

**THE SOCIAL AND ECONOMIC IMPACTS OF THE
GOLDEN HORSE CASINO AND THE SUGAR
MILL CASINO ON THEIR RESPECTIVE
LOCALITIES IN THE KWAZULU-NATAL
PROVINCE**

BY

KRISHNEE PILLAY

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SUPERVISOR: PROFESSOR B. MAHARAJ

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DECLARATION

I, Krishnee Pillay, Reg. No.: 922429622, hereby declare that the dissertation entitled, "The Social and Economic Impacts of the Golden Horse Casino and the Sugar Mill Casino on their Respective Localities in the KwaZulu-Natal Province", is the result of my own investigation and research and that it has not been submitted in part or in full for any other degree or to any other University.



K. Pillay

24 MARCH 2009

Date

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ABSTRACT

The exponential growth of the gambling industry in South Africa has been the consequence of liberalized gambling laws. Casinos that were previously restricted to the homeland regions of the country have now become a common urban phenomenon that is easily accessible. Casino developments are still at an early stage of development, but the wide-scale consumption and popularity of the product has generated numerous debates over the cost and benefits associated with the industry. Whilst proponents of casino developments tend to emphasize the economic benefits, the opponents highlight the inevitable social costs, generated by the industry.

The aim of this study is to determine the social and economic impacts of the Sugar Mill Casino and the Golden Horse Casino on the Mount Edgecombe and Pietermaritzburg communities respectively. These impacts have been assessed by making use of both quantitative and qualitative data sources. The findings suggests that both the Golden Horse Casino and the Sugar Mill Casino have afforded their respective communities economic benefits and growth opportunities in the form of firstly, the initial capital investment of the casinos, and secondly, by the subsequent revenues generated by the industry. However, the industry has also generated social costs that have been encountered mainly by those individuals who do not have control over their gambling practices, and are thus classified as problem gamblers. Problem gambling tendencies result in a host of psychological, financial and physical repercussions that are manifested at a personal and interpersonal level.

If the casino gambling industry is expected to be of any benefit to the Pietermaritzburg and Mount Edgecombe regions, the economic gains of the industry have to be maximized whilst ensuring that the negative social cost remain minimal. Balancing these impacts remains imperative to the mutual sustainability of the casinos and their respective communities.

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CHAPTER ONE

Introduction

1.1 Study Context

The ubiquitous and ineradicable phenomenon of gambling has pervaded the history of humankind since its primitive origins. Anthropological studies reveal that the most modern games of chance are merely sophisticated versions that were once played by our forebears. Gambling techniques have changed over the ages to that which is more consistent with modern lifestyles, thus transforming it from a sinful endeavour to a mainstream recreational activity (Eadington, 1976).

Despite government and religious initiatives to control the industry, gambling has increasingly become morally acceptable and a large proportion of the adult population participates in one form of gambling or another (Bellringer, 1999). People gamble for a wide range of reasons stemming from risk-taking adventures, problem solving, escapism and pure attraction to the enticing environment that casinos offer. If the industry is effectively and competitively run, it has the potential to generate excellent returns and contribute positively to the leisure and tourism industries. As a worldwide phenomenon, the gambling industry is regarded as a significant source of revenue as well as a catalyst for the development of the tourism and leisure industries (Pizam and Pokeia, 1985; Volberg, Toce, and Gerstein, 1999).

However, despite the industry being accepted as a social diversion and a generator of vast sums of profits, it has also been described as being immoral and decadent. Whilst the majority of the population are able to keep their gambling practices under control and experience it purely as a social activity, a significant proportion lack self-restraint and become what is known as problem or pathological gamblers (Bellringer, 1999). Furthermore, gambling

has been linked to public corruption, social misfortunes and organized crime, thus making it a controversial issue.

In light of the controversy surrounding the industry, Pizam and Pakeia (1985) have described the ubiquity of the gambling industry as being parallel to that of power plant proposals, where many people agree with the desirability of the facility, but most often disapprove of it being in their own back yards. Casinos thus remained illegal in most parts of the world up until the late 1950s. By the early 1960s and 1970s the United Kingdom, Australia, USA, Holland and Spain were amongst the first countries to legitimise gambling, despite the iniquitous nature of the industry. The 1980s witnessed a significant change in the casino industry as gambling became more widely acceptable in most parts of the world (Eadington, 1995; McGowan, Droessler, Nixon, and Grimshaw, 2000).

Gambling facilities were, however, mainly restricted to out of urban area locations and were promoted as destination style casino resorts. Las Vegas, Monte Carlo and the French Riviera are but a few of the many casino locations that are well known as out of urban, glamorous tourist destinations resorts. The positioning of these destination style casinos was consistent with the belief that casinos tend to be inherently damaging to a portion of the population who are unable to control their gambling practices. Casinos were thus located away from urban areas, and offered the opportunity to gamble mainly to those who could afford to travel to these resorts. Casino resorts therefore mainly attracted tourists, which served to revitalize declining tourism markets by generating vast sums of revenues. In addition, ancillary services associated with the tourism and gambling industry resulted in benefits accruing to local and regional economies. Destination style casinos thus generate positive economic spin-offs (Eadington, 1999; Douglas and Raento, 2004).

The mid-1980s, however, heralded a major transformation in the gambling industry. In 1985, Australia became the first country to permit casinos in its major urban centres, a phenomenon that began to spread to other parts of the

world (Long, 1995; Eadington, 1999). This resulted in a shift in emphasis from destination casino resorts to a proliferation of casinos in urban locations. According to Eadington (1999) this has been largely attributed to widespread legitimisation of gambling as a recreational activity and a business opportunity, improved competence of regulatory bodies to control the industry, a shift from entrepreneurial to corporate ownership of gaming companies, and the ambition of governments to exploit economic spin-offs that casinos generate.

The populace with problem gambling tendencies who were thus protected by the restrictive nature of the industry in the past have become increasingly exposed to gambling opportunities as casinos have become more widespread. Unlike destination resorts casinos, local casinos tend to attract mostly local spending. This exposure of gambling to the majority of the population and the reliance of the industry on local rather than tourist spending resulted in a series of social and economic repercussions (Walker and Barnett, 1999).

The fundamental shift in the geographic positioning of casinos from destination casino resorts serving mainly tourists to casinos as a ubiquitous urban phenomenon available to all has resulted in extensive debates over the consequences of widespread gambling. Polarized views have emerged from these debates. Proponents argue that gambling is merely a form of entertainment and thus tend to emphasize the positive economic gains of the industry such as enhanced tourist opportunities, improved job creation and possible urban revitalization. Opponents, however, contest that gambling is fundamentally different from other forms of entertainment due to its addictive nature and immoral stigmatism, and regard the casino gambling industry as the cause of bankruptcies, increased criminal activities, job losses and family disintegration (Jensen and Belvis, 1998).

Australia, for example, currently has thirteen casinos, eight of which were operational in the 1970s and 1980s in more remote regions of the country. Of

the remaining five, one was opened as a tourist destination site and all were developed within the vicinity of major metropolitan centres. The gambling industry was the stimulus for seven thousand other businesses, which sequentially generated revenue in excess of eleven billion dollars, between the period 1997 and 1998. In addition, the industry employed a total of one hundred and ten thousand people, both directly and indirectly (Rule and Sibanyoni, 2000). However, these positive economic spin-offs were accompanied by considerable social problems as a result of the proximity of casinos to metropolitan areas. According to the Productivity Commission (1999), positive correlations could be found between problem gambling, and suicide, divorce, alcoholism, drug abuse, familial discord, poor work performance and depression. It was established that in Australian states where the per capita gambling rates were higher, there was also a greater prevalence of problem gamblers, thus suggesting that the increased accessibility to gambling opportunities is closely interrelated with the frequency of problem gambling.

Similar to the Australian experience, the gambling industry in United States has generated a wealth of economic benefits. With an estimated two-thirds of the population participating in gambling, it was not surprising that in 1995 the industry had generated an income of between twenty-two and twenty-five billion dollars. The industry employed three hundred thousand people and paid wages estimated to be seven and a half billion dollars. During this period, there was a 50% growth in the employment opportunities and a 10% increase in retail sales in areas with casinos (Rule and Sibanyoni, 2000).

Like their Australian counterparts, however, the presence of casinos of this magnitude has proved to be problematic, leaving in their wake insurmountable social problems. An estimated five million Americans could be classified as problem gamblers and two million as pathological gamblers. These figures are strongly correlated with racial and gender groups. More specifically, problem and pathological gambling was higher amongst blacks than whites and males than females. Incidences of problem gamblers were also higher amongst those with lower incomes and without post-high school education

than their higher income and more well educated counterparts. Further negative impacts included poor health, emotionally harmful family arguments, depressions, divorce, dependency on drugs and alcohol, bankruptcies and crime (Productivity Commission, 1999).

According to Eadington (1976), despite the socio-economic ramifications of the gambling industry consistent attempts by governments to enforce anti-gambling legislation have remained unpopular and unsuccessful in most parts of the world. The ensuing arguments over the moral, social and economic impacts advocated by the opponents and proponents of the debate have thus been the stimulus for gambling studies. These studies are usually conducted by an array of scholars, from psychologists, mathematicians, statisticians and economists. However, the outcomes of these studies merely reflect the specific aspect of gambling impacts assumed by the qualifications of the researcher. As the impacts of gambling continue to escalate it requires an increasing demand for the analysis of the multi-dimensional impacts created by gambling to be answered. These answers can only be obtained by adopting an integrative disciplinary analysis of the impacts of increased consumption of gambling by individuals. Geography is the ideal discipline to offer such an interdisciplinary analysis.

1.2 Geographical Relevance of the Study

Geography is an integrative discipline that can be used to understand complex processes. A geographical approach allows for the synthesis of the various disciplines that study urban phenomena. Urban areas provide the catalyst for the reproduction of economic, political and social systems, resulting in the formation of complex city environments (Pacione, 2001).

The transformation of casinos from remote tourist destination activities to common urban phenomena adds to the complexity and dynamism of city spaces. According to Eadington (1995), in order for casino gambling to be politically acceptable it has to be linked to higher purposes such as tax

benefits and regional development. Thus in many instances casinos have been legalized so as to revitalize or bolster the existing tourist industry, thereby stimulating local and regional economies (Eadington, 1995). Despite the legitimisation of gambling as a tourist development strategy, it has remained a highly contested issue with proponents such as governments, stakeholders and other lobbyists emphasizing the economic benefits of the industry, whilst opponents such as retailers, restaurateurs and others argue that gambling compromises the social well being of society.

The introduction of gambling in a community impacts on the political structures, tourist behaviour, social-spatial characteristics, economic systems, and planning and welfare configuration of an urban society. According to Pacione (2001) the geography discipline enables a researcher to study this multi-faceted phenomenon from an inter-disciplinary perspective and to reveal the interconnected patterns that emerge and how they influence urban development strategies. This study examines the social and economic impacts of casinos in the Province of KwaZulu-Natal in South Africa.

1.3 Rationale for the Study

South Africa has witnessed a significant transformation in its gambling industry in recent years. This transformation can be directly attributed to the changes in the political structure of the country from the former apartheid state to the present democratic dispensation. Under the apartheid state, casino gambling was strictly restricted to the remote homeland regions of the country in an apparent attempt to protect the urban white population from any form of morally offensive activities. Changes in the political structure of the country to a democratic nation, however, resulted in the liberalization of many laws. This included laws that governed the restriction of accessibility to casino style gambling opportunities.

The liberalization of the gambling laws could be attributed to two reasons. Firstly, it was an attempt by government to intervene in the uncontrolled and

unregulated expansion of the illegal casino gambling market. Legalized gambling allows government the opportunity to regulate the industry more effectively, and revenues previously lost to illegal operators are captured in the form of taxes.

Secondly, in its bid to gain its share of the tourism pie, casinos have been developed as part of the government's macro-economic, tourist development strategy. Within the context of tourism, gambling would create jobs and contribute to economic development. If properly channeled, these revenues can be utilized for the social and economic development of the country.

The socio-economic profile of KwaZulu-Natal, in particular, indicates that the Province would have much to benefit from the local economic gains offered by the legalized gambling industry. The basic statistics of the Province indicate that although KwaZulu-Natal encompasses a mere 7.6% of the total physical surface area of the country, it is inhabited by approximately twenty percent of the country's population.

KwaZulu-Natal is described as a gateway to the rest of South Africa, with its well-established harbour and transport networks, and contributes approximately 16.1% to the national economy. Notwithstanding the economic status of the Province, approximately 50% of the population still reside in rural areas, 53.1% of the population remain below the poverty line, 67.5% of the population are below functional literacy levels, and 23% of the adult population have received no formal schooling whatsoever. Poor education levels have resulted in a shortage of skilled labour and consequentially only 39.7% of the population are gainfully employed, and unemployment levels remain the third highest in the country (Burger, 1999). These high levels of unemployment and low levels of income have resulted in a poor economic base in the region.

It is within the context of anticipated localized economic benefits and consumer gains such as recreational enjoyment that KwaZulu-Natal has been rewarded with the allocation of five legalized, local, and large-scale casino

licences. However, in contrast to other cities such as Cape Town, Pietermaritzburg and Mount Edgecombe, the two areas under investigation, have few tourist attractions. Furthermore, according to Ernest and Young (2000), casinos derive only two percent of their income from tourists; the majority of casinos revenues are thus derived from the local populations.

Thus with the odds of attracting tourists stacked against the Pietermaritzburg and Mount Edgecombe casino operators, a strong likelihood exists that these casinos will be forced to depend upon the local communities for support. However, with an average head of household income of thirty seven thousand rand per annum, these communities are too poor to support and sustain the casino industry.

If there is a greater reliance on the local communities there are serious social and economic ramifications that need to be considered and government will have to maintain a balancing act between the potential economic gains and the negative costs associated with the casino industry in the Pietermaritzburg and Mount Edgecombe regions. Hence, there is an urgent need for research to be conducted on the impacts that gambling will have on communities so that government can make informed decisions and implement necessary policies to ensure that whilst economic gains are maximized, social costs remain minimal to ensure the viability of the industry.

1.4 Outline of Thesis

The structure of the thesis is as follows:

- Chapter Two presents a theoretical background to the study, and discusses the role of the gaming and tourism industry and their social and economic impacts on communities. In addition, an historical development of the gambling industry in South Africa is presented, within the context of the political transformation of the country from the apartheid regime to democracy.

- Chapter Three presents the various methodological approaches that have been adopted in conducting this study. Furthermore the Chapter presents the specific research techniques that were employed to obtain the data along with the strengths and weakness of each of these techniques.
- Chapter Four provides an analysis and interpretation of the data that was collected in order to determine the impacts that legalized gambling has had on the Mount Edgecombe and Pietermaritzburg communities.
- Chapter Five provides the conclusions and recommendations emanating from this study.

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LIST OF ACRONYMS

COSATU	Congress of South African Trade Unions
DEAT	Department of Environmental Affairs and Tourism
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
GGR	Gross Gambling Revenue
GGT	Gross Gambling Turnover
GNI	Gross National Income
KZN	KwaZulu-Natal
LPM	Limited Payout Machines
NGR	National Gambling Report
NRGP	National Responsible Gambling Programme
PDI	Previously Disadvantaged Individuals
SAPS	South African Police Services
TABS	Tattersals
TVBC	Transkei, Venda, Bophuthatswana and Ciskei

CHAPTER TWO

Social and Economic Impacts of Gambling: A Critical Review

2.1 Introduction

The positive and negative impact of legalized gambling has been an ongoing debate between opponents and proponents. Proponents of the legalization of the casino industry, example operators and government, argue that the industry is a stimulant for increased tourist activities, improved job opportunities and the possibility of urban revitalization. Opponents of such developments example, law enforcers, religious leaders, psychologists and social workers, however, contest this view, regarding the casino gambling industry as the cause of many bankruptcies, increased criminal activities, job losses and family disintegration (Jensen and Belvis, 1998; Hannigan, 1998). Whilst opponents in the gambling debate usually emphasize the social costs, the proponents conversely tend to emphasise the economic benefits and neglect social costs (Jensen and Belvis, 1998).

Whilst economic impacts of gambling are tangible, quantifiable and mostly positive, the social impacts tend to be intangible, difficult to measure and mostly negative (Eadington, 1995). For example, it is easier to measure or quantify winnings at a gambling activity as opposed to emotional damage caused to children with parents that are addicted gamblers (Rule and Sibanyoni, 2000). However, it should also be noted that in many cases the distinction between social and economic impacts are considered to be a false dichotomy. For example, employment or the lack thereof could be regarded as both an economic and social benefit and cost depending on the circumstances (Eadington, 1995).

This chapter provides an overview of the social and economic impacts that casino style gambling has on communities. The first section focuses on the nature of the relationship between casinos, tourism and economic development. The second section presents the macroeconomic and microeconomic impacts of casino gambling such as employment, economic growth at a local and national level, the use of casinos as a tourist development strategy, the effects of industry cannibalisation and the impacts that casinos have on surrounding property values. In the third section, issues of changing accessibility to gambling and the effects it has on problem gamblers, adolescent gambling, suicide and divorce, abuse and neglect, crime as well as the overall impacts that casinos have on surrounding communities are considered. For the sake of clarity, each section is discussed separately, in reality these impacts are interrelated and often overlap. The fourth section provides an overview of the gambling industry in South Africa.

2.2 Tourism and Economic Growth

The past fifty years have witnessed the growth of the tourism industry into one of the leading economic sectors of many countries. This has largely been viewed as a consequence of the post World War II growth of the middle class, for whom increased leisure time afforded the opportunity to travel. During the period 1950 to 1992 the international tourism market expanded by 7.2 percent, and for the decade 1980 to 1990 international tourist receipts grew at an annual rate of 9.6 percent, exceeding the growth of world trade as a whole (Judd and Fainstein, 1999).

Many governments have encouraged the phenomenal growth of the tourism industry as it is sold to international markets as an export product. Export refers to a transaction whereby one country sells goods and services to another country. Tourism presents itself as a form of export, and is one of the leading products of many countries as it fosters foreign spending in the domestic market and therefore promotes economic growth. Governments usually encourage tourism because it contributes to the country's national

balance of payments. Tourism spending ripples through the economy in the form of payment for goods and services such as accommodation and custom duties. This is referred to as the multiplier effect, i.e. when new money enters an economy that will stimulate the income growth of the economy more than once. According to the British economist J. M. Keynes, economic growth is seen as the result of an increase in a country's domestic income. One of many components of income is investment. Investment creates employment, which provides income for the household. The income earned by households will then be spent on goods and services, thereby effectively increasing the country's gross domestic product (GDP) (Lundberg, Stavenga, and Krishnamoorthy, 1995).

The tourism market is highly dynamic. There is constant competition amongst various countries for their market share. This being the case, countries often spend large sums of money to attract tourists. In order to compensate for large amount of money that is spent the revenue generated from incoming tourists must exceed the amount spent on promoting the industry (Fenich, 1992).

There are two central areas of debate with respect to the development of the tourism industry. The first is whether tourism projects can lead to sustainable economic growth, and the second is the debate over who benefits from the spin-offs of these developments. These two debates are linked (Shaw and Williams, 1994). The deciding factor in this debate depends on who funds the projects. Privately owned projects often ignore the needs of the locals since more focus is placed on providing facilities such as conference centres and hotels for foreign tourists, whilst the leisure needs of local residents are being (Gladstone, 1998; Shaw and Williams, 1994).

However, there is a shift to tourism becoming more institutionalised as it becomes linked with macro-economic policy. In the British example, the central government reduced financial support to the different regions of the country, thereby forcing urban areas to compete with each other to attract new investments. In order to attract investments cities need to present a

positive image. This image is partly created by promoting good quality tourist facilities (Shaw and Williams, 1994).

The type and number of tourists often determine whether the industry is viable and sustainable. A viable and sustainable industry will stimulate economic growth. Day visitors bring in fewer economic benefits than overnight visitors. Facilities such as conference and business centres tend to generate more income than day visitors. Tourist return trips to a destination are dependent on the offering of new products. Thus attractions and infrastructure have to be constantly updated and improved. Therefore tourism will only be a viable economic policy if developers recognize the need to envisage long-term development strategies (Shaw and Williams, 1994).

Most often the main reason for the promotion of the tourism industry is that it creates job opportunities. Although, in theory, a given amount of investment might create more jobs in another sector, foreign investments may be specifically designated for tourism (Gamble, 1994).

An important consideration is whether the city is a product to be sold on the tourism market, or is a city a place in which to live? Tourist markets tend to target the affluent whose lifestyles are based on sophisticated commodities and conspicuous forms of consumption, thus local life styles and needs are often ignored (Mullins, 1991; Shaw and Williams, 1994).

According to Feinstein (1990) tourism can play an important development function in terms of:

- a. Creation of new job opportunities and therefore a boost to local economies,
- b. Infra-structure development;
- c. Decreasing poverty;
- d. Increasing domestic industries; and
- e. Stimulating local markets (handicrafts, cultural shows, etc.)

2.3 Tourism and Gambling

The tourism industry has been regarded as being the ideal setting for gambling activities. This is because both industries have similar inputs, create similar outputs, and both are associated with the food, accommodation and transport sectors. Thus, casinos are regarded as part of the tourism package, that serves the ancillary leisure activity that complements tourism (Felstein and Freeman, 1998; Israeli and Mehrez, 2000). According to Eadington (2001) the iniquitous nature of gambling activities has in the past largely influenced the geographic spread of casinos. In the early 1960s casino style gambling was recognized as a catalyst for the development of the tourism industry. The widespread belief of the inherently damaging nature of gambling activities resulted in casinos being proscribed to a few remote settings, accessible mainly to those who could afford to travel and engage in gambling.

Casinos were set up in remote areas as part of the glamorous tourism destination package, relying largely on foreign tourists and generating ancillary benefits to local economies. Countries throughout the world, example Great Britain, Malaysia, Australia, Spain, Netherlands and the United States legalized gambling in remote destination resort settings in an attempt to attract international tourists (Eadington, 2001). However, the failure of casinos to attract necessary tourists to a region will result in a redistributive effect on the economy as the casino begins to rely primarily on local support (Felstein and Freeman 1998).

In the early 1980s, there was a shift in this trend, from casinos being remote destination sites to being more easily accessible urban phenomena. This legitimisation of gambling as a local phenomenon was a result of changing attitudes concerning the morality of the industry, improved regulatory bodies and international governments' attempt to exploit economic gains associated with the industry (Eadington, 2001).

Patronage of gambling venues thus began to accrue to local and convenience style casinos rather than the destination resort casino venue. This in turn meant that fewer people attended destination resorts, which offered a variety of diversified activities and casinos as an ancillary activity. There was gravitation to local casinos where the focus was almost exclusively on gambling. This change from destination resort casinos to convenience style casinos resulted in a shift from gambling being a tourist activity of foreigners to a leisure activity practiced by the local population of a region (Volberg *et al*, 1998; Eadington, 2001).

The transition of casinos from remote destination style resorts to more accessible urban casinos has discouraged the development of massive mega-casino complexes. These complexes usually attract tourists and therefore facilitate the promotion of gambling as part of the tourism and entertainment package. The proliferation of casinos as a nationwide phenomenon results in a greater reliance on the patronage of local and regional populations (Nickerson, 1995).

However, in the United States, Australia and Canada, "tourist" casino resorts do exist and they do generate revenue. This was restricted, however, mainly to those casinos that are remotely located. In the case of Australia, there is the Gold Coast and the Great Barrier Reef, and in Canada, Windsor, Niagara Falls and Montreal. Destination casino resort style gambling has an impact on tourist gambling whilst wagering, lotteries and non-destination resort casinos cater mainly for local populations and thus has minimal impact on tourism. The transition of gambling activities from an illegal to a legal status is indicative of a latent demand by parts of a population who are willing to spend both time as well as money on such activities. Legal venues are much more attractive than their illegal counterparts and draw a larger number of people into participation, thus having significant impacts on consumer spending and promotion of competing and complementary industries (Nickerson, 1995). The next section focuses more specifically on the economic impacts of casinos.

2.4 Economic Impacts of Casinos

The economic consequences of gambling can be divided into two categories, namely, the macroeconomic and the microeconomic impacts. Macroeconomics is concerned with the "big picture" i.e. it focuses on the performance of an entire economy. It takes into consideration national goals such as employment, inflation and economic growth, with the aim of promoting performance excellence of the economy (Schiller, 2000).

Microeconomics, on the other hand, takes into consideration the composition of the "big picture". Its focus is on the smaller agents that make up the larger economy, namely, individuals, firms and government agencies. Microeconomics is concerned with the behaviour of individual economic actors, to ascertain what the goals of these actors are and how they will go about achieving their targets with the limited resources that are available. It also takes into consideration how these actors respond to incentives and opportunities (Schiller, 2000).

Macroeconomics focuses on, for example, the impact of consumer spending on output, employment and prices whilst microeconomics is more concerned with actual content of consumer spending i.e. how each individual's choices with regard to taste, prices and income influence consumer spending (Schiller, 2000).

Notwithstanding the above differences, in reality macro and microeconomics are not strictly dichotomous. In most instances, macroeconomic outcomes are dependent upon microeconomic behaviour and microeconomic behaviour is affected by macroeconomic forces (Schiller, 2000).

2.4.1 Economic Growth

Economic growth is one of the arguments advanced in support of casino developments. The gaming industry is seen as a powerful catalyst to uplift economically depressed communities. Revenues generated from the gambling industry can create many positive economic spin-offs stimulating development of infrastructure, allowing for reinvestment into other industries, increasing individual incomes and improving the standard of living for many (Carusi, 1999).

According to the National Gambling Impact Study Commission Report (1995) in the United States, the introduction of casinos into communities resulted in the growth of the hotel industry, increased revenues for the local government, increased construction employment opportunities and earnings, improved property values, a decline in unemployment rates and an increase in the earning of the hotel, recreational and amusement industries.

Pizam and Pokeia (1985) conducted a study on the impacts of legalized gambling on the Adams and Hull communities of Massachusetts. The study revealed that in terms of the economic impacts, the majority of the respondents believed that the overall tax revenue of the towns would increase, thereby stimulating growth and development. However, it would also increase the amount of spending on public services. The cost of land together with the cost of housing was also expected to increase dramatically. There was a fairly even split in opinions over the standard of living. One-third of the population, respectively, believed that conditions would worsen, that things would remain the same and that the standard of living would improve. The highest positive impact was described in terms of improved employment opportunities (Pizam and Pokeia, 1985).

2.4.2 Employment

Another argument advanced in the support of legalized gambling is its potential to create employment opportunities. The gambling industry is able to create full-time employment for low skilled workers in areas where there is a high prevalence of unemployment and underemployment. This not only provides a more secure livelihood for many, allowing them to prepare for contingencies and plan for the future, but also decreases the government's responsibility in terms of welfare needs (Carusi, 1999).

Furthermore, employment opportunities provided by the casino industry tend to provide better benefits and higher compensation, as opposed to many other types of jobs. Improved employment opportunities within a community result in the strengthening of the resource base, thus allowing people to make investments in other enterprises. Also, there tends to be an overall increase in per capita income (Pizam and Pokieia, 1985).

2.4.3 Redistributive Vs Expansionary Effects

Casinos have often been developed as part of a tourist development strategy. However, according to Felstein (1998) the success of using casinos as a tourist development strategy will depend on its redistributive or expansionary effect. Gambling can have a redistributive effect, that is, recirculation of the local economy or expansionary effect, that is, attraction of external money to the economy. The expansionary effect is most evident if casinos are limited to more remote areas. This is similar to the South African situation where in the early 1970s casinos were restricted to the former homelands example Bophuthatswana, Venda, Ciskei and Transkei, thus making them mainly accessible to the upper income white clientele (Rule and Sibanyoni, 2000).

Casinos accessible at a local level result in a higher level of patronage by surrounding communities, due to convenience, ease of accessibility and consequently result in support from medium to low-income earners and

pensioners. If the casino industry wants to have an expansionary effect on the local economy rather than a redistributive effect, then two-thirds of the demand should be from external support (Felstein and Freeman, 1998).

If casinos begin to rely on local support, this can result in a cannibalistic effect on the economy where spending is substituted from other goods to gambling (Grinols, 1995).

2.4.4 Industry Cannibalization

When casinos fail to attract necessary tourists to a region they fail to contribute as an export product to that market. According to Grinols and Omorov (1996) in order for a casino to contribute to the economic growth of a region, it must be characterized as an 'export' product, that is, it must be able to attract foreign tourists.

Grinols and Omorov (1996) use the factory restaurant analogy to describe industry cannibalisation, questioning whether the impacts of casinos located in a community are similar to that of a restaurant or a factory. The introduction of a factory to a region will result in an increase in remuneration and an increase in procurement of commodities required by the factory. This then results in the production of tangible goods, which would be sold to the rest of the country, which consequently leads to an injection of new monies into the region, in the form of profits, which would be spent within the economy (Grinols and Omorov, 1996).

On the other, hand the introduction of a new restaurant to a region would be seen to have a cannibalistic effect on the economy. A restaurant will cater for the needs of the local population, thus simply taking business away from other restaurants in the region rather than generating new profits (Grinols, 1996).

In certain cases, like Las Vegas, casinos are analogous to factories, as their gambling services are sold to the rest of the nation and the world. However,

in most instances, casinos in other states are like restaurants where there is a strong reliance on local support, resulting in business being drawn away from other local enterprises in the region, thus generating no economic growth but creating various social ills (Grinols and Omorov, 1996).

2.4.5 Property Values

Property values are one of the criteria that is used to evaluate the economic impacts of casino developments. It is similar to impact studies of facilities such as airport and waste disposal sites. The studies revealed that the location of these facilities affect property values either positively i.e. surrounding property values increase; or negatively i.e. surrounding property values decrease. The introduction of gambling into a community does, to an extent stimulate the growth of property values. However, this is more evident in commercial property values. Residential property values often remain the same and sometimes decline (George, 1998).

2.4.6 Crime

The pro-legalization of gambling lobby often alleges that illegal gambling and the revenue generated thereof are often used to finance other illegal activities such as organized crime. Legalization is thus argued to be a means of redirecting gamblers from illegal to legal channels of gambling. Anti-legalization of gambling forces, however, argue that the permissive attitude of gambling by officials will result in an increase in public exposure to gambling, and thus wider participation in this activity. Arguments of the pro-legalization and anti-legalization forces bring to the fore the basic argument as to whether legal and illegal gambling complement or oppose each other (Hybels, 1979).

Legalised gambling has the potential to reduce criminal activities in a community. However, this is quite limited to a specific crime, namely a reduction of incentives for illegal gambling. Pathological or problem gambling results in some individuals participating in criminal activities in order to finance

their habit or addiction. Those communities that are host to casinos generally experience these effects. The economic implications of pathological or problem gamblers are most pronounced in revenues spent by the government in terms of law enforcement agents and court cases. Due to the addictive nature of gambling, criminal activities such as forgery, credit card theft and fraud are also likely to increase (Blaszczynski and McConaghy, 1994).

2.4.7 Financial and Credit Issues

The availability of cash as well as credit within casinos is highly problematic and conducive to compulsive gambling (Rule and Sibanyoni, 2000). Casino operators ensure the ready availability of credit in and around the vicinity of casinos. Thus patrons not only have access to the hard cash with which they enter the casino, but withdrawals can also be made from Auto Teller machines and credit cards can be charged. This easy access to cash and alternate forms of money can lead to irresponsible or problem gambling. Patrons eventually spend much more money than they intended to, and this can lead to bankruptcies (Parets, 1996).

2.5 Social Impacts of Gambling

"The legitimacy of government sponsored gambling and its continued expansion depend in part on the impact that gambling has on a society and the extent to which gambling revenue is derived from vulnerable individuals (Williams and Wood, 2004:33)."

Whilst governments have praised the gambling industry as a generator of economic benefits, the public as well as other interest groups have simultaneously criticized it over the potential negative social impacts that it would have on individuals, families and communities (McGowan, Droessler, Nixon, and Grimshaw, 2000; Higgins, 2003). The United States is a nation

that has a well-developed gambling industry, and research on the impacts of the industry has accordingly been extensive.

An example of a study conducted in the South Dakota region of the USA is demonstrative of the economic benefit and social cost argument that emerge when casinos are introduced as a life line to cash strapped economies. Gambling was outlawed in South Dakota in 1947. However, in 1988 the industry was revived with the expectation that it would generate large amounts of revenue from visitors, which would then be used to develop the region.

Shortly after the initialisation of the industry in this region an analysis of the impact of the gaming industry was carried out. The method used was the review of articles over a five-year period of three different newspapers published in this area. The investigation revealed that the emphasis in the articles reviewed was on the economic contribution of casinos in terms of taxes, lodging fees, purchase of food and beverages. Furthermore the industry generated employment and revenue, and in a period of three years was able to produce five million Rands in taxes. Based on these economic criteria the casino was deemed a viable industry and recommendations were forwarded that the casinos should remain operational for an extended period of time. Thus the gaming industry was given considerable support by both the public and private sectors.

Enquiries into the negative social impacts associated with the community participation in gambling in South Dakota were neglected for many years. Addiction to gambling began to escalate in the region and was one of the major social problems, which was often associated with personal financial difficulties, abuse, theft and other related crimes. The reason for this distorted view on the prevalence of problem gambling, was that for every three articles published on the positive economic aspects of gambling in South Dakota, only one article focused on the negative social impacts. By 1993 (i.e., 5 years after the casino establishment) the negative impacts were becoming more ubiquitous. This was naturally followed by discontent amongst the residents

of the region. During this period there was also a decline in the outsider support for the casino, a consequence of the increase in the number of casino licenses. Thus casinos were more accessible as they were closer to consumer markets (Nickerson, 1995).

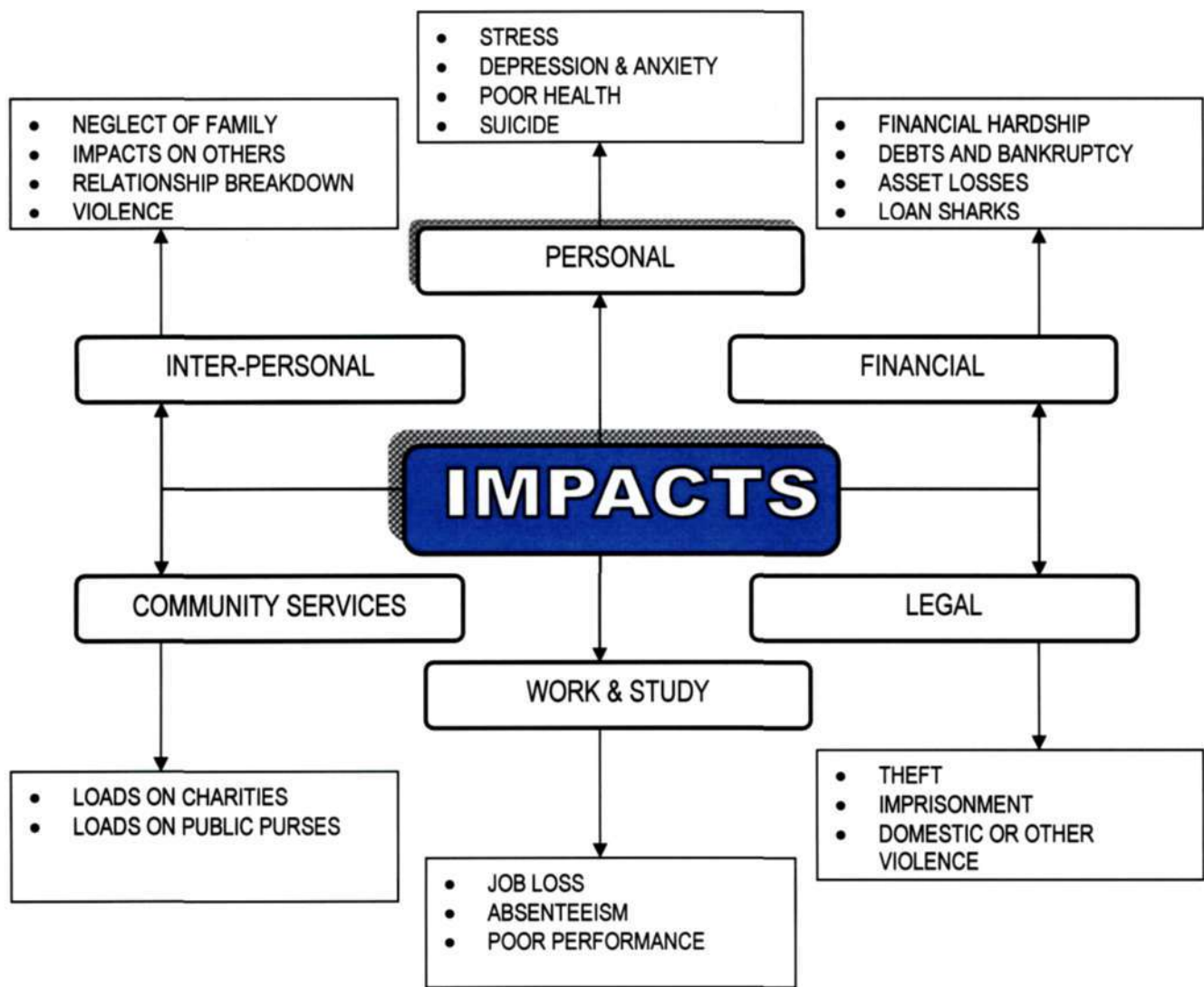
The case study of this region thus highlighted that despite the economic gains that are offered by the industry, investigations into the negative impacts of casinos on communities need to be evaluated from a multidimensional perspective.

According to the Productivity Commission (1999), these negative impacts can be differentiated as the '*private*' and the '*social*' impacts of the industry. '*Private*' costs, also known as '*internal*' impacts, refers to those costs that are borne by an individual as a consequence of the rational decision to partake in an activity. '*Social*' benefits and costs, also known as '*externalities*', refer to the manner in which the consequences of one individual's actions are imposed involuntarily upon others in society.

These private and social costs are regarded as being an inevitable consequence of the development of casinos in urban areas and will inevitably lead to an escalation in social problems due to an increase in the number of low-income people participating in gambling activities (Pizam and Pokuia, 1985; McCormick, 1998). Increased criminal activities, high divorce rates, suicides, adolescent and pathological gamblers are indicative of these negative impacts, which have implications not only for the present but future generations as well (Jensen and Belvis, 1998; Blaszczyński, 2000). Governments are thus faced with the responsibility of providing adequate social welfare systems to minimize these negative consequences. A range of these impacts as described by the Productivity Commission (1999) is illustrated in Figure 2.1.

The next section highlights the links between accessibility to gambling opportunities and problem gambling.

Figure 2.1: Impacts of a Problem Gambler



Source: Productivity Commission (1999, p.25)

2.5.1 Accessibility

The relationship between pathological gambling and accessibility is a highly complex and multi-dimensional problem. The link between access and problem gambling has been highly debated and remains a central concern for policy formulation. The argument is that liberalization of gambling results in the proliferation of such venues, which increases accessibility. An increase in the number of problem gamblers and the severity of their problems is seen as the logical consequence of the proliferation of casinos (Productivity Commission, 1999; McGowan *et al*, 2000).

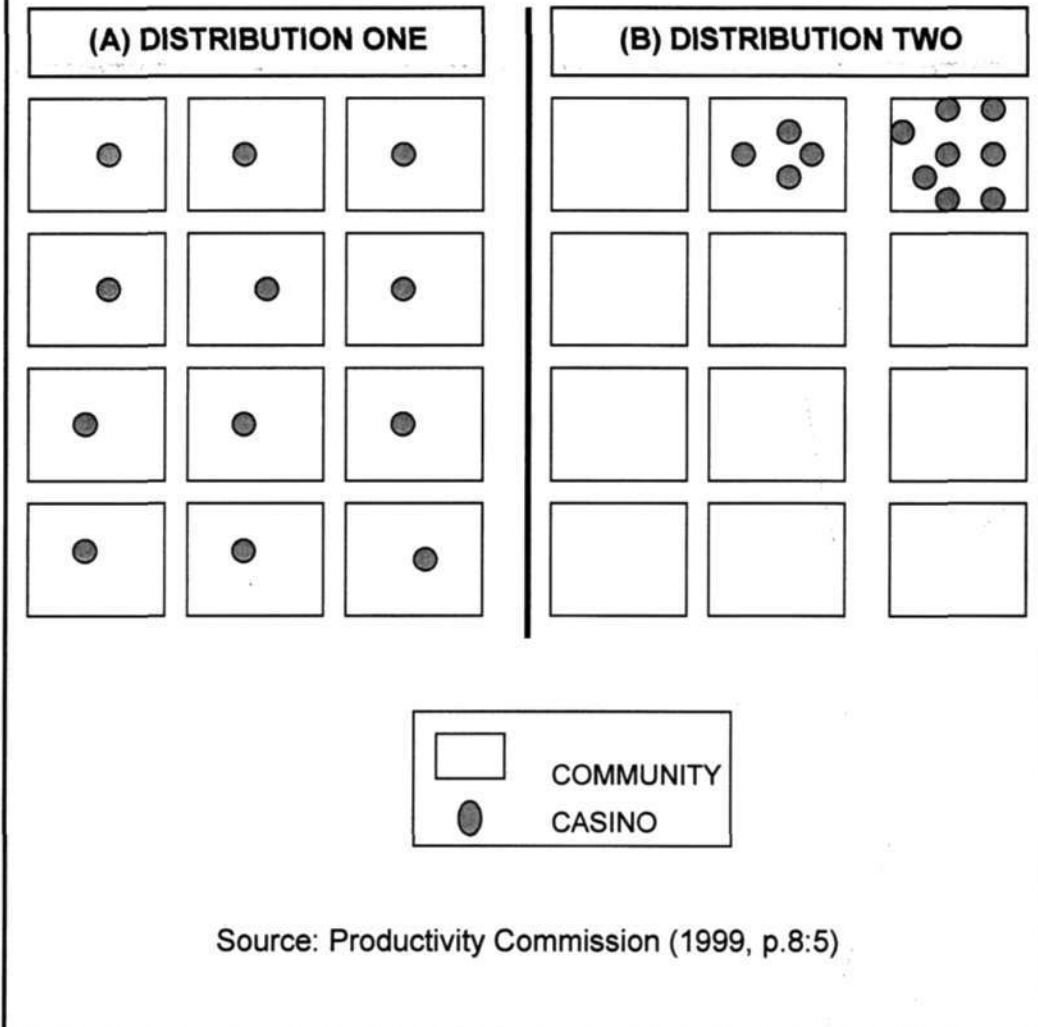
Some argue that ease of accessibility is not necessarily the cause of the increase in the number of gamblers. Problem gamblers, who in the past participated in illegal gambling, are now exposed to legal forms of gambling. Liberalization deflects illegal gamblers to legal forms of gambling. Previously, gamblers would gamble in illegal venues and if they had a problem, would not know how to respond. However, with the increase in legal venues and escalation in publicity about responsible gambling, problem gamblers may be more willing to seek assistance (Polzin, Baldrige, Doyle, Sylvester, Volberg, and Moore, 1998; Productivity Commission, 1999).

According to the Productivity Commission (1999), the following form of accessibility exists:

i) Spatial Distribution of Opportunities

This refers to the total number of opportunities that are available to an individual to engage in a particular gambling form (e.g., number of slot machines).

Figure 2.2: The Spatial Distribution of Gambling Opportunities



It is the spatial distribution of these opportunities that influences the accessibility opportunities to individuals. A limited number of casino venues will result in an increase in the demand for the services offered, resulting in congestion and overcrowding. Consequently gamblers are forced to gamble for shorter periods of time due to the unsuitable conditions, thus curtailing spending (Productivity Commission, 1999).

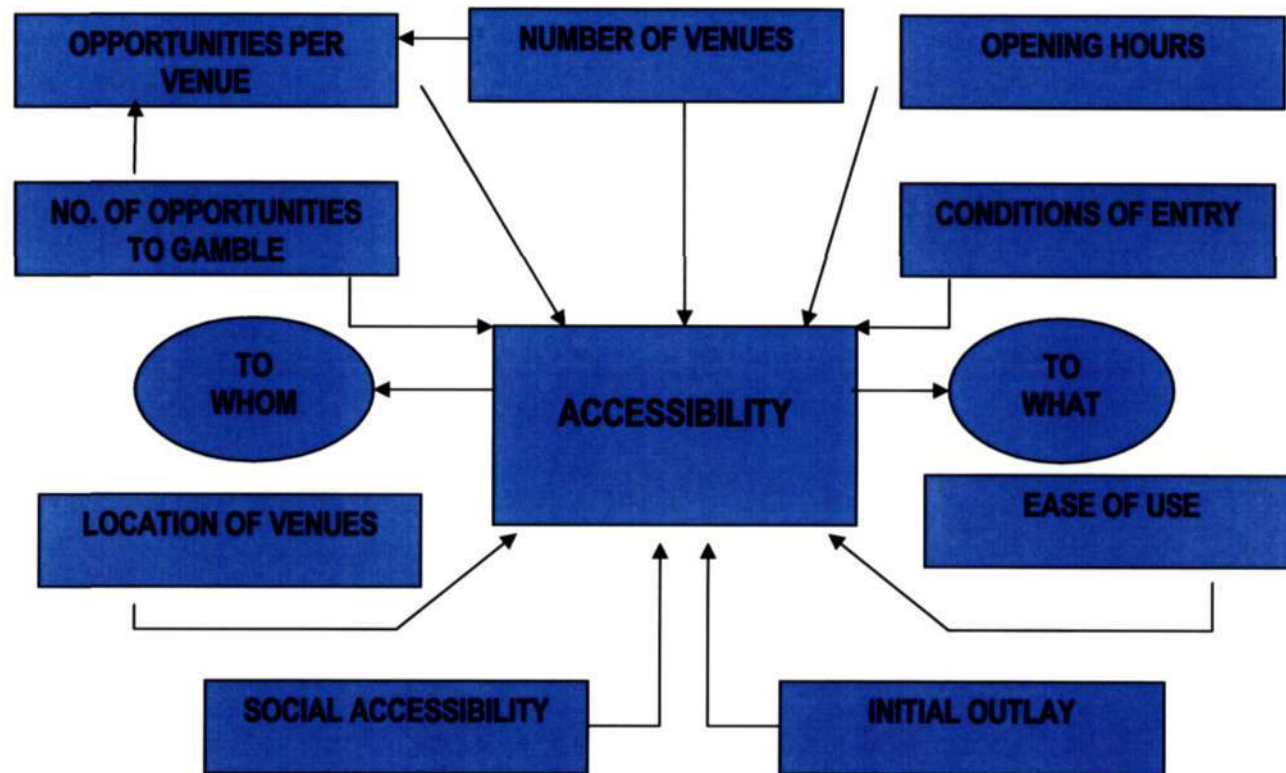
In addition, according to the Productivity Commission (1999), casino venues that are clustered are less accessible than casino venues that are evenly dispersed. In Figure 2.2, distribution one and distribution two have the same number of casinos. In distribution one, each area has access to a large casino; thus gambling opportunities are easily available to most individuals residing within these communities. In distribution two, however, the numbers of venues offering gambling are the same but are clustered together, thus offering accessibility mainly to those living within that locality. Consequently, the spatial distribution of casinos within these two localities results in distribution one having a higher access and distribution two a lower access regime, even though the latter has a larger number of casinos than the former.

In 1994, Coopers and Lybrands conducted a study on the economic impacts of gambling in North America. The focus was on the effects of proximity of casinos on pathological gamblers. The results revealed that problems that may arise from addictive gamblers could be minimized if casinos are located in urban rather than remote rural areas. This is because urban locations provided additional entertainment such as theatres and nightclubs, and remote rural areas were used mainly as destination locations with limited other activities (Post, 23/9/98).

ii) Other Factors that Influence Accessibility

There are various factors that contribute to the accessibility of casinos as illustrated in Figure 2.3.

Figure 2.3: Accessibility to Gambling Opportunities



Source: Productivity Commission (1999, p. 8.4)

Furthermore access to casino gambling opportunities are influenced by:

- a. The opportunities to gamble at any given venue: example number of gaming machines per venue.
- b. Opening hours: Most venues are highly accessible as they are open twenty-four hours a day, seven days a week.
- c. Condition of entry: example dress standards.
- d. Ease of use: Skills and interpersonal contact required are very few.
- e. Initial outlay required: Low outlay games are more accessible than high outlay.
- f. Social accessibility: Socially acceptable in that it provides a non-threatening and attractive environment.

According to the Productivity Commission (1999), the link between accessibility and problem gambling has been established and is studied by analysing variations in the demand for help services. Increased access to gambling opportunities poses a fundamental threat to individuals with addictive gambling tendencies. These individual are referred to as problem gamblers.

2.5.2 Problem Gamblers

A problem gambler can be defined as a person whose psychological, physical, social or vocational lifestyle is affected by his/her gambling habits. Problem gambling is what is sometimes referred to as the hidden addiction and is alternatively termed as a pathological or compulsive gambler (Nicols Stitt, and Giacopassi, 2004; Welte, Barnes, Wieczorek, Tidwell, and Parker, 2004). There are various causal pathways that lead to problem gambling as indicated in Figure 2.4.

The addiction begins with an individual's preoccupation with gambling, and the total commitment of financial resources to gambling with the unrealistic expectations of beating the odds. They constantly chase losses and find it

difficult to stop gambling (Bellringer, 1999). Over time, they lose control over their negative behaviour, resulting in a serious disturbance and a compromise in their lifestyle. Problem gamblers are more likely to rely on welfare, declare bankruptcy and be arrested than their non-problem gambling counterparts. The progress of an individual's participation in gambling from a recreational activity to an addiction is illustrated in Figure 2.5 (Raylu and Oei, 2002).

The backwash effect of people succumbing to such temptation results in problem gambling and is often the cause of many social ills in society (Abbott and Volberg, 1999; Rule and Sibanyoni, 2000). Gambling, like most other addictive disorders, have severe consequences not only for the individuals but also for those around them. Addiction to gambling can be destructive to work environments, families and communities.

In the United States pathological and problem gamblers cost society approximately \$5 billion per year and an additional \$40 billion in lifetime costs for productivity reductions, social services, and creditor losses (Gerstein, Volberg, Toce, Harwood, Christiansen, Hoffmann and Murphy, 1999). It generates problems such as depression, suicide, divorce, abuse and homelessness. The presence of casinos in a community should necessitate that the private and public sectors be aware of the potential problems and implement strategies to reduce the negative impacts (Williams, 1996).

Gambling poses an additional threat to those with dependent and destructive behavioural problems. Many of these individuals resort to suicide as a solution to their problems (Looney, 1998). Addictive gambling is also the cause of familial disharmony, often culminating in divorce. Addictive gambling brings into the family financial, physical and emotional problems (National Gambling Impact Study Commission, 1999; Nicols *et al*, 2004).

According to Rule and Sibanyoni (2000), it is estimated that problem gambling of an individual affects the lives of between six to twelve people with whom they are in contact with, be it family, friends or acquaintances. Addictive

behaviour includes abuse, neglect and domestic violence. Frustration and agitation over the pathological disorder can result in violent outbursts, often against the spouse. Children consequently either suffer from abuse, neglect or emotional damage caused by violence between parents. At times children who are under age and cannot enter casinos are locked in cars, left home alone or wait in lobbies whilst parents gamble.

Furthermore, an increase in the cases of pathological gamblers often poses a threat to the survival of the industry in a community. Even though problem gamblers represent only a small fraction of the industries clientele, they do pose a threat to the reputation of the industry whilst contributing very little. Preventative measures include age checks, entry fees and dress codes (Schaffer, 1997). According to the Productivity Commission (1999), the increase in frequency of pathological gamblers can be closely linked to increase in accessibility of gambling opportunities.

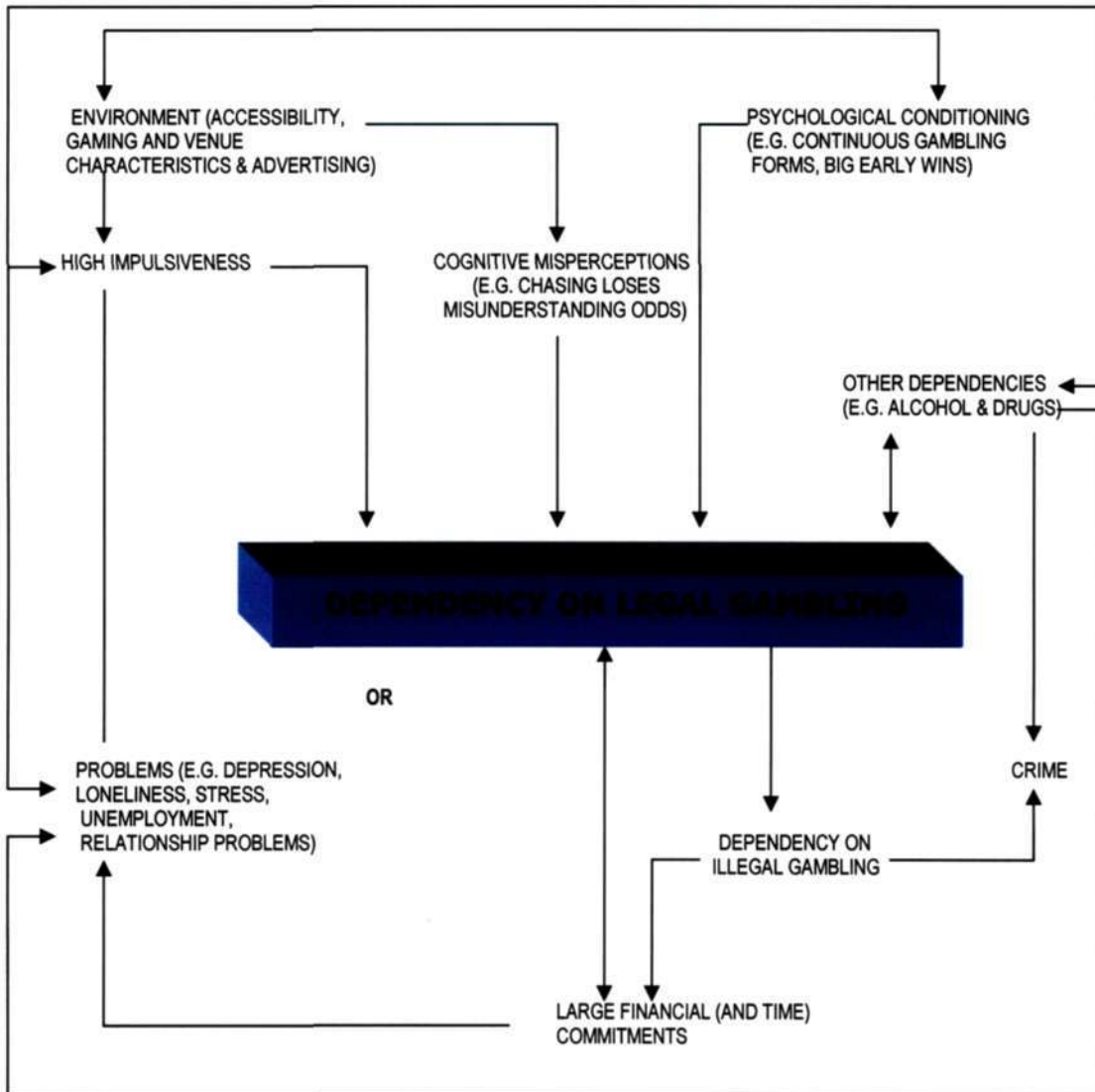
The risk factors associated with pathological gambling will be examined within the domains of adolescent gambling, femminization of gambling, suicide and divorce, crime and adverse community impacts.

2.5.3 Adolescent Gambling

According to Derevensky and Gupta (1999) a new generation of modern gambling adolescents are emerging in environments where the industry has been legally sanctioned and culturally approved. This has become evident in the wide scale expansion of research relating to adolescent gamblers since the 1980s (Stitt, 2000).

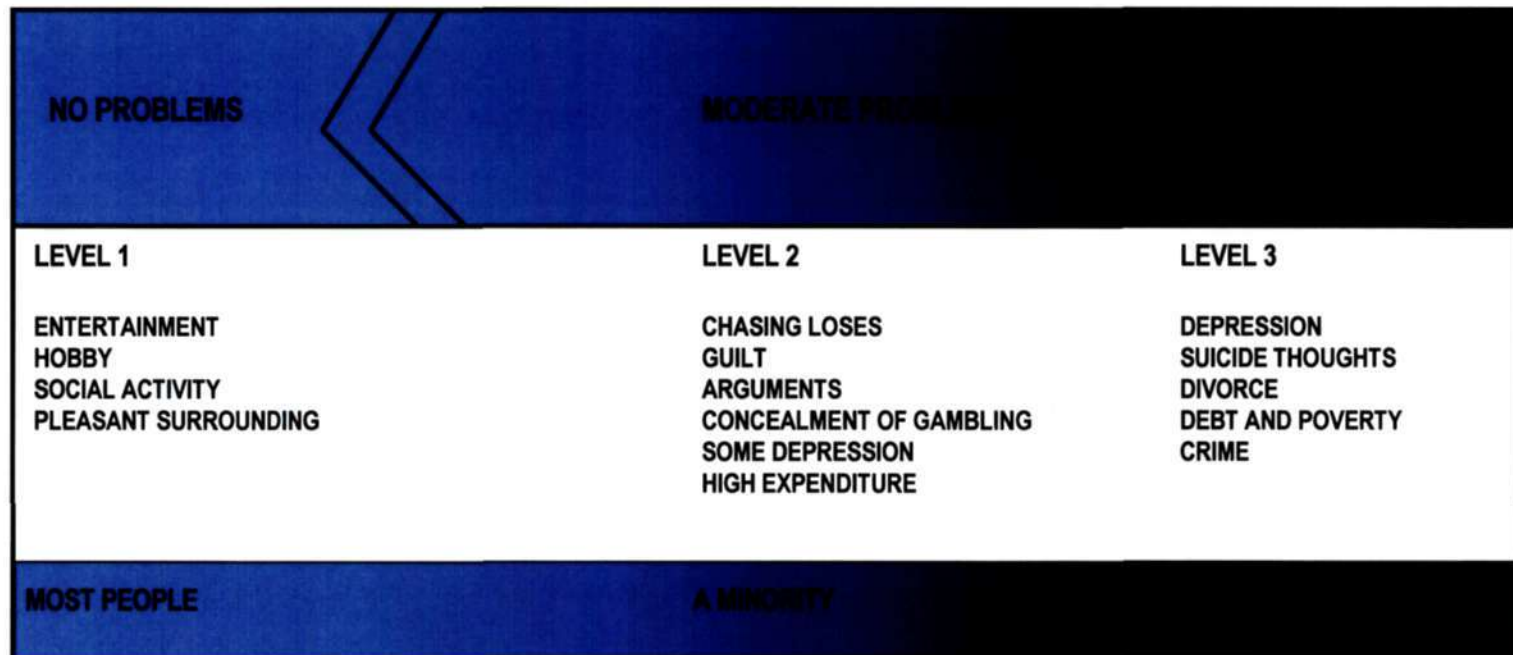
The illegal participation in gambling by adolescents is problematic as individuals within this age category are extremely susceptible to the enticements of gambling. Furthermore, adolescent gamblers have a higher rate of developing addictive tendencies as compared to their adult counterparts.

Figure 2.4: Causal Pathways to Problem Gambling



Source: Productivity Commission (1999)

Figure 2.5. The Gambling Continuum



Source: Productivity Commission (1999, p.19)

Scholars and researchers at the Department of Psychiatry at the University of Louisiana warn that rates of adolescent gambling at present may only represent the tip of the iceberg with far reaching consequences for the future. In a survey conducted by the University amongst twelve thousand sixth to twelfth graders, it was found that 86 percent had gambled, while 16 percent could be classified as problem gamblers (Derevensky and Gupta, 1999; Lostutter, Larimer, and Takushi, 2002).

The social consequences of illegal gambling by under-aged children are significant. The problem with adolescent gambling dependence is that unlike, for example, drug usages there are no visually observable signs or symptoms. Adolescent gambling can result in lost life opportunities due to truancy, alcohol and drug usage, low grades and illegal activities to finance their habit. Adolescents are also more likely to become pathological gamblers due to the fact that they are at a more vulnerable and risk taking age (Griffiths, 1995). In addition, children of parents with gambling problems are more likely to adopt delinquent habits and are at a high risk of becoming compulsive gamblers themselves (Rule and Sibanyoni, 2000).

Studies in the United Kingdom (Fisher, 1993) and the United States (Kearney, Roblek and Turnbough, 1996), have suggested that underage gambling occurs with considerable frequency in these two regions. The two issues that raises the most amount of concern with regards to this trend is that firstly, unlike alcohol and tobacco usage gambling does not have a uniform national age restriction; and secondly, the prevalence of 'fruit machines' in convenience stores promotes the notion of gambling as a legally sanctioned and thereby a norm.

2.5.4 Femminization of Gambling

According to Volberg (2003) most types of gambling activities have remained highly gendered, with more opportunities to gamble being afforded to men as compared to women. The stock market, sports, racetrack and off-track betting facilities have higher levels of participation by males as compared to

females. This phenomenon has been possible as in western societies men have been regarded as the risk takers, innovators and speculators whilst women are viewed as caretakers and nurturers (Hing and Breen, 2001). Furthermore, female participation in gambling has been viewed as being culturally based with varying levels of social acceptability of women partaking in any form of gambling.

In recent years, however, the increase in the availability of gambling machines have resulted in an increased accessibility to gambling opportunities and consequently the feminization of gambling. Feminization refers to the increased participation of women in gambling activities. The result is that more women have been developing problem gambling tendencies and, consequently, there has been an increase in the number of women who have been seeking help for gambling related problems (Lesieur, 1988).

This process of the feminization of gambling is evident in countries such as the United States, Australia and Canada, where the proliferation of gambling machines in pubs and convenience stores, in addition to casinos, resulted in more women participating in this pastime, as they tended to prefer this form of gambling (Toneatto and Skinner, 2000). According to Hraba and Lee (1996) this emerging pattern can be attributed to the changing attractiveness of gambling venues to a safe environment, flexible hours, local availability, low initial outlay, and the availability of childcare facilities.

The problems that arise out of female participation in gambling remain a cause for considerable concern. According to Hraba and Lee (1996) the potential for women developing problem gambling tendencies are influenced by a host of factors such as, education level, religion, childhood exposure to gambling, number of marriages, frequent changes of residence and alcohol consumption, whereas the only significant determinant of male problem gambler was their level of education.

2.5.5 Geriatric Participation in Gambling

The increase of geriatric participation in gambling has become an issue of concern in social studies. Recent research has indicated that marketing strategies employed by many casino establishments specifically target senior citizen facilities. Senior citizens are targeted as they are considered as reliable spenders with leisure time and often casinos charter buses to senior centres facilities immediately after social security cheques are paid (Higgins, 2003).

However, according to Hope and Havir (2002: 177), "It is commonly concluded that older people who frequent casinos are unable to gamble prudently and in consequence endanger their well-being by squandering their assets." The marketing strategies of casinos thus contribute to the trend of problem gambling amongst geriatrics.

According to Higgins (2003), an investigation into the impact of gambling on geriatrics in senior centres in Massachusetts has indicated there are three underlying causes of gambling related problems amongst the aged. Firstly, the increase in opportunities and accessibility to casino gambling has resulted in a rise in the number of problem gamblers in senior centres. Secondly, casinos offer aging members incentives to enlist other members of the centre to participate in gambling trips and thirdly, gambling venues lack protective measures for the aged in order to ensure that the seniors do not develop pathological gambling tendencies.

2.5.6 Crime

Casino gambling and crime are two irrevocable linked phenomena. Gambling is often associated with organized crime, political corruption and scandal (Chang, 1996; Welte *et al*, 2004). For example, the introduction of a casino at the Niagara Falls resulted in an increase in crimes such as extortion, loan

sharking and the circulation of counterfeit money in the region (National Gambling Impact Study Commission, 1999).

According to the Productivity Commission (1999) there are four categories of criminal activities that are related to gambling communities. The first category refers to petty crimes that occur at the casino venues, and ranges from cheating at games to stealing of property, example pick pocketing. The second category refers to criminal activities that occur in the communities where casinos are located, for example, break-in, vandalism, prostitution and assault. The third category applies to organized criminal activities such as money laundering. This is the form of crime that is most difficult to identify and consequently difficult to eliminate. The fourth and final form of crime relates to organized crime, which has been largely reduced due to the legalization of the industry. Illegal gambling is often associated with organized crimes, whereas legalized gambling has preventative measures and controls to restrict such activities.

These four types of criminal offences can be classified as opportunistic crimes, organized crimes and problem gamblers' crimes. The introduction of tourists to an area as a consequence of casino developments, for example, will lead to the inevitable increase in opportunistic crimes as tourists are considered to be easier and wealthier targets (Opperman and Chon, 1997). Organized crime usually becomes more evident in regions where casinos are more established. Problem gambler induced crimes are usually presented in terms of offences that are committed in order to feed the addiction patterns, for example, fraud, theft and domestic abuse.

Despite the correlation that has been established between casinos and crime, Israeli and Mehrez (2000:285) has suggested that, any city which undergoes a significant revitalization, whether it be casinos – hotels, theme parks, convention centres, or other successful development, that is accompanied by large scale increase in the number of visitors, hotels and or other commercial activities, may experience increased crime. The relationship between casinos and crime thus needs to be closely monitored.

2.5.7 Community Impacts

Internationally, gambling has been touted as a popular fiscal saviour. However, this has been paralleled by growing concern over the impact that casinos have on communities and society in general (Roel, 1999). The impact of casinos on communities is determined by three factors, firstly the attitudes that communities have towards gambling, secondly the response of communities to tourists and thirdly, the geographical and social distribution of gambling externalities.

Economic benefits generated by casinos within a community tend to be most pronounced in and around the vicinity of the facility, whilst the social costs tend to be diffused over a wider geographic area. Operators usually locate their facilities in economically depressed areas so as to economically boost the area. However, such proximity impacts negatively on communities as their lack of resources to participate in such activities is outweighed by the lure attached to nearness to the facility (George, 1998).

Casinos that are packaged as a tourism product necessitate the influx of visitors into the region to promote an inflow of foreign investments and capital into the locality. According to Kang, Long and Perdue (1996), community attitudes play a significant role in influencing this flow of tourists into a region. However community attitudes change and this usually occurs in stages, that is:

- a. The initial period, which precedes the development of the tourist attraction facility.
- b. The transition period, when the demand for services and facilities are under increasing pressure due to an influx of tourists as a consequence of the development.
- c. The period of stability, once the demands have been adequately met.

These changing attitudes play a vital role in determining a tourist's return visit. Tourists' negative interactions with community members can inhibit them from return visits, whilst constructive interactions can encourage return visits (Kang *et al*, 1996).

Community attitudes, however, remain highly subjective. Increased tourist activities in a region usually spur the development of positive as well as negative impacts. The negative impacts include alcoholism, drug addiction, individualized crimes, organized crimes, and an expansion of the sex industry. The positive impacts include a growth in employment opportunities, increased revenues, and improvements in the standard of living and the quality of life. Those who are likely to benefit from the development usually demonstrate a positive attitude towards tourists, whilst those who do not stand to benefit from the industry view it negatively (King, Pizam and Milman, 1995; Lee and Back, 2003).

2.6 Historical Overview of the South African Gambling Industry

The exponential growth of the gambling industry in South Africa parallels the development of the gaming industry in Australia and the United States. Initially this industry was restricted to remote settings that were primarily accessible to upper income patrons. However, the liberalization of gambling legislation has allowed for the proliferation of these venues in major urban areas of South Africa (Rule and Sibanyoni, 2000).

This section focuses on the historical and structural transformation of the gambling industry in South Africa. These changes can be segmented into three phases, each characterized by the changes in the geographic structuring and political ideologies of the country. The first and earliest phase commenced within the period of colonial rule of the country. At this time, South Africa was divided into four Provinces. Various forms of gambling

flourished in each of the four regions and were subsequently banned due to their immoral stigmatism (Wiehahn, 1995).

The second phase commenced under the rule of the White apartheid government. Following a strict Christian Calvinist ethos, the government proscribed casinos to the desolate homeland regions of South Africa, whilst in the rest of the country gambling remained illegal. The third and present phase of the gambling industry commenced after the demise of the apartheid regime. The transition of the country from apartheid to democracy resulted in the liberalization of gambling laws. Thus, in 1994, gambling was once again legalized in South Africa (Cohen, 2001). The history of gambling in South Africa will thus be discussed in the context of these three phases.

2.6.1 The Three Phases of the Gambling Industry

With the exception of horse racing, the 1965 Gambling Act prohibited all forms of gambling in South Africa. The apartheid government used the law as a tool in their paternalistic role so as to maintain moral values of society as a whole. By the early 1970s, however, casinos were allowed to legally operate in the former homelands of Bophuthatswana, Venda, Transkei and Ciskei. The limitation of casinos to homelands was amended in 1996, with the promulgation of the new Gambling Act 33. The granting of forty new casino licences is a new phenomenon in the post-apartheid South African gaming industry. The South African gambling trends have been strongly influenced by the political changes of the country and can be traced through three major periods: pre-apartheid, apartheid and post-apartheid.

2.6.2 Pre-apartheid Gambling in the Four Provinces

Within the South African context, gambling has been an activity that has been banned many times, usually in times of moral revival or the influence of the church. However, in instances when the governments were in dire need of revenue, these bans were temporarily lifted so that sufficient revenue would

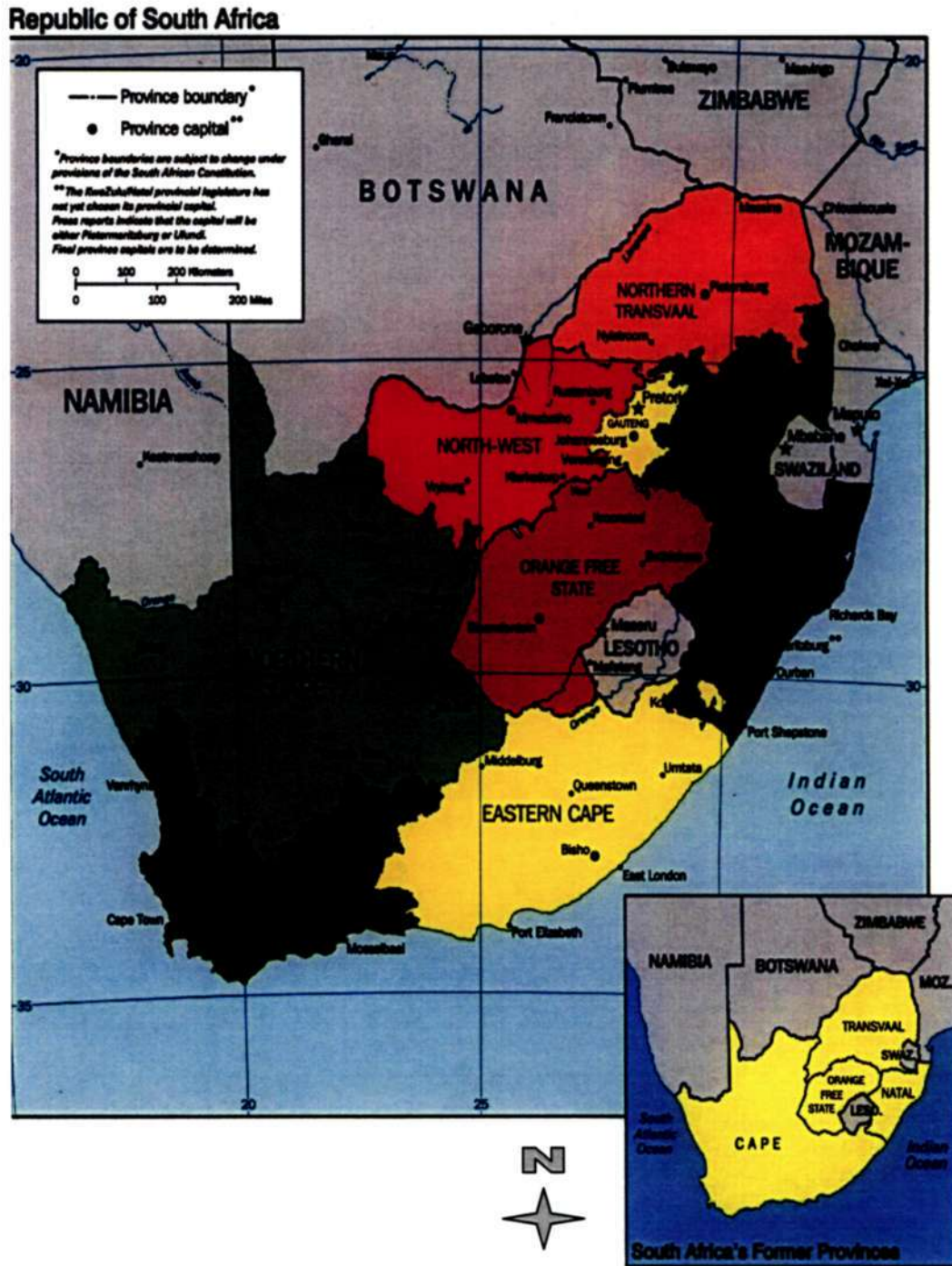
be generated (and were later reinforced), or, the industry was allowed to continue under the regulations of a non-governmental organization. One such example is the Defence Bond Scheme that was introduced by the South African Government in the early 1970s. The South African Defence Force was in urgent need of funds, and due to sanctions imposed on the government, a consequence of apartheid, these funds could not be obtained from international agencies. As a result, the government introduced the Defence Bonds Scheme, a form of state lottery. Once implemented, this lottery scheme generated millions of Rands in revenue, and remained operational until the necessary funds were generated and were thereafter banned (Wiehahn, 1995).

During the colonial rule of the South Africa, the country was divided into four provinces. These four provinces were the Cape, Natal, Orange Free State and Transvaal as illustrated in Figure 2.6. The evolution of gambling practices that was undertaken in each of these provinces was influenced by the changing racial and ethnic composition of these regions.

I) Cape Town

In the mid-1800s, the British settlers introduced the first formal concept of gambling to the Cape Province, a time when there was a strong aversion to gambling activities. The British introduced the British Arts Unions Act, 1860 (Act No. 28 of 1860), whereby unions, consisting of members, subscribers and contributors, were allowed to promote lotteries provided these were characterized as voluntary organizations whose prime purpose was to generate and promote fine arts and culture. This was accomplished by the purchase of drawings and paintings, which would then be randomly distributed to members, subscribers or contributors of the union. In addition, the union would hold fund raising activities and monies generated would be allotted and distributed amongst members as prizes (Wiehahn, 1995).

Figure 2.6: Current and Former Provinces



The British Arts Union Act was merely a springboard for gambling activities that subsequently led to the proliferation of smaller and private gambling practices. During this period, there was an influx of hundreds of thousands of people to the Cape Colony due to the discovery of gold and diamonds in Transvaal and Orange Free State. In addition to this mass concentration of people in the region, British troops who were on their way to the frontier of the Anglo-Boer War awaited transfer in the Cape. The burgeoning population in the region gave rise to social upheaval in the form of increased gaming activities, prostitution and various other social ills.

In reaction to this moral decay, the Cape government introduced the Lotteries Prohibition Act, 1889 (Act No. 9 of 1889), and the Betting Houses, Gaming Houses and Brothels Suppression Act, 1902 (Act No. 36 of 1902) whereby all forms of gambling were prohibited with strict penalties, as a means of deterring these illegal activities (Wiehahn, 1995).

ii) Natal

Gambling in Natal was strongly influenced by Asian and European settlers. Indians arrived in Natal as immigrant labourers for the sugar cane industry and Chinese used the ports of Natal as the point of entry into the country, to seek their fortunes in the gold mines of Transvaal. The combination of Asian and Western (European) types of gambling resulted in the rapid growth of the industry in the Natal Colony. The Natal Government viewed gambling practices to be a great nuisance and a generator of common mischief. The Discouragement of Gambling Act (No. 25 of 1878) aimed at reducing the impacts of gambling on society by imposing penalties on both the operators and those who participated in gambling activities. In 1909, the law extended its arm to include Act No. 31 of 1909, whereby financial institutions were prohibited from advancing money by means of using ballots, drawings, or games of chance (Wiehahn, 1995).

iii) Orange Free State

The Orange Free State also imposed several bans on gambling during the period 1800 to 1902. Laws on sweepstakes and gambling were independent, but comprehensively served to restrict any form of activity whereby the awarding of a prize, be it monetary or otherwise, was determined by chance (hence a gamble). Advertisements for gambling were also restricted by law. In addition to the gambling laws, the Police Offences Ordinance, 1902 (Ordinance No. 21 of 1902) served as a further prohibition on gambling practices. Any person who was found in a gambling house, whether participating in any gambling activity or not, during a police raid, would be presumed to be guilty of gambling and faced penalties (Wiehahn, 1995).

iv) Transvaal

The discovery of gold in the Transvaal in the late 1800s resulted in a massive influx of a variety of people into the region, bringing with them various gambling practices that soon became a popular past-time, which traders, miners and public servants practiced in bars and other areas of gathering. Gambling practices flourished until they were associated with other undesirable activities and they were declared unacceptable. In 1889 the government passed the 'Wet Hazardspelen' (Law No. 6 of 1889), whereby being in possession of gambling tables, houses or participating in such activity was unlawful. Strict penalties were imposed on those who provided or participated in gambling activities. Any individual, who obtained prizes from gambling activities be it monetary or otherwise, would be regarded as doing so under false pretences and this would be illegal. Lotteries were also regarded as illegal and enforced by the 'Wet Tegen Het Houden van Loterijen' of 1890 (Law No. 7 of 1890), whereby the participation in and advertising of lotteries were strictly banned. Informers of this illegal activity would, as a reward, accrue one-third of all fines or forfeited monies (Wiehahn, 1995).

Before the Union of South Africa in 1910, two former British Colonies and two Boer Republics influenced the gambling laws. Two amendments were made to the Gambling Acts passed in the colonies. The first: Act No. 26 (Gambling Amendment Act, 1933) was implemented as a strategy by the government to prevent an economic and social crisis indicative of large scale spending on gambling activities during the great depression of the early 1930s. The second: Act No. 5 (Gambling Amendment Act, 1939), saw the entry of South Africa as an ally to the Commonwealth in the Second World War. Similar to international trends, in times of war, various organizations were in need of financial assistance. Lotteries and other forms of gambling were designed in order to circumvent the existing laws, so that revenue could be generated for these organizations (Wiehahn, 1995)

Due to the different forms of gambling that prevailed, various laws were implemented as control measures, within the four Provinces. In 1965 the government implemented the Gambling Act (Act No. 51 of 1965), whereby the definition of gambling was extended to include a wide range of betting, and chance activities from lotteries, sport pools, advertisements relating thereto which were prohibited in South Africa, but were accepted in the of homelands or Bantustans.

2.6.3 Gambling in the Homelands Regions

In the early and middle twentieth century, the political dispensation in South Africa sought to control its most fundamental geographic expression, that is, the distribution of its population across its four Provinces (Lemon, 1995). This was accomplished through the allocation of land occupation on a racial basis for coloureds, Indians, blacks and whites, respectively. The government employed policies of apartheid and separate development as instruments to achieve racial segregation (i.e., residential, social and political). This required the geographical separation of the racial groups into areas specifically set aside for the exclusive occupation of the particular groups based on pigmentation (DeWet, 1995; Maharaj, 1997).

The apartheid government adopted the ideological framework that blacks were a genetically inferior race grouping, thus legitimising their exploitation (Sallaz, 2002). The Native Land Act (No.27 of 1913) served to entrench these ideologies with the establishment of African reserve systems. In the apartheid period (1948-1994) the reserves (also known as homelands) were set aside for exclusive black occupation. Homelands were the legal mechanism employed by the government to segregate and control the movement of the black population in particular. It was only within these Homelands that blacks were allowed to own and manage their own land, whilst the rest of the country remained under white control (Lemon, 1995).

In order to accomplish this process of segregation that was part of the apartheid scheme, at least of 3 million people were relocated between the period 1960 and 1983, (i.e., approximately one-sixth of the 1970 South African population), a process which could be described as 'ethnic cleansing' (Christopher, 1995). These Homelands were Bophuthatswana, Transkei, Venda, Ciskei, Gazankulu, Kangwane, KwaNdebele, KwaZulu, Lebowa and Qwaqwa as illustrated in Figure 2.7. Four of the homelands, Bophuthatswana, Transkei, Venda, Ciskei (TVBC), became 'independent', and were only reincorporated into the unified South Africa just prior to its first Democratic election (Soni and Maharaj, 1991; DeWet, 1995).

In addition to entrenching racial segregation, the Homeland system also served the basic needs of the economic system by housing a cheap labour force for the rapidly expanding industrial conglomerates that were the result of the discovery of gold and diamonds in the interior of the country. Homelands thus served as a contrivance for exclusion, seclusion, utilization and exploitation (Sallaz, 2001).

The homelands, a product of racial apartheid, remained financially reliant on the South African government. To extricate itself from this burden, the South African government introduced policies such as the decentralization of industries (promoted by means of the provision of incentives). However, it

proved to be limited in its success, leaving the homelands deficient of investments, that were vital for the survival of local economies. It was during this crisis that gambling emerged as the acceptable mechanism for the economic development of the Homelands. In 1971, the Self Governing Constitution Act (Act 21) was introduced with a provision that allowed homelands the freedom to draft and enforce their independent laws regarding gambling industries in these regions, an activity which was banned for the rest of the country. The intention was to promote self-sufficiency and attract capital to the homelands.

The gaming industry was used to attract tourists and thereby increase investments in the regions, thus decreasing the South African government's financial responsibility for the homelands (Wiehahn, 1995).

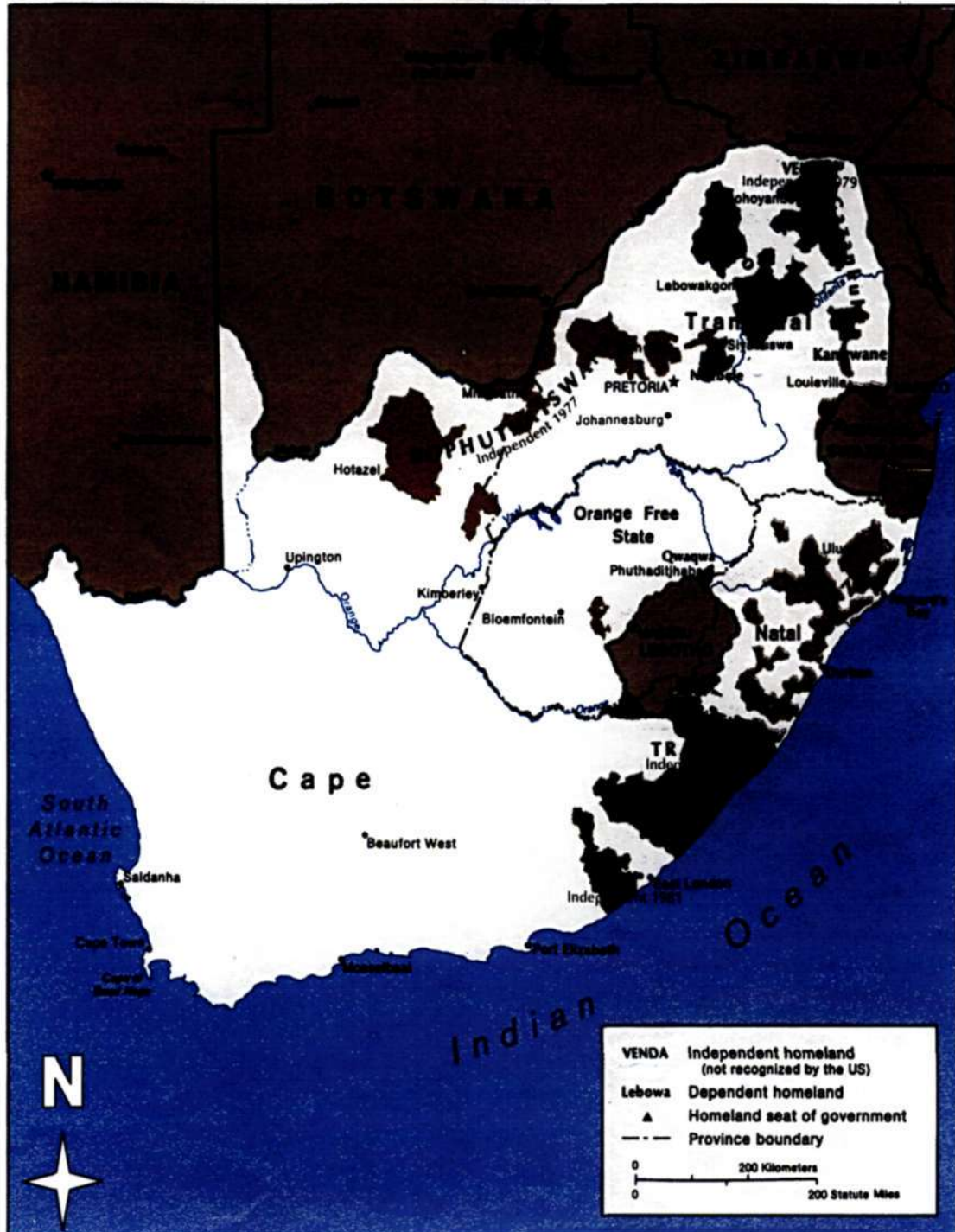
The homelands proved to be the ideal location for casino developments for three main reasons:

- a. The South African government maintained strict control over the homeland.
- b. Profits generated in the homelands were easily appropriated for consumption and investment outside the homelands.
- c. The homelands were easily accessible to major urban areas, and this allowed for the development of lucrative short-term stay-over places, thus promoting some economic development within these urban centres (Wiehahn, 1995).

With the prospect of uplifting communities through this economic development strategy, leaders of the homelands namely, Transkei, Ciskei, Venda and Bophuthatswana, legalized the development of casinos within their regions. In the Transkei homeland specifically, the Wild Coast Sun, was developed as a tourist destination style casino, which was expected to generate economic benefits for the region.

Figure 2.7: South African Homelands

South Africa: Black Homelands



In a study conducted by Baskin (1984), these economic benefits were weighed against the social costs that were created by the casino. The findings indicated that those who stood to benefit from the development (i.e., the proponents) such as, independent analysts and promoters had a positive attitude to the development, whilst those interested in the comprehensive impact (i.e., the opponents), mainly the academics, viewed such developments with a negative attitude (Baskin, 1984).

Purely from a financial perspective, the industry proved to be highly successful. In its first six months of operation it produced R197.7 million turnover and a pre-tax profit of R19.3 million. However, these economic gains need to be measured against the social costs. It is estimated that over 1000 people had to be relocated after their homes were demolished in preparation for the new development. Properties were compensated by a payment of R100.00 for any 'inconvenience' that may have been caused. Racial and class inequalities were more evident. The disadvantaged poor were restricted in terms of access to the facility, due to the self-enclosed nature of the structure. They were then forced to witness hoards of cars (presumed rich) entering the facility. The conclusion drawn was that the casino makes people rich. The poor then in the hope of winning money in order to uplift themselves began to frequent the casinos. However, unlike the affluent visitors frequenting the facility, the poor locals did not have the financial resources to rely upon if they do not 'strike it lucky'. Rather, they were faced with the dilemma of being financially constrained in facing their future welfare needs such as health care and other basic needs (Baskin 1984).

Thus the conventional view of viability based on the financial gains is questionable, because social and other costs also need to be taken into consideration. The core of this argument lies in the social cost-benefit analysis. The answer to whether such a development will have a positive impact, which will outweigh the negative consequences and vice versa are easily manipulated. In an area in dire need of financial development, the sheer scale of such a development can envisage some sort of upliftment for

the community, however this is not necessarily so. The development served the interest of the capitalists and political parties. Corporate structures usually protect their own interests rather than that of the surrounding communities (Baskin, 1984).

Initially, two major companies competed for the casino licenses within the homeland regions namely the Holiday Inn and Southern Sun. In 1983, Sol Kezner, the former shareholder of Southern Sun and the owner of the newly formed Sun International, through a series of informal negotiations with the leaders of the regions, was able to secure all 18 of the homeland casino licences (Baskin, 1984). There have been persistent allegations that corruption and bribery were linked to the acquisition of these licenses. The Homeland regions severely lacked the funds that were necessary for the proper regulation of the rapidly expanding gambling industry. Sol Kezner's solution to this problem was to consent to payment of high taxes on profits made, on the condition that he would gain a monopoly on these operations and that they would remain self-regulated and self-audited (Wiehahn, 1995). Homeland casinos provided an ideal entertainment opportunity for the white urban population. Benefits, however, did not accrue to the surrounding communities. Workers, staff and managers were imported from Europe, thus doing very little to promote employment in the region. Revenues that were generated and which were meant for the development of the infrastructure of the region accrued to the leaders and puppet governments of the region. Failure of the self-auditing and self-regulating method contributed to money laundering, and fraud (Sallaz, 2002).

2.6.4 Gambling in Post-apartheid South Africa

According to Wiehahn (1995) the past decade in South Africa has been characterized by sweeping and comprehensive political and social changes, as a result of the country's emergence from an era of seclusion, exclusion, isolation, ostracism and prohibitions, a result of its apartheid disposition, and a rebirth into democracy (Wiehahn, 1995).

Despite the strict laws prohibiting all forms of gambling countrywide, in the early 1990s, law enforcers experienced difficulty in acting against illegal casino operations that began to flourish throughout the country. Thus, in 1992 the government formed the Howard Commission that aimed to investigate the desirability of legalized gambling in South Africa. The Commission's recommendations in essence were that all variations of gambling should be legalized but strictly regulated by the government. Based on the Commission's Report the Gambling Board Act, 1993 (Act No. 210 of 1993) was introduced. The changes in the law resulted in many operators trying to circumvent the definition of gambling. Thus, once again there was a rise in the number of illegal casinos. This necessitated the revision of the Gambling Act, 1965, with the clarification of the definition of the term gambling and the initialisation of legalized gambling in South Africa (Wiehahn, 1995).

In 1994 the Lottery and Gambling Board was established with the sole purpose of conducting research into the gambling industry in South Africa and to make recommendations to the government. The study revealed that despite open opposition to the industry by individuals, organizations and religious bodies, the majority (i.e., more than ninety percent) of citizens supported the legalization of gambling provided that it was strictly controlled and well regulated by the government (Wiehahn, 1995).

Legalization was favoured for three reasons. Firstly, legal gambling was seen as easier to control and regulate as compared to illegal gambling. Secondly, the industry was regarded as a stimulus for employment, a generator of revenues, and a stimulus for economic growth. Thirdly, changes in public perception regarding the morality of gambling were indicative of an increased support for legislation. As such, the lack of such facilities in South Africa would consequently result in a domino effect, whereby the gratification for gambling is fulfilled in neighbouring countries where gambling was legal, thus invariably resulting in an outflow of capital to these countries. The Lottery and Gambling Board therefore recommended to the government that gambling should be legalized. In South Africa gambling encompasses lotteries, gaming, and wagering or betting (Wiehahn, 1995).

In addition, the gambling industry, although closely aligned to the tourist and leisure industry, was to be regarded as a separate industry in the economy and not as part of the tourism package. Despite the industry's autonomy within the economy, gambling shares a strong bond with the leisure, tourist and entertainment industries. An increase in gambling activities is seen as the logical consequence of a reduction in per week working hours and the resultant increase in leisure time. The social implications of an escalation in gambling activities are seen as having serious consequences for the moral values and fibre of society (Wiehahn, 1995).

However, increased participation in gambling activities is perceived as being a catalyst for economic development, impacting on employment growth, stimulating the growth in industries, attracting foreign investments, boosting tourism, generating taxes and revenues, and increasing consumer spending (Wiehahn, 1995). With these considerations in mind, in 1994 the South African Parliament passed the National Act 33, which permits a total of 40 casinos divided among its nine provinces as indicated by Figure 2.6.

2.7 Conclusion

The transformation of casinos from an immoral and illegal activity, to a glamorous and legal activity is evident in the increase in popularity and consumption of the product. The legitimization of gambling has generated numerous debates concerning the benefits and costs associated with the industry. Whilst the tangible benefits such as economic gains are held onto as a lifeline by many economies, the subsequent and inevitable social costs remain a part of the package.

This chapter examined the subject of casino style gambling and its impacts that on the social and economic aspects of society. From an economic perspective, it expanded on the macro economic and microeconomic impacts of gambling. Thus reviewing the impacts that urban casinos have on local, regional and national economies.

The social perspective of gambling is essentially dominated by the impacts that are created and experienced by gamblers who are unable to control their gambling practices and are thus classified as problem or pathological gamblers. These pathological tendencies result in a host of physical, emotional and economic repercussions that are experienced at a personal and interpersonal level. An objective presentation and analysis of these impacts forms the foundation of understanding present patterns and future trends of gambling practices.

Furthermore, this chapter has explored the transformation of the South African gambling industry, which has been a product of the political restructuring of the country. The initial colonial rule of the country and relaxed gambling legislation resulted in the proliferation of various forms of gambling practices throughout the country. As the country gained its independence from colonial rule, the gambling industry took on its first major transformation. The apartheid regime employed a strict Christian ethos under which gambling was viewed as an unnecessary vice and consequently banned. However, casinos were later allowed to operate within the homeland regions of the country. The post-1994 change has been the result of the country's transformation into a democratic nation.

CHAPTER THREE

Research Methodology

3.1 Introduction

According to Eadington (1995) despite the revenues generated by gambling, it is also a source of significant problems to society that should not be ignored. The growth of legal as well as illegal venues raises arguments over the moral, social and economic effects of gambling, which will, over time, take over a greater urgency and demand to be answered.

These answers can be obtained by undertaking research in such a manner that all arguments can be critically evaluated in order to ensure that informed decisions are made. The cost-benefit analysis is an integral aspect of any decision making process. The increasing complexity of society has led to problems that can result in far reaching future consequences that can be irreversible. Decision-makers are faced with the challenge of trying to evaluate the outcomes of intensely complex problems, projects and proposals. Cost-benefit analysis is the analytical tool, which is used to enhance the decision-making process. The system provides a means whereby the positive outcome of an action or activity is compared to the cost of the resources that will be utilized in achieving the desired outcome.

In terms of the legalization of casinos debate, the cost-benefit analysis method systematically enumerates all benefits and all costs. The policy makers then use this information in determining the magnitude of net benefits that a project has to offer. It also aims to ascertain the degree of imbalances between benefits and costs that exist amongst those populations that are most vulnerable. Furthermore, it attempts to determine whether the best outcome is economically efficient, and how the benefits and costs are distributed. This type of analysis merely informs the decision-maker and does

not in itself make decisions (www.ncedr.org 2001). The methodology used in the study is explained in this chapter.

3.2 Aim of the Study

The aim of this study is to investigate the social and economic impacts of casinos with specific reference to of the Golden Horse Casino Development and the Sugar Mill Casino Development in the Province of KwaZulu-Natal. The key concern is to assess whether these casinos will have a negative or positive impact in their regions, thus enhancing public understanding and assisting government in the decision making process.

3.3 Objectives of the Study

More specifically, the objectives are:

- a. To assess the following economic implications:
 - Whether the casino developments have resulted in an increase in employment levels in the region and if these will be sustainable.
 - How have the developments impacted on the value of surrounding properties?
 - Do the casinos generate sufficient tourist support or is there a greater reliance on the support from local communities? If there is a greater reliance on the support from communities what are the consequences?
 - Will the multiplier effects associated with casino developments be discernable or will it be diminished due to leakages?

- b. To assess the following social implications:
 - Has the presence of the casino in such close proximity to residential communities spurred an increase in criminal activities? Can we expect the levels of crime rates to increase significantly (e.g., prostitution, theft, robbery, etc.)?

- What efforts have been made on the part of the casinos to initiate and facilitate the sustainable development of additional recreational facilities for the use of the communities?
- The impacts of increased accessibility on problem gamblers.
- The personal and interpersonal impacts of individuals with problem gambling tendencies.

3.4 Study Area

The two casinos under study are located within the Province of KwaZulu-Natal, South Africa. These are the Golden Horse Casino in Pietermaritzburg and the Sugar Mill Casino in Mount Edgecombe.

i) The Golden Horse Casino

The Golden Horse Casino and Entertainment Centre, is located at the Scottsville Racecourse in Pietermaritzburg, KwaZulu-Natal, as illustrated in Figure 3.1. It opened its doors on the 9 September 2001. The casino is licensed to Akani Msunduzi (Pty) Ltd, which has three shareholders namely, Akani Leisure Msunduzi (Pty) Ltd as its principal partner (50%), a black empowerment consortium, Gold Reef Casino Resorts (40%) and Casino Austria (10%).

The casino and entertainment complex encompasses a science and education centre, a variety of restaurants, family entertainment facilities, a conference venue and a 92 room three star hotel. In addition, it is the first casino outside of the United States of America that encompasses horse racing. One of the main attractions of the casino and a tourist draw card is the 14-meter tall statue of a Pegasus that is situated at the entrance of the casino.

The casino offers four hundred and fifty slot machines, eighteen gaming tables and a private salon consisting of a further four tables. The casino is closed only between 6am to 10am from Sundays to Friday and remains open twenty-four hours a day on Saturdays.

ii) The Sugar Mill Casino

The Sugar Mill Casino is located in Mount Edgecombe, KwaZulu-Natal, as illustrated in Figure 3.2. It first opened its doors on the 1st February 2001 under the ownership of Sun International Inc., a global leisure and entertainment group that is ranked in the top twenty international hotel chains. It is a temporary licence and will remain operational until the permanent licence in the Umdloti region replaces it. The Sugar Mill Casino offers entertainment facilities, restaurants and hotel facilities in addition to its casino floor. The casino centre features eight hundred slot machines and twenty-six table games. The casino is open twenty-four hours a day, seven days a week.

Figure 3.1: Mount Edgecombe and Surrounding Regions



Figure 3.2: KwaZulu-Natal and Surrounding Regions



3.5 Data Sources

This study will employ the use of both qualitative and quantitative research methodology, to provide an analysis of the impacts that gambling has had on the Pietermaritzburg and Mount Edgecombe communities. The different techniques used are summarised in Table 3.1.

3.5.1 Qualitative Research Techniques

Qualitative research within the geographical context is the method that is employed as a means of exploring and engaging, rather than ignoring, the complexities of everyday human interactions in order to gain a deeper understanding of processes that shape our social worlds. The aim of qualitative research is to construct an in-depth and intensive subjective understanding of social reality as opposed to an extensive and numerical approach of quantitative research methods (Limb & Dwyer, 2001).

i) In-depth Interviews

In this technique the researcher conducts interviews with the participant in order to determine the meaning that individuals draw to different experiences. This method is advantageous, as the researcher is able to extract a large amount of information about a wide range of topics over a very short period of time. It also allows the researcher to clarify issues that he/she is uncertain of and to flesh out themes that were not anticipated. The disadvantages of this method are that on the part of the researcher, given that listening and conversational skills are critical elements to ensure that desirable results are obtained. On the part of the researched, topics that may cause embarrassment or discomfort are often avoided thus leaving the researcher with accounts of what participants express rather than their actual practices (Limb & Dwyer, 2001).

In the context of the present study the in-depth interviews were conducted with the following individuals:

- a) Representatives of both the Golden Horse and the Sugar Mill casinos. These interviews played an important role in establishing patronage trends, casino statistics, and tourist spending, marketing practices and other issues related to the impacts of casinos. Whilst the Golden Horse Casino has a very open door approach and is forthcoming with information, the Sugar Mill Casino was unavailable except for very vague answers in response to questions put to them.
- b) Experiences of problem gamblers form a critical element in this research. As such, in-depth interviews were the most appropriate method of extracting the necessary information from selected candidates. Candidates were selected from the Gamhelp organization, which is a support group for problem gamblers. Meetings were held on a monthly basis and are widely supported by the Durban community. My initial encounters were seemingly fruitless. However, it was merely a stepping-stone into gaining the trust and establishing rapport with the individuals in order for them to feel safe enough to divulge their stories and experiences. Only those individuals who were willing participated in the discussions. Whilst some preferred face-to-face discussions others were more comfortable with telephonic conversations. In many cases individuals who came to these meetings were actually the spouses of the person with the gambling problem. This provided an opportunity to gain insight into the various dimensions of the problem. The Pietermaritzburg organization for problem gamblers, that is, Gamblers Anonymous was unavailable for comment. After consultation by the facilitator with the members of the group I was refused access.
- c) Other candidates that were interviewed were local businesses, estate agents, offices of welfare services and the tourism board.

ii) Content Analysis

Content analysis is a technique that is used to examine and evaluate the contents of documents that are found to be of relevance to a research study. In doing so, themes which many have passed, unnoticed in a large body of literature, are sifted out. This information can then be measured for consistency over time amongst various other measurements (Neuman, 1997).

Considering the history of the gambling legislations in South Africa, there has been a lack of formal published information on gambling and its related impacts. Since the gambling industry is still in its infancy stages, more current events surrounding the legalization and proliferation of casinos in South Africa, and KwaZulu-Natal, have been widely published in local newspapers. National and local newspapers were analysed for their insight into the social, economic as well as legal aspects of the new gambling phenomena.

3.5.2 Quantitative Research Methods

The use of quantitative research methods was crucial in this study. Surveys and the use of existing statistics were the key methods used. Quantitative research is based on the positivist approach and shares a common language and logic. It measures variables in order to establish relationships, test hypotheses and offer causal explanations. Positivism emphasizes logical rigor, consistency and an absence of contradictions in theoretical explanations (Neuman, 1997).

The following quantitative techniques were used in this study:

i) Survey

A survey is a procedure whereby the researcher, through the use of a questionnaire, obtains the opinion of various people and records the answers. The answers of the various respondents are then summarized into tables,

graphs or percentages in order to reflect the general opinion of the people. Questionnaires are administered to a representative sample group and results obtained are generalized to the larger population (Neuman, 1997).

Two surveys were conducted in this study:

- The first was with the individuals from the Gamhelp organization who were already classified as problem gamblers; this was a way in which to quantify the impacts gambling had on the various spheres of their lives. The membership of this organization varies from month to month, with new members joining on a continual basis. During the period of this study the group consisted of approximately thirty members of which twenty participated in the survey.
- The second survey was conducted with the general public of the two cities via the use of a questionnaire. These questionnaires were administered telephonically. The samples of interviewees chosen for the questionnaire survey were selected according to the Douglas Parker and Associates (DPA) Consumer Lifestyle Segmentation Model. The Life Plan Model is a concept that recognizes that there are different socio-economic levels in society; these levels are typically divided into four categories. These are labelled from 'A' to 'D' with group 'A' at the top end of the market and group 'D', the lowest income group at the lowest end. The best way to segment the market into socio-economic groups, as was found by DPA, was to classify people into a combination of educational and income groups. According to the DPA method, education influences attitudes and perceptions, and plays a major role in shaping expectations and aspirations. It is the key to one's choice of career, and there is little doubt that education influences performance and thus income levels. The best way in which to reflect the South African market is to divide it into six life plan stages instead of four categories as mentioned earlier. The six categories consists of the following socio-economic groupings:

A -professionals with university degrees (e.g. doctors and lawyers)

- B** -those with a diploma (e.g., senior businessmen)
- C** -those with matriculation certificates (e.g., sales and clerical workers)
- D** -those who have three to four years of senior schooling (e.g., plumbers and electricians)
- E** -those with only two years of senior schooling (e.g., factory workers and assistants)
- F** -those who have no schooling and are barely literate (e.g., domestic servants and gardeners)

Six people were chosen from each of these categories, three from each city under study. In sum 36 respondents comprised the sample. The interviewee candidates were selected from the local telephone directories. The intention was to obtain a deeper understanding of issues relating to gambling rather than to extrapolate for the population.

ii) Existing Statistics

In using the existing statistics, the researcher obtains data that have already been collected. Datum can be re-examined and can be in the form of government and business reports, and surveys that have previously been conducted (Neuman, 1997). This form of data collection was used largely to measure and evaluate the economic impacts of the casinos under study. Very broadly, the existing statistics were used to compare the casinos' contribution to the gross domestic product for the nine provinces, the capital investment of these casinos' and the casinos contribution to the employment status of the area under study.

3.6 Conclusion

Table 3.1 below illustrates a summarized version of the manner in which the data relevant to each of the sections of the study were obtained.

Table 3.1: Summary of Data Collection Techniques			
	REASON FOR DATA COLLECTION	RESEARCH STRATEGY	DATA SOURCES
GENERAL OVERVIEW OF THE INDUSTRY	Establishing the links between Policy, Accessibility and Problems.	A review of the historical and social Context of the promulgation of the Gambling industry in South Africa <ul style="list-style-type: none"> ▪ Structure of the economy ▪ Profile of the population ▪ Gaming regulatory environment ▪ Gaming venues ▪ Consumption of gambling in SA 	Policy Documents, Gambling Acts, Relevant Texts.
		Establishing the link between Accessibility and Problem Gambling in the South African Context.	Application of the Accessibility model Used in the Australian Productivity Commission Report
SOCIAL IMPACTS	To assess the Social Implications of changes in the Geographic Distribution of casinos in KwaZulu Natal:	Focus Groups	Gamblers, Gamblers Anonymous
	<ul style="list-style-type: none"> ▪ Problem Gambling ▪ What is problem gambling? ▪ Problem gambling impacts ▪ Household consumption of Gambling ▪ Motivations for gambling ▪ Cost of problem gamblers to families ▪ Cost of problem gamblers to individual ▪ Cost of problem gamblers to communities 	In-depth, Structured and Semi-Structured Interviews	Gamblers at casino Venues, Psychologists, Gambling Board, Police Services, Counselling Services, Estate Agents, Business Owners.
		Survey	Telephonic interview using appropriate sampling techniques
		Participant Observation	Gamblers Anonymous Meetings, Casino venues
ECONOMIC IMPACTS	To assess the Economic Impacts of the changes in the Geographic Distribution of casinos in KwaZulu Natal: Personal Economic Impacts Public Economic Impacts	Interviews	Gamblers and Problem Gamblers
	<ul style="list-style-type: none"> ▪ Multiplier effect ▪ Contribution to GDP ▪ Taxes and revenues ▪ Employee statistics 	Interviews	Government records, Receiver Of Revenue, Casino Operators, Local businesses.

The delineation of clear aims and objectives and the use of appropriate research methodology are necessary to evaluate the impacts of the newly established casinos in the regions under study. The study will be divided into three main areas of focus, firstly, the transformation of the South African gambling industry and how it has influenced accessibility to casino style, secondly, the social impacts of gambling and thirdly, the economic impacts of casino gambling. In order to determine these impacts, a range of quantitative as well as qualitative research techniques have been employed.

CHAPTER FOUR

Impacts of Casinos in Mount Edgecombe and Pietermaritzburg

4.1 Introduction

This chapter analyses the social and economic impacts of legalized gambling in the Mount Edgecombe and Pietermaritzburg regions and is divided into four sections, namely, accessibility of gambling opportunities in South Africa, demographic characteristics of South African gamblers, the economic impacts of gambling and the social impacts of gambling.

The first section dealing with accessibility analyzes the transformation of accessibility of gambling opportunities in South Africa. It is an overview of changes of availability of the industry in its various forms as a result of the new gambling laws. It more specifically examines the historical trends of casino style gambling in KwaZulu-Natal.

The second section focuses on the participant profiles of casino gamblers, that is, the socio-demographic characteristics of that segment of the population who participate in gambling. An increase in participation in casino gambling can be seen as the inevitable consequence of improved accessibility opportunities. As a consequence one would therefore expect that a greater participation in gambling would eventually result in an increase in the number of problem gamblers. Problem gamblers form the basis of the negative social impacts that are associated with the gambling industry. It is thus important to analyze demographic characteristics of individuals participating in gambling in order to establish current patterns and future social and economic repercussions of individual gambling habits.

The third section focuses on the economic impacts of the industry. It is divided into the micro- and macro-economic impacts of gambling. In terms of microeconomic impacts, three key areas were identified for evaluation, that is, impacts on property values, employment, and substitution spending. At a macro-economic scale, the three main areas of focus were, firstly, the impact that the gambling industry has had on the Gross Domestic Product of South Africa; secondly the capital investment undertaken by the license holders, provincially; and finally a provincial comparison of the gross gaming revenues that have been derived from the industry.

The fourth and final section focuses on the social impacts of gambling. These impacts were divided into two categories. The first deals with the impacts that gambling has had on individual problem gamblers in terms of their personal and interpersonal relationships. The second category deals with externalities accruing to surrounding communities by the allocation of casino licences.

4.2 Changing Accessibility of Gambling Opportunities in South Africa

Until recently, gambling in South Africa had been restricted to horse race betting and more recently, lotteries. Casinos that were previously proscribed to the homeland of the country have now become widely accessible due to the liberalization of gambling laws. This widespread accessibility poses a new challenge to government, to politically manipulate the industry to ensure its social and economic viability. Gambling research within a South African context thus requires an understanding of the forms and changes in accessibility of the various modes of gambling in the country.

4.2.1 Types and Availability of Gambling Products in South Africa

At present the gambling industry consists of the forty new casino licences in addition to the range of pre-existing gambling practices. These are provided by various organizations. More specifically, they are:

- a. National lottery, this is conducted by the appointed licensee, Uthingo, under strict government regulations. It carries out draws twice a week, with widespread participation throughout all nine Provinces
- b. Horse racing, in which bets are placed based on the perceived outcomes of horse races.
- c. Sports betting, whereby bets are wagered on the outcomes of various types of sporting activities. These sports are played at local, national and international levels.
- d. Bingo operations, which are predominantly present in the Gauteng region.
- e. Scratch cards, whereby the purchase of a ticket allows an individual the opportunity to accumulate winnings from a few Rands to thousands of Rands via scratching over the surface to reveal a pattern of matching symbols.
- f. Casinos, which are operational countrywide, offering a variety of machine and card games.

In addition, two further forms of gambling will become accessible at a national level in the form of internet gambling and Limited Payout Machines (LPMs). South Africa has the capacity and the capability to compete with its international counterparts in terms of internet gambling facilities.

It is therefore evident that gambling in its various forms has been widely available in the South African context. The recent introduction of casino gambling has merely served to expand and improve the accessibility of gambling opportunities in the country.

4.2.2 Accessibility of Various Modes of Gambling

There are various modes of gambling that are available in KwaZulu-Natal. Table 4.1 demonstrates the levels of accessibility presented by each of these gambling forms.

Table 4.1: Accessibility of the Various Gambling Modes (KwaZulu-Natal)			
	Casino	Tab	Lottery
Number of venues / licences	One per city	Large number per capita	Large number per capita
Spatial distribution of venues	Single location per city	Widely dispersed	Widely dispersed
Opportunities per venue	Typically large	Limited Number of Machines per Venue	Single machine per venue
Opening hours	Mostly 24 hours a day	Business hours	Business hours
Conditions of entry	Easy access	Easy access	Easy access
Ease of use	Relatively easy	Moderately difficult	Very easy
Initial outlays	Very low	Low	Very low
Social accessibility for women	High	Very low	Very high
Overall accessibility	Low	Medium	Very high
Source: Adapted from Productivity Commission Report (1995)			

The transformation of gambling has been the result of both the changes in the availability of casino style gambling as well as the introduction of the country's first national lottery. The proliferation of casino and lottery outlets combined with tattersals (TABS), that have been widely available for many years, has influenced South African gambling consumption. Although various other gambling activities such as sport betting, bingo halls etc do exist in South Africa, for this study specifically, a comparison is drawn between accessibility of casinos, lotteries and TABS only. The accessibility to the three modes of gambling is examined according to a series of variables as presented in Table 4.1. The structure of the Table has been obtained from the Australian Productivity Commission Report (1995) and the data have been obtained from observation of gambling modes in South Africa.

- a. *Number and spatial distribution of venues:* Casinos are spatially restricted to a single license per allocated community. Lotteries and TABS, however, are represented by a larger number of venues per locality and are widely dispersed through communities. Pietermaritzburg and Mount Edgecombe, for example, each have been awarded a single casino licence, whereas it is common to find several TAB outlets in a community and lottery facilities are usually based in retail stores such as supermarkets and garages. From these criteria single location casinos would seemingly have a lower level of accessibility as compared to TABS and lotteries.

- b. *Opportunities per venue:* The number of opportunities to gamble per venue introduces a reversal of the pattern of accessibility as evident when considering the number and distribution of licenses. In terms of this criterion, TABS and lotteries present fewer opportunities to gamble as compared to casino outlets. Lotteries are usually based in retail outlets and are restricted to single machines per venue, and TABS have a limited number of machines where bets can be wagered. Casinos, however, typically have larger number of machines available to patrons. Thus despite casinos being less spatially accessible the venue itself

presents more machines and thus higher levels of operational accessibility.

- c. *Opening Hours:* Lottos and TABS tend to be restricted to business hours, and long queues on draw and race dates are indicative that tickets are predominantly purchased on these dates. Casino floors, however, are mostly open twenty-four hours a day throughout the year allowing for high levels of accessibility. The opening hours of casinos allows a wider net to be spread for possible participants.
- d. *Conditions of Entry:* All three forms of gambling have easy access in terms of conditions of entry. TABS and casinos do not have dress codes but do restrict access of underage individuals onto the gambling floor. Lotteries, which tend to be highly accessible, tend to pose a problem as there are no conditions of entry and the monitoring of sales of tickets to minors is at the sole discretion of the retail outlet owner. Lotteries, TABS and casinos are thus highly accessible in terms of condition of entry.
- e. *Ease of use:* The ease of use varies in these three activities. The only skill required in participating in a lottery draw is the ability to randomly select numbers within a certain range against which a ticket is purchased. Casino gambling is usually divided into two categories, namely, tables and slots. The slot machines can be operated with a relative amount of ease whereas table games are slightly more complex and require an understanding of the rules that need to be applied in order to participate in the game. TABS differ in that it requires a greater understanding of the nature of the races as well as the various terminologies used in order to participate in this activity. The difference is that with TABS and lottos the outcomes are based on an awaited race and draw, respectively, while with casinos the press of a button on a slot machine can either drain one of one's cash, or if rewarded, it is instantly ready to take the next bet. Every bet taken at a casino machine is the outcome of a computer-generated probability of a payout. Minimal time

is required between one bet and the next, thus making it a very high paced form of gambling.

- f. ***Initial outlays:*** All three forms of gambling require very low initial outlays of cash. With lottos, a single bet could cost one merely two Rand and fifty cents. A horse race bet could cost as little as a few Rands, and casinos have slot machines that require a minimal bet of ten cents. Such bets may seem to be of insignificant value but in a country where many go starving the minimum bet amount for the lotto and horse racing can secure the purchase of a single loaf of bread and the only meal for the day.

- g. ***Gender participation:*** Lottos have the highest accessibility to women. Lottos are widely condoned by society and the average female could purchase a ticket with ease. Casinos also offer a high level of accessibility to females and this is usually evident in the large number who can be found on casino floors mostly during the day. TABS, on the other hand, tend to be an activity that is pursued by males. It is deemed less socially acceptable for women to frequent TABS outlets than it would be to purchase a lotto ticket or to frequent a casino.

A comparison of the three modes of gambling thus indicates that casinos seemingly offer lower levels of accessibility as compared to lottos and TABS. However, what casino style gambling lack in venue per location is overcompensated for in terms of opportunities per venue. In addition, the tempo and aesthetics of casinos offer a much more attractive environment to gamblers and is an inescapable lure to many.

4.2.3 Transition in the Availability of Casino Style Gambling in South Africa

i) Casinos in the Former Homelands

Restrictive legislation of the apartheid regime resulted in gambling being constrained to the former homelands of the country, as discussed earlier. Casinos were thus located in the homelands of Venda, Transkei, Ciskei, and Bophuthatswana (TVBC), as illustrated below in Table 4.2.

Table 4.2: Distribution of Casinos in the Homeland Regions	
Homeland Region	Casino Licenses
Venda	Venda Sun
Transkei	Wild Coast Sun & Transgames
Ciskei	Fish River Sun, Amatola Sun & Mdantsane
Bophuthatswana	The Carousel, Morula Sun, Sun City, Tlhabane Sun, Mmbatho Sun, Molopo Sun, Thba Nchu Sun, Naledi Sun & Taung Sun
Source: Sun International (2003)	

A single licence holder, namely, Sun International, who enjoyed a monopoly of the South African gambling market, owned all fifteen of the casinos situated in these homelands. The geographic positioning of these casinos resulted in casino style gambling remaining inaccessible to the majority of the South

African urban population. Any attempt to partake in this activity would therefore require lengthy travel time and effort by gambling consumers.

The accessibility to casino style gambling has been transformed due to the government's amendment of its gambling laws and, consequently, the introduction of forty new casino licences. This has resulted in improved accessibility to casino gambling for the majority of urban South African' and has ultimately impacted on the pre-existing homeland casinos. The homeland casino located in Transkei, namely, the Wild Coast Sun, in particular, has for many years served the gambling needs of the KwaZulu-Natal region. The impacts of the new casino industry on the Wild Coast Casino has been expressed by the manager of the resort, Mr. Melville Vogel, who in an interview with Kearney (2001) stated that the resort has had to adapt in order to counter the effects created by the new casinos.

According to Mr. Vogel the Wild Coast Sun is regarded as a destination casino, thus requiring extended travel times. Patrons who frequent the venue are thus referred to as impulse gamblers, namely, those that are willing to undertake the lengthy journey in order to fulfil their gambling needs. However, the patronage of the casino by impulse gamblers is often manipulated by a host of economic factors, for example, the increase in fuel price. These economic factors force impulse gamblers to make a more conscious decision to gamble, as they have to weigh the benefits that they obtain from gambling with increased costs involved with partaking in this activity. An increase in fuel price, for example, will result in an increase in travel costs thus making the trip more unaffordable. These economic factors, combined, with the competition from the newly developed local casinos have resulted in an anticipated decline in the number of day visitors and impulse gamblers who frequent the casino during the week.

In response to this competition, the company has undertaken a R25 million restructuring process whereby it has repositioned itself from a 'resort with a casino' to a 'casino with a resort.' The resort has now taken on a family

oriented getaway destination focus and has accordingly upgraded and improved on child orientated entertainment facilities.

Furthermore, Mr. Vogel has stated that the reduction in the number of gamblers has also resulted in a reduction in the demand for room facilities. In response to this, sixty rooms previously allocated for gambler accommodation purposes were converted into self-catering units, and were sold off. A further 30 units were established as timeshare facilities. These units are affiliated to the RCI which allows owners the opportunity to swap their weeks for a variety of alternate vacation clubs in South Africa and internationally. In addition, the convention facility market has been targeted as a critical mid-week development strategy and the conference facilities have thus accordingly been upgraded to accommodate 600 people.

Despite the competition that has been experienced and is expected in the future as legal gambling venues become established, Sun International the licence holder for the Wild Coast Sun, will be able to survive. Sun International has a financial interest in Afrisun. Afrisun is the licence holder of the Durban casino licenses, namely, the Sugar Mill Casino in Mount Edgecombe. Thus according to Vogel, the money spent on gambling would therefore stay within the same stable.

ii) Distribution of Casinos as per New Licence Legislation

The distribution of the forty new casino licences has been a politically motivated undertaking. According to Chris Fisser, the Chairperson of the National Gambling Board (Herald, 06/07/03), these licences have been allocated provincially according to the size, population, and per capita income of the nine Provinces. Each of the nine Provinces will have its independent regulatory gambling board, which in turn will be controlled and monitored by the National Gambling Board. Thus, according to these criteria, the licences have been allocated to the Provinces as illustrated in Table 4.3.

Table 4.3: Distribution of Casinos in South Africa as per New Gambling Legislation (2003)	
Province	Licences
Gauteng	6
North West	5
KwaZulu Natal	5
Eastern Cape	5
Western Cape	5
Free State	4
Mpumalanga	4
Northern Cape	3
Northern Province	3
Source: KwaZulu-Natal Gambling Board (2003)	

iii) Distribution of Casino Licences in KwaZulu-Natal

According to the criteria established by the Gambling Board, that is, the size, population, and per capita income of each province, KwaZulu-Natal qualified for and was awarded five of the above listed forty licenses. These casinos are located in the Durban, Newcastle, Empangeni, Mount Edgecombe and the Pietermaritzburg regions. These casinos are under the ownership of different licensees as illustrated in Table 4.4.

Table 4.4: Distribution of Casino Licences in KwaZulu-Natal		
CITY	CASINO NAME	LICENCE OWNER
Durban	Suncoast Casino	Tsogo Sun (Pty) Ltd
Newcastle	Monte Vista Hollywood Casino	Balele Leisure (Pty) Ltd
Empangeni	Tusk Umfolozi Casino	Emanzini Leisure Resorts (Pty)
Mount Edgecombe	Sugar Mill Casino	Afrisun (Pty) Ltd
Midlands-Pietermaritzburg	Golden Horse Casino	Akani (Pty) Ltd
Source: KwaZulu-Natal Gambling Board (2003)		

The Golden Horse Casino has been the first permanent licence to begin operation in the KwaZulu-Natal Province. The licence for the casino has been awarded to Akani (Pty) Ltd. The casino was officially opened in September 2001 after a R204 million development investment. According to Mr. Bullen (interviewed by the Mercury, 16/05/2001), the manager of the complex, this is the only casino in the country that has combined the complementary activities of casino gambling and horse racing. The complex consists of a 92-bedroom hotel, conference centre, show bar, restaurants and a horse, science and Zulu history museum. Mr Bullen furthermore stated that the fourteen-meter high statue of the mythical Pegasus that graces the entrance of the casino is expected not only to earn a place in the Guinness Book of World Records but

also to put the city of Pietermaritzburg on the map (Oellermann, 2001). The Sugar Mill Casino has been the first legal casino to begin operation in the Durban region. The licence has been awarded to Afrisun (Pty) Ltd, and Mount Edgecombe was its location. The casino was officially opened in February 2001 after a 24-week construction period costing R210-million. The casino will remain operational for a period of twenty-two months, whilst the R900-million permanent Sibaya Casino Resort is in the process of being planned and developed, in Umdloti, north of Durban (Delpont, 2001).

4.2.4 Gambling Opportunities at Golden Horse and Sugar Mill Casinos

The Golden Horse Casino and the Sugar Mill Casino are most accessible to the Pietermaritzburg and Mount Edgecombe communities, respectively. The location of the casinos combined with the number of opportunities to gamble per venue will influence participation trends. Each casino has a set number of table and slot machine games as presented in Table 4.5.

Table 4.5: Gambling Opportunities Per Venue		
GAMBLING OPPORTUNITIES	GOLDEN HORSE CASINO	SUGAR MILL CASINO
SLOT MACHINES	450	800
TABLES	18	26
PRIVATE TABLES	4	0
Source: www.golden-horse-casino.co.za & www.casinocity.com		

The gambling floor of the Sugar Mill Casino, in particular, accommodates approximately eight hundred slot machines and twenty-six table games. The Golden Horse Casino accommodates much fewer slots, with 450 machines, in addition to 18 tables and a further four private tables. These numbers are surprising in that the Sugar Mill Casino is a temporary licence and thus has a short life span, whilst the Golden Horse is a permanent licence with an unlimited lifespan. The Sugar Mill Casino has more than double the number of games available as compared to the Golden Horse Casino. This inconsistency would seemingly indicate a strategy to obtain the maximum revenues from the Sugar Mill Casino region during its short lifespan.

An analysis of transformation of accessibility of gambling opportunities therefore reveals that a variety of gambling practices have been available in South Africa over the years. These have included sports betting, horse racing, bingo halls, scratch cards, homeland casino and the more recent national lottery. This dynamic mix has, however, been transformed through the implementation of the new gambling laws and, consequently, the introduction of forty new casino licenses. Each form of gambling has varying levels of accessibility. The proliferation of casinos has resulted in this form of gambling being transformed from a remotely accessible activity to a common urban phenomenon.

According to Mount Edgecombe based psychiatrist, Dr Hemant Nowbath, the marked increase in cases of pathological gamblers can be directly attributed to the easy accessibility of casinos. This is also the view of Govender (2002).

Previously there was a constellation of casinos that were sprinkled throughout the country. But now casinos are located in close proximity to residential areas. Gamblers can hop on to a taxi, bus or even walk there ... bills are not paid, family ties are neglected and substance abuse usually develops (Govender, 2002).

Improved accessibility to casino gambling opportunities will ultimately result in an increase in participation in this pass time as it has become available on the doorstep of many. These participatory trends need to be monitored in order to determine the demographic profile of casino gambling in order to establish the risk potential of participation by individuals with minimal financial resources.

4.3 Participant Profile of Casino Gamblers

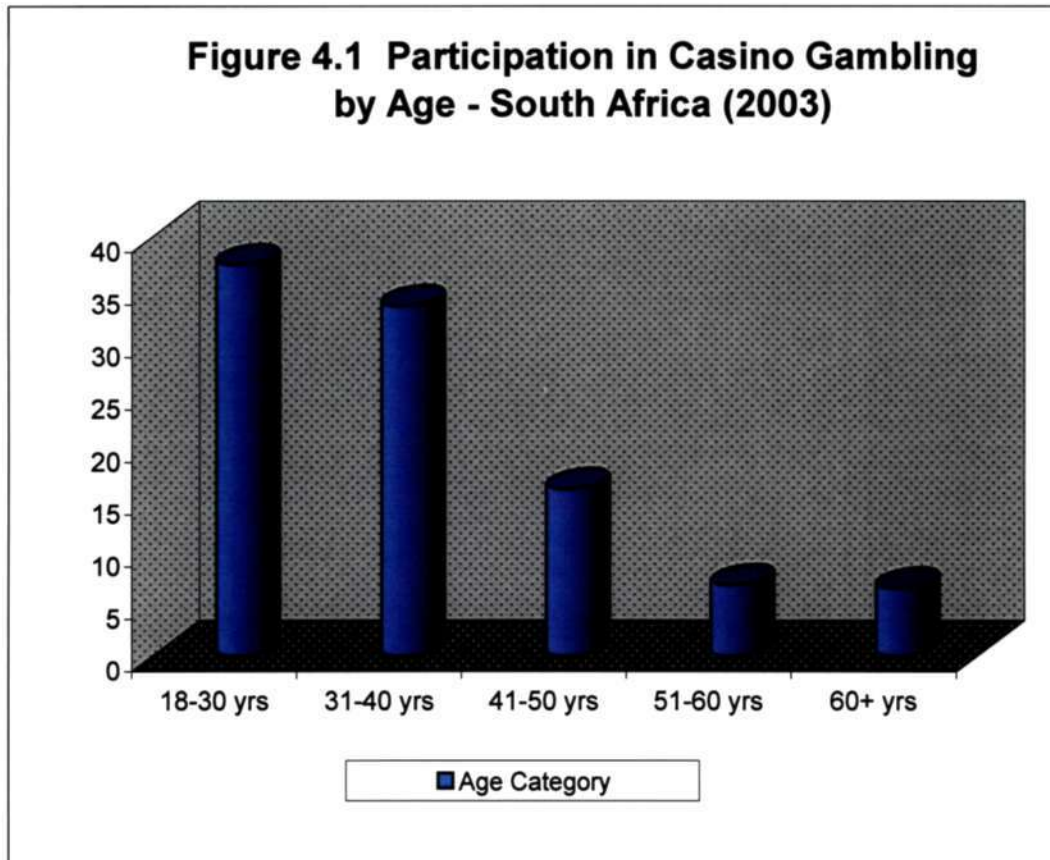
Establishing the social, economic and demographic characteristics of casino gamblers is an issue of considerable importance that needs to be investigated in South African gambling studies. The industry is still in its early stages of development and participation trends will indicate the social and economic profile of gamblers. According to Mr. Doorsamy, former chairman of the National Gambling Board, various international studies have indicated that those people who are least able to afford to gamble are at risk of becoming victims of the gaming system (Hooper-Box, 2003). National participation trends will thus highlight the potential of problem gambling patterns amongst South Africans

In addition to the national profile of gamblers, an international comparison has also been presented. South Africa is regarded as one of the leading nations in terms of gross gambling turnover and the country is currently ranked fourteenth in the world, with an estimated R6.8 billion being spent on gambling in the year 2001 (National Gambling Board Report, 2003). A comparison between the United States and South Africa, has revealed that South Africans have a three times higher propensity to gamble than Americans, but the per capita income of the Americans is eleven times higher than that of South Africans. Furthermore, problem gambling patterns in South Africa present parallel trends to its First World counterparts, for instance, New Zealand, Australia and USA, where three to seven percent of all gamblers are classified as pathological gamblers (Hooper-Box, 2003). In light of these trends, a comparison of the demographic characteristics of gamblers has thus been drawn between South Africans and US citizens, New Zealanders and Australians.

Participation in casino gambling will be analysed in terms of age, education, employment status, and income and gender categories. National and international data relating to these criteria have been obtained and adapted from the National Gambling Board Report of 2003, which is the only

comprehensive gambling impact study undertaken in South Africa to date.

4.3.1 Age Group: South Africa



Source: Adapted from the National Gambling Board (2003)

Figure 4.1 illustrates the level of participation in casino gambling activities based on age. The results indicate that the younger age groups, that is, those between the ages of 18-30 years and 31 to 40 years tend to be more active in gambling activities, than their older counterparts. Combined these two groups make up approximately seventy percent of the gamblers, with 37.3% in the 18 to 30 category and 33.4% in the 31 to 40 categories.

Sixteen percent of participants fall within the 41 to 50 year category. The lowest level of participation remains amongst the older age groups. The 41 to 50 and over sixty categories present similar trends of participation, with 6.8%

and 6.5%, respectively. According to Zola Skweyiya, Minister of Social Development, the participation of the elderly people in gambling practices is reinforced by casinos, which facilitate the transportation of the elderly from their places of residence to casino venues where their meagre savings are spent (Mercury, 04/04/01).

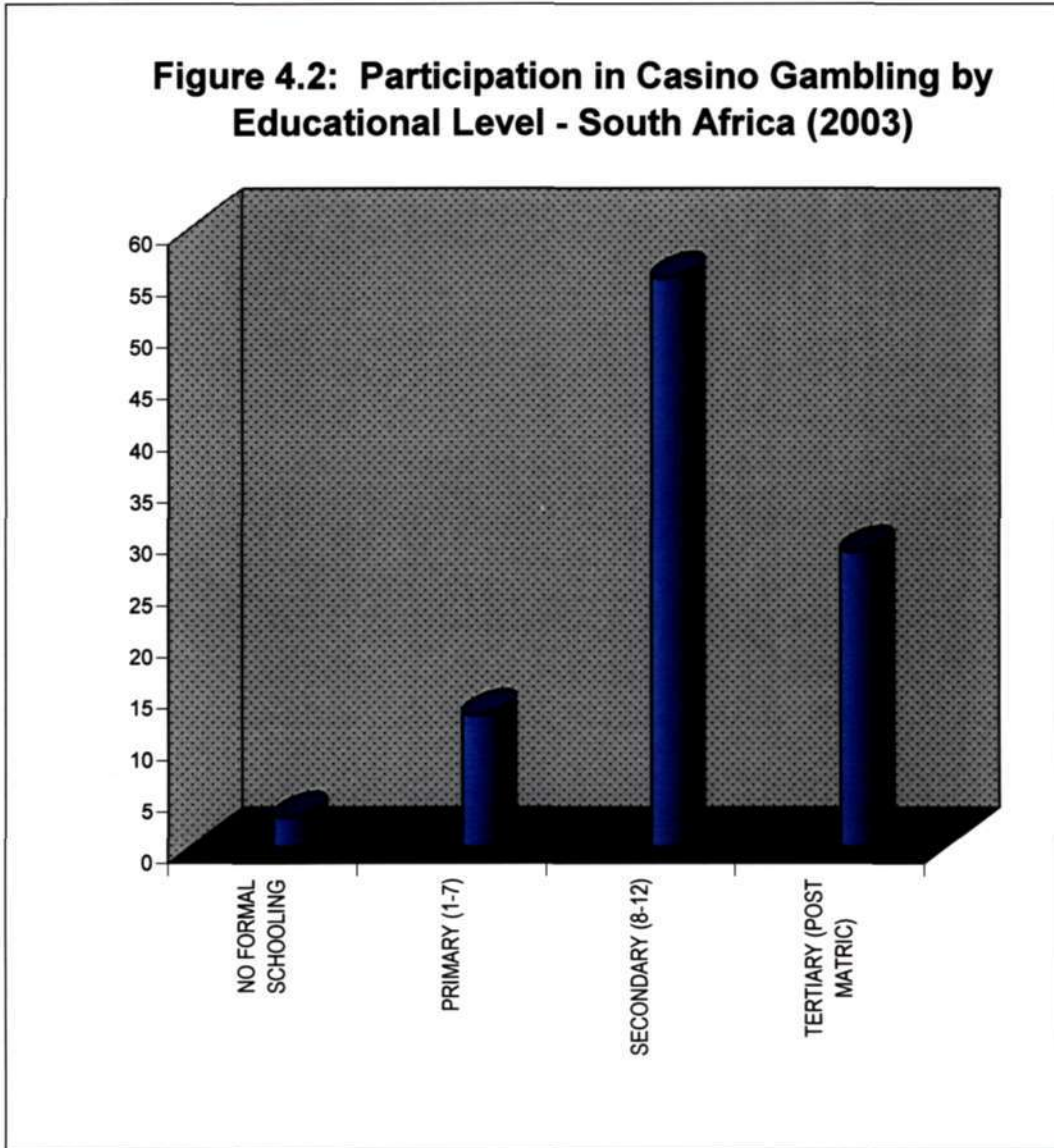
4.3.2 Age Group: International Comparison

Table 4.6: Participation in Casino Gambling by Age Group: An International Comparison			
	<u>SOUTH AFRICA</u>	<u>AUSTRALIA</u>	<u>NEW ZEALAND</u>
18 – 30	37.3	26.0	17.9
31 – 40	33.4	19.0	27.9
41 – 50	16.0	25.0	22.9
51 – 60	6.8	20.0	13.7
60+	6.5	9.0	17.6

Source: Adapted from the National Gambling Board (2003)

Table 4.6 is a representation of the participation in casino gambling by age group between three countries. In South Africa (SA) the majority of gamblers are in the age group between 18 and 40 years, whereas in New Zealand the gamblers are more or less evenly spread across all the age groups. In Australia, the gamblers are more evenly spread between the 18 to 60 age group and only 9% were in the above the 60 year age group.

4.3.3 Education Level: South Africa



Source: Adapted from the National Gambling Board (2003)

The educational variable is divided into four categories namely, the absence of formal schooling and primary, secondary and tertiary levels of education. The progression through this hierarchy of educational qualifications will in most circumstances impact upon the job opportunities and thereby the standard of living acquired by individuals.

According to the National Gambling Board Report (2003), a positive correlation has been established between individual education levels and participation in casino style gambling. The findings of the study have revealed that individuals with lower education levels tend to gamble less than their higher educated counterparts. Approximately 28% of casino gamblers in South Africa have a tertiary education qualification, 55.3% a secondary education, 12.9% a primary school education and 3% have received no formal schooling.

Within the South African context, access to educational opportunities at primary, secondary and tertiary levels has been unattainable to a large proportion of the population until recently. It is evident from Table 4.2 that 81.4% of gamblers had a post primary level of education. It should, however, be noted that the highest percentage of gamblers fall into the category of individuals with a secondary education. Although securing a secondary education qualification can be regarded as an accomplishment for many, it is restrictive in that jobs secured by incumbents are usually low paying, thus allowing for little to no saving capacity.

Approximately 15% of individuals have received no formal schooling or only a primary level of education, which in most instances would indicate a minimal opportunity to be gainfully employed. Within this study context it was difficult to establish the educational qualifications of patrons of the casinos under investigation. People tend to be reluctant to answer questions based on their educational qualifications. However, of the 20 individuals that were interviewed at a problem gambler support group in Pietermaritzburg, approximately 50% have a post-secondary education qualification (Gamhelp support group, 30 April 2003). Although the remaining did not have high educational qualifications they were successful business people and thus were not financially constrained by their education status.

4.3.4 Education Level: International Comparison

Table 4.7: Participation in Casino Gambling by Education Level: An International Comparison			
	SOUTH AFRICA	AUSTRALIA	NEW ZEALAND
NO FORMAL SCHOOLING	3.0	0	0
PRIMARY (GR1-7)	12.9	26.0	16.7
SECONDARY (GR8-12)	55.3	32.0	40.8
POST MATRICULATION	28.8	43.0	42.5

Source: Adapted from the National Gambling Board Report (2003)

In order to compare the education levels of gamblers between South Africa and its international counterparts, it is important to take into consideration the political and economic factors that have influenced education policies of these nations. Australia and New Zealand are developed countries and the majority of the population would have acquired a formal education. South Africa, on the other hand, is a newly democratized developing nation with limited resources and hence faces various challenges, which include the promotion of educational levels in the country given that a vast number of its citizens remain illiterate.

South Africa presents similar trends to Australia and New Zealand with respect to participation in gambling by those with no formal education. Participation by those with a primary education indicates that 12.9% of South African gamblers have received a primary level of education. In Australia,

however, approximately a quarter of the casino gamblers have received a primary level of education, double that of South Africa.

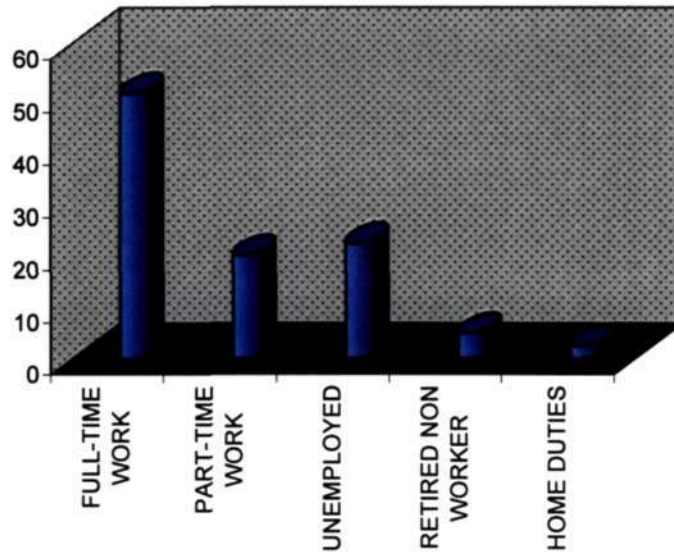
Australia has a higher percentage of individuals with post matriculation qualification participating in gambling as compared to South Africa. What is important in terms of the relationship between participation in gambling based on education levels is that in South Africa a secondary education would equip one for a lower paid job and yet it is where we have the highest level of participation. Australia, on the other hand, has the highest level of participation amongst post matriculation qualification that are more likely to have better jobs and higher pay. High earners would have more opportunities to gamble without risk as compared to lower paid individuals for whom gambling is a risk taking adventure, as they do not have surplus income as a safety net. In addition, developed nations have adequate social service structures in place to assist individuals who fall into the gambling trap as compared to South Africa.

4.3.5 Employment Status: South Africa

Employment status of individuals is one of the variables used to ascertain participant profile of gamblers. According to Figure 4.3, approximately 50% of individuals who participate in casino gambling are gainfully employed in full-time work and a further 22.1% have part-time jobs. The largest percentage thus falls into these two categories and consist of approximately 70% of gamblers.

Although the largest percentages of individuals who gamble are engaged in some form of employment, a significant 22.15% of gamblers are unemployed individuals, despite financial constraints caused by their work status. In an economic environment where jobs are scarce and part-time jobs tend to be low paid, such participation trends can be potentially problematic.

Figure 4.3: Distribution of Casino Gamblers by Employment Status - South Africa (2003)



Source: Adapted from National Gambling Board Report (2003)

Lower levels of participation usually occur amongst retired individuals and those who perform home duties, 5.0% and 2.5%, respectively. Despite the lower level of participation amongst the retired and home executives, monies spent on gambling from these sectors are most probably being redirected from retirement funds and household resources.

4.3.6 Employment Status: International Comparison

Table 4.8 demonstrates the level of participation in casino gambling by the individuals within the different employment categories in South Africa as compared to Australia and USA.

Table 4.8: Participation in Casino Gambling by Employment Status: An International Comparison			
	SOUTH AFRICA	AUSTRALIA	USA
FULL-TIME WORK	50.6	47.2	41.0
PART-TIME WORK	19.8	15.9	28.0
UNEMPLOYED	22.1	2.8	0
RETIRED	5.0	17.1	13.0
HOME DUTIES	2.5	10.0	0

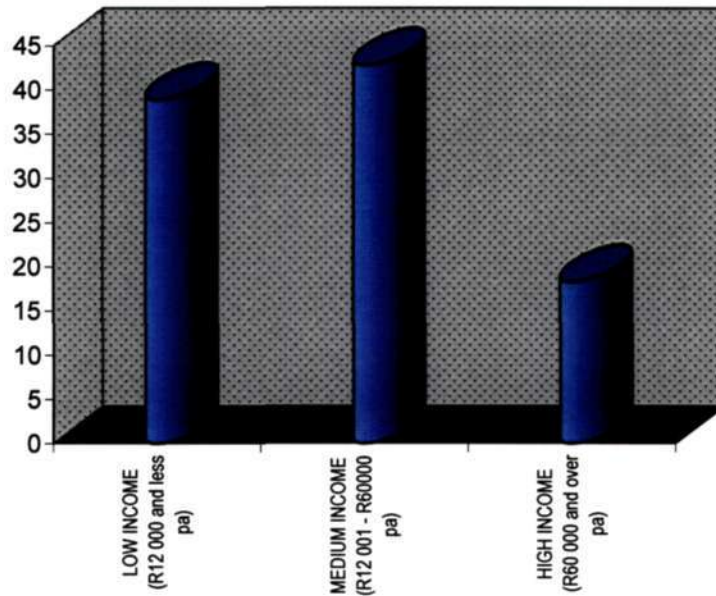
Source: Adapted from The National Gambling Board Report (2003)

The tabulation illustrates that South Africa presents similar trends in participation to its international counterparts. Participation remains the highest amongst full-time and part-time employed individuals. However, what is significant is that unlike Australia and the USA, South Africa, has a larger percentage of unemployed individuals participating in gambling. In an economy where unemployment will result in a social and economic burden not only to the individuals involved but also to the country as a whole, the trend of unemployed individuals participating in gambling is disconcerting. It has been estimated that the unemployment rate in South Africa is forty percent.

4.3.6 Annual Income and Gambling: South Africa

According to Figure 4.4, participation in gambling based on annual income earnings reveals that, individuals with high incomes tend to gamble less than their medium and low-income counterparts. Approximately 18.3% of gamblers are high income earners whilst 42.8% earn less than R5000 per month, and 38.9% earn less than R1000 per month.

Figure 4.4: Participation in Gambling by Annual Income - South Africa (2003)



Source: Adapted from the National Gambling Board Report (2003)

From an economic perspective, individuals with higher incomes have the ability to meet the financial commitments of monthly expenses and are further able to save if desired. This capacity to save will enable these individuals to meet the demands of unforeseen circumstances should they arise, and gambling will not jeopardize their financial standing if done so in a controlled manner. Lower income earners, however, are usually unable to meet demands of daily financial commitments and are unlikely to be able to save. Monies spent on gambling would thus compromise their standard of living and there would be even less to fall back on in times of need.

4.3.8 Annual Income: International Comparison

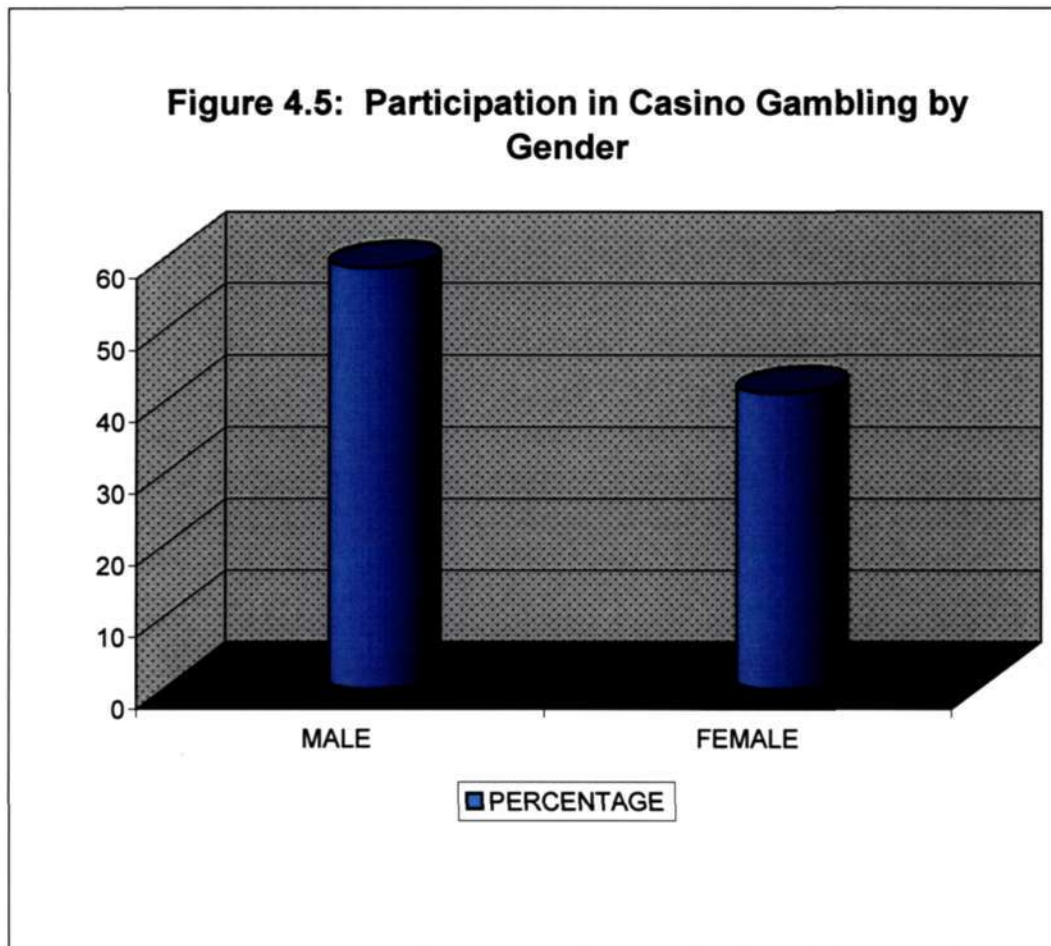
Table 4.9: Participation in Casino Gambling by Annual Income Categories: An International Comparison			
	<u>SOUTH AFRICA</u>	<u>AUSTRALIA</u>	<u>NEW ZEALAND</u>
LOW INCOME (R12000 & LESS)	38.9	41.0	10.9
MEDIUM INCOME (R12001-R60000)	42.8	43.0	42.4
HIGH INCOME (> R60 000)	18.3	16.0	46.7

Source: Adapted from the National Gambling Board Report (2003)

Table 4.9 compares the participation in casino gambling by low, medium and high-income earners in South Africa, New Zealand and Australia. The tabulation indicates that within the low income category South Africa and Australia have similar trends with approximately 38% and 41% respectively, participating in casino gambling. New Zealand, however, has lower participation in this category and only 10,9% of gamblers earn less than \$12 000 per year.

Medium income earners, that is, earning over R12 000 but under R60 000, demonstrate a similar trend in all three countries with a 42,8%, 43% and 42,4% participation in South Africa, Australia and New Zealand, respectively. Participation amongst high-income earners is similar in South Africa and Australia and approximately 20% of gamblers earn over R60 000 per annum. The highest level of participation in gambling in New Zealand remains amongst the high-income individuals.

4.3.9 Gender: South Africa



Source: Adapted from National Gambling Board Report (2003)

Participation by gender indicates that in South Africa males have a higher propensity to gamble than their female counterparts. The survey conducted by the National Gambling Board as indicated by Figure 4.5 reveals that 58.7% of gamblers were male and 41.3% females. Although the proportion is skewed towards a higher participation amongst males it is important to note that there is also a large level of participation amongst females. This trend could be attributed to the social acceptance of casino gambling in South Africa, which allows women the opportunity to participate more freely in this activity.

4.3.10 Gender: International Comparison

Table 4.10: Participation in Casino Gambling by Gender: an International Comparison			
	SOUTH AFRICA	AUSTRALIA	NEW ZEALAND
MALE	58.7	50.0	49.0
FEMALE	41.3	50.0	51.0

Source: Adapted from National Gambling Board Report (2003)

Table 4.10 draws a comparative gender profile of gamblers in South Africa, Australia and New Zealand. Australia and New Zealand tend to have an equal number of males and females who participate in gambling, approximately fifty percent, respectively. South Africa, however, has a slightly higher participation amongst males as compared to females.

The five criteria that have been used to establish the social, economic and demographic characteristics of casino gamblers have been employment, education, income, gender, and age categories. The participation trends based on these categories have been a cause for concern amongst various organizations, including gambling regulatory bodies, religious groups, political parties, labour organizations and the general public.

These concerns have proven to be well founded, as is evident in the participation profile statistics. The inextricably linked criteria of income and employment, specifically, have been the two issues that have raised the most amount of concern with regard to participation trends. The evidence indicates that an alarming 22% of casino gamblers are unemployed and a further 21% earn less than R500 per month (National Gambling Report, 2003). Furthermore, many casino operators have conceded that although their target markets were aimed at the middle to high-income earning range, a large

proportion of their clientele fall within the low-income earning category (Jacobs, 2001). The result of high levels of participation amongst low-income individuals, according to KwaZulu-Natal former Finance MEC, Peter Miller, is that casinos are in effect merely enriching the few by impoverishing the many (Jacobs, 2001).

The participation trends given above are viewed by many as the direct consequence of casinos being located in close proximity to low income areas. Stephen Rule, co-researcher and author of the first comprehensive gambling impact study, stated that most casinos are deliberately located near low-income areas because people situated in these areas are more susceptible to gamble.

The above is reaffirmed by the Congress of South African Trade Unions (COSATU), the country's largest labour organization, which has stated that although casinos are meant to be a part of the developing tourism infrastructure and should theoretically attract people who gamble for recreation and can afford it, the location of casinos in the close proximity to low income areas tend to attract the desperate who are ready to wreck their household budgets in the hope of winning (Adams, 2002). Mr Doorsamy, the former Chair of the National Gambling Board, has commented that the proximity of the Sugar Mill Casino, for example, to the Mount Edgecombe and surrounding low-income regions of Phoenix, Verulam, Inanda and KwaMashu, poses a great threat to gamblers of these regions (Broughton, 2001).

Expenditure on casino gambling in the KwaZulu-Natal region for December 2002 can be used as an indication that the bulk of consumption is skewed towards the low-income area participation. During this period the total bets wagered at the four KwaZulu-Natal casinos exceeded R1-billion, of which R502 459 437.35 was spent at the Sugar Mill Casino and R123 356 114.40 at the Golden Horse Casino. According to leader of the Minority Front, Mr. Rajbansi, 60% of gamblers participating in this region are Indians, so a reasonable estimation would indicate that for the festive months of December

and early January alone the Indian community would have spent approximately R600-million on gambling instead of alternate living expenses. Psychiatrist, Dr. Nowbath, and psychologist, Dr. Naidoo, based in the Mount Edgecombe region have commented that the social and economic quandary created by the spending patterns of individuals has been the inevitable consequence of the location of these casinos on the doorstep of these poor communities and is evident in the increase in the number of consultations relating to gambling problems (Pillay, 2003).

Despite these distressing statistics and comments relating to participation by low income earners, Chris Fisser, the current Chair of the National Gambling Board, states that even though many people exceed the monetary limit that should be set aside for gambling, it is not necessarily cause for alarm, if, the individual knows when to "call it a day" (Premdev, 2003). However, problem gambling is similar to other addictions and it is a slow progression from a recreational activity to an addiction which individuals are often not able to realize until it is too late. Various support groups have stated that problem gambling has become a major crisis in the country, a view that is shared by Social Development Minister, Zola Skweyiya, who states that spending is being redirected from household expenses to gambling (Hooper-box, 2003).

In view of the quandary created by harmful participation in gambling, international trends have indicated that the responsibility for the problem gambling crisis has usually devolved to the traditional public health and welfare structures of these countries. Within the South African context however, traditional health and welfare structures are under immense pressure and resources have already been stretched beyond their limits. In response to the limitations of public funds to address the problems created by gambling, the South African government has become an international first to implement a national programme to address the problem, under the joint efforts of the private and the public sectors (James, 2003). This initiative has been accomplished through the formation of the National Responsible Gambling Programme (NRGP) under the management of the South African

Responsible Gambling Trust. The Trust is co-chaired by Dr. Vincent Maphai and Mr. Chris Fisser and consists of an equal number of representatives from the gambling industry and the gambling regulatory bodies. The various sectors of the industry, namely, casinos, horse racing, bingo and limited pay out machines, contribute an estimated R6-billion a year to the programme (James, 2003).

The objective of the programme is to create public awareness and promote educational campaigns to prevent people from becoming problem gamblers. In instances where problem gambling habits have been diagnosed, free counseling and medical treatment is provided and progress is monitored in order to accumulate localized and accurate data for future scientific research purposes (James, 2003). However, despite the above joint efforts of government and the industry, the problems associated with addictive gambling tendencies are expected to escalate. According to Professor Collin (NRGP), South Africa is a country dogged by poverty, and gambling is an industry that merely serves to fuel fantasies of a better life that remains virtually unreachable for many (James, 2003).

4.4. Microeconomic Impacts

The three micro-economic issues examined in the context of this gambling related study are employment, economic growth and property values.

4.4.1. Employment

Unemployment remains one of the greatest challenges in South Africa. The creation of employment opportunities has been one of the main arguments advanced in support of the legalization of large scale casino gambling in the country. KwaZulu-Natal in particular has been characterised as a region of high levels of unemployment. The casino developments thus offer improved prospects of job opportunities for the Province.

According to Chris Fisser, Chairperson of the Gambling Board, the new and legalized casino industry has created an estimated 50 000 jobs countrywide (Premdev, 2003). However, it should be noted that since the industry is still in its early stages of development certain skills and expertise pertaining to the industry remains unavailable in the country, hence where necessary, labour has been imported from national and international markets in order to meet local demands.

The following section will examine the employment profile of the two casinos under investigation, namely, the Golden Horse Casino and the Sugar Mill Casino.

i) Employment Equity Structure of the Golden Horse Casino

The Golden Horse Casino employs approximately 1000 people, with the majority being sourced from the local labour market. These employees occupy a variety of position as illustrated in Table 4.11. The various staff positions were allocated according to the Employment Equity Act, which

ensures that necessary affirmative action procedures have been implemented in the employee selection process. These affirmative action selection procedures have been applied to all positions, including the management levels. The aim of the Affirmative Act is to specifically target the employment needs of Previously Disadvantaged Individuals (PDI). PDIs refer to individuals who were socially, economically and politically disadvantaged in the apartheid era. The PDI category thus encompasses individuals from the coloured, indian and african race groupings and also includes those with physical disabilities who had been previously marginalized.

Table 4.11: Employment Structure of the Golden Horse Casino	
POSITION	NUMBER EMPLOYED
Cashiers	35
Security	55
Slot attendants	35
Surveillance	30
Table Dealers	113
Sub total:	268
Hotel	120
Other (management, entertainment & restaurant)	612
Total	1000

Source: Gold Reef Casino Resorts Annual Report (2001)

The owners of the Golden Horse Casino Development are committed to the stipulations of the Employment Equity Act, and have accordingly implemented proper employment procedures and empowerment programmes. Their aim is to develop, train and provide practical advancement to all employees,

including PDIs. However, in terms of employment equity, there has been a barrier in terms of suitable candidates for senior and middle managerial positions from the PDI. PDIs have in the past been restricted access to training that would allow them to meet the requirements of such positions. The Golden Horse Casino Development has thus implemented a training programme for the PDIs currently employed in order to accelerate their advancement and allow them the opportunity to occupy more senior positions in the company in the future once their skills have been enhanced. Furthermore management staff will attend the Gauteng Gambling College, over a three-year period, to improve their capacity as managers. Additionally, they will also be exposed to international conferences in an endeavour to enhance necessary skills (Gold Reef Casino Resorts Annual Report, 2001).

Table 4.12: Employment Equity Structure of the Golden Horse Casino		
EMPLOYMENT STRUCTURE	*PDI	*NON PDI
Senior Management	7	8
Middle Management	22	4
Junior Management Staff (supervisors)	27	7
General Staff (Reception, cashiers, security, public relation officers, slot operators, croupiers, guest relations officer)	213	12
* PDI : Previously Disadvantaged Individuals		
* NPDI : Non Previously Disadvantaged Individuals		

Source: Gold Reef Casino Resorts Annual Report (2001)

The current employment figures of the Golden Horse Casino, as illustrated in Table 4.12, indicate that the majority of the senior, middle and junior management positions are occupied by PDIs. In addition, general staff, such as croupiers, receptionists, and cashiers also are from the PDI category.

According to the Golden Horse Casino representative, Mr Trevor Taylor, the gambling industry in South Africa is still in its infancy stage and it is imperative that senior management staffs are equipped with the necessary gaming management experience. It will therefore take a few more years before PDIs are adequately trained to meet these demands. The Golden Horse Casino has, however, employed Senior Management staff from PDI backgrounds, where possible (e.g., The Human Resource, Account and Administration Managers) (Personal Communication, Taylor T., 01/04/2003).

ii) Employment at the Sugar Mill Casino

Kagiso Ntanga, Public Relations Officer of the Sugar Mill Casino (interviewed 12/05/2003), has indicated that the casino employs approximately a thousand people. According to Ms. Ntanga further statistics on these employee figures were unavailable.

The employment statistics of the two casinos under investigation indicates that the gambling industry has contributed to improved job opportunities in the Pietermaritzburg and Mount Edgecombe communities. According to the National Gambling Board Report (2003), employment created by the gambling sector has a 3.15 multiplier effect. This multiplier effect is an indication of the number of direct and indirect jobs that have been created by the industry. Direct jobs refer to employment opportunities offered at the casino venues themselves, whilst indirect jobs refer to those employment opportunities that are created in response to, firstly, the demands associated with the operationalization of casinos in the forms of goods and services and, secondly, the demands generated by created employees of the casinos as a consequence of income earnings.

Despite this positive employment multiplier effect, generated by the casino development initiatives, the industry has also received strong criticism. KZN's former Finance MEC, Peter Miller, in particular, has stated that jobs created by casinos are usually at the expense of employment opportunities at other industries. According to Mr. Miller, local casinos do not attract foreign spending as expected but instead tend to draw on support from local populations. In doing so, disposable spending patterns of local economies are redirected from other industries, (e.g., clothes, soft drinks, and beer companies) to the gambling industry. This substitution effects has a detrimental consequence for these other industries that suffer in the short and long term as a drop in demand for goods and services results in a decline in profits and invariably an increase in job loss (Broughton, 2001). The benefit that casinos offer in terms of employment thus has to be viewed from a multi-dimensional perspective to indicate the wider employment repercussions that are created by the industry.

4.4.2 Tourism and Economic Growth

Tourism is regarded as one of the leading generators of economic growth to many countries. Eighty percent of tourists worldwide are from rich industrialized countries that have higher incomes and more leisure time. Tourism is seen as an easy option with quick returns. It has been argued that the industry creates jobs directly and indirectly, and promotes the development of infrastructure (Gamble, 1989). Not surprisingly, in post-apartheid South Africa there have been great expectations that tourism will provide the catalyst for economic growth and development.

Over the past nine years the tourism industry in South Africa has undergone a phase of expansion. International tourists increased from 704 000 visitors in 1994 to 1015 000 in 1995. This exceptional growth of 22%, expressed in foreign exchange earnings for the year was an estimated R7 billion. The South African government has recognized the potential of the tourism industry and it has been identified as a national priority for sustainable development.

The government has employed various strategies to develop the tourism industry so that it matches global standards (DEAT, 2000).

The rich natural and cultural diversity of South Africa is its main attraction to international tourist markets. South Africa's dynamic mix of Third and First World allows tourists to download their e-mails (should they wish to) while watching a lion (Du Toit, 2000). Growth Employment and Redistribution (GEAR) is the macro-economic strategy employed by the government to increase employment and create economic growth. The tourism industry is regarded as an important component in the GEAR programme. South Africa offers tourist attractions that complement global markets. The tourism sector is able to attract private investments. It is a labour intensive sector of the economy, and has the potential to act as a catalyst for infrastructure development. The tourism sector also stimulates other small business sectors such as curio shops and, most importantly, it is a non-primary export earner (DEAT, 2000).

South Africa has failed to optimise its tourism potential. Since 1996, international tourist arrivals declined by 10,2 %. This drop was attributed to degradation of service and low standards of product quality. This was attributed to factors such as inadequate marketing strategies, ineffective management skills, and negative perception of safety and increased incidences of crimes against tourists. The underlying principle of utilizing the tourist industry as a development strategy is that it should be government led, driven by the private sector, community based and labour conscious (DEAT, 2000).

Kwa-Zulu Natal (KZN) has the potential to be an ideal tourist destination site. In 1994, KZN commanded 34% of the domestic market. However, by 1996 this had dropped to 28%. Certain macro issues that affect tourism need to be addressed to ensure that the tourism industry could be a sustainable economic generator. Firstly, there is a negative perception about safety and security in KZN. Secondly, the maintenance of good health and sanitary conditions, and thirdly, the service standard must be maintained in order to

generate a larger slice of the international tourism pie. The last outbreak of cholera, for example, had a negative impact on the tourism market in KwaZulu-Natal (KZN) (Creemers and Wood, 1997).

The White Paper on the development and promotion of tourism in South Africa stipulates specific procedures to be followed to improve the poor perception of safety in KwaZulu-Natal. South African Police Services (SAPS) in collaboration with citizens and large private enterprises embark on long and short-term solutions to reduce crime levels. Stakeholders are encouraged to become active in initiatives such as 'business against crime' (Creemers and Wood, 1997).

Various strategies have thus been implemented to ensure that South Africa optimises its tourism potential. The development of the casino industry has been advanced under two main principles, that is, the creation of employment opportunities, as illustrated above, and the promotion of tourist foreign spending in the country. This view has been reiterated by former KwaZulu-Natal Premier, Mr Lionel Mtshali, who stated that, "government fully supports the gaming industry as a contribution to the promotion of job creation, black economic empowerment, tourism, community development and leisure activities" (Mercury, 12/03/01). Thus, from a purely economic growth perspective, the South African casino gambling industry has been expected to generate a wealth of benefits. However, the obvious but seldom stated negative economic realities, remain for the large part, unmentioned.

Comments from the KZN Finance MEC, Mr. Miller about the negative economic impacts of casino gambling in the Province resulted in a tumult amongst the highest political echelons of the KZN province. Mr. Miller has been met with criticism from senior members of his political party for his public disapproval of the industry as having "absolutely no economic benefit" (Broughton, 2003). In Mr. Miller's view, the casino industry has been harmful to the provincial economy and has merely resulted in the diversion of

disposable income from real goods to the unproductive spending by the poor people (Jacobs, 2001).

According to Mr. Miller, gambling can only contribute to economic growth if it is targeted at foreign spending. In his view, the South African gambling industry has limited its potential of attracting foreigners by failing to create casino venues as exclusive must-see, must-do destination sites. Attractive destination sites are considered a prerequisite for development that is marketed for tourist consumption and thereby an inflow of tourist revenues (Broughton, 2003). The failure of these casinos to attract the necessary tourists has ultimately resulted in a greater reliance on participation by the local population, which has serious negative economic repercussions and ultimately serves to enrich the few by impoverishing the many (Jacobs, 2001). The issue of tourist versus local expenditure on gambling, as presented by Mr. Miller, has been evident in the case of the two casinos under investigation. Gambling at the Golden Horse Casino according to Trevor Taylor (interviewed 01/04/03) and the Sugar Mill Casino according to Kagiso Ntanga, the Public Relations Officer of the Sugar Mill Casino, (interviewed 5/06/2003) has indicated a higher reliance on local contribution at the respective venues as compared to the anticipated tourist consumption.

The Sugar Mill Casino, in particular, comprises solely of standard gaming features. Sometimes referred to as the 'warehouse', the Sugar Mill Casino lacks any facilities or characteristics that would portray the venue as a tourist *must-see* or *must-do* attraction. The casino has thus been aimed primarily at local consumption and is to operate as a temporary licence until it is replaced by its permanent venue in the Umdloti region. The permanent licence, unlike the temporary licence, has been expected to combine architecture and technology to create a unique casino and entertainment complex that will attract international guests. The development of the temporary licence in the Mount Edgecombe region can thus be viewed as a mechanism whereby necessary funds have been siphoned off the poor local population in order to finance the R700 million, larger scale and more exclusive permanent venue for the more wealthy or upmarket population.

The Golden Horse Casino in the Pietermaritzburg region has been expected to act as a tourist attraction, but only to a limited extent. According to Mr. Taylor the unusual architecture and the display of the evolution of horses has added a new dimension to attractions offered by the city, thus increasing its potential to be a more desirable tourist market. The major draw card of the complex is the fourteen metre high statue of a Pegasus, which adorns the entrance of the casino. The statue has been registered with the Guinness Book of Records and is expected to act as a *must-see* feature that is offered by the casino complex. Tourists that do frequent this establishment are from the national rather than international tourist pool. Pietermaritzburg, in particular, is expected to draw consumers from the Escourt, Dundee and Newcastle regions since the Golden Horse Casino offers similar attractions as the larger Durban based casinos but within shorter distance and travel times.

i) Redistributive and Substitution Impact

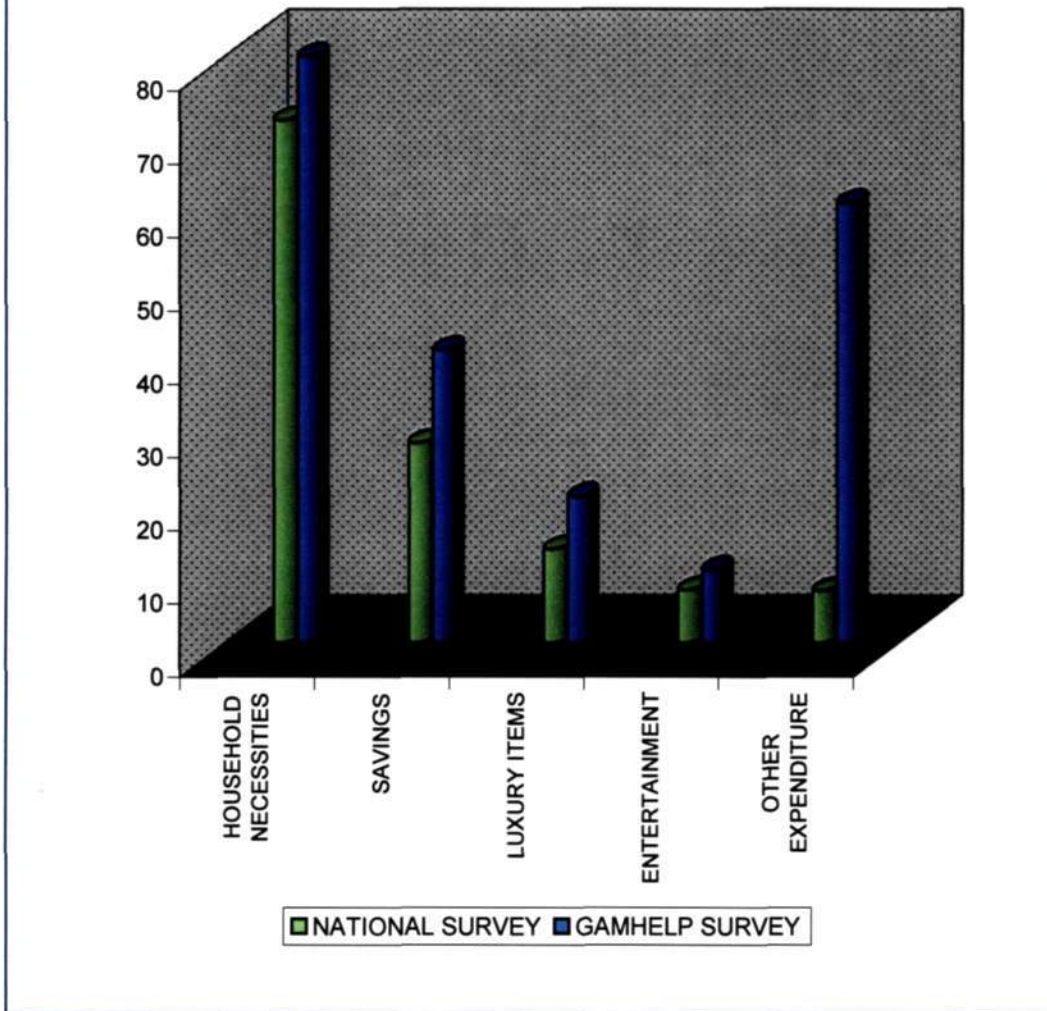
The above evidence indicates that both the Golden Horse and the Sugar Mill Casinos rely to a large extent on the patronage by local populations. From an economic perspective the large scale consumption of gambling by local population and the absence of foreigner spending would indicate that a redistributive effect would occur within the economy as opposed to the anticipated expansionary effect. A redistributive effect denotes that monies that already exist in the economy (disposable income of the local population) are being re-circulated within the economy instead of the anticipated injection of new monies into the economy from foreigner spending. The result of this redistributive effect is that it can result in a cannibalistic effect on other businesses in the region.

This redistributive and consequent cannibalisation effect is evident in the case of the Pietermaritzburg restaurant industry. An article in the local newspaper (Natal Witness, 29/10/2001) reflects the views of a few disgruntled restaurant owners who claim that they have had to close down their businesses due to the aggressive marketing strategies used by Golden Horse Casino to promote

their restaurant. The marketing and advertising strategy implemented by the casino operators has resulted in a decline in the number of patronage to their establishment. Tough trading times are also attributed to this phenomenon. However, it is feared that with the low prices offered by the casino's restaurants, many of the smaller restaurants in the region will be forced into closure. Whilst the casino can compensate their losses from the restaurants at their tables and slots, the ordinary restaurant cannot. This could result in the casino enjoying a monopoly once the smaller businesses have closed. The casino operators' view is simply, that they are merely meeting consumer demands and participating in the crucial aspect of any business venture, which is competition. However, there is only one casino in Pietermaritzburg, so there is no competition. According to Melanie Venesse of the Tourism Board, the situation will settle in the New Year (2004). She acknowledges that the casino food service does provide a challenge to the established eateries.

In addition to creating a redistributive effect on the local economy, the consumption patterns within the areas under investigation would also indicate that there is a substitution effect that has occurred. Substitution spending, within the gambling context, refers to the shift in spending from an item that an individual would have ordinarily spent on, for example, clothing, entertainment, and savings, to spending on gambling activities. This means that people who gamble are in effect substituting spending on some other item that they would have previously spent on, thus resulting in a displacement effect and possibly industry cannibalisation. In order to determine the substitution spending of gamblers, data from two surveys have been analysed. The first set of data as presented in Table 4.6 analyses the national trends as indicated by the National Gambling Report. The second set of data presented indicates the substitute spending habits of problem gamblers that were interviewed in the Gamhelp support group.

**Figure 4.6: Substitute Spending of Gamblers:
National Survey vs Gamhelp Survey**



Source: Adapted from the National Gambling Board Report (2003)

According to Figure 4.6 the National Gambling Board Report Survey has indicated that 71.3% of individuals would sacrifice spending on household items in order to gamble, 27.3% on savings, 12.8% on luxury items, 7.2% on entertainment and 7.1% on miscellaneous items.

The survey conducted at the Gamhelp support group in Pietermaritzburg has indicated that 80% of individuals interviewed would substitute spending on household items, 40% on savings, 20% on luxury items, 10% on

entertainment and 60% on miscellaneous items. It should be noted that the substitution-spending pattern of gamblers is influenced by the individual income earning capacity. Many of the individuals interviewed do not have very high earning capacities, which in turn limits their saving capacity, spending on luxury items and entertainment activity. According to many of the gamblers the main sacrifices that were made in order to finance their gambling habits were usually from other household budget items such as electricity and other amenity bills, school fees and food. However, it should also be noted that people might not substitute one item completely so that they can gamble but can instead spare a little from each category.

The substitute spending patterns amongst the general public, as indicated by the National Gambling Board Report Survey, and the problem gambler group, as indicated by the Gamhelp survey, have been expected to generate economic repercussions at a macro-level and a micro-level. The impacts of casino gambling on the economy at a macro-economic scale have been difficult to ascertain as the industry is still in its infancy stages and these trends will be better established over a longer time frame through time series analysis.

At a micro-economic perspective the displacement of spending, from household expenditure to gambling activities of the two casinos under investigation have been expected to generate both positive and negative consequences for the businesses and economy of their region and especially for those businesses in the immediate vicinity of casinos. Increased gambling opportunities pose a threat to retail businesses and the cannibalistic effect can be ruinous for a stagnant economy. In Pietermaritzburg, restaurants were one of the first businesses to be affected by the casino being established in the region. In an article by the Natal Witness (29/10/2001), a number of restaurant owners expressed negative sentiments against the casino complex, stating that it had resulted in a cannibalistic effect on their businesses with some complaining of reduced patronage and others of being forced to close their doors completely as they were unable to compete with the service offered by the casino.

A telephonic survey conducted (June 2003) amongst a series of retail businesses within the vicinity of the casinos under investigation indicated that the casino impacted negatively on their activities. However, these impacts were predominantly restricted to the initial excitement of the casinos being established and the effects tended to settle once the novelty had worn off. Furthermore, many of the businesses and especially the smaller retail outlets such as supermarkets have stated that the introduction of the national lottery and the flourishing of the cell phone industry have also played a significant role in decline in business. Casinos have seemed to merely exacerbate a problem that was already set in motion.

4.4.3 Property Values

The second principal micro-economic effect that casinos have is on property values of the region. Pizam and Poria (1985) has likened the development of casinos to power plant proposal, where many may approve of the facility for the benefits it has to offer but none would want one in their backyards because of the associated negative ramifications. The casino industry in South Africa has presented a similar dilemma whereby the casinos have been accepted for their positive economic impacts and accordingly located in the heart of urban communities, despite their associated negative impacts. The Golden Horse and Sugar Mill casinos have been located in the residential suburbs of their respective regions, and one of the uncertain anticipated impacts has been the effect of such positioning on the surrounding property values.

Telephonic interviews with various property owners in the vicinity of casinos have revealed a dichotomous view on the impacts of the casino complex on property values. Whilst some believe that the location of the casino development will result in the increase of surrounding property values over time, others believe the opposite is true. The potential increase in vehicular movement and an escalation in criminal activities in the vicinity of the casino

were considered to be the two main factors that would influence property values.

Furthermore interviews were conducted with the Remax, Wakefield and Natal Properties estate agents (interviewed on 04;05;06/04/2003). The results have indicated that the casino development has had no apparent effect on commercial and industrial property values. The development has, however, had a twofold impact on residential property values. On the one hand, residents are selling their homes in the area around the casino, as they fear the negative impact will result in the devaluation of their properties. Conversely, others have been buying such properties with the expectation that the location of the casino will boost property values.

Trevor Taylor (Personal Communication, 04/2003) is optimistic about the impacts of property value in the vicinity of the casino development. The reason is that the casino will have two security vehicles, which will be operational in and around the vicinity of the casino development on a 24-hour basis. This security will make the areas safer, thereby boosting the value of properties.

In Pietermaritzburg more specifically, according to some property agents, the price of property has increased in recent years not necessarily as a response to the casino, but more so as a demand for homes in areas previously categorized as white groups areas. These areas tend to attract investors who under the apartheid government were restricted to live in designated group areas. In addition, there is a lack of housing in Pietermaritzburg within this income category (residential area), thus resulting in an increase in property values.

To summarise, the micro-economic impacts of the Golden Horse casino and the Sugar Mill casino suggest that the casinos do offer improved employment opportunities for the region. In an economic climate where unemployment remains one of the greatest problems, improved job opportunities is an undeniable benefit. However, casinos have failed to attract a substantial

number of tourists anticipated. The result is that a redistributive effect has occurred within these economies as opposed to an anticipated expansionary effect. The casinos have not had a significant impact on property values. The micro-economic data thus indicate that the casinos have had both a positive and negative impact on the Mount Edgecombe and Pietermaritzburg communities. Economic issues and patterns will usually emerge over time and thus time series analysis will provide an invaluable source of investigation as to the impacts of the local casinos on communities.

4.5 Macroeconomic Impacts of Gambling

The macro-economic impacts of gambling will be examined at a national and international context. Although the focus of the study has been on the impacts of gambling on KwaZulu-Natal, understanding the wider economic ramifications forms an important foundation of the study. The international comparison places the industry within a global context and as such the information and experiences of the well-established industry in these countries can serve as examples for South Africa. The national data draws a comparison of the contribution of the industry in the country's nine provinces

4.5.1 International Economic Comparison

The post-1994 period in South Africa has heralded radical changes in its political organization of the country and consequently its economy. The demise of apartheid resulted in the lifting of sanctions imposed on the country and the reintroduction of South Africa into the global economy. South Africa thus regained access to foreign markets, and foreign firms have been enticed into the country (Genesis Analytics, 2003).

During the period 1994 to 2003 the South African economy expanded by 30%, with a GDP output exceeding a trillion Rand for the Year 2003. Eighty percent of this growth was directly attributed to the private sector, which expanded outside of the historical mainstays of the country, namely, the manufacturing, finance and communications sectors (Genesis Analytics, 2003).

According to Genesis Analytics (2003) the South African Foundation has outlined five frontiers of changes in the private sector that were implemented in order to contribute to progressive transformation of the economy, namely, success in global markets, empowerment, innovation, investment and contribution to society. One of the leading sectors that such principles have been applied to has been the hospitality and retail market. This sector has

contributed 12%, to the growth of the economy, as a result of the exponential influx of tourists into the country.

The macro-economic data examined in this study will explore the national and international trends of gambling consumption. The international data compare the gambling patterns of South Africa, Australia and the United States. The national data will draw a provincial comparison of revenues generated by the industry.

i) South Africa's World Ranking by Gross National Income

Despite the growth of the South African economy in recent years, high levels of unemployment and poverty rates have resulted in the country remaining one of the developing nations of the world.

Table 4.13: GNI Per Capita and World Ranking of South Africa, Australia and United States			
INDICATORS	SOUTH AFRICA	AUSTRALIA	UNITED STATES
GROSS NATIONAL INCOME (GNI) PER CAPITA (POUNDS)	1930	12950	21800
WORLD RANKING (GNI/CAPITA)	91 st	27 th	7 th

Source: Adapted from the National Gambling Report (2003)

In terms of the Gross National Income (GNI) per capita, South Africa is currently ranked 91st whilst its First World counterparts, namely, Australia and the United States are ranked 27th and 7th, respectively (Table 4.13). The GNI per capita is an economic indicator that reflects the average income of the population of a particular country. A comparison of the GNI between South Africa, United States and Australia thus illustrates that the economic status of South African individuals remains well below that of its first world counterparts. The country's ranking in terms of gambling revenues, however, belies its status as an emerging economy.

ii) Ratio of Gambling Turnover to Gross National Income

Despite the economic development discrepancies between South Africa and the United States and Australia, the Gross Gambling Turnover (GGT) data indicate that South Africa is following in the footsteps of its developed First World counterparts with regards to the consumption of gambling.

The ratio of gambling turnover per capita to national income per capita is a representation of the proportion of income earned that is utilized for gambling.

It is calculated as follows:

$$\text{RATIO OF GAMBLING TURNOVER TO NATIONAL INCOME} = \frac{\text{GROSS GAMBLING TURNOVER PER CAPITA}}{\text{GROSS NATIONAL INCOME PER CAPITA}}$$

A comparison of the three-abovementioned countries indicates that the gross gambling turnover for Australia is 0.116 of its gross national income, 0.054 for South Africa, and 0.030 for the United States. One can thus conclude that of the three countries, Australia spends the largest proportion of its GNI on gambling.

Table 4.14: GNI and GGT Comparisons for South Africa, Australia and United States

	SOUTH AFRICA	AUSTRALIA	UNITED STATES
GROSS NATIONAL INCOME PER CAPITA (POUNDS)	1930	12950	21800
GROSS GAMBLING TURNOVER PER CAPITA (GGT) (POUNDS)	105.46	1510.12	651.58

Source: Adapted from the National Gambling Board Report (2003)

iii) South African versus United States and Australia – Gambling Consumption

The calculation of the ratio of South Africa GNI per capita to Australia's and the United States' GNI per capita enables the evaluation and comparison of the proportion of income per capita of South Africa to these two countries. This ratio is calculated as follows:

$$\text{RATIO of SA GNI to USA GNI} = \frac{\text{SOUTH AFRICA GNI}}{\text{UNITED STATES GNI}}$$

$$\text{RATIO of SA GNI to Australia GNI} = \frac{\text{SOUTH AFRICA GNI}}{\text{AUSTRALIA GNI}}$$

The importance of this calculation is that it allows one to evaluate the proportion of income earned by South Africa as compared to USA and

Australia. The result of this calculation is then compared to the ratio of individual income that is spent on gambling.

The results have indicated that although South Africans on average earn 0.09 of their American's GNI counterpart, they spend 0.054 of their GNI per capita on gambling compared to the American counterparts who only spend 0.03. South Africans earn approximately less than 10% of their American counterpart and yet manage to out spend them by .024 of GNI. It is clearly demonstrated from the above ratios that compared to a very wealthy First World country as United States, South Africans are spending far too much of their income on gambling.

A similar comparison of South Africa GNI per capita to Australia indicates that on average South African GNI per capita represents only 0.15% of the Australians, but the gross gambling turnover per capita is 0.07 of the Australians. Thus the average South African spends only marginally less than its Australian counterpart.

There is clearly no correlation between the GNI per capita and gross gambling per capita between the South Africa and the United States and Australia. If one has to use the United States and Australia as a yardstick, then it becomes evident that the average South African is disposing far too high a proportion of his/her income on gambling. This is significant since South Africa has a high unemployment rate, and this suggests that the average employed South African is spending a significant proportion disposal income on gambling.

iv) **South African Ranking in terms of Gambling Consumption**

Table 4.15: South Africa's World Ranking by Selected Economic Indicators	
VARIABLE	SOUTH AFRICA'S WORLD RANKING
GROSS GAMBLING TURNOVER	14
GROSS GAMBLING TURNOVER PER CAPITA	28
GROSS GAMBLING YIELD	23
GROSS CASINO YIELD	8

Source: Adapted from National Gambling Board Report (2003)

According to Table 4.15 South Africa is ranked 14th in the world in terms of gross gambling turnover, 28th with regards to gross gambling turnover per capita, 23rd with respect to gross gambling yield and 8th in terms of gross casino yield.

The above comparisons of South Africa with their First World counterparts namely, the United States and Australia have thus indicated that over the short period of time that casinos have been legalized in the country, the industry has managed to turn South Africa into one of the leading nations of gambling consumption. Unlike South Africa's First World counterparts, the probability of these gambling consumers becoming addicted to this past-time is greater.

4.5.2 National Comparison

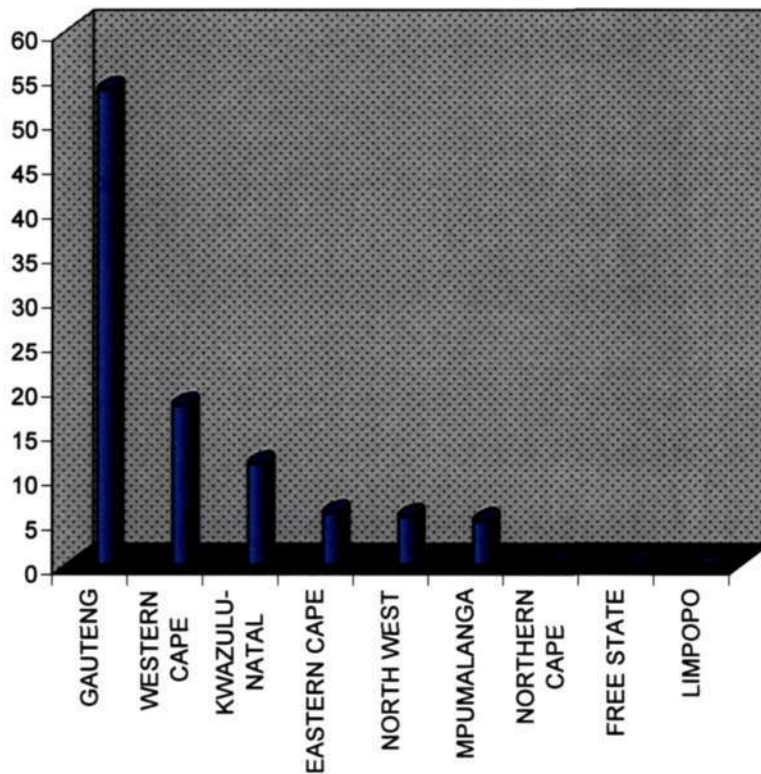
The macro-economic impact of the gambling industry at a national level draws a comparison of the contribution of the industry to the country's nine provinces. This contribution is firstly determined by the capital investment of the various casinos, and secondly the revenues that have been generated by the cumulative casinos of each region.

i) Shape of Capital Investment Per Province

Figure 4.7 illustrates the share of capital investment undertaken by the gambling industry provincially. There are two types of investments, namely, operational and capital investment. Operational investment, as the name implies, occurs on a continual basis whereas capital investment refers to a single expenditure that is not repeated on an annual basis. The capital investment in terms of the gambling industry is in the form of infrastructure and development of buildings, whereas much lower levels of operational investment are in the form of machinery, equipment and new vehicles.

According to Figure 4.7 there have been varying levels of capital investment by the industry in the nine provinces. The total capital investments of the provinces in order of contribution are the Free State with 0.3%, Northern Cape with 0.4%, Mpumalanga with 5.0%, North West with 5.5%, Eastern Cape with 5.9%, KwaZulu-Natal with 11.4% and the Western Cape with 18.0%. KwaZulu-Natal thus has the third highest contributor to the total investments in the gambling industry in South Africa.

Figure 4.7: Capital Investment per Province - South Africa (2003)

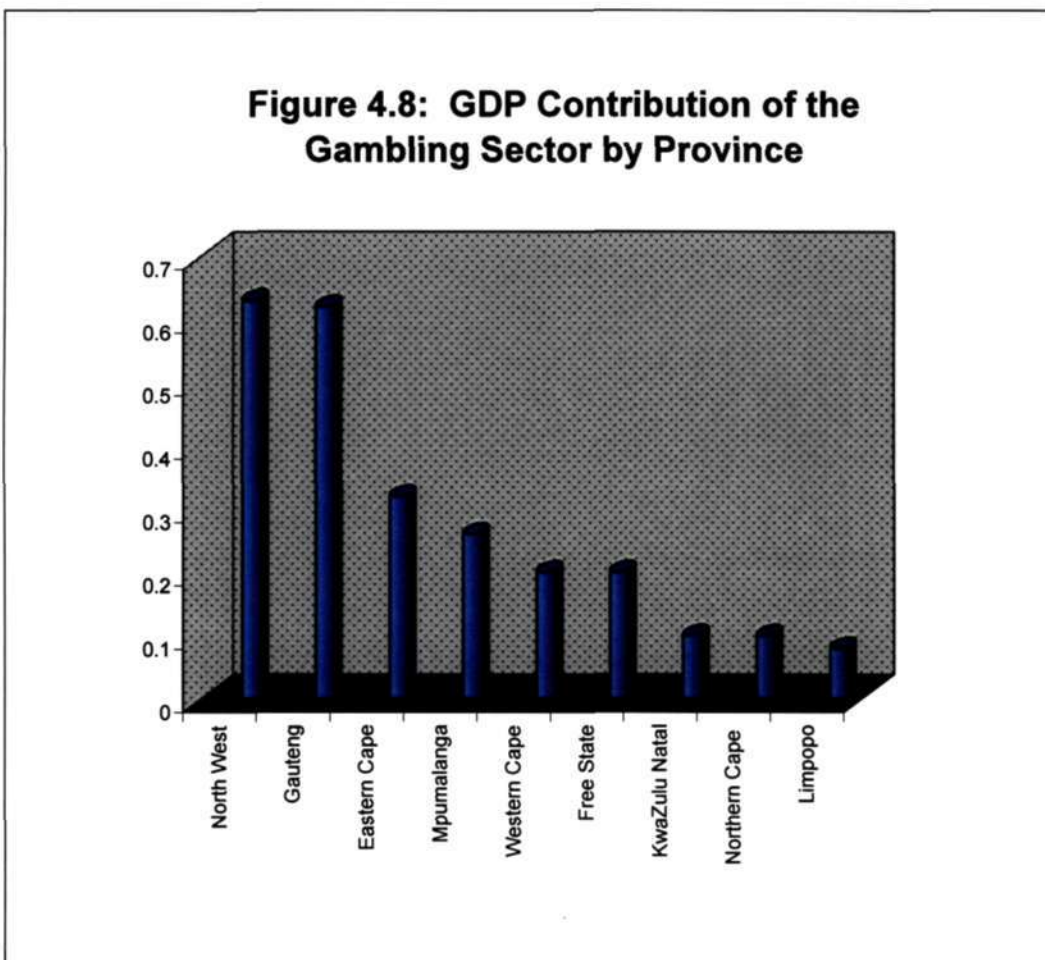


Source: Adapted from the National Gambling Board Report (2003)

It should be noted that this is partly due to, firstly, the different stages of development of the new casinos in each region, and secondly, the capacity of each casino i.e. the number of games and machines accommodated by the casino. Gauteng, for example, has the highest level of capital investment consisting of 53.3% of the total casino investment in the country. However, it should be noted that casinos in this region usually accommodate more than double the number of slot machines as compared to casinos in other provinces.

ii) **GDP Contribution of the Gambling Sector by Province**

The second measure of the economic productivity of the gambling industry is indicated in the contribution that the industry makes towards the country's Gross Domestic Product (GDP). According to Schiller (2000) GDP can be defined as the total market value of all final goods and services produced within a nation's borders in a given period of time.



Source: Adapted from the National Gambling Board Report (2003)

The total economic contribution of the gambling industry on the economy can be calculated as follows:

Total Impacts = initial impacts + indirect impacts + induced impacts

Initial impacts : refers to the direct spending of gambling institutions

Indirect impacts : refers to the impacts that result from the additional suppliers to the gambling industry (e.g., goods required for the construction of the casino)

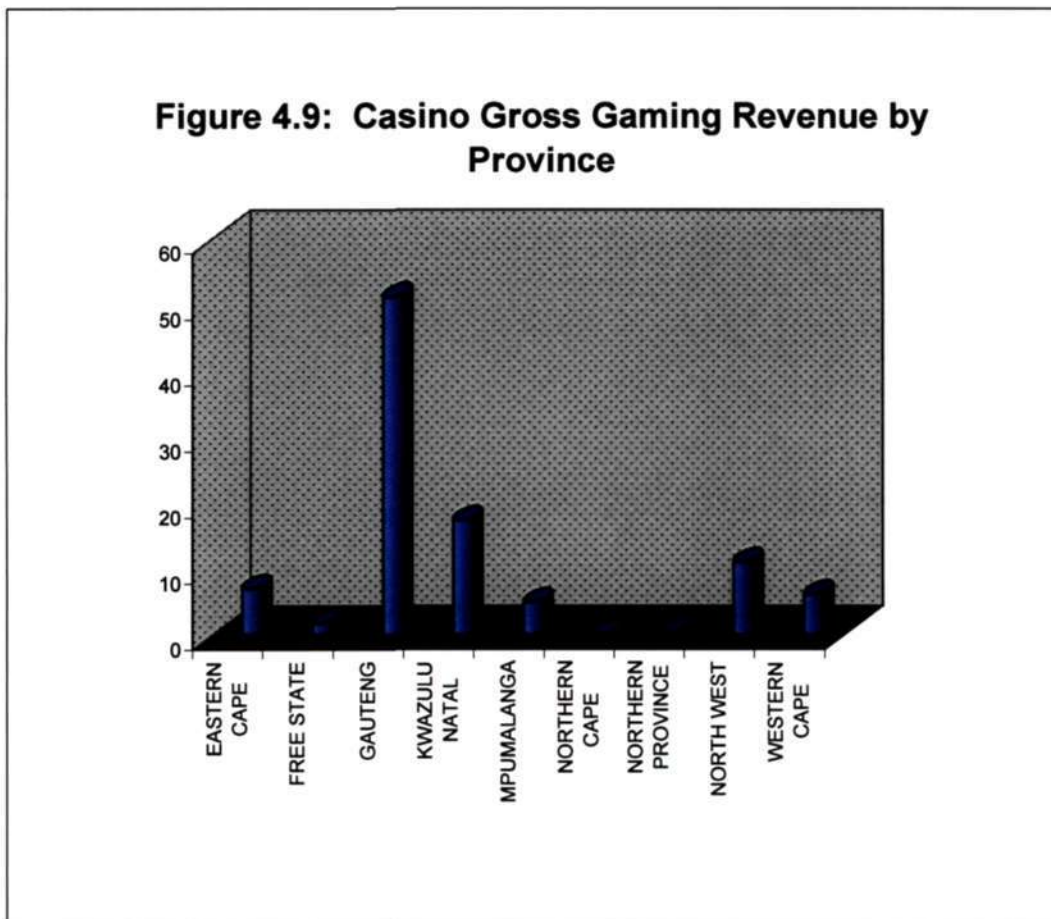
Induced impacts : impacts on the economy that are the result of increased demands for goods and services by households based on the strength of the remuneration earned from the gaming establishment.

The total impacts of the gambling industry for the period 1994 to 2000 amounted to just more than R3 billion in terms of initial impacts, with an additional spill over effect of R6.1 billion from indirect and induced impacts. These indirect, initial and induced impacts contributed a significant 0.38% of the GDP of South Africa for this period, with North West Province at 0.62%, Gauteng at 0.61%, Eastern Cape at 0.31%, Mpumalanga at 0.25%, Western Cape at 0.25%, Free State at 0.21%, KwaZulu Natal at 0.18%, Northern Cape at 0.11% and Limpopo at 0.08%. These contributions, however, represent the gambling sector at different levels of maturity. When all nine Provinces have become well established in terms of the gambling sector these figures are expected to change (National Gambling Report, 2003).

In addition to the R9.1 billion generated by the industry during this period, the GDP multiplier is calculated at R3.00. This means that for every R100 of the initial value that was added to the countries GDP by the gambling sector, a further R200 value is added to the GDP through the indirect and induced effect created by the industry. KwaZulu-Natal is ranked in 7th position in terms of its contribution to the economy despite being the third highest capital investor (National Gambling Report, 2003).

iii) Casino Gross Gaming Revenue Per Province

The Gross Gaming Revenue (GGR) is a measure of the gambling consumption in a region. The propensity to gamble can be defined as the percentage of household cash expenditure allocated to gambling. GGR is thus calculated as the total amount wagered by patrons, less the amount returned to patron in winning. The GGR divided by the total household expenditure equals the propensity to gamble. The GGR thus refers to the amount retained by the gambling institution, and therefore also represents the amount forfeited by households for gambling.



Source: Adapted from the National Gambling Board Report (2003)

In the period 2000 to 2001 the GGR for the 24 casinos that were operational for this period was R 4 788 781 278. In 2001, the casinos represented the most important form of gambling in South Africa in terms of expenditure.

The casinos in the nine provinces are at varying stages of development. This impacts on the distribution of the GGR. In some provinces the industry is well established, thus representing a higher GGR compared to others which are still developing. In 2001, Gauteng reflected the highest level of GGR at 57.2%, with KwaZulu Natal following at 17.4%. The GGR for the country was R 4 776 685 278. The other province's GGR figures are reflected in Table 4.16.

Table 4.16: Gross Gaming Revenue per Province		
<u>PROVINCE</u>	<u>NUMBER OF CASINOS</u>	<u>GROSS GAMING REVENUES (R)</u>
Western Cape	3	291 239 622
North West	5	524 257 110
Northern Province	1	25 691 558
Northern Cape	1	7 578 114
Mpumalanga	3	231 517 344
KwaZulu Natal	2	831 336 631
Gauteng	5	2 442 000 000
Free State	2	84 113 000
Eastern Cape	2	338 951 859
Total	24	4 776 685 278

Source: Adapted from the National Gambling Board Report (2003)

4.5.3 Regional Economic Impacts

The regional impacts of the Golden Horse Casino and the Sugar Mill Casino are evident in the investment in social development programmes in the surrounding region. Social investment refers to the direct and indirect capital investment into community based projects and initiatives (Singh, 2003).

The Sugar Mill Casino has implemented a social responsibility programme. The aim of this programme is to empower local communities. According to the social equity manager of the Sugar Mill Casino, Mr Ongama Mahlawe, the casino will reinvest 1.5% of its post-tax profits into the social upliftment programme (Mercury, 26/01/03). In the first two years of its operation the casino had already donated approximately R2-million to worthy causes in the area. The bulk of the investment went to seven schools that are situated close to the casino. Other projects that the casino have contributed to are R120 000 to build a school in the South Coast region, R525 000 for the Ekhaya Multi Arts Centre in KwaMashu, and R10 000 to equip a library in the Sea Cow Lake region (Cole, 2003).

Similarly, the Golden Horse Casino has also implemented programmes to ensure that the Casino contributes to the upliftment of the Pietermaritzburg community. The Casino venue itself provides a science and cultural centre and sports fields that are aimed at providing school children in the region access to these opportunities that were previously denied to them.

The legalisation of casinos under the pretext of economic benefits appears to be justified in terms of the macro-economic indicators of the industry. Comparisons with its leading international counterparts have indicated that South Africa has maximized its casino gambling industry potential, and this is evident in its world ranking in gambling revenues. At a national context the industry, which is still in its developmental stages, has produced staggering revenues provincially as indicated by the GDP contribution and vast sums of capital that have been invested in the developmental phases of the casino and entertainment complexes. At a regional level the two casinos under

investigation, namely the Golden Horse Casino and the Sugar Mill Casino, have both contributed to their regions by adopting a variety of community development initiatives. Purely from a financial viewpoint the industry has proven to be a highly lucrative and successful one.

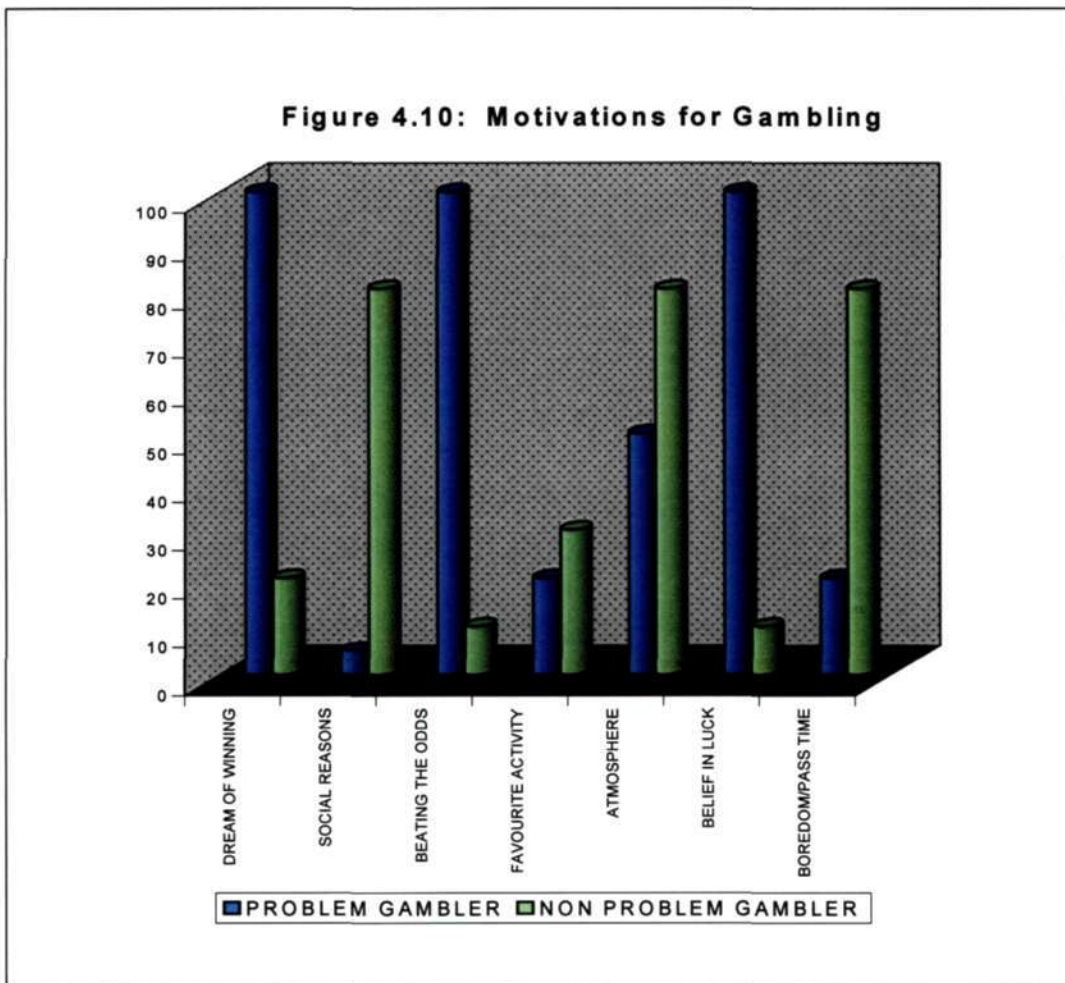
However, the source of the revenues generated from the industry needs to be given careful consideration. The participant profile of gamblers and consequent social ramifications need to be taken into consideration and will be discussed in the next section.

4.6 Social Impacts of Gambling

The social impacts explore the effect that the two casinos under investigation have had on motives for gambling, personal relationships, work, financial aspects, interpersonal relationships and community perceptions.

4.6.1 Motivations for Gambling

The transformation of accessibility to gambling opportunities in South Africa has resulted in a changing pattern of consumption of this past-time.



These changes have influenced motives and individual preferences for gambling as illustrated in Figure 4.10. The motivations for gambling vary between problem and non-problem gamblers. All problem gamblers interviewed revealed that their primary motivations behind gambling were their belief, 'this time I am going to be lucky' and the irrational view of beating the odds. Surprisingly very few found the atmosphere to be exciting, and rather describe it as being inescapable. According to one problem gambler:

Initially you are drawn to this aura and excitement of casinos with the bright lights and enticing sounds but once you begin to get drawn in your whole perception of the place changes. You might keep going back thinking that this time you will beat the odds, but only because the urge to gamble is so great. After a while the bright lights and sounds dim away as you become consumed by the need to win (Personal Communication, Problem Gambler, 30/05/2003).

Although 20% of interviewees reported that they gamble to pass the time and out of boredom, this is a condition that they experienced at the initial stages of their gambling habits. A further twenty percent reported that gambling was one of their favourite activities, which they have managed to keep under control and they find that it is usually only sheer will power that has prevented them from going back to the casino floor.

Non-problem gamblers, on the other hand, gamble for similar motivations but at different degrees of intensity. According to half of those interviewed, the anticipation of winning does play a role in their motivation for gambling. However, according to most, it is immaterial whether they win or not, and this is reflected in the following comment:

I usually set aside a budget for a gambling outing and I strictly stick to this budget. If I win then that is great. I have made few extra Rands for myself but if I lose it is also okay, it was worth the few minutes of entertainment. Every now and then I like doing

something other than going to the movies (Personal Communication, Gambling Participant at the Golden Horse Casino, 12/06/2003).

Eighty percent reported having gambled for social reasons. "We usually meet as a few friends or family members and spend a few minutes at the casino. The casino also has a great restaurant (Golden Horse Casino) and after meeting for a meal we usually spend a few minutes on the gambling floor trying our luck (interview with a gambling participant at the Golden Horse Casino, 12/06/2003). A further 80% stated that they usually gamble to pass time and to overcome boredom. According to 60% of the gamblers, casinos offer an exhilarating environment and one can pass a few hours in a casino with ease.

More realistically, non-problem gamblers do not gamble with the mindset that they will be able to beat the odds or would be lucky enough to make big wins. According to one individual:

When I go into a casino I do have the expectation that I will beat the odds and lady luck will shine on me but if I do lose I don't chase my losses and so I know that even though my motivations may seem unrealistic I do have a reasonable sense of self-control that keeps my gambling habits under check (Personal Communication, Gambler, 6/06/2003).

An addiction to gambling is seen as a cyclical process that leaves no part of an individual's life untouched. It impacts on personal well being, personal and family finances, work performance and on interpersonal relationships.

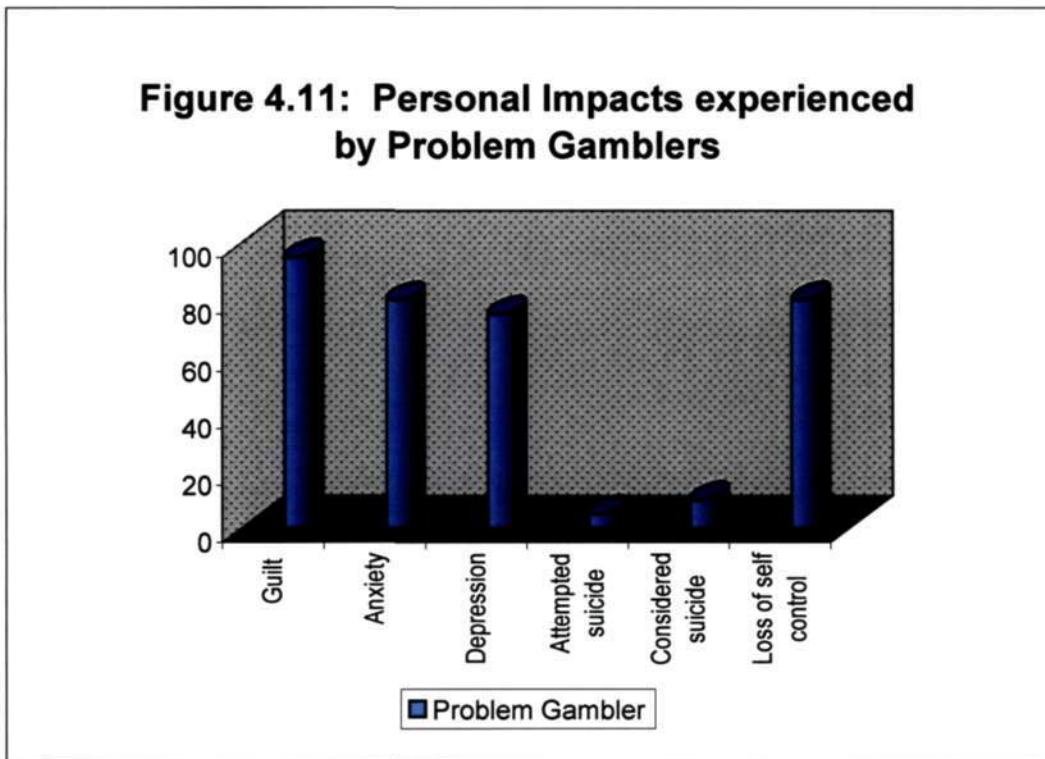
4.6.2 Personal Impacts

For the past eight months I've lived out of this casino. But it's the worst way to live. I end up hanging around here through the night to the next day, without having washed or changed. If I could get

up and walk out the door that would be the best thing I could do
... you end up more or less living like a hobo. That's what we are:
The casino hobos, say Bob (Paton, 2001).

This is just a snippet of a day in the life of a problem gambler soon after the legalization of gambling and the opening of the first casinos in South Africa.

When participation in gambling changes from a recreational activity to be enjoyed within economic limitations, to an addictive problem that ignores financial boundaries, it inevitably results in an assemblage of personal consequences. A survey amongst the Gamhelp support group has indicated that victims of pathological gambling tendencies experience a host of emotional problems due to their gambling habits, as illustrated in Figure 4.11.



According to Raj Govender (Chairperson of the Gamhelp Organization interviewed: 25/04/2003) problem gambling is regarded as one of the most dreadful consequences of legalized gambling. Interviews with problem gamblers who are now in the recovery programme revealed that their

addiction to gambling has left no part of their lives untouched.

Ninety five percent of those interviewed reported having felt guilty over their gambling addiction. This sense of guilt stems mainly from the damage caused to family and loved ones. A majority (80%) of individuals experienced a sense of anxiety. This anxiety stemmed both from the need to make big winnings as well as being constantly concerned over how to finance the next bet. Disturbingly, seventy-five percent of the respondents found themselves in a state of depression. This depression usually manifests itself in violence towards at family and other loved ones. Eighty percent reported that they usually have no control over the amount of money that they would use for gambling. According to one problem gambler:

Gambling controls you, it determines how much you will spend, and once you are addicted you have no control over how much you will sacrifice to make that next bet. In your minds' eye it is the next bet that will sort out all your financial woes. If you win R100 then you will try for R500 and if you win five hundred then you want to double that, and it just goes on. In your minds' eye you know that the next bet is going to pay for the electricity account but in reality you could have made that payment ten times over just chasing for that win (Personal Communication, Gambler, 30/05/2003).

For many of these gamblers, being in a recovery programme has pulled them out of a downward spiral that they were caught up in when gambling. For 10%, suicide seemed at the time the only alternative that was available and seriously considered bringing their lives to an end, as opposed to addressing the problem of gambling addiction. Furthermore, 5% of those interviewed actually attempted suicide but fortunately these attempts were unsuccessful. One individual reported having attempted every possible treatment for his addiction. His gambling habit began at the age of thirteen. It began as small bets on horse races and over time progressed to larger bets at casinos. It reached a point where gambling began to consume his life and at the age of

19 years, when other teenagers were at nightclubs or the movies with friends, socializing, he would be at the casino placing yet another bet:

It reached the stage where the feverish need for me to gamble resulted in me thinking irrationally. It began to overtake my life, until I reached a point of no return, the pressure became too much to handle and I hit rock bottom. Whereas previously my bets would start at a few hundred Rands, as time progressed this became insufficient. I would start betting at a minimum of R25 000 at a time. My family eventually realized that I had a problem and with their assistance I consulted various psychologists, took various medications and even went to the extent of undergoing a brain scan. However, little hope existed of kicking the habit. My family who were previously concerned and protective began to lose hope and along with it their respect for me. I reached the point where suicide seemed to be only alternative, the only release from this disease. Fortunately I met Raj, the director of the Gamhelp organization. Having a friend, who had committed suicide because of gambling attuned him to this kind of situation. And under his supervision I began attending Gamhelp meetings. Being with a group of people who can identify with your problem has made me realize that there is a way out. I do not miss a meeting because I am too afraid of the possibility that I may go back to gambling. If you go back to gambling you merely take up from where you left off. The stakes are much higher and it gets progressively worse. If I have to go back to gambling, even for a short while, there is only one place that I will find myself, that is, six feet under. I think that South Africa has embraced a culture of gambling and the consequences are scary. Kids these days are enticed by games where they can win a teddy bear at your local cafe for two Rand. They end up spending as much as R100 trying to win a teddy bear from a machine that would otherwise cost them R10 to buy over the counter. The temptation to go back to gambling and place just one more bet will always be

there. I have been gambling-free for eleven months and I pray that I will have the courage to never go back. The secretive and seductive life of gambling has become a torture too horrible to endure. The only effect that a bet can have on me now, is certain death. I would be unable to live that lifestyle again; I would rather die (Personal Communication, Gambler, 30/05/2003).

It is evident from the above case story that addictive gambling tendencies impacts on various aspects of an individual's life. The addiction takes on a cyclical pattern and the only way to prevent complete destruction is ensuring that necessary intervention measures are taken in time. In this fortunate instance the individual was assisted with family and later by the support group he attended. His early addiction indicates that children are also at risk of developing addictive tendencies, and with the casino being so easily accessible, this poses a concern for the future.

Unfortunately for many the overwhelming problems created by addictive tendencies do result in successful suicide attempts. Ronell Poverello was a woman with a top job and a happy family. She was the financial manager for a leading international company and earned a salary of R16 000 per month. Her addiction to gambling however led her to steal R32 million from her company for gambling purposes. When her superiors became aware of her gambling problems, they began questioning the source of the income she was using to feed her habit. On the day that the auditing company had to meet with her, she fatally shot herself to avoid dealing with the consequences of her actions, leaving behind devastated family and friends (Sukhraj, 2001).

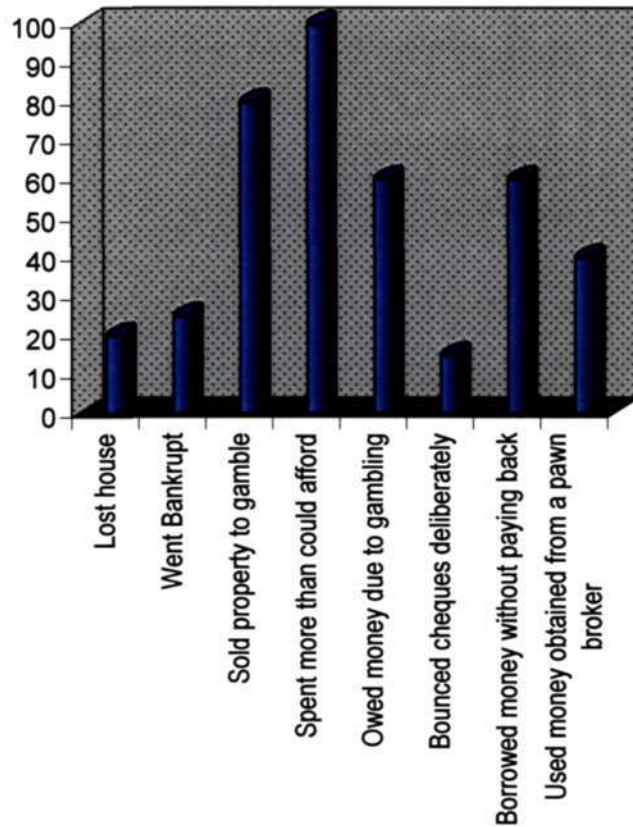
In many instances, gamblers only acknowledge that they have a problem when they hit rock bottom. In the unfortunate instance as mentioned above suicide seems the only way out. Many marriages end up in divorce as couples reach irreconcilable arguments over gambling related problems.

4.6.3 Adverse Financial Impacts

One of the greatest challenges faced by problem gamblers is their ability to finance their addiction. A survey amongst problem gamblers revealed that their problems started with their inability to control the amount of money they spent on gambling. Gambling addiction does not discriminate according to incomes. In all cases people addicted to gambling were faced with a financial crisis, regardless of whether they were high-income or low-income earners, or had large or small saving capacities. Addiction to gambling tended to drain all forms of income and often gamblers found themselves dipping into savings until nothing was left and surplus money was spent. Many people who cannot afford to gamble use large portions of their income that would previously have been used for necessary expenses, for gambling with the expectations of financial rewards. Addictive gambling tendencies result in a series of financial impacts as illustrated in Figure 4.12 below.

All of the respondents interviewed with gambling problems recounted having spent more than they could afford, which ultimately led to their financial crisis. On the verge of a divorce and amidst an irretrievably broken down marriage, a mother of a thirteen-year-old daughter applied to the High Court to intervene in the escalating financial crisis of her marriage. After watching her husband squander R40 000 of their R62 000 pension fund at the Sugar Mill Casino, Mrs. Naiker took the matter to court in an attempt to prevent her husband from withdrawing the remaining balance in their bank account. The court granted an interim order restraining the Chatsworth Branch of Standard Bank from allowing Mr. Naiker from making further withdrawals (Sewsunker, 2001).

Figure 4.12: Financial Impacts of Problem Gamblers - Gamhelp Survey (2003)



Eighty percent of respondents recounted having sold property in order to gamble. This property ranged from major items such as cars to more minor goods such as household appliances. Forty percent relied on pawnbrokers to dispose of goods in order to obtain quick cash. According to a spokesperson of the Gamblers Anonymous in Durban:

They receive up to 10 new calls a day from people with gambling problems. Some have even admitted to selling household goods including pots and pans to finance their gambling habits. They

will do almost anything to return to the gambling floor (Omarjee, 2003).

The all consuming patterns of gambling and the consequent financial implications of this obsession is evident in the case story of Mr. R (Personal Communication, Gambler, 30/06/2003). Mr R, a thirty-eight year old having started work in 1986, saved a large portion of his earnings due to low financial commitments at the time. The Year 1996 proved to be a turning point in his life. It was during this period that he lost a parent and reaching an emotional low, sought comfort in gambling and the environment it provided. He used it as an escape from his emotional woes but over a period of time found that his addiction to gambling habits had just replaced one problem with another. Gambling began to consume his life as well as his hard earned savings.

Over the years his spending on gambling increased until all money that he had saved was depleted. His spending patterns would be irrational:

I would allow my girlfriend only R500 to buy groceries at the maximum (any money over the R500 requested would lead to an argument) but I would not hesitate to spend R10 000,00 on a single night out gambling. My mindset was completely different. I had two separate bank accounts. My partner only knew of the one where the minimum money was held for basic expenses. The other account was a secret, a place where I could spend or place as many bets as I wanted without being accountable to my partner. I could not possibly think of any alternatives for any money available other than to gamble with it. Since I have stopped gambling I invest my money much more wisely than in bets.

Unlike Mr R. who was able to gain control of his gambling before it consumed him, 25% of those interviewed reported that they went bankrupt and a further 20% lost their homes after being unable to meet bond repayments.

Fifteen percent reported deliberately bouncing cheques. According to one individual:

I would deliberately issue bad cheques to stave off debtors. This way I could go back to the casino to try and make a few Rands so that I could make up the money that I had already lost at the casino to pay back my debtors. Often I would borrow from Percy to pay Paul and after a while it just becomes a way of juggling what little you have. But sooner or later people catch on and after a while nobody wants to trust taking a cheque from you. When you have no more cash you look for what personal item can be sold or pawned, you explore any available option that is available for you to lay your hands on a few more Rands. In the meanwhile not only are you losing the money at the casino but also you are selling off goods at much lower values than they're worth. The problem is when you have nothing left to sell, and then you are forced to 'borrow' from others. That is when your real problems begin (Personal Communication, Gambler, 30/05/2003).

Sixty percent of the people were at some point in time faced with no other option but to borrow money from friends and family members. This was either to feed their habits or to make payment for expenses that they were unable to meet as they had spent allocated monies on gambling.

A further 60% found themselves in a deeper crisis. According to one wife of a problem gambler:

My husband would never come straight home on payday. His first stop would be at the casino. We have two children aged thirteen and sixteen and the older one has epilepsy. We do not have medical aid and the medical bills can at times be very high. My husband thinks that gambling is a way of increasing his salary cheque. He has won a few times, but not very large amounts. It does not last for long. The only thing that is happening is that we

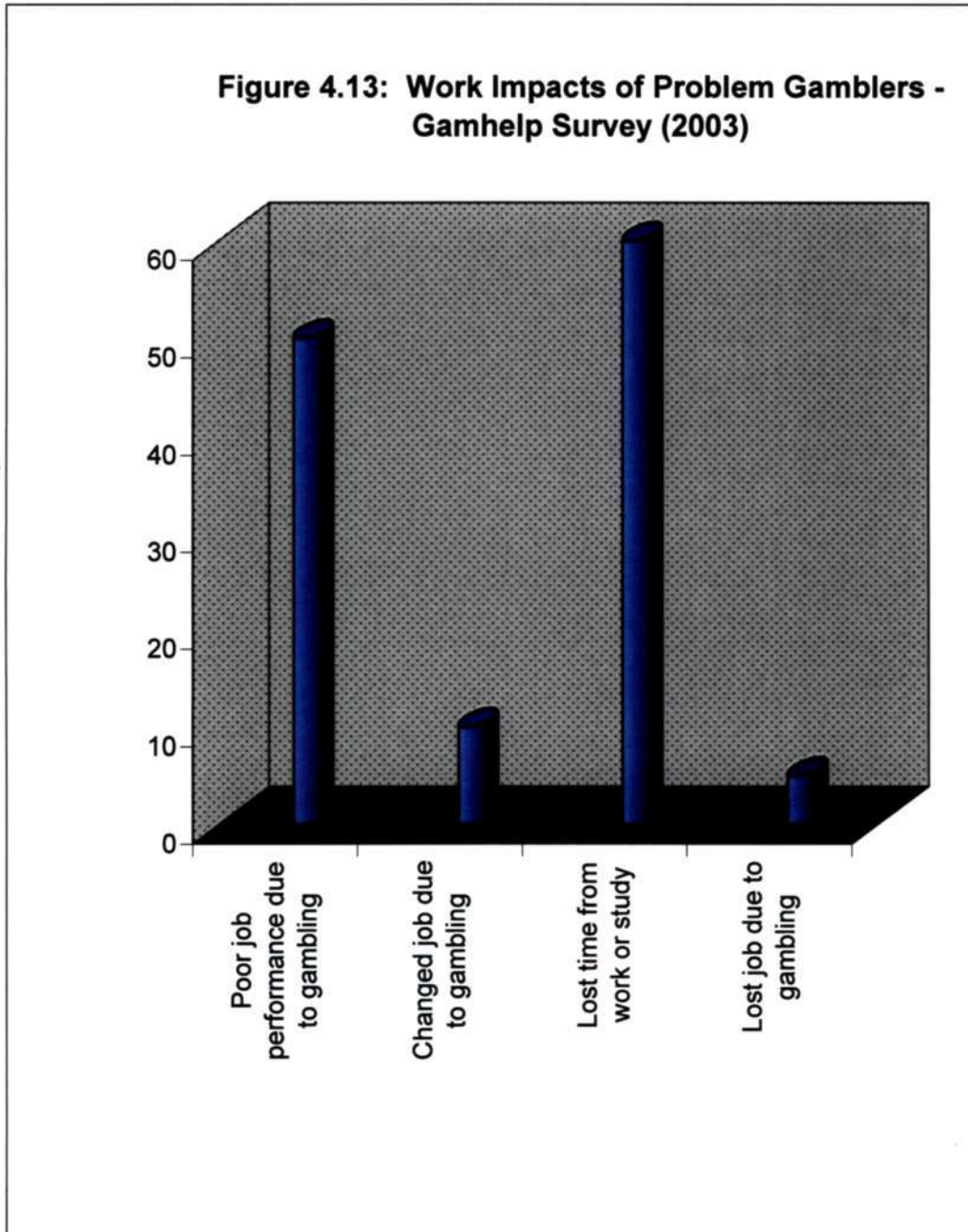
are accumulating more debt. My children hardly know their father. Not only have I limited money to run the household but I also have to spend my time caring for my sick child. My husband spends his time at the casino, all of the responsibility falls onto my shoulders. Now that he has stopped gambling we lead a more reasonable lifestyle. It is still going to take time to pay off our debts caused by his gambling but at least now I don't always have to go with my hands out asking my family for money. My husband spends much more time with the children now and he is only getting to understand them. It is never too late and hopefully things will be okay if he can just keep coming to these meetings instead of the casino. If he does for any reason go back to gambling I will have to leave him; I will not be able to live like that anymore (Personal Communication, Problem Gambler, 30/05/2003).

For many, not only did their gambling addiction result in severe financial losses, but a large number of people opted to source finances from other funding agencies such as short term loan agencies. The rate of interest requested by these institutions further exacerbated their financial desolation. Often it is the presence of ATMs in casinos that aggravate the plight of problem gamblers. The availability of cash and credit facilities at casino gambling venues is conducive to addictive or problem gamblers. According to most problem gamblers, cash and credit facilities should not be available at casino venues. According to one individual on a recent radio show:

The only machine that is constantly paying out at the casino is the ATMs. People are allowed to draw a maximum from their account on a daily basis; their solution to this problem is that they wait until midnight so that they can make the next withdrawal. Despite them not having enough food for the tables at home there is always enough cash for the casino tables" (Personal Communication, Problem Gambler, 30/05/2003).

4.6.4 Work Impacts of Gambling

Problem gambling impacts adversely on the workplace. These problems originate primarily from low productivity due to absenteeism or inability to concentrate on work.



Fifty percent of those interviewed reported not having performed at their best at work due to their gambling habits. Some of the reasons that arose were firstly, a large amount of time is used to explore possible excuses that could be used in order to get time off from work to gamble, delays in getting to work is often the result of late night gambling fatigue. Ten percent of the respondents reported that they had to change jobs due to problems caused by gambling. Whilst five percent reported having lost a job due to addiction, 60% of respondents reported having lost time from work or studies due to their gambling habits.

According to one problem gambler (Personal Communication, 14/04/2003):

When you have a gambling problem it is much easier if you are employed by someone else, rather than being self-employed. I have had many lucrative business opportunities, and I must say that I have been fortunate in that regard. However, what has been unfortunate is that drawing the line between using my profits for gambling instead of the business capital became a hazy line. By spending so much money from my business on gambling, what I was ultimately doing was sabotaging my own business. I had a partner in the business that was a family member. Since he did not know that I had a gambling problem, he reached the next obvious conclusion that I was a person that lacked integrity, when business funds went missing. Not only did I lose a good business but also my integrity. Often times after collecting money from clients I would immediately go to a casino instead of the bank, so my deposits went down machines in the casino rather than into my business account. Once you are in the casino the amount of time you spend in there does not seem to matter so I would lose lots of time at the casino instead of looking for new customers. Travelling around the Province (KwaZulu-Natal) afforded me the opportunity to visit lots of different casinos. I am from Durban and gambling at one of the local casinos always makes me a bit uncomfortable, but when travelling I get to many other casinos such as the Golden Horse Casino and I feel that I

have much more freedom and anonymity at these venues. I have joined the Gamblers Anonymous Group now. I have since managed to stay away from the casino and my business has grown substantially. I hope that it remains this way, as I am getting much older now. When you are self-employed it is important that you save for a rainy day, business conditions always change and what you make in one month does not apply to the next month. At least by not gambling I can save for my family's future. I hope I can stay away from the casinos.

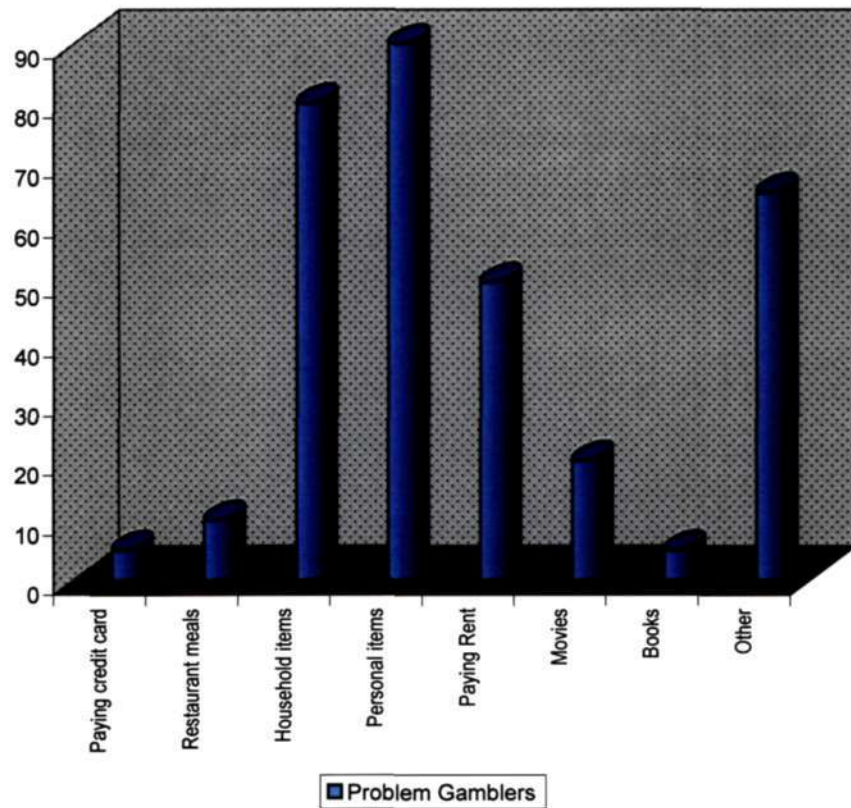
4.6.5 Substitute Spending

The survey of substitute spending pattern of gamblers was conducted amongst problem gamblers and non-problem gamblers. The results as illustrated in Figure 4.14 indicate that people would substitute a range of items in order to finance their gambling practices.

It should be noted that many of the candidates interviewed do not under normal circumstances participate in activities such as movie going and restaurant outings. Furthermore, many do not have access to credit cards. The results of the survey thus need to take this into consideration as low levels of substitution in these categories do not mean that people do not sacrifice these items but that they usually do not spend on these items in the first place. Sacrifices are usually made on the 'other category' and these include items such as family outings and petrol money.

This survey was conducted amongst problem gamblers as well as non-problem gamblers. The results revealed that there is a tendency for people to substitute spending on regular items for gambling.

Figure 4.14: Substitute Spending of Problem Gamblers - Gamhelp Survey (2003)

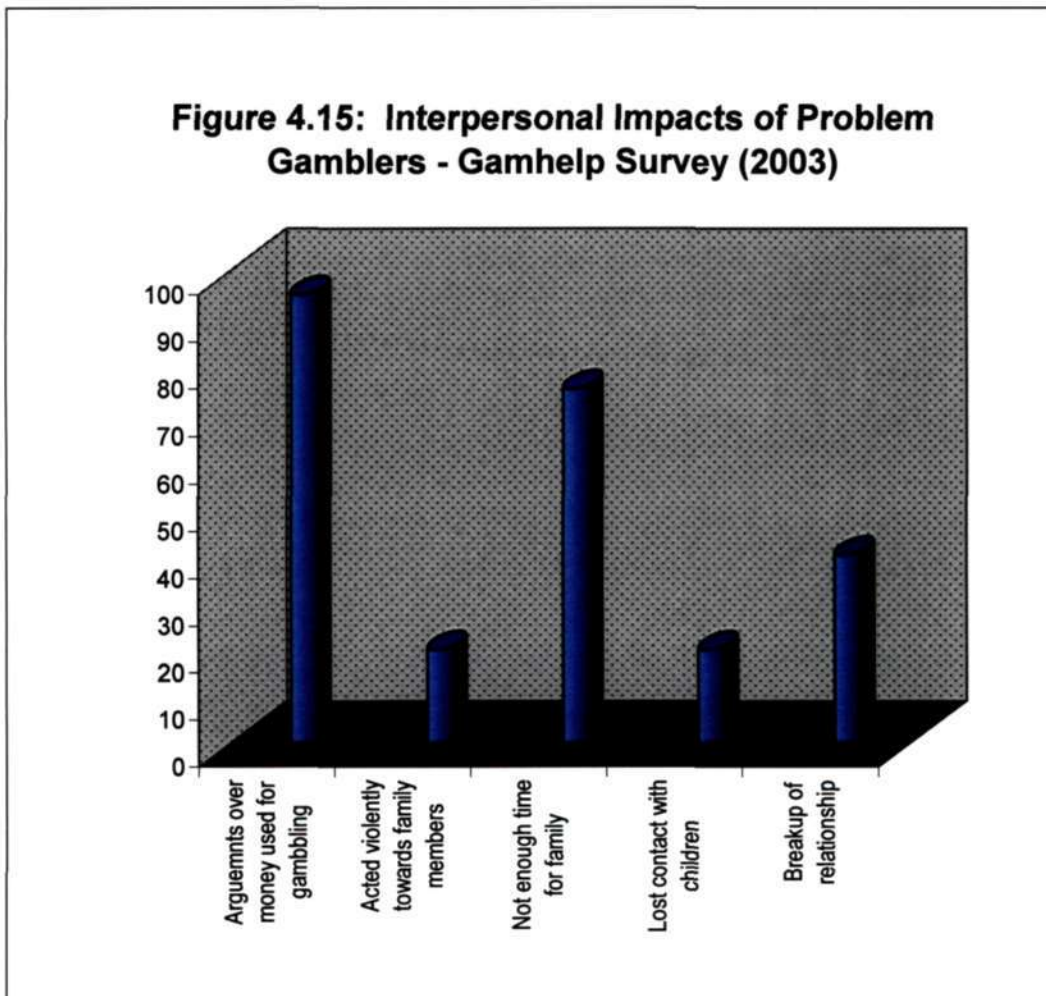


Non-problem gamblers in general report that in order to gamble they would be in a manner sacrificing some other item in their lifestyle. Mostly, this was the case because they had low saving capacities and thus money used for gambling would be sourced from a reduction in spending on other goods. However, they tend to sacrifice mostly on smaller items such as personal items, books, movies and in some cases, household items. Problem gamblers, on the other hand, tend to make larger sacrifices and neglect to pay important bills such as rent and credit cards. In most cases, problem gamblers will make as many sacrifices as is necessary in order to obtain money for gambling. In many cases people with problem gambling would use most of their earnings to gamble, which left behind very little that could

actually be used for meeting other expenses. Furthermore for many of the individuals an addiction to gambling affected every possible part of their lives, resulting in serious and sometimes irreparable damage to those closest to themselves.

4.6.6 Interpersonal Impacts

The negative impacts of problem gamblers on their interpersonal relationships are the inevitable consequence of addictive tendencies. The problem amongst the survey group is evident that in most instances their addiction leaves no part of life untouched as illustrated in Figure 4.15.



One of the adverse consequences that problem gamblers experience is the breakdown of interpersonal relationships. Ninety five percent of problem gamblers that were married or involved in relationships commented that during their gambling spells they were in constant arguments with their partners over money spent on gambling. Usually, this was a consequence of there being insufficient money for the maintenance of the household resulting in a compromise of lifestyle as money is redirected from basic family spending to gambling.

Twenty percent reported acting violently towards family members. Often the violence itself originated from argument over the time and money that is spent at casinos. Seventy-five percent of the individuals interviewed reported that as a problem gambler, you are faced with the dilemma of being torn between meeting the basic needs of life and the preoccupation with gambling.

Sabitha is one such individual. Her family life was compromised due to her addiction to gambling. Her addiction began five years ago when she visited a casino as a weekend getaway. Her first taste of gambling lured her in and as she found herself being preoccupied with thoughts of gambling she began to spend an increasing amount of time at her local casino. When her gambling habit became too expensive, she began to dip into company funds. The initial R100.00 that she took from the Bank that she worked at grew to R1000 and soon she could not keep track of how much she had stolen. She began spending less time with her family, and relationships with both family and friends were strained. Shortly afterwards, the Bank realized that Sabitha was using funds inappropriately and she was charged with embezzlement. She was found guilty and had to spend three years in jail. During her period of incarceration, she tried to work through her addiction. Although she has tried to rebuild her family life, some irreparable damage was caused. One of her sons still refuses to speak to her. "He rejects me, but I can't really blame him for it. I pray that one day he will be able to forgive me" (Sunday Times, 14/07/02, p7).

Due to neglect of family, 20% of gamblers reported that in extreme cases that they had lost contact with their children. Although they may still reside at the same place, there is very little time to communicate with family members as what spare time one has after work hours is usually spent at the casino. Even when there is time available they tend to be distracted with the only thought being how is one going to be able to make the next bet.

Forty percent of individuals in the gambling support group reported a breakdown of relationships. This refers not only to their life partners but also in some cases with parents, friends and other ties. Most often these individuals are reunited and attempt to reform their ways. However, not acknowledging that they actually had a problem and with the lack of professional interventions, fighting the gambling habit can be difficult and they are often drawn back to the vice. This leads to disharmony and a lack of trust.

Child neglect has emerged as a further problem that has become evident at casinos. Often times children are left in casino parking lots, crèches and playrooms by parents who then go off to gamble. This is an extreme form of neglect by those parents who are addicted to gambling. Children are often left for hours on end to fend for themselves and on any given night, a walk through a casino would reveal many youngsters overlooking the casino floor, bored and tired as they wait for their parents. A recent article in the Weekly Gazette (26/062003), has labelled these children as 'casino kids'. These children fall into three categories. Firstly, a child who attends the casino with both parents and has to wait with one parent, usually the mother, whilst the other finishes gambling. The second category refers to children under the age of six who are left at the casino crèche whilst the parents gamble, and the third category refers to older children who are given a few Rands to spend on games and sweets and are left to fend for themselves and sometimes their younger siblings as well.

According to Mr. Taylor, "the example of children being left in cars whilst parents gamble is what gives the industry a bad name". In a bid to address

problems, which are within their capacity, the Golden Horse Casino has taken on certain social responsibilities, for example, providing facilities such as Montessori educate centre to patrons with young children.

According to a Durban based psychologist, children games rooms in casinos are no more than a mini-casino. Although the games may not have financial rewards, the bright lights and noises are similar to those found on the gaming floor. Children as young as five-years are abandoned by parents in playrooms while they gamble. This, according to the psychologist, can be regarded as child neglect and can be seen as a breakdown in the structure of society (Broughton, 2003).

4.6.7 Community Attitudes to Gambling

Community attitudes towards the legalization of gambling formed an important element of this study. Casinos are new phenomena that have been imposed on the majority of the South African population and as such it is important to take into account their opinions and experiences.

A series of questions was drawn up in order to assess community attitudes towards gambling. These questions aimed to establish firstly, if people approve or disapprove of casinos in their community; secondly, to ascertain if casinos have added to the recreational enjoyment of the community in any way; thirdly, to determine whether casinos are seen as doing more good than harm to a community; and finally, to conclude whether communities consider the number of gambling opportunities available to be adequate or deficient.

1) Approval of Casinos

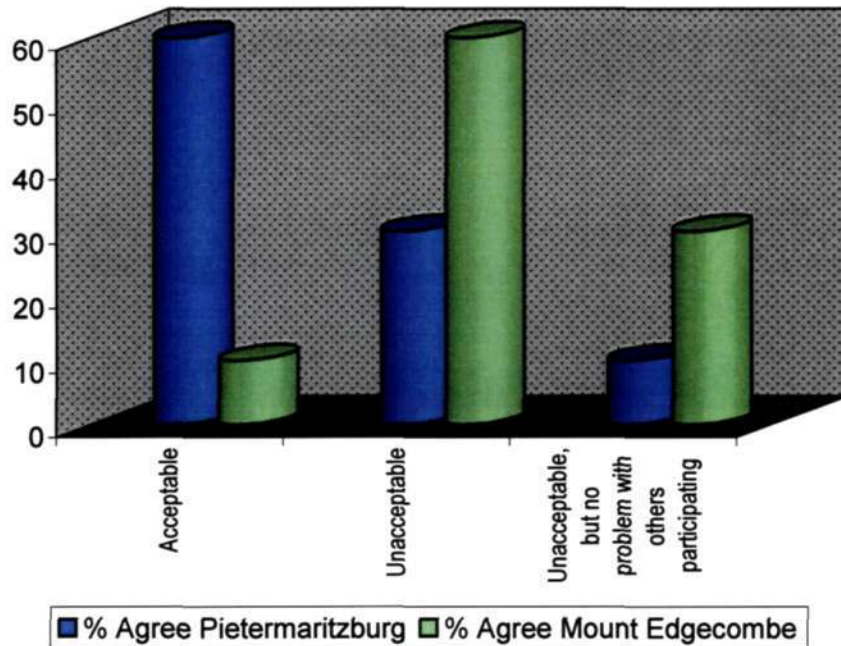
This question was explored in order to establish whether the sample of the community interviewed approved of the presence of a casino in their community.

In an article published by the Mercury (17/11/04) titled, 'Our Gambling Nightmare' a concerned wife of an addicted gambler wrote to the paper to express her experiences and sentiments regarding the Sugar Mill Casino. According to this Phoenix resident, on 16 November 2004 she received a call from the casino wanting to inform her husband that the casino had extended its stay for an additional month. This news was devastating for the family given that the opening of the casino on the border of the Phoenix residential area they had experienced pain, grief and suffering, and had lost their financial status due to her husband's addiction to gambling. Although she does not blame the casino entirely for her husband addiction, she does state that the proximity of the casino to a residential area will inevitably lead to the increase in the number of addicts in the area. The cyclical pattern of money loss, poverty, depression, loss of family ties and domestic violence thus becomes a predictable sequence of events that follows.

The interesting point that she highlights is that the casino has ensured regular contact with her husband by means of their marketing strategies. This ensures that the addicted persons always maintain contact with the casino, and especially so if they are known for spending large amounts of money at a given venue. In the conclusion of her letter she states that the idea of the casino moving away from the area is like bells ringing, saying good riddance to the cause of her family's source of anguish, and a plea for casinos to stay away from residential area.

The sentiment of this spouse is an indication of the problem that is playing out in many homes. Despite the Gambling Reports that only one percent of the gambling population is at risk of becoming addicts, this story highlights the multidimensional impacts associated with addicted gamblers, and which accumulate over time. Casino doors have already been opened and consequently the floodgates of ensuing negative repercussions caused by the participation of individuals with addictive gambling tendencies. This is evident in some of the social problems that have been experienced since the legalization of the industry.

Figure 4.16: Community Attitudes to Gambling - Community Approval to Casinos

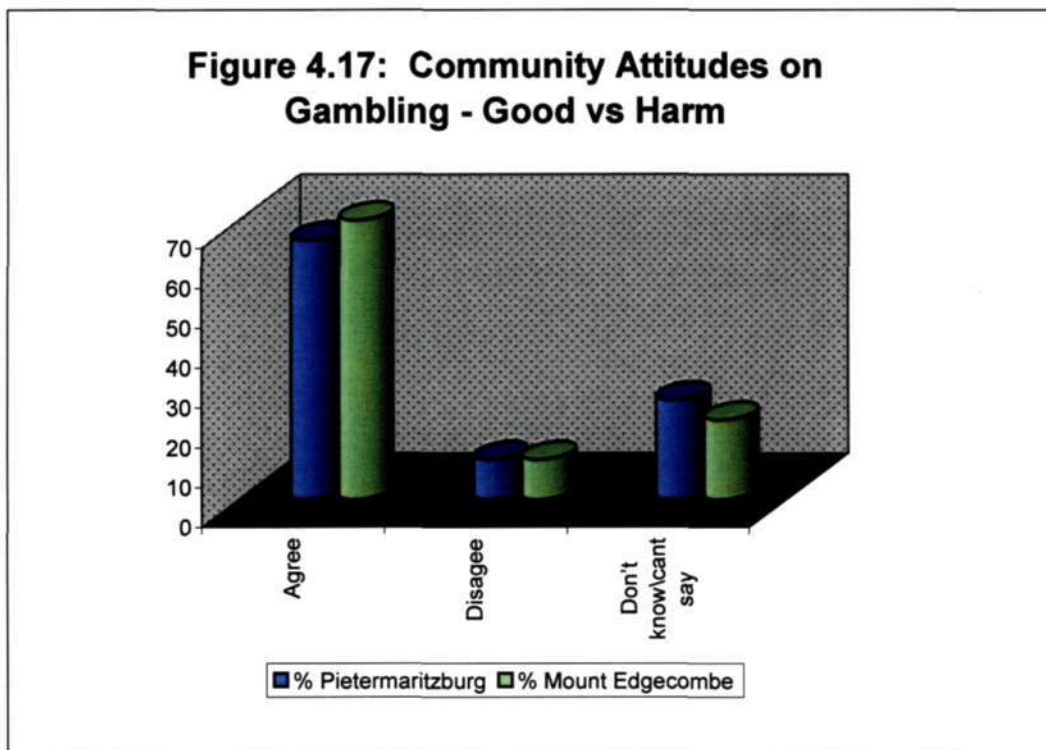


In the Pietermaritzburg region the majority of the respondents interviewed from the sample group (i.e. 60%) indicated that they do not have a problem with the presence of the casino in their communities. Thirty percent found the casino to be completely unacceptable. Whilst 10% found the presence of the casino to be unacceptable to them in particular, they however did not have a problem with other people participating in gambling and thus do not feel that their views should be imposed on others.

Respondents of Mount Edgecombe, however largely disapprove of the presence of a casino in their community. With only 10% of the respondents approving of the casino, a majority of 60% disapproved. This was largely related to the fact that the Sugar Mill Casino is located adjacent to the low-income areas of Phoenix, KwaMashu and Inanda.

Acceptance of casinos in a community is largely influenced by an individual's perceptions of the implication that casinos would have on their lifestyles. Although respondents do not participate in gambling on a regular basis, there is largely an underlying fear of the potential problems that casinos can create with the younger generation. Amongst the respondents interviewed, those with children were largely concerned with the effects that exposure of gambling would have on them as gambling has become morally acceptable.

ii) Good vs. Harm

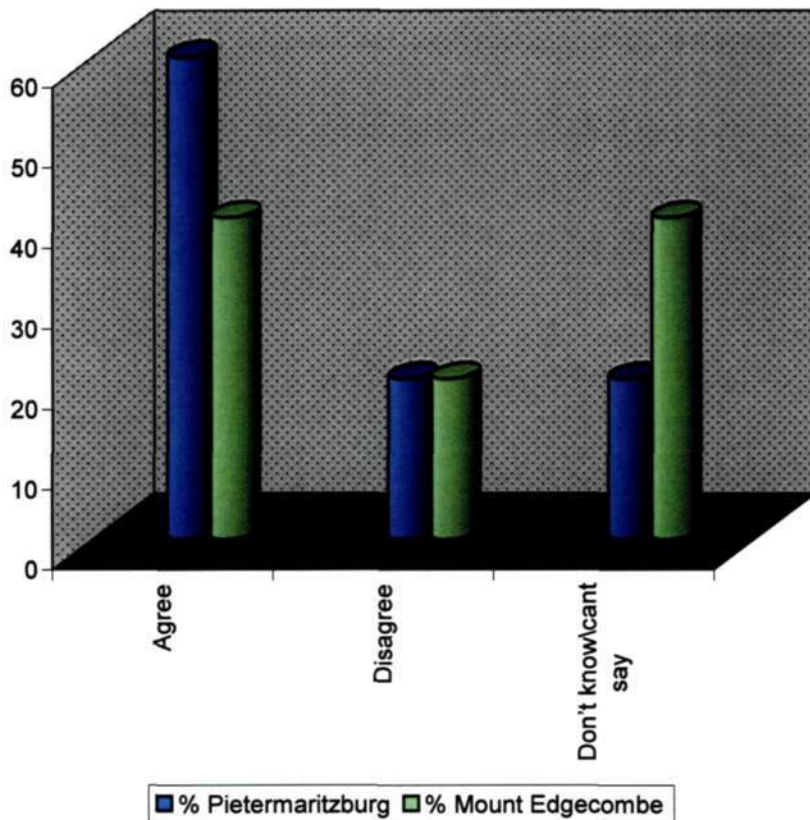


The respondents of the sample groups selected in both communities tend to share very similar views on the impacts of casino. A majority of approximately seventy percent of the respondents believed that gambling did more harm than good. Ten percent of respondents in both communities respectively disagreed that gambling did more harm than good, and believed that gambling can be used purely as recreational activity. Between 20% to 25% commented that they were unable to say whether casinos do more harm than

good, as most of them were adopting a 'wait and see' approach. However, a common sentiment shared by a number of respondents was that these larger and legalized casinos were better than the smaller illegal ones that were operational.

iii) Recreational Enjoyment

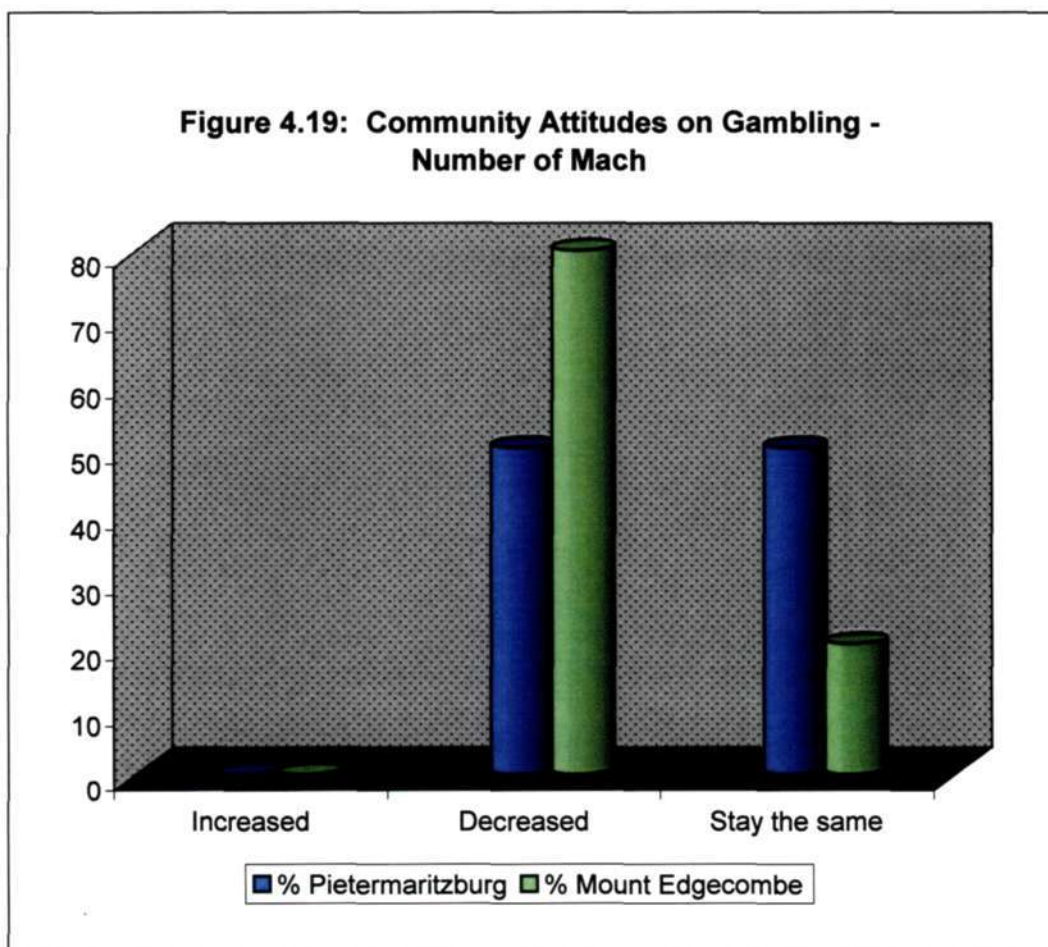
Figure 4.18: Community Attitudes on gambling - Recreational Enjoyment



Gambling is seen as a source of recreational opportunity, by a large portion (60%) of the Pietermaritzburg respondents. However, whilst 20% disagree with this opinion, the remaining 20% were undecided.

Responses from Mount Edgecombe revealed that 40% agreed that casinos added to the recreational enjoyment of the community. Twenty percent believed that the casino added no recreational enjoyment to the community and 40% remain undecided.

iv) Number of Machines



Respondents in Pietermaritzburg are equally divided about whether the matter of gambling machines should be decreased or not. None of the respondents however, like their Mount Edgecombe counterparts, believed that there was a

need for the number of machines to be increased. However, in Mount Edgecombe there is a strong sentiment shared with respondents that the number of machines available should be decreased.

In Pietermaritzburg those who maintained that the status quo with gambling machines should be maintained argued that this provided a more controlled environment for gambling. A decrease in the number of machines would provide an opportunity for new and illegal venues. More machines in one place are seen as preferable to few machines more widely spread.

4.6.8 Crime

An increase in criminal activities is seen as an inevitable consequence of the introduction of gambling activities in a community. These crimes can be divided into two categories. The first deals with crimes that are interconnected to the development of the industry within a built urban environment. The second type of criminal activity involves the illegal casino operator.

Opportunistic crimes are expected to be the most common type of criminal activity as patrons of the casino development are easy targets, whilst the possibility of organized crimes can only be expected in the future when the casino has become more established. Doug Thompson (A sociologist at the University of Natal) shares these views and in addition he believes that, "The rich gamble at the stock exchange and the poor at casinos". The introduction of legalised gambling in South Africa will result in an increasing number of poor people spending a larger proportion of their disposable income on gambling activities. This consequently leads to the instability of society and an increase in violence, corruption and social disorder. Pressure placed on individuals due to gambling is the stimulus for three levels of crimes. The primary level is white-collar crimes such as tax evasions. The secondary crimes include fraud, cheating, an increase in alcohol consumption and drug usage and a greater tendency for violence. The tertiary level of criminal

activities stem from pathological gambling such as poverty, theft, financial addictive disorders and violence.

One should recognize that KwaZulu-Natal has exceedingly high levels of crime. The introduction of casinos to the Pietermaritzburg and the Mount Edgecombe regions in particular will result in heightened criminal activities, but the difference as compared to the pre-casino development is negligible. The discrepancy is the change in the population concentrations that are now exposed to these criminal elements. Previously high levels of crime prevailed amongst poor black settlements. However, the location of the casino in a previously white middle-income area in Pietermaritzburg will result in a certain number of criminals shifting their activities to this new and more lucrative target.

Trevor Taylor (interviewed on 01/04/2003) of the Golden Horse Casino acknowledges the potential of the casino development for attracting criminals to the area. However, he feels that the problem is being adequately dealt with as the casino has two patrol vehicles of its own which act as a deterrent to would be criminals. In addition to patrolling the exterior of the casino, 60 security officers, 330 surveillance cameras and a gun drop off point will ensure minimized criminal activities in the casino itself.

According to the marketing manager of the Sugar Mill Casino, any forms of criminal activities in the vicinity of the casino have not directly affected the casino and its patrons. Crime is therefore not viewed as a threat to the industry. However, between January 2002 and May 2002, three cases of robbery related to casino winnings at the Sugar Mill Casino were reported. In all three cases the winners and victims allege that they were followed from the casino after taking their winnings and were robbed on reaching home. According to the first victim, the robbers had him under surveillance at the casino because they specifically asked for the ostrich skin bag which contained his winnings. The second victim was specifically asked for his bag that contained his winnings and the third victim was asked for her jacket that contained her winnings (Chetty, 2002).

On the 7th of February 2002, the Sugar Mill Casino once again made the front page of a local newspaper when five armed robbers were shot dead in an armed robbery shoot out. The gang, aged between 20 to 30 years were killed after a fierce gun battle, after attempting to steal R300 000 from the casino.

A further element of crime that has been directly addressed by the government is the eradication of illegal casinos that have proliferated the country. Since the Year 2001, the government has embarked on a mission to rid the country of these illegal operators as is evident in Table 4.16.

Table 4.16: Illegal Gambling Statistics for KwaZulu-Natal 2001 - 2003				
	2003	2002	2001	Total
Number of raids and closures	23	62	39	124
Confiscated gambling machines	67	1035	2225	3327
Confiscated gambling tables	0	45	16	61
Confiscated computer devices	0	48	36	84
Forfeited gambling machines	34	390	1925	2349
Forfeited gambling tables	0	4	11	15
Forfeited gambling devices	0	0	17	17
Returned gambling machines	0	0	0	0
Returned gambling tables	0	0	0	0
Returned computer devices	0	0	0	0
Destroyed gambling machines	34	736	1925	2695
Destroyed gambling tables	0	37	0	37
Cases convictions	2	0	2	4
Acquittals	1	0	0	1
Admission of guilt	9	45	25	79
Withdrawals	1	0	1	2
TOTAL	171	2402	6222	8795
Source: KwaZulu-Natal Gambling Board, 2002				

Up to 2003, a total of 124 illegal casinos were close down. Three thousand three hundred and twenty seven gambling machines, 61 gambling tables and 84 computer devices were confiscated. A further 2349 gambling machines, 15 gambling tables and 17 gambling devices were forfeited. A total of 2695 gambling machines and 37 gambling tables were destroyed. Seventy-nine cases of admission of guilt was recorded, with two withdrawn, four cases culminated in convictions and only one was acquitted.

According to Chris Fisser, the chairperson for the International Association for Gambling, up until 1996, 150 000 illegal slot machines were in operation in the country. These casinos make no contributions in revenue, as they paid no taxes. Presently, there are only 25 000 slot machines that are available in 31 casinos. They have generated R12.0 billion in new investment and have contributed R1.7 billion in taxation to the government. In addition the industry is effectively regulated, closely monitored and has high standards of player protection. It was responsible for substantial investment in public infrastructure including two international convention centres and more than 5000 new hotel rooms (This Day, 22/10/03).

4.7 Conclusion

The South African economic climate indicates that for a vast majority of the population, poverty is a way of life. The touting of gambling as a 'development' initiative by government has thus been widely accepted by the majority. The economic benefits generated by the industry are undeniable and South Africa has earned a place as one of the leading gambling nations in the world. However the location of these venues in vulnerable and low-income communities is cause for concern as people are exposed to the impacts associated with addictive gambling tendencies. For those with the ambition to escape the trap of poverty, gambling would seemingly present itself as a 'get rich quick' scheme. However the slippery slope from gambling as an enjoyable past-time to an addiction could be destructive to gambling participants. These social ramifications are evident at this early stage of

casino developments and are expected to increase as the industry becomes better established.

CHAPTER FIVE

EVALUATIONS, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

KwaZulu-Natal is a region where high unemployment and poverty rates are not an exception but the rule. The legalization of casino gambling and the consequent allocation of five new casino licenses to the Province was expected to generate a wealth of economic benefits for the region. However, despite the regulatory measures that have been implemented to minimize the negative social effects of gambling, it remains a growing concern for individuals, the industry and policy makers. This study has examined the social and economic impacts of casino gambling on the Mount Edgecombe and Pietermaritzburg regions in KwaZulu-Natal.

This Chapter will present an assessment of the impacts of the Golden Horse and the Sugar Mill Casinos, which will be evaluated with reference to the literature review presented in Chapter Two. Although the focus of the study has been more specifically on KwaZulu-Natal, national and international gambling consumption trends have played a significant role in uncovering parallels that may exist. The key areas that will be examined are: The transformation of accessibility to gambling opportunities, the participation trends in casino style gambling, and the social and economic impacts of gambling.

5.2 Accessibility to Gambling Opportunities and Participation

International trends have indicated that the gambling industry in many parts of the world has been transformed from a remotely accessible form of entertainment to a widely available past-time (Abbott and Volberg, 1999; Volberg *et al*, 1999). According to Eadington (1999) the gambling industry in these countries has been used as a tourist development strategy, and casinos were formed as part of the 'must - see', 'must - do' destination resorts package. These casino resort venues were thus developed away from major metropolitan areas and, for the most part, remained inaccessible to the majority of the population. Casinos were thus more likely to draw on support from tourists and wealthy citizens. In doing so the industry generated most of its income from tourist consumption of the product and thereby acted as a catalyst for economic development (Nickerson, 1995; Walker *et al*, 1998). However, in recent years, there has been a shift in this pattern with the legalization and proliferation of casinos in urban venues. Urban casinos, unlike tourist destination casino and entertainment complexes, tend to draw mostly on local support and thus anticipated economic and multiplier benefits are often diluted (Nickerson, 1995; Eadington, 2001).

South Africa has followed in the footsteps of its international counterparts with the transformation of the industry from its inception in the remote homeland regions of the country, to the expansion of illegal casino venues, which culminated in the proliferation of urban casinos in the country (Wiehahn, 1995). Gambling opportunities that were previously restricted to the majority of the population have been transformed through the introduction of forty new casino licenses across the country. The positioning of these venues has made the easy access to casinos an inescapable lure to many individuals. For those that experience gambling purely as an entertainment activity, improved accessibility to gambling opportunities does not pose a threat. However, the location of casinos on the doorsteps of millions of people, where poverty and low disposable incomes are widespread can be problematic for

those that view gambling as a solution to their financial woes (Rule and Sibanyoni, 2000).

The Productivity Commission (1999) has argued that increased levels of accessibility to gambling opportunities have emerged as a fundamental concern associated with the proliferation of casinos as a consequence of liberalized gambling legislation. Improved accessibility to casino venues is regarded as one of the key variables that would result in an increase in the number of problem gambling disorders. Problem gambling disorders are analogous to other addictive tendencies and usually results in a host of negative social and economic repercussions (Blaszczynski, 2000).

In KwaZulu-Natal, there has been a considerable increase in the level of accessibility to casinos as a consequence of the five new licenses awarded to the Province. Although this may represent a single casino per location, the opportunities to gamble per venue are large, thus posing a threat to the financial and social well being of those gamblers who have addictive tendencies.

This study suggests that a correlation exists between accessibility to casinos and problem gambling tendencies in the Mount Edgecombe and Pietermaritzburg regions. This is manifested in the reported increase in the number of problem gambling cases at support groups such as Gamblers Anonymous. This pattern was evident in Mount Edgecombe, which indicates that the proximity of the Sugar Mill Casino has resulted in an increase in the number of problem gamblers in the region. Not only is this evident in the number of members of the Gamhelp who frequented Sugar Mill Casino but also in an escalation of the number of articles published in the local newspapers complaining about the negative consequences that the casino has had on individuals and families in the community.

The Gamblers Anonymous support group of Pietermaritzburg has also reported an increase in the number of problem gamblers since the opening of

the Golden Horse Casino. However, this is not necessarily seen as a clear indication of the true extent of the problem. According to the Gamblers Anonymous support group of Pietermaritzburg, the number of problem gamblers in the region is expected to be much higher than the average of 10 people who attend meetings. It is expected that these numbers will increase over time. It is difficult at this point in time to determine the full extent of problem gamblers. Such findings will only become more evident when the casino has been more established. A significant increase in the number of cases taken on by Gamblers Anonymous, child and family welfare and other social services is expected in the future (Personal Communication, Gambler, 24/04/2003).

By legalizing casino style gambling at this scale, the government has embraced the positive economic principles of the industry, but has simultaneously exposed itself to a host of negative consequences that are associated with problem gambling tendencies. These problem gambling tendencies will become more evident over time, and government will thus be faced with the responsibility to provide services to assist addictive gamblers and thereby a mechanism to address the issue. This responsibility usually devolves to the government but in the South African context, the industry has also been involved in implementing the necessary measures to curtail the problems associated with addictive gambling. According to the KwaZulu Natal Gambling Board, South African casino operators are compelled to be members of the South African Association for Responsible Gambling. The increased accessibility to gambling opportunities will inevitably lead to an increased number of people being exposed to the effects of gambling. It is thus important to take into account the participation trends at casinos.

International studies such as the Australian Productivity Commission (1995) and the National Gambling Commission Study Report of the United States (1998) have indicated that those who are least able to afford to gamble are more likely to become the victims of the gambling system. Determining the participation trends at casinos play a vital role in establishing the likelihood of

problem gambling tendencies. In the United States and the United Kingdom less than one percent of all gamblers could be classified as pathological gamblers (National Gambling Board Report, 2003).

At the two casinos under investigation a walk through the parking lot of the casino on a weekend does not reveal luxury sedans, but rather, average motor vehicles occupying the parking lot. A view of the nearest bus stop to the casino shows a constant flow of people using public transport to and from the casino. Thus, it is clear by observing the modes of transport that are being utilized by the majority of patrons, that these individuals are not the higher income earners but rather those with a lower disposable income.

The current gambling participation in South Africa as indicated by the National Gambling Board Report (2003) reveals that the consumption trends of gambling are indeed alarming. Five percent of all gamblers are vulnerable to problem gambling characteristics, twenty-two percent are unemployed, and a further twenty-one percent earn less than R6000 per annum (Hooper-Box, 2003). Furthermore, according to Dave Webster, the spokesperson for the National Responsible Gambling Programme (NRGP), although gambling participation trends in South Africa are similar to that of its international counterparts, South Africans who gamble regularly are more likely to become victims of gambling problems.

Although South Africa portrays similar trends in gambling behaviour as its First World counterparts, the social and economic climate of this country is inadequately equipped to deal with the repercussions of the industry. Treatment programmes, for example, are limited in that they can only attempt to provide facilities to ensure that the gamblers are able to cope with their addictive tendencies. However, frequently people with addictive gambling tendencies do not realize that they have a problem until it is too late.

Establishing the actual socio-economic demographics for the Pietermaritzburg casino has been a difficult task to accomplish. The region accommodates a wide range of income capacities and the gambling participant ranges from

those least able to afford this activity, to those that have sufficient financial resources. The current Gamblers Anonymous turnout indicates that despite the income capacities of the region, the increase in the number of problem gamblers has been set in motion and is expected to increase as the casino becomes better established.

The Sugar Mill Casino on the other hand, is easily accessible to the Kwa-Mashu, Inanda and Phoenix regions, where the majority of the inhabitants are low-income earners. Patronage at the casino is predominantly from these communities, thus implying that a large number of low-income earners are participating in gambling at the Sugar Mill Casino. By positioning itself at the heart of a low-income residential area, the negative social and economic repercussions that are created by such an industry due to addictive tendencies can be regarded as an inevitable outcome.

5.3 Social Impacts

The addiction to gambling, according to Williams (1996), could be more devastating to the family than any other addictive disorders. The negative social and economic consequence of compulsive gambling is said to be a long and slow downhill slide, impacting on the individuals concerned as well as their families.

5.3.1 Problem Gambling

According to the international and national literature, (Schaffer, 1997; NGSCR, 1998; Blaszczyński, 2000; Rule and Sibanyoni, 2000), an addiction to gambling impacts on personal relationships, interpersonal relationships, community services, work and study performance, and also has legal ramifications. Furthermore, it is estimated that the behaviour associated with addictive tendencies, such as, abuse, neglect, suicide and divorce, affects the lives of between six to twelve people with whom the addicted gamblers are in contact.

South Africa has exposed itself to a multitude of negative consequences associated with addictive gambling as a result of the liberalization of gambling laws and the consequent proliferation of urban casinos. This has resulted in a host of debates amongst opponents and proponents of casino developments, with proponents promoting the economic benefits and opponents emphasising the social costs. Proponents of casino developments, including Mr Alec Erwin, the Minister of Trade and Industry, argue that the ultimate positive factor of the expanded gambling industry in South Africa is the benefits of job creation, new investments and revenue generated through taxes. However, this view is criticized for its lack of recognition of the social impacts. According to the Minister of Social Development, Zola Skweyiya, the government made a mistake in allowing the proliferation of casinos in South Africa (Sunday Times, 29/07/2001). Choosing this route, it now has the moral obligation with the operators to ensure that campaigns are undertaken to demonstrate the impacts of gambling such as its addictive nature, similar to the campaigns used to warn public about the dangers of smoking and alcohol consumption. A sign such as "Beware – twice as many people are damaged through gambling in South Africa than elsewhere in the world", is one such suggestion from the Minister. The gambling industry in South Africa has also been criticized for its 'bizarre redistribution strategy.' It is accused of diverting money from the poor and working class people to the wealthy and the government.

The redirection of the spending from the poor to the rich to the government can have devastating consequences for the communities under investigation. Pietermaritzburg and Mount Edgecombe are communities plagued with high levels of unemployment and poverty. The motivation factors as established by the survey conducted in both communities have indicated that many people gamble in an attempt to accomplish unobtainable goals such as "get rich quick" schemes. Failure to do so leads to frustration, which is then usually vented on families and spouses. Further problems that have been experienced by problem gamblers who participate at the Golden Horse

Casino and the Sugar Mill Casino includes depression, attempted suicides, bankruptcy and familial disharmony, financial ruin and divorce.

According to Rule and Sibanyoni (2000) the accessibility to alternate forms of cash at casinos further aggravates problem gambling tendencies. The irony of the 'problem gambler' scenario at both casinos is that whilst operators have produced numerous information booklets and provide services such as self-exclusionary programmes, they still provide easy access to cash and credit facilities at the venue. The easy access to these facilities allows patrons to spend more money than intended to, and in extreme cases, this can lead to bankruptcies and serves to aggravate the dilemma of problem gamblers. This can then lead to the cycle of abuse, neglect, suicide and divorce.

5.3.2 Neglect of Children

An important issue that has raised concern and has elicited media attention is that of the extreme neglect that is inflicted on children of gamblers. Children being left in cars, and at casino crèches have become common practices at many gambling venues, and the two sites under study have been no exception. Although steps have been implemented to curb this problem, the question arises as to whether South African casinos are not merely inculcating the notion of gambling as a common activity, which is condoned by parents, and thereby fostering a new generation of gamblers. Often the play centres occupied by children overlook the gambling floor. Once the money the children received for their own entertainment purposes is finished, these bored children loiter around the edges of the casino floor, waiting for their parents. Whilst on the one hand casino child care facilities can be seen as a complimentary feature provided by casinos to ensure that children are kept occupied, on the other hand, it could merely mean that casinos encourage parents to gamble in freedom whilst they baby-sit the children. Is this evidence of social responsibility or endorsing neglect?

5.3.3 Adolescent Gambling

A further problem associated with the proliferation of casinos is that of underage or adolescent gambling. The potential for children to participate in gambling activities adds a new dimension to the social costs associated with gambling activities. According to Rule and Sibanyoni (2000), adolescent participation in gambling leads to lost life opportunities due to truancy, alcohol and drug usage and low grades. In addition, adolescents are more likely to become problem gamblers than their adult counterparts, as they are at a vulnerable risk taking age. Pietermaritzburg and Mount Edgecombe have very few entertainment activities on offer to the average adolescent. This results in adolescents being attracted to casinos as a form of entertainment. Gambling could in some cases prove to be a much needed stimulus and outlet.

Furthermore, international trends have indicated that adolescent gambling is emerging as a growing concern in communities where casinos have become well established (Derevensky and Gupta, 1999; Lostutter *et al*, 2002). South Africa is described as one of the leading gambling nations with similar gambling consumption patterns as its First World counterparts, therefore these trends can be used as an indication of the potential risks that can be anticipated in the future with regards to adolescent participation in gambling. In doing so necessary measures can be adopted to ensure that South African youth do not gamble earlier than the legal age of eighteen years old.

5.3.4 Femminization of Gambling

Like adolescent participation in gambling, the femminization of gambling has become an issue of increasing concern for international case studies. Femminization of gambling refers to the increased participation of women in gambling (Hraba and Lee, 1996; Hing and Breen, 2001).

Femminization of gambling thus has multidimensional impacts on gamblers, as women in most instances are committed to work as well as household responsibilities. Increased exposure to gambling and the consequent problem gambling tendencies is an issue that needs to be closely investigated and forms an important aspect for future gambling impact investigations (Lesieur, 1988).

5.3.5 Crime

One of the inevitable consequences of the introduction of casinos in a region is an increase in criminal activities. These crimes can stem either from opportunists who prey off patrons of the facility, or patrons themselves, who commit crimes to feed their gambling habits (Chang, 1996; Stokowski, 1996; Welte *et al*, 2004).

Gambling is addictive in nature and as such the possibility exists that such easy access to casinos will exacerbate the dilemma of 'problem gamblers'. Consequently there is expected to be an increase in incidences of cases such as abuse and neglect of children, domestic violence, prostitution, drug usage, trafficking and theft. There is also an element of organized crime that is commonly associated with gambling.

The problem of criminal activities as related to gambling in Pietermaritzburg and Mount Edgecombe is similar to international trends. KwaZulu-Natal is a region plagued with high levels of unemployment and low levels of education. These factors aggravate the incidence of crime in the region. According to the director of the NRGP, it is only less than 1% of gamblers who develop gambling problems. However, the problem associated with the regular gamblers in South Africa is that they spend a higher proportion of their disposable income on gambling. What is limited at this stage of the development of the casino industry in South Africa is the risk of the organized crime. It can be expected in the future when the industry has become more established.

5.3.6 Community Impacts

The introduction of casinos into urban areas can have positive and negative consequences for a community. The positive impacts usually stems from the investment and revenue opportunities provided by new casino developments whilst the negative impacts arise from the local consumption of gambling and the consequent social ills (Kang *et al*, 1996; George, 1998).

Both the Mount Edgecombe and Pietermaritzburg communities' opinions of the Sugar Mill Casino and the Golden Horse Casino have been met with mixed reactions. Representatives from the communities that were interviewed revealed varying opinions on the acceptability of casino. However, these opinions are based largely on the perceived implications of the casino at an individual level. In most cases, casinos are seen as an acceptable diversion so long as they do not interfere with individual lifestyle choices. One of the primary concerns at this stage is that many parents fear the implications of the exposure that their children have to gambling as compared to the past. In a country and a province of high crime rates and moral degeneration, exposure to gambling is seen as an additional unnecessary risk.

There were also mixed views about whether casinos can be regarded as a source of recreational enjoyment. For many, gambling could not be defined as a recreational activity due to its addictive nature. The casinos were criticized as being a source of adult entertainment at the expense of children orientated developments, such as well equipped parks and other recreational activities which would serve to foster family ties rather than familial disharmony. With the implementation of the new casinos, residents have become more receptive to the idea of the availability of gambling. However, it is widely believed that there is no more room for any increase in casino sizes or the opportunities to gamble.

5.4 Economic Impacts

According to the Productivity Commission Report (2000), the gambling industry has been supported by many governments due to the exorbitant amounts of revenue that the industry has the potential to generate. However the National Gambling Study Commission Report (1998) has illustrated that the development of an alternate industry could generate the same revenues, and benefit from the economic gains, without experiencing the social costs that are part of the gambling industry package.

Within this context of the gambling debate, the South African experience, and specifically the areas under study in Pietermaritzburg and Mount Edgecombe would indicate that the casino style gambling industry does provide benefits to the region, however, it is limited mainly to economic aspects. With respect to KwaZulu-Natal more specifically, it is expected that the government will promote development of infrastructure in the region from the tax revenues derived from casinos. In addition, the casino operators themselves will develop facilities such as theatres and museums on their premises. The combined efforts of the government and the casino operators will promote the development of the regions' infrastructure. If other related industries are attracted to the regions as a consequence of the casino development, this will also aid in the development of the region.

The three economic criteria that will be discussed are firstly, the closure of illegal casino venues; secondly, the micro-economic benefits of the industry; and thirdly, the macro-economic benefits of the industry.

5.4.1 Closure of Illegal Gambling Venues

Proponents of the gambling debate have often emphasized the role of legalized gambling in eradicating illegal gambling and related criminal activities (Hybels, 1979). However, despite the regulatory benefits afforded by legalized forms of gambling, it has also been criticized for redirecting

criminal elements from organized crimes to crimes related with problem gambling tendencies (e.g., fraud and credit card theft) (Curran, 1998).

Within the South African context, the elimination of illegal casino venues throughout the country has been a central issue of concern. Prior to the legalization of gambling in South Africa numerous smaller and illegal casino operations mushroomed throughout the country. These illegal venues served to enrich the operators and usually occurred at the expense of the participants in gambling activities as well as the local community involved. The shift to legalized gambling has resulted in government being able to recapture revenues previously lost to illegal operators. Hence the government was able to administer and control these revenues more directly. Furthermore legalized casino businesses are more accountable to their shareholders and other stakeholders and are accordingly expected to generate less leakage from the economy. This redirection of revenues from illegal to legal forms of gambling participation allowed the government to institute mechanisms to ensure the proper regulation of the industry.

Legalized gambling itself acts as a mechanism whereby the government undertakes the task to ensure that necessary laws and procedures are implemented to ensure that casino operators assume a degree of responsibility over the impacts created by their industry. These measures are usually presented as social responsibility programmes to ensure that the impacts of gambling remain minimal and do not pose a serious threat to casino gambling participants. Legal casinos thus, unlike illegal operations, have a mandatory obligation to ensure that the problems associated with gambling are advertised to warn potential gamblers of the harmful effects of gambling.

Communities are also affected by the location of casinos in their urban centres (George, 1998). Legalized gambling allows for some of the revenues to be channelled to community development initiatives. In the two areas under investigation, the Golden Horse Casino and the Sugar Mill Casino have

embarked on several development initiatives to improve the entertainment as well as educational opportunities available in the communities, thereby adding long term value to these regions.

Legalized gambling provides a further benefit in that unlike illegal operators who set payout limits according to subjective criteria, in legal venues payouts at casinos are determined by legislation and controlled and monitored by the Gambling Board.

In addition to the regulatory measures that are afforded by legal forms of gambling, casino operators are further bound by legal obligations to ensure that the industry remains socially and economically viable. The KwaZulu-Natal Gambling Board in particular has set objectives to ensure that the benefits of legal venues are maximized by:

- a. Ensuring that the casinos are most suitably located in the province. That is, each casino should be located such that they have an equitable spread of the population so as to facilitate its viability.
- b. Specifying that the casino operators should incorporate into their plans their contribution to the development of infrastructure.
- c. Obligating the operators to promote and market the tourist potential of the industry.
- d. Operators ensuring that new investments in the province being maximized.
- e. Ensuring that any employment and economic empowerment opportunities available at the casino must be directed to the historically disadvantaged people.
- f. Stipulating that goods and services required by the casino operators must be obtained from the local markets as far as possible.
- g. Casino operators should be involved in the general social-upliftment of the community.
- h. Operators recognizing the potential of gambling can lead to negative harmful effects and should deal with these problems in a sensitive

manner.

- i. Casino operators ensuring that gambling taxes and levies are fully paid at all times

The five casinos located in the KwaZulu-Natal Province are thus guided by the above principles to ensure that the industry gains are maximized whilst the problems it causes are minimized (KwaZulu-Natal Gambling Board, 2001).

5.4.2 Macroeconomic – Gambling Revenues and Investments

In international examples such as the United States and Australia the casino industry has been used by various states as a tourist development strategy. In the United States alone the industry grew from an estimated revenue generation of \$257 billion in 1991 to \$601 billion in 1998, an increase of 134% (Thalheimer and Ali, 2003). The objective of the gambling industry was to use revenues derived via tourists spending for the economic regeneration of the region. However, highly accessible casinos tend to rely mainly on local support whilst tourists tend to frequent destination style resorts (Pizam and Pokeia, 1995; Nelson and Mason, 2002).

The South African gambling industry has demonstrated a similar pattern. Highly accessible casinos tend to serve mainly local markets as indicated by the Mount Edgecombe and Pietermaritzburg regions, and have failed to attract the necessary tourists to generate foreign spending. This has severe economic repercussions for the region.

This local accessibility of gambling opportunities according to Felstein and Freeman (1998) will result in the redistributive rather than an expansionary effect on an economy. The two casinos under study have a strong reliance on local support, thus resulting in a redistributive rather than an expansionary effect, that is, the industry will gain from support from the local population rather than from external sources. It is thus important for the relevant

authorities to recognise what exactly the outcomes of such reliance on the community are. It can lead to serious economic and social consequences for many families and the community as a whole. In an already overburdened city, in terms of crime and social ills, potential problems resulting from gambling-related activities need to be recognized at an early stage so that policies and intervention measures can be implemented to minimize such impacts.

5.4.3 Industry Cannibalization

An economic repercussion of reliance on local support as opposed to tourist support at casinos results in industry cannibalisation. According to Grinols industry cannibalisation refers to the process whereby casinos are unsuccessful in attracting necessary tourists and thereby fails to acts as an export product. In doing so local consumption of gambling results in a redirection of spending from other consumer items to gambling. Business is thus drawn away from other enterprises in the region instead of injecting new monies into the economy. Furthermore, a stronger reliance on local consumption as opposed to tourist consumption of gambling would indicate that there would be an increase in the number of problem gamblers (Grinols and Omorov, 1996; Rule and Sibanyoni, 2000).

The casinos in Pietermaritzburg and Mount Edgecombe attract many working class and poor people who can ill-afford to gamble. In the past, the distance one had to travel to gaming venues acted as a deterrent to gambling. The lure of gambling may be irresistible to many in the Pietermaritzburg and Mount Edgecombe areas, with the casino on their doorstep. Local consumption patterns suggest that individuals who would have previously spent money on other consumer goods are spending a larger proportion of their disposable income on gambling. The substitute spending patterns of gamblers will over time impact on many other consumer items. The casinos are still at the early stages of development and these patterns should be evaluated and monitored over extended period of time.

It should also be noted that despite the failure to attract foreign tourists, legalized gambling further prevents the leakage of revenues from the economy as domestic segments seek this leisure activity elsewhere (Israeli and Mehrez, 2000).

5.4.4 Microeconomic Growth and Employment

According to the National Gambling Study Commission Report of the United States (National Gambling Study Commission Report, 1998), economic growth and employment opportunities are the well-favoured arguments of the proponents of casino development. This study has confirmed the view that casinos provide job opportunities. However, as international trends have recognized, these job opportunities are usually low paid, menial and seasonal.

In the South African context, the National Gambling Act stipulates that employment opportunities provided by the gaming industry need to be in accordance with Employment Equity Act, and that preference must be given to previously disadvantaged groups. The labour force has to, as far as possible, be drawn from local markets. The casino operators have tried to adhere to these laws, where possible. However, the apartheid legacy in South Africa has restricted black individuals from acquiring the skills necessary to be employed in senior, technical and management levels in the gambling industry.

The Golden Horse Casino and the Sugar Mill Casino have provided a number of job opportunities. In addition, these jobs tend to be more secure, as operators are forced to abide by the code of employment conduct. The pay rates, the number of hours worked and benefits must comply with employment regulations, thus protecting employees.

In addition to the employment opportunities, casinos also present the opportunity for the development of local businesses. The sourcing of goods and services are expected to bolster the region's economy. In Australia, the

casino industry stimulated the development of 7000 other smaller business, which catered for the demand of the casino industry and these businesses in turn generated approximately eleven billion dollars of income (Productivity Commission Report, 1999).

This international trend is indicative of the enormous potential that the industry has in terms of boosting local business. In the context of Pietermaritzburg, it is envisaged that the casino will be a plus factor in terms of stimulating business. Recognition is given to the fact that the nature and size of Pietermaritzburg businesses may not facilitate their potential to cater for all of the demands created by the industry, in which case, it is realistic for one to expect sourcing these products from outside of the region. The Mount Edgecombe region will be able to cater more adequately for the demands of the casino, but wherever necessary will also rely on sourcing goods from other parts of the country if necessary.

In addition to promoting the business sector of the economy, casinos also influence property values in the regions in which they are located. According to George (1998), countries that have introduced gambling to urban centres usually have had relatively poor growth in property values prior to the introduction of gambling. The introduction of casinos in Pietermaritzburg and Mount Edgecombe resulted in the increased property values. However, it is important to note that over past four years South Africa has enjoyed a property boom.

A macro scale, it is expected that the casino will escalate property values due the improved services and infrastructure, that are provided in the region. Factors such as crime levels and increase traffic flow are seen as the two main factors that have the potential to cause a devaluation of properties. The Golden Horse Casino has addressed the issue of increased crime by ensuring that there are security vehicles patrolling the area. However, the impact of such measures is still to be seen.

5.5 Recommendations

- 1. There should be an identification check on entry of casino on all individuals who are considered to be under the age of eighteen years old.**
- 2. The easy access to cash and credit facilities is conducive to problem gambling and as such ATM machines should be located a few hundred metres away from the casino.**
- 3. Casino operators should accept social responsibility of the negative impacts caused by the facility (e.g.) informing patrons of services such as Gamblers Anonymous.**
- 4. Child care facilities should be available. However casino operators should restrict the number of hours that any child is left at the facility. Parents of children left in cars should be given a fine.**
- 5. Quality jobs should be created by the industry.**
- 6. Labour required by casinos, should, as far as possible be drawn from local markets.**
- 7. Benefits provided to employees example, medical aid, should be similar to benefits derived from jobs available in comparable industries.**
- 8. Labour unions and management should cooperate to ensure that employees in casinos are secure in their jobs.**

9. Schools should provide educational programmes to inform learners of the problems associated with gambling.
10. Pathological gambling should be recognized as any other addictive disorders and essential treatment programmes should be made available for this problem.
11. Responsible gambling should be encouraged and marketed.
12. Patrons should be encouraged to make gambling as part of their recreational outing rather than purely a gambling activity.
13. Operators should report any suspicion of illegal activities on their premises.

5.6 Conclusion

The transformation of South African casino style gambling from an illegal and inaccessible pursuit, to, a legal and highly accessible activity has been the result of liberalized gambling laws, initiated by the country's new political dispensation. The popularity of casino gambling is evident from the high levels of consumption of this form of entertainment. However gambling has always been regarded as a questionable activity, with an overemphasis on its economic benefits and an underestimation of its social costs.

International research findings have indicated that the poor individuals have a higher mean average gambling frequency than their rich counterparts. In addition the poor are also more vulnerable to the compulsive gambling tendencies and are consequently exposed to the associated problems such as personal, family and social misfortunes. The introduction of the Golden Horse Casino and the Sugar Mill Casino to the Pietermaritzburg and Mount Edgecombe communities respectively, has witnessed similar problems. Albeit the casino developments have generated economic benefits such as tax revenues and job opportunities, they have also resulted in a host of social

costs such as suicide, neglect, abuse and personal and interpersonal relationship problems.

The massive transformation of the gaming industry will invariably impact on the individuals and society. Recognizing what exactly these impacts are is the first step to addressing the problems that may arise out of such proximity of gaming facilities to economically depressed communities. Whilst the economic benefits are quantifiable and regulated by the relevant authorities, the negative impacts need to be closely explored and investigated over a longer time series analysis.

Finally, the issues of adolescent gambling and femminization of gambling have surfaced as two growing concerns internationally and should be outlined as future research agendas.

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APPENDIX ONE: QUESTIONNAIRE

QUESTIONNAIRE FOR MEMBERS OF THE GAMHELP SUPPORT GROUP REGARDING THE IMPACTS OF GAMBLING ON THEIR LIVES.

- How did you travel to the casino?
- How long did it take you to get here?
- How often do you gamble?
- How much did you gamble last month?

These questions have been adapted from the Rule and Sibanyoni study:

- **Introduction**

How did you start gambling?

Why did you start gambling?

Has it become a problem for you?

- **Impact on personal Health**

Before you started gambling did you have financial problems?

Did the financial problems influence you to gamble?

Do you experience any anxiety, stress or depression due to gambling?

- **Impact on Interpersonal Relationships**

Have you experienced any of the following problems because of gambling?

Not spending enough time with your family?

Breaking up of a relationship with a partner or friend?

Losing contact with children

Resort to using violence because of gambling?

Argue over money with your partner?

Has your gambling influenced any children or family members to gamble?

Has a family member or friend ever influence you to gamble?

- Impacts on work or studies

Have you ever lost time from work or studies in order to gamble?

Have you ever been fired from work because of gambling?

- Financial Impact

How much of time have you spent in counseling due to gambling problems

Do you have any debts caused by your gambling behaviour?

Have you ever borrowed money without paying it back?

Have you ever sold property or surrendered policies to finance your gambling?

Have you ever spent more money than you can afford on gambling?

- Impact on government expenditure on gambling

After losing money on gambling have you ever relied on government institutions for material assistance?

Have you ever used a government hospital or clinic for gambling related illness?

Did you ever steal for gambling?

Have your gambling activities ever led to criminal charges?

Have you ever-committed gambling-related criminal offences?

- Solution

How could the problem be reduced?

How can the need of gamblers be met?

Is there a need for consumer education?

APPENDIX TWO: QUESTIONNAIRE

QUESTIONNAIRE ON MOTIVATIONS FOR GAMBLING

MOTIVATION FOR GAMBLING	TICK APPROPRIATE BLOCK
DREAM OF WINNING	
SOCIAL REASONS	
FOR CHARITY	
BEATING THE ODDS	
FAVOURITE ACTIVITY	
ATMOSPHERE/EXCITEMENT	
BELIEF IN LUCK	
BOREDOM/PASS THE TIME	

APPENDIX THREE

COMMUNITIES' ATTITUDE TO NEW CASINO DEVELOPMENTS

SURVEY OF COMMUNITIES' APPROVAL OF GAMBLING PARTICIPATION IN COMMUNITIES

RESPONSE	GAMBLING DOES MORE GOOD THAN HARM	GAMBLING HAS PROVIDED MORE OPPORTUNITIES FOR RECREATIONAL ENJOYMENT
TICK THE APPROPRIATE BOX		
AGREE		
DISAGREE		
DON'T KNOW/CAN'T SAY		
Adapted from the Productivity Report (1999) page, 14.		

APPENDIX FOUR

COMMUNITIES ATTITUDE TO NEW CASINO DEVELOPMENTS

SHOULD NO. OF GAMING MACHINES BE:	TICK APPROPRIATE BOX
INCREASED	
DECREASED	
STAY THE SAME	
CASINOS IN YOUR COMMUNITY	
ACCEPTABLE	
UNACCEPTABLE	
UNACCEPTABLE TO ME, BUT DO NOT DISAPPROVE OF OTHERS PARTICIPATING	
Adapted from the Productivity Report (1999) page, 14.	