

CHAPTER 4

THE GAMBLING SECTOR'S CONTRIBUTION TO THE SOUTH AFRICAN ECONOMY

4.1 INTRODUCTION

The post-1994 political dispensation in South Africa has had an important effect on gambling in the country. The approach has largely shifted from an environment that outlawed gambling of almost any kind in South Africa to an approach that legalised all varieties of gambling, but subject to strict control. This, however, excludes the casinos established in the erstwhile TBVC states as part of the pre-1994 political dispensation.

The 1994 Constitution recognises the competency of the provincial governments to legislate on matters falling within the functional areas of casinos, racing, gambling and wagering. However, national legislation ensures that gambling is regulated and coordinated by uniform laws and standards throughout South Africa.

Major developments in the gambling industry followed the promulgation of the National Gambling Act 33 of 1996 that was speedily followed by provincial legislation in the provinces. Considerable investments have taken place in the casino industry since 1997 and the National Lottery since 2000. This chapter strives to measure the activities in the gambling sector since 1994 in order to establish the economic impact of the gambling industry on the South African economy.

4.2 OBJECTIVES

The objective of this chapter is to calculate the contribution of the gambling sector to the national economy. This calculation will be based on the initial and spin-off effects of the sector to the provincial and SA economies. The impact is expressed according to the following:

- the gambling sector's contribution to value added (GDP)

- the gambling sector's contribution to employment
- the gambling sector's contribution to personal income tax
- the gambling sector's contribution to company and personal income tax and VAT

4.3 **METHODOLOGY**

The calculations of economic impacts of the gambling sector are based on the multisectoral multiprovincial input-output model (Nel 1999(a) & Nel 1999(b)). The benefit of this framework is that the impact of changes (eg new investments or the development of a new sector) on the economy, not only on aggregate national economic activity, but also on that of the provinces can be determined.

It suffices to mention in this report that the input-output model comprises mathematical equations linking the economic flows between sectors and provinces. This model is ideally suited to application in the field of economic impact analysis. For purposes of impact analysis the following can be measured in terms of both backward and forward linkages of the economy of the nine provinces, namely:

- Impact on value added (GDP contribution).
- Impact on employment. This is taken as the number of full-time employees. In cases of part-time employees the numbers are adjusted to a forty-hour working week.

It should be noted that the impacts are measured as follows:

(a) **Initial impact**

The initial impact is calculated as the impact of a particular project on the economy. The initial impact on GDP of constructing a casino, for example, is taken from the financial information provided by the casino industry. (This impact is sometimes referred to as the direct impact).

(b) **Indirect impact**

Indirect impacts are determined from the activities of suppliers. For example, suppliers include those industries that deliver goods and services to the casino and

include, for example, suppliers of cement, bricks and trusses in the construction phase and food and security services during the operational phase. Activities of the latter industries are expanded as a result of establishing the casino. These industries are referred to as first round suppliers that could in turn stimulate further demand in, for example, the electricity sector supplying additional electricity to cement and other producers (the first round suppliers), etc. All these transactions originate from the initial establishment of the casino and can be attributed to the gambling sector.

(c) **Induced impacts**

Induced impacts are the impact on the economy due to increased demand for goods and services by households from the income earned due to the establishment of the casino, ie the income of employees and shareholders of the project (say the casino) as well as the income arising through the backward linkages of this spending in the economy. Backward linkages are, for example, the additional employment created by retailers (eg Pick 'n Pay) resulting from the increased demand for their products that in turn stimulate production in the agricultural sector supplying fresh produce to Pick 'n Pay.

In summary, it can be stated that the initial impact can be regarded as the actual economic contribution of the gambling sector while the indirect and induced impacts be regarded as the spillover effects of the gambling sector to other sectors of the economy.

4.4 **DATA PROVISIO**

In interpreting the data in the rest of the chapter the following should be considered:

- (a) During the gathering of data, institutions in the gambling sector were promised that no individual company's or institution's financial and employment information will be divulged in the report. The fact that information is, where possible, presented by province implies that the information of all the institutions in a particular province is added together to comply with the above undertaking. Financial (eg value added and investment) and employment information of provinces is therefore a collation of

information from the following: provincial regulator, casinos, horse racing (pool betting and fixed odds) and bingo (in the case of Gauteng).

- (b) The financial and employment information of the NGB, NLB (National Lotteries Board) and Uthingo are allocated to Gauteng. The value added and investment implications such as labour remuneration and office accommodation of the above organisations are largely confined to Gauteng. Some of the administrative expenditure of Uthingo, such as the commission earned by lotto sales outlets, is filtered to other provinces, implying a slight overestimation of Gauteng's value added and a slight underestimation in the other eight provinces. (Note that the prizes paid out by the lottery and casinos, for example, do not constitute a direct value added component.)
- (c) A further aspect to consider is the institutional restructuring within the gambling industry in the form of takeovers and mergers. This implies the loss of historical data in some instances. For example, the takeover of a company in operation since the 1980s by a new company in 1999, may result in the latter company (new owner) only being able to supply information from 1999 onwards.
- (d) The value added contribution by the gambling sector is presented for 2000. The fact that the sector is in a fast development phase implies that information of previous years only reflect a partial picture of its real contribution. Only one casino start operating from a permanent venue in 1998 and two in 1999 (see section 4.5).

4.5 **DEVELOPMENT PHASE OF THE GAMBLING SECTOR**

The calculations made in this report are for 1994 to 2000 or in some instances only for 2000. This period can be regarded as falling within a rapid development phase of the sector, especially since 1997/98. However, some major developments were still expected after 2000, as will be shown in the rest of this section. It should be borne in mind that the new dispensation may also impact negatively on the gambling sector in some provinces. Casinos in North West, for example, have experienced severe competition from developments in neighbouring provinces (especially Gauteng), impacting negatively on the growth performance of the sector in North West.

Table 4.1 shows the status of the casino industry in South Africa. At the end of 2000 only 17 casinos operated from permanent venues while a further 5 were still operating from

temporary infrastructure. Information on the casino industry is, therefore, largely based on the activities of these 22 casinos. A further 7 casinos were opened during the 2001 and 2002 period, implying that their contribution to the South African economy is not included in the calculations. At the end of 2002 a further 3 casinos were licensed but not operational while 8 casino licenses were not yet allocated. The status of the latter ranged from RFPs (Request for Proposals) issued by provincial regulators to a decision by the relevant provincial boards not to issue a license at this stage (NGB 2002:31).

TABLE 4.1
STATUS OF CASINOS IN SOUTH AFRICA BY PROVINCE AND LOCATION, 2002

Province	Name of resort	Location	Date opened	
			Temporary casino	Permanent casino
Eastern Cape	The Boardwalk	Port Elizabeth	10/2000	02/ 2001
	Hemingways	East London	9/2001	5/2002
	Wild Coast Sun	Bizana		12/1981
Free State	Thaba’Nchu Sun	Thaba’Nchu		10/1985
	Naledi Sun			5/1989
Gauteng	Monte Casino	Fourways	9/1998	11/2000
	Gold Reef City	Gold Reef City	11/1998	3/2000
	Emerald	Vanderbijlpark	11/1998	5/2001
	Ceasars	Kemptonpark	12/1998	9/2000
	Carnival City	Brakpan	12/1998	10/1999
KwaZulu-Natal	Sugarmill	Durban North	2/2001	
	Tusk Umfolozi	Empangeni	5/2002	
	Monte Vista	Newcastle	11/1999	
	Golden Horse	Pietermaritzburg		9/2001
Mpumalanga	Champions	Witbank	3/1998	
	Graceland	Secunda	10/1997	7/1998
	Emnotweni	Nelspruit	10/1997	11/1999
Limpopo	Meropa	Polokwane		3/2002
	Venda Sun	Thohoyandou		7/1983
Northern Cape	Flamingo	Kimberley		3/2002
	Desert Palace	Upington	6/2000	
North West	Tusk Mmabatho	Mmabatho		12/1978
	Sun City	Pilanesberg		12/1979
	Tusk Taung	Taung		10/1988
	Morula Sun	Mabopane		6/1987
	Carousel	Hammanskraal		11/1991
Western Cape	GrandWest	Goodwood		12/2000
	Century	Caledon		10/2000
	Club Mykonos	Langebaan		10/2000

The National Lottery can also be described as being in a development phase. The first lottery tickets were sold during March 2000, implying an operational period of only nine months during the study period. Since then, a considerable increase in lottery ticket sales has been experienced, especially during 2002, resulting from, inter alia, the introduction of a second weekly draw (on Wednesdays from October 2002) as well as the offering of mega-prizes as jackpots (R20 million plus at some draws). Ticket sales increased, for example, from R1,6 billion in 2001 to R5,7 billion for the first nine and a half months of 2002. This represents an increase of 245,3 %, which can be considerably higher for the whole year.

The horse racing industry is well established and may be regarded as matured and relatively stable.

The bingo industry is also in its infant stage. Bingo licenses were issued only by Gauteng. No bingo activities take place in any of the other eight provinces.

A further development in the gambling industry, that may materialise in the near future, is the introduction of LPMs (Limited Payout Machines) that could further boost the contribution of the gambling sector.

The above clearly confirms that the gambling industry in South Africa is still in a development phase, implying that the value added, employment and other calculations for 2000 do not fully reflect the potential or future contribution of the sector to the South African economy. Some of the major casinos in Gauteng started their operations in the latter half of 2000, thus reflecting only a portion of their operational activities during 2000, while several other casinos are expected to start their activities after the study period.

4.6 **VALUE ADDED (GDP CONTRIBUTION)**

Table 4.2 shows the value added (GDP) generated by the gambling industry in 2000 by province. As indicated in section 4.2 the value added represents the contribution of all

gambling modes as well as the state/provincial regulatory authorities. The value added contained in the table was calculated through the input-output model.

The table shows the initial, indirect and induced GDP generated by the gambling sector. It also shows the value added by province as well as for South Africa as a whole. The gambling activities in a particular province often spill over as benefits to other (neighbouring) provinces. For example, to the extent that casino companies in North West buy some of their stock in Gauteng or that North West employees spend some of their salaries in Gauteng, the indirect and induced effects of the North West gambling sector spill over as an advantage to Gauteng. The table shows the impact on each provincial economy (columns (a) to (d)) as well as the spill-over effects to other provinces (columns (e) to (g)). Columns (h) to (j) provide a summary of the GDP impact of the gambling sector.

For South Africa as a whole, the direct impact of the casino industry amounted to R3,045 billion (column (a)) in 2000. This is augmented by R2,099 billion indirect (column (b)) and R0,336 billion induced value added (column (c)) in the provincial economies, amounting to R5,481 billion (column (d)) in 2000. This value added is further enhanced by spill-over effects to other provinces to the amount of R3,646 billion (column (g)) (R1,606 indirect (column (e)) and R2,040 billion induced (column (f))). In total, the above boils down to a total GDP contribution by the gambling sector to South Africa's GDP of R9,127 billion (column (j)). This R9,127 billion consist of the following:

- the initial and actual value added to the amount of R3,045 billion
- a further R6,082 billion (ie R9,127 billion minus R3,045 billion) generated through the indirect and induced effects of the gambling sector as a spillover effect into other sectors of the economy.

The last column (column (k)) of table 4.2 reflects a GDP multiplier of 3,00 for the gambling sector. This means that for every initial R100 value added (GDP) generated by the gambling sector, a further R200 value added (GDP) is produced through the indirect

and induced effects of the initial gambling activity. This is higher than the average economy-wide multipliers of around 1,5. (The above analysis can be conducted for every province from table 4.2.)

A remark on the relatively high GDP multiplier of 3,00 is in order. An analysis of the data provided by the gambling institutions suggests a relatively high labour remuneration component relative to total company turnover. This may be the result of the appointment of relatively large numbers of employees while at the same time some of the companies did not necessarily operate at full capacity in 2000. For example, at least six casino companies started their operations from permanent venues during the course of 2000. Their labour remuneration bill may, therefore, be relatively high compared with their income generated in 2000.

From an input-output modeling point of view, the above implies a relatively high GDP multiplier. The calculated multiplier of 3,00 may, therefore, from a technical point of view, show a slight decrease in future.

TABLE 4.2
GDP (VALUE ADDED) CONTRIBUTION OF THE GAMBLING SECTOR BY PROVINCE, 2000

Province	Impact on provincial economy				Impact on rest of SA			Impact on SA			(k) GDP multiplier Rm
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
	Initial Rm	Indirect Rm	Induced Rm	Total Rm	Indirect Rm	Induced Rm	Total Rm	Impact on provincial economy Rm	Impact on rest of SA Rm	Total Impact Rm	
Eastern Cape	204,6	78,5	4,8	288,2	78,4	134,7	213,2	288,2	213,2	501,4	2,45
Free State	92,2	78,6	2,7	173,4	85,9	95,7	181,7	173,4	181,7	354,8	3,85
Gauteng	1674,4	1119,3	275,2	3069,3	517,7	810,4	1328,5	3069,3	1328,5	4400,3	2,63
KwaZulu-Natal	220,1	301,5	14,9	535,9	279,7	272,8	552,2	535,9	552,2	1087,4	4,94
Limpopo	38,4	31,5	0,7	70,6	48,1	45,9	94,0	70,6	94,0	164,4	4,28
Mpumalanga	145,4	68,7	12,6	226,7	69,1	91,5	160,7	226,7	160,7	387,4	2,66
North West	366,2	201,9	6,3	574,5	319,2	343,0	661,9	574,5	661,9	1235,5	3,37
Northern Cape	16,9	15,3	0,4	32,5	15,3	18,0	33,3	32,5	33,3	65,7	3,88
Western Cape	286,9	204,0	19,1	510,1	192,7	228,4	421,0	510,1	421,0	930,8	3,24
Total	3045,1	2099,3	336,7	5481,2	1606,1	2040,4	3646,5	5481,2	3646,5	9127,7	3,00

Table 4.3 reflects the contribution of the gambling sector to the South African and provincial GDPs for 2000. For South Africa as a whole, the gambling sector contributed 0,38 % to the GDP (initial contribution) with a further 0,75 % indirect contribution. In the provinces, the initial contributions range from a low of 0,08 % in Limpopo to 0,63 % in North West in 2000. The two provinces with the most developed gambling sectors in South Africa at the end of 2000 were North West and Gauteng. The contribution of the gambling industry in these two provinces may be regarded as a benchmark for estimating the possible size of the gambling sector in future. The contribution of 0,62 % in North West, with its fully developed and matured gambling sector, and the 0,61 % in Gauteng, which may increase in future after the fifth casino has been established, suggests a gambling sector contributing approximately 0,75 % to GDP. Mpumalanga also portrays a relatively well-developed gambling sector. The contribution of 0,25 % in this province suggests that provinces with low population densities and relatively low population concentrations may experience a gambling sector's contribution of below three quarter of a per cent.

TABLE 4.3
CONTRIBUTION OF THE GAMBLING SECTOR TO PROVINCIAL GDP (INITIAL, INDIRECT AND INDUCED), 2000

Province	GDP Rm	Total Gambling GDP ¹⁾ Rm	% contribution	Initial GDP Rm	% contribution
Eastern Cape	65 930	501	0,76	205	0,31
Free State	44 785	355	0,79	92	0,21
Gauteng	275 901	4 400	1,60	1 675	0,61
KwaZulu-Natal	125 558	1 087	0,87	220	0,18
Limpopo	49 165	164	0,33	38	0,08
Mpumalanga	57 222	387	0,68	145	0,25
North West	59 035	1 236	2,10	366	0,62
Northern Cape	15 980	66	0,41	17	0,11
Western Cape	114 667	931	0,81	287	0,25
South Africa	808 243	9 127	1,13	3 045	0,38

1) Including initial, indirect and induced GDP.

Source: Stats SA 2002:20

The impact is calculated for 2000 and does not portray any time series data or trends. It is, however, important to mention that the development of the gambling industry shows immense growth in provinces with no or limited casino development in the pre-1994

dispensation. A province such as North West, with a well-developed casino industry in the pre-1994 era, for example, shows a decline of 14,0 % in casino turnover from R9 503 million in 2000 to R8 168 million in 2002. Its gross gaming revenue declined from R672 million in 2000 to R585 million in 2002, representing a decline of 12,9 % (NGB unpublished data).

4.7 **DIRECT CAPITAL INVESTMENT**

In contrast with operational expenditure, capital investment is a once-off expenditure activity not repeated at the same level on an annual basis. After the initial establishment of infrastructure and the erection of building structures, follow-up investment portrays far lower levels, primarily in the form of new vehicles, machinery and equipment. Large capital investments in the gambling industry have been made especially since 1997. Table 4.4 reflects the investments undertaken by the gambling industry between 1994 and 2000. The table divides the period into two distinctive phases. The period prior to the passing of the National Gambling Act 33 of 1996, namely 1994 to 1996 and the period following on the promulgation of the Act, namely 1997 to 2000. In interpreting the investment data, it should be recognised that the large investments in the casino industry effected during the period 1981 to 1991 in the erstwhile TBVC states are not reflected in the table while any investments after 2000 were also excluded from the table.

Table 4.4 shows extremely limited investment in the gambling sector during the 1994 to 1996 period. Only R492 million was invested, primarily in the horse racing industry. In the subsequent four-year period 1997 to 2000 no less than R10 056 million was invested. The provincial distribution of investment in the 1997 to 2000 period, as shown in the table, has changed in the few years following 2000. The development of casinos in some provinces is far more advanced compared to others. Gauteng and Mpumalanga have a more established gambling sector than provinces such as Limpopo, the Free State and Western Cape.

TABLE 4.4

**TOTAL CAPITAL INVESTMENT¹⁾ OF THE GAMBLING SECTOR BY PROVINCE,
1994 - 2000**

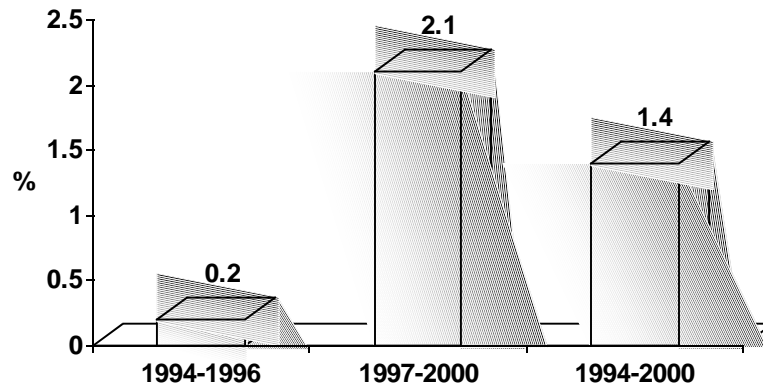
Province	Investment			% distribution
	1994-1996 Rm	1997-2000 Rm	1994-2000 Rm	
Eastern Cape	59	562	621	5,9
Free State	3	24	27	0,3
Gauteng	44	5 599	5 643	53,5
KwaZulu-Natal		1 207	1 207	11,4
Limpopo		1	1	..
Mpumalanga	1	524	525	5,0
North West	381	201	582	5,5
Northern Cape		41	41	0,4
Western Cape	4	1 897	1 901	18,0
Total	492	10 056	10 548	100,0

1) Represents only investments made by institutions in the gambling sector.

Figure 4.1 shows the contribution of the gambling sector to total fixed capital formation for the two identified periods. The investment of the gambling sector represents only 0,2 % of the total investment in South Africa of R260,7 billion during the 1994 to 1996 period. This minute contribution increased to a 2,1 % contribution of the gambling sector to the total South African fixed investment of R493,7 billion from 1997 to 2000.

FIGURE 4.1

**CONTRIBUTION OF THE GAMBLING SECTOR TO SOUTH AFRICA'S TOTAL
FIXED CAPITAL FORMATION, 1994 - 1996 AND 1997 - 2000**



4.8 INITIAL EMPLOYMENT

Table 4.5 shows employment in the gambling sector from 1994 to 2000 according to province, race group, gender and occupational level¹. For South Africa as a whole, total employment increased from 3 298 in 1994 to 16 103 in 2000. This represents an average annual growth of no less than 30,2 % over the six-year period. The initial contribution of the gambling sector to total nonagricultural formal employment in South Africa increased from 0,06 % in 1994 to 0,34 % in 2000 (Reserve Bank 2002:S132):

% contribution to employment

1994	0,06
1995	0,06
1996	0,06
1997	0,07
1998	0,19
1999	0,29
2000	0,34

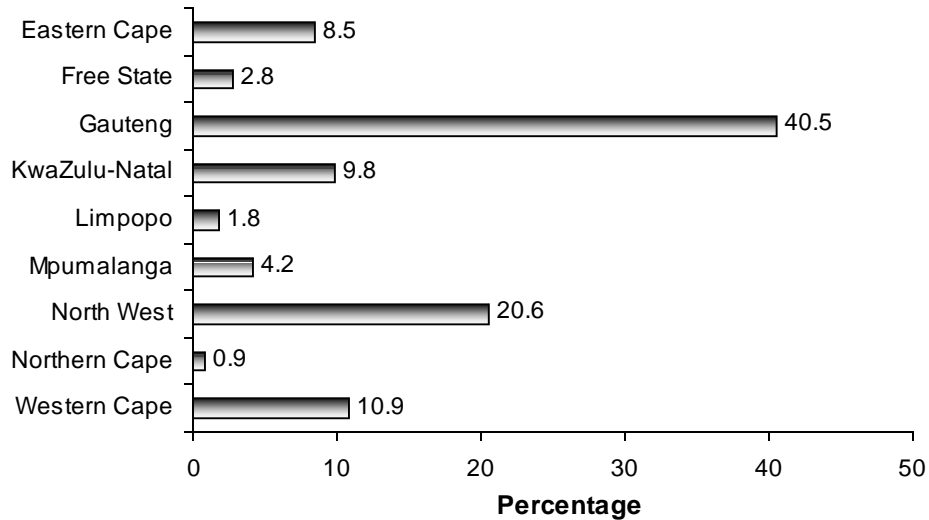
With an employment multiplier of 3,15 (see table 4.6), a total of 50 673 new jobs were created in 2000 due to the establishment of the gambling sector. This figure, which includes indirect and induced jobs created as a result of the development of the gambling sector, represents 1,1 % of total South African employment in the formal nonagricultural sectors.

¹ In some provinces, employment data are sporadic due to a lack of consistent time series data obtained from institutions in the gambling sector.

The distribution of employment by province, as shown in table 4.5, is summarised below (figure 4.2). The share of the provinces ranged from a high of 40,5 % in Gauteng to 0,9 % in the Northern Cape.

FIGURE 4.2

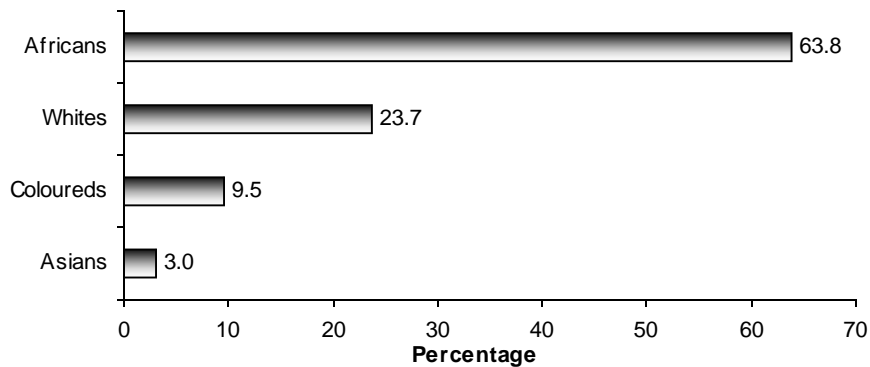
DIRECT EMPLOYMENT IN THE GAMBLING INDUSTRY BY PROVINCE, 2000



The distribution of employment by race shows that 63,8 % of employees in the gambling industry (three in every five) are Africans followed by 23,7 % whites, 9,5 % coloureds and 3,0 % Asians (figure 4.3).

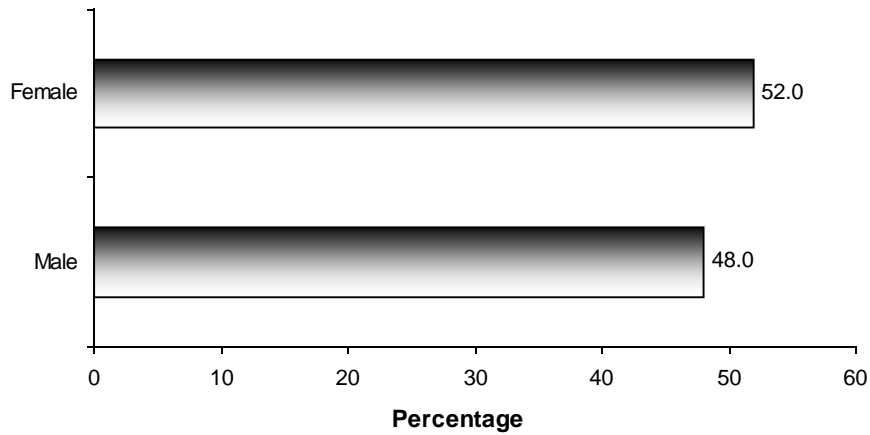
FIGURE 4.3

DISTRIBUTION OF EMPLOYEES IN THE GAMBLING SECTOR BY RACE, 2000



The gender distribution of employees in 2000 is fairly equal, namely 48,0 % male and 52,0 % female.

FIGURE 4.4
DISTRIBUTION OF EMPLOYEES IN THE GAMBLING SECTOR BY GENDER, 2000



The occupational structure of employment in the gambling industry is shown in figure 4.5. Management levels (executive, senior management and management) represent 18,7 % of all employees, while supervisory and general staff represent 31,2 % and 50,1 % of total employment respectively.

FIGURE 4.5
DISTRIBUTION OF EMPLOYEES IN THE GAMBLING SECTOR BY OCCUPATIONAL LEVEL, 2000

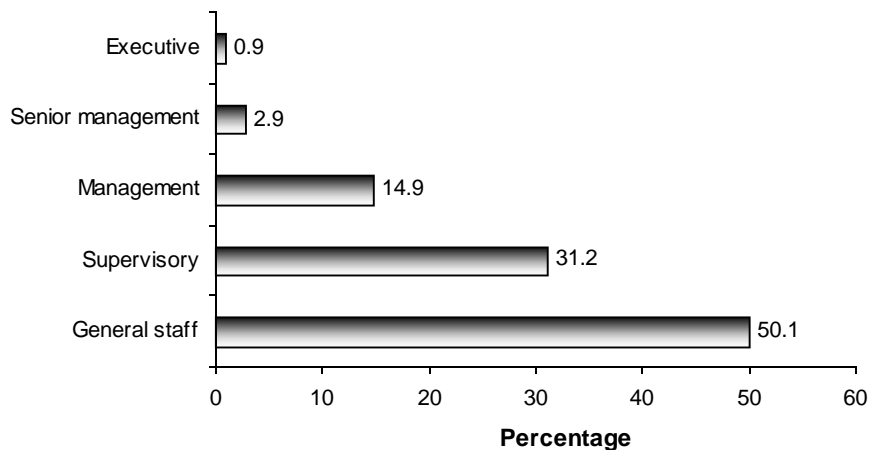


TABLE 4.5
EMPLOYMENT BY THE GAMBLING SECTOR BY PROVINCE, RACE GROUP,
GENDER AND OCCUPATIONAL LEVEL, 1994 – 2000¹⁾

SOUTH AFRICA

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group	3 298	3 113	3 126	3 455	9 354	14 198	16 103
Africans	2 062	2 009	2 051	2 296	6 254	9 579	10 269
Asians	48	45	45	51	229	357	478
Coloureds	321	309	289	271	719	1 022	1 534
Whites	867	750	741	837	2 152	3 240	3 822
Employment by gender							
Male	740	734	827	1 061	4 113	6 648	7 728
Female	2 558	2 379	2 299	2 394	5 241	7 550	8 375
Employment by occupational level							
Executive	8	9	13	17	90	107	152
Senior management	20	20	24	41	248	329	462
Management	66	66	73	104	1 483	1 927	2 401
Supervisory	384	359	365	414	3 212	4 690	5 019
General staff	2 820	2 659	2 651	2 879	4 321	7 145	8 063
Disabled	23	21	21	20	26	42	50

EASTERN CAPE

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group	246	241	235	230	1 091	1 128	1 363
Africans	98	96	92	90	725	746	872
Asians	10	10	9	9	30	36	47
Coloureds	44	43	42	41	48	48	72
Whites	94	92	92	90	288	298	372
Employment by gender							
Male	66	65	63	62	434	451	584
Female	180	176	172	168	657	677	779
Employment by occupational level							
Executive	1	1	1	1	7	9	17
Senior management	5	5	5	5	32	32	36
Management	15	15	15	15	196	204	313
Supervisory	27	27	26	26	659	674	791
General staff	198	193	188	183	197	209	206
Disabled	3	3	3	2	0	0	4

FREE STATE

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group	257	246	237	227	497	505	460
Africans	180	172	166	159	293	374	346
Asians	0	0	0	0	81	3	1
Coloureds	13	12	12	11	12	11	11
Whites	64	62	59	57	111	117	102
Employment by gender							
Male	13	12	12	11	170	187	160

Female	244	234	225	216	327	318	300
--------	-----	-----	-----	-----	-----	-----	-----

(continued)

TABLE 4.5 (CONTINUED)

	1994	1995	1996	1997	1998	1999	2000
Employment by occupational level							
Executive	0	0	0	0	6	7	7
Senior management	1	1	1	1	16	17	16
Management	5	5	4	4	68	78	69
Supervisory	47	45	37	34	203	212	194
General staff	204	195	195	188	204	191	174
Disabled	3	3	3	3	5	5	5

GAUTENG

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group	1 890	1 770	1 645	1 546	2 776	6 154	6 523
Africans	1 100	1 095	1 020	959	1 876	4 374	4 714
Asians	38	35	33	31	60	121	137
Coloureds	220	212	197	185	195	270	301
Whites	532	428	395	371	645	1 389	1 371
Employment by gender							
Male	573	570	520	488	1 154	3 189	3 365
Female	1 317	1 200	1 125	1 058	1 622	2 965	3 158
Employment by occupational level							
Executive	5	6	6	6	25	30	37
Senior management	11	11	11	11	63	109	136
Management	35	35	34	34	281	578	712
Supervisory	190	188	188	188	385	1 558	1 580
General staff	1 649	1 530	1 406	1 307	2 022	3 879	4 058
Disabled	10	8	8	8	8	21	29

KWAZULU-NATAL

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group						1 037	1 572
Africans						640	913
Asians						125	199
Coloureds						19	35
Whites						253	425
Employment by gender							
Male						342	602
Female						695	970
Employment by occupational level							
Executive						9	27
Senior management						12	41
Management						35	119
Supervisory						150	201
General staff						831	1184
Disabled						0	0

(continued)

TABLE 4.5 (CONTINUED)

LIMPOPO

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group	250	234	210	388	375	328	282
Africans	200	187	168	338	317	283	249
Asians	0	0	0	0	0	0	0
Coloureds	0	0	0	0	0	0	0
Whites	50	47	42	50	58	45	33
Employment by gender							
Male	13	12	9	127	137	112	91
Female	237	222	201	261	238	216	191
Employment by occupational level							
Executive	0	0	0	4	5	5	5
Senior management	0	0	0	12	15	14	14
Management	0	0	0	12	16	26	26
Supervisory	23	19	16	42	42	27	28
General staff	227	215	194	318	297	256	209
Disabled	2	2	2	2	2	3	3

MPUMALANGA

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group	165	157	169	498	563	643	671
Africans	149	141	136	325	372	478	471
Asians	0	0	1	9	10	16	12
Coloureds	0	0	2	3	6	14	18
Whites	16	16	30	161	175	135	170
Employment by gender							
Male	6	6	26	193	236	283	337
Female	159	151	143	305	327	360	334
Employment by occupational level							
Executive	0	0	1	2	4	5	5
Senior management	0	0	0	6	8	13	11
Management	0	0	4	25	35	50	63
Supervisory	22	19	18	52	59	105	142
General staff	143	138	146	413	457	470	450
Disabled	1	1	1	1	1	3	3

NORTH WEST

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group	410	390	570	516	3 327	3 693	3 324
Africans	287	273	433	395	2 558	2 575	2 468
Asians	0	0	2	2	35	44	58
Coloureds	20	19	18	16	45	255	63
Whites	103	98	117	103	689	819	735
Employment by gender							
Male	61	62	191	175	1 742	1 847	1 734
Female	349	328	379	341	1 585	1 846	1 590

(continued)

TABLE 4.5 (CONTINUED)

	1994	1995	1996	1997	1998	1999	2000
Employment by occupational level							
Executive	2	2	5	4	34	33	32
Senior management	3	3	7	6	101	118	137
Management	8	8	14	13	859	932	864
Supervisory	63	60	72	65	1 752	1 853	1 718
General staff	334	317	472	428	581	757	573
Disabled	4	4	4	4	10	10	6

NORTHERN CAPE

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group	80	75	60	50	57	52	152
Africans	48	45	36	30	37	35	27
Asians	0	0	0	0	0	0	0
Coloureds	24	23	18	15	12	11	85
Whites	8	7	6	5	8	6	41
Employment by gender							
Male	8	7	6	5	15	15	76
Female	72	68	54	45	42	37	76
Employment by occupational level							
Executive	0	0	0	0	1	1	3
Senior management	0	0	0	0	3	3	13
Management	3	3	2	1	5	4	11
Supervisory	12	1	8	7	8	8	30
General staff	65	71	50	42	40	36	95
Disabled							

WESTERN CAPE

	1994	1995	1996	1997	1998	1999	2000
Total employment by population group					668	658	1 756
Africans					76	74	209
Asians					13	12	24
Coloureds					401	394	949
Whites					178	178	574
Employment by gender							
Male					225	221	779
Female					443	437	977
Total employment by occupational level							
Executive					8	8	19
Senior management					10	11	58
Management					23	20	224
Supervisory					104	103	337
General staff					523	516	1 118
Disabled							

¹ In some provinces, employment data are sporadic due to a lack of consistent time series data obtained from institutions in the gambling sector.

4.9 TOTAL EMPLOYMENT

Table 4.6 reflects the employment multipliers of the gambling sector. The initial employment of 16 103 by the gambling institutions is reflected in column (a) of the table. The rest of the table shows the additional employment created through indirect and induced effects. As is the case with GDP, additional employment is also created as a result of the initial spending by the gambling sector.

The table suggests an employment multiplier by the gambling sector of 3,15 (column (k)) implying that for every 100 jobs created directly by the gambling sector a further 215 are created through indirect and induced effects. The second last column (column (j)) shows that, in the final round, 50 673 jobs were created resulting from the employment multiplier of the initial 16 103 created by the gambling institutions themselves. The employment multipliers for the provinces range between 2,03 in the Eastern Cape and 3,83 in KwaZulu-Natal.

TABLE 4.6
EMPLOYMENT CONTRIBUTION OF THE GAMBLING SECTOR BY PROVINCE, 2000

Province	Impact on provincial economy				Impact on rest of SA			Impact on SA			(k) GDP multiplier
	(a) Initial	(b) Indirect	(c) Induced	(d) Total	(e) Indirect	(f) Induced	(g) Total	(h) Impact on provincial economy	(i) Impact on rest of SA	(j) Total impact	
Eastern Cape	1 363	302	27	1 692	608	470	1 078	1 692	1 078	2 770	2,03
Free State	460	107	7	574	704	350	1 054	574	1 054	1 628	3,54
Gauteng	6 523	5 851	1 549	13 923	5 297	3050	8 347	13 923	8 347	22 270	3,41
KwaZulu-Natal	1 572	1 217	168	2 957	2 076	989	3 065	2 957	3 065	6 022	3,83
Limpopo	282	131	5	418	345	167	512	418	512	930	3,30
Mpumalanga	671	346	66	1 083	533	328	861	1 083	861	1 944	2,90
North West	3 324	1 191	54	4 569	3 287	1 757	5 044	4 570	5 044	9 614	2,89
Northern Cape	152	62	3	217	117	65	182	217	182	399	2,62
Western Cape	1 756	826	126	2 708	1 550	838	2 388	2 708	2 388	5 096	2,90
Total	16 103	10 033	2 005	28 141	14 517	8 014	22 531	28 142	22 531	50 673	3,15

4.10 EXPENDITURE ON PROMOTIONS AND MARKETING

Casino companies and Uthingo were requested to indicate their marketing and promotional expenditure, including print and electronic media, advertisements and other promotions and marketing expenditure, as a percentage of their GGR. This expenditure varied considerably from company to company, within a spectrum of approximately 1 % to 20 % of GGR. The average for all the companies amounted to 6,1 % in 2000.

4.11 TRAINING AND SKILLS DEVELOPMENT

All the private sector institutions active in the gambling market spent a percentage of their GGR on training and skills development. This ranged between 0,1 % and 10 % of GGR. On average, 0,6 % of GGR was allocated to training and skills development in 2000.

4.12 GOVERNMENT INCOME

The input-output model also generates the total amount paid to government in the form of taxes. A total of R2,571 billion was transferred to central government in 2000. This was constituted as follows:

- Company tax R 392,8 million
- Personal income tax paid by employees R 849,1 million
- VAT R 1 330,0 million

An additional R580,3 million was paid to provinces in the form of provincial taxes and levies.

TABLE 4.7
COMPANY TAX, PERSONAL INCOME TAX, VAT AND PROVINCIAL TAX/LEVY
PAID BY THE GAMBLING INDUSTRY BY PROVINCE, 2000

Province	Company tax ¹⁾ Rm	Personal income tax Rm	VAT Rm	Provincial tax/ Levy ²⁾ Rm
Eastern Cape	20,4	52,9	69,0	23,8
Free State	15,3	34,1	53,0	7,0
Gauteng	189,8	398,8	630,9	297,7
KwaZulu-Natal	48,5	96,9	173,3	77,2
Limpopo	7,1	16,2	24,8	6,4
Mpumalanga	16,2	36,4	54,2	20,3
North West	52,7	125,9	175,3	34,8
Northern Cape	2,8	8,5	9,7	2,3
Western Cape	40,0	79,4	149,8	110,8
Total	392,8	849,1	1330,0	580,3

- 1) Taxes paid to government resulting from initial, indirect and induced impacts of the gambling sector.
- 2) Figure for year ended 31 March 2002.

4.13 SMME DEVELOPMENT AND EMPOWERMENT

The government assigned a high priority to the opening-up of opportunities to previously disadvantaged communities. Opportunities in newly created businesses or sectors such as the gambling industry can be created through a variety of means, including ownership, employment, management and SMME development.

The questionnaire distributed to the private sector institutions in the gambling sector contained a separate set of questions regarding empowerment issues and SMME development. As typically experienced in mail surveys, a 100 % response rate was not forthcoming. The rest of this section presents some of the remarks by respondents with reference to their efforts to comply with empowerment and related issues.

4.13.1 SMME development

The following approaches are followed with regard to SMME involvement:

- (a) Our procurement policy provides for SMMEs to be given preference for all contracts of R7,5 million and below.

- (b) Training and mentoring has been provided over a period of two years for eleven newly created SMMEs. This is an ongoing initiative.
- (c) Finance and start up was provided for several newly created SMMEs. They have been given exclusive service contracts.
- (d) Preference is given to SMMEs provided that quality and pricing is competitive.
- (e) An SMME database facilitates inviting SMMEs to participate.
- (f) During the construction phase, 14 % of the construction value was subcontracted to local SMMEs, which included the transfer of managerial skills and training in all aspects of construction technology to the SMMEs by the major contractor.
- (g) Retail facilities at the casino comprise almost forty tenants, of which more than half are SMMEs. The majority of SMMEs are owned by Africans.
- (h) Several subcontracting arrangements have been concluded with SMMEs owned by HDIs.
- (i) Offices, shops and crèche facilities have been provided to the local community trust.
- (j) 64 % of purchases year-to-date (2001/02) from SMMEs.
- (k) A procurement protocol is implemented to identify and support locally based SMME suppliers and service providers.
- (l) The empowerment profile of subcontractors is a key determinant for selection.

4.13.2 Empowerment

The following empowerment actions illustrate the involvement of historically disadvantaged individuals (HDIs):

- (a) HDIs directly owned 50 % of equity. Initially HDIs had an option to buy 50 % but after 18 months they could not raise funding from any institutions. The casino company then provided equity as a funder of last resort.
- (b) 50 % of equity is directly owned by HDIs. Casino provided equity as a funder of last resort.
- (c) HDIs represent 50 % of the nonexecutive directors in the licensee company.
- (d) HDIs represent 20 % of the executive directors in the management company.

- (e) HDIs are preference shareholders of the company.
- (f) Two thirds of equity belongs to black empowerment companies.
- (g) 85 % of the directors of the licensee company are from HDIs.
- (h) All directors of the management company are HDIs.
- (i) 30 % of equity is indirectly owned by HDIs.
- (j) 28 % of equity is directly and 72 % indirectly owned by HDIs.

4.13.3 Corporate social responsibility and community upliftment

- (a) Establishment of a Trust funded from profits aimed at providing small-scale community level support through local NGOs.
- (b) Donation of several million rands for upgrading roads in the area.
- (c) Donations towards community development (R1 million per annum).
- (d) Creation of Community Development Trust kick started with several million rand and a further annual contribution of R1 million.

4.14 CONCLUDING REMARKS

Since the legalisation of the gambling industry in South Africa in 1994, major developments have taken place. The first permanent casino under the new dispensation open its doors in the latter half of 1998 while the National Lottery was launched in March 2000. The peak of the establishment of new casinos was during 2000. Major developments also took place during the 2001 and 2002 period. A flattening of construction activities may occur after 2002, while operational activities would probably continue to expand. However, the study period, extended only to 2000, implying that the economic contribution of the gambling sector as calculated, does not fully portray the eventual contribution of the sector to the South African economy. The study has, nevertheless, established a benchmark against which future developments can be measured.

The following mirror the contribution of the gambling sector to the South African economy in 2000:

- (a) For South Africa as a whole, the initial GDP generated by the gambling sector amounted to R3,045 billion in 2000. This amount is multiplied by direct and induced effects to a total GDP contribution of R9,127 billion. This represents an initial contribution of 0,38 % with a further 0,75 % indirect contribution to the South African GDP in 2000. The GDP multiplier is 3,00 meaning that for every R100 spent by the gambling sector, another R200 is generated in other sectors of the economy as a result of the initial development of the gambling sector.
- (b) The contribution of the gambling sector ranged from 0,08 % in Limpopo to 0,62% in North West. The two provinces with the most advanced gambling sectors at the end of 2000 were North West and Gauteng with a GDP contribution of 0,62% and 0,61% respectively. This suggests a future contribution of the gambling sector of approximately 0,75 %, which may be less in the more rural-oriented provinces with lower population densities and concentrations.
- (c) In the 1997 to 2000 period a total of R10,1 billion was invested in the gambling industry. This amount represents 2,1 % of total fixed capital formation during this period in South Africa. The largest share of investment was allocated by Gauteng (53,5 %), the Western Cape (18,0 %) and KwaZulu-Natal (11,4 %).
- (d) Direct employment created by the gambling sector amounted to 16 103 jobs in 2000. Through an employment multiplier of 3,15, an additional 34 570 jobs were created. The majority of these jobs were in Gauteng (40,5 %), North West (20,6 %), Western Cape (10,9 %) and KwaZulu-Natal (9,8 %).
- (e) Total government income generated directly and indirectly through the gambling sector amounted to R2,6 billion in the form of company tax, personal income tax paid by employees and VAT payments. A further R580,3 million was directly paid to provinces in the form of provincial taxes and levies.

The above confirms a sizeable contribution of the gambling sector to the South African economy. This may increase slightly in future, until full maturity has been reached by the sector. Fixed investment will, however, reach a peak during the 2000 to 2002 period, after which it will level out.