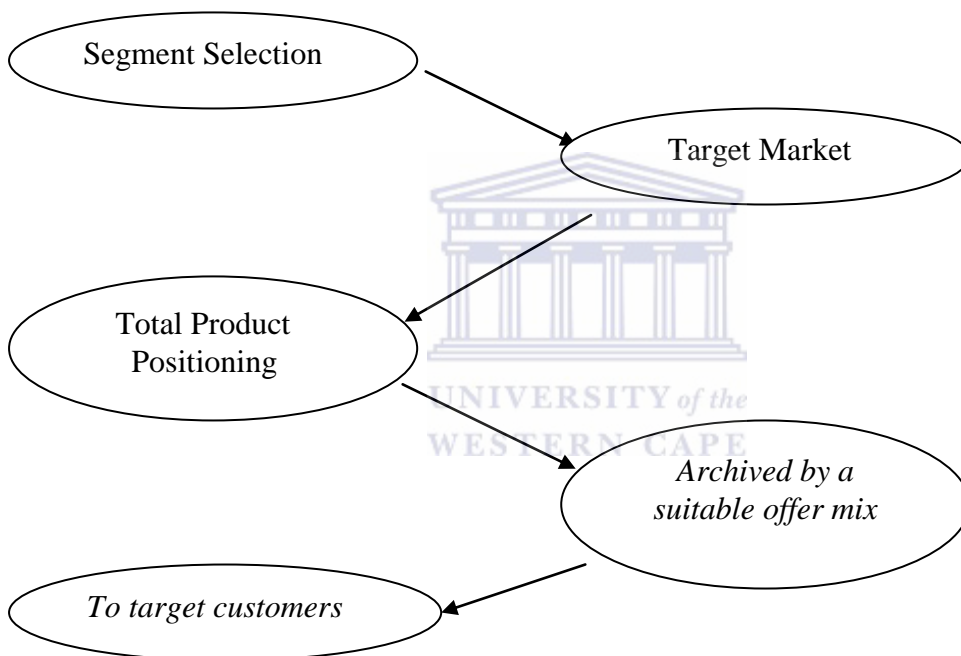
The product strategy an organization will adopt is informed by the desire to make a sale in exchange for cash. The making of a sale is likely to take place if the customer or potential customer is conscious of the availability of the product, and of what needs the product proposes to meet. An organization can decide to position its product as valuable in the mind of the consumer. The basic idea of positioning is that your product as an organization must occupy a certain perception in the mind of your target market. “Positioning starts with the choosing of a segment in which to compete. It goes further, in that an organization could adopt a premium position or a low-cost position within that segment” (Adcock, Bradfield, Halborg, & Ross, 1995:126) Adcock et al. (1995) continue to say that while it is the perception of customers regarding the product that is most important, there must be some consistency between the product’s attributes and the perception of the product. This consistency can be achieved by the use of the positioning map (see figure 5.2)

The perception of gambling as a vice is informed by morals and values. The perception of gambling as a game of robbery and fraud is informed by suspicions that casino houses are in fact not gambling because they know the outcome. The casino house knows the outcome because of the mathematical facts that ensure that the house does not lose in the long run. As Haigh, in: Sean French (1996) puts it; “the combination of a house edge on any bet,

whether on one spin or on many, is to ensure that every collection of bets, whether on one spin or many, is at a disadvantage to the punter”.

Casino gambling as a product offers [benefits] glitz and glamour environment [where gamblers are attractive to the opposite sex], entertainment for the bored, and generally, a recreation for adults. There is a number of games [features] provided by casinos to gamble on, which include slot machines, roulette, cards, bingo, et cetera.

Figure 5.2* Market Segmentation Schedule



* Adopted from Adcock et al. (1995)

5.3.2 Pricing

“The price of a product (goods) or service specifies what the seller requires for transferring ownership or use of that product or service” (Longenecker et al., 2000: 298). Price is the only part of the marketing mix that brings income to any organization, with income being defined as cash/currency. Pricing has the power to determine the outcomes of the other marketing mix components. The set price itself is informed by cost of production/offering

and organizational objectives. These organizational objectives revolve around the positioning of the product in the mind of the consumer. High prices suggest high quality to some and robbery to others. Other people perceive gambling as a form of robbery because casinos are not gambling on outcomes since they are aware that whatever the outcome, the casino will always be on the advantage. Casino gambling is said to offer entertainment, if not hope of instant riches, in exchange for the patron's money and time.

Pricing strategy must consider the behaviour and characteristics of the market/industry and the overall marketing strategy of the organization. According to Longenecker et al. (2000: 305), "pricing strategies that reflect these additional considerations include penetration pricing, skimming pricing, follow-the-leader pricing, variable pricing, flexible pricing, price lining, and what the traffic will bear. Adcock et al. (1995) also talks about premium pricing. The choice of these pricing strategies will be determined by the nature of the product offered. Casino gambling offers its entertainment through different mediums with different prices or starting bets/stakes. Collins (2003) is mentioned in the methodological chapter talking about gambling odds being the price for derived pleasure by the customer. He continues to say that, "worse odds for players are higher prices. If a gambling machine has a hold of 10 percent, this means that the odds against winning are 10:9 if it takes ten minutes to play \$100 in a machine without recycling the winning, then on average, at the end of ten minutes' playing time, you will have \$90 left, and, it will have cost you \$10 for the pleasure of ten minutes' playing time." The price of gambling is not being communicated adequately to (potential) clients. Australian Productivity Commission, (1999) gives an example of a case of black rhinos (a particular gaming machine), where consumers could be told that (as confirmed by the manufacture) if they bet one line per button push, in order to have just a 50 percent chance of getting five rhinos:

- It would take them 6.7 million button presses, or
- At ordinary rates of playing, it would take them 188 years of playing or 392 days absolutely continuous play (24 hours a day); or
- It would cost them nearly \$330 000 (R3 300 000 at R10 exchange rate to dollar).
Clearly, this machine also pays out many smaller prizes with much higher probabilities.

In as much as this is an extreme example, the general point is that people are chasing the illusive jackpot and nothing much else. This point raises an issue of ethics in marketing. Camelish, (1992.pg 493), in his argument says that one might attempted to bring together the goals of marketing as seen by business and as seen by the customer or the larger society by suggesting that the goal of responsible marketing is to inform the customer about the product so that sales will increase. “Assuming that marketing and marketers want to be part of morally defensible transactions, one might then say that viewed from society’s perspective, the goal of marketing should be to increase the likelihood and frequency of free and informed transactions in the marketplace”(Camenisch, 1992). How is the casino gambling industry positioning itself relative to this argument by Camenisch that responsible marketing should increase the likelihood and frequency of informed (the high odds of losing) transactions in the market place?

5.3.3 Place/Distribution

This component of the marketing mix is concerned with making the product available to the customers. Distribution includes selecting the channel through which the product will move from the producer to the final user and the physical location of the selling point. Longenecker et al. (2000:344) defines channel of distribution as a system of relationships established to guide the movement of a product. This channel can be either direct [with no intermediaries between the producer and the consumer], or indirect [involving a number of

intermediaries who add value and price to the product along the line]. Most of the services products are distributed or delivered through the direct channel, and casino gambling, being consumed at the same time as it is produced, uses the direct channel of distribution to reach its final buyer.

The physical location of a business entity is influenced by the concept of accessibility. The business must be accessible to its target market. Wesgro (2000) says that the GrandWest casino was located in GoodWood because it would be a great integrating force; the Caledon casino is competing for traffic with other Overberg region attractions, with Cape Town because of its proximity to the city centre (100 km) and with the Hermanus coastal resorts (50 km); Casino Mykonos in Langebaan is competing with other leisure activities in the expanding West coast peninsula, which already boasts the west coast national park, the idyllic coastal fishing villages and the Berg River estuary. These developments have the potential to lead to cannibalization between economic sectors, and thus displacement of profits and not necessarily creation of new profits.

Distribution strategy can focus on either pushing the product into the immediate market or inducing a pull (demand) from the final consumer. Casino gambling uses direct channel of distribution, as their immediate market is same as their final consumer. This similarity allows casino marketers to fully use the pull strategy. The success of the pull strategy requires the final consumer to be aware of the product and its offerings. Usage of this method can be seen to be similar to creating/inducing latent demand. Legislation prohibits over-stimulation of latent gambling demand. Product promotion prior to launch, or just dumping the product on the consumer without initial promotion, is the same as stimulation of latent demand.

5.3.4 Promotion

According to Adcock et al. (1995:229-230), “a promotion strategy developed by a company will aim to accomplish an improvement in the way that the company, and its goods and services, are perceived”. Promotion is used to make customers and potential customers an offer from the organization. The promotion mix is made of sales promotion, advertising, publicity, and personal selling. Longenecker et al. (2000:324) says that the company’s promotional mix is determined by three major factors, which are;

- Geographical nature of the market
- Who the target market is
- Characteristics of the product

Casino gaming as a product has to be promoted with consideration of BEE objectives. One of BEE objectives is to empower the process thought of individuals. Casinos must ensure, in their promotion strategy, that they fully inform their target market about the characteristics of the product. In this case, the characteristics of casino gaming promoted, should include the fact that casino gaming involves chance and that the odds of winning are very low for the player as compared to the casino house. Any casino gambling marketer will at least have to find answers to the following question to be able to develop a sound promotional strategy; how is casino gambling perceived by the host community? What needs do the host community have that a casino is satisfying? The chosen promotion strategy is likely to be the same strategy employed in the distribution channel.

In general, marketing strategies face the challenge of appropriately positioning a business relative to competitors. Porter M., In: John R. Schermerhorn, 2002: 215 has developed four generic strategies that organizations can pursue. These generic strategies are;

- Differentiation

- Cost leadership
- Focused differentiation
- Focused cost leadership

Differentiation strategy will focus the organization's attention and resources on differentiating its bundle of offerings from those of competitors. Casino gambling is said to be offering entertainment, and as such could differentiate its form of entertainment from others such as participation in recreational sports. Cost leadership strategy will try to ensure that the organization's costs of production/operation are kept considerably lower than the competitor's, with the idea of pricing bundle of offering lower than the competitor's. Casino gambling is seen to be applying the economic concept of opportunity cost. Opportunity cost is the cost associated with opportunities that are forgone by not, in this instance, visiting the casino for gambling. Adoption of this strategy is evident in the television advertising that communicates opportunity to gain the lifestyle of the rich and glamorous. Focused differentiation strategy will see an organization focus the uniqueness of its offerings to one segment of the market. The assumption is that the particular organization is clear of who its target market is. It is not clear whether casinos have segmented their market or not. The segmenting criterion most communicated is that of age, where persons under the age of 18 are not allowed to gamble, and thus not part of the casino gambling market. Other than this criterion, everyone available to listen is targeted. GrandWest casino in GoodWood is accessible by rail, road and foot. The communicated message of rags to riches is likely to have more [intended] impact on the poor sector of the [host] community. Focused cost leadership strategy also focuses on a segment of the market, but also tries to be the cost leader within that market. Casino marketers can also apply the economic opportunity cost concept. However, the strategy is likely to be effective to a degree that the targeted segment is sizable.

The above generic strategies have brought up the concept of segmentation. Adcock et al. (2000:87) says segmentation is the principle of selecting the classification most appropriate to the groups of customers identified. The classification can be demographic, geographic or psycho graphic. Adcock et al. (2000) continues to say that the segment must be useful to be considered. The usefulness is measured by definability, sizeable, reachable, and relevance. A definable segment will have key elements that are similar or homogeneous. How is the target market of casino gambling homogeneous to a degree that it can be defined? The answer is age. All casino gambling customers are adults. Other than that, casino customers and potential customers are different in economic status; geographic location; preferences; and needs. The Casino gaming market is thus segmented demographically through the Gambling Act's regulation on age. Geographically, the market is segmented with the use of urban casinos located in the city, targeting city dwellers, and rural/resort casinos located in rural locations to target resort holiday takers. The segment must be of a considerable size to warrant investment and expectation of required turnover and profit. The distribution channel must be able to reach the segment with less cost and with efficiency. The Living Standard Measurement scale is a tool used by marketers to help with proper segmentation of the market. "The Living Standard Measurement Study was established by the World Bank in 1980 to explore ways of improving the type and quality of households data collected by government statistical offices in developing countries. The objective of the LSMS were to develop new methods for monitoring progress in raising levels of living, to identify the consequences for households of current and proposed government policies, and to improve communications between survey statisticians, analysts, and policymakers" (Grosch et al. 2005, p.1). The poor within a society occupy LSM 1, while the most affluent members of society occupy LSM 10. Table 5.1 shows the average household income for

South Africa over three years. It should be noted that income level does not feature as a variable in determining the LSM grouping of an individual or society. According to Dr. Paul Haupt (2006), “the LSM is a wealth measure based on standard of living rather than income...” The locations of the four sampled casinos are situated in areas where society occupies LSM group 2 to 5. GrandWest casino is noticeably located around an area such as Kwa - Langa. Kwa - Langa has since its inception reflected the excesses of apartheid, from disintegrated families through the migrant labour system to poor conditions of hostel dwelling and socio-economic deprivation. These problems have had long-term negative effects on the community and remain widespread. The 2001 Census 2001 statistics for Kwa - Langa show an estimated total community population of 49 664 people as follows: Black African – 49 499; Coloured – 153; Indian or Asian – 0; White 12. Available on: <http://www.ijr.org.za/reconciliationreconstruction/memoryhealing/langaprofile> (Accessed: 2006 May 25). Club Mykonos finds itself located within the Saldanha Bay Municipality. According to the population distribution in the municipality, the smallest population numbers occur in Langebaan and Paternoster. This could be due to the reason that Langebaan an Paternoster have less job opportunities and their economies are vested in the fishing and tourism sector. Available on: <http://www.wesgro.org.za/assetlibrary/assets/25468007.pdf> (Accessed: 2006 May 25).

Table 5.1* Average Household income by LSM

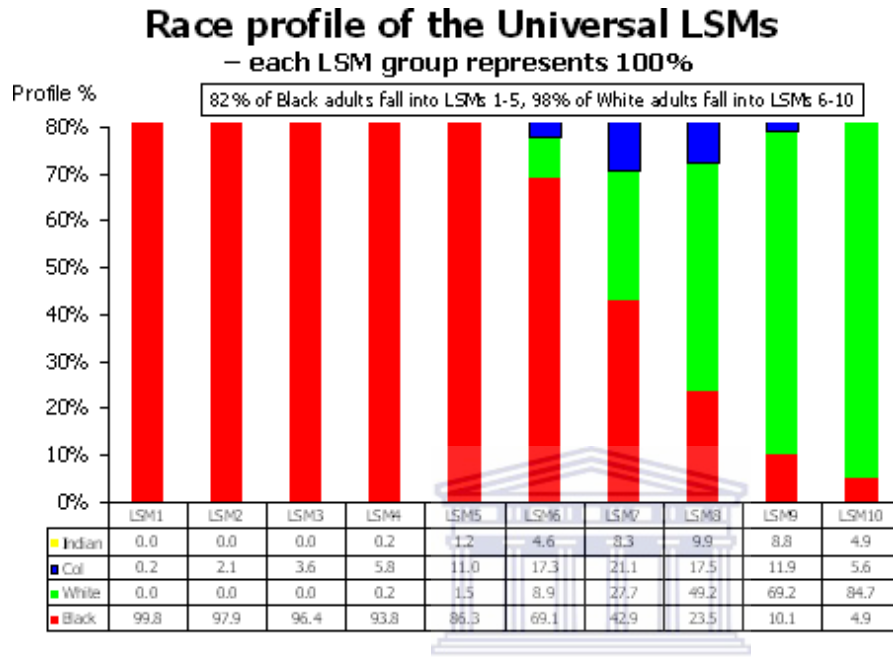
SAARF UNIVERSAL LSM GROUPS
 % of population and Av. Household Income shown over 3 years

	Penetration			Average Household Income		
	2001A %	2001B %	2002A %	2001A	2001B	2002A
LSM 1	11.9	10.5	10.2	R 749	R 777	R 804
LSM 2	13.6	14.0	14.3	R 884	R 885	R 962
LSM 3	14.0	14.3	14.0	R 1 092	R 1 107	R 1 188
LSM 4	13.4	13.8	13.7	R 1 541	R 1 523	R 1 570
LSM 5	12.5	12.5	12.5	R 2 171	R 2 205	R 2 230
LSM 6	12.5	12.6	12.6	R 3 571	R 3 557	R 3 619
LSM 7	5.9	6.0	6.4	R 5 376	R 5 509	R 5 675
LSM 8	5.7	5.8	5.8	R 7 275	R 7 428	R 7 587
LSM 9	5.4	5.4	5.6	R 9 562	R 9 861	R 10 245
LSM 10	5.0	5.1	5.0	R 13 463	R 13 788	R 15 076

Source: Government Communication and Information System (GCIS, 2003)

Table 5.2 below shows the race profile of table 5.1 above. According to table 5.2, 82% of adult black people in South Africa fall into LSM 1 to 5. The point is to illustrate that casinos are choosing site locations where the majority are poor.

Table 5.2* Race Profile of LSMS in South Africa



Source :AMPS 2002a

Further analysis of tables 5.1 and 5.2 shows that blacks are dominant in the LSM 1 category, while whites are dominant in the LSM 7-10. It has been shown that casinos (GrandWest specifically) locate deliberately in a relatively poor community. The majority of the casino customers are bound to be those nearest to the casino complex (accessibility and convenience factors), with the hope of instant riches from jackpot winnings. This host community is the least that can afford to gamble their money/livelihood away. This study is not necessarily suggesting that the wealthy and reach must not be protected from the negative externalities of casino gaming or that they are immune to such externalities. BEE is targeting the idea of promoting the black majority to a point where they are socially empowered and are able to meaningfully engage in the mainstream economy, and deliberate targeting of the poor and marginalized with convenient gaming venue is not

exactly adding to the objectives of BEE. The LSM survey tool as used in the above analysis, has not gone without critique from other quarters. One major critique is raised by Kleppe and Gronhaug (1998) where certain error sources have been identified. According to Kleppe et al, these error sources are; problems to define the household unit errors imposed by use of key-informants, field translation ambiguity, reference period, problems and difficulties imposed by the interview setting.

The critique on the use of household as the unit of analysis draws mainly from differing definitions of a household from one society to another. Idiosyncrasies of each social group, specifically looking at South Africa's multi-cultural nation leads to different definitions of household, family, family head being used. Such differences compromise the quality of the LSM survey findings. Going with the household definitions, a typical black township (as in of African origin) situation arises where 'head of the family' – as in the father, is unemployed while living a comfortable lifestyle by virtue of city based children subsidising household income. In the above case, the household contents suggests a lower LSM category/segmentation while the disposable income says the unemployed father can be segmented as a potential customer (of the casino). A conclusion can be drawn from such critiques that says hosting communities such as Kwa-Langa (in case of GrandWest casino) may be having sizeable disposable income while not placing much importance in certain wealth level determining variables in the LSM survey, leading to their lower LSM classification by virtue of not owning such items.

5.4 CONCLUSION

Marketing is a business activity that encompasses providing customers and potential customers with a bundle of need satisfying products. Any marketing strategy adopted has to appreciate the importance of the marketing mix. The marketing mix determines the

nature of the product to be offered, its features and characteristics; the price to be offered/charged; means to be employed for getting the product to its final user; and ways through which the market will be made aware of the existence of the product and its benefits.

The chapter also dealt with the practice of market segmentation. Any large heterogeneous market needs to be segmented into relatively homogeneous characteristics. The purpose is to be able to focus the resources and efforts of an organization to a specific market to ensure maximum return on investment. Casino gambling market is segmented demographically by age and geographically through offering of two types of casino establishments, i.e. resort casino and urban casino.

This chapter wanted to respond plausibly to the first sub-question in the methodological chapter.. This chapter has developed an assumption that the casino gambling target market exist as consumers who recognize a need and take steps to meet that need. The next chapter will look at the consumer behaviour model that is likely to best represent the consumer decision-making behaviour of casino patrons.

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CHAPTER SIX

6.0 CONSUMER BEHAVIOUR

6.1 OVERVIEW

This chapter seeks to explore consumer behaviour and the model that best represent casino patrons. The importance of understanding consumer behaviour is highlighted in chapter one under marketing problem definition. The chapter will present definition of consumer behaviour, present an adopted model for this study's purpose, discuss consumer behaviour and marketing strategy, and the usefulness of consumer behaviour audit for casino marketers, and develop a consumer behaviour audit for casino consumers. This chapter will integrate the implications of consumer behaviour on casinos into the theoretical discussion.

6.2 INTRODUCTION

An awareness of how the target market behaves relative to an organisation's products and image is important. An organization need to understand why consumers buy what they buy, and how they do the purchase. Michael Solomon, Gary Bamossy and Soren Askegaard (1999, p.8) define consumer behaviour as a study of the processes involved when individuals or groups selected, purchase or dispose off products, services, ideas or experiences to satisfy needs and desires. Casino management has to know why patrons choose to gamble, situations that lead to a particular choice, and how the patrons dispose off the experience of gambling. The differences between customers and consumer will be highlighted. This difference will show that families of casino patrons can be consumers of 'benefits' or 'negative externalities' as produced by casino gambling. According to Loudon and Della Bitta (1993, p.5) in: Menisha Adams (1997, p.72), the term 'customers' is used to refer to someone who regularly purchases from a particular store or company. The term "consumers" more generally refers to anyone engaging in activities such as evaluating,

acquiring, using or disposing goods and services. Adams (1997, p.72) concludes that therefore, a customer is defined in terms of a specific firm while the consumer is not. She continues to say that consumers are potential purchasers of products and services offered for sale. The adopted consumer behaviour model adopted for this study will show how casino gambling affects/involves not only its customers but also households housing customers and society in general. The consumer behaviour audit will be undertaken to show how casino gambling marketing is influencing the behaviour of consumers. According to Schiffman and Kanuk (1994, p.8) in: Adams (1997, p.72), end-use consumption is perhaps the most pervasive of all type of consumer behaviour, for it involves every individual, of every age and background, in the role of either buyer, or user, or both.

6.3 CONSUMER BEHAVIOUR MODEL

Cathy Neal, Pascale Quester, and Del Hawkins (1999) present a consumer behaviour model that consist of consumer lifestyle, attitudes/needs, situations, and experience (see Figure 6.1.)

Figure 6.1 Consumer Behaviour Model

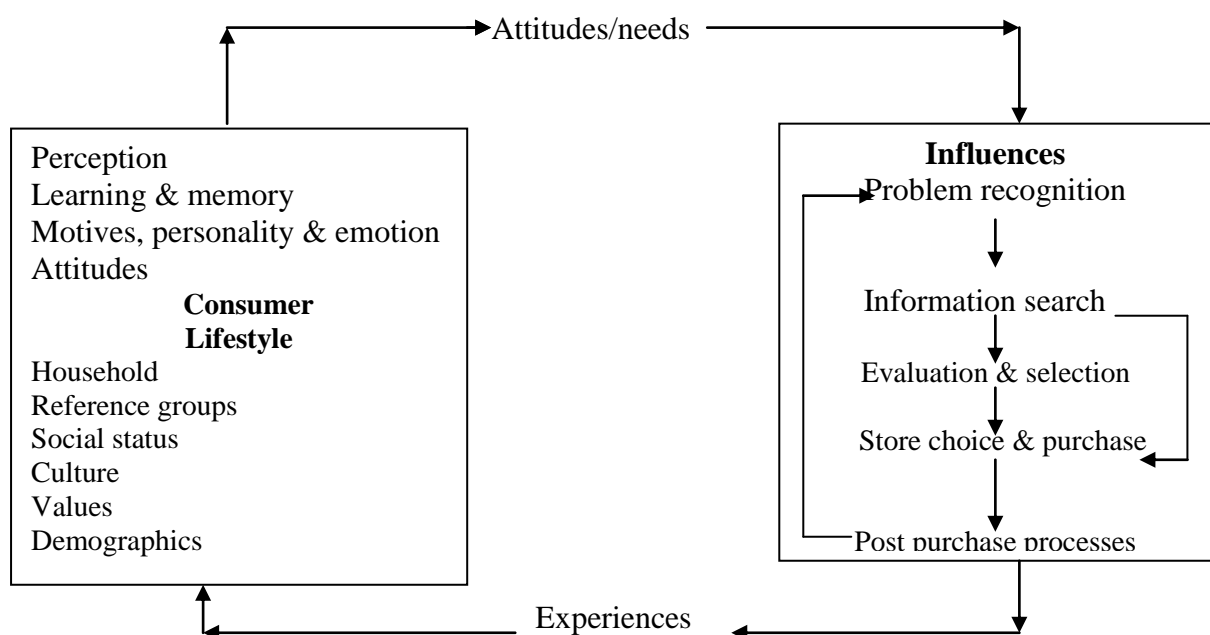


Figure 4.1 represents a general representation of how consumer choice is influenced and determined. This schema shows attributes that inform the consumer lifestyle and also shows the purchasing process step by step.

6.3.1 Consumer Lifestyle

According to Neal et al. (1999: 1.19)), “Quite simply,... it (consumer lifestyle) is the manifestation of our self-concept, or the total image we have of ourselves as a result of the culture we live in and the individual situations and experiences that comprise our daily existence”. The consumer lifestyle aspect of this model is made-up of external and internal influences.

6.3.1.1 Internal Influences

The first internal influence is perception, which is the first activity in processing information. Neal et al. (1999) says perception includes exposure, attention and interpretation. Casino gambling is perceived by some to be a vice, while others see it as another source of entertainment. The second internal influence is learning and memory. The customer learns reliable sources of information through experience, and memory is the result, which relates to product positioning. A potential casino customer is exposed to casino gambling through appropriate promotion aimed at teaching the notion that ‘real’ entertainment that is ‘controllable’ is only obtainable through their product. If this were the general message communicated, it would, to a certain degree, explain pathological gambling. The third internal influence is motives, personality and emotion. These are the characteristics that determine the individual’s behaviour, and reactions or feelings towards messages or situations. The motive of a casino gambler can range from seeking entertainment to solving financial problems with a jackpot win. The individual’s personality on the other hand might restrain him from seeming desperate and refrain from frequenting the casino. Emotions can evoke a feeling of patronizing, especially by the

location of automatic teller machines (ATM) in casinos. At GrandWest casino, the ATM's are located inside the casino complex next to the main gambling hall. An individual can feel demeaned by the location of this ATM's, with the perception being that the idea is to trap patrons. The fourth internal influence is attitudes. According to Neal et al. (1999), attitude is an individual's basic orientation for or against some object, be it a product, a service or a retail outlet. They continue to say that attitudes are composed of three components – cognitive (beliefs), affective (feelings) and behavioural (response tendencies). A (potential) customer who believes that casino gambling has some desirable attributes will likely like casino gambling, and purchase the attribute should the need arise.

6.3.1.2 External Influences

The first external influence is that of household. A household provides customers and consumers alike. An important variable about households is that of household life cycle. Neal et al. (1999) says the basic assumption underlying households' life cycle is that most households pass through an orderly progression of stages, each with its own characteristics, financial situation, and purchasing patterns. It is up to the marketer to be aware and understand the role of these stages in determining decision makers with regard to consumption patterns. The learned memories, personalities and attitudes of casino gambling consumers in a particular household will determine the existence of a customer and the disposal of the supposed attributes sold by casino gambling activities.

The second external influence is reference groups. Some of the memories are learned from friend's experiences. Some attitudes are also learned through a dominating personality within a group. "A group is defined as two or more people who have a purpose for interacting over some extended period of time"(Neal et al., 1999). The third external

influence is social status. This variable is subject to dominant culture in terms of value system. Referent power is provided by social status and provides a platform for exemplary behaviour towards a certain product or organization. The fourth external influence is culture and values. "Culture is viewed in a traditional sense as representing that complex whole that includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by a person as a member of society" (Neal et al., 1999). Values of society and of an individual are subject to the dominating culture. The order of priorities in terms of self and others/material determines an individual's attitude and perception. Neal et al. (1999), say that cultural values are widely held beliefs that affirm what is desirable. The last external influence is demographics. This influence involves aspects such as size of the population, structure in terms of age, gender, income and distribution in terms of location between urban, rural, region and province. Generally, society has changed the role of women as homemakers. Casinos are tapping into these demographic changes by repositioning females from the role of lucky charms to that of active players of games.



6.3.2 Consumer Decision Making Process

Specific problem(s) require specific solution(s). Thus, the existing situation will be the framework in which the process will take place. The model shows that a consumer decision-making process starts with problem recognition. Neal et al. (1999), says a consumer problem is simply a difference between an existing state and a desired one. A casino gambler might have a problem of boredom or a more acute one like difficult financial situation. The next step is that of information search. This step involves the search for possible alternatives that might solve the recognized problem. Sources of the required information can be internal, like learned memories and past experience, or external, like personal contacts and marketer information. The search for information can be extensive, very brief, or somewhere in between [depending on the nature of the problem and product]

(Neal et al., 1999). Individuals develop criteria that an alternative must meet to be chosen. Reference groups, culture, social status, values, or experiences can inform these criteria. An individual's value system might not consider casino gambling as a desirable alternative for solving a financial problem; someone else's experience of a jackpot win might suggest the alternative as viable. This perspective might explain why promotional material mostly focuses on winnings attained by regulars and not gambling problems consumed by members of the patron's household or society. The fourth step is store choice and purchase. This step considers attributes such as outlet image, location/convenience/access, promotional deals and available methods of payment. A number of casinos in the Western Cape, and the distance in-between, suggests that casino gambling customers do not have much of a choice for an outlet. Karl Titz, David Andrus, and Judy Miller (2002) talk about hedonic factors such as emotion, sensation seeking and impulsivity, absorbing of experience, and analytical characteristics that determine whether an individual will choose a table game or a slot machine. This study maintains that both game players and mechanical game players derive pleasure from the pursuit of gambling. The study further says table game players are more deeply involved and tend to be more aware of the intricacies of the game than mechanical game players; that table game players are not as impulsive and tend to be more controlled than mechanical game players. According to Karl Titz (1996), the constructs were measured using the Mehrabian and Russell (1974) pleasure, arousal, and impulsivity scale; the Zuckerman sensation seeking and impulsivity scale; the Swanson absorbing experience scale; and an analytical scale developed by the researcher. The data were factor analysed based on Gerbing and Anderson (1984) scale development procedures. The resulting four-factor model was used in subsequent logistic regression to identify a game choice model for mechanical game players and table game players.

The last step is that of post-purchase process. This step is underlined by a common reaction or anxiety called post-purchase dissonance. Neal et al. (1999) say that the magnitude of such dissonance is a function of;

- Degree of commitment or irrevocability of the decision
- The importance of the decision to the consumer
- The difficulty of choosing among alternatives, and
- The individual's tendency to experience anxiety

The above elements suggest that casino gambling can be easily repurchased or disposed off, given experiences and degree of anxiety tendencies. The higher the commitment and importance of casino gambling as a solution, the more likely the person is a problem gambler.

The post purchase process relates to activities after purchase, which are usage, appraise, disposal, and repurchasing. Casino gambling is a service and is consumed at the same time as production. As such, usage and disposal are inversely related. Repurchasing will depend on whether the product has met the need, either that of entertainment and sensation or of financial nature.

6.4 CONSUMER BEHAVIOUR AUDIT

Neal et al. (1999) say that the consumer behaviour audit allows a systematic review of important aspects of consumer behaviour when marketing decisions are made, and is also a valuable tool when marketing strategies are evaluated. This section will only point to the structure of the audit necessary since the focus is not on program evaluation. This section is also proposing another perspective of the consumer behaviour audit for casino marketers.

The consumer behaviour audit looks at the following marketing management aspects;

- Market segmentation
- Product positioning
- Pricing
- Distribution strategy
- Promotional strategy, and
- Product

These marketing aspects are individually evaluated using the following variables of consumer behaviour model;

- External influences
- Internal influences
- Situational influences, and
- Decision process influence



The following consumer behaviour audit is proposed. This audit aims to provide the perspective of consumers from households and society. The model is limited in that it only looks at derived utility from gambling based on the process approach to utility model by Marcelle Menestrel. The new model does not claim to be complete or absolute, but is rather an attempt to help understand some of the basic issues underlying the decision making process of a casino gambling consumer.

Table 6.2 Consumer Behaviour Audit - Household Perspective

Pre-purchase issues _ Answer_	How consumers decide to gamble? Is the person recreational or pathological gambler? <i>Anticipation of winning- the need of cash.</i>
Purchase issues _ Answer_	What does casino gambling say about the person? Is the person recreational or pathological gambler?

	<p><i>_recreational gambler is presented as affluent in society</i></p> <p><i>_pathological gambler is presented as ill disciplined</i></p> <p><i>_for recreational gambler, the process is enjoyed and losing can be accommodated.</i></p> <p><i>_for pathological gambler, enjoyment depends on the end result- showing a win.</i></p>
<p>Post Purchase issues</p> <p><u>Answer</u></p>	<p>Does the casino gambling provide pleasure or perform its Intended function?</p> <p>How is casino gambling eventually disposed of, what are the environmental consequences?</p> <p>Is the person recreational or pathological gambler?</p> <p><i>For recreational gambler, there is pleasure derived.</i></p> <p><i>For pathological gambler, degree of pleasure depends on the extend of the winnings.</i></p> <p><i>Disposal of casino gambling depends on the individual's acknowledgement of negative externalities from casino gambling.</i></p>

According to table 4.1, the answer to the pre-purchase issues will determine how the gambler should be viewed in relation to casino gaming. An assumption can be made that a recreational gambler gambles for the purpose of entertainment and that a problem gambler gambles for the sole purpose of winning or recouping losses. Thus, the household course of action will be informed by the answer to the question dealing with pre-purchase issues. Purchase issues deal with the presence of a casino patron at the casino hall. Perceptions are constructed about the two categories of gamblers. Is it save to assume that only affluent members of society can become and remain recreational gamblers? Post-purchase issues concern the behaviour after consumption. In understanding the reasons why and how casino gambling customers see this activity as entertaining, the study looked at the report by Marcele Menestrel (2001). Marcele Menestrel (2001) talks about the process approach to the utility for gambling. This model treats choices made by gamblers as composing both a process and a consequence and maintains an expected utility function restricted to consequences. The main assumption of this model is that process utility combines monotonically with expected utility of consequences; where a procedurally preferred

process leading to a (consequentially) preferred consequence should be chosen. By application, the model suggests that it is not possible for anyone to enjoy gambling (e.g. game of dice or cards or slot machine) without expecting something good (winning) in return. However, the Australian Productivity Commission (1999) says that, “for recreational gamblers, that anticipation is part of the enjoyment (which is an economic gain); but for problem gamblers, it is a big part of their problem.” This expectation of something good (a win) is based on a process that has a large probability of producing a negative outcome for the gambler. Also, James S. Trefil (1984) says, “all games of chance are set up so that there is a slight imbalance of the odds in favour of the house.” He goes on to say that for every gambler ‘odds are against your breaking that law of average’.

6.5 CONCLUSION

The consumer behaviour model by Neal et al. was used because it allows presentation of the nature of consumer behaviour, which is interrelated as shown by the influences of variables on each other. Each component of the consumer behaviour model was discussed with an intended outcome of showing how to organize information relating to variables influencing consumers’ behaviour. The consumer behaviour model audit was presented, and a ‘new’ audit structure was also developed to highlight the perspective of casino gambling consumers [which can be households or/and society]. An understanding of how casino gambling is marketed is presented in chapter three, and this chapter was presenting the consumer behaviour aspect to complement the response to the first sub-question in the theoretical chapter.

The next chapter will try to present literature on the history of gambling and explain what casino gambling in particular is about.

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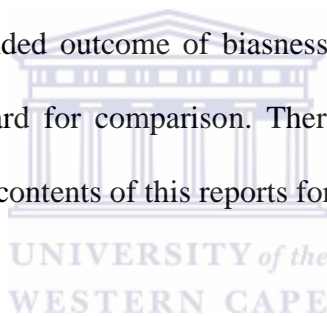
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CHAPTER SEVEN

7.0 SOCIAL EQUITY COMMITTEE REPORTS

7.1 OVERVIEW

In July 2002, the Western Cape Gambling and Racing Board (“the Board”) released a project report on the achievement of undertakings in respect of empowerment made by casino license bidders (subsequent holders of the licenses). This chapter is a summary of the reports of these casino license bidders. The purpose of the summary is to evaluate through the lenses of the theory on consumer behaviour, the BEE framework and the model on host communities to evaluate the impact of the social equity commitments to the host communities. This summary makes indirect and direct references and also makes quotation of the report, and has no intended outcome of biasness in its content. These reports are readily available from the Board for comparison. There was a separate report for each sampled casino. An analysis of contents of this reports forms part of chapter 8.



7.2 ECONOMIC EMPOWERMENT INITIATIVES IN WESTERN CAPE

CASINOS

According to the project report as stated above (2002), the report sketches the emphasis placed on empowerment initiatives and undertakings as a cornerstone of the licensing process in the (Western Cape) province, their status as key criteria for the evaluation of license applications in the Policy Determinations developed by the Provincial Cabinet, their status as key criteria for the evaluation of license applications in the Board’s Request for Proposal (“RFP”), the role played by such considerations in the evaluation of various applications and their eventual incorporation into the conditions of the relevant license. The Provincial Cabinet policy determinations stress the pivotal importance of the goal of empowerment of previously disadvantaged persons (“PDI’s”) in the licensing process in

this province. Relevant extracts from the Policy Determinations read as follows (West Coast Casino Development Project Report, July 2002); point a-d is not discussed on the report since they do not form part of policy determinants.

“1.2 The Board shall, when considering applications for casino operator licences, have regard to the following:

- a) ...
- b) ...
- c) ...
- d) ...
- e) The applicant's contribution to the empowerment of local disadvantaged groups in this Province through both employment and equity ownership;
- f) The degree of employment by the applicant of local professional consultants, construction entities and contractors from the emergent sector in this Province;
- g) The number of new casual and permanent jobs to be created on-site in the casino and all its ancillary facilities;
- h) The envisaged degree of employment by the applicant of staff from this Province for all aspects of the operation;
- i) The programmes envisaged by an applicant to train his or her staff to enable them to progress within the operation;
- j) The location of the casino and the compatibility of the proposed site with the relevant planning and development policies for the area, with due regard to its accessibility to all sectors of the community, and
- k) The extent to which sustainable community facilities and the provision of tourism infrastructure will be provided.”

The policy determinations (relative to empowerment) were incorporated into the RFP in adjudication of application received, with emphasis continued to be placed upon the importance of the extent to which proposals made by the applicant contributed towards the realization of the community benefits sought by the Board (West Coast Casino

Development Project Report, July 2002. According to the Board, the concept of 'community benefits' included the following key sub-criteria;

- Employment opportunities (opportunities for local employment, including direct and indirect, temporary and permanent, arising out of the development).
- Employment Mix (Projected composition of employees for whom provision is made, including provision for gender and the disabled).
- Social Impact (Mitigation of the negative potential social impacts of a casino development on neighbouring communities).
- SMME's (The degree of promotion of small, medium and micro businesses in the Region).
- Involvement of previously disadvantaged communities in the development through investment and ownership.
- Training (Training of employees, with due regard to employment mix, at various levels of employment).
- Problem Gambling (Awareness of and steps to be taken to mitigate the potential negative impact of the casino, such as education and rehabilitation).

7.3 SOCIAL EQUITY COMMITTEE

After the award of the casino operator license to Sun West in December 1999, the Board established a social equity committee. The functions of this committee are to monitor and evaluate compliance with the empowerment undertakings of license holders, bearing in mind the fact that it is of importance to ensure not only that the quantitative elements of the empowerment undertakings, such as the targets set, are met, but also that the qualitative

aspects stand up to scrutiny. In this regard, for example, it is important to ensure that empowerment initiatives are meaningful in terms of nature and content, are accessible, are also broad-based as possible and in fact have the effect for which they were designed (the Board annual report, 2000/2001).

Attention is accordingly focused on, inter alia, the extent to which the development has created accessible empowerment opportunities for Affirmable Business Enterprises (“ABE’s”) and small, medium and micro business enterprises (“SMME’s”), created structures enabling such opportunities to be maximized, the extent to which concession and other opportunities in the project(s) have been made accessible to Previously Disadvantaged Persons (“PDI’s”) or entities and the degree to which empowerment has been achieved through training and related measures (West Coast casino development project report, 2002). The committee performed its function(s) independently on all casino license operators in the Western Cape.

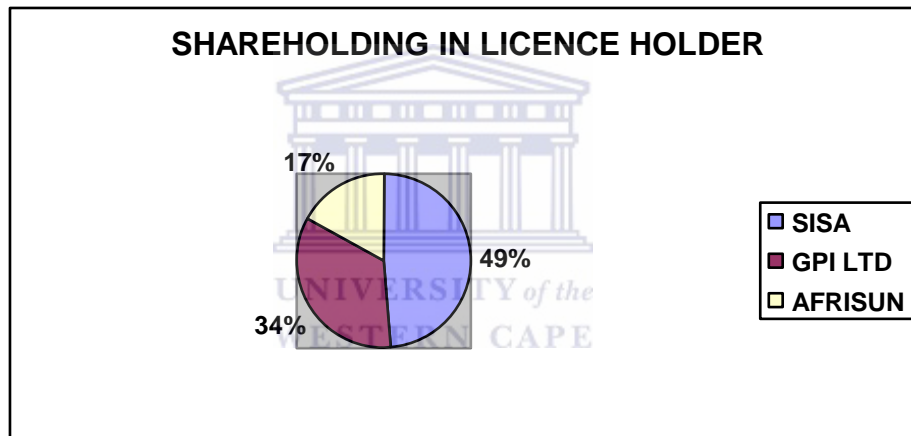
7.3.1 Social Equity Committee and GrandWest Casino

During the construction of GrandWest casino complex the equity committee conducted a physical inspection of the Targeted Access Programme (“TAP”) centre, an on-site facility at which accredited training in various disciplines was presented throughout the construction phase. TAP entailed empowerment undertakings made by the license holder (SunWest International) in respect of shareholders, employees and suppliers of the license holder and members of the community.

In respect of shareholders, the TAP document commits to an equity investment structures designed to assist historically disadvantaged shareholders to produce equity with the minimum of financial exposure. Thus, for instance SISA (Sun International South Africa)

will finance the purchase of the empowerment shareholder's ordinary voting share and warehouse these for them. In addition, employees of Sun West of at least six months standing will be able to participate in a share participation scheme, by way of which employees will be offered options in respect of 5% of the total equity of the license holder (Cape Metropolitan Casino Development Project report, 2002). As of July 2002, the shareholding at GrandWest was as shown by table 1 below; 34% by Grand Parade Investments Limited, 17% by AfriSun Leisure Investments (Pty) Ltd ("AfriSun"), and 49% held by Sun International (South Africa) Limited.

Table 7.1 Shareholding at GrandWest



Source: Cape Metropole Casino Development Project Report, July 2002

In respect of employees, the TAP document outlined and commits to the licence holder's human resource policies in respect of (CMCDPR, July 2002);

job creation and the recruitment of PDI's in the Western Cape (with an undertaking that on the opening of the casino, 54% of jobs will go to PDI's with this figure rising to 77% within five years), training of staff, specifying the training to be presented and the number of persons to benefit from the different categories thereof, as well as development programmes to be put in place to accelerate the fast tracking of PDI's, and employee assistance schemes, the creation of the TAP Development Centre (with a commitment to

funding of an initial sum of R500 000,00 and subsequent annual payments of R250 000,00) to cater for participation by business owned and controlled by ABE's, women and other disadvantaged people, in the planning, development and operational phases of the gaming and related industries, the setting of employment targets, and the appointment of a Community Liaison Officer to facilitate the involvement of the local community in the life of the development through various structures.

In respect of suppliers, the TAP Document makes specific undertakings in the following terms (CMCDPR, July 2002): The setting of individual targets in respect of affirmative procurement for all phases of the project, as follows:

- Construction: 30%
- Concessionaires: 50%
- Service providers: 50%
- Suppliers – year 1: 20%
- Year 2:30%
- Year 3:40%
- Year 4:50%, and
- The establishment of a Procurement & Empowerment Committee to monitor the implementation of the objectives set.



The TAP Document also makes a number of concrete undertakings in respect of the manner in which the Project will generate broad-based community empowerment. These is expected to be achieved in the following ways (CMCDPR, July 2002):

- By the performance of his liaison function by the Community Liaison Officer,
- By the implementation of the National Responsible Gambling Programme, in respect of which an annual budget of R750 000,00 has been set; and

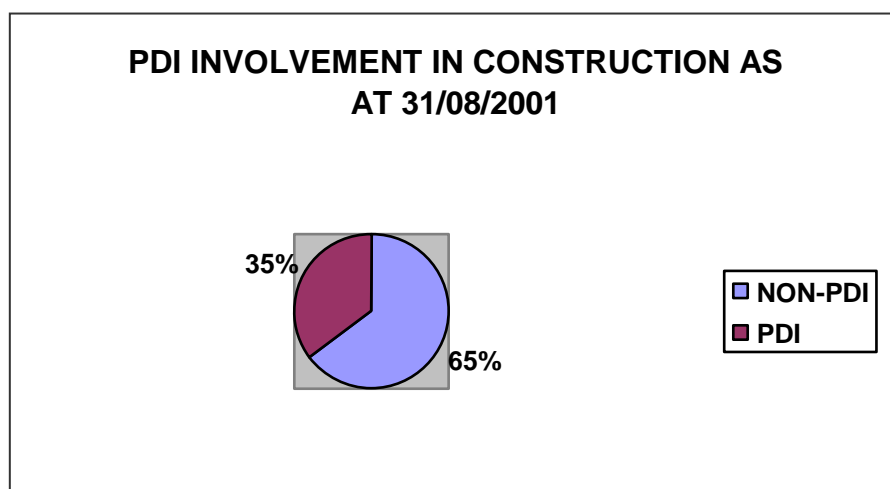
- By means of corporate social investment, in respect of which fixed targets have been set.

The board had to monitor the implementations of the TAP deliverables. According to the report (CMCDPR, July 2002), the credentials of the business entities or persons to whom work had been allocated were examined to determine whether they qualify as empowerment entities or individuals. Audits were performed to ensure that the amount reported to have been expended on affirmative procurement are accurate, that invoices matching such amounts have been presented to the license holder by the relevant persons or entities, and that such amounts have been paid over within a reasonable time.

The following tables show statistics relative to the involvement of PDI's during the construction phase at GrandWest casino. It should be noted that this statistics do not include the incomplete construction of the off-site components of the Project, namely the convention centre and the Roggebaai Canal.

Table 7.2 PDI Involvement in Construction at GrandWest

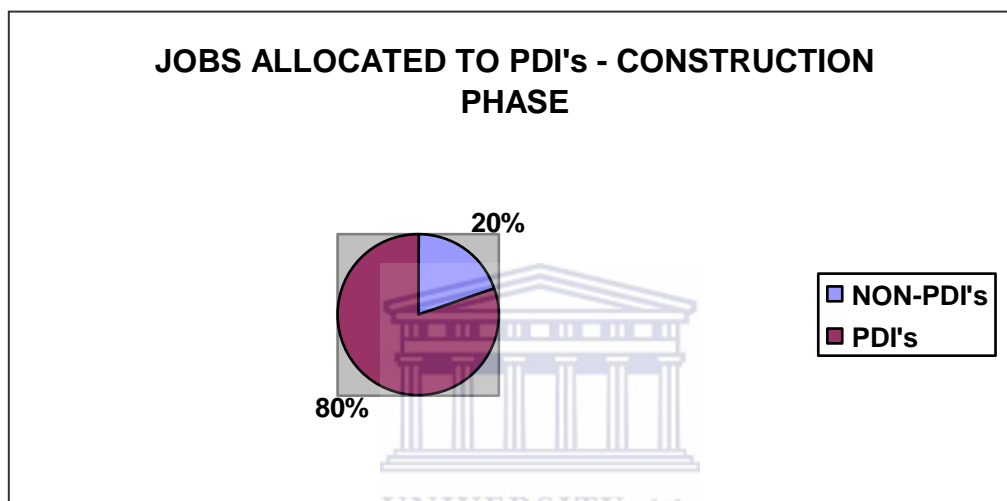
Source: Cape Metropolitan Casino Development Report, July 2002



Actual costs as audited until 31 August 2001 have amounted to R600 077 340.00, of which ABE's and PDI's have performed work to the value of R210 705 836.00, which, as indicated by the table above, amounts to 35,11% of the total work performed, equating to percentage of target empowerment value achieved of 160,66% (CMCDR, 2002).

Table 7.3 Jobs allocation to PDI's at GrandWest

Source: Cape metropolitan casino development report, July 2002



The 80% of the jobs created from construction phase that went to PDI's comes from the 6 947 jobs that were created. Training was also provided during the construction phase as shown below (CMCDPR, July 2002);

TYPE OF TRAINING:		BUDGETED	PROVIDED	% OF BUDGET
Wet trades	-	1373	2103	153%
Selected sub-contractors	-	1081	2743	254%
Emerging & Management	-	110	117	106%

Employees of GrandWest and those of service providers (including concessionaries appointed by GrandWest) were provided with pre-opening and related training in a variety of disciplines as indicated below (CMCDPR, July 2002);

TYPE OF TRAINING:	BUDGETED [COST '000]	PROVIDED [EXPENDED '000]	% OF BUDGET [% EXCESS]
Induction (Staff + Service Providers)	375	417	111%
Computer Training	10	32	320%
Management Training	472	473	100,2%

The Equity Committee acknowledges that training represent an ongoing investment on human resource and raises a point that several courses, which were budgeted and planned for by GrandWest, were yet to be implemented as at July 2002.

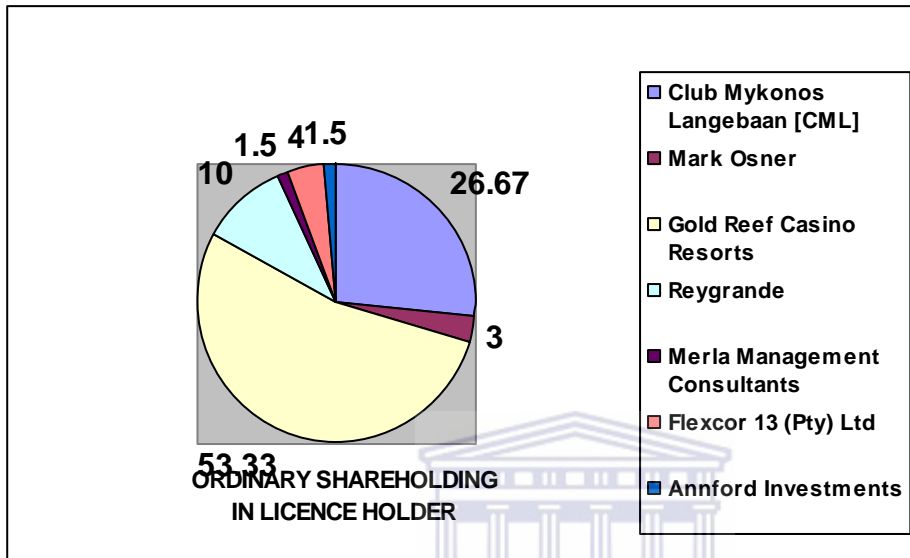
7.3.2 Social Equity Committee and Club Mykonos

West Coast Leisure (Pty) Ltd (the license holder) made some empowerment undertakings in its license bid documentation. As noted earlier, Club Mykonos was already established as a Greek-style holiday resort, as such, in constructing a casino and a convention centre, the was/is not much of construction to be made or a lot of jobs to be created.

The empowerment undertakings were made with respect to shareholders, employees and suppliers of the license holder on the one hand and members of the community on the other. In respect of shareholders, the license holder has committed to an equity investment structure designed to assist historically disadvantaged shareholders to procure equity with the minimum of financial exposure. Thus, in respect of its ordinary shares, its empowerment partner holds the license holder as to 10%, Reygrande investments Holdings

(Pty) Ltd (“Reygrande”), which has an irrevocable option to increase its shareholding in the license holder to 30% (West coast casino development report, 2002).

Table 7.4 Ordinary shareholding at Club Mykonos

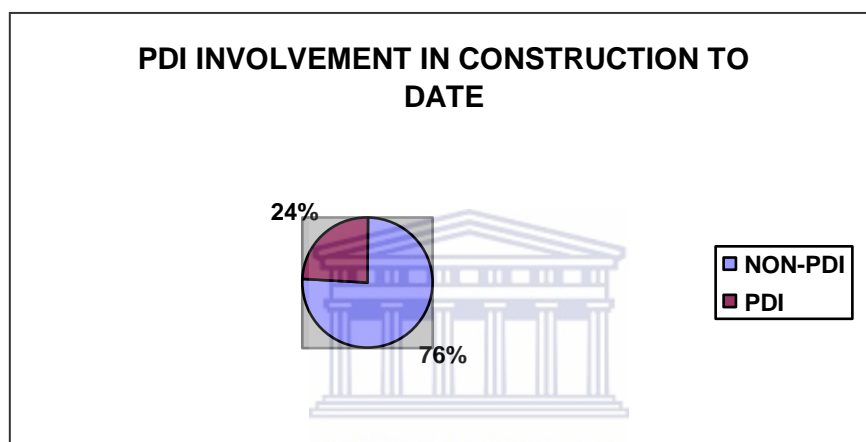


Source: West Coast Casino Development Project Report, July 2002.

In respect of employees, the bid documentation outlined and committed to the licence holder’s (WCCDR, July 2002) human resource policies in respect of; job creation and the recruitment of PDI’s in the Western Cape (coupled with a license condition requiring 80% of employment opportunities – both in respect of the construction and operational phases – to be allocated to persons based in the West Coast Region or the Western Cape), training of staff, specifying the training to be presented, which will mirror that offered by the Casino Operator, Casinos Austria, in its other international operations, the introduction of a profit-sharing scheme for employees, the setting of employment targets, and the implementation of an employment equity audit to monitor and assist in the achievement of targets as well as the introduction of an Employment Equity Review Team to ensure that the information emanating from the audit is reliable and its recommendations implemented. There is further a licence condition that requires, in respect of procurement, that a minimum of 30% of

employment opportunities that were to come from construction face to be allocated to PDI's and ABE's. The Social Equity Committee monitored the compliance of the license holder with the license requirements relative to empowerment. The tables below show the statistics, which do not include the construction nor operation phase of the conference centre, of PDI involvement and number of employment created during construction of the casino.

Table 7.5 PDI involvement in construction at Club Mykonos



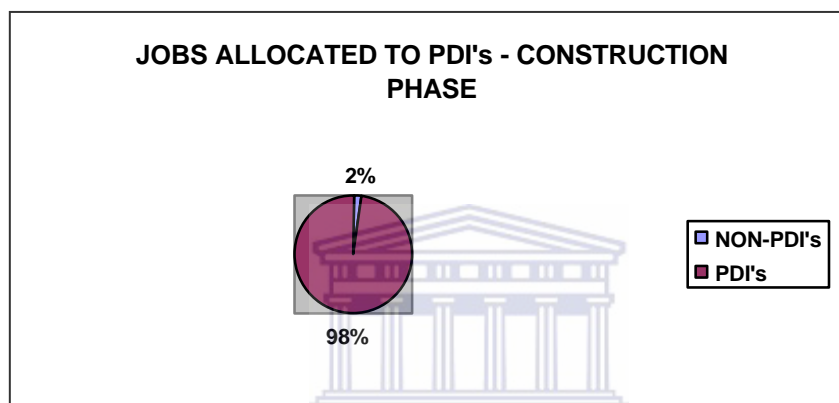
Source: West Coast Casino Development Project Report, July 2002.

According to the report (2002), the board audited the costs incurred as at 28 February 2002 with respect to construction of the casino. The total amounted to R10 500 000,00 of which PDI's performed work to the value of R2 503 125,22. This figure suggests that PDI's performed work of up to 23, 8% of the total work performed. This figure is clearly below the 30% minimum figure of PDI involvement set in the licence condition. Interesting enough, the report says if allowance is made for the value of the value of the empowerment workforce, the relevant percentage rises to 25,2% of the total amount expended. This allowance raises questions such as what the meaning of workforce is (the people who did what?) and what empowerment workforce is. The rationale behind this question(s) is that South African workforce relative to construction has always been (exclusively) black

which means there is nothing empowering in this empowerment workforce concept, just rewording of the norm in the industry.

The table shown below illustrates the fact that, of 125 jobs created during the construction phase to date, 123 have been allocated to PDI's, signifying that, to date, 98% of the total jobs created to date in the construction phase have been taken up by PDI's (West coast casino development report, 2002)

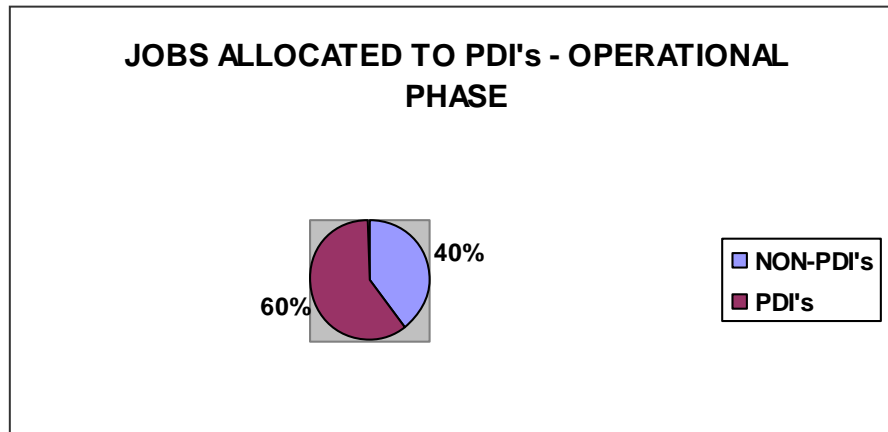
Table 7.6 Jobs allocated to PDI's-construction phase at club Mykonos



Source: West Coast Casino Development Project Report, July 2002.

Statistics on jobs created from the operational phase of the project shows that 181 jobs were created. As the table below show, 109 of those jobs were allocated to PDI's.

Table 7.7 Jobs allocated to PDI's- operational phase at Club Mykonos



Source: WCCDR, July 2002

The report says that with regard to the above table (figures), a further 24 jobs were allocated to white women, and that if white women are classified as PDI's, the percentage of work allocated to PDI's rise to 73,48%.

The license holder provided training to employees and its suppliers in the following disciplines (CMCDPR, July 2002);

- Pricing of bills of quantities
- Basic safety procedure
- Payment procedures
- labour recruitment by sub-contractors
- The development of programmes designed to meet deadlines, and
- Basic site safety and health procedures

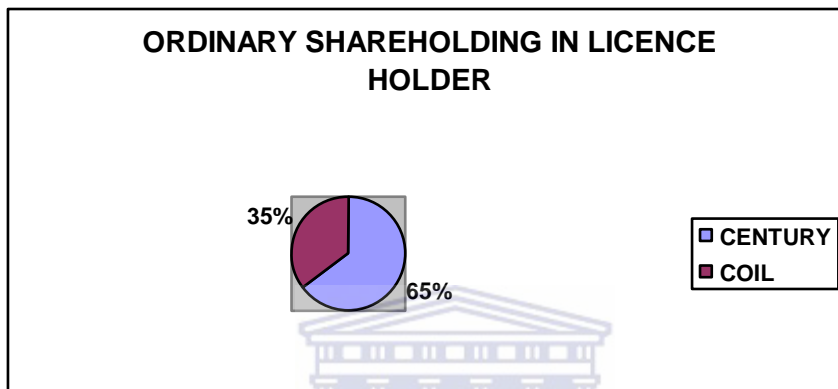
According to the report, casino staff (at Club Mykonos) was also provided with training in respect of the identification and handling of persons suffering from compulsive gambling. In addition, extensive training was provided for surveillance and security staff, floor attendants, supervisors, cashiers, vault cashiers, cash desk personnel, pit bosses, assistant pit bosses, inspectors and dealers.

7.3.3 Social Equity Committee and Caledon Casino

Caledon Casino Bid Company (Pty) Ltd (“Bidco”) also made empowerment undertakings in respect of shareholders, employees and its suppliers and to members of the community.

The shareholding at Bidco is held by Century Casinos Africa (Pty) Ltd (65%) and Caledon Overberg Investments (Pty) Ltd (35%) as shown by table below;

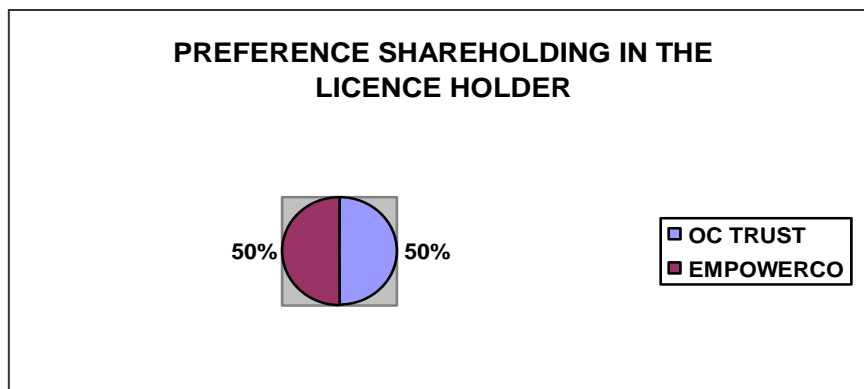
Table 7.8 ordinary shareholding at Overberg Casino



Source: Overberg Casino Development Project report, 2002

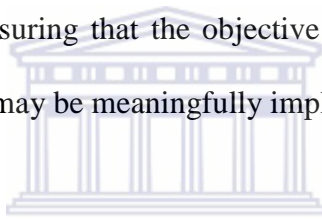
100% of the preference shares were issued equally to Overberg Community Trust (“the Trust”) and to Empowerment Company Limited (“Empowerco”) as indicated by the table below;

Table 7.9 Preference shareholding at Overberg Casino



Source: Overberg Casino Development Project report, 2002

These two empowerment stakeholders are, with regard to their holding of 100% preference shares, entitled to 10% each of the after-tax profits. According to the report (Overberg casino development project report, 2002), the Trust has been set a broad mandate, embracing the following objectives “to develop and fund the following: job creation programmes; encourage small business development; promote and fund RFP-defined infrastructural projects; provide community facilities at the resort and tourist-related services and assist with fund-raising, entertainment and cultural exchanges. The Trust will also perform a social awareness role in fund-raising organizations involved in compulsive gambling rehabilitation and monitoring the social contract between the casino developers, the town council and the community.” The trustees broadly represent all the major towns within the Overberg region, ensuring that the objective of local community involvement and participation in the Project may be meaningfully implemented.



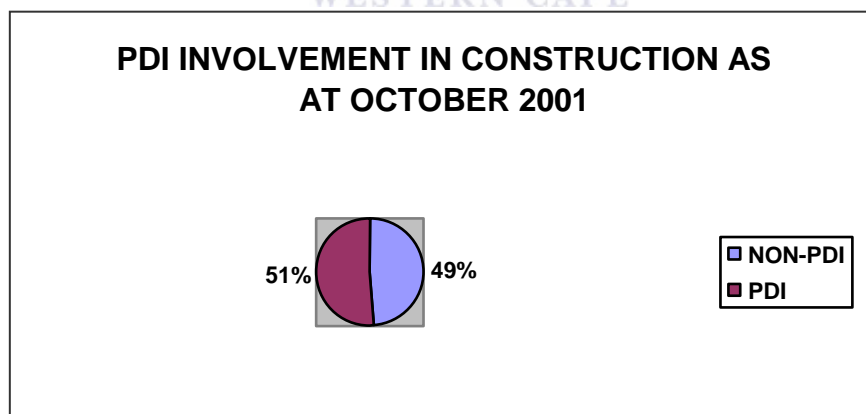
On the other hand, Empowerco is a private company that provides local PDI's of the region with the direct participation in the casino Project through shareholding. Empowerco together with the Trust represents their constituency (mostly overlapping) on the board of Bidco (the licence holder). Bidco also committed itself, like other casino operator licence holders in the Western Cape, to allocating a minimum of 30% of tier performed work during construction phase of the Project to PDI's and ABE's.

During the operational phase of the casino project, the license holder has focused on the development of small businesses in the region. According to the report (2002), this has been accomplished through the creation of the Village Emporium, a community-based trading centre that is located within the development, exposing visitors to the casino and the area access to a craft market offering locally manufactured products. The trust was

given the responsibility of implementing a programme providing advice and financial assistance to small businesses participating in the initiative. The license holder provided the Community Trust with a resource centre housed in a building on site. The Resource Centre premises were provided to the Trust at no cost, and were renovated to house the offices of the Trust as well as a number of diverse training facilities, including a kitchen, a workshop for the use of crafters, a nursery and a herb garden. In addition, the renovation of the premises was undertaken as an empowerment project, having been used as a vehicle for training in building skills (the Report, 2002).

In the monitoring of deliverables by the equity committee, the following statistics were provided. The actual total cost incurred for construction amounted to R24 957 510,68, with PDI's performing work to the value of R12 771 314,61. This involvement by PDI's is 51,17% of the total work performed.

Table 7.10 PDI involvement in construction at Overberg Casino

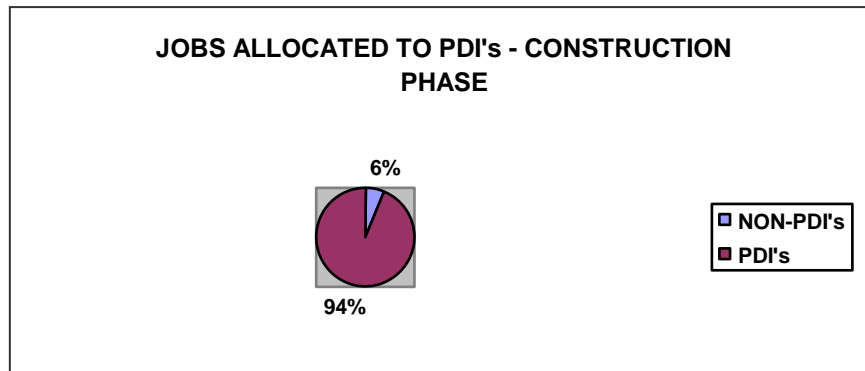


Source: Overberg Casino Development Project report, 2002

A further allocation of R8 668 863,00 was made to joint venture constructors for civil works, electrical installation and landscaping. From this work, R4 373 179,00 was allocated to empowerment entities, which means in total 50,98% of the work during construction was given to PDI's. This figure is well in excess of the 30% overall target set.

In terms of jobs created, out of the 70 created during construction, 66 were allocated to PDI's.

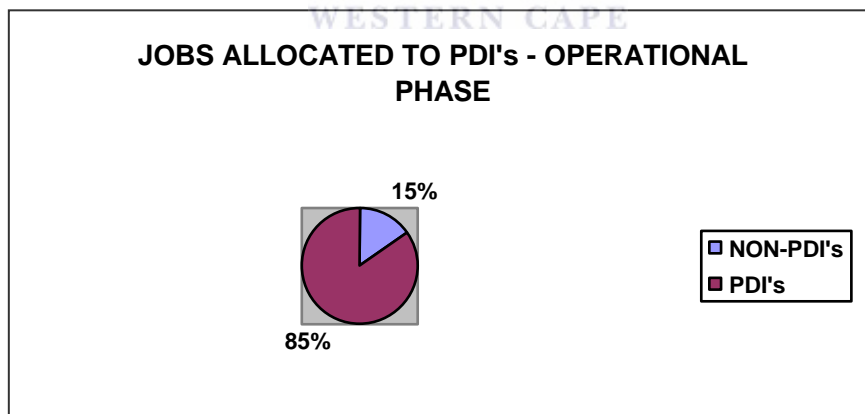
Table 7.11 Jobs allocated to PDI's- construction phase at Caledon Casino



Source: Overberg Casino Development Project report, 2002

The operational phase of the project produced a total of 454 jobs with 887 being allocated to PDI's, amounting to 85% of employment opportunities created as shown below;

Table 7.12 Jobs allocated to PDI's- operational phase at Caledon Casino



Source: Overberg Casino Development Project report, 2002

In respect of training undertaken in relation to the operational phase, a total of 197 persons were trained as dealers (39), inspectors (15), cashiers (22), surveillance operators (9), security officers (37), waitrons (40), slots technicians (22), count clerks (3), count assistants (5) and guest relations' officers (5). In addition, during the period of closure of

the hotel all existing and new hotel employees had received training (Overberg casino development project report, 2002). The license holder further commits to continuing providing business skills training to outsourcing awardees and their employees, with life skills having been presented to members of the trust and Empowerco on the initiative of the Board.

7.4 EQUITY COMMITTEE AND QUALITATIVE ASPECTS OF THE PROJECTS

The casino development projects also had their qualitative targets that they had to meet. In this regard, it must be acknowledged that the overriding aim was to mould an approach which maintained the correct balance between ensuring formal compliance with license conditions, on the other hand, and ensuring that the manner in which compliance was achieved passed muster (Cape Metropole casino development project report, 2002).

The committee, in ensuring that the manner of implementation and compliance was relatively fair, put in place a number of procedures, which included the following;

- Ensuring that empowerment credentials of competing entities was taken into account in determining the winning entity for the particular opportunity/work
- A sifting process in preparing a list of tenders, which generally involved the exclusion from the list of entities not having empowerment representation or which were not Western Cape based
- Recommendations for the winning bidder where made by quantity surveyors, the client (i.e. license holder), procurement manager, and technical consultant if the work was of technical nature.

As regards the formula used to calculate the weighting to be accorded to tenders, taking into account both price and empowerment representation, key components of this formula were the following (CMCDPR, July 2002);

- The number of tender adjudication points awarded for price and Economic Empowerment Goal.
- The price of the lowest responsive tender adjusted to a common base, if applicable.
- The price of the responsive tender under consideration adjusted to a common base, if applicable.
- The tendered Economic Empowerment Goal Percentage.

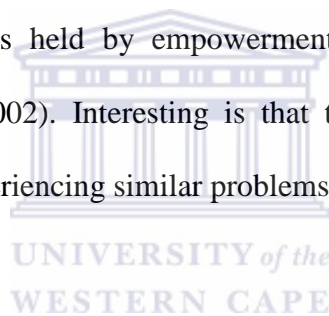
According to the Equity Committee's report, there were nonetheless queries, which arose as to aspects of the implementation by the license holders of their empowerment undertakings. Empowerment entities that would win the bid were always subjected to their empowerment credentials being questioned by other empowerment entities that lost the bid. It was found that the principal sources of unease with the implementation of empowerment opportunities in respect of the Project originated in the following unavoidable facts (CMCDPR, July 2002);

- The project did not offer limitless empowerment opportunities,
- Inevitably certain empowerment role-players would benefit from the opportunities available while others would not,
- Empowerment persons or entities therefore effectively competed with one another for individual opportunities,
- Not all empowerment entities had access to the funding and/or resources that would be required, for example, to comply with the standards set by the license holder for the allocation of concession opportunities in the Project.

Club Mykonos in West Coast and Caledon Casino in the Overberg have/had some problems of qualitative nature as at July 2002.

- The Mykonos Empowerment Programme, that was to be managed by Reygrande (empowerment partner) on behalf of the license holder was yet to be finalized
- The West Coast Community Trust, while registered was not fully functional yet
- The Overberg Empowerment Company, which undertook to broaden its shareholder base in the region, has done little progress in this regard

The committee is of the opinion that it cannot compel empowerment partners to make use of the opportunities provided by the Project in a certain manner or within defined time limits. However, the committee does point out that these problems could be exacerbated by the fact that preference shares held by empowerment partners have not yielded any dividends to date (i.e. July 2002). Interesting is that the license holder of GrandWest Casino does not seem to be experiencing similar problems as the other two casino operators.



7.5 CONCLUSION

The purchasing and warehousing of ordinary voting shares by SISA (Sun International South Africa) on behalf of empowerment shareholders is a questionable exercise. This purchasing and warehousing seem to be similar to the special purpose vehicle (SPV) financing strategy used in the initial stages of black economic empowerment practices in South Africa. Typically such an instrument gives mainly empowerment partners a stake in the business through debt financing. The debt has to be paid back over three to five years (online: www.btimes.co.za/99/0502/comp/comp.htm). SPV financing expose both the BEE group and the financier to market risk and is widely blamed for the significant decline in value of BEE groups subsequent to the 1998 market connection. Although it has fallen into disfavour it still has application in certain instances but should not be seen as a universally

best financing structure for BEE transactions (Cathy Fidler Public Relations, January 2000).

Implications of this warehousing are that empowerment shareholders must depend on the profitability (constant) of GrandWest Casino to be able to repay the 'lone' back to SISA.

Until the payout is made, empowerment ownership of GrandWest is only theoretical and not practical.



7.6 REFERENCES

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CHAPTER EIGHT

8.0 CONCLUDING REMARKS AND RECOMMENDATIONS

8.1 OVERVIEW

This chapter seeks to present remarks and recommendations. There will be a content analysis specifically focusing on the social equity committee report released by the Western Cape Gambling and racing Board in 2002. The analysis and reflections are also based on the marketing strategy and consumer behaviour theory chapters although not explicit, since the two said sections of the study contextualised casino gambling within their exclusive domains.

8.2 CASINO GAMBLING IN THE WESTERN CAPE

It is the view of this dissertation that the (South African) casino gambling industry is based on the philosophical orientation of existentialism. The situation is such that everyone (individuals) is responsible for his or her own economic development, even if this development includes exploitation of the other's worse-off situation in the process. Casino gambling system (i.e. roulette, cards, payout machines, etc.) is constructed consciously in such a way that the house/casino always has an upper hand over its patrons in a long run (individually and collectively). The casino success episteme seem to be based solely on how much money patrons have lost to the house and not necessarily on the level of utility patrons derived from their casino experience.

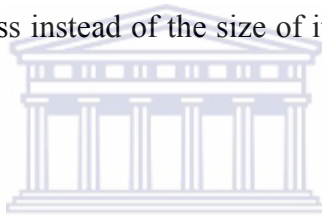
Two major concepts used in casino gambling are *chance* and *uncertainty*. The South African oxford dictionary defines *chance* as 'absence of design or discoverable cause; undersigned occurrence'. Casino payout machines manufactures have confirmed (as mentioned in chapter two) that a black rhinos machine will give the player 50% chances of

winning the jackpot only after 6.7 million button presses or at a cost of R3 300 000.00. Taking this example against gambling being an exercise of *chance*, it looks like there is a cause of occurrence (win or loose) that is designed and can be discovered. The second major concept in use is *uncertainty*. The South African oxford dictionary defines *uncertainty* as lack of reliability on an event of (*winning or losing*) taking place. The argument presented clearly disqualifies a loss as an event over which there is *uncertainty*. The view of this dissertation is that there is *certainty* that the patron will loose the bet or swing. Winning as an event has a cause that can be discovered and as such, gambling can be defined as staking money on *certain* events driven by *design*.

Taking the evidence and argument provided, casino gambling becomes clouded with contradictions. The industry is placed in local and regional economic development platform to generate income for the state (tax base); create employment for the locals; and increase volume of economic activity occurring locally (Eadington, 1999). The operating casinos in the Western Cape have generated about 3 461 for the period 2001-2002 and generated tax amounting to R85 629 854.00 (Western Cape Gambling and Racing Board, 2000/2001). Against the number of jobs created and taxes generated for government, how much did local and regional community loose in the meanwhile. The losses are equated against direct and indirect costs of pathological gambling and increased crime; against cannibalisation of the local economy; against poor return on public investment in infrastructure; against destabilization of the real estate market; against market saturation and long-term instability of gambling-dependent economies; and against the regressive nature of gambling-derived revenues.

Interpretation of this prevailing situation with regard to benefits and losses derived from gambling, is that host communities are structured on a lost or misplaced development initiative. The only way casinos can be economically successful (i.e. create jobs and generate more tax revenue for government) is when communities have lost economically and socially.

The status quo with regard to casino typologies is that resort casino(s) are competing in the same market with metropolitan casino(s). The proximity of distance between Caledon casino (resort-spa) and GrandWest (metropolitan) and Club Mykonos (resort) does not encourage patrons to distinguish between the typologies. Convenience becomes a major determinant of a casino's success instead of the size of its niche market (i.e. those seeking resort related activities or not).



The evidence is in the development of two resort casinos (i.e. Club Mykonos and Caledon casino and spa) that was always based on flawed speculations and disregard of the prevailing situation. Club Mykonos is located along the Langebaan lagoon, 110 km north of Cape Town. Caledon casino and spa is located 100km south of Cape Town and 50km from the Hermanus-Kleinmond coastal resorts. Proximity between the casinos and developments in neighbouring attractions (e.g. Plettenberg Bay, Bot river, West Coast National Park, Berg river estuary, etc) suggests inter-sector cannibalisation and subsequently displacement effect on consumer spending. Casinos are competing among themselves and against the greater tourism sector.

The Western Cape province is only allocated five casinos by the National legislation on gambling. It is the view of this dissertation that an alternative route that can be adopted is

that of insisting on the development of destination resort-casinos for the remaining two licenses to be issued. This alternative is more likely to produce sustainable community development in terms of employment because of resort-casino's capacity to support non-gambling activities like restaurants, hotels, and retail shopping. According to Eadington (1998), because most of the customers of urban casinos come from the immediate metropolitan area, job creation and economic development impacts are considerable less than for destination resort-casinos. He goes on to say that it is not possible to have urban casinos without reducing the economic potential of destination resort-casinos within the same region. Both types of casinos may be deemed desirable with respect to regional objectives, but urban casinos competing for the same population base will reduce the demand and economic viability of more rural destination resort-casinos. Because they are more convenient, urban casinos will be more likely to survive. The point driven by this choice of alternative view is that development of destination resort-casinos in the Western Cape can contribute considerably to the tourism sector and the objectives of BEE through creation of lasting operational jobs.

The hosting community model of this study requires that casinos directly contribute to the enterprising character of its hosting community. A resort casino can direct the economic development of its hosting community towards tourism. Subsequently, as the model also requires, casinos can institute skills training programmes to help communities interact positively with the existence of a casino in their location. Such training could include entrepreneurial skills training. The idea is to allow these community members to lead their own development away from dependence to meaningful economic independence. At a micro level, these interventions will see emergence of a strong small-medium enterprises sector that will absorb more jobs. Implications of this development on the casino are that its

hosting community will be in a position to support many facets of the casino complex such as restaurants, theatres, etc. The community is then in a position to enjoy their new neighbour as much as the neighbour enjoys the support of its hosts.

The status quo with regard to problem gambling is that social programmes are developed and financed by casino operators. The interesting relationship is that the casino environment continues to produce and recommend (upon detection) problem gamblers to such rehabilitation programmes. In adhering to condition 22 of the casino operator licence, which reads as follows; the license holder shall adhere to the detailed programme submitted as part of its bid in respect of the measures to be adopted by it (i.e. licence holder) to address the issue of problem gambling (CMCDPR, July 2002), SunWest International (Pty) Ltd (operator of GrandWest Casino) developed a national Responsible Gambling Programme. According to the Equity Committee report (2002), the programme includes the following;

- Education (of staff, patrons and the general public) & training
- Counselling & Treatment
- Sponsoring of Research
- Provision of collateral material, e.g. brochures, posters, notices on cash desks and on gaming tables
- Programme and Help line on all gambling-related advertisements
- National Help Line
 - 24 hours per day, 7 days per week
 - Toll free
 - Hosted at the Kenilworth Place Addiction Treatment Centre
 - Answered by specially trained counsellors

- Referral for initial comprehensive assessment by clinical psychologist
- Costs borne by Sun International
- Out-patient Counselling
 - Clinical psychologists in 5 major centres
 - Psychologists trained at Kenilworth Place
 - Customized 6-session treatment programme paid by Sun International
- In-patient treatment
 - Severe cases
 - 3 centres
 - Costs covered by most medical aid schemes and also subsidized by Sun International if necessary
- Self-exclusion policy.

Apparently, the Western Cape Gambling and Racing Board is spearheading an initiative that will require all holders of casino operator licenses in the province (i.e. Western Cape) to subscribe and make financial contribution to the same programme, to avoid duplication of resources.

This dissertation, considering that gambling is already a legalized (vice) economic activity, does not foresee an application alternative to the Responsible Gambling Programme. It is from this program that the National Gambling Board established the South African Advisory Council on Responsible Gambling with the objective of heralding a national drive for a single, coordinated national responsible gambling programme (WCGRB annual report, 2000/2001).

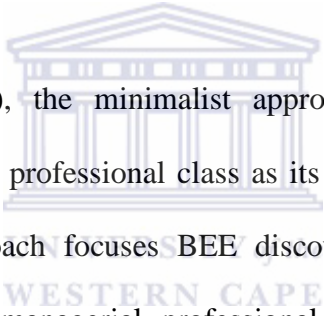
8.3 BLACK ECONOMIC EMPOWERMENT AND THE CASINOS

The Black Economic Empowerment initiative seems to be based on the grounds of socio-economic development. The report and articles on BEE are expressing that BEE is a focused strategy aimed at developing the previously disadvantaged individuals of South Africa, categorically labelled as black.

The main concepts used are black, economy, empowerment, and meaningful participation. The meaning of 'black person' as a concept means, in South African context, the previously disadvantaged members of society. This members of society includes the following social groups; Tswana, Venda, 'Colored', Sotho, Zulu, Shangane, Swati, Pedi, Khoisan, and Xhosa. The proposed BEE strategy, as presented to parliament as a discussion document, is proposing the meaning of a black person to be changed to 'any person who is disadvantaged by the legacy of apartheid'. The operative word within the proposed new definition is disadvantaged. A 'white' female can always purport that she is being socially disadvantaged by apartheid's legacy and as such should be regarded/classified as a person who is disadvantaged by the legacy of apartheid. Depending on the viewpoint and argument, everyone in South Africa is potentially black.

The second concept in use is economy/economic. The use of this concept seems to be promoting the theory that economic empowerment of individuals will result in social development of communities. In as much as individuals' make-up a community, their economically empowered status does not necessarily translate to a socially empowered community (i.e. a social environment that provides capacity to access bases of productive wealth). The economically empowered can always semigrate (Borrowed from Clem Sunter in *Home Truths: what we've got to do!* 1999) from 'the neighbourhood' to suburban

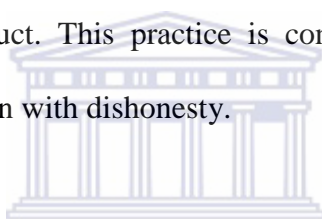
residential locations because of allowing economic status. In this instance, the community that is suppose to be developed by the economic empowerment of its individual members remains in the same disadvantaged position. The third concept in use is that of empowerment. The rationale behind usage of this concept is that humans are the center of development. Humans can be presented as individuals or as a group, i.e. community. In South African context, BEE can be equated with Affirmative Action (they both talk about human development in the backdrop of apartheid's legacy) of which its debate presents two versions of human empowerment. These versions are minimalist and maximalist approach {Distinction made by Singh Ratnamala (1996). In: Nzimande, Blade and Skhosana (1996). The citation was made in O'mano Emma Edigheji, 1999}.



According to Edigheji (1999), the minimalist approach takes the individual black entrepreneurial, managerial and professional class as its unit of analysis. He continues to say that this minimalist approach focuses BEE discourse and practice on the career mobility/advancement of black managerial, professional and business ranks, of which the approach is not seeking to alter the conditions that simultaneously engendered privileges for the minority on the one hand, and sustained exploitation and marginalisation of the majority on the other. The other approach, i.e. maximalist, focuses more on collective empowerment. According to Edigheji (1999), the maximalist approach emphasis a comprehensive restructuring of institutions and society, which would effectively alter power relations in the political and economic spheres, rather than the replacement of white individuals with black ones. John Friedman (1999): In Edigheji (1999) defines empowerment as an alternative development, which places emphasis on the improvement in conditions of life and livelihood of the exclude majority.

Evidence within the Western Cape hotel-casino operations is that the criteria for successful empowerment initiative revolve around the minimalist approach. The beneficiaries from casino licence operation include consumers (questionable) and stakeholders. These stakeholders include workers, owners, shareholders, governments, and other benefactors that might be allocated revenues from the commodity's profits (Eadington, 1999). In case of the sampled three casinos, preferential shares were given to community trusts to broaden ownership (shareholding) to hosting communities. This dissertation would like to discourage the likely confusion between the apparent and the truth that is likely to occur. In the case of GrandWest casino, Sun International South Africa (SISA) is financing and warehousing empowerment shareholders' ordinary shares. Who really owns who or what, when 51% empowerment shareholding of GrandWest casino is being warehoused by the 49% shareholder (i.e. SISA)? The alternative development label given to empowerment by Friedman works on the model of households and not individuals as the focus point. Friedman argues that in the pursuit of life and livelihoods, each household requires three types of powers: social, political and psychological. He defines social power "as an increase in a household's access to the bases of its productive wealth". These include access to information, knowledge and skills, participation in social organizations and finance. Political power means access of individual household members to the process by which decisions, especially those affecting their future, are made. This could be done through participation in political associations, community groups, trade unions, peasant organizations, etc. Psychological power is defined as an individual sense of potency. It is demonstrated in self-confident behaviour and its presence increase the household's capacity to continue to struggle for social and political power. As Friedman points out, psychological power is often the result of successful action at the social or political fronts (Edigheji, 1999).

Argument and evidence suggest that casino operators are not informing their patrons about the slim and designed chances of winning as presented by the system use by the house/casino. This action equates to social disempowering. Individual households might be having political power, but the lack of meaningful and relevant information is denying utilization of this power. Casino site locations ‘supposedly’ involved community participation, but the question asked is whether this participation was well and adequately informed. The consumer behaviour theory says that a customer will seek available sources of information to assist in deciding on his purchasing decision. Casino marketers are allowing alternative sources of information, like reference groups to inform customer decisions regarding their product. This practice is contributing to the perceptions that casino gambling is plague-ridden with dishonesty.



The nature of hotel-casino industry often does not allow participation of host communities. As De Vries (2002) puts it; the challenges of the skills, the technology and the high capital investments, forced most of the key role players, to be from the global arena with lesser participation of local players in the industry through the empowerment initiatives. De Vries continues to say that a number of the participants and so called beneficiaries of the economic empowerment agenda stated very clearly, at the National Gaming conference in Sun City in 2002, that empowerment failed within the gaming industry and that participation in the mainstream of this industry remain limited and sparse. Empowerment shareholders are apparent owners and not necessarily true owners of the casino operations. The community trusts with respect to Caledon Casino and Casino Mykonos, are not given true access to finance. Their stakes are truly owned by the financiers of special investments

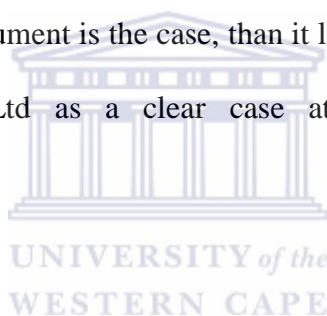
vehicles used for share purchasing like in the case of SISA and empowerment shareholders at Sun West (Pty) Ltd.

8.4 HOST COMMUNITY AND BENEFITS FROM RESIDENT CASINOS

There are appearing contradictions with regard to direct economic benefits for host communities and empowerment shareholders in the three sampled casinos. The Social Equity Committee reported that in as much as a number of empowerment opportunities were created, utilization of these opportunities has not been forthcoming. According to the report, in respect of the Overberg Community Trust, the Trust is (was) not yet fully functional, the relevant Trust Deed not yet finalized and a full complement of Trustees is (was) yet to be appointed. The Overberg Empowerment Company has made little progress with regard to broadening the shareholder base. In respect of the West Coast Community Trust, the trust has been registered but not fully functional. The Mykonos Empowerment Programme was to have been managed by Reygrade Investment Holdings (Pty) Ltd, and the Reygrade equity structure was to be remodelled to allow a broader base of shareholder participation. However, as reported, little progress has been made in reaching finality on these matters.

The Social Equity Committee sites that in both cases, the problems are exacerbated by the fact that shares held by the empowerment partners have not yielded any dividends to date. The equity committee seems to be blaming the empowerment partners (i.e. Overberg Community Trust and Overberg Empowerment Company Limited, and Reygrade Investment Holdings (Pty) Ltd respectively, for delays in realizing benefits inherent in the Project(s) for its intended beneficiaries.

In as much as the reluctance of empowerment partners to participate or act can be highlighted, it is the position of this dissertation that a more ‘near-to-the-truth’ alternatives should be highlighted. In respect of Caledon Casino, as stated in chapter two, 100% of existing preference shareholding is in empowerment hands. This empowerment hands are Overberg Community Trust (50%) and Overberg Empowerment Limited (50%). These preference shareholders are entitled to after-tax profit share. On the other hand, the preference shareholders are not being subjected to any skills and knowledge sharing/development programme to ensure meaningful contribution to the fortunes of the casino operations. The day dividends are declared might never arrive and preference shareholders have no constructive and direct means through which they can influence the otherwise inevitable. If this argument is the case, than it labels the ordinary shareholding of Caledon Investments (Pty) Ltd as a clear case at best of minimalist economic empowerment approach.



In the case of Casino Mykonos, the situation is not any better. The previously disadvantaged sector of the community is represented only through an enterprise. This is another classical example of the minimalist approach to economic empowerment. Reygrade Investment Holdings (Pty) Ltd {Reygrade} was given their 10% ordinary shares stake at not cost to themselves. Assumable rationale was their PDI status and problems of access to finance associated with such a status. It is stated in chapter two that Reygrade have an irrevocable option to increase its shareholding in the licence holder to 30%. The ‘irrevocable option’ sounds like a carrot stick that will forever shift. When will Reygrade make enough capital from declared dividends to amass enough finance for the 20% extra stake while in the meantime they have the responsibility of administrating the Mykonos

Empowerment Programme? This contradiction highlights another case where apparent economic empowerment is presented as true empowerment.

In the case of GrandWest Casino, the situation is worse. There is no direct and collective representation of PDI communities in the shareholding structure. The casino is presented as being %15 owned by empowerment partners. If the fact that SISA (49% shareholder) has financed and warehoused the ordinary shares of empowerment shareholders (adding to 51%) is considered, than it becomes clear that GrandWest Casino is in whole owned by SISA. The fact that empowerment shareholders have voting rights amounts to nothing but intrapreneurship.

There is no clear-cut programme aimed at empowering the hosting community of the three sampled casinos other than the jobs created during construction and operation phases.



8.5 CONCLUSION

This dissertation was written in the context of current socio-economic South Africa. The socio-economic situation is forcing implementation of measures such as Black economic Empowerment, Affirmative Action, and other socio-economic redressing measures. It was rightfully noted by the BEE Commission report that the South African government is firmly viewing BEE as much a political as an economic imperative. The believe is that if the situation, where the economy is controlled by the minority group (i.e. whites), is allowed to continue, it will lead to further erosion of the social fabric of society and create political crises, as the perception that whites are the main beneficiaries of the economy is further entrenched.

Gambling as a social practice is a cultural object that evolved itself into a mainstream economic activity. Gambling, which historically has been viewed with scepticism and derision similar to those given to other vices—illicit drugs, the sex business, alcohol, and tobacco—has found considerable acceptance during the latter half of the twentieth century. It shares with the other vices some economic characteristics: strong demand for the activity from a segment of society; sensitivity of demand to changes in its legal status; real or perceived social costs associated with its availability; a history of attempts to prohibit, constrain, or allow the activity; and volatility in the legal and social status of the commodity (Eadington, 1998).

The dissertation has redefined gambling as staking money on certain/sure events driven by design. The many ways that lead to dependency on gambling have been shown. The success of casino gambling as a profit-making economic activity heavily depends on the prevailing of an environment that encourages misconceptions about chances of winning or recouping losses. The threat of local economy cannibalization by casino operations amounts jobs created by the activity to job replacement operation, which is not contributing to solving the unemployment problem in South Africa.

SunWest International (Pty) Ltd developed a National Responsible Gambling Programme. The Western Cape Gambling and racing Board is spearheading an initiative that requires all holders of casino operation licence in the Western Cape to subscribe and make financial contribution to the same programme. The South African government seems to have assumed a paternalistic position on this issue. Section 13 (1) C of the National Gambling Act (No. 33 of 1996) states that society and the economy shall be protected against the over-stimulation of the latent demand for gambling. The said Act continues to say that a

maximum of 40 casino licences may be granted in the Republic, and as such casino licences are divided among the provinces. The government's position on casino gambling is that this industry is good enough to be legalised in as much as it creates jobs and revenue base for government, and also regulates its inherent outcome of negative externalities unto society.

Black Economic Empowerment as an intervention strategy or programme is imperative to the political stability and economic development of South Africa. Adoption of the proposed new definition of a black person will only contribute significantly towards undermining the set goals of BEE; that of redressing the economic imbalances of the past created by apartheid laws that were limiting the economic development of the black society in South Africa. However noble the intentions of this intervention programme are, the view of this dissertation is that implementation approach was from a minimalist approach. Previously disadvantaged individuals who are seeking to be economically active in the casino industry have not been provided equal starting blocks. These individuals are seen from a household perspective with its constituent members.

The only programme(s) presented to 'ensure' economic benefit(s) for hosting communities' are/is the offering of preferential shares and the loaning of ordinary shares to empowerment entities that will supposedly direct occurring inherent benefits to the community at large. Once again, it looks like a system has been designed where the true ownership as an outcome is dependent on an unlikely event of the casinos becoming consistently and increasingly profitable.

Research Hypotheses

The dissertation hereby adopts the view that an empowered household is the one that has been provided access to social and political power and subsequently psychological power. The answer to the secondary hypothesis [*Community empowerment is not a result of individual members' empowerment.*] is a resounding yes, considering the argument in this dissertation. Subsequently this dissertation is in a position to say that casino complex development is not directly related to host community empowerment. In the current situation, the only way host communities' benefit is through government tax, if the taxes are being redirected back accordingly.

The following measures are proposed (with remodelling and fine-tuning encouraged) to direct casino gambling to a more meaningful maximalist approach towards economic empowerment of host communities. For one, casinos can be made to contribute significantly in the schooling of host community. Schools are in need of resources and most children cannot afford the costs involved with being a pupil [feeding scheme is an alternative available for choice]. Social activities are non-existing, and sponsorships towards playground establishments and sporting activities which will contribute towards acquisition of social power and subsequently restructuring of social psychology.

In the case of share acquisition, established partners like Sun International South Africa can always stand as surety for loans made by empowerment partners. This is more likely to result in commitment from all shareholders (ordinary and preferential alike) and encourage entrepreneurial orientation. SISA and other major shareholders can and must institute programmes to teach empowerment entities the fine parts of operating a casino to ensure

performance while empowerment shareholders commit towards a future where they have paid out their loan and are holding their share title deed.

Research Question

“What does casino gambling contribute to the empowering of host communities?”

A criteria for answering this question was developed as follows:

1. Minimization of casino gambling negative externalities as experienced by casino gambling customers and general consumers thereof.
2. Operational ownership by empowerment partners
3. Transfer of skills, education and business opportunities

The analysis in chapter 8 puts this study in a position to say that outcomes of the legalization of casino gambling are not benefiting hosting communities holistically. Yes, people are being employed, but their employment is sustained by the degree of local economy cannibalization by casino gambling industry. It is true that some community members have acquired shareholding in these casinos, but it is also true that these shares are of no value in terms of dividends. Other shareholders warehouse the shares owned by empowerment partners (GrandWest casino specifically). Ownership of empowerment partners is not operational.

The GrandWest casino license holders have developed a responsible gambling program to help deal with the issue of problem gambling. This initiative suggests that the answer to the secondary hypothesis is no.

The assessment is that casino gambling in the Western Cape is not contributing a meaningful and holistic empowerment utility to its hosting community.

Prospectus For Research:

- ❖ *The relationship between social costs of problem gambling and profitability of casino gambling.*

This gap is born from the following statement; “the [most fundamental] policy objective of government has been the incentive to exploit gambling as a source of taxation revenue, job creation and economic empowerment...A challenge for government policy is thus, that of striking a balance between limiting social costs of problem gambling while not significantly reducing benefits to be derived there from” (National Gambling Board, 2001).

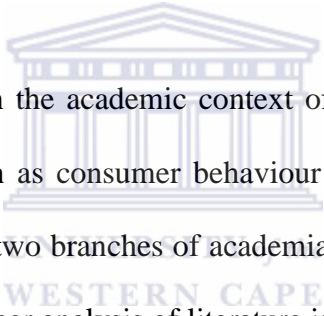
- ❖ *Research on the nature and characteristics of traditional African forms of gaming.*

Examples include MORABARABA; a game where chips/cards/dice are called cows and revolves around arithmetic and scenario planning.

- ❖ An evaluation of the social equity committee program
- ❖ An evaluation of the Responsible Gambling Program as adopted by the National Gambling Board.
- ❖ A Participatory Action Research, in collaboration with the hosting community, into the effects of marketing strategies used by casinos
- ❖ The impact of a shift from resort/rural casinos to urban casinos by the industry
- ❖ The impact of promotional tools on the choice stage of consumer behaviour model
- ❖ Development of a specific casino patron consumer behaviour model
- ❖ A study on the shift from traditional gambling like street dice betting and spinning (of the coin) to modern gambling means like casino gambling.

The study sampled three casinos in the Western Cape province. At commencement of this study, four casino operating licences were issued in the Western Cape province and only three of them were operational at the time. The Western Cape Gambling and Racing Board was approached via their website for their social equity reports. These reports were

focusing on the performance of the casino licence operators relative to their licence undertakings. Each sampled casino had a report of its own focusing on its performance. This reports where presented and analysed for the purpose of understanding government's (through structures such as Western Cape Gambling Board) interpretation of BEE in relation to the casino industry. Literature on gambling as a social activity was acquired, focusing on its social history, and on how it came to a stage where it is currently within South African context. Regulations governing gambling in South Africa where also sourced, with the aim of understanding the legal obligations as set by government and institutions such as the National Gambling Board. This literature allowed the study to differentiate between initiatives by casino licence operators and mandatory actions.



This study was executed within the academic context of business management. As such, literature on related topics such as consumer behaviour and marketing management was entertained. Theories from this two branches of academia where used to explain the nature of casino gaming business. Further analysis of literature included writings on gambling as a phenomenon, and on Black Economic Empowerment in South Africa and its applications. A report by the BEE Commission was summarised and critiqued for the purpose of informing the study of what BEE is all about in terms of objectives and implementation methods within the Casino industry. Findings of this study where summarised, and possible future studies relating to casino gaming and BEE where given.

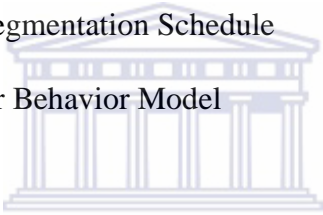
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