Eastern Cape Zone 4
Casino Market Analysis and Feasibility
October 2015

On behalf of: eastern cape GAMBLING & BETTING BOARD

Undertaken by: Kayamandidevelopment Services
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DISCLAIMER

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# ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>BMR</td>
<td>Bureau of Market Research</td>
</tr>
<tr>
<td>CASA</td>
<td>Casino Association of South Africa</td>
</tr>
<tr>
<td>CIS</td>
<td>Corporate Incentive Scheme</td>
</tr>
<tr>
<td>dti</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>EBTs</td>
<td>Electronic Bingo Terminals</td>
</tr>
<tr>
<td>EC</td>
<td>Eastern Cape Province</td>
</tr>
<tr>
<td>ECDC</td>
<td>Eastern Cape Development Corporation</td>
</tr>
<tr>
<td>ECGBB</td>
<td>Eastern Cape Gambling and Betting Board</td>
</tr>
<tr>
<td>ECLGTA</td>
<td>Eastern Cape Local Government and Traditional Affairs</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FS</td>
<td>Free State Province</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
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<td>GGP</td>
<td>Gross Geographic Product</td>
</tr>
<tr>
<td>GGR</td>
<td>Gross Gaming Revenue</td>
</tr>
<tr>
<td>GP</td>
<td>Gauteng Province</td>
</tr>
<tr>
<td>GVA</td>
<td>Gross Value Added</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>KSD</td>
<td>King Sabata Dalindyebo</td>
</tr>
<tr>
<td>KZN</td>
<td>KwaZulu-Natal Province</td>
</tr>
<tr>
<td>LM</td>
<td>Local Municipality</td>
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<tr>
<td>LP</td>
<td>Limpopo Province</td>
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<tr>
<td>LPMs</td>
<td>Limited Payout Machines</td>
</tr>
<tr>
<td>LSM</td>
<td>Living Standard Measure</td>
</tr>
<tr>
<td>MP</td>
<td>Mpumalanga Province</td>
</tr>
<tr>
<td>NC</td>
<td>Northern Cape Province</td>
</tr>
<tr>
<td>NEF</td>
<td>National Empowerment Fund</td>
</tr>
<tr>
<td>NGB</td>
<td>National Gambling Board</td>
</tr>
<tr>
<td>NW</td>
<td>North West Province</td>
</tr>
<tr>
<td>SA</td>
<td>South Africa</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>SMME</td>
<td>Small, Medium and Micro-sized Enterprises</td>
</tr>
<tr>
<td>THR</td>
<td>Traditional Horse Racing</td>
</tr>
<tr>
<td>VFR</td>
<td>Visiting Friends and/or Relatives</td>
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<tr>
<td>WC</td>
<td>Western Cape Province</td>
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<tr>
<td>WSU</td>
<td>Walter Sisulu University</td>
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</table>
CEO FOREWORD

The Eastern Cape Gambling and Betting Board’s central mandate is the effective regulation of all gambling and betting activities in the province. This is a monumental but critical task which demands continuous improvement and refinement to ensure we remain the most efficient and empowering regulator possible.

Awarding the last of the province’s five casino licences, earmarked for the Zone 4 region, has proven uniquely challenging, due in large part to this region having been plagued by unresolved land claims. These land accessibility issues have frustrated the Board’s efforts to award a licence, which has resulted in there being no construction of a casino in this region.

The Board first attempted to award the licence back in 2006, but the preferred bidder at that time made the decision to abandon the licence. The Board subsequently awarded the licence to another bidder, but this licence, too, was abandoned.

In support of our renewed efforts to award this licence in Zone 4, the ECGBB commissioned a market feasibility study, which was completed this year. The study has yielded much-needed empirical evidence which will assist both the Board and potential bidders in making informed and contextual decisions during and related to this process.

A critical consideration in the awarding of this final licence is the fact that a sustainable and high-potential growth investment is needed, which will complement both the national and provincial development agenda.

Casino Market Analysis and Feasibility Study is one of the Board’s most comprehensive and insightful research studies to date. Undoubtedly, the pages that follow render objective and well-researched findings and observations which will greatly benefit the process of awarding the Zone 4 licence.

Specifically, this study will assist prospective bidders with decision making and with the compilation of a well-rounded proposal for the consideration of the Board. To this end, this study has:

- compiled recent reports from various government departments for ease of reference and understanding;
- unravelled the gambling industry and summarised the key aspects that will be vital for investors’ consideration;
- articulated market sizes and catchment areas through insightful graphs, tables and diagrams;
- demarcated the towns in the region and further dismantled them to focus on the key facts through demographics, economic profiling and government priorities and investments; and
- designed various models for determining the casino market and revenue potential.

The licensing of a casino in the region would make a meaningful contribution towards the various government priorities by:

- attracting investment;
- creating sustainable jobs;
- stimulating further economic activity;
- increasing the Gross Domestic Product;
- stimulating the tourism industry; and
- empowering designated and vulnerable groups.
This research report offers a balanced approach and provides potential investors with assurance of a thriving market potential in the area. The Board appreciates the production of the report as it will surely advance the process of awarding a casino license in the Zone 4 area.

MR R.M. ZWANE
CHIEF EXECUTIVE OFFICER
EXECUTIVE SUMMARY

This study, undertaken by Kayamandi Development Services (Pty) Ltd for the Eastern Cape Gambling and Betting Board, serves as a market analysis and feasibility study for the development of a casino in Zone 4 in the Eastern Cape Province. The study is based on a thorough literature survey of national, Eastern Cape and Zone 4 gambling and development documentation as well as primary data collection relating to over 600 household surveys, 100 business surveys, public focus group sessions and stakeholder interviews.

In order to identify the most suitable town for a casino, the sixteen largest towns/settlements within Zone 4 were identified. These towns were narrowed down to five based on the size and growth of the population and the economy. The five largest towns evaluated included Mthatha, Ngcobo, Maclear, Tsolo and Port St Johns.

Each of these towns were evaluated and ranked based on the following criteria: population size and growth, size and growth of the economy, household income levels, government priority and investment, tourism visitors and potential, settlement hierarchy, growth and development assets, growth prospects, regional accessibility and proximity to other casino’s. Based on this evaluation, Mthatha was by far the most suitable location for the development of a casino in Zone 4, being ranked first in 8 of the 12 evaluation criteria.

The selection of Mthatha as the proposed location for the casino is further motivated by the following:

- Mthatha is the third largest town in the Eastern Cape Province
- The realignment of the N2-Wild Coast Highway, which forms part of one of the 18 Strategic Integrated Projects identified in the National Infrastructure Plan, will stimulate economic growth, open up development opportunities in the town
- Mthatha is the third most visited city in the province, preceded only by Port Elizabeth and East London
- According to the Eastern Cape Development Corporation, more than 50% of the Eastern Cape population are located within the Former Transkei area and as a result, the retail sector in Mthatha is booming due to the levels of spending from people from surrounding catchment areas.
- A partnership between Walter Sisulu University and King Sabata Dalindyebo Municipality to develop a Mandela knowledge and cultural precinct in Mthatha.
- By 2030, the OR Tambo District is expected to be the third most significant economic hub in the province, with King Sabata Dalindyebo municipality working towards metro status.
- Mthatha is the major urban centre in the area, acting as the regional health and education centre, regional administrative centre and regional finance, insurance and real estate hub.
- The airport upgrading strengthens the role of Mthatha as a tourism gateway and business centre.
- The intersection of major road, rail, and airport infrastructure helps establish Mthatha as a potential distribution hub.
- The Wild Coast Agro-Industrial Special Economic Zone is also planned for the Mthatha area.
- Planned and prospective upgrades to the Umtata-to-East London rail system will ease freight transport and open new areas of the economy.

In order to identify the market area for the proposed casino, the geographic locality of households were used in combination with their frequency for visiting Mthatha to establish a generalised spatial distribution of prospective primary, secondary and tertiary catchment areas. The boundaries are roughly, Primary catchment 10 kilometres, Secondary catchment up to 40 kilometres and tertiary catchment area up to 100 kilometre buffer area outside the town boundary of Mthatha.
Primary, secondary and tertiary catchment areas of a proposed casino in Mthatha

The below table indicates the population and household counts according to their respective catchment areas, as well as a total for the catchment area of the proposed casino development.

**Mthatha Catchment population characteristics, 2011**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population total</td>
<td>415 191</td>
<td>634 417</td>
<td>1 576 411</td>
<td>2 626 019</td>
</tr>
<tr>
<td>Household total</td>
<td>101 532</td>
<td>132 896</td>
<td>369 922</td>
<td>605 350</td>
</tr>
<tr>
<td>Average persons per household</td>
<td>4.04</td>
<td>4.77</td>
<td>4.26</td>
<td>4.33</td>
</tr>
<tr>
<td>Density (persons per km²)</td>
<td>192</td>
<td>80</td>
<td>48</td>
<td>61</td>
</tr>
<tr>
<td>Share of population over 18</td>
<td>58%</td>
<td>51%</td>
<td>53%</td>
<td>53%</td>
</tr>
<tr>
<td>Dominant gender (females)</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>38%</td>
<td>48%</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>Labour force participation rate</td>
<td>41%</td>
<td>20%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Average monthly income</td>
<td>R 6 192</td>
<td>R 2 565</td>
<td>R 3 099</td>
<td>R 3 952</td>
</tr>
<tr>
<td>LSM 1-4: Low income share</td>
<td>74%</td>
<td>88%</td>
<td>85%</td>
<td>83%</td>
</tr>
<tr>
<td>LSM 5-7: Middle income share</td>
<td>17%</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>LSM 8-10: High income share</td>
<td>9%</td>
<td>2%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Census 2011 and Kayamandi calculations

The approach that is adopted in this market demand study is essentially that of agent-based modelling. The principle being that the understanding and quantification of the market demand can be obtained by examining the behaviours and propensities of individuals (“agents”) and aggregating or scaling-up
those behaviours to the market catchment as a whole. Market demand was assessed from both a qualitative and a quantitative perspective. From a qualitative perspective, the research enabled establishing how casinos are perceived and positioned in relation to other forms of gambling, gaming and entertainment. From a quantitative perspective, the research modelled and enabled determining an estimate of the frequency of visiting casinos and the amount that will be spent, in order to derive an estimate of the gross gaming revenue for the proposed casino located in Zone 4. In order to determine the casino market demand and revenue potential, three separate models were developed:

- **Propensity to gamble per mode** - applying the latest national known national propensity to gamble to the Mthatha catchment area per mode
- **Visitors to Mthatha** - applying household survey findings regarding share of regular visitors to Mthatha, the frequency of visits to a casino as well as scenarios for casino spend per visit.
- **Casino gamblers** - based on determining the gamblers from the catchment population over 18 years of age and applying the share of gamblers who will gamble at a casino in Mthatha.

The results of the models based on Gross Gaming Revenue are:

- **Model 1: Propensity to gamble** – R195 million
- **Model 2: Visitors to Mthatha** – R113-R142 million
- **Model 3: Casino gamblers** – R166 million

Depending on the model, visitors to the casino are estimated to be between 596 000 and 755 000 in 2015. This is twice the number of current visitors to the Queens casino in the Eastern Cape. Furthermore, based on the latest available casino visitor numbers (2012), the proposed casino visitors’ numbers conservatively compares favourably with the following casinos:

- Wild Coast sun in the Eastern Cape
- Graceland in Secunda in Mpumalanga
- Khoroni in Thohoyandou in Limpopo
- Blackrock in Newcastle in KZN
- Morula Sun in Mabopane in Gauteng
- Flamingo in Kimberley in Northern Cape
- Carousel in Hammanskraal in the North West
- Golden Valley Casino in Western Cape

Based on the aforementioned and in comparison with proxies, our analysis supports the development of a new casino in Mthatha in Zone 4, with between 12 and 15 gambling tables and between 250 and 350 slot machines.

The majority of households (95%) from the catchment indicated that they would support the development of a casino complex in Mthatha. More than half of all the households would mostly go to the complex accompanied by their family and children. It is for this reason that the complex needs to cater for family friendly facilities and activities. The focus groups revealed that there is a need for leisure and entertainment in Mthatha and as a result a casino complex would be supported by the vast majority of people mainly because people will not have to travel far. Ideally, they stated that the development should include a cinema and other entertainment facilities. Furthermore, 81% of businesses interviewed believed that Mthatha does not offer sufficient entertainment and night life facilities for both residents and to attract visitors/tourists, and as such the majority of businesses support the development of a casino complex. The National African Chamber of Commerce and Industry (NAFCOC) also indicated that the development will definitely have positive spin-offs as there is a shortage of facilities and infrastructure in Mthatha therefore once these are developed more businesses start-ups will be encouraged. The LED Department of King Sabata Dalindyebo Municipality, the Eastern Cape Development Corporation and Oliver Tambo Development Agency indicated that there is definitely a market for gambling and entertainment in Mthatha and that they support the development.
Due to the need for casino complexes to be themed and unique it is expected that the development could be linked to the local heritage, cultural and tourism offerings, taking advantage of the Nelson Mandela legacy, King Sabata Dalindyebo as well as the Xhosa village identity and culture. Important aspects that need to be addressed in the development are:

- Create and ensure a safe and secure environment, based on the crime and violence in Mthatha
- Provide consumers with a greater choice of entertainment at a regional level as there is currently a lack of sophistication and hierarchy in existing entertainment facilities both within Mthatha and the surrounding catchment areas. The proposed development will thus also assist in both capturing the leakage from Mthatha as well as attracting a larger market
- Create a family/children friendly environment with entertainment facilities for all age groups
- Develop a higher order entertainment node possibly linking to existing facilities to generate sufficient energy and interest rather than a small island development on its own.

Based on the feedback from households, businesses, government and stakeholders together with an initial feasibility analysis, it is proposed that the following also be developed as part of the complex:

- A hotel with ranging between 50 and 150 rooms. It should however be noted that a hotel is under construction at the new BT Ngebs Mall although exact details are unknown. It is thus suggested that depending on possible location of the casino complex and the impact on the market, the feasibility may need to be further investigated.
- Conference venue with flexible arrangements to cater for different types and sizes of events/functions
- Restaurants/live entertainment/showbar/sports screenings/swimming pool and bar for residents
- In order to enhance the proposed theme, it is additionally suggested that an outside boma also be considered, to provide a truly African meeting venue around the central fireplace.
- Tent/marquee platform for additional outside events
- Children day care/child minding facilities
- Large indoor children/family play/activity zone which could include a games arcade, bowling alley, gym, pool hall, table tennis, magic shows, children’s videos and TV games
- An outdoor children/family play/activity zone which could include a children’s day visitor centre filled with loads of activities and games, swimming pool possibly with a small waterpark, petting zoo, archery, skate boarding, bicycle track, go carts, picnic facilities
- Cinemas
- Shops, restaurants and take-aways

Note that depending on the bid award process and the chosen location for the casino complex in relation to existing facilities, the planned facilities should be complementary to that existing and further develop the node and offerings, rather than a duplication.

The establishment of the proposed casino complex will bring noticeable positive economic benefits to the Eastern Cape economy. The expenditure for the development and operation of the casino complex will generate value-added through direct, indirect and induced impacts. This will benefit government revenue, employment creation, new business sales, employment creation, etc. With regard to the social impact, a number of positive and negative impacts might arise from the casino complex development. Positive impacts include: community development, skills development, SMME procurement and development, social investment and improved quality of life, etc. Negative impacts include: family life and health deterioration, increase in crime and violence risks, increased pressure on infrastructure and services. When considering the positive impacts in relation to the negative, it should be noted that the casino complex will give consumers an additional choice of entertainment, could assist with eradicating illegal gambling, generate considerable tax revenue, fund other infrastructure including roads, etc. It is thus concluded that the anticipated impacts from the proposed casino complex development outweighs the negative impacts to such as degree that the
overall net economic and socio-economic impact is that of a positive impact to households, the community, SMMEs, and the economy.
Based on the feasibility analysis herewith the size, levels and scale of the potential casino complex development:

<table>
<thead>
<tr>
<th>Type</th>
<th>2015 Estimates</th>
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<tbody>
<tr>
<td>Development cost</td>
<td>R300 – R400 million</td>
</tr>
<tr>
<td>Estimated size</td>
<td>6500 - 8 500 m²</td>
</tr>
<tr>
<td>Number of visitors</td>
<td>600 000 - 750 000</td>
</tr>
<tr>
<td>Gross Gaming Revenue</td>
<td>R155 million</td>
</tr>
<tr>
<td>Revenue from other sources</td>
<td>R40 million</td>
</tr>
<tr>
<td>Total employment</td>
<td>350 - 450</td>
</tr>
<tr>
<td>Labour remuneration</td>
<td>R35 - R40 million</td>
</tr>
<tr>
<td>Casino levies paid to government</td>
<td>R8 million</td>
</tr>
</tbody>
</table>
1. INTRODUCTION AND PROJECT DESCRIPTION

1.1. INTRODUCTION

This study, undertaken by Kayamandi Development Services (Pty) Ltd, serves as a market analysis and feasibility for the development of the fifth and final casino, in zone 4, in the Eastern Cape Province. This study is undertaken on behalf of the Eastern Cape Gambling and Betting Board in order to justify whether or not a potential market exists for issuing a final request for proposals regarding a Casino Licence in the Eastern Cape Province.

1.2. BACKGROUND TO PROPOSED CASINO DEVELOPMENT

The Eastern Cape Gambling and Betting Board (ECGBB) was established by section 3 of the Gambling and Betting Act, 1997 (Act No. 5 of 1997) (EASTERN CAPE) (as amended) (“the Act”) which was brought into operation by various Proclamations, the initial Proclamation being Proclamation No. 5 of 1997 of 9 July 1997. The objective of the Board is to oversee all gambling and betting activities in the Province and matters incidental thereto, contemplated in the Act and to advise the Member of the Executive Council of the Province for Economic Affairs with regard to gambling matters and to exercise certain further powers contemplated in the Act.

Amongst the many functions of the Board are the licensing of the legal gambling industry, the regulation of licence holders, the collection of gambling taxes on behalf of the Province and taking steps to ensure the abolition of unlicensed gambling. In this regard, the Board undertakes licensing investigations and may issue and revoke licences and determine the conditions which apply to any licence.

With regards to Casinos, the Eastern Cape currently has four active casinos. The Eastern Cape Province has however been allocated five casino licenses out of a total of 40 such licenses across the country. These five licenses have been allocated to demarcated zones in order to ensure a geographic spread in casino gambling activities. The licence in Zone 4, the purpose of this feasibility, has not yet been awarded.

With regards to Zone 4, a licensing process took place in 2006. Peermont Global was chosen as the preferred Applicant but abandoned their licence. The licence was subsequently awarded to Elonwabeni Resorts (Pty) Ltd, but the licence was later abandoned too. The Board also issued a draft request for proposals for a casino licence in Zone 4 during 2013. However, during 2013 licensing process, it is understood that none of the major casino operators showed any interest in the casino licence. It is believed that the historic land claim issues in Mthatha together with the licensing of a bingo hall during 2013 contributed to the lack of interest shown.

Various provisions in the Act describe the policy objectives for developing a legal gambling industry in the Province. These objectives are, inter alia:

- To provide for participation in the ownership or profits of the Licensees by persons, or groups or categories of persons of the Province, previously disadvantaged by unfair discrimination;
- To promote tourism at such place where the Licensed Premises will be situated and in the Province in general;
- To create sustainable employment opportunities in the Province in general;
- To develop non-metropolitan areas;
- To ensure provision by the Licensee of training and skills to its employees;
- To stimulate the Local economy through procurement by the Licensee of labour, goods and services within the Province for the construction and operation of the Casino;
To ensure provision by the Licensee of facilities, advantages or contributions for the benefit of, or for utilisation or enjoyment by any needy community, or any persons or groups or categories of persons, previously disadvantaged by unfair discrimination;

- To enhance neighbourhoods and the environment;
- To provide entertainment facilities to members of the public; and
- To contribute to the eradication and/or prevention of incidents of illegal gambling

In addition, the introduction of a Casino in Zone 4 should result in meaningful empowerment of and participation by the local community.

1.3. OVERVIEW OF STUDY AREA: ZONE 4 IN PERSPECTIVE

The below Diagram provides an indication of the boundaries of Zone 4 in relation to the other zones in the Eastern Cape.

Diagram 1.1: Eastern Cape Casino Zones

The different zones cover:

- **Zone 1**: The magisterial districts of Aberdeen, Adelaide, Alexandria, Bathurst, Bedford, Despatch, Fort Beaufort, Grahamstown, Hankey, Humansdorp, Jansenville, Jeffrey’s Bay, Joubertina, Kirkwood, Pearston, Port Elizabeth, Somerset East, Stilteville, Uitenhage, and Willowmore. A licence was issued to Emfuleni Resorts (Pty) Ltd in Zone 1 and exclusivity was tendered and accepted by the Board. As a result of the exclusivity a second licence cannot be awarded in this Zone for the duration of the exclusivity. This licence is valid until 01 October 2025.

- **Zone 2**: The magisterial districts of Alice, Butterworth/Gcuwa, East London, Dutywa, Centane, Keiskammahoek, King William’s Town, Komga/Qurmha, Mdantsane, Middledrift, Ngqamakwe, Peddie/Nqgushwa, Seymour, Stutterheim, Tsomo, Willowvale, and Zwelitsha. The Board has
awarded a licence to Tsogo Sun Emonti (Pty) Ltd who have paid for exclusivity, similar to Zone 1 above. This licence and the exclusivity are valid until 25 September 2026.

- **Zone 3**: The magisterial districts of Aliwal North; Barkly East; Cathcart; Cradock; Lady Frere; Graaff-Reinet; Sterkspruit; Sada/Whittlesea; Hofmeyer; Lady Grey; Middelburg; Molteno; Queenstown; Cofimvaba; Sterkstroom; Steynsburg; Tarkastad and Venterstad. Following a licensing process which commenced in 2006, the Board granted a licence to Lukhanji Leisure (Pty) Ltd for a period of ten (10) years and they commenced operations 21 December 2007. This licence is valid until 20 December 2017.

- **Zone 4**: The magisterial districts of Elliot; Elliotdale; Ngcobo; Libode; Maclear; Mqanduli; Nqeleni; Port St John’s; Qumbu; Tsolo and Mthatha.

- **Zone 5**: The magisterial districts of Mbizana; Flagstaff; Lusikisiki; Matatiele; Maluti; Mount Ayliff and Mount Fletcher. Following a licensing process that took place in 2007/8 one application from Transkei Sun International (Pty) Ltd trading as Wild Coast Sun was received by the Board. A licence was awarded to this Applicant but exclusivity was not sought. This licence is valid until 31 August 2019.

**Zone 4** covers the area located towards the north westerly side of the Eastern Province and is situated along the coast. The following four district municipalities and ten local municipalities form part of **Zone 4**(as shown in the below Diagram):

- **Oliver Tambo District**: Port St Johns Local Municipality, Nyandeni Local Municipality, Mhlontlo Local Municipality, and King Sabata Dalindyebo Local Municipality
- **Amathole District Municipality**: Mbhase Local Municipality
- **Chris Hani District Municipality**: Emalahleni Local Municipality, Engcobo Local Municipality, and Sakhisizwe Local Municipality
- **Joe Gqabi District Municipality**: Elundini Local Municipality, and Senqu Local Municipality

**Diagram 1.2: Zone four in relation to District and Local Municipalities**
The area consists of various major towns such as Mthatha, Port St. Johns, Qumbu, Lusikisiki, Tsolo, Willowvale, Mbizana, Mthatha and Ngcobo.

The below table indicates the population in each of the local municipalities of Zone 4 for 2001 and 2011, as well as the annual growth rate from 2001 to 2011.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Elundini LM</td>
<td>137 860</td>
<td>138 143</td>
<td>0.02%</td>
</tr>
<tr>
<td>Emalahleni LM</td>
<td>122 101</td>
<td>119 462</td>
<td>-0.22%</td>
</tr>
<tr>
<td>Engcobo LM</td>
<td>162 260</td>
<td>155 513</td>
<td>-0.42%</td>
</tr>
<tr>
<td>King Sabata Dalindyebo (KSD) LM</td>
<td>415 948</td>
<td>451 713</td>
<td>0.83%</td>
</tr>
<tr>
<td>Mbhashe LM</td>
<td>263 432</td>
<td>254 907</td>
<td>-0.33%</td>
</tr>
<tr>
<td>Mhlontlo LM</td>
<td>203 748</td>
<td>188 223</td>
<td>-0.79%</td>
</tr>
<tr>
<td>Nyandeni LM</td>
<td>273 858</td>
<td>290 394</td>
<td>0.59%</td>
</tr>
<tr>
<td>Port St Johns LM</td>
<td>146 422</td>
<td>156 135</td>
<td>0.64%</td>
</tr>
<tr>
<td>Sakhisizwe LM</td>
<td>66 272</td>
<td>63 580</td>
<td>-0.41%</td>
</tr>
<tr>
<td>Senqu LM</td>
<td>135 796</td>
<td>134 149</td>
<td>-0.12%</td>
</tr>
</tbody>
</table>

Source: Census, 2001 and 2011 and Kayamandi Calculations

In 2011, the ten Municipalities that cover Zone 4 comprised of a population of nearly 2 million people, with an average population growth of 0.13% per annum. Whereas the 2011 population contained within the boundaries of zone 4 in 2011, based on the Census 2011 small areas that cover zone 4, comprised of approximately 1,307,500 people.

KSD Local Municipality is the area with the largest population, boasting with a figure of 450,000 people in 2011. Next Nyandeni Local Municipality has 290 000 followed by Mbhashe Local Municipality with 250,000 people in 2011. KDS Local Municipality experienced the largest growth, with an annual growth rate of 0.83% over the ten year period from 2001 to 2011, followed by Port St. John’s Local Municipality with annual growth rate of 0.64% over the same time period. Mhlontlo Local Municipality experienced the largest decline in population with a growth rate of -0.79% between 2001 and 2011.

The below table provides an outline of the number of households within the different local municipalities in Zone 4. In 2011, the municipalities within Zone 4 has approximately 463,000 households, while the total number of households contained within the boundaries of zone 4 totalled approximately 300,700 households.

<table>
<thead>
<tr>
<th>Local Municipality</th>
<th>Households 2001</th>
<th>Households 2011</th>
<th>Household growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elundini LM</td>
<td>33 834</td>
<td>37 854</td>
<td>1.1%</td>
</tr>
<tr>
<td>Emalahleni LM</td>
<td>27 611</td>
<td>31 682</td>
<td>1.4%</td>
</tr>
<tr>
<td>Engcobo LM</td>
<td>34 343</td>
<td>37 212</td>
<td>0.8%</td>
</tr>
<tr>
<td>King Sabata Dalindyebo LM</td>
<td>90 534</td>
<td>105 241</td>
<td>1.5%</td>
</tr>
<tr>
<td>Mbhashe LM</td>
<td>55 311</td>
<td>60 122</td>
<td>0.8%</td>
</tr>
<tr>
<td>Mhlontlo LM</td>
<td>44 400</td>
<td>43 412</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Nyandeni LM</td>
<td>54 972</td>
<td>61 647</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
Local Municipality | Households 2001 | Households 2011 | Household growth
---|---|---|---
Port St Johns LM | 29 398 | 31 718 | 0.8%
Sakhisizwe LM | 15 314 | 16 153 | 0.5%
Senqu LM | 34 314 | 38 045 | 1.0%

Source: Census 2001 and 2011, and Kayamandi Calculations

The Mhlontlo Local Municipality is the only municipality within Zone 4 to record a negative annual growth rate in terms of household numbers (-0.2%) between 2001 and 2011, which correlates with the decrease in population growth recorded between the same period. In 2011, the households within the municipalities that cover Zone 4, as well as the households contained within the boundaries of zone four had an average of approximately 4.2 persons per household, which is far higher than the national average of 3.6 persons per household. Out of the ten municipalities that cover Zone 4, eight municipalities, namely; Emalahleni, Engcobo, King Sabata Dalindyebo, Mbhashe, Mhlontlo, Nyandeni, Port St Johns and Sakhisizwe Local Municipalities, have a higher average household size than the national average.

The table below provides the Gross Value Added (GVA) and economic growth for the Eastern Cape as well as the four district municipalities and ten local municipalities which forms part of Zone 4.

<table>
<thead>
<tr>
<th>REGION</th>
<th>2003 (R 'millions)</th>
<th>2013 (R 'millions)</th>
<th>Growth per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>101 193</td>
<td>138 874</td>
<td>3.2%</td>
</tr>
<tr>
<td>Amatole District Municipality</td>
<td>29 420</td>
<td>41 517</td>
<td>3.5%</td>
</tr>
<tr>
<td>Mbhashe LM</td>
<td>1 049</td>
<td>1 796</td>
<td>5.5%</td>
</tr>
<tr>
<td>Chris Hani District Municipality</td>
<td>7 530</td>
<td>10 123</td>
<td>3%</td>
</tr>
<tr>
<td>Emalahleni LM</td>
<td>564</td>
<td>542</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Engcobo LM</td>
<td>764</td>
<td>1 305</td>
<td>5.5%</td>
</tr>
<tr>
<td>Sakhisizwe LM</td>
<td>513</td>
<td>597</td>
<td>1.5%</td>
</tr>
<tr>
<td>Joe Gqabi District Municipality</td>
<td>3 082</td>
<td>5 143</td>
<td>5.3%</td>
</tr>
<tr>
<td>Elundini LM</td>
<td>874</td>
<td>2 145</td>
<td>9.4%</td>
</tr>
<tr>
<td>Senqu LM</td>
<td>978</td>
<td>1 252</td>
<td>2.5%</td>
</tr>
<tr>
<td>OR Tambo District Municipality</td>
<td>11 133</td>
<td>21 355</td>
<td>6.7%</td>
</tr>
<tr>
<td>Port St Johns LM</td>
<td>513</td>
<td>777</td>
<td>4.2%</td>
</tr>
<tr>
<td>Nyandeni LM</td>
<td>1 334</td>
<td>2 580</td>
<td>6.8%</td>
</tr>
<tr>
<td>Mhlontlo LM</td>
<td>1 107</td>
<td>2 479</td>
<td>8.4%</td>
</tr>
<tr>
<td>King Sabata Dalindyebo LM</td>
<td>5 113</td>
<td>8 306</td>
<td>5%</td>
</tr>
<tr>
<td>Total (Local Municipalities GVA)</td>
<td>12 809</td>
<td>21 780</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Source: Quantec, 2015 and Kayamandi Calculations

The Eastern Cape Province experienced a growth of 3.2% in GVA per annum during 2003 to 2013. The district municipality with the highest growth in zone 4 was O.R Tambo District (6.7% p.a) followed by Joe Gqabi (5.3% p.a). Elundini Local Municipality experienced the highest growth with a growth of 9.4% p.a, followed by Mhlontlo and Nyandeni Local Municipalities with 8.4% and 6.8% growth per annum respectively. The total GVA for all the local municipalities in zone 4 for 2013, constitutes 16% of the Eastern Cape’s total GVA.
The table below provides the sectoral contributions and growth rates per municipality in zone 4.

**Table 1.4: Total combined sectoral GVA and growth for municipalities covering Zone 4**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2003 (R’ millions)</th>
<th>2013 (R’ millions)</th>
<th>Growth per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>375</td>
<td>822</td>
<td>8.2%</td>
</tr>
<tr>
<td>Mining</td>
<td>62</td>
<td>35</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>830</td>
<td>3 083</td>
<td>14%</td>
</tr>
<tr>
<td>Utilities</td>
<td>172</td>
<td>165</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Construction</td>
<td>304</td>
<td>597</td>
<td>7%</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>1 888</td>
<td>3 472</td>
<td>6.3%</td>
</tr>
<tr>
<td>Transport &amp; communication</td>
<td>841</td>
<td>1 543</td>
<td>6.3%</td>
</tr>
<tr>
<td>Finance &amp; business services</td>
<td>2 296</td>
<td>4 302</td>
<td>6.5%</td>
</tr>
<tr>
<td>Community &amp; government services</td>
<td>6 041</td>
<td>7 762</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12 809</strong></td>
<td><strong>21 781</strong></td>
<td><strong>5.5%</strong></td>
</tr>
</tbody>
</table>

*Source: Quantec, 2015 and Kayamandi Calculations*

It is evident that the community and government services sector was the strongest contributors towards the economy of Zone 4 in 2013, followed by finance and business services and wholesale and retail trade. Manufacturing was also relatively strong in comparison to the other sectors; however it is necessary to note that it recorded the largest growth rate with 14% growth per annum from 2003 to 2013. Agriculture also experienced a high growth rate of 8.2% per annum along with the construction sector with a per annum growth of 7%. The mining industry experienced the largest decline with a negative growth rate of 5.6% along with the utilities sector which experienced an average of 0.4% decline per annum over the ten year period.

The Table below provides the sectoral contributions towards total GVA per municipality in Zone 4.

**Table 1.5: Distribution of sectoral contribution towards local municipal GVA (2013)**

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Agriculture</th>
<th>Mining</th>
<th>Manufacturing</th>
<th>Utilities</th>
<th>Construction</th>
<th>Trade</th>
<th>Transport</th>
<th>Business services</th>
<th>Government services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elundini LM</td>
<td>3.8%</td>
<td>0.1%</td>
<td>11.9%</td>
<td>1.3%</td>
<td>3.5%</td>
<td>12.7%</td>
<td>6.2%</td>
<td>33.3%</td>
<td>27.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Emalahleni LM</td>
<td>1.4%</td>
<td>0.4%</td>
<td>8.2%</td>
<td>0.1%</td>
<td>4.5%</td>
<td>26.3%</td>
<td>10.3%</td>
<td>4.4%</td>
<td>44.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Engcobo LM</td>
<td>1.7%</td>
<td>0.1%</td>
<td>3.3%</td>
<td>1%</td>
<td>1.7%</td>
<td>20.1%</td>
<td>10.5%</td>
<td>14.9%</td>
<td>46.7%</td>
<td>100%</td>
</tr>
<tr>
<td>KSD LM</td>
<td>3.2%</td>
<td>0.1%</td>
<td>14.5%</td>
<td>0.6%</td>
<td>2.3%</td>
<td>13.9%</td>
<td>7.7%</td>
<td>18.1%</td>
<td>39.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Mbhashe LM</td>
<td>1.6%</td>
<td>0.2%</td>
<td>6%</td>
<td>1.6%</td>
<td>2.3%</td>
<td>25.6%</td>
<td>6.8%</td>
<td>18.3%</td>
<td>37.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Mhlontlo LM</td>
<td>4%</td>
<td>0.1%</td>
<td>27.3%</td>
<td>0.1%</td>
<td>5.4%</td>
<td>18.9%</td>
<td>4.2%</td>
<td>18.3%</td>
<td>21.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Nyandeni LM</td>
<td>2.8%</td>
<td>0.5%</td>
<td>15.3%</td>
<td>0.8%</td>
<td>1.4%</td>
<td>19%</td>
<td>5.6%</td>
<td>18.3%</td>
<td>36.4%</td>
<td>100%</td>
</tr>
<tr>
<td>Port St Johns LM</td>
<td>20.3%</td>
<td>0%</td>
<td>28.8%</td>
<td>0.1%</td>
<td>3.8%</td>
<td>8.3%</td>
<td>12.2%</td>
<td>17.4%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>Sakhisizwe LM</td>
<td>2.4%</td>
<td>0.1%</td>
<td>3.9%</td>
<td>1.3%</td>
<td>2.1%</td>
<td>6.5%</td>
<td>6.7%</td>
<td>23.8%</td>
<td>53.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Senqu LM</td>
<td>5.3%</td>
<td>0.3%</td>
<td>8.9%</td>
<td>1%</td>
<td>2.9%</td>
<td>9.1%</td>
<td>5.8%</td>
<td>27%</td>
<td>39.6%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Quantec, 2015 and Kayamandi Calculations*
The following can be noted regarding the sectoral contribution of the Municipalities covering zone 4:

- **Agriculture:** With regards to the agricultural sector, Port St. John’s Local Municipality (20.3%) is the strongest of all ten municipalities, followed by Senqu Local Municipality (5.3%) and Elundini Local Municipality (3.8%) in 2013.

- **Mining:** The mining sector is not a strong sector in zone 4 as all of the municipalities’ contributions are below 1% each to the sector. Nyandeni Local Municipality is the highest contributor with 0.5%.

- **Utilities:** zone 4 does not have a strong utilities sector as the individual contributions do not exceed 2% each. Mbhashe Local Municipality contributed 1.6% to its utilities sector in 2013.

- **Construction:** Mhlontlo Local Municipality and Emalahleni Local Municipality contribute the largest share to their respective economies in the said sector, contribution 5.4% and 4.5% respectively to their respective municipalities’ construction sector.

- **Manufacturing:** Port St. Johns Local Municipality (29%) contribute the highest amount of revenue to the manufacturing sector when compared to the other nine municipalities in zone 4, and is closely followed by Mhlontlo (27%) Local Municipality. Engcobo Local Municipality had contributed the least (3.3%) in 2013.

- **Wholesale and retail:** The wholesale and retail sector is a strong sector in zone 4 as it had received a large portion of revenue from Emalahleni Local Municipality (26%), although other municipalities, such as Sakhisizwe Local Municipality (6%) do not have a strong wholesale sector.

- **Transport and Communication:** Port St. Johns Local Municipality (12%) contributes the greatest when compared to the other nine municipalities’ contributions. Mhlontlo Local Municipality contributes the lease with 5% in 2013.

- **Financial and Business services:** Within the financial and business services sector, Elundini Local Municipality (33%) is the strongest contributor, followed by Senqu and Sakhisizwe Local Municipality’s with 27% and 23.8% respectively.

- **Community and government services:** Nearly half of Sakhisizwe Local Municipality (53%) and Engcobo Local Municipality (47%) economy is dependent on the community and government services sectors.

### 1.4. STUDY APPROACH

This subsection provides the methodology and approach that was followed in undertaking this study. Diagram 1.3 provides a schematic representation of the methodology followed.

#### 1.4.1 STUDY INITIATION

An orientation meeting was held with the client at the end of April 2015 at which the project goal, objectives, and timeframe was finalised. During this step, an inception report was compiled.

**Deliverable:** Inception report complete with detailed methodology, literature review, preliminary catchment delineation, gaming industry in zone 4, and programme.

#### 1.4.2 LITERATURE REVIEW AND SECONDARY DATA COLLECTION

This step entailed providing an overview and perspective, based on secondary research, of gambling propensity in the country, Eastern Cape and Zone 4, which served as a basis for the primary data collection and provided useful background supply information.

**Deliverable:** Literature review on gaming industry in the country, Eastern Cape, and Zone 4.
Diagram 1.3: Overview of approach

**STEP 1: STUDY INITIATION**
- Orientation
- Study goal and objectives
- Inception report and work plan

**STEP 2: LITERATURE REVIEW AND SECONDARY DATA COLLECTION**
- Background literature
- Secondary data: socio-economic profiles
- Desktop understanding of propensity to gamble at casino

**STEP 3: PRIMARY DATA COLLECTION**
- List of stakeholders, roleplayers, gambling industry, research informants
- Design and test data collection tools and sampling approach
- Interviews: owners, regulatory bodies, competitors
- Fieldworker training
- Surveys: Gamblers, local businesses and public
- Demographic profile of gaming population and refined propensity to gamble

**STEP 4: CASINO MARKET REVENUE & FEASIBILITY DEMAND MODELLING**
- Potential sites and site churning
- Gaming revenue/turnover potential (size of gaming industry) of Zone 4
- Casino number of tables and slot machines
- Multiplier effect and impact of gaming industry: GDP, new businesses sales, employment
- Casino feasibility
- Complimentary products, facilities and infrastructure
- Casino socio-economic impact considerations

**STEP 5: REPORT COMPILATION**
- Provincial gambling profile and market demand per type
- Zone 4 revenue potential
- Casino socio-economic impact in Zone 4
- Comprehensive market analysis and feasibility report
- Recommendations for PDI / SMME involvement and ancillary developments
### 1.4.3 PRIMARY DATA COLLECTION

With regards to primary data collection, an important preparatory aspect was to identify target areas to surveyed/interviewed (see catchment delineation in Section 3 for detail in this regard) and to undertake all the preparatory work for the fieldwork. The below table provides detail on the primary data and sample per survey group collected. Consult Annexure A for detail regarding stakeholders interviewed.

**Table 1.6: Sample per survey group**

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<tr>
<th>Survey group:</th>
<th>Sample of Interviews</th>
<th>Type of information</th>
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| Owners of existing gambling establishments in Zone 4                         | - 4 Casino owners in the Eastern Cape  
- Interviews with 5 of the largest formal and betting and gaming entities within zone 4:  
  - 5 businesses with largest number of LPMs  
  - The only Horse betting tab in zone 4  
  - Book makers: Hollywood bets & lucky bets  
  - Ritz Bingo Mthatha                                                                 | Industry size, growth, participation profile of gambling, employment, etc. This will include competitor gaming industry in Zone 4.                                   |
| Regulatory bodies                                                            | - NGB  
- ECGBB  
- CASA                                                                                                                                  | Interrelationship with other industries, size of industry, etc.                      |
| General public                                                                | 6 focus groups sessions with approximately 10 to 15 participants each                                                                                                                                             | Sampled public perceptions of gambling to determine propensity to gamble, participation profile, gambling abuse, distributional effects, etc. |
| Households                                                                    | 589 telephonic interviews in E.C sampled from primary, secondary and tertiary catchment                                                                                                                             |                                                                                      |
| Operational and functional businesses and SMMEs in Mthatha                   | 100 telephonic businesses surveys with the following type of businesses in Mthatha:  
  - Tourism enterprises  
  - Businesses with LPMs  
  - Other enterprises, SMMEs, commercial, retail, etc.                                                                                                     | Knowledge and awareness of gaming industry and their view of the commercial market towards a casino development. |
| Comparator Casino’s                                                           | Interviews with Casino operators for:  
- Queens Casino in Queenstown in E.C  
- Blackrock Casino in Newcastle in KZN                                                                                                               | To obtain casino size, impact on economy, propensity to gamble of similar comparator Casinos situated within similar rural circumstances. |
| Other                                                                         | Approximately 10 interviews with key relevant roleplayers and stakeholders: such as ECDC, municipal officials from Mthatha, Eastern Cape Planning Commission, Intinga, ECPTA, ECSECC, NAFCOC, potential operators, office of the regional land claims commission. | Views and perceptions regarding ideal locations, propensity to gamble, desirability for Casino, etc. |
The following questionnaires were designed:
- Household questionnaire
- Business questionnaire
- Public focus group questionnaires
- Stakeholder interview sheets
- Potential site evaluation sheets

The business and household questionnaires were administered telephonically, during the first few weeks of June 2015. Interviewers fluent in Xhosa were trained and utilised to administer the questionnaires. Interactive interviews were also held with the identified interviewees of the target groups. During the in-depth interviews with the target groups, relevant information was obtained by means of open-ended interview sheets.

Note the following with regards to household sampling and the sample representivity:

**Household sample representivity:**
A representative sample of n=589 households, with household heads aged 18+years, were sampled from the study area catchment which in 2015 comprised of approximately 630,000 households. The sample size was determined based on a 95% confidence level and a confidence interval of less than 5.

In order to achieve a truly representative sample randomisation techniques were utilised to limit the subjectivity in the selection of areas and respondents. First, a sample was drawn stratified by the Primary, secondary and tertiary catchment. This approach ensured that the small rural populations of the area were also sufficiently covered. Within each sub-sample, the primary sampling unit, the settlement/town, was sampled through an approach known as “probability proportional to size” (PPS). Here towns/settlements were considered listed along with their associated populations. In line with this approach, the probability of a town/settlement being selected is then proportional to its population size. Towns were obtained by our in-house Geographical Information System expert to support the identification of town/settlements. Interviewers used random rules to identify the number of households per town/settlement from the list of contact numbers. At each selected household an interview with the head of the household was undertaken. In summary, the sample was stratified by area in order to divide the sample into more homogenous strata that ensured lower within-strata variability. Probability sampling was then conducted within each stratum. This was followed by a multi-stage approach where the towns were selected through the PPS approach, then households within the suburbs through random rules in field, and then within the households the head of the household was chosen, using the birthday rule if there was more than one head of the household. The returned data was then weighted back to be representative, based on the primary, secondary, and tertiary catchment’s household income levels. This strategy makes sense from the point of view that households in the major metropolitan areas are, according higher participants in gambling, and with higher income available for gambling.

Furthermore, a total of six focus group discussions were held with various community members within Mthatha. Approximately 10 - 15 residents, which were over the age of 18 years, from each ward, took part in the focus group discussions. To ensure that the overall perceptions and opinions of the residents of Mthatha were taken into account, focus groups discussions were held with residents from wards 4, 6, 9, 11, 13 and with students from Walter Sisulu University. Of all the discussions held, three were formally organised meetings held at specific venues while the other three were conducted informally with residents stopped along the street in Mandela Park, Zimbaneville and Mpindweni.

In order to determine the impact of a possible casino in the Zone 4, on business establishments, a business questionnaire was conducted with various businesses in Mthatha.
The business questionnaire was conducted with 100 businesses in Mthatha and surrounds with the following distribution of types:

- Gambling: 5
- Tourism: 33
- Other: 62
- Total: 100

A list of local businesses was established to form a sample frame based on various industry type searches and datasets such as Yellow Pages, Braby’s, etc.

Lastly, it is assumed that there is no significant difference in any self-report bias as it pertains to visiting Casinos compared to other gambling and gaming activities. This assumption is considered reasonable because respondents have no vested interest in the research outcomes, operating and playing Casinos is legal and any connotations associated with Casinos are not obviously differently from those associated with other gambling and gaming activities. This assumption is justified on the basis of practicability rather than on a logical or analytical basis.

**Deliverable:** Research instruments, list of stakeholders, trained fieldworkers, primary data gathered regarding the socio-economic dynamics of the gambling industry in Zone 4, qualitative data gathering workshops, and data analysis of the qualitative and quantitative data gathered.

1.4.4 CASINO MARKET REVENUE AND FEASIBILITY DEMAND MODELLING

The following range of activities was undertaken during this step:

- Identifying potential revenue to be generated by the casino over the licensing period of 20 years with a focus on benefits to the local economy
- Conducting a socio-economic impact assessment study of the proposed Casino with a focus on:
  - Benefits to the economy in terms of GGP, employment creation, increased household income, skill development, and SMME development
  - Potential social impact of gaming in Zone 4
- Compiling a feasibility analysis report

Three approaches were utilised to estimate the potential revenues for a Casino in Zone 4. These are detailed on in Section 4 of the report. The results were then compared with proxy casino establishments throughout the country. Market demand was assessed from both a qualitative and a quantitative perspective. From a qualitative perspective, the research enabled establishing how casinos are perceived and positioned in relation to other forms of gambling, gaming and entertainment. From a quantitative perspective, the research modelled and enabled determining an estimate of the frequency of visiting casinos and the amount that will be spend, in order to derive an estimate of the gross gaming revenue for the casino located in Zone 4. The market demand study is cross-sectional and not longitudinal. That is to say the market demand has been modelled and estimated as of June 2015. The methodology was not intended to establish or estimate the extent of growth in propensity to gamble at the proposed Casino as awareness of the availability and entertainment value grows over time.

**Deliverable:** Sustainable market demand analysis, market revenue, socio-economic impact and feasibility assessment for a casino in Zone 4.

1.4.5 FEASIBILITY REPORT COMPILATION

The purpose of this section, entailed compiling this feasibility report.

**Deliverable:** Comprehensive sustainable market demand analysis, feasibility, impact analysis, and recommendations for implementation of a casino in Zone 4.
1.5. CONTENTS OF FEASIBILITY

The following sections form part of the remainder of this feasibility:

- Growth and development prospects of zone 4
- Socio-economic profile of market catchment
- Market demand and revenue potential
- Casino complex development concept and recommendations
- Socio-economic impacts, risks and mitigations
2. GROWTH & DEVELOPMENT PROSPECTS OF ZONE 4

The spatial and economic planning related to Zone 4 can greatly impact the future demand of a casino complex development. As such, the purpose of this section is, firstly, to identify all possible spatial planning initiatives and economic and social development prospects for Zone 4 on a national, provincial, district and local municipal level. Secondly, this section investigates tourism trends and visitors number to the region in order to better understand the expected demand in terms of tourism and recreational facilities within the area. Lastly, based on the growth prospects, this section aims to investigate and compare various towns within Zone 4 in order to identify and determine which town is best suited for a casino complex development.

The remainder of this section is structured as follows:
- Future growth and development of Zone 4
- Zone 4 tourism trends
- Most suited town for a Casino Complex within Zone 4

2.1 FUTURE GROWTH AND DEVELOPMENT OF ZONE 4

This sub-section attempts to identify all current and planned projects and initiatives implemented or planned on a national, provincial, district and local municipal level, that could possibly affect the growth and development of Zone 4.

2.1.1 NATIONAL LEVEL PROSPECTS

The National Spatial Development Plan (NSDP) emphasizes the importance of channelling future settlement and economic development opportunities into economic activity corridors or nodes that link the main growth centres in the SA spatial economy. The NSDP further identified rural development as a national priority. Action Plan 6 was adopted by the 2011 July Cabinet Lekgotla - “Scaling up Rural-Development Programmes Including Investment in Rural Areas and the Revitalisation of Smaller Towns.” In order to implement this action plan and address the dire situation within the former Bantustan areas, the DRDLR was tasked to develop and implement an initiative that will address backlogs and public sector investment needs within 23 Districts that contain former homeland areas. Four of the 23 Districts, form part of Zone 4, namely OR Tambo, Chris Hani, Joe Gqabi and Amatole district municipalities.

The New Growth Path has also taken cognisance of the deep development deficits in rural areas in particular, and has placed revitalising rural development and challenging the legacy of the apartheid spatial economy among government’s top priorities for the medium-term. There is a focus on the historically disadvantaged areas- homelands/Bantustans- which were largely labour reserves. The challenge is to identify viable economic opportunities in these areas which have varied economic potential (e.g. land, water and proximity to markets). There is a strong emphasis for the need for increased public investment in these rural areas.

Based on the strategic direction for these former-homeland areas, the National Development Plan (NDP) Vision 2030 identified two interventions which affects the area of Zone 4, namely the substantial increase of investment in irrigation infrastructure in Umzimvubu River Basin, as well as building the N2 road through the Eastern Cape Province. The National Development Plan incorporates a National Infrastructure Development Plan, with a series of initiatives envisaged to transform South Africa’s economic landscape, virtually eliminate unemployment and improve the delivery of basic services. 18 Strategic Integrated Projects (SIPs) have been developed and approved by Cabinet and the Presidential Infrastructure Coordinating Commission (PICC) to support economic development
2.1.2 PROVINCIAL LEVEL PROSPECTS

The Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) in their Strategic Plan (2015-2019) identified the rapid advancement of rural development as a priority in order to address apartheid-created spatial distortions and poverty by rendering support of the establishment of Spatial Economic Zones in the Wild Coast and support to small towns through Small Town Support Programme.

The Provincial Growth and Development Plan (2004-2014), have identified the following opportunities within the Zone 4 area that could further economic development within the province:

- The Nelson Mandela Museum, in Umtata, Qunu (Mandela’s birthplace) and Mveso, can become a major local and international attraction, linked to the Wild Coast and to cultural tourism.
- The construction of the Wild Coast Toll Road will provide a major boost to the former Transkei economy, linking Pondoland with the rest of the Province and opening new areas for tourism and agricultural development. However, it must be sensitively planned and implemented to optimise the benefits to local communities and minimise environmental harm. Main roads along the coast, such as the planned Wild Coast Meander, will also boost tourism. Improvement of other major link roads, such as the coastal road between East London and Port Elizabeth, will boost business development.
- Planned and prospective upgrades to the rail system will ease freight transport and open new areas of the economy. The upgrade of the Umtata-to-East London railway will provide opportunities for forestry development, wood chip exports and agriculture development. Improvements to the main lines to Port Elizabeth and East London will promote exports through the ports and the development of the IDZs.
- Growing exports from the Province provide future opportunities for an international airport for freight and tourism. While Port Elizabeth will probably be the first site for an international airport, emphasis is being placed on a Provincial network of freight routes as the economy grows, including the Bulembu and Umtata airports.

The Zone 4 area also forms part of the Wild Coast Spatial Development Initiative (SDI), which is an agro-tourism SDI, which has the potential to become a major development corridor by combining infrastructural development and socio-economic projects. Tourism nodes will focus on existing under-utilised nature reserves and develop their facilities. The under-utilised forestry potential is to be expanded and the wood processing industry revitalised. Existing subsistence agriculture and state farms are to be transformed to produce high yielding corps of export and local consumption. All these project emphasise the mobilisation of private sector investment and capacity building initiatives (small contractor training, hospitality industry training, conservation and eco-tourism training, etc.) to ensure that empowerment and SMME development objectives are met and long term sustainable benefits realised.

The Provincial Industrial Development Strategy has identified the following projects within Zone 4 that will enhance the industrial development of the province:
- Upgrade of Mthatha Airports
- Incubators (such as the Furniture Incubator in Mthatha)
- Mandela Development Corridor, linking Wild Coast tourism attractions with heritage sites including Mandela’s birthplace (in Qunu) and museum (in Mthatha), with the eco and adventure hotspots of the Drakensberg.
- The development and servicing (including flights) of Mthatha and Port St John’s airports;
N2 Toll Road, to provide easy access to the Wild Coast from KZN,

The **Eastern Cape Jobs Strategy (2012)** also identified the realignment of the N2 from Mthatha to Port Edward as a key intervention in developing a major new South Eastern Node that will improve the industrial and agricultural development and export capacity of the Eastern Cape region, as well as expanding the province’s economic and logistics linkages with the Northern Cape and Kwazulu-Natal. The Jobs Strategy also identified the Mthatha Logistics Hub as an important transport/logistics infrastructure project.

The **Eastern Cape Tourism Master Plan (2009-2014)** focuses on the Nelson Mandela heritage and cultural tourism aspect within the Zone 4 area. The Mandela Development Corridor, which will link eco-tourism in the Wild Coast with the adventure hotspots in the Southern Drakensberg, is seen as a key intervention in developing the tourism industry within this area. According to the Tourism Master plan, Mthatha is the third most visited city in the province, preceded only by Port Elizabeth and East London.

The **Eastern Cape Vision 2030** Plan’s definition of rural goes beyond agriculture – it includes small towns and intermediate cities, such as Mthatha, and rural people include men and women involved in a variety of activities, both agricultural and non-agricultural. Rural development calls for a deliberate investment in rural social and economic infrastructure for the growth of rural economies. A major concern however, that has been identified is land claims. Land restitution claims (for example, in Mthatha and Mbizana) inevitably reduce the appetite of property developers to invest. The land restitution process should therefore be concluded as soon as possible to resolve the uncertainties surrounding land ownership.

The settlement regions around Queenstown, East London/Mdantsane/King Williams Town/Dimbaza, eGcuwa/Idutywa/Mthatha and Nelson Mandela Bay/Jeffreys Bay are relatively connected. These major growth nodes should be the starting point for a regional growth strategy, linked to productive activity. There are also distinct rural regions in the east and the west of the province that require differentiated, but linked, strategies to achieve greater equity. The EC Vision 2030 plan therefore prioritised the identification of target regions and development specific regional spatial development frameworks/plans for managing growth in settlement regions, and revitalising secondary towns and surrounding rural areas by 2016. For example, urban development frameworks and city development plans for the two metros and other fast-growing cities, like Mthatha; and a town and regional plan outlining a new vision and approach for the sprawling N2 towns (eGcuwa/Idutywa/ Mthatha/ Tsolo/ Qumbu/ Mt Frere).

The **Eastern Cape Vision 2030 Plan** has also prioritised the establishment of multi-agency partnerships for specific spatial priority projects, such as knowledge development zones through partnerships between government, universities, private sector and civil society. For example, a partnership between Buffalo City Municipality and the University of Fort Hare to develop the derelict “sleeper site” (55 hectares next to the existing central business district to establish the East London knowledge and cultural precinct; and a partnership between Walter Sisulu University and King Sabata Dalindyebo Municipality to develop a Mandela knowledge and cultural precinct in Mthatha.

By 2030, the OR Tambo District is expected to be the third most significant economic hub in the province, with King Sabata Dalindyebo municipality working towards metro status. It is also expected that this region will see an increase in information and communication technology (ICT)/knowledge services, logistics, agribusiness, tourism and property development. The impending development of the N2 across the region and its proximity to KwaZulu-Natal, as well as its status as a gateway to international markets, should also improve the OR Tambo District’s economic development.
The Wild Coast Development Zone is also being established within this region, which should significantly improve agriculture and raise agro-industrial development, eco-tourism, nature conservation and small-town revitalisation for towns like Port St Johns, Mbizana and Coffee Bay. Port St Johns have been identified as a growth node in this regard. Regional mega-projects that have been identified for this area includes the Mzimvubu project, the N2 Highway and the Wild Coast Meander.

2.1.3 DISTRICT AND LOCAL-LEVEL PROSPECTS

Zone 4 forms part of the former homelands area and therefore has a strong rural development focus from a district and local level. That being said, limited major socio-economic and economic development projects/initiatives could be identified for areas contained in Zone 4, other than for Ports St Johns Municipality and King Sabata Dalindyebo Local Municipality. The majority of projects within the remaining areas mostly relate to service-delivery.

With regards to the Port St Johns, the Port St Johns Municipality and the Industrial Development Corporation has exciting plans to boost tourism in the area, by developing the Port St Johns’ waterfront. These plans include:

- Establishing Port St Johns Marina and small fishing harbour, concentrating on recreational vessels, with accommodation and small business included in the development.
- Launching a small ferry service from Port St Johns to service the resorts along the Wild Coast, improving access for the tourist
- Refurbishing the Cape Hermes Hotel, currently a shell but in a prime location.
- Upgrading the Port St Johns landing strip to improve air access for the tourist
- Establishing a development corporation with the municipality to implement these developments and to promote small business development, much of it centred on tourism growth.

The King Sabata Dalindyebo Local Municipality’s Integrated Development Plan (IDP 2013/14; 2014/15), has identified the following key development prospects for areas contained within Zone 4 region:

- Mthatha as a manufacturing and Services Hub: Mthatha is a major transport and regional service centre, dissected by the N2 running southwest to northeast through the town. As a gateway to a wide range of tourism offerings, Mthatha is a popular stop-over point on the way to tourist attractions like Coffee Bay and Hole-in-the-Wall in the King Sabata Dalindyebo Local Municipality (KSDLM) and Port St Johns and Mbotyi in neighbouring LMs. It is linked to East London by the Kei Rail, the municipality is also an economic home to two of the other economic activities in the District, viz. Forestry and Agriculture.
- The Wild Coast has been identified as one of WWF International’s Global 200 Eco-regions of Global Significance. Wild Coast Tourism route (Viedgesville to Coffee Bay route) provides opportunity to showcase the municipality’s natural resources and coast line.
- There are 2 protected areas in the KSDLM, namely Nduli and Luchaba Nature Reserve.
- The N2 Urban Corridor and N2 is the municipality’s main transportation spine and “lifeblood” connecting Mthatha to major markets and suppliers in Durban, East London and beyond.
- Mthatha is the major urban centre in the KSDLM, acting as:
  - Regional health and education centre,
  - Regional administrative centre.
- Regional finance, insurance, real estate hub(fire)
- The upgraded airport strengthens the role of Mthatha as a tourism gateway to the wild coast.
- The agricultural sector is a future growth opportunity and numerous agricultural nodes have been identified as well as potential processing facilities.
- The opportunity to expand the retail and wholesale industry with its attendant logistics and distribution sectors is immense. This will also lead to the development of entertainment and other services.
The KSD LM Spatial Development Framework identifies a number of Nodes and Corridors within the KSD Municipality. One of these Spatial Development Concepts are contained within the Zone 4 region, namely SMA 1: Plan No 7 which includes Mthatha, the Airport and Langeni. This SMA is characterised by the Primary node of Mthatha which is the main and dominant node within KSD. Mthatha is also the 3rd largest city in the Eastern Cape. This SMA has been defined by the City of Mthatha, Airport complex and activity corridor, the R61, N2, future N2 toll road, railway corridor, the Langeni forest development zone, LED projects, Mandela tourism corridor, agricultural land at varying potential, major human settlement developments and considerable Presidential Intervention infrastructure projects in this SMA.

A key development within the KSD area is the development of the Airport complex and activity corridor. When completed the airport will consists of, among others, an extended VIP lounge, new premises for five car hire companies, curio shops and restaurants. The fact that most passengers travelling to Mthatha are for business purposes means that there is potential opportunity for restaurants and coffee shops at the airports.

In the case of Eastern Cape Province, it appears growth is occurring in the eastern and central portions of the province, where rapid urbanization has led to informal settlement growth which in turn has resulted in significant peri-urban sprawl. There is pressure for access to affordable land for housing and this has resulted in the growth of informal settlements particularly on the edge of Mthatha. Land claims have restricted growth in some towns and this has resulted in land invasion in some instances. The development of settlement regions through peri-urban sprawl is especially noticeable around Mthatha which is already developing into a major City region. Land around Mthatha is already in high demand for settlement and in this context well planned and integrated settlement planning will be vital. The greatest challenge in the future will be securing sufficient resources to formalise these settlement regions and associated towns in compact precincts whilst conserving valuable resource areas and productive agricultural precincts alongside them. Integrated planning and implementation will be essential to provide adequate bulk and connector infrastructure and appropriate social facilities, education, health, sports and recreation amenities for the growing population in this area. Provision of infrastructure for growing settlements and the major city region (Mthatha) will command a vast proportion of the funding streams from National and Provincial government in future. The successful implementation of rural development will pivot around the successful transformation of Mthatha as an agro-beneficiation hub for the region, with administrative functions and service functions.

The Eastern Region will benefit from increased investment in the strategic transport routes crossing the region between KwaZulu Natal and the Western Cape, with associated public transport facilities to upgrade mobility of goods and people. Improved rural access roads will be a vital component of rural development in the Eastern region to link smallholder farmers to both sources of inputs and to markets. These routes will include the N2, the Wild Coast Highway, the R56 and R61.

The Amatole’s King Phalo Heritage Tourism Route, the OR Tambo’s Mbizana Heritage Route, The Liberation Route and the Mandela Route are some of the examples of key tourism initiatives which will grow over time.

The town of Mthatha has been identified as a Primary Node in KSD LM. This area functions as a high order service centre providing educational facilities, administrative functions and the highest level of access to shopping and social services in the municipality. Accordingly, Mthatha and the town of Mqanduli should be targeted for the following:

- High order investment in infrastructure;
Development of new public-funded housing areas;
Development of regional social goods and facilities, including educational institutions, and sports and recreational facilities
Land use management that focuses on establishing the CBD as an attractive area to do business
Land use management that facilitates the orderly development of office and retail premises as well as the required range of accommodation to support the administrative and service functions in the area.

Resort Nodes in the area include Mthatha Dam, Luchaba Wildlife Reserve, Airport Complex Special Development Area and Umthatha Mouth. These are settlements where the principal function has been identified as being related to the development of a viable and sustainable Coastal Tourism sector. Accordingly, the priorities in these settlements are related to appropriate infrastructure development, the development of suitable access roads and the maintenance of the infrastructure so developed. A further set of priorities for these settlements is strongly related to the appropriate management of land use and related activities as well as rigorous environmental management to preserve the environmental assets that provide the competitive advantage of these areas.

The **KSD Responsible Tourism Sector Plan** has identified a number of tourism routes in the municipality, namely:
- The Mandela Route
- Wildcoast Meander
- Wildcoast Trail (Hiking Trail)

Furthermore, it states that there are two main tourism zones in the KSDLM. These being:
- **The Coastal Belt**: the coastline of KSD has spectacular scenery such as river gorges, estuaries and lagoons and support a number of tourism industries.
- **The Mandela Heritage Zone**: the Nelson Mandela Museum is the focus of this zone. The museum is a collection of heritage sectors spread across three locations, namely Qunu, Mveso and Mthatha.

The Tourism Sector Plan identifies the following as trigger development projects, which have the capability to kick-start significant development in the tourism product range, especially in the community-based tourism sector, and simulating growth in the market:
- **Flagship Project: Heritage Archive**. The development of a Heritage Archive to collect, maintain and showcase the heritage in the area, and provide it as a resource for the identification and development of community-based heritage tourism activities and products.
- **Flagship Project**. Mandela Museum (Mthatha, Qunu, Mveso axis) and Precinct Development. Encouragement and facilitation of further development of the Nelson Mandela Museum complex, and especially the content programme. Coordinating with the Museum and facilitating/undertaking the development of the precinct surrounding the Museum with appropriate cultural and heritage developments and activities.
- **Flagship Project: Liberation Heritage Route**. The Liberation Heritage Route is a national initiative to link key liberation heritage sites throughout the country. The Nelson Mandela Museum site in Qunu is included in the initial definition of the sites in the tentative listing submitted to the UNESCO World Heritage List in 2009.
- **Luchaba Nature Reserve & Mthatha Dam regeneration**. Encouraging and facilitating the regeneration of the Luchaba Nature Reserve surrounding the Mthatha Dam and the dam itself, to make it an attractive area which can be used as a leisure area. This should include leisure facilities (braai areas, ablution facilities, walks, bird hides, benches, lighting and security) as well as access to water sports (if permissible).
- **Langeni Forest Area.** Encouraging the development of nature-based and adventure activities in the Langeni forest area. These could include community-based adventure and exploration activities.
- **R412 corridor.** Facilitating the development of the R412 corridor (Mthatha/Ugie) as a scenic drive/area and for nature-based and adventure tourism.
- **Mthatha Casino.** Engaging with the ECGBB to motivate for the speedy awarding of the Mthatha Casino license and design-establishment of the casino complex.
- **Coffee Bay/Hole in the Wall regeneration and product development.** Facilitating and supporting the development of appropriate tourism activities and facilities in the Coffee Bay/ Hole in Wall area.
- **Tourism Capacity Development.** Developing the capacity of the tourism officials and roleplayers in the area through appropriate training, key appointments, and awareness building with the LM structures.

The **KSD Industrial Development Plan** has identified the following key projects for implementation in the KSDLM area:
- **Mqanduli Milling Project (R2.2 million completed, 2.4 million funded)**
  Mqanduli grain milling venture would support local communities (280 small scale farmers) to grow maize and provide employment for 16 at milling plant and additional 24 permanent staff at milling depots. Initial phases are complete.
- **Kei Fresh Produce Market (R66.0 million funded)**
  To turn the market into an agro-trading centre for fresh produce, meat and dairy markets. The market would also support growers’ cooperatives (farmers), an abattoir, and livestock farmers. Funding agencies for this project include CIS / the dti, NEF, and the EU (hi-tech potato washing machine). Market surveys and business planning are nearing completion. The project is projected to create up to 2,000 jobs throughout the agricultural value chain, targeting 20 cooperatives.
- **Ngangelizwe Transido Small Business Hub (R25.0 million completed)**
  To create from the existing business hub an industrial park for SMMEs and cooperatives in 3 clusters, i.e. Textiles & Clothing, Upholstery & Carpentry, and Metal & Steel. This project has incorporated 46 businesses in the form of cooperatives and SMMEs. The project has created 189 direct jobs (and employed 102 youth). The sponsors of this project are KSD Municipality, ECDC, the dti and ECLGTA.
- **Vulindlela Heights Industrial Zone / Logistics Hub**
  This project would provide solution to the barriers that industrial businesses face in terms of infrastructure and logistics barriers. The strategic interventions of this project would be drawn from the industrial implementation strategy. An industrial zone precinct has been proposed.
- **Langeni Timber Cluster Development**
  The Langeni timber project would cater for timber production for furniture, construction, housing industry and other uses. The project aims to promote the sustainability of small saw millers and plantation growers. To date, a service provider engaged by OR Tambo District had since mapped opportunities that would be consolidated, leading to mobilization of funding. The anchor projects are poultry, timber and furniture. The project will include training and formation of cooperatives. This project involves Social and Rural Development and Human Settlements.
- **Wool Clip & Processing (Commercialisation)**
  The wool clip commercialization project involves sustainable trading in wool production, commercial processing and value chain support for sheep farming. A total of 3,500 farmers in six wards have been identified with a total herd of 35,000 sheep. The project concept would involve 105 shearers and sorters for 13 shearing sheds, plus five permanent administrative staff. A feasibility study was underway leading to preparation of a business case for cooperatives.
- **Other Funded Projects**
  - Mthatha Dam Tourism and Recreation Centre (R20.0 million)
  - Siyazondla Household Food Security (R181,818)
Mthatha is the major urban centre for the municipality and, whilst it is not centrally located within KSD Municipality, it is the primary market town serving the broader region. Mthatha has the population base and labour force to support larger-scale commercial and industrial development. Infrastructure there must be of a grade to support commercial and industrial development. Such development would include retail/commercial expansion of the Mthatha CBD and retail nodes as well as broader industrial parks that enable processing and other activities in support of the region’s supply chain (including agricultural production). The intersection of major road, rail, and airport infrastructure helps establish Mthatha as a potential distribution hub. Such activity will help create jobs in the place where there is already a population base, available labour force, and existing infrastructure. Mthatha is also home to the region’s major health and education facilities, which offer further opportunities for economic growth and spin-off development. Thus, Mthatha offers the opportunity to establish a large and diverse economic base anchored in health, education, government, manufacturing, distribution, and retail & wholesale trade. Mthatha is also a potential service hub for tourism, given its transport (especially airport) access. The town can provide the transport “gateway” for travel to Mandela, cultural heritage, and eco-tourism sites throughout the region. As such, the tourism services infrastructure can be further developed to include high-quality accommodation, restaurants, and entertainment. Further development of such facilities would also support the region’s other industries because of the need for amenities to attract and retain professional workers. In sum, Mthatha potentially serves as the regional hub for:

- Retail and wholesale trade
- Distribution transport, storage and logistics
- Health and medical services
- Food processing: fruit, juices, baked goods, dairy, and confections
- Manufacturing & testing of bio-pharmaceuticals
- Higher education and research & development
- Local, district, provincial and national government

Mthatha can become more of a distribution hub for agricultural products as well as processed or manufactured products including juices, meat, packaged teas, timber, and bio-pharmaceuticals. Fruit and juices for export would generate a ready market for freight services at Mthatha Airport, since such products are more time sensitive and often require air freight. Mthatha’s role as a distribution centre reinforces the need for long-distance transport improvements including N2, airport, and development of freight and logistics infrastructure. Such infrastructure should include warehousing and distribution centres, packaging facilities, and “inland port” freight handling services. Intermodal transfer facilities (e.g., truck to plane) become particularly important, especially given Mthatha’s relative distance from ocean terminals.

The Wild Coast Agro-Industrial SEZ Hub is also planned for the Mthatha area. The core SEZ activities include the activities that will be carried out by the proposed SEZ Hub to support the business entities in the SEZ Hub, including a central office, shared services, ICT services and leasing of available spare land. The activities of the SEZ business entities will consist of the following:

- Intensive tunnel production
- Furniture and cabinet making
- Essential oils
- Maize milling
As a conclusion on the initiatives and projects identified within the KSD region, it is clear that this area has numerous strengths which includes the following:

- In the sector of eco-tourism, the picturesque elements of the coastal areas (Coffee Bay and Hole in the Wall) are selling points within a well-targeted tourism strategy.
- The forestry sector (Langeni) remains a strong sector in the local economy, albeit constrained by water availability.
- About 12% of the LM land area is classified as moderately arable with another 23% classified as having limited arable potential. These areas are found in the central and southern areas.
- There is the Nelson Mandela Academic Hospital is the lead training facility in the Province.
- There is a tertiary university.
- Cultural and historical strength (Nelson Mandela and Qunu).
- Mthatha as the regional capital.

It is acknowledged that the most important economic resources available within the KSD municipality relate to its natural endowments: agricultural potential in the first instance; and scenic attractions as these relate to the possibilities of developing a sustainable tourism industry in the second instance.

2.2 ZONE 4 TOURISM TRENDS

This subsection focuses on the tourism trends and possible visitor’s numbers within the Zone 4 region, to better understand the tourism market for a casino complex development.

Tourism in Zone 4 is centred on the spectacularly beautiful Wild Coast, which provides a series of resorts and provincial nature reserves. Increasing numbers of tourists are recognising the attractions of the Transkei. Port St Johns is a developing tourism destination, with new investment in facilities and a planned marina. The Pondoland coast, one of the most beautiful eco-tourism destinations in South Africa, will host an expanded nature and marine reserve. In Umtata and Qunu, the Mandela Museum showcases the history of the struggle against apartheid and the life of the Eastern Cape’s most famous resident.

According to the Eastern Cape Vision 2030 Plan, the top attractions for international tourists to the Eastern Cape are game reserves (58%), beaches (52%), tree-top canopy tours in Tsitsikamma (16%) and the Nelson Mandela Museum in Mthatha (10%). International tourism spending is 40% greater than domestic tourism spending.

In an interview with a Tourism Manager in the zone it was stated that the dominating trend in terms of tourism visitors are currently visiting friends and relatives (VFR markets) and business visitors (conferencing and seminars) and is mostly conducted by the public sector. This was confirmed by the business surveys that was conducted by Kayamandi, which revealed that the main reasons for visitors to Mthatha are mostly for business and reps, followed by conferences, and vacation/leisure, and weddings.

It was further stated that focus needs to be placed on increasing the supply of accommodation, conferencing and entertainment products in the area in order to extend the stay of tourists that are in transit as well as business visitors to the area.

There is a general consensus amongst role players that the Eastern Cape has significant tourism potential but this potential is not being put to good use. The province captures a very low percentage.
of all foreign visitors and this share has been falling. In 2008 only 5% of all foreign visitors to South Africa visited the Eastern Cape with a rather static nature of foreign visitor spending in the province. From a domestic tourism perspective the province captures only approximately 15% of all domestic tourists, the overwhelming majority of which (approximately 70%) are from the Eastern Cape itself.

Of all of this foreign and domestic tourism spending in the Eastern Cape, it appears that the lion’s share (approximately 75%) accrues to Nelson Mandela Bay Metro. In other words, the rest of the province, including zone 4 received only approximately 25% of foreign spending in the province.

According to the National Gambling Board’s study on the socio-economic impact of gambling (2009), people used to travel to visit resort casinos before the liberalisation of gambling. In the Eastern Cape the Wild Coast Sun and Fish River Sun were the resort casinos. Today, however, because of the large number and wide spread distribution of casinos, people do not really travel extensively to gamble. Today the only component of the gambling industry that is likely to contribute to tourism is casinos that have significant „add-ons“ and act as tourism attractors, on the one hand, or resort casinos, on the other. Two casinos in the Eastern Cape have such characteristics – The Boardwalk and the Wild Coast Sun. The Boardwalk has added significant value to Port Elizabeth’s tourism sector and has enhanced Port Elizabeth’s tourist appeal. The Boardwalk was, at the time, the largest tourism investment in the Eastern Cape. Over 22 million people have visited The Boardwalk since opening which, after the beaches, is the most popular tourism attraction in the city. It is the only pure entertainment venue in Port Elizabeth. Entertainment and shopping has consistently been the second-most important reason why people visit the Nelson Mandela Bay Metro. Furthermore, the proportion of visitors coming primarily for the region’s entertainment and shopping almost doubled to 27% during the summer of 2007/8 compared to around 16% in 2004/5. The Boardwalk, after the beaches, featured second on the list of the top 10 favourite attractions of visitors to Nelson Mandela Bay, outranking Bayworld in third place. The Wild Coast Sun is a well-known destination casino that draws patrons from far and wide. In doing this it helps promote tourism. In particular most of the gambling taxes that accrue to the province come from people living in other provinces. In 2007 the bulk of people visiting the Wild Coast Sun were from KwaZulu Natal, 31% originated from the Durban Metropolitan area. It can be safely assumed that these people would have spent a night or two at the resort. Surprisingly 16% were from as far as Gauteng and only 3% from the Eastern Cape.

Based on interviews conducted with various accommodation and tourist establishments in the region and based on general trends as obtained through secondary research, the estimated number of tourists to the region is estimated at approximately 265,000 per annum.

Having reviewed a variety of statistics related to number of visitors, average spend, job creation and other factors, it is believed that expanded gaming, if developed consistent with our recommendations, can contribute to, and provide long range support for tourism development.

2.3 MOST SUITED TOWN FOR A CASINO COMPLEX WITHIN ZONE 4

Based on the aforementioned growth prospects, as well as other socio-economic and economic factors, the purpose of this sub-section is to compare major towns within Zone 4, in order to identify the most suited town for a Casino Complex Development within Zone 4.

In order to identify the most suited town, sixteen of the largest towns within Zone 4 were initially identified.
The sixteen towns in Zone 4 (based on typology\(^1\)) were ranked in terms of population size, size of the economy (measured in GVA\(^2\)) and employment. The table below provides the rankings of the sixteen towns.

**Table 2.1: Rankings of major towns within Zone 4**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Town Name</th>
<th>District Municipality</th>
<th>Local Municipality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mthatha</td>
<td>OR Tambo</td>
<td>King Sabata Dalindyebo</td>
</tr>
<tr>
<td>2</td>
<td>Ngcobo</td>
<td>OR Tambo</td>
<td>Nyandeni</td>
</tr>
<tr>
<td>3</td>
<td>Maclear</td>
<td>Joe Gqabi</td>
<td>Elundini</td>
</tr>
<tr>
<td>4</td>
<td>Tsolo</td>
<td>OR Tambo</td>
<td>Mhlontlo</td>
</tr>
<tr>
<td></td>
<td>Port St Johns</td>
<td>OR Tambo</td>
<td>Port St Johns</td>
</tr>
<tr>
<td>6</td>
<td>Elliot</td>
<td>Chris Hani</td>
<td>Sakhisizwe</td>
</tr>
<tr>
<td>7</td>
<td>Libode</td>
<td>OR Tambo</td>
<td>Nyandeni</td>
</tr>
<tr>
<td>8</td>
<td>Qumbu</td>
<td>OR Tambo</td>
<td>Mhlontlo</td>
</tr>
<tr>
<td>9</td>
<td>Mqanduli</td>
<td>OR Tambo</td>
<td>King Sabata Dalindyebo</td>
</tr>
<tr>
<td>10</td>
<td>Ugie</td>
<td>Joe Gqabi</td>
<td>Elundini</td>
</tr>
<tr>
<td>11</td>
<td>Xhugxwala</td>
<td>OR Tambo</td>
<td>King Sabata Dalindyebo</td>
</tr>
<tr>
<td>12</td>
<td>Coffee Bay</td>
<td>OR Tambo</td>
<td>King Sabata Dalindyebo</td>
</tr>
<tr>
<td>13</td>
<td>Elliotdale</td>
<td>Amatole</td>
<td>Mbhashe</td>
</tr>
<tr>
<td>14</td>
<td>Mhlanganisweni</td>
<td>Amatole</td>
<td>Mbhashe</td>
</tr>
<tr>
<td>15</td>
<td>Clarkebury</td>
<td>Chris Hani</td>
<td>Engcobo</td>
</tr>
<tr>
<td></td>
<td>KwaRela</td>
<td>OR Tambo</td>
<td>King Sabata Dalindyebo</td>
</tr>
</tbody>
</table>

Source: Rankings calculated based on CSIR: GAP, 2013

A market’s size, economic health and growth prospects provide indication of its ability to support a casino complex development. Since the casino complex development is expected to accommodate both local residents and tourists, based on the above ranking, it is strongly supported that the following five towns located in Zone 4 could possibly compete as the most suited location for a casino:

- Mthatha
- Ngcobo
- Maclear
- Tsolo
- Port St Johns.

The below Diagram provides a representation of these five towns in relation to the current operating casinos within the Eastern Cape Province.

---

\(^1\) The typology was developed as part of the *National Spatial Trends Overview project* (2008-2009) commissioned by the South African Cities Network, The Presidency and former DPLG to inform Cabinet discussions on urban development policy aspects and the process of developing the Urban Development Framework.

\(^2\) *Gross value added (GVA)* is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. In national accounts, **GVA** is output minus intermediate consumption; it is a balancing item of the national accounts’ production account.
Diagram 2.1: Most suitable towns in relation to current licensed casinos

In comparing the travel distances of the five most suitable towns to the closest licenced casino, as shown above, it is clear that the towns of Mthatha, Tsolo and Maclear are best suited in that they are located furthest away from a competing licensed casino.

Diagram 2.2 below provides a representation of the accessibility to and from the five towns in terms of transport infrastructure. From the below map it is clear that Mthatha is the most suited in terms of accessibility. Mthatha is the only town located on a national road, namely the N2, it also has an airport and is well connected via regional roads to other cities and towns within the Eastern Cape Province. It is also connected to an existing railway system. Port St Johns also has a small airport.
Diagram 2.2: Accessibility of most suitable towns

In order to further compare the five major towns, a comparison of key variables that support the gaming and hospitality industry is tabled hereunder.

The following variables for each of the five major towns are compared:

- Demographic size
- Economic data,
- Government priority & Investment
- Tourism Attractions & Potential
- Hierarchy
- Attractive market dynamics and unleveraged assets
- Growth prospects
- Accessibility
- Proximity to other Casino’s

Source: Kayamandi Development Services (2015)
### Table 2.2: Opportunity highlights for most suited towns within Zone 4

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Mthatha</th>
<th>Port St Johns</th>
<th>Ngcobo</th>
<th>Tsolo</th>
<th>Maclear</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Household growth p.a 2001 to 2013: 2.51%</td>
<td>- Household growth p.a 2001 to 2013: 4.45%</td>
<td>- Household growth p.a 2001 to 2013: -1.86%</td>
<td>- Household growth p.a 2001 to 2013: 0.40%</td>
<td>- Household growth p.a 2001 to 2013: 2.24%</td>
</tr>
<tr>
<td><strong>Economic profile</strong></td>
<td>- Share of households earning less than R38200 p.a: 57%</td>
<td>- Share of households earning less than R38200 p.a: 76%</td>
<td>- Share of households earning less than R38200 p.a: 90%</td>
<td>- Share of households earning less than R38200 p.a: 69%</td>
<td>- Share of households earning less than R38200 p.a: 74%</td>
</tr>
<tr>
<td></td>
<td>- Business services</td>
<td>- Manufacturing</td>
<td>- Retail trade</td>
<td>- Manufacturing</td>
<td>- Retail trade</td>
</tr>
<tr>
<td></td>
<td>- Manufacturing</td>
<td>- Transport</td>
<td>- Business services</td>
<td>- Transport</td>
<td>- Retail trade</td>
</tr>
<tr>
<td></td>
<td>- Retail trade</td>
<td>- Formal employment: 2 320</td>
<td></td>
<td>- Formal employment:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Formal employment:</td>
<td></td>
<td></td>
<td>- 4 803</td>
<td></td>
</tr>
<tr>
<td></td>
<td>30 130</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Government priority &amp; Investment</strong></td>
<td>- Wild Coast Agro-Industrial SEZ proposed in Mthatha</td>
<td>- Forms part of Wild Coast Development Zone which holds small town revitalisation potential</td>
<td>- Strong and proactive government support</td>
<td>- Special Tourism Development Area</td>
<td>- Special Tourism Development Area</td>
</tr>
<tr>
<td></td>
<td>- Mthatha as a manufacturing and Services Hub</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Strong and proactive government support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FACTORS</td>
<td>Mthatha</td>
<td>Port St Johns</td>
<td>Ngcobo</td>
<td>Tsolo</td>
<td>Maclear</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Tourism Attraction &amp; Potential</strong></td>
<td>Luchaba nature reserve</td>
<td>Strong tourism focus as part of Wild Coast area</td>
<td>Strong tourism focus as part of Wild Coast area</td>
<td>Strong tourism focus as part of Wild Coast area</td>
<td>Maluti Tourism Route</td>
</tr>
<tr>
<td></td>
<td>Strong tourism focus related to Nelson Mandela heritage</td>
<td>Silaka Nature reserve</td>
<td>Silaka Nature reserve</td>
<td>Silaka Nature reserve</td>
<td>PG Bison Hotel</td>
</tr>
<tr>
<td></td>
<td>Mandela Development Corridor, linking Wild Coast tourism attractions</td>
<td>Strong coastal tourism potential stemming from beaches</td>
<td>Strong coastal tourism potential stemming from beaches</td>
<td>Strong coastal tourism potential stemming from beaches</td>
<td></td>
</tr>
<tr>
<td></td>
<td>with heritage sites including Mnela’s birthplace (in Qunu) and museum</td>
<td>Tourism projects include the redevelopment of 2nd beach and Bulolo</td>
<td>Tourism projects include the redevelopment of 2nd beach and Bulolo</td>
<td>Tourism projects include the redevelopment of 2nd beach and Bulolo</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(in Mthatha), with the eco and adventure hotspots of the Drakensberg.</td>
<td>Caravan Park, 2 Golf course developments, sports field, shopping</td>
<td>Caravan Park, 2 Golf course developments, sports field, shopping</td>
<td>Caravan Park, 2 Golf course developments, sports field, shopping</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>mall, adventure centre, upgrading of current resorts, conference</td>
<td>mall, adventure centre, upgrading of current resorts, conference</td>
<td>mall, adventure centre, upgrading of current resorts, conference</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>centre, regional petrol and services centre, military base</td>
<td>centre, regional petrol and services centre, military base</td>
<td>centre, regional petrol and services centre, military base</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>development and naval base development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Potential for mariculture operations along the coast</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arts &amp; Crafts Hub</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>First beach Conference facility and resort hotel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hierarchy</strong></td>
<td>Mthatha is major urban centre for regions health and education services</td>
<td>The only proclaimed and formalised urban settlement within the LM</td>
<td>Primary node</td>
<td>Secondary Urban Node (major service centre)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional administrative centre</td>
<td>Administrative and services centre and seat of the Local Municipality</td>
<td></td>
<td>Service and Retail centre to surrounding agricultural and rural areas</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional centre for finance, insurance, real estate.</td>
<td>Regional services centre</td>
<td></td>
<td>Administrative role as headquarters of LM</td>
<td></td>
</tr>
</tbody>
</table>
## FACTORS

### Attractive market dynamics and unleveraged assets
- Continued economic growth
- Airport as strong base for visitors (currently being revived)
- Mthatha is the third largest city in the Eastern Cape and referred to as 3rd Metro in the Province and one of the fastest growing cities.
- Port Elizabeth is the most visited city in the province, followed by East London then by Mthatha.

### Growth prospects
- Identified as a District Primary Node.
- Significant infrastructure improvements showing sustained political stability
- Most passengers travelling to Mthatha are for business purposes.
- Tourism sector plan identifies Mthatha Casino development as a future project
- Shortage of conference and accommodation

### Mthatha
- Strong coastal potential stemming from beaches

### Port St Johns
- District secondary node
- Identified as a growth node.
- Primary node for tourism development under the Wild Coast SDI
- Wild Coast Museum and proposed new craft centre
- First order coastal node capable of supporting larger scale developments

### Ngcobo
- Comprehensive Rural Development Pilot Site
- Identified as one of the sprawling N2 towns for potential development and growth

### Tsolo
- Urban Centre identified as growth pole to anchor future growth

### Maclear
## Accessibility

- **Mthatha**: A major transport and regional service centre, dissected by the N2 running southwest to northeast through the town.
- **Mthatha** logistics hub development underway.
- **Main spine**: Which connects Port St Johns to Mthatha and Lusikisiki is the R61 Trunk Road.
- **Grassed airfield (1790m)** but no lighting.

## Proximity to other Casino’s

- **Mthatha to Queens Casino**: Travel time is estimated to be 174 minutes.
- **Port St Johns to Bizana**: Travel time from Port St Johns to Bizana: Wild Coast Sun is estimated to be 187 minutes.
- **Ngcobo to Queens Casino**: Travel time from Ngcobo to Queens Casino is estimated to be 106 minutes.
- **Tsolo to Queens Casino**: Travel time from Tsolo to Queens Casino is estimated to be 204 minutes.
- **Maclear to Queens Casino**: Travel time from Maclear to Queens Casino is estimated to be 157 minutes.
In order to establish which of the identified areas are more suitable, a broad evaluation matrix or scoring system was used to rate each aspect of with regards to their aptness in support of a casino development. The methodology used in the scoring system includes ranking each town in relation to each factor out of score of 5, with a score of 1 being the most supportive.

The table below provides the evaluation ranking results based on the building blocks for the identification of the most suited location within Zone 4.

Table 2.3: Ranking of towns in terms of factors supporting gaming and hospitality industry

<table>
<thead>
<tr>
<th>Ranking by Factor</th>
<th>Mthatha</th>
<th>Port St Johns</th>
<th>Ngcobo</th>
<th>Tsolo</th>
<th>Maclear</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Population growth</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>HH income</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>GVA</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>GVA growth</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Government investment priority</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Tourism attractions &amp; potential</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Hierarchy</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Market &amp; assets</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Growth prospects</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Accessibility</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Proximity to other Casino’s</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL SCORE</strong></td>
<td><strong>19</strong></td>
<td><strong>32</strong></td>
<td><strong>48</strong></td>
<td><strong>41</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

Based on the above, it is evident that Mthatha is identified as the most suitable town for a casino complex development, followed by Port St Johns. While Ngcobo is the least suitable for a development of this nature.

Based on the above ranking, as well as indications of the greatest growth potential, it would seem logical that the best suited location for the proposed Casino, in zone 4, is in Mthatha. The selection of Mthatha as the proposed location for the Casino is further motivated by the fact Mthatha is the 3rd largest town in the Eastern Cape Province and is currently recording exceptional growth in terms of business attraction and development. The development and expansion of the Mthatha airport also contributes to the suitability of this town for a casino development. Mthatha is also the main catchment area for the former Transkei, it currently has a lot of heritage and therefore the traditional market can be exploited. Tourism in the area also provides Mthatha with a diverse market of international and national tourists wanting to explore the Mandela legacy. Furthermore, the two bypass roads connecting East London and Mthatha and Port St Johns makes the area a strategic location to attract a variety of additional tourists.
3. SOCIO-ECONOMIC PROFILE OF MARKET CATCHMENT

3.1 INTRODUCTION

This section delineates the market catchment, followed by a socio-economic profile of the market in terms of size, age, income levels, etc.

3.2 DELINEATION OF MTHATHA MARKET CATCHMENT

Based on the growth and development prospects of Zone 4 and the determination that the best suited location within zone for the development of the 5th Casino in the Province would be Mthatha, a preliminary catchment was identified.

Based on primary data collection and initial interviews with key stakeholders, the preliminary catchment area for a casino to be located in Mthatha in Zone 4, was established to comprise a 100km buffer surrounding Mthatha. See Diagram 3.1 in this regard.

Diagram 3.1: Catchment area of zone 4

Diagram 3.2 shows the proposed casino in Mthatha with the preliminary catchment area in relation to the existing four Casino’s in the Eastern Cape.

The preliminary catchment is comprised of a number of urban areas, towns, settlements and villages. All of which were targeted for primary data collection.
The preliminary catchment area was refined based on information and results obtained from primary data collection. The primary data collection process entailed, among other aspects, focus group interactions with the general public as well as telephonic interviews conducted with households throughout the preliminary catchment area. The information obtained from these participants allowed for the further refinement of the preliminary catchment area into a detailed distribution of primary, secondary and tertiary catchment areas which illustrate the frequency for households, in various urban and rural settlements, to regularly visit Mthatha.

The geographic locality of these households were used in combination with their frequency for visiting Mthatha to establish a generalised spatial distribution of prospective primary, secondary and tertiary participants. By considering the factors mentioned previously, these participants were spatially mapped based on the relevant town/settlement in which they reside and by showing the frequency of regularly travelling to Mthatha. The below table provides an indication of the classification of respondents based on their frequency of regularly visiting Mthatha.

Table 3.1: Catchment Area Delineation Based on Frequency of Visits of Households to Mthatha

<table>
<thead>
<tr>
<th>Catchment Area</th>
<th>Frequency of Visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Catchment</td>
<td>Households that reside in Mthatha</td>
</tr>
<tr>
<td></td>
<td>Households that travel to Mthatha more often than once a week</td>
</tr>
<tr>
<td>Secondary Catchment</td>
<td>Households that travel to Mthatha once a week or 4 times per month</td>
</tr>
<tr>
<td>Tertiary Catchment</td>
<td>Households that travel to Mthatha once a month</td>
</tr>
<tr>
<td></td>
<td>Households that travel to Mthatha 2 to 3 times a month</td>
</tr>
</tbody>
</table>

Source: Kayamandi, Household surveys, 2015
The spatial distribution of towns/settlements and their frequency of travel was then used to determine how towns/settlements were clustered based on their catchment definition and as such allowed for the determination of a distance buffer from Mthatha which would ultimately function as the designated catchment areas. Aside from residents that reside within the borders of the Mthatha Town, the **primary catchment** also comprises a 10 kilometre buffer area outside of the Mthatha town. The **secondary catchment** area was determined to contain towns and other settlements situated within a 10 and 40 kilometres buffer area outside of the Mthatha town boundary. Whilst the **tertiary catchment** area was determined to contain the remainder of towns and settlements which are located between a 40 and 100 kilometre buffer area outside the town boundary of Mthatha.

The below Diagram shows the demarcated catchment areas.

**Diagram 3.3: Primary, secondary and tertiary catchment areas**

The following main urban areas exist within each of the catchment areas:

- **Primary Catchment Area:**
  - Mthatha and Suburbs
  - Libode
  - Mqanduli
- **Secondary Catchment Area**
  - Tsolo
  - Qumbu
  - Clarkebury
  - Elliotdale
- **Tertiary Catchment Area**
  - Engcobo
  - Butterworth
3.3 SOCIO-ECONOMIC MARKET PROFILE

The demarcated catchment areas were applied to census spatial geography and other spatial attributes to extract and compose relevant socio-economic statistics that ultimately enable the determination of the following socio-economic profiles:

- Population size and density
- Age and gender profile
- Employment and unemployment
- Income and poverty levels

This section presents the social profiles of the three catchment areas of Mthatha, namely: the primary, secondary and tertiary catchment areas, based on Census 2011 data.

3.3.1 POPULATION SIZE AND DENSITY

The below table indicates the population and household counts according to their respective catchment areas, as well as a total for the catchment area of the proposed casino development.

<table>
<thead>
<tr>
<th>Catchment area</th>
<th>Population</th>
<th>Number of households</th>
<th>Average household size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>415 191</td>
<td>102 532</td>
<td>4.05</td>
</tr>
<tr>
<td>Secondary</td>
<td>634 417</td>
<td>132 896</td>
<td>4.77</td>
</tr>
<tr>
<td>Tertiary</td>
<td>1 576 411</td>
<td>369 922</td>
<td>4.26</td>
</tr>
<tr>
<td>Total</td>
<td>2 626 019</td>
<td>605 350</td>
<td>4.33</td>
</tr>
</tbody>
</table>

Source: Census 2011 and Kayamandi calculations

Within the 100km area from Mthatha there was a total of 2 626 019 people and 605 350 households in 2011. Approximately 60% of the catchment’s population is from the tertiary catchment area, as the tertiary area is 30 000km² larger than primary area. The primary catchment area has 16% of the entire catchment population, while the secondary catchment has 24% of the catchment population. The average household size of households within the catchment area is 4.33 persons per households. The secondary area (4.8 persons) had the highest amount of persons per household, followed by the tertiary area (4.3 persons), while the primary area had approximately 4 persons per household.

The average household size for all three catchment areas was higher than the national average of 3.6 persons per household. This could probably point to a situation where household poverty levels are

- Willowvale
- Tsomo
- Cala
- Elliot
- Ugie
- Maclear
- Mount Fletcher
- Mount Frere
- Mount Ayliff
- Flagstaff
- Lusikisiki
- Port St. Johns
higher than the national average. Conditions of poverty have been found to force people into larger households – more so than would be the case in more affluent communities.

The table below provides information regarding the density for each of the catchment areas.

**Table 3.3: Population density of Mthatha Catchment area, 2011**

<table>
<thead>
<tr>
<th>Catchment area</th>
<th>Population 2011</th>
<th>Area</th>
<th>Persons per km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>415 191</td>
<td>2 163 km²</td>
<td>192</td>
</tr>
<tr>
<td>Secondary</td>
<td>634 417</td>
<td>7 949 km²</td>
<td>80</td>
</tr>
<tr>
<td>Tertiary</td>
<td>1 576 411</td>
<td>32 796 km²</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2 626 019</strong></td>
<td><strong>42 908 km²</strong></td>
<td><strong>61</strong></td>
</tr>
</tbody>
</table>

*Source: Census 2011 and Kayamandi calculations*

As can be expected, the primary catchment area, which is the area including and surrounding the main town of Mthatha, has the highest population density of the catchment area, with 192 people per km². The tertiary area is the most rural with a density of 48 persons per km². On average there are 61 persons per km² in the catchment area.

3.3.2 AGE AND GENDER PROFILE

The below table provides an outline of the age distribution for the Mthatha catchment.

**Table 3.4: Distribution of age for Mthatha catchment area, 2011**

<table>
<thead>
<tr>
<th>Catchment</th>
<th>0-4</th>
<th>05-14</th>
<th>15-34</th>
<th>35-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>47 706</td>
<td>90 279</td>
<td>163 682</td>
<td>95 303</td>
<td>18 248</td>
</tr>
<tr>
<td>Secondary</td>
<td>87 247</td>
<td>172 042</td>
<td>207 036</td>
<td>125 594</td>
<td>42 518</td>
</tr>
<tr>
<td>Tertiary</td>
<td>208 406</td>
<td>404 780</td>
<td>512 455</td>
<td>338 522</td>
<td>112 244</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>343 359</strong></td>
<td><strong>667 101</strong></td>
<td><strong>883 173</strong></td>
<td><strong>559 419</strong></td>
<td><strong>173 010</strong></td>
</tr>
</tbody>
</table>

*Source: Census 2011 and Kayamandi calculations*

At least 880 000 residents are aged between 15-34 years old, which comprises a third (34%) of the catchment area in 2011. While a total of 38% of the population were children (0-14 years old) which translates to more than 1 million children in the catchment area.

For the primary area the age group of 15-34 years old (163 682 people) is nearly twice more than the 35-64 years old (95 303 people) category as well as the 5-14 years old (90 279 people) group. Therefore it can be assumed that the population is relatively young. The economically active population for the primary catchment area is 258 985 people, 332 630 people in the secondary catchment and 850 977 people in the tertiary catchment in 2011.

The below table shows the percentage distribution of age per catchment area for Mthatha.

The primary catchment area has the highest number of younger working population (15-34 years old), as 39% of the catchment area’s residents were within this age group in 2011. Whilst the pensioners group (65+ years old) have the highest proportions in the secondary and tertiary catchment areas with 7%, each.
Table 3.5: Percentage distribution of age for Mthatha catchment area, 2011

<table>
<thead>
<tr>
<th>Age group</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4</td>
<td>11%</td>
<td>14%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>5-14</td>
<td>22%</td>
<td>27%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>15-34</td>
<td>39%</td>
<td>33%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>35-64</td>
<td>23%</td>
<td>20%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>65+</td>
<td>4%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Census 2011 and Kayamandi calculations

The percentage of older population, 65 years and higher, is relatively small. This is partially related to the low life expectancy in the Province and the country in general. In 2013, according to the United Nations Development Programme (UNDP), the South African life expectancy was 56.9 years. Such low life expectancy is linked to the high HIV/AIDS prevalence among the population. The proportion of South Africans infected with HIV has increased from 10.6% in 2008 to 12.2% in 2012, according to the Human Sciences Research Council’s (HSRC) National HIV Prevalence, Incidence and Behaviour Survey.

The following table provides the gender split per catchment area.

Table 3.6: Gender distribution of Mthatha catchment area, 2011

<table>
<thead>
<tr>
<th>Catchment</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>192 625</td>
<td>222 591</td>
<td>415 216</td>
</tr>
<tr>
<td></td>
<td>46.4%</td>
<td>53.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Secondary</td>
<td>291 415</td>
<td>342 960</td>
<td>634 375</td>
</tr>
<tr>
<td></td>
<td>45.9%</td>
<td>54.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>730 108</td>
<td>846 296</td>
<td>1 576 404</td>
</tr>
<tr>
<td></td>
<td>46.3%</td>
<td>53.7%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>1 214 148</td>
<td>1 411 847</td>
<td>2 625 995</td>
</tr>
<tr>
<td></td>
<td>46%</td>
<td>54%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Census 2011 and Kayamandi calculations

There are more females (54%) than males (46%) in the catchment area, as well as within the sub catchment areas.

The below figures compare the age and gender for each of the catchment areas. Each area is analysed within its relevant catchment area in order to determine the difference in distribution between each area.

Within the primary catchment area, a relative even distribution between male and female can be seen in each age category except for the 35-64, and 65+ age groups, where there are far more females than males.

In the secondary catchment area, it is clear that there are slightly more male children than female children although in the 35-64 age group the female residents is nearly double the male residents.

It is evident that the children in the tertiary area were nearly equal for both male and females in 2011, as well as in the 15-34 year old category. A more favourable distribution towards the female gender can be seen for the 35+ year’s age group.
Diagram 3.4: Primary catchment area, age and gender split, 2011

Source: Census 2011 and Kayamandi calculations

Diagram 3.5: Secondary catchment area, age and gender split, 2011

Source: Census 2011 and Kayamandi calculations

Diagram 3.6: Tertiary catchment area, age and gender split, 2011

Source: Census 2011 and Kayamandi calculations
3.3.3 EMPLOYMENT AND UNEMPLOYMENT

The table below indicates the employment and unemployment status’s for the catchment area.

Table 3.7: Employment status of Mthatha catchment area, 2011

<table>
<thead>
<tr>
<th></th>
<th>Employed</th>
<th>Unemployed</th>
<th>Discouraged work-seeker</th>
<th>Other not economically active</th>
<th>Not applicable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>66 752</td>
<td>40 468</td>
<td>16 119</td>
<td>135 614</td>
<td>156 214</td>
<td>415 167</td>
</tr>
<tr>
<td>Secondary</td>
<td>33 770</td>
<td>31 753</td>
<td>33 053</td>
<td>233 992</td>
<td>301 775</td>
<td>634 343</td>
</tr>
<tr>
<td>Tertiary</td>
<td>127 429</td>
<td>107 387</td>
<td>82 090</td>
<td>533 951</td>
<td>725 437</td>
<td>1 576 294</td>
</tr>
<tr>
<td>Total</td>
<td>227 951</td>
<td>179 608</td>
<td>131 262</td>
<td>903 557</td>
<td>1 183 426</td>
<td>2 625 804</td>
</tr>
</tbody>
</table>

Source: Census 2011 and Kayamandi calculations

In each catchment area, the ‘not economically active’ population far exceeds the employed population. For the primary catchment area it can be concluded that the unemployed along with the discouraged work seekers (56 587 people) are nearly the total of employed (66 752 people), this shows the lack of employment in the area. The secondary catchment area shows concerning results where the discouraged work seekers and unemployed (64 806 people) exceed the employed, this could be as a result of the distance the people live from city or service centres and therefore not many have access to employment.

The diagram below shows the number of employment and unemployment for each catchment.

Diagram 3.7: Employment and unemployment of Mthatha catchment area, 2011

Source: Census 2011 and Kayamandi calculations

The above figure shows that 66,752 people (or 63%) were employed in the primary catchment area in 2011. At the same time, there were 40,468 people unemployed in the area, or 16% of the labour force. In the secondary catchment area, a total of 33,770 people (52%) were employed and 31 753 were unemployed in 2011. The tertiary catchment area, having the largest population, had 127 429 employed residents (54%) and had a total of 107 387 people looking for jobs in the area and could not find them.
The following table presents information regarding labour force and the economic active population.

### Table 3.8: Distribution of economically active population, 2011

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Active Population</td>
<td>258,985</td>
<td>332,630</td>
<td>850,977</td>
<td>1,442,592</td>
</tr>
<tr>
<td>Employed</td>
<td>66,752</td>
<td>33,770</td>
<td>127,429</td>
<td>227,951</td>
</tr>
<tr>
<td>Unemployed</td>
<td>40,468</td>
<td>31,753</td>
<td>107,387</td>
<td>179,608</td>
</tr>
<tr>
<td>Labour Force</td>
<td>107,220</td>
<td>65,523</td>
<td>234,816</td>
<td>407,559</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>38%</td>
<td>48%</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>Labour Force Participation Rate</td>
<td>41%</td>
<td>20%</td>
<td>28%</td>
<td>28%</td>
</tr>
</tbody>
</table>

*Source: Census 2011 and Kayamandi calculations*

The primary catchment area (41%) has the highest percent of labour force participation, followed by the tertiary catchment area (28%). This means that 41% of all the people, in the primary catchment area, that can work (ages 15-64) in the economy are either already working (employed) or are actively looking for a job.

On average the catchment area has a labour participation rate of 28% which means that 72% of the population is currently not active in the local labour economy.

The unemployment rate for the catchment area is very high with a rate of 44% on average. The secondary catchment area has the highest rate of unemployment with 48%, followed by tertiary area (46%) in 2011. The primary catchment area (38%) had the lowest unemployment rate, although when compared to the national average of 25% the unemployment in the primary area is still very high.

The employment profile is categorised into the formal or informal sectors and private households, in the table and diagram below.

### Table 3.9: Percentage distribution of occupation sectors for Mthatha catchment, 2011

<table>
<thead>
<tr>
<th></th>
<th>In the formal sector</th>
<th>In the informal sector</th>
<th>Private household</th>
<th>Do not know</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>70%</td>
<td>17%</td>
<td>12%</td>
<td>1%</td>
<td>100%</td>
</tr>
<tr>
<td>Secondary</td>
<td>72%</td>
<td>16%</td>
<td>10%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>69%</td>
<td>19%</td>
<td>10%</td>
<td>2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Census 2011 and Kayamandi calculations*

In comparison to the other areas, the secondary catchment area (72%) has the greatest proportion of residents working in the formal sector, followed by the primary catchment area (70%) and the tertiary catchment area (69%). For the primary catchment area it is evident that the formal sector (70%) is also the dominant sector of employment which shows positive results regarding the quality of employment in the area. The private household (12%) has nearly as much residents working for this sector as in the informal sector (17%) in the primary catchment area, this could be concerning as it indicates a large percentage of workers not having job security to the extent that the formal sector provides.
Diagram 3.8: Employment per formal/informal sector for the catchment area of Mthatha, 2011

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>Total</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the formal sector</td>
<td>47 159</td>
<td>24 984</td>
<td>89 869</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In the informal sector</td>
<td>11 454</td>
<td>5 716</td>
<td>24 776</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private household</td>
<td>8 246</td>
<td>3 384</td>
<td>13 292</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do not know</td>
<td>957</td>
<td>630</td>
<td>2 680</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Census 2011 and Kayamandi calculations

3.3.4 INCOME AND POVERTY LEVELS

The following section provides information regarding the annual household income per year for the catchment area in 2011.

Table 3.10: Annual household income distribution for the Mthatha catchment area, 2011

<table>
<thead>
<tr>
<th>Annual Income Range</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>Total</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>No income</td>
<td>18 830</td>
<td>19 664</td>
<td>58 744</td>
<td>97 238</td>
<td>16%</td>
</tr>
<tr>
<td>R 1 - R 4 800</td>
<td>6 403</td>
<td>9 503</td>
<td>26 472</td>
<td>42 378</td>
<td>7%</td>
</tr>
<tr>
<td>R 4 801 - R 9 600</td>
<td>11 954</td>
<td>19 326</td>
<td>48 645</td>
<td>79 925</td>
<td>13%</td>
</tr>
<tr>
<td>R 9 601 - R 19 600</td>
<td>20 429</td>
<td>36 577</td>
<td>99 370</td>
<td>156 376</td>
<td>26%</td>
</tr>
<tr>
<td>R 19 601 - R 38 200</td>
<td>17 874</td>
<td>31 684</td>
<td>79 965</td>
<td>129 523</td>
<td>21%</td>
</tr>
<tr>
<td>R 38 201 - R 76 400</td>
<td>9 174</td>
<td>9 105</td>
<td>25 872</td>
<td>44 151</td>
<td>7%</td>
</tr>
<tr>
<td>R 76 401 - R 153 800</td>
<td>8 214</td>
<td>3 624</td>
<td>16 025</td>
<td>27 863</td>
<td>5%</td>
</tr>
<tr>
<td>R 153 801 - R 307 600</td>
<td>5 878</td>
<td>2 202</td>
<td>9 930</td>
<td>18 010</td>
<td>3%</td>
</tr>
<tr>
<td>R 307 601 - R 614 400</td>
<td>2 824</td>
<td>878</td>
<td>3 601</td>
<td>7 303</td>
<td>1%</td>
</tr>
<tr>
<td>R 614 001 - R 1 228 800</td>
<td>581</td>
<td>128</td>
<td>582</td>
<td>1 291</td>
<td>0%</td>
</tr>
<tr>
<td>R 1 228 801 - R 2 457 600</td>
<td>207</td>
<td>97</td>
<td>367</td>
<td>671</td>
<td>0%</td>
</tr>
<tr>
<td>R 2 457 601 or more</td>
<td>163</td>
<td>103</td>
<td>341</td>
<td>607</td>
<td>0%</td>
</tr>
<tr>
<td>Unspecified</td>
<td>1</td>
<td>5</td>
<td>8</td>
<td>14</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Census 2011 and Kayamandi calculations

The total number of households who receive no form of income totals to 97,238 households in the catchment area. This is representative of 16% of the catchment area’s households who had no form of income in 2011. Majority of the households in the catchment area have an income of between R9 601- R19 600 per year, which averages to R416 per month. In the tertiary catchment area 79,000 households earn an annual income of R 19 601 – R 38 200, which averages to R774 per month.

The following tables provides an indication of the average income per household.
Table 3.11: Average household income for the Mthatha catchment area, 2011

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual income</td>
<td>R 74 301</td>
<td>R 30 784</td>
<td>R 37 194</td>
<td>R 47 426</td>
</tr>
<tr>
<td>Average monthly income</td>
<td>R 6 192</td>
<td>R 2 565</td>
<td>R 3 099</td>
<td>R 3 952</td>
</tr>
</tbody>
</table>

Source: Census 2011 and Kayamandi calculations

The information presented in the table above makes it clear that the primary catchment area has the highest amount of purchasing power, with households earning on average R6 192 per month. Households from the secondary catchment area earn on average R 2 565 per month, and the tertiary area earns approximately R 3 099 per month. The average amount earned per household in the secondary and tertiary area is extremely low compared to the primary catchment area, especially when pairing it with the average of 4 persons per household.

To further understand the diversities of income generated by households in the three catchment areas additional analysis is done into the capabilities of households when measured against the Living Standard Measure (LSM). The LSM was created by the South African Audience Research Foundation (SAARF) and is a segmentation tool used to accurately categorise people according to their overall living standard. The LSM classification is determined by a person’s access to services, durables and geographic indicators and is represented by 10 groups of which LSM 1 is the lowest and LSM 10 is the highest. These LSM groups can further be grouped into sub-groups that roughly represent the low income group (LSM 1-4), middle income group (LSM 5-7) and high income group (LSM 8-10).

The below diagram represents the overall LSM groups for the total of all three catchment areas.

Diagram 3.9: LSM for total households of Mthatha catchment area, 2011

Reference: Kayamandi Calculations using Statistics South Africa Census 2011 Results and the South African Audience Reference Foundation LSM Information

The above graph shows that more than 80% of households in the overall catchment area are classified under LSM groups 1 to 4 or low income households. Households that form part of LSM groups 5 to 7 or middle income households comprise 12% of all households, while high income households (LSM 8 to 10) represent 5% of all households in the catchment areas.

The below Diagram further elaborates on the distribution of households per LSM grouping by considering each catchment area.
Diagram 3.10: LSM grouping for households per catchment area of Mthatha, 2011

The graph shows that in the primary catchment area 74% of households are grouped under LSM groups 1 to 4, which when compared to the secondary and tertiary catchment areas, is significantly lower. The secondary catchment area shows that 88% of households are grouped under LSM groups 1 to 4, while in the tertiary catchment area 85% of households are grouped under LSM groups 1 to 4. For LSM groups 5 to 7 (middle income households) the primary catchment area shows that 17% of households form part of this grouping, which is higher than the proportion of households in the secondary and tertiary catchment areas. Approximately 10% of households in the secondary catchment area and 11% of households in the tertiary catchment area are classified under LSM groups 5 to 7. LSM groups 8 to 10 or high income households, represent the smallest proportion of households in all three catchment areas. The primary catchment area shows that 9% of households are grouped according to LSM 8 to 10 categories while for the same category, LSM groups 8 to 10 are represented by 3% of households in the secondary catchment area and 4% of households in the tertiary catchment area.

In addition to reviewing the diversities of households in the catchment areas of Mthatha, further consideration can be given to analysing households, and their income generated, according to the various lifecycles of income generation in which a household finds itself. The Bureau of Market Research (BMR) conducted a research exercise which reviewed Household Income and Expenditure Patterns (2011). The study had characterised household income based on 7 income categories which detail the income lifecycle within which a household finds itself.

Shown in the diagram below are households within the overall catchment in relation to their income status.

The diagram shows that 83% of households throughout all catchment areas can be classified as poor households while 12% of households are traversing out of poverty towards middle income status. The emerging middle class represents 3% of all households while middle class households only constitute 1.2% of all households. Households in the process of moving from middle class to affluent comprise
0.2% of all households whereas only approximately 0.2% of households represent affluent households.

Diagram 3.11: Annual household income characteristics for all households in Mthatha catchment

Reference: Kayamandi Calculations using Statistics South Africa Census 2011 Results and the Household Income and Expenditure Patterns in South Africa Study (2011)

The diagram below shows the households within the different catchments in relation to their income status.

Diagram 3.12: Annual household income characteristics for households per catchment in Mthatha

Reference: Kayamandi Calculations using Statistics South Africa Census 2011 Results and the Household Income and Expenditure Patterns in South Africa Study (2011)

In the primary catchment area, 74% of households are considered to be poor, which in comparison to other catchment areas is significantly lower. The secondary catchment area shows that 88% of
households are considered to be poor, while in the tertiary catchment area 85% of households are poor.

The primary catchment area further shows that a greater proportion of households are considered to be emerging from lower income levels to middle income class status whereby 17% of households are low emerging middle class households and 6% are emerging middle class households. Similarly, the secondary catchment area shows that 10% of households are emerging from low wealth status towards being an emerging middle income household, while only 2% of households are emerging middle class households. The tertiary sector shows a greater proportion of households emerging from poverty than those in the secondary catchment area whereby 11% of households are low emerging middle class households and 3% are emerging middle class households.

Middle class households are more prominent in the primary catchment area where 3% of households are considered to be middle class households compared to 0.7% of households in the secondary catchment area and 1.0% of households in the tertiary catchment area. Households that are transitioning from middle class to affluence represent 0.5% of households in the primary catchment area, 0.14% of households in the secondary catchment area and 0.2% of households in the tertiary catchment area.

The affluent community is a marginal proportion of households per catchment area where 0.4% of households in the primary catchment area, 0.2% of households in the secondary catchment area and 0.2% of households in the tertiary catchment area can be considered to be affluent.

### 3.4 SUMMARY OF SOCIO-ECONOMIC PROFILE OF MARKET CATCHMENT

A summary of the key socio-economic indicators for the catchment area of Mthatha, is tabled below.

**Table 3.12: Summary of key socio-economic indicators for Mthatha’s catchment area, 2001**

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population total</td>
<td>415 191</td>
<td>634 417</td>
<td>1 576 411</td>
<td>2 626 019</td>
</tr>
<tr>
<td>Household total</td>
<td>101 532</td>
<td>132 896</td>
<td>369 922</td>
<td>605 350</td>
</tr>
<tr>
<td>Average persons per household</td>
<td>4.04</td>
<td>4.77</td>
<td>4.26</td>
<td>4.33</td>
</tr>
<tr>
<td>Density (persons per km²)</td>
<td>192</td>
<td>80</td>
<td>48</td>
<td>61</td>
</tr>
<tr>
<td>Share of population over 18</td>
<td>62%</td>
<td>53%</td>
<td>55%</td>
<td>55%</td>
</tr>
<tr>
<td>Dominant gender (females)</td>
<td>53.60%</td>
<td>54.10%</td>
<td>53.70%</td>
<td>54%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>38%</td>
<td>48%</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>Labour force participation rate</td>
<td>41%</td>
<td>20%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Average monthly income</td>
<td>R 6 192</td>
<td>R 2 565</td>
<td>R 3 099</td>
<td>R 3 952</td>
</tr>
<tr>
<td>LSM 1-4: Low income share</td>
<td>74%</td>
<td>88%</td>
<td>85%</td>
<td>83%</td>
</tr>
<tr>
<td>LSM 5-7: Middle income share</td>
<td>17%</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>LSM 8-10: High income share</td>
<td>9%</td>
<td>2%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>
4. MARKET DEMAND AND REVENUE POTENTIAL

4.1 INTRODUCTION
The purpose of this section is to provide an indication, both through secondary and primary market demand research, of the propensity to gamble, the frequency of gambling, as well as the expenditure per type of gambling. This is followed by determining the net effective market demand. The following components are detailed upon in this section:

- Gross gaming revenue per mode
- Gaming incidence and propensity to gamble per mode
- Demography of gamblers
- Current gaming market supply in zone 4
- Net effective casino market demand and market revenue potential
- Net effective casino market size

Prior to detailing on the latest known National and Provincial propensities to gamble, some key terminology needs to be put in perspective. According to the National Gambling Board and Bureau of Market Research University of South Africa, propensity to gamble is defined as the percentage of household expenditure that is allocated to gambling, and is recommended to be measured in two- to three-year cycles (National Gambling Board, 2013, p. ix). Propensity to gamble is an important indicator as it indicates the importance of gambling to various households.

The following offers an explanation of some of the key components related to propensity to gamble:

- **Propensity to participate**: Propensity to participate refers to the percentage of the population within a market that is likely to participate in gaming. Generally, propensity decreases as the distance from the market centre increases. In fully developed casino markets, such as the local Las Vegas market, adult population gaming propensity can reach beyond 60%, while in single venue or slots-only markets it can be as low as 20% of the adult population.

- **Propensity to gamble**: Propensity to gamble is measured as the percentage of household expenditure allocated to gambling (i.e. gambling expenditure minus prizes paid out).

- **Frequency**: Frequency is a measure of the average number of times per year that individuals with a propensity to participate in gaming within a market will actually do so. Like propensity, frequency tends to decline as the distance from the market centre increases.

- **Expenditure**: Expenditure is a measure of the monetary value of the amount wagered, which is expressed as a monetary value per unit of time (e.g. Rands per month/year).

- **Turnover**: Turnover is the rand value of money wagered, which includes "recycling", which refers to amounts that are staked on more than one occasion.

- **Gross Gambling Revenue (GGR)**: GGR is the rand value of the gross revenue of an operator i.e. turnover less winnings paid to players.

4.2 GROSS GAMING REVENUE PER MODE
The GGR per gambling mode and Province is set out in below table and diagram.

GGR increased by 13.6% from R18 417 million in 2011/12 to R20 914 million in 2012/13, by 4.3% to R21 803 in 2013/14, and by 9.6% to R 23 895 million in 2014/15. In 2014, casinos generated 76% of the total for all gambling modes, followed by betting which contributed 13%, LPM which accounted for 8% of the GGR and Bingo, which only generated 3% of the GGR (NGB, 2014). The Eastern Cape is responsible for 7% of the country’s GGR, while Gauteng is responsible for 42.2%, KZB for 19%, and
Western Cape for 16%. During 2014/15, as at 31 March 2015, casinos accounted for the highest GGR generated, being 72.1% as compared to other gambling modes (NGB, 2015b).

**Table 4.1: GGR per province and mode, 2013/14**

<table>
<thead>
<tr>
<th>Province</th>
<th>Casino</th>
<th>LPM</th>
<th>Bingo</th>
<th>Betting</th>
<th>TOTAL</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>R 6 987 455 526</td>
<td>R 287 153 124</td>
<td>R 684 915 680</td>
<td>R 1 242 610 057</td>
<td>R 9 202 134 387</td>
<td>42.2%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>R 2 536 384 555</td>
<td>R 551 058 263</td>
<td>R 325 227 018</td>
<td>R 3 412 669 836</td>
<td>R 4 157 196 966</td>
<td>19.1%</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>R 3 072 578 221</td>
<td>R 403 693 658</td>
<td>R 680 925 087</td>
<td>R 628 657 070</td>
<td>R 962 527 587</td>
<td>4.4%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>R 728 757 839</td>
<td>R 109 534 325</td>
<td>R 37 813 283</td>
<td>R 86 422 140</td>
<td>R 9 202 134 387</td>
<td>42.2%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>R 352 409 411</td>
<td>R 145 361 468</td>
<td>R 130 886 191</td>
<td>R 628 657 070</td>
<td>R 1 184 482 348</td>
<td>5.4%</td>
</tr>
<tr>
<td>North West</td>
<td>R 1 042 453 071</td>
<td>R 28 223 648</td>
<td>R 5 624 933</td>
<td>R 1 184 482 348</td>
<td>R 18 714 175</td>
<td>0.9%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>R 186 995 244</td>
<td>R 11 714 175</td>
<td>R 163 425 993</td>
<td>R 1 282 261 510</td>
<td>R 158 802 829</td>
<td>7.0%</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>R 1 171 027 506</td>
<td>R 189 840 046</td>
<td>R 3 967 965</td>
<td>R 1 840 712 035</td>
<td>R 528 029 706</td>
<td>2.4%</td>
</tr>
<tr>
<td>Free State</td>
<td>R 419 533 541</td>
<td>R 23 784 130</td>
<td>R 108 180 696</td>
<td>R 528 029 706</td>
<td>R 1 282 261 510</td>
<td>7.0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>R 16 497 594 914</td>
<td>R 1 738 648 662</td>
<td>R 732 321 861</td>
<td>R 2 834 103 392</td>
<td>R 21 802 668 829</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Kayamandi calculations from National Gambling Board, 2014b

**Diagram 4.1: Provincial distribution of total GGR, 2014/15**

Source: National Gambling Board, 2015b

The National Gambling Board determined the total value-added impact of the gambling sector to be R21.8 billion in 2014, and signified 0.8% of the gross domestic product (GDP). The average return to player per gambling mode in 2013/14, which is the average achieved over a significant number of game plays and not each time the gaming machine is played (NGB, 2014b), is as follows:

- Casino: 90.7%
Betting: 76.6%
Bingo: 93%
LPM: 90.9%

During 2012, the NGB survey (2013a) also revealed the following regarding the contribution of the gambling sector to the South African economy:

- **GDP (value added):** The initial GDP (value added) generated by the gambling sector amounted to an estimated **R10 968.8 million in 2012**. This amount is multiplied by indirect and induced effects to a total GDP contribution of **R21 937.6 million**. This represents an initial GDP contribution of 0.39% with a further 0.38% indirect and induced contribution. The total GDP contribution was 0.77%, which will probably remain at this level for the foreseeable future. The GDP multiplier was **2.0 meaning that for every R100 value added created by the gambling sector itself, another R100 was generated in other sectors of the economy**.

- **Employment:** The employment multiplier is calculated at 5.6, implying that **for every 100 jobs created directly by the gambling sector a further 416 are created indirectly in other sectors of the economy**. A total of 166 202 jobs were created directly (29 679) and indirectly (136 523), contributing 1.7% of the non-agricultural formal employment in South Africa.

Based on the above indicated GGR generated from Casinos, and the number of casinos per Province, the average GGR generated by Casinos per Province in 2013/14, is as follows (Kayamandi calculations from NGB, 2014b):

- Gauteng: R 998 207 932
- Western Cape: R 507 276 911
- KwaZulu-Natal: R 614 515 644
- Mpumalanga: R 242 919 280
- Limpopo: R 176 204 706
- North West: R 260 613 268
- Northern Cape: R 93 497 622
- Eastern Cape: R 292 756 877
- Free State: R 104 883 385
- TOTAL: R 458 266 525

The gambling industry plays an important role in the economy of the Eastern Cape. The GGR per mode is provided hereunder.

**Table 4.2: Eastern Cape Gaming Modes GGR, 2014/15**

<table>
<thead>
<tr>
<th>Gross Gaming Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Slots</strong></td>
<td>R 1 076 867 414</td>
</tr>
<tr>
<td><strong>Total Tables</strong></td>
<td>R 119 813 688</td>
</tr>
<tr>
<td><strong>Racing</strong></td>
<td>R 169 762 112</td>
</tr>
<tr>
<td><strong>Route and Sites</strong></td>
<td>R 238 798 594</td>
</tr>
<tr>
<td><strong>Bingo Halls</strong></td>
<td>R 113 844 090</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>R 1 719 085 898</td>
</tr>
</tbody>
</table>

Source: Eastern Cape Gambling and Betting Board, 2015

The above table also shows that the GGR for the Eastern Cape was roughly about R1.8 billion in the last financial year, this figure has grown from R 931.9 million in 2009, which then further increased to R 1.4 billion in 2013 before reaching the highest yet in the last financial year (ECGBB, 2014a). The GGR for slots and tables in 2014/15 together comprise nearly 70% of the GGR of the Eastern Cape Province.
Total slots in the gaming industry has the highest amount of Revenue collected, this is as a result of the popularity of slot machines in the gaming industry. As can be seen in the table below that for the financial year of 2013/14 the casinos in the Eastern Cape jointly had over one thousand employees, have jointly attracted more than 6 million visitors to their areas, and jointly have more than 2,200 slot machines and 85 tables.

**Table 4.3: Profile of operating Eastern Cape casinos, 2013/14 financial year**

<table>
<thead>
<tr>
<th></th>
<th>Bizana: Wild Coast Sun</th>
<th>Port Elizabeth: Boardwalk &amp; East London: Hemingway’s</th>
<th>Queenstown: Queens</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent employment</td>
<td>227</td>
<td>375</td>
<td>251</td>
<td>116</td>
</tr>
<tr>
<td>Outsourced employment</td>
<td>38</td>
<td>46</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total employment</td>
<td>265</td>
<td>421</td>
<td>251</td>
<td>116</td>
</tr>
<tr>
<td>Slot machines</td>
<td>514</td>
<td>1005</td>
<td>505</td>
<td>198</td>
</tr>
<tr>
<td>Tables</td>
<td>18</td>
<td>37</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Visitors attracted to casinos</td>
<td>687 107</td>
<td>3 014 373</td>
<td>2 405 410</td>
<td>220 075</td>
</tr>
</tbody>
</table>

Source: ECGBB, 2014

### 4.3 PROPENSITY AND FREQUENCY TO GAMBLE PER MODE

#### 4.3.1 NATIONAL PROPENSITY AND FREQUENCY TO GAMBLE PER MODE

In 2002, the National propensity to gamble was 1.3%, this figure has increased to 1.7% in 2005, then decreased to 0.9% in 2009, which was as a result of the worldwide recession, before slightly increasing to 0.97% in 2012 (National Gambling Board, 2013a). The propensity to gamble is expanded into the various gambling modes as shown in the table below.

**Table 4.4: National propensity to gamble per mode, 2012**

<table>
<thead>
<tr>
<th>Mode</th>
<th>Propensity to gamble (%)</th>
<th>Allocation of each R100 spent on gambling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casinos</td>
<td>0.69</td>
<td>R71.10</td>
</tr>
<tr>
<td>Bingo</td>
<td>0.01</td>
<td>R1.00</td>
</tr>
<tr>
<td>Horse/ sports betting</td>
<td>0.10</td>
<td>R 10.30</td>
</tr>
<tr>
<td>LPM’s</td>
<td>0.06</td>
<td>R 5.70</td>
</tr>
<tr>
<td>National Lottery games</td>
<td>0.12</td>
<td>R11.40</td>
</tr>
<tr>
<td><strong>Total Gambling</strong></td>
<td><strong>0.97</strong></td>
<td><strong>R100.00</strong></td>
</tr>
</tbody>
</table>

Source: National Gambling Board, 2013a

The above table shows that on the whole, South African households allocated 0.97% of their total monthly household income to gambling in 2012. As can be seen from the table above casino gambling is the most important form of gambling in South Africa as it takes up approximately 70% of the total propensity to gamble statistics. Overall it is evident that propensity to gamble has stabilized at just below 1% of household income/expenditure for 2009 to 2012. Gambling expenditure is expected to increase horizontally as household incomes increase; this suggests that the amount of legal gambling is proportional to the increase in household income.
Comparisons of the 2012 NGB study with previous surveys suggest the following expenditure trends by gambling mode (NGB, 2013a):

- **Casino gambling remains the most important gambling mode (from an expenditure point of view), attracting almost 70% of total legal gambling expenditure.** Propensity to gamble at casinos decreased from 1.21% in the 2005 NGB survey to **0.69% in both the 2009 and 2012 surveys**;
- Horse/sports betting stabilised at approximately 0.10% between 2005 and 2012.
- The allocation of household expenditure to lottery games reflected a strong downward trend since 2005. The propensity to play lottery games declined from 0.38% in 2005 to 0.09% in 2009 with a slight increase to 0.12% in 2012;
- Bingo attracted only 0.01% of household expenditure and will probably remain on this relatively low level;
- The propensity to play LPMs in 2012 stood at 0.06%, slightly higher than the 0.03% in 2009.

From the 2011 survey results, a clear indication emerged, that **the less affluent groupings of the South African population are important participants in gambling activities**. Note for instance that (NGB, 2013a):

- 29.6% of gambling participants were unemployed
- 14.8% occupied part-time jobs
- 37.8% had no formal schooling, only primary education or some high school education (grade 12 excluded)
- 29.4% earned less than R1 000 per month

Since Zone 4 is comprised of a substantial low-income earning population, the question arises as to which gambling modes the gamblers in the less affluent groupings of the community participate in. The 2012 national survey results reveal that of **households earning between R1 and R3 000 per month only 0.8% frequented casinos**. Distribution of gamblers earning between R1 and R3000 per month household income (NGB, 2013a):

- 76.1% bought lotto tickets
- 30.9% gambled at illegal outlets
- 11.4% bought scratch cards
- 11.2% wagered on horses/sports events
- **0.8% frequented casinos**

Of the unemployed gamblers in the 2012 survey (NGB, 2013a):

- 76.8% bought lotto tickets
- 22.8% gambled at illegal gambling outlets
- 12.8% wagered on horses/sports events
- 11.8% bought scratch cards
- 6.2% participated in sports betting
- **3.6% frequented casinos**
- 2.9% played LPMs

The average monthly expenditure reported by gamblers in 2012 (NGB, 2013a) amounted to **R155.70**. The calculated R21 024 million forfeited by punters (i.e. GGR of gambling institutions) divided by the 2012 South African population 18 years plus (33 748 835), multiplied by the percentage of this population participating in gambling (14.3%) resulted in an **average expenditure per punter of R363.00 per month** (NGB, 2013a). As indicated by the NGB (2013a), the results testify to **substantial underreporting of gambling expenditure in surveys enquiring on only a selection of expenditure items (such as gambling)**, as with expenditure on negatively perceived items such as tobacco, alcohol, etc and therefore the inability to verify household expenditure in relation to household income. The
above reveals that the average monthly expenditure reported by gamblers is underreported by approximately half the actual amount, i.e. the amount spent is more than double that reported.

The total amount forfeited on gambling by households amounted to R21 024 million in 2012 (NGB, 2013a). GGR represents the amount retained by gambling institutions, and therefore the amount forfeited by households for gambling. Note that the total amount wagered by participants (minus) amount returned to players = equals the Gross Gaming Revenue (GGR) of gambling institutions. The GGR divided by total household expenditure in South Africa equals the propensity to gamble (NGB, 2013a). As such the amount of R21 024 million allocated by households to legal gambling (divided by total household income of R2 162 067 million in 2012) gives rise to the 0.97% propensity to gamble for 2012 (NGB, 2013a).

The share of South Africans aged 18 years older that indicated that they have gambled in the last twelve months, for the bi-annual data collected by the NGB (NGB, 2013b), is as follows.

- April 2011: 21.1%
- November 2011: 24.1%
- April 2012: 19.7%
- November 2012: 14.3%

According to the NGB (2013b), gambling incidence in South Africa has remained fairly stable over the last two years with a decline towards the end of 2012. At the end of 2012, most gamblers participate in a combination of gambling modes, however, buying a national lottery ticket is by far the most preferred mode of gambling.

### 4.3.2 EASTERN CAPE PROPENSITY AND FREQUENCY TO GAMBLE PER MODE

The gaming incidence by Province is as follows.

Table 4.5: Gaming incidence by Province, November 2012

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>Total population</th>
<th>Gambled last year</th>
<th>Gamblers excluding Lotto only</th>
<th>Gamblers lotto only</th>
<th>Problem gamblers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>23.8</td>
<td>23.8</td>
<td>4.9</td>
<td>14.5</td>
<td>4.9</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>19.5</td>
<td>9.8</td>
<td>2.0</td>
<td>7.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>12.6</td>
<td>12.4</td>
<td>1.8</td>
<td>10.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Limpopo</td>
<td>10.7</td>
<td>17.5</td>
<td>2.3</td>
<td>15.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Western Cape</td>
<td>10.5</td>
<td>18</td>
<td>2.2</td>
<td>15.8</td>
<td>0.4</td>
</tr>
<tr>
<td>North West</td>
<td>7.0</td>
<td>5.9</td>
<td>1.6</td>
<td>4.2</td>
<td>2</td>
</tr>
<tr>
<td>Free State</td>
<td>6.1</td>
<td>8.0</td>
<td>4.6</td>
<td>3.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>7.3</td>
<td>15.6</td>
<td>6.3</td>
<td>9.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>2.4</td>
<td>16.8</td>
<td>13.4</td>
<td>3.4</td>
<td>11.7</td>
</tr>
</tbody>
</table>

Source: NGG, 2013b

Evidently, **12.4% of the Eastern Cape Province** gambled in the last year (2012).

The distribution of gamblers by Province and mode (NGB, 2013b), is as follows:

<table>
<thead>
<tr>
<th>Mode:</th>
<th>KZN</th>
<th>GP</th>
<th>EC</th>
<th>WC</th>
<th>LP</th>
<th>NW</th>
<th>FS</th>
<th>MP</th>
<th>NC</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucky draws:</td>
<td>3.8</td>
<td>39.0</td>
<td>11.3</td>
<td>27.1</td>
<td>6.8</td>
<td>0.0</td>
<td>2.3</td>
<td>8.7</td>
<td>1.0</td>
<td>100%</td>
</tr>
<tr>
<td>Scratch cards</td>
<td>10.7</td>
<td>31.5</td>
<td>15.3</td>
<td>7.6</td>
<td>13.1</td>
<td>0.0</td>
<td>9.7</td>
<td>4.4</td>
<td>7.8</td>
<td>100%</td>
</tr>
<tr>
<td>Gambling at illegal outlets</td>
<td>6.6</td>
<td>40.8</td>
<td>1.9</td>
<td>6.8</td>
<td>11.5</td>
<td>2.4</td>
<td>4.4</td>
<td>19.3</td>
<td>6.3</td>
<td>100%</td>
</tr>
<tr>
<td>National lottery</td>
<td>13.9</td>
<td>32.4</td>
<td>12.5</td>
<td>14.9</td>
<td>14.7</td>
<td>2.7</td>
<td>1.9</td>
<td>6.1</td>
<td>0.8</td>
<td>100%</td>
</tr>
<tr>
<td>Bingo</td>
<td>8.4</td>
<td>53.9</td>
<td>16.6</td>
<td>11.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>9.4</td>
<td>0.0</td>
<td>100%</td>
</tr>
<tr>
<td>Casinos</td>
<td>18.3</td>
<td>40.6</td>
<td>7.9</td>
<td>22.3</td>
<td>2.9</td>
<td>0.0</td>
<td>3.4</td>
<td>2.6</td>
<td>2.0</td>
<td>100%</td>
</tr>
<tr>
<td>LPMs</td>
<td>21.0</td>
<td>62.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>9.5</td>
<td>6.8</td>
<td>100%</td>
</tr>
</tbody>
</table>
When comparing the distribution of the population 18 years and older across the nine provinces with the distribution of the gambling population across the nine provinces, it is evident that the gambling universe skews the most towards Gauteng, followed by the Western Cape and Limpopo in that these provinces have proportionally more gamblers than members of the adult population (NGB, 2013b). The Eastern Cape has 12.6% share of the adult population in the country and proportionally slightly fewer gamblers at approximately 11%. Approximately 12.4% of the adult Eastern Cape population gambled during the last year.

Within the Eastern Cape the mode of gambling that gamblers are engaged in, is as follows (NGB, 2013b):

- Lucky draws: 9%
- Scratch cards: 16.4%
- Gambling at illegal outlets: 4.6%
- National lottery: 88.6%
- Bingo: 3.8%
- Casinos: 6.4%
- LPMs: 0%
- Horse racing/sports betting: 0.8%

Evidently, 6.4% of all gamblers in the Eastern Cape are engaged in gambling at a Casino, compared to 8.9% of national gamblers that undertake gambling at a Casino.

In 2009, the ECGBB also commissioned a study on the Socio-Economic Impact of Legalised Gambling in the Eastern Cape Province. Key results on participation in gambling activities, as extracted from this report are provided (ECBGG, 2009). The study revealed that more than half (56%) of the Eastern Cape’s population have engaged in gambling activities at some point in their life and 39% of the population are gamblers, defined as those who engage in gambling activities at least once every three months.

The profile of participation across gambling modes in the Eastern Cape, in 2009, was as follows (ECGBB, 2009):

<table>
<thead>
<tr>
<th>Mode:</th>
<th>Total population</th>
<th>Gamblers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery/Lotto</td>
<td>33%</td>
<td>87%</td>
</tr>
<tr>
<td>Scratch cards</td>
<td>14%</td>
<td>35%</td>
</tr>
<tr>
<td>Slot machines in casinos</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>Blackjack in casinos</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Roulette in casinos</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Poker in casinos</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>LPMs in bars and pubs</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>Pool/billiards betting</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>Card games for money</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Horse betting</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Sports betting</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Dice games for money</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>Fafi/iChina</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Approximately 4% of the population in the Eastern Cape participate at slot machines in casinos, approximately 1% of the population participate in Blackjack in Casinos, and another 1% of the population participate in poker in Casino’s. Approximately 11% of all gamblers in the Eastern Cape participate at slot machines in casinos, approximately 2% of all gamblers participate in Blackjack, another 2% of all gamblers participate in poker in Casino’s and 1% of all gamblers participate in roulette in Casinos.

The frequency of participation, number of times per month, across gambling modes, in 2009, for Eastern Cape gamblers, was as follows (ECGBB, 2009):

- Pool billiards: 3.6 times per month
- Lottery: 3.4
- Card games: 2.4
- LMPS: 2.3
- Scratch cards: 2
- Dice games for money: 1.9
- Sports betting: 1.9
- Horse betting: 1.7
- Slot machines in casinos: 1

Gamblers mostly only frequent casinos in the Eastern Cape once a month.

4.3.3 ZONE 4 PROPENSITY AND FREQUENCY TO GAMBLE PER MODE

With regards to zone 4 in the Eastern Cape, approximately 70% of the Mthatha catchment population do not participate in gambling/betting. This is mostly due to not liking gambling/betting (36%), followed by against principles/religious beliefs (26%) and limited access to gambling or betting facilities (25%), and lack of money (12%).

The distribution of the 30% of the catchment population that do gamble and the gamblers participation per mode of gambling, for Mthatha, is shown below.

<table>
<thead>
<tr>
<th>MODE</th>
<th>PARTICIPATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>National lottery</td>
<td>80%</td>
</tr>
<tr>
<td>Visiting casinos</td>
<td>20%</td>
</tr>
<tr>
<td>Horse betting</td>
<td>4%</td>
</tr>
<tr>
<td>Sports betting</td>
<td>3%</td>
</tr>
<tr>
<td>Bingo</td>
<td>4%</td>
</tr>
<tr>
<td>Slot machines or LPMs</td>
<td>10%</td>
</tr>
<tr>
<td>On-line gambling</td>
<td>3%</td>
</tr>
<tr>
<td>Private or social betting</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Kayamandi household survey, 2015

The participation rate for lottery gambling is the highest with 80% of gamblers in the catchment taking part in the national lottery. The second highest participation of type of gambling by gamblers of Mthatha’s catchment area is gambling at Casinos. Evidently 20% of gamblers of Mthatha’s catchment area, gamble at Casinos.
Note than whilst **20% of the gambling population gamble at Casinos, only approximately 6.2% of all households from Mthatha’s catchment gamble at a casino.** This relatively low propensity could however be as a result of the lack of access to a casino for the catchment population.

Note in this regard that when the catchment population were queried with regards to whether or not when on holiday, casinos are visited, **approximately a quarter (26%) of the catchment indicated that they visit casinos when on holiday.** This is key indicator that there is strong motivation to go to Casino Complexes.

Of the gamblers that participate in visiting casinos from the Mthatha catchment, 65% (or 4% of total catchment) visited a casino in the last year. For the Mthatha catchment that visited a casino in the last year, the average number of visits per annum is 4.3 times. The distribution of the number of times a casino was visited over the last year, is as follows:

- Once in last year: 61%
- Twice: 6%
- 6 times (once every second month) 6%
- Once a month: 28%
- Total: 100%

When visiting a casino, the majority (81%) play at the slot machines, 11% at the tables, and 8% at both the tables and slot machines. Nearly half of all those that visited casinos in the last year, visited Hemingway Casino in East London, followed by a fifth that visited the Wild Coast Sun in Port Edward, and approximately 15% that visited Suncoast Casino in Durban. Only slightly more than 5% of those that gambled in the last year visited Queens Casino in Queenstown. Other Casinos visited in the last year mostly included Montecasino in Johannesburg, as well as Golden Horse in Pietermaritburg and Grandwest in Capetown.

The frequency per other type of gambling, for visitors to Mthatha, is shown below.

**Table 4.7: Distribution of gamblers participation and frequency per type of gambling**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>Daily</th>
<th>&lt; once per week</th>
<th>Once a week</th>
<th>Bi-weekly</th>
<th>Once a month</th>
<th>&lt; once per month</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>National lottery</td>
<td>0%</td>
<td>24%</td>
<td>28%</td>
<td>20%</td>
<td>13%</td>
<td>15%</td>
<td>100%</td>
</tr>
<tr>
<td>Horse betting</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Sports betting</td>
<td>0%</td>
<td>25%</td>
<td>50%</td>
<td>25%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Bingo</td>
<td>0%</td>
<td>0%</td>
<td>83%</td>
<td>0%</td>
<td>17%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Slot machines or LPMs</td>
<td>0%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>56%</td>
<td>100%</td>
</tr>
<tr>
<td>On-line gambling</td>
<td>0%</td>
<td>0%</td>
<td>6%</td>
<td>6%</td>
<td>38%</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Kayamandi household survey, 2015*

All bingo playing for Mthatha catchment gamblers is done at Ritz Bingo or spin and win in Mthatha Plaza.

The distribution of location at where households play slot machines or LPM for Mthatha Catchment gamblers, in order of importance, are as follows:

- Hotel Savoy
- Spin n win
- East London, Bizana, Durban equally
Ellies Pool bar, Phumelela Umtata, Crazy J in Engcobo, Kwa Zulu Natal, Matola Sun in King Williams Town, and Nyabhambili.

The main reasons for Mthatha catchment gamblers for gambling or betting include:
- In hopes of winning big: 60% of all gamblers
- Entertainment/leisure/recreation: 39%
- To attempt to supplement income: 12%
- Excitement factor: 11%
- I like the sense of achievement when winning: 11%

4.4 DEMOGRAPHIC PROFILE OF GAMBLERS

4.4.1 GENDER OF GAMBLERS

The gender distribution within the national gambling population (18 years and older) has a slight skew towards males with 63.7% of gamblers being males and 36.3% being females and the following distribution per mode (NGB, 2013b):

<table>
<thead>
<tr>
<th>Mode</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucky draws:</td>
<td>45.5%</td>
<td>54.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Scratch cards</td>
<td>54.7%</td>
<td>45.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Gambling at illegal outlets</td>
<td>54.3%</td>
<td>45.3%</td>
<td>100%</td>
</tr>
<tr>
<td>National lottery</td>
<td>67.0%</td>
<td>33.0%</td>
<td>100%</td>
</tr>
<tr>
<td>Bingo</td>
<td>36.2%</td>
<td>63.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Casinos</td>
<td>57.3%</td>
<td>42.7%</td>
<td>100%</td>
</tr>
<tr>
<td>LPMs</td>
<td>45.9%</td>
<td>54.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Horse racing/sports betting</td>
<td>64.2%</td>
<td>35.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Total gaming population</td>
<td>63.7%</td>
<td>36.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Distribution of population 18yrs +</td>
<td>47.6%</td>
<td>52.4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

However the participation of more men than women (in the national lottery) results in overall incidence skewed towards males (63.7%).

Note from the above, that nationally more males (57.3%) than females (42.7%) gamble at Casino’s throughout the country.

Of Eastern Cape gamblers, 63% are male, while 37% are female (ECGBB, 2009). While participation at slot machines in casinos is 57% male and 43% female (ECGBB, 2009).

Of Mthatha catchment gamblers, 48% are male, while 52% are female. While gamblers participation at casinos is 42% male and 58% female.

4.4.2 AGE OF GAMBLERS

Nationally, with the exception of gambling at licensed casinos (of which the incidence is highest amongst both the 35-44 and the 55+ year age group), generally the 35-44 year age group displays the highest incidence of gambling across the different modes of gambling (NGB, 2013b). The national gambling distribution by age group and mode is as follows (NGB, 2013b):

<table>
<thead>
<tr>
<th>Mode</th>
<th>18-24:</th>
<th>25-34:</th>
<th>35-44:</th>
<th>45-54:</th>
<th>55+:</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucky draws:</td>
<td>18.5%</td>
<td>29.6%</td>
<td>32.6%</td>
<td>2.8%</td>
<td>16.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Scratch cards</td>
<td>21.3%</td>
<td>24.9%</td>
<td>29.6%</td>
<td>18.4%</td>
<td>5.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Gambling at illegal outlets</td>
<td>29.1%</td>
<td>17.8%</td>
<td>19.9%</td>
<td>16.9%</td>
<td>16.3%</td>
<td>100%</td>
</tr>
<tr>
<td>National lottery</td>
<td>16.3%</td>
<td>29.9%</td>
<td>23.9%</td>
<td>16.5%</td>
<td>13.4%</td>
<td>100%</td>
</tr>
<tr>
<td>Bingo</td>
<td>0.0%</td>
<td>33.0%</td>
<td>37.2%</td>
<td>21.3%</td>
<td>8.5%</td>
<td>100%</td>
</tr>
</tbody>
</table>
The profile of participation against **age groups of gamblers in the Eastern Cape, in 2009**, was as follows (ECGBB, 2009):

- **18-24 year:** 20%
- **25-29:** 15%
- **30-34:** 17%
- **35-39:** 12%
- **40-49:** 18%
- **50+:** 19%

**The demographics by age of gamblers at Casinos in the Eastern Cape,** is as follows: (ECGBB, 2008):

<table>
<thead>
<tr>
<th>Age</th>
<th>Casinos</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24 year</td>
<td>6%</td>
</tr>
<tr>
<td>25-30</td>
<td>4%</td>
</tr>
<tr>
<td>31-40</td>
<td>15%</td>
</tr>
<tr>
<td>41-50</td>
<td>32%</td>
</tr>
<tr>
<td>51-65</td>
<td>19%</td>
</tr>
<tr>
<td>65+</td>
<td>24%</td>
</tr>
</tbody>
</table>

**The profile of participation against age groups of Mthatha catchment gamblers,** is as follows:

- **18-24 year:** 7%
- **25-29:** 19%
- **30-34:** 13%
- **35-39:** 7%
- **40-49:** 21%
- **50-65:** 26%
- **66+:** 7%

### 4.4.3 Community type of Gamblers

National gambling incidence (legal and illegal gambling modes) is skewed towards the urban (metro) population, especially so for gambling at Casinos, bingo, and LPMs. This mostly related to the higher number of outlets in metros and easier access to the venues (NGB, 2013b). The **distribution of incidence by community type and mode** (NGB, 2013b), is as follows:

<table>
<thead>
<tr>
<th>Mode</th>
<th>Metro:</th>
<th>Rural:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lucky draws:</strong></td>
<td>45.2%</td>
<td>54.8%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Scratch cards</strong></td>
<td>51.0%</td>
<td>49.0%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Gambling at illegal outlets</strong></td>
<td>43.0%</td>
<td>57.0%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>National lottery</strong></td>
<td>47.4%</td>
<td>52.6%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Bingo</strong></td>
<td>74.1%</td>
<td>25.9%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Casinos</strong></td>
<td><strong>69.3%</strong></td>
<td><strong>30.8%</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td><strong>LPMs</strong></td>
<td>83.7%</td>
<td>16.3%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Horse racing/sports betting</strong></td>
<td>48.4%</td>
<td>51.6%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total gaming population</strong></td>
<td><strong>44.9%</strong></td>
<td><strong>55.1%</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td><strong>Distribution of population 18yrs +</strong></td>
<td><strong>36.9%</strong></td>
<td><strong>63.1%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
According to the ECGBB (2009), **Eastern Cape Gamblers are more inclined to live in metropolitan areas** (49%), followed by rural areas (30%), and small urban areas (21%), whereas non-gamblers mostly tend to live in rural areas (41%), followed by metro (30%), and small urban (29%). Amongst those living in metropolitan areas, the gambling participation rate is 50%, whereas this rate of participation is 32% amongst the non-metropolitan population. Participation in gambling differs markedly by district with the Amatole district having the highest participation rate of 49%, followed by the Nelson Mandela district with a participation rate 47%. The Chris Hani and Cacadu districts have the lowest participation rates of 23% and 25% respectively.

Note that **proximity to gambling sites is a key factor determining gambling participation.** However, **proximity is less of an issue when it comes to casino participation as people are more willing to travel to casinos**. The mean travel time from home to the nearest casino is **45 minutes for non-gamblers and 42 minutes for gamblers in the Eastern Cape** (ECGBB, 2009).

### 4.4.4 Household Income of Gamblers

Nationally, gambling is an activity disproportionately skewed towards persons that are employed. Approximately 40% of persons older than 18 years, hold either a part-time or full-time position, while 54% of the gambling population is either part-time or full-time employed. Whereas 6% of the total population is unemployed, 30% of gamblers are unemployed. The national distribution of work status per mode and gambling incidence (NGB, 2013b), is as follows:

<table>
<thead>
<tr>
<th>Mode:</th>
<th>Full-time</th>
<th>Part-time</th>
<th>Not working</th>
<th>Unemployed</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucky draws:</td>
<td>40.8%</td>
<td>22.4%</td>
<td>22.9%</td>
<td>13.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Scratch cards</td>
<td>41.6%</td>
<td>10.7%</td>
<td>18.6%</td>
<td>29.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Gambling at illegal outlets</td>
<td>35.5%</td>
<td>17.1%</td>
<td>21.7%</td>
<td>25.7%</td>
<td>100%</td>
</tr>
<tr>
<td>National lottery</td>
<td>39.9%</td>
<td>17.5%</td>
<td>13.1%</td>
<td>29.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Bingo</td>
<td>65.0%</td>
<td>12.9%</td>
<td>8.4%</td>
<td>13.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Casinos</td>
<td>47.3%</td>
<td>21.9%</td>
<td>18.7%</td>
<td>12.1%</td>
<td>100%</td>
</tr>
<tr>
<td>LPMs</td>
<td>29.0%</td>
<td>10.8%</td>
<td>18.0%</td>
<td>42.2%</td>
<td>100%</td>
</tr>
<tr>
<td>Horse racing/sports</td>
<td>47.3%</td>
<td>10.4%</td>
<td>12.0%</td>
<td>30.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Total gaming population</td>
<td>38.7%</td>
<td>14.8%</td>
<td>16.9%</td>
<td>29.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Distribution of pop 18yrs +</td>
<td>29.3%</td>
<td>10.3%</td>
<td>24.8%</td>
<td>35.6%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Nationally, nearly 70% of the gamblers at Casino facilities are employed (whether part-time or full-time), only approximately 12% are unemployed, and the remainder are not working.

The national gambling distribution by **monthly household income** is as follows (NGB, 2013b):

<table>
<thead>
<tr>
<th>Mode:</th>
<th>R0: R2999</th>
<th>R1- R5999</th>
<th>R3000- R5999</th>
<th>R6000- R13999</th>
<th>R14000- R29999</th>
<th>+ R30000</th>
<th>Refused:</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucky draws:</td>
<td>0.0%</td>
<td>16.9%</td>
<td>26.5%</td>
<td>19.8%</td>
<td>11.6%</td>
<td>7.0%</td>
<td>18.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Scratch cards</td>
<td>4.5%</td>
<td>20.2%</td>
<td>13.4%</td>
<td>24.3%</td>
<td>9.0%</td>
<td>3.8%</td>
<td>24.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Gambling at illegal outlets</td>
<td>1.0%</td>
<td>24.4%</td>
<td>18.1%</td>
<td>17.8%</td>
<td>6.3%</td>
<td>2.1%</td>
<td>30.4%</td>
<td>100%</td>
</tr>
<tr>
<td>National lottery</td>
<td>1.7%</td>
<td>20.5%</td>
<td>19.3%</td>
<td>20.2%</td>
<td>5.4%</td>
<td>3.6%</td>
<td>29.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Bingo</td>
<td>2.4%</td>
<td>4.5%</td>
<td>30.2%</td>
<td>21.0%</td>
<td>8.8%</td>
<td>9.4%</td>
<td>23.7%</td>
<td>100%</td>
</tr>
<tr>
<td>Casinos</td>
<td>0.7%</td>
<td>1.8%</td>
<td>16.8%</td>
<td>33.9%</td>
<td>6.9%</td>
<td>14.4%</td>
<td>25.5%</td>
<td>100%</td>
</tr>
<tr>
<td>LPMs</td>
<td>4.5%</td>
<td>12.3%</td>
<td>27.3%</td>
<td>9.3%</td>
<td>18.0%</td>
<td>9.5%</td>
<td>19.2%</td>
<td>100%</td>
</tr>
<tr>
<td>Horse racing/sports</td>
<td>0.5%</td>
<td>18.5%</td>
<td>20.1%</td>
<td>18.6%</td>
<td>1.0%</td>
<td>9.1%</td>
<td>32.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Total gaming population</td>
<td>1.7%</td>
<td>20.7%</td>
<td>19.0%</td>
<td>19.4%</td>
<td>4.9%</td>
<td>4.7%</td>
<td>29.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Distribution of pop 18yrs +</td>
<td>2.8%</td>
<td>24.9%</td>
<td>15.3%</td>
<td>14%</td>
<td>4.6%</td>
<td>2.8%</td>
<td>35.4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

When comparing the distribution of household income within the total population, 18 years and older, to that of the gambling population, it is clear that while persons with a low or no income participate...
in gambling activities, participation in gambling activities is skewed towards the middle to higher income groups with these groups disproportionately more inclined to gamble (NGB, 2013b). Nationally, the less than 3% of gamblers at Casino’s have less than R2999 monthly household income, while approximately 80% have more than R6000 monthly household income.

The profile of participation against work status of gamblers in the Eastern Cape, in 2009, was as follows (ECGBB, 2009):
- Working full-time: 39%
- Working part-time: 20%
- Unemployed: 22%
- Retired: 8%
- Student: 8%
- Household: 5%

The profile of participation against work status of gamblers at Casinos in the Eastern Cape, is as follows: (ECGBB, 2008):

<table>
<thead>
<tr>
<th>Work status</th>
<th>Casinos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working full-time</td>
<td>29%</td>
</tr>
<tr>
<td>Working part-time</td>
<td>19%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>4%</td>
</tr>
<tr>
<td>Retired</td>
<td>15%</td>
</tr>
<tr>
<td>Student</td>
<td>12%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>21%</td>
</tr>
</tbody>
</table>

The profile of participation against monthly household income of gamblers in the Eastern Cape, in 2009, was as follows (ECGBB, 2009):
- R0-R400: 5%
- R401-R800: 6%
- R801-R1200: 14%
- R1201-R1600: 13%
- R1601-R3200: 25%
- R3201-R6400: 20%
- R6401-R12800: 9%
- R12801-R25600: 3%
- R25601+: 1%

The profile of participation against monthly household income of gamblers at Casinos in the Eastern Cape, is as follows (ECGBB, 2008):

<table>
<thead>
<tr>
<th>Monthly income</th>
<th>Casino:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than R500:</td>
<td>2%</td>
</tr>
<tr>
<td>R501-R1000:</td>
<td>4%</td>
</tr>
<tr>
<td>R1001-R2000:</td>
<td>3%</td>
</tr>
<tr>
<td>R2001-R5000:</td>
<td>12%</td>
</tr>
<tr>
<td>R5001-R10000:</td>
<td>13%</td>
</tr>
<tr>
<td>R10001-R20000:</td>
<td>32%</td>
</tr>
<tr>
<td>R20000+:</td>
<td>34%</td>
</tr>
</tbody>
</table>

The median monthly household income by gambling mode in 2009 for the Eastern Cape gamblers, is as follows (ECGBB, 2009):
- Casino: R4,425
- Other formal: R2,233
- Informal: R2,137
In the Eastern Cape, those who gamble at casinos at least once every three months have the highest median monthly household income.

The profile of participation against money spent per session on gambling at a Casino in the Eastern Cape, is as follows (ECGBB, 2008):

<table>
<thead>
<tr>
<th>Money per session</th>
<th>Casino</th>
</tr>
</thead>
<tbody>
<tr>
<td>R10-R500</td>
<td>24%</td>
</tr>
<tr>
<td>R500-R1000</td>
<td>29%</td>
</tr>
<tr>
<td>R1000-R5000</td>
<td>32%</td>
</tr>
<tr>
<td>R5000+</td>
<td>15%</td>
</tr>
</tbody>
</table>

The household income of regular gamblers of Mthatha’s catchment, is as follows:

- R0-R400: 3%
- R401-R800: 9.9%
- R801-R1200: 9.2%
- R1201-R1600: 9.9%
- R1601-R3200: 47%
- R3201-R6400: 7%
- R6401-R12800: 7%
- R12801-R25600: 5%
- R25601+: 2%

The median monthly household income of casino gamblers from the Mthatha catchment is R4294 per month.

The average amount of household money spent on gambling per month by gamblers from Mthatha’s catchment is R230 per household per month, which is representative of approximately 4.3% of household income of gamblers. The distribution of the average amount of money spent on gambling per month is as follows:

- <R100 per month: 32.9%
- R100: 20.4%
- R101-R200: 14.5%
- R201-R300: 11.2%
- R301-R500: 12.5%
- R501-R1000: 7.2%
- R1001+: 1.3%
- Total: 100.0%

Note that approximately 10% of gamblers from the catchment of Mthatha have indicated that they have previously borrowed money to gamble or bet, with the remaining 90% of gamblers never having borrowed money to gamble/bet.

### 4.5 CURRENT GAMING MARKET SUPPLY IN ZONE 4

Having determined key socio-economic profile of gamblers for the Mthatha catchment in zone 4, the purpose of this sub-section is to provide an overview of the gaming industry in the Eastern Cape, especially relating to Casinos, with more detail on the supply of the gaming industry in zone 4.
It is important to understand the gambling market forces and influences within Zone 4 before determining the various attributes of the feasibility for the establishment of a casino in Zone 4. Note that in the Eastern Cape the main modes of gambling are casinos, Limited Pay-out Machines (LPM), Bingo halls, traditional horse racing (THR) and bookmakers.

There are currently four active casinos in the Eastern Cape, although the Province has been allocated five casino licenses out of a total of forty such licenses across the country. These five licenses have been allocated to five demarcated zones across the province in order to ensure a geographic spread in casino gambling activities. The Eastern Cape casinos per zone are tabled and shown diagrammatically below.

Diagram 4.2: Five regional zones and the four active casinos in the Eastern Cape

Table 4.8: Eastern Cape casinos

<table>
<thead>
<tr>
<th>Zone</th>
<th>Casino</th>
<th>Location</th>
<th>License issue</th>
<th>Term of license</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Boardwalk &amp; Entertainment World Casino</td>
<td>Port Elizabeth</td>
<td>2000</td>
<td>15 Years</td>
<td>2025*</td>
</tr>
<tr>
<td>2</td>
<td>Hemingways Casino</td>
<td>East London</td>
<td>2001</td>
<td>15 Years</td>
<td>2026*</td>
</tr>
<tr>
<td>3</td>
<td>Queens Casino</td>
<td>Queenstown</td>
<td>2007</td>
<td>10 Years</td>
<td>2017</td>
</tr>
<tr>
<td>4</td>
<td>Not yet awarded</td>
<td>Zone 4</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>5</td>
<td>Wild Coast Sun Casino</td>
<td>Mzamba Bizana</td>
<td>1981</td>
<td>10 Years</td>
<td>2019*</td>
</tr>
</tbody>
</table>

*As of the amendments made in the ECGBB regulations, licenses are now issued for a 20 year fixed period. Source: (Eastern Cape Gambling and Betting Board, 2015, p. 24)

The overall profile of the operating casinos in the Eastern Cape can be summarised in the table below.
Table 4.9: Summary of Eastern Cape’s active casinos

<table>
<thead>
<tr>
<th>Description</th>
<th>Wild Coast Sun Casino</th>
<th>Boardwalk &amp; Entertainment World Casino</th>
<th>Hemingways Casino</th>
<th>Queens Casino</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date opened</td>
<td>December 1981</td>
<td>October 2010</td>
<td>September 2001</td>
<td>December 2007</td>
</tr>
<tr>
<td>Operator</td>
<td>Transkei Sun International Ltd</td>
<td>Emfuleni Resorts (Pty) Ltd</td>
<td>Tsogo Sun Emonti (Pty) Ltd</td>
<td>Lukhanji Leisure (Pty) Ltd</td>
</tr>
<tr>
<td>Management Company</td>
<td>Sun International Management Ltd</td>
<td>Sun International Management Ltd</td>
<td>Tsogo Sun Casino Management Co.</td>
<td>Tsogo Sun Casino Management Co.</td>
</tr>
<tr>
<td>Registered employees</td>
<td>243</td>
<td>387</td>
<td>243</td>
<td>148</td>
</tr>
<tr>
<td>Slot machines</td>
<td>466</td>
<td>978</td>
<td>508</td>
<td>180</td>
</tr>
<tr>
<td>Tables</td>
<td>18</td>
<td>37</td>
<td>21</td>
<td>6</td>
</tr>
<tr>
<td>Visitors in 2013/14</td>
<td>687 107</td>
<td>3 014 373</td>
<td>2 405 410</td>
<td>220 075</td>
</tr>
<tr>
<td>Investment</td>
<td>R 340 million</td>
<td>R 1 billion</td>
<td>R 400 million</td>
<td>R 129 million</td>
</tr>
</tbody>
</table>

Source: ECGBB, NGB and Gaming for Africa Issue 92

The casino component of the Eastern Cape gambling industry accounts for the highest turnover in comparison with the other gambling modes in the province. In the 2013/14 financial year, these casinos employed approximately 1101 people, attracted more than 6.3 million visitors and generated a GGR of R1.2 billion (ECGBB Annual Performance Plan 2015/16-201718).

Other licensed gambling operations in the Eastern Cape, other than casinos, include route and site operations and bingo operations. Route operators are companies awarded licenses to own, manage and operate LPMs in conjunction with site operators, which usually include recreational and leisure establishments such as hotels, taverns, clubs, pubs and sports bars. The ECGBB has awarded two route operator licenses in the Eastern Cape, both of which are valid for a period of 15 years, namely:
- Vukani Gaming Eastern Cape (Pty) Ltd (trading as V-slots)
- African Pioneer Slots (Pty) Ltd.

Within the Eastern Cape LPM industry, V-slots has established 135 licensed site operations across the province and distributed 1090 licenced LPMs, while African Pioneer works in conjunction with 79 licensed site operators and rolled out 680 licensed LPMs throughout the province (as per 31 March 2015 ECGBB records, 2015). Both these route operators have established several site operations within zone 4.

The map below depicts the location of the site operations within zone 4.

From the below map, it is evident that there is a relative shortage for gaming machines and establishments in the Zone 4 area, as only 11 out of the 214 site operators in the province are located in this zone. The map also determines that majority of the existing gaming establishments are situated within the OR Tambo District.
Diagram 4.3: Location of Site Operators in Zone 4 (Excluding Queens Town)

The below table provides more detail on the route operators, locations and license types of each site operation in zone 4.

Table 4.10: Profile of site operators in zone 4

<table>
<thead>
<tr>
<th>Route Operator</th>
<th>Site operator</th>
<th>Major town</th>
<th>LPM Licence Type</th>
<th>Other Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Pioneer</td>
<td>Pit Stop Bar</td>
<td>Mthatha</td>
<td>Type A (3-5 Gambling Machines)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spin and Win/Boss</td>
<td>Mthatha</td>
<td>Type B (20 - 40 Gambling Machines) &amp; Bingo</td>
<td>Bingo</td>
</tr>
<tr>
<td></td>
<td>Boss Bookmaker</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jackpot City Engcobo</td>
<td>Engcobo</td>
<td>Type B (20 - 40 Gambling Machines)</td>
<td></td>
</tr>
<tr>
<td>V-slots</td>
<td>Engcobo Hotel</td>
<td>Engcobo</td>
<td>Type A (3-5 Gambling Machines)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hollywood Sportsbook</td>
<td>Mthatha</td>
<td>Type A (3-5 Gambling Machines)</td>
<td>Bookmaking</td>
</tr>
<tr>
<td></td>
<td>Sutherland Hotel</td>
<td>Mthatha</td>
<td>Type A (3-5 Gambling Machines)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Phumelela Gaming</td>
<td>Mthatha</td>
<td>Type A (3-5 Gambling Machines) &amp; Tab agency</td>
<td>Tab</td>
</tr>
<tr>
<td></td>
<td>Ben's Pub and Grub</td>
<td>Mthatha</td>
<td>Type A (3-5 Gambling Machines) &amp; Bookmaker</td>
<td></td>
</tr>
<tr>
<td></td>
<td>East Coast Sports Bar</td>
<td>Lusikisiki</td>
<td>Type A (3-5 Gambling Machines)</td>
<td></td>
</tr>
</tbody>
</table>
From the above table, it is evident that majority of the establishments that V-slots and African Pioneer supply have type A licenses which allow them to have 3-5 gaming machines. The various license types, regulate the number of slots/LPMs in an establishment as well as whether they are allowed other gaming activities such as Bingo. The table also highlights that Mthatha has the highest concentration of LPM sites in zone 4, as six of the eleven sites containing LPMs are located in this one town.

The type B licences outlined above allow operators to have both LPM and bingo gaming activities in specific establishments. The only licensed bingo operators in the Eastern Cape include:

- Boss gaming
- Galaxy bingo

Following the development of policy framework in the year 2012, licenses were issued to six bingo halls throughout the province. The operational bingo halls in the Eastern Cape are shown in the table below.

Table 4.11: Bingo halls in the Eastern Cape

<table>
<thead>
<tr>
<th>Licensed bingo halls</th>
<th>Operators</th>
<th>Date permanent licence issued</th>
<th>Date licence expiry</th>
<th>Registered employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galaxy PE</td>
<td>Galaxy Bingo</td>
<td>19/03/2014</td>
<td>18/03/2029</td>
<td>50</td>
</tr>
<tr>
<td>Bingo Royale Port Elizabeth (Pty) Ltd</td>
<td>Boss gaming</td>
<td>05/09/2014</td>
<td>04/09/2029</td>
<td>51</td>
</tr>
<tr>
<td>Galaxy EL</td>
<td>Galaxy Bingo</td>
<td>07/03/2014</td>
<td>06/03/2029</td>
<td>40</td>
</tr>
<tr>
<td>Bingo Royale Buffalo City CBD (Pty) Ltd</td>
<td>Boss gaming</td>
<td>19/09/2014</td>
<td>18/09/2029</td>
<td>33</td>
</tr>
<tr>
<td>Ritz Mthatha (Pty) Ltd</td>
<td>Boss gaming</td>
<td>06/12/2013</td>
<td>05/12/2028</td>
<td>19</td>
</tr>
<tr>
<td>Bingo Royale Jeffrey’s Bay</td>
<td>Boss gaming</td>
<td>30/09/2013 (provisional)</td>
<td>16/03/2015 (provisional)</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: ECGBB Annual Performance Plan 2015/16-201718

Of the six operational bingo halls highlighted above, two are operated by Galaxy Bingo and the other four halls are operated by Boss Gaming. The two bingo operators are currently supplying a total of 1004 traditional and electronic bingo terminals (EBT) to the existing six bingo halls.

The only licensed Bingo operator in zone 4 is Boss Gaming which has approximately 80 electronic bingo machines at the Ritz Bingo in Mthatha Plaza. An interview conducted with the manager of Ritz Bingo, revealed that Ritz Bingo operates at approximately 60% capacity during weekdays and full capacity on weekends. Gaming activities offered at Ritz Bingo include EBTs, LPMs and horse betting (TAB). According to the manager, of all the customers and/or gamblers that spend money at Ritz Bingo, an
estimated 80% access the EBTs and LPMs, 10% bet on horse racing and 10% go to the hall to access the bar and restaurant facilities only. It is notable that the success of the Ritz bingo hall is due to, inter alia, factors such as:

- Strategic location within the Mthatha Plaza
- Accessibility to major transport routes
- Lack of entertainment facilities within Mthatha
- Additional bar and restaurant facilities offered by the establishment

Based on interviews conducted with gaming entities in zone 4, indications of a high demand for gaming facilities in Mthatha exist. For instance Ritz Bingo is looking to expand its facility to accommodate more machines and activities and possibly introduce new gaming activities that residents can access.

Other gaming activities in Zone 4 include Bookmakers and Tabs/ Horse betting. The horseracing industry includes two types of betting operations, namely the totalisator (tote) betting and fixed odds betting. Tote betting deals with bets taken from a pool of all bets of a specific race, while fixed odds is more specific to the description and has a wager with fixed odds.

Of the two racing tote licenses issued to Phumelela Gaming and Gold Circle in the country, Phumelela Gaming is the only licenced racing tote operator active in the Eastern Cape, with a total of 22 operational totalisator outlets. According to the ECGBB Annual Performance Plan 2015/16-2017/18, the tote licence was awarded to Phumelela Gaming on 21/12/2010 and expires on 20/12/2015. The only licensed tote outlet in zone 4 is within the town of Mthatha and is run by Phumelela Gaming.

Phumelela Gaming is located in the Circus Triangle Mall in Mthatha and offers gaming activities related to tab, other sports betting activities such as rugby and soccer, LPMs and the lottery. During an interview with the manager of this establishment, Phumelela Gaming attracts mostly low-income retired residents that are more interested in the tab and other sports betting activities. Approximately 95% of Phumelela’s customer’s access the sports betting activities and only 5% gamble on the five LPMs in the establishment. The establishment’s location within a mall and next to a taxi rank is believed to be its advantageous reasons because it makes the establishment easily accessible to all. There is however the notion from the manager that there is a need to upgrade Phumelela Gaming from being only a gambling outlet into more of an entertainment area that also offers bar facilities to attract more customers and increase spending.

There are currently nine registered fixed odds bookmakers concerned with betting activities related to horse racing activities in the Eastern Cape. Zone 4 has two major bookmakers, namely:

- Hollywood Bookmakers in Mthatha
- Lucky Bets Bookmaker in Butterworth

The profiles of the bookmakers located in zone 4 are shown in the table below.

<table>
<thead>
<tr>
<th>Licensed Bookmakers</th>
<th>Date licence issued</th>
<th>Date licence expiry</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hollywood sportsbook Pty LTD</td>
<td>20/12/2012</td>
<td>22/06/2016</td>
<td>86</td>
</tr>
<tr>
<td>Lucky bet (Pty) Ltd</td>
<td>23/10/2012</td>
<td>22/10/2017</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: ECGBB Annual Performance Plan 2015/16-2017/18

As seen above, Hollywood Sportsbook has approximately 86 registered employees since it was awarded the bookmakers license in 20/12/2012 and Lucky Bets employed 12 people since 23/10/2012.

The gaming activities offered at Hollywood Sportsbook include V-slots, horse racing and other sport betting activities. According to the area manager, Busiswa Magugu, horse racing and soccer are the
most popular sports that customers bet on and as a result, the establishment is busiest during big
gle league soccer games and/or horse racing events. There are only five LPMs located on this site therefore the manager stated that only 5% of the clientele at Hollywood Sportsbook use the machines, while 50% bet on horse races and 45% bet on other sports. Even though there are people who gamble or place bets every day at Hollywood Sportsbook, the manager says the number of customers becomes significantly less during the soccer off-season.

Based on the above analysis it is evident that the majority of the existing gaming establishments within zone 4 are located in the OR Tambo District, with a high concentration of LPMs within the hospitality and consumption industries of Mthatha. Mthatha also seems to be the town with the most types of gaming activities as Ritz Bingo, a major bookmaker called Hollywood Sportsbook and Phumelela Gaming, which runs horse betting, are all located within Mthatha.

Furthermore, the public focus group discussions with various groups from Mthatha revealed that overall residents are familiar with gambling on slot machines and betting on sports such as soccer, rugby and horse racing. Some public residents mentioned informal gambling activities that they are familiar with relating to card games such as njiqa and crazy 8 which they play informally in their neighbourhoods. The focus group discussions further revealed that since the closure of the Holiday Inn gambling facility, residents who gamble mostly go to Spin and Win in Mthatha Plaza and Hollywood Sportsback located at Circus Triangle. Students interviewed mentioned that they mostly go to Hemingways Casino in East London to gamble for fun during weekends, although they don’t go very often because the casino is located far and they perceive gambling as expensive and a waste of money.

4.6 NET EFFECTIVE CASINO MARKET DEMAND AND MARKET REVENUE POTENTIAL

Having provided a profile of gamblers in terms of critical aspects such as casino gaming incidence and propensity to gamble at a casino, as well as the current gaming market supply in zone 4, the purpose of this sub-section is to provide an indication of:

- Casino development need and desirability
- Casino market demand and revenue potential by way of three models:
  - Model 1: Propensity to gamble per mode
  - Model 2: Visitors to Mthatha
  - Model 3: Casino gamblers
- Net effective casino market demand and market revenue

4.6.1 CASINO DEVELOPMENT NEED AND DESIRABILITY

When asked whether the idea of opening a casino in Mthatha would be supported, the responses of households surveyed are:

- Support: 84%
- Oppose: 12%
- Undecided: 5%

Evidently the overwhelming majority indicated that they support the notion of developing a casino in Mthatha, whereas only 12% oppose the idea. Key reasons noted by the majority that support the notion of development of a casino include that it will bring more jobs into the area (80%), it will bring a greater variety of entertainment to the area (61%), it will give the economy a boost (31%), it will bring more tourists to the area (26%), and it will bring more infrastructure development to the area (25%).

Of the 12% of the households that oppose the idea of opening up a casino in Mthatha, nearly half (48%) oppose it since people do not gamble sensibly and they will waste money. More than a third (38%) oppose it both because it is against their principles/religious beliefs to gamble and because gambling is dangerous for family life. Other reasons noted by some of those that oppose the
development of a casino include: it will attract unwanted people to the area, it will increase the pressure on the infrastructure, and only 2% of those that oppose the development indicate this to be due to there already being too many means and opportunities for gambling in the area.

Households were questioned to provide an indication of the frequency that they would undertake gambling at the casino, should a casino complex open-up in Mthatha. The results are as follows:

- Daily: 0%
- More than once a week: 6%
- Once a week: 6%
- Once every two weeks: 9%
- Once a month: 17%
- Less than once a month: 8%
- Never: 54%
- **TOTAL**: 100%

Nearly half of the catchment (46%) of households indicated that they would visit the casino for gambling purposes, approximately 83% of which would do so more than once a month. This shows a very high level of optimism of Mthatha’s catchment population towards the establishment of a casino in Mthatha, especially considering that only 6.2% of the catchment population take part in gambling at casinos, and only 20% of regular gamblers from the catchment area gamble at casinos. The high level of optimism does however relate well to the 26% of Mthatha’s catchment that indicated that they visit casinos when they are on holiday. Furthermore, the household questionnaire revealed that the average expenditure per month for gambling, should a casino complex open up in Mthatha for the catchment population to Mthatha, is R131 per month.

The above shows that there is a high level of optimism to gamble at the proposed casino in Mthatha, although it needs to be noted that this higher level of optimism does not equate with the level of regular gamblers to casinos, namely 6.2% of Mthatha’s catchment. It does however reveal that, especially in the first year or two of opening, the casino could attract more than the 6.2% of the catchment due to additional entertainment facilities within the market.

Public focus group discussions revealed further that gambling and betting facilities are places where people can socialise and are consequently seen as entertainment centres. The discussions revealed that if the gambler is a responsible gambler, there is nothing wrong with gambling. The down fall of gambling is the fact that it is addictive, and that some people might resort to crime in order to have money for gambling, whereas others might end up in debt. Public focus group discussions also revealed that gambling can be beneficial to individuals who win big because they end up with large sums of money that they obtained through luck. The public focus groups also revealed that casino gambling can be beneficial to those individuals who are employed within the gambling establishments. Others highlighted that gambling provides a platform for strangers to engage and socialise, so in a sense, it becomes beneficial in building or enhancing the culture of a community e.g. during big games, soccer lovers can all go to Hollywood Sportsbook to watch the games together and bet on the games too. Gambling establishments can also boost other local businesses, such as cleaning services etc. The public focus group discussions revealed they mostly spend between R200 and R500 per month on gambling facilities.

The LED Department of KSD LM, as well as the Eastern Cape Development Corporation, and Oliver Tambo Development Agency indicated that there is definitely market for gambling in Mthatha, and that the development would increase expenditure in town.
4.6.2 CASINO MARKET DEMAND: MODEL 1- PROPENSITY TO GAMBLE PER MODE

In essence, model 1 is based on applying the latest national known propensity to gamble to the Mthatha catchment area per mode.

All of the revenue estimation models, namely model 1, 2, and 3 are part based household income as a key socio-economic factor that is taken into consideration for propensity to spend at a Casino. The following needs to be noted in this regard:

- **Low income: R0-R3,200 per household per month**: Population residing in the low income areas needs to be protected against spending a substantial amount of their income on gaming, as the amount of money spent means less disposable income to be spent on daily necessities, which is the biggest expenditure category among low income households. On the other hand, illegal gambling is particularly spread among the lower income categories of the population. Thus establishing a legalised site will create a healthy competition for illegal gambling facilities and increase their indirect costs of running an illegal business.

- **Middle income: R3,201 – R12,800 per household per month**: The middle income areas are substantially better off than the low income categories described above. Research shows that the propensity to participate in gaming and gambling activities by people falling under this category is the highest among all income categories.

- **High income: R12,801 + per household per month**: People falling under the high income group usually have large budgets for entertainment. However, this category of people has the highest percentage of the population who abstain from any gambling activity. Furthermore, among those who participate in gambling activities, visits to casinos by the high income group population are the highest among all income groups.

Note that for the purposes of modelling frequency of visiting Casinos, it has been assumed that frequency of Casino gaming is dependent on the frequency of other gambling and gaming activities and entertainment, and income characteristics. This is considered reasonable as disposable income is logically dependent on demographics, and disposable income creates the opportunity to participate in a variety of gambling and gaming activities, including at Casinos. It is assumed that any self-report bias does not exist because respondents have no vested interest in the research outcomes, there are no readily apparent reasons for survey respondents in a particular geographic area to be more predisposed to over- or understating their propensity for gambling and gaming activities, than respondents in general.

This model considers the 2011 household income distribution by the different income bands of the primary, secondary and tertiary catchment households, which totals 605,350 households in 2011, and determines the average income per income band in order to obtain a 2011 total income generated by the catchment area households of R24 billion.

Based on a per annum household growth of 1% over four years, the model establishes the 2015 total number of households per income band, the total of which amounts to 630,000 households in 2015. The average household income per income band in 2011 is also projected to a 2015 average household income. The projected 2015 average household income per income band is multiplied with the projected 2015 household size per income band to obtain a total 2015 primary catchment household income of R28 billion. Based on the number of households in 2015, the 2015 total household income translates to an average household income of R45,000 per household per year or R3,745 per household per month.
The latest known 2012 National propensity to gamble per mode (NGB, 2013a) was then applied to the 2015 household income of the catchment area to obtain the following catchment GGR per mode:

<table>
<thead>
<tr>
<th>Mode</th>
<th>National propensity to gamble</th>
<th>2015 Catchment GGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casinos</td>
<td>0.69%</td>
<td>R195 million</td>
</tr>
<tr>
<td>Bingo</td>
<td>0.01%</td>
<td>R3 million</td>
</tr>
<tr>
<td>LPM</td>
<td>0.06%</td>
<td>R17 million</td>
</tr>
<tr>
<td>Total gambling</td>
<td>0.97%</td>
<td>R274 million</td>
</tr>
</tbody>
</table>

Based on the above, it is evident that the total 2015 GGR to be generated by the Mthatha catchment is estimated at **R274 million**, the total for Casinos, bingo and LPMs for the catchment is estimated at R215 million, and the **GGR for a casino in the catchment area is estimated at R195 million in 2015**.

Since, model 1 is essentially based on applying the latest national known propensity to gamble of the 2015 Mthatha catchment area per mode, the **estimated 2015 casino revenue of R195 million is considered to be a respectable benchmark figure** to compare to the other revenue estimation model figures.

### 4.6.3 CASINO MARKET DEMAND: MODEL 2 - VISITORS TO MTHATHA

In essence, **model 2** is based on applying household survey findings regarding share of regular visitors to Mthatha from the Mthatha catchment area to determine the number of visitors to Mthatha. The frequency of visit at a casino is then applied to the number of visitors as well as scenarios for casino spend per visit.

The below table provides an indication of the distribution of the likelihood of the catchment population to regularly visit Mthatha.

**Table 4.13: Distribution of regularity of households to visit Mthatha**

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>CATCHMENT AREA</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary</td>
<td>Secondary</td>
</tr>
<tr>
<td>Do not visit Mthatha regularly</td>
<td>0%</td>
<td>7%</td>
</tr>
<tr>
<td>Visit Mthatha regularly</td>
<td>100%</td>
<td>93%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Kayamandi household survey, 2015; n=589*

Evidently, as expected, all of the households surveyed residing within the primary catchment area of Mthatha, visit Mthatha regularly, 93% of the households surveyed within the secondary catchment visit Mthatha regularly, and approximately 69% of the households surveyed from the tertiary catchment visit Mthatha regularly. Approximately 86% of the complete catchment area households surveyed visit Mthatha regularly.

The five top towns mostly visited by households that don’t visit Mthatha regularly, per reason of visit, in order of importance, are:

**Monthly grocery shopping**
- East London
- Butterworth
- Kokstad
- Ugie
- Queenstown

**Entertainment:**
- East London
- Kokstad
- Butterworth
- Queenstown
- Ugie
The survey results reveal that approximately 65% of the catchment population visit Mthatha for monthly grocery shopping, a quarter of the catchment go to Mthatha to visit family/friends (25%), only approximately 14% of the catchment go to Mthatha for entertainment purposes, and approximately 18% of the entire catchment go to Mthatha for other reasons, such as for work, church, or to obtain transportation. It is anticipated that should Mthatha provide more entertainment facilities, such as that proposed by the Mthatha Casino Complex then the purpose of visit to Mthatha for entertainment purposes would increase drastically.

Based on consideration of the above results, the share of regular visitors was applied to an estimated 2015 households. The 2015 households was determined by growing the primary, secondary and tertiary market individually to obtain an estimated 2015 catchment number of households. The 2015 determined households is estimated at approximately 630,000 households in 2015, which is very similar to the 2015 determined number of households from model 1.

This was followed by applying the following, which was individually determined for each of the sub-catchments:

- Average number of household visits to Mthatha p.a per sub-catchment
- MULTIPLIED by the share of household visits resulting in Casino gambling per sub-catchment
- EQUALS= Number of household visits per year to casino per sub-catchment

The number of household visits per year to a casino per sub-catchment was then converted to local casino visitors, by applying the average number of visitors from each household and sub-catchment that would visit a casino to obtain a 2015 total local casino visitors of 569,176 persons.

The below table provides a summary of some of the key results in determining total local casino visitors to Mthatha.

**Table 4.14: Model 2 summary of results of total local casino visitors**

<table>
<thead>
<tr>
<th>COMPONENTS</th>
<th>CATCHMENT AREA</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary</td>
<td>Secondary</td>
</tr>
<tr>
<td>Household growth per annum</td>
<td>1.52%</td>
<td>1.11%</td>
</tr>
<tr>
<td>Share of regular household visitors</td>
<td>100%</td>
<td>93%</td>
</tr>
<tr>
<td>Number of household visits per year to casino</td>
<td>1.73</td>
<td>0.68</td>
</tr>
<tr>
<td><strong>Total 2015 local casino visitors</strong></td>
<td><strong>281 945</strong></td>
<td><strong>131 912</strong></td>
</tr>
</tbody>
</table>

In addition to local casino visitors, a share of the total tourists to Mthatha is also included to determine total casino visitors. A total of 10% of the 265,000 tourists to Mthatha, is estimated to visit the casino in 2015. Consequently the total casino visitors to Mthatha is estimated at:

- Total local visitors: 569 176
- Total tourist visitors: 26 500
- = Total CASINO VISITORS: 595 676

Evidently, model 2 estimates a total of 596,000 visitors in 2015 to the casino.

Two scenarios, namely a low and a high average spend per visitor is applied, to each of the sub-catchment local visitors and tourists, to obtain the following GGR:

**Scenario:**

- Low scenario: R113 million
- High scenario: R142 million
Evidently, model 2 estimates, casino GGR in 2015 to be between R113 million and R142 million. Compared to model 1 results of R195 million GGR in 2015 (the National benchmark propensity to gamble), model 2 results reveal that based on refined propensity to visit and spend at a casino in Mthatha, that the poorer rural catchments of Mthatha show a lower than national propensity to gamble at a casino. Model 1 shows a propensity to gamble at a casino of 0.69%, while model 2 shows a propensity of between 0.4% and 0.5%.

The market demand study methodology is cross-sectional and not longitudinal. That is to say the market demand has been modelled and estimated as of June 2015. The methodology was not intended to establish or estimate the extent of growth in propensity to gamble at the proposed Casino as awareness of the availability and entertainment value grows over time. The projected figures are thus not based on primary data from households regarding future propensity to gamble at the casino. Instead, the 2025 projected figures have been determined, based on growing the number of local households per sub-catchment, growing the average household income, and growing the number of tourists, to obtain the following projections:

- Casino visitors in 2025: 626,662
- Low Casino GGR in 2025: R132 million
- High Casino GGR in 2025: R166 million

4.6.4 CASINO MARKET DEMAND: MODEL 3 - CASINO GAMBLING POPULATION

In essence, model 3 is based on determining the gamblers from the catchment population over 18 years of age, and applying the share of gamblers who will gamble at a casino in Mthatha.

As with model 2, the 2015 average number of households and average household income per sub-catchment and income band is determined. The average household size per sub-catchment was applied to determine the share of population over 18 years of age, which totals 2,722,774 persons in 2015. This was followed by applying the share of persons over the age of 18 years that gamble, per sub-catchment, to obtain the 2015 catchment regular gamblers:

- Primary: 67,035 gamblers
- Secondary: 88,622 gamblers
- Tertiary: 226,176 gamblers
- TOTAL 381,833 gamblers

The following was then applied to the number of gamblers per sub-catchment:

- Share of gamblers who will gamble at a casino in Mthatha
- Number of visits per month:
  - Primary: 1.5
  - Secondary: 1.0
  - Tertiary: 0.5

This enabled determining that the number of casino visitors per year from the local catchment’s regular gamblers is 646,908 visitors.

In addition to this, the survey results reveal that nearly a quarter of the catchment would gamble at a casino when on holiday, and resultant occasional gamblers were included. It was determined that occasional gamblers would visit the casino once every two years. Additionally, as with model 2, 10% of tourists were also included as potential casino visitors. Model 3 determines the following visitors:

- Local casino gamblers: 646,908 visitors
- Occasional gamblers: 81,732 visitors
- Tourists: 26,500 visitors
- Total visitors: 755,140 visitors
The local casino gambler visitors spending and occasional gamblers spending was determined based on survey results and average household expenditure to be spent at a Casino in Mthatha. Furthermore, as with model 2, tourists spend was determined based on the high scenario expenditure. The total 2015 casino GGR, based on model 3, is R166 million.

As with model 2, model 3 determines 2025 projected figures, based on growing the number of local households per sub-catchment to an estimated 655,500 households in 2025, and an estimated 1,5 million people over the age of 18 years in 2025, and an estimated 2025 local casino gamblers of 672,400 visitors. The number of occasional gamblers and number of tourists in 2025 is also determined as well as the resultant spend from the growth in visitors, to obtain the following projections:

- Casino visitors in 2025: 793 135
- Casino GGR in 2025: R193 million

### 4.6.5 NET EFFECTIVE CASINO MARKET DEMAND AND REVENUE POTENTIAL

As markets in zone 4 approach saturation any market feasibility assessment must be realistic about expectations in order to ensure that ECGBB does not develop excess capacity. As such, a core element of this exercise has been to understand the status of existing competitor markets. Armed with this data (see supply analysis), Mthatha has been determined to be better equipped to size and position a casino complex as it enjoys significantly greater proximity to densely populated areas with higher incomes and, as a corollary, a higher propensity to gamble, and also serves a less of a competitor to existing casino complexes in the Province.

Given the distance benchmarks of 10, 40 and 100 kilometres from the gaming location under study, three modelling exercises were undertaken. With regard to our distance benchmarks it is noteworthy that in order to provide a consistent measurement of demographics within a specific region, we utilised distance radii from the region rather than drive time. In our experience, using distance rather than driving time eliminates fluctuations due to day of the week, unpredictable events (e.g. accidents) and weather. Distance radii are translatable to drive times in most scenarios but provide more consistent results due to the reduction in unpredictability. In addition to distance, we also use characteristics such as population, age, income and propensity to gamble as factors in our modelling for each of the three models.

The approach that is adopted in this market demand study is essentially that of agent-based modelling. The principle being that the understanding and quantification of the market demand can be obtained by examining the behaviours and propensities of individuals (“agents”) and aggregating or scaling-up those behaviours to the market catchment as a whole. Market demand was assessed from both a qualitative and a quantitative perspective. From a qualitative perspective, the research enabled establishing how casinos are perceived and positioned in relation to other forms of gambling, gaming and entertainment. From a quantitative perspective, the research modelled and enabled determining an estimate of the frequency of visiting casinos and the amount that will be spend, in order to derive an estimate of the gross gaming revenue for the proposed casino located in Zone 4.

A summary of the net effective casino market demand in terms of casino GGR is shown in the below table.

Evidently, depending on the model, the casino is estimated to generate a gross gaming revenue of **between R113 million and R195 million GGR in 2015.**
Table 4.1: Net effective Casino GGR demand, 2015

<table>
<thead>
<tr>
<th>COMPONENTS</th>
<th>MODEL</th>
<th>LOW SCENARIO</th>
<th>HIGH SCENARIO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1: propensity to gamble per mode</td>
<td>R195 million</td>
<td>R166 million</td>
</tr>
<tr>
<td></td>
<td>Model 2: Visitors to Mthatha</td>
<td>R113 million</td>
<td>R142 million</td>
</tr>
</tbody>
</table>

A summary of the net effective casino market demand in terms of number of visitors is shown in the below table.

Table 4.16: Net effective Casino market visitors, 2015

<table>
<thead>
<tr>
<th>COMPONENTS</th>
<th>MODEL</th>
<th>2015 VISITORS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 2: Visitors to Mthatha</td>
<td>595 676</td>
</tr>
<tr>
<td></td>
<td>Model 3: Casino gamblers</td>
<td>755 140</td>
</tr>
</tbody>
</table>

Evidently, depending on the model, the casino is estimated to have **between 595,000 and 755,000 visitors in 2015**.

4.7 NET EFFECTIVE CASINO MARKET SIZE

In order to determine demand it was decided to adopt a **proxy methodology** approach. The principle of a proxy methodology is that one can assess what can or may happen in one situation (in this instance Eastern Cape Zone 4) by observing or measuring what happens in another – the so-called proxy (in this instance average Provincial GGR of casinos as well as visitor numbers of numerous casinos throughout the country with similar visitor numbers, with similar demographic situations, etc). It will be shown that using data obtained from the proxies, as well as from the primary data gathered to refine market demand in terms of gross gaming revenue and visitors, the market size of Casino in Zone 4 can be determined.

The below table provides an indication of the average provincial casino gross gaming revenues.

As is evident from the below table, the national average gross gaming revenue of casinos is approximately R458 million per casino. Since the proposed casino in zone 4 is estimated to generate a GGR between R113 million and R195 million, it is noted that it compares most favourably with average GGR per casino for Provinces such as Limpopo (R176 million), slightly higher than the average for casinos in the Free State (R104 million) and Northern Cape (R93 million), and slightly lower than the average of casinos in the Mpumalanga Province (R242 million). Note that the proposed casino in zone 4 is estimated to generate an average turnover which is far less than the average Provincial GGR per casino for Gauteng (R998 million), KwaZulu Natal (R614 million), and Western Cape (R507 million). The reason being mostly related to these Provinces having such large dominant casinos such as: Montecasino and Emperors palace in Gauteng, Suncoast casino and Sibaya casino in KwaZulu Natal, and Grand West Casino in Western Cape.

Table 4.17: Average provincial casino GGR, 2013/14

<table>
<thead>
<tr>
<th>Province</th>
<th>Gross Gaming Revenue</th>
<th>Number of Casinos</th>
<th>Average GGR per casino</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>R 6 987 455 526</td>
<td>7</td>
<td>R 998 207 932</td>
</tr>
<tr>
<td>Western Cape</td>
<td>R 2 536 384 555</td>
<td>5</td>
<td>R 507 276 911</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>R 3 072 578 221</td>
<td>5</td>
<td>R 614 515 644</td>
</tr>
</tbody>
</table>
Casino Market Analysis and Feasibility

<table>
<thead>
<tr>
<th>Province</th>
<th>Gross Gaming Revenue</th>
<th>Number of Casinos</th>
<th>Average GGR per casino</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mpumalanga</td>
<td>R 728 757 839</td>
<td>3</td>
<td>R 242 919 280</td>
</tr>
<tr>
<td>Limpopo</td>
<td>R 352 409 411</td>
<td>2</td>
<td>R 176 204 706</td>
</tr>
<tr>
<td>North West</td>
<td>R 1 042 453 071</td>
<td>4</td>
<td>R 260 613 268</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>R 186 995 244</td>
<td>2</td>
<td>R 93 497 622</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>R 1 171 027 506</td>
<td>4</td>
<td>R 292 756 877</td>
</tr>
<tr>
<td>Free State</td>
<td>R 419 533 541</td>
<td>4</td>
<td>R 104 883 385</td>
</tr>
<tr>
<td>TOTAL</td>
<td>R 16 497 594 914</td>
<td>36</td>
<td>R 458 266 525</td>
</tr>
</tbody>
</table>

Source: Kayamandi calculations from National Gambling Board, 2014b

Excluding Gauteng, Western Cape, and KwaZulu Natal, the average national gross gaming revenue per casino is R205 million, which compares favourably with the estimated maximum average GGR for the proposed Mthatha casino of R195 million.

Furthermore, based on the latest available CASA profile of SA Casinos, by excluding casinos in Gauteng, Western Cape, and KwaZulu Natal, the average number of tables and slot machines per remaining casinos, is as follows (see below Table):

- Average number of tables per casino: 14
- Average number of slot machines per casino: 368

Table 4.18: Proxy provincial average casino slots and tables

<table>
<thead>
<tr>
<th>Province</th>
<th>Number of Casinos</th>
<th>Total tables</th>
<th>Average tables</th>
<th>Total slots</th>
<th>Average slots</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mpumalanga</td>
<td>3</td>
<td>46</td>
<td>15</td>
<td>1104</td>
<td>368</td>
</tr>
<tr>
<td>Limpopo</td>
<td>2</td>
<td>24</td>
<td>12</td>
<td>540</td>
<td>270</td>
</tr>
<tr>
<td>North West</td>
<td>4</td>
<td>71</td>
<td>18</td>
<td>1774</td>
<td>444</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1</td>
<td>11</td>
<td>11</td>
<td>280</td>
<td>280</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>4</td>
<td>60</td>
<td>15</td>
<td>2047</td>
<td>512</td>
</tr>
<tr>
<td>Free State</td>
<td>4</td>
<td>36</td>
<td>9</td>
<td>883</td>
<td>221</td>
</tr>
<tr>
<td>TOTAL</td>
<td>18</td>
<td>248</td>
<td>14</td>
<td>6628</td>
<td>368</td>
</tr>
</tbody>
</table>

Source: Kayamandi calculations from CASA, 2012

The market demand in terms of number of visitors to the proposed casino in Mthatha is estimated to be between 595,000 and 755,000 visitors in 2015. This is twice the number of current visitors of the Queens casino in the Eastern Cape.

Furthermore, based on the latest available casino visitor numbers (2012), the proposed 2015 Mthatha casino visitors’ numbers conservatively compares favourably with the following casinos (see below table):

- Wild Coast sun in the Eastern Cape
- Graceland in Secunda in Mpumalanga
- Khoroni in Thohoyandou in Limpopo
- Blackrock in Newcastle in KZN
- Morula Sun in Mabopane in Gauteng
- Flamingo in Kimberley in Northern Cape
- Carousel in Hammanskraal in the North West
- Golden Valley Casino in Western Cape
Table 4.19: Proxy casinos based on visitor numbers

<table>
<thead>
<tr>
<th>Casino</th>
<th>Investment</th>
<th>Visitors 2012</th>
<th>Slots</th>
<th>Tables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wild Coast Sun Casino</td>
<td>R 470 million</td>
<td>687 107</td>
<td>450</td>
<td>16</td>
</tr>
<tr>
<td>Graceland Casino</td>
<td>R 251 million</td>
<td>532 773</td>
<td>311</td>
<td>18</td>
</tr>
<tr>
<td>Khoroni</td>
<td>R 25 million</td>
<td>559 455</td>
<td>150</td>
<td>7</td>
</tr>
<tr>
<td>Blackrock</td>
<td>R 123 million</td>
<td>500 283</td>
<td>250</td>
<td>7</td>
</tr>
<tr>
<td>Morula Sun</td>
<td>R 226 million</td>
<td>653 926</td>
<td>510</td>
<td>12</td>
</tr>
<tr>
<td>Flamingo Casino</td>
<td>R 166 million</td>
<td>632 033</td>
<td>280</td>
<td>11</td>
</tr>
<tr>
<td>Carousel Casino</td>
<td>R 310 million</td>
<td>609 000</td>
<td>700</td>
<td>19</td>
</tr>
<tr>
<td>Golden Valley Casino</td>
<td>R 211 million</td>
<td>426 197</td>
<td>220</td>
<td>6</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>R222 million</strong></td>
<td><strong>575 097</strong></td>
<td><strong>359</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

*Source: Kayamandi calculations from CASA, 2012*

Proxy casinos have an average of 12 tables, 360 slots, and approximately 575,000 visitors.

Based on the aforementioned and in comparison with proxies, our analysis supports that it is feasible for the Eastern Cape Gambling and Betting Board to offer at least one additional casino licence in the Province, to be situated in zone 4. This license would authorize an upscale casino hotel with between **12 to 15 table games** and between **250 and 350 slot machines**. The specific location, and amenity mix is to be determined by the bidder in a competitive license award process, although details regarding location and amenity mix options, based on the market demand, is detailed upon in the next two sections.
5. CASINO COMPLEX DEVELOPMENT CONCEPT AND RECOMMENDATIONS

5.1 INTRODUCTION
This section provides detail on the casino complex in terms of:
- Casino complex need and desirability
- Proposed casino complex development concept
- Nature and extent of ancillary complex developments
- Additional considerations for bid award

5.2 CASINO COMPLEX NEED AND DESIRABILITY
The need and desirability for a casino complex development is provided based on:
- Household, business, public residents and stakeholder motivations
- Need and desirability for entertainment complex

5.2.1 HOUSEHOLD, BUSINESS, PUBLIC RESIDENTS, AND STAKEHOLDERS MOTIVATIONS
The majority of households (95%) from the catchment indicated that they would support the development of a casino complex in Mthatha. Should a casino complex open up in Mthatha, the distribution in order of importance, of household members that would be accompanied to the casino complex mostly include:
- **Family (including children):** 56%
- **Friends/peers (18+ years):** 19%
- **Spouse/partner:** 14%
- **Go alone:** 5%
- **Would not visit complex:** 5%

More than half of all the households would mostly go to the complex accompanied by their family and children. It is for this reason that the complex needs to cater for family friendly facilities and activities.

The casino complex should have a children friendly and intimate feel to it, with an exciting range of casino games and children arcades for enjoyment. It should offer state of the art slot machines, with a wide range of denominations, as well as progressive and mystery jackpots. Roulette, Blackjack and Poker should also be on offer to table game enthusiasts, and a Salon Privé for those in search of a more exclusive gaming experience.

Currently, when going out for entertainment, the frequency households from the catchment going out with companions is shown in the below table.

<table>
<thead>
<tr>
<th>FREQUENCY</th>
<th>Alone</th>
<th>With spouse/partner</th>
<th>Family (incl. children)</th>
<th>Friends/peers (18+ years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once or twice over weekdays/</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>nights</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Every weekend</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>Every second weekend</td>
<td>5%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Once a month</td>
<td>18%</td>
<td>13%</td>
<td>25%</td>
<td>13%</td>
</tr>
<tr>
<td>Less than once a month</td>
<td>7%</td>
<td>5%</td>
<td>7%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Casino Market Analysis and Feasibility

The above table shows that more than half of respondents (60%) never go out alone, with nearly two-thirds (65%) never going out alone with spouse/partner, and 53% of respondents accompanied with friends/peers (18+ years) never go out. This lack of going out could point to the lack of entertainment facilities available in the surrounds, especially considering that the majority of the household have indicated that they would support and visit a casino complex should one open-up in Mthatha. It is however noteworthy, that when accompanied by children, only 38% of respondents never go out for entertainment and socialising. This reveals that there is a great demand for entertainment and socialising facilities that cater for a families including their children.

When going out for entertainment the type of venues frequented per accompanying companion is shown in the below table.

Table 5.2: Type of venue visited per accompanying companions

<table>
<thead>
<tr>
<th>VENUE</th>
<th>Alone</th>
<th>With spouse/partner</th>
<th>Family (incl. children)</th>
<th>Friends/peers (18+ years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Games arcade</td>
<td>14%</td>
<td>13%</td>
<td>29%</td>
<td>13%</td>
</tr>
<tr>
<td>Movies</td>
<td>6%</td>
<td>22%</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Restaurant</td>
<td>69%</td>
<td>85%</td>
<td>87%</td>
<td>77%</td>
</tr>
<tr>
<td>Bar/night club</td>
<td>12%</td>
<td>17%</td>
<td>0%</td>
<td>38%</td>
</tr>
<tr>
<td>Shopping</td>
<td>32%</td>
<td>24%</td>
<td>32%</td>
<td>14%</td>
</tr>
</tbody>
</table>

The results reveal that when going out alone, 69% of the Mthatha catchment population sampled reveal that they go to restaurants, and approximately one-third shopping, 12% go to a bar/night club, and 6% to the movies. When accompanied by a spouse/partner nearly all of the Mthatha catchment population go to a restaurant (85%), a fifth (22%) go to the movies, and nearly a quarter (24%) go shopping. When accompanied by family (including children), nearly all go to restaurants (87%), a third shopping (32%), games arcade (29%), and movies (21%). When going out with friends/peers, three quarters (77%) go to a restaurant and nearly half (38%) to a bar/night club.

The relatively large share of entertainment responses being shopping, which is not necessarily considered a form of entertainment, is most probably a factor of the lack of entertainment facilities available in Mthatha. This shows that for entertainment purposes an upper class type of super club with cinema and restaurant facilities could work well in the area.

The lack of entertainment facilities is confirmed by the public focus groups, in which residents revealed that entertainment facilities in Mthatha are extremely limited. Those that are available are either lacking in adequate facilities or crime ridden. Students particularly complained that the entertainment facilities at the Golf Course and Hotel Savoy complex are too expensive and too far and thereby inaccessible to them. Furthermore the residents revealed that there is no game arcade, nor Cinema in Mthatha; restaurants are limited to places such as: Wimpy, McDonalds, Steers, Mikes Kitchen and Ebony (located in the CBD), and Southernwood and la piazza at the golf course; and other
entertainment facilities include Sowart Lounge (close to BT Ngebs), Nongoloza Club (close to Ultra City) and Club in Southernwood.

The public focus groups further revealed that due to the lack of entertain facilities, residents don’t go out often, except for eating out in restaurants. Interviewees stated that the residents of Mthatha are yearning for entertainment activities because currently a lot of people spend their weekends in East London to access various entertainment facilities and therefore end up spending money elsewhere instead of Mthatha.

When queried on whether or not residents support the idea of opening a casino in Mthatha, the public focus group residents revealed that there is a need for leisure and entertainment in Mthatha, as a result, a casino would be supported by a vast number of people mainly because people will not have to travel far. Ideally, they stated that the development should include a cinema and other entertainment facilities. Most residents said they would definitely go to a casino in Mthatha, particularly if it has other entertainment facilities such as cinemas, restaurants, bars and better retail facilities than the ones Mthatha has available currently. It would be a great place for entertaining adults and children in the same vicinity.

When queried on whether or not the casino complex would bring more tourists to the area, the public focus group respondents revealed that they believe that Mthatha has a strong heritage because of Mandela and King Dalindyebo, however, tourists are discouraged by the town as that is the only form of adequate entertainment that is available in the town. If a casino would be developed, it would give people a reason to travel from the surrounding towns and have fun in Mthatha. Even the locals would not leave the town every weekend to access entertainment elsewhere but would stay and spend their money in the town.

Public focus group respondents also revealed that a casino would lead to increased expenditure in the area. Reportedly, there is a buying power in Mthatha, a lot of people travel to East London for entertainment. Ritz gaming is always full, therefore having a casino would definitely increase expenditure in the area. The tourists who come to Mthatha for business would be tempted to stay longer in the area to experience the culture and entertainment of the place therefore spending more money in the town.

Public focus group respondents also revealed that having a casino in the area could attract external investors which intern will encourage business start-ups. NAFCOC would be instrumental in developing entrepreneurship and business opportunities around the development.

Furthermore, approximately 81% of all businesses interviewed believed that Mthatha does not offer sufficient entertainment and night life facilities for both residents and to attract visitors/tourists, and as such the majority of business support the development of a casino complex.

The LED Department of KSD LM revealed further that Mthatha is the 3rd biggest town in the Eastern Cape therefore the casino development complex is needed although it needs a sizable investment to be effective and must for instance include hotels, restaurants and conferencing facilities.

The National African Chamber of Commerce (NAFCOC) and Industry also revealed the following:
- This development will definitely have positive spin-offs. There is a shortage of facilities and infrastructure in Mthatha therefore once these are developed; more businesses start-ups will be encouraged.
- It is the responsibility of NAFCOC to ensure that local entrepreneurs and mostly black businesses are boosted by the proposed development.
The development will attract all types of income groups - even those staying in rural areas that are considered as ‘low-income’. This will in turn increase expenditure within Mthatha instead of other towns that people frequent.

There is buying power in Mthatha e.g. there are currently 9 Spars in the area alone. The development must encourage those who just here to also play here. As such there is a strong need for an entertainment complex.

As a business chamber, this development will create a lot of opportunities that the chamber can explore and also boost the local economy.

Seemingly the households, residents, businesses and key stakeholders of Mthatha reveal that residents are starved of entertainment and tourists quickly get bored of the town because of the lack of entertainment. One of the respondents revealed that “This development will be just what Mthatha needs”.

5.2.2 NEED AND DESIRABILITY FOR ENTERTAINMENT COMPLEX

It is however critical to note that, the proposed casino complex, will give consumers a regional choice of entertainment. There is currently a lack of sophistication and hierarchy in existing entertainment facilities both within Mthatha and the surrounding catchment areas. The proposed development will thus assist in both capturing the leakage from Mthatha as well as possibly attracting a larger market.

The potential to capture buying power from the surrounding towns will be a positive impact for the town of Mthatha as it will capture a market that Mthatha is currently losing out on. Thus, during operation this development will promote the betterment of existing activity centres, since it will lead to entertainment restructuring and provision of a hierarchy and sophistication of the entertainment facilities in Mthatha.

It is also anticipated that the proposed casino development complex will attract further development. There is thus a definite need for the development of the casino complex based on the following important aspects:

- The feasibility study undertaken shows a demand for entertainment space
- The lack of entertainment in Mthatha
- The casino complex is supported by local stakeholders
- Numerous residents entertainment needs are not fully satisfied locally and hence undertake entertainment elsewhere some even as far as outside of the Eastern Cape

The desirability should also be considered from two points of view.

The first is the desirability of improving the gambling facilities. Gambling is currently dominated by small LPMs, horse betting, bingo, etc. that serve a local function. There is effectively no higher order gambling facility in the area. This means that consumers in the area are not effectively served with higher order facilities.

Secondly it is also desirable for efficiency and convenience to consumers that the required entertainment facilities together with services and ancillary activities such as restaurants are provided within the area. It is thus desirable to the community to be better and more effectively served with a well-integrated, convenient, accessible and efficient regional casino complex development. The newly fully integrated regional casino complex centre would provide an amenity to the community. Customers will be able to shop within their own area, travel shorter distances and be provided with both the choice and convenience which is presently lacking. An important element of this amenity and convenience is the proposal to include entertainment, recreation and restaurants. Entertainment and
recreation has become an important element of modern retail centres where both leisure and shopping activities are centralized. Currently this is not available to Mthatha residents.

5.3 PROPOSED CASINO COMPLEX DEVELOPMENT CONCEPT

Having established the demand for a casino, as well as the need and desirability both for the casino (see Section 4.5) as well as the casino complex development, the purpose of this sub-section is to detail upon the proposed concept of the Casino Development Complex, in order to enhance its success in the market, in terms of:

- Casino complex theme
- Casino complex as a safe haven
- General casino complex recommendations

5.3.1. CASINO COMPLEX THEME

In order to achieve the revenues projected in this study, a new facility would need to fill a space in the market not currently met by existing gaming operations and other entertainment facilities.

Any comprehensive approach to gaming in Mthatha should incorporate a requirement that development be consistent with the Mthatha brand, namely that of being linked to the heritage/tourism offerings to take advantage of Nelson Mandela legacy and King Sabata Dalindyebo. The gaming should be successfully integrated in a manner that preserves and enhances the location's unique "sense of place". It is considered as important and that the complex be developed consistent with the aforementioned.

The winning bidder should comply with set design standards and diversify beyond a purely gaming oriented operation to one that relies upon a mix of uses and customers, and with a focus on providing family friendly facilities and activities. The concept should ideally be Xhosa-inspired and linked to the theme of Nelson Mandela. The design and layout of the development could possibly be a 'Xhosa village identity rooted in cultural history' themed establishment, but influenced by earthy modern materials like slate, thatching, timber and stone cladding, etc. The interior and exterior could be based on contemporary African style, and could consist of old and new ideas in keeping with current trends in Mthatha.

This way it is proposed that the casino complex could possibly link up with cultural experiences such as the proposed Nelson Mandela heritage route, which includes the Nelson Mandela Museum in Mthatha. The museum is a collection of heritage sectors spread across three locations: Qunu, Mveso and Mthatha. A display reflecting the life and times of Mandela can be found at the Bhunga Building section of the Nelson Mandela Museum in Mthatha. Mandela has received thousands of gifts from presidents, groups and ordinary people. Accepted on behalf of the people of South Africa, they are in safe-keeping at the museum for the benefit and appreciation of the nation. This heritage and backdrop to the life of a Nelson Mandela should serve as inspiration to the design and development of the casino complex. In this regard it is suggested that the casino complex consider the establishment of an interpretation centre, and to possibly function as a central gathering point for tours on the existing and proposed routes. In keeping with the Nelson Mandela heritage theme, it will ensure that the proposed casino complex development ties in as well as strengthen current and proposed attractions and facilities.

The casino complex needs to provide an ideal location for a night of good rest, pampering, entertainment and gaming. In addition to its on-site casino, guests should also be treated to a host of amenities that add even more to each stay. For more detail on ancillary developments consult section 6.4 below.
See below snapshots of African inspired theme:

5.3.2. CASINO COMPLEX AS A SAFE HAVEN

Mthatha and surrounds has widespread poverty and limited economic development and these two factors seem to be linked to high crime levels. Mthatha is largely perceived as being unsafe as determined both from observations in the areas, as well as from responses from public focus groups, interviews with businesses and stakeholders in the area. Crimes in the area frequently involve illegal firearms, and virtually the majority of persons in Mthatha are reported to have firearms.

Priority crimes in the area are reportedly mainly committed by youngsters (the majority of the population), which is owed in part to poverty and the sheer lack of development—youth loiter where there are criminals and gangs and then turn to crime under their influence. Residents reported in public focus groups that they fear to venture out of their homes owing to this and they did not enjoy ‘the freedom of movement’ to even go to the shops or walk the streets.

Furthermore, casinos tend to have a broader set of security issues than many other settings. The proposed casino complex will function as an entertainment centre, offering hotels, restaurants and will possess substantial amounts of cash. A primary factor that contributes to potential dangers at a casino complex is that at any given time a casino is often extremely crowded. Massive crowds are a concern because the more people in any given area the more likely something is going to happen.
Mthatha needs a safe environment where night life and all requirements are contained within the safe haven from accommodation to daily retail needs and evening entertainment. The casino complex and its surrounding linkages need to have enormous focus on high-tech security. It needs to be guarded that the complex spends the minimum amount of money on security and surveillance, and rather focus on more slot machines and making more money. As the reality will be the establishment of an unsafe complex environment, with minimal patrons and minimal revenue generation.

Casino security measures need to be taken at the complex to protect the establishment’s money, property and most importantly its patrons. The security measures should be such that it protects the casino and its customers from violent crime, theft, and most importantly to create a safe haven where patrons don’t need to fear to venturing out of their homes, unlike all the other public places in Mthatha.

The requirements for the creation of a safe haven is that upon entering the contained complex, not just the casino floor, security measures and surveillance need to be put in place. Physical security solutions can require large investments, as such depending on the location, synergy with existing developments such as malls could entail sharing costs of creating a safe haven complex that include existing developments. This way, an entire safe node can be created. The complex needs to provide for the safety and security of guests, employees and property by patrolling and observing hotel, casino, and outdoor areas of the complex. High visibility can also help to deter potential criminals.

In short, the security concerns of the casino complex should be far wider than just the security on the casino grounds dealing with stringing, distraction schemes and manipulation of the cards, etc.

5.3.3. GENERAL CASINO COMPLEX CONCEPT RECOMMENDATIONS

It will be important for the casino complex to attract consumers, and in so doing preferences and needs should to be taken into account. The influencing factors that need to be focussed on can be summarised within a three level hierarchical model, which includes:

- **Level 1: Consumption values:**
  - Functional value: need for specific products, gaming, and other tenant mix
  - Social value: place to interact
  - Emotional value: to excite or relax
  - Epistemic value: need to be stimulated, informed, to learn and to find out
  - Conditional value: e.g. to shop for Christmas or a birthday and
  - Significance value: does the complex symbolise or signify the region (suggested historical Nelson Mandela theme)

- **Level 2: Consequences of visiting the casino complex:**
  - Aspirational factors
  - Ambience
  - Convenience
  - Belonging
  - Cost
  - Feelings
  - Familial impact
  - Historic factors
  - Individual goal directedness
  - New experiences
  - Time awareness

- **Level 3: Attributes of the complex:**
  - Appearance
These aspects affirm that physical factors are but one dimension of consumer behaviour patterns. There is an increasing realisation that other factors are equally important, e.g. cognitive factors, emotional factors and experiential factors. Level one plays a dominant role in the sustainability of the complex, and hence, the importance to provide the correct gaming requirements and tenant mix as part of the retail and entertainment component.

The gaming floor is but one facet of the casino complex, which also includes integrated hotel, food and beverage outlets, and entertainment and retail offerings. If properly designed and applied, a competitive process should be in place to ensure that every effort is advanced to feature and complement local entertainment and dining options, not to compete with existing offerings in the market. In this regard it is suggested that the complex be required to feature facilities that fully maximize the opportunity to create a branded property distinct to Mthatha, and based on its historical legacy. The scoring methodology to be utilised by the ECGBB should, for example, encourage a developer to partner with local hospitality companies or some of the local restaurateurs.

Also, while it may be easy in the short run to allow slot machines and/or table games to evolve in what are for all intents and purposes truck stops and bars, that course of action is to be scrupulously avoided. For this reason the competitive license award bid process should ensure that any planned expansion is in keeping with well-defined development standards.

In addition to that mentioned above, the complex should comply with modern design standards, the centre should be up-market and of high quality. The complex should mostly definitely also provide extended trade hours to cater for the afterhours demand from both the household and the business component of the market, in particular the food hall, restaurant and entertainment components.

### 5.4 Nature and Extent of Ancillary Complex Developments

The following aspects are detailed upon in this sub-section:
- Facilities and activities desired by the public at the casino complex
- Accommodation and conferencing
- Retail and restaurants
- Other complimentary products and facilities

#### 5.4.1 Facilities and Activities Desired by Public at Casino Complex

Based on the household survey results with the catchment population, the facilities and activities households would like to see at the Casino, in order of importance, include:
- Cinemas/movie theatres: 74% of households
- Games/entertainment for kids: 44%
- Restaurants: 34%
- Clothing stores: 10%
- Accommodation: 10%
- Bars/night clubs: 9%
- Live shows and entertainment: 9%
- Specialised shops: 6%
- General retail: 6%
- Gymnasium: 6%
- Beauty Spa: 4%
- Indoor sports activities: 4%
- Bowling alley/10 pin bowling: 3%

Other facilities noted include: Banks and ATMs, Water Park, Parks, Ice skating rink, Pool hall, Art galleries, petting zoo, Karaoke, Car wash, Conference facilities, internet access, etc.

The average expenditure per month per facilities/activity, should a casino complex open up in Mthatha for the catchment population to Mthatha, is as follows, in order of importance:
- Retail purchases: R613 per month
- Restaurant (food and beverages): R313 per month
- Movies/cinemas: R136 per month
- Live entertainment: R134 per month
- Gambling: R131 per month
- Arcade games: R80 per month

Households were also questioned to provide an indication of the facilities/activity that they would frequent should a casino complex open in Mthatha. The results are shown below.

Table 5.3: Distribution of frequency of visit per facility/activity at the casino complex

<table>
<thead>
<tr>
<th>FREQUENCY</th>
<th>Gambling</th>
<th>Food and beverages</th>
<th>Retail purchases</th>
<th>Movies/cinemas</th>
<th>Live entertainment</th>
<th>Arcade games</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>0%</td>
<td>3%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>More than once a week</td>
<td>6%</td>
<td>7%</td>
<td>4%</td>
<td>2%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Once a week</td>
<td>6%</td>
<td>10%</td>
<td>7%</td>
<td>11%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Once every two weeks</td>
<td>9%</td>
<td>13%</td>
<td>12%</td>
<td>11%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>Once a month</td>
<td>17%</td>
<td>44%</td>
<td>47%</td>
<td>25%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>Less than once a month</td>
<td>8%</td>
<td>12%</td>
<td>8%</td>
<td>20%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Never</td>
<td>54%</td>
<td>12%</td>
<td>23%</td>
<td>30%</td>
<td>34%</td>
<td>39%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Kayamandi household survey, 2015; n=506

Approximately 88% of Mthatha’s catchment population have indicated that they would go to restaurants and food and beverages facilities at the proposed complex, of which approximately 83% of those that will go, will go more than once a month. Furthermore, 77% of all households indicated that they would go to the proposed complex for retail purchases, and approximately 91% of those will go more than once a month. Approximately 70% of all households indicated that they would go to the complex for cinemas, and approximately 71% of those that will go, will go more than once a month. Furthermore, 66% of all households indicated that they would go to the complex for live entertainment, and approximately 71% of the households will go more than once a month. Another 61% of all households indicated that they would go to the complex for arcade games, of which three quarters (74%) indicated that they would do this once a month or more frequently. As can be expected, the majority of the local catchment population indicated that they would never frequent the hotel or accommodation facilities.
Should a casino complex open up, local businesses sampled, believe the following should be offered, in order of importance:

- Movie theatres: 85%
- More live shows, theatres, concerts: 71%
- More restaurants: 59%
- More night life attractions: 28%
- More attractions: 18%
- More specialised shops: 12%
- More accommodation/hotels/guesthouses: 5%
- More facilities for meetings, conferences, events: 3%

Other facilities noted by businesses include: a children’s play area, with entertainment and games arcade, a swimming pool, a gym, and high class restaurants.

5.4.2. ACCOMMODATION AND CONFERENCEING

In order to determine the need for accommodation and conferencing, this sub-section first provides an overview of existing accommodation facilities, followed by an indication of the anticipated demand for accommodation and conferencing.

Supply of accommodation, and accommodation trends in Mthatha, as obtained from the regional manager from the Eastern Cape Parks and Tourism and Agency (ECPTA), includes:

- There is a total of **55 guesthouses, B&Bs and lodges in Mthatha**
  - Their grading is as follows:
    - 6% are 2 star
    - 56% are 3 star
    - 9% are 4 star
    - 29% are not graded
  - According to the database, the average occupancy is:
    - 90% occupancy on weekdays
    - 35% occupancy on weekends

- There is a total of **2 hotels in the area**, namely Savoy Hotel and Garden Court
  - Both the hotels are graded as 3 star
  - Hotel Savoy has:
    - 127 rooms
    - 66% room occupancy on weekdays
    - 15% room occupancy on weekends
    - ±2500 visitors per month
  - Garden Court has:
    - 117 rooms
    - 85% room occupancy on weekdays
    - 20% room occupancy on weekends
    - ±3000 visitors per month

- BT Ngebs mall as part of phase two is currently constructing a **3rd hotel in the area**:
  - Planned to open in 2016
  - Aiming for 4 star grading
  - Constructing 100 rooms.

The high occupancy rates in guest houses, as well as in hotels point to a definite need for additional hotel accommodation in the area. This is also supported by the following views from stakeholders interviewed:
The LED Department of KSD LM revealed that there is a shortage of accommodation and conferencing facilities in Mthatha and that the addition of these would boost local businesses.

The dominating markets for tourism in Mthatha include the VFR (visiting friends & relatives) market, visitors in transit market and the business market (which includes conferencing and seminars).

Given that Mthatha is the former Transkei Capital, events such as provincial outreach programmes and international events hosted by district and local government are meant to be held in this region. However, Mthatha has a lack of conferencing facilities to accommodate big conferences and seminars. In such events, Marquee tents need to be hired to host the magnitude of people.

Decent accommodation in Mthatha is limited, only Hotel Savoy & Garden Court can accommodate the types of guests (e.g. ministers) that are present at some of the events hosted in Mthatha.

International and national tourists who want to experience the Mandela Legacy and other heritage facilities in the area are forced to find accommodation and entertainment activities in the surrounding towns because there is a lack of these facilities in Mthatha. Money is then spent elsewhere instead of Mthatha.

Existing accommodation facilities are often fully booked and even adequate rental accommodation is limited in Mthatha.

Furthermore, existing high weekday occupancies reveal that the accommodation on offer is mostly targeted at business travellers. Furthermore the existing hotels are purely accommodation orientated with no additional offerings such as conferencing, entertainment facilities, etc.

Taking into consideration the high occupancies in the current supply, it is determined that a demand for a good accommodation facility exists. However, depending on the chosen location, duplication of accommodation facilities should however be avoided. It should however be noted that a new hotel is under construction which could influence the market.

Based on existing casinos with similar number of visitors, the following is proposed in terms of accommodation and conferencing at the casino complex:

- A hotel with between 50 to 150 en-suite rooms
- The hotel facility should however not be for the top end of the market, so that it can also appeal to business visitors on a budget
- The facility should however also focus on capturing the weekend market.
- 4 meetings rooms which are interchangeable or sub divisible to form one large auditorium that can host people for conferences and seminars, karaoke, weddings, etc. Seating for the smaller venues for 50 to 80 persons per room or 200 to 360 persons with tables or up to 500 persons in a cinema style seating configuration when the venue partitions are retracted
- 1 marquee tent with a grass platform to accommodate an additional 300 persons

Note that the complex is proposed to offer conference facilities, wedding functions, various entertainment facilities, events, links to tourism routes and attractions in the area, etc. All of which enable offering an accommodation facility that will capture more than just business travellers. The hotel should ideally be located as part of the casino complex, to ensure that guests are contained within the safe haven of the facilities, and that the complex provides a convenient and exceptional choice of accommodation for both players and other guests. The hotel does not need to have a separate restaurant and buffet area as these will be shared with the facilities in the casino complex.

The divisible facilities should be such, that the venue can host anything from 10 boardroom guests, 350 banqueting style guests, and 500 conference delegates in a cinema style (or up to 800 with the addition of the marque tent). Uses for the conference venues could include both business and social functions such as: training, weddings, birthdays, anniversaries, gala dinners, year-end functions and team building. Catering for conference events should be of high quality.
In order to enhance the proposed theme, it is additionally suggested that an outside Boma with built-in seating be considered. This will provide for a truly African meeting venue around the central fireplace. Such an open-air location is ideal for team building dinners/braais, ‘after’ parties, and should be able to accommodate up to 50 people.

Some examples of the proposed boma and marque include:

5.4.3 RETAIL AND RESTAURANTS

In order to determine the need for retail, this sub-section first provides an overview of existing large retail malls, followed by an indication of the anticipated demand for retail and restaurants.

The Diagram below depicts the main retail facilities in Mthatha.
As noted from the above, Mthatha offers four malls, and 2 shopping centres. These, and their offerings in Mthatha, include:

- **The Mthatha Plaza** is located along the N2 (Nelson Mandela Drive) opposite the Mandela Museum. As one of four prominent malls in Mthatha, the plaza is ±27 000m² in size; it contains 1 floor, 607 parking bays and combines a total of 70 tenants. Anchor tenants in this centre include Checkers, Pep, Nedbank, Capitec and FNB. Based on the number of size and number of tenants, this retail facility is classified as a community centre. Consultation with centre management highlighted that there are plans to expand the mall by another 1500m² to encourage variety in the types of tenants hosted in the centre.

- **The BT Ngebs Mall** is the newest regional mall located along Errol Spring Avenue, adjacent Mthatha Plaza to the north and Mthatha Stadium to the south. Trading officially commenced on 25 June 2015 after an official opening of the mall by property entrepreneur, Sisa Ngubelana. As the largest retail offering in Mthatha, the centre is 60 000m² big and offers a mixture of 150 tenants ranging from retail, banking, homeware, health, sports and entertainment facilities. This is the only centre in Mthatha with Woolworths Foods, Food Lovers Market, a full on Food court and a Gym with pool. It also introduces retails stores such as Timberland, Fabiani, GSTAR, Spitz, Kurt Geiger, Soviet, Earth Child, Bogart and Keedo to consumers of the town. Parking bays are calculated at 1975 and anchor tenants are set to include Pick n Pay, Checkers, Food Lovers Market, Clicks, Woolworths, Truworths, Foschini, and Edgars. Phase Two of the development is already underway and includes a 100-room four-star hotel, due to open next year, as well as 10,000m² of office space. There have been hearsays that the mall will develop a cinema, although the property entrepreneur has indicated that there are no such plans.

- Located at the corner of the R61 and Chatham Street, the **Circus Triangle Mall** is a 31 000m² community centre consisting of two floors and 338 parking bays. The centre is strategically located along major transport routes within Mthatha Central and thereby accessible to a variety of...
transport facilities. This centre hosts a total of 52 tenants with anchor tenants such as Shoprite, Woolworths, CNA, Ackermans, Pep Store and FNB.

- The Northcrest Shopping Centre is located within the Northcrest residential suburb, along the N2 (Durban Street). This shopping centre is classified as a neighbourhood centre as it is 9 800m² in size and comprises of 13 tenants including SARS, the post office, Toyata, Nissan, China Mall, a hair salon, a laundry and an internet café. According to the centre’s management, Northcrest Shopping centre only has spar as the anchor tenant as it mostly caters to the residential neighbourhoods’ daily shopping needs.

- The Mall (shopping centre) is located along the N2 (Madeira Street) within Mthatha Central. This relatively small retail facility covers an area of 2 000m² and consists of one floor and 24 parking bays. With a total of 21 tenants offering retail, restaurant, hair dressing, banking facilities and professional services. The anchor tenants for The Mall include Zebros, fish and chips, Dr. Mgandela, Dr. Ratagomo, Dr. Ngayo and Sandy’s curry. Short term expansion plans for the centre include 14 additional retail stores as well as 7 offices, which offer health and business services.

- Pick ‘n Pay shopping centre situated along Errol springs avenue and Zanemali Streets, with a couple of retail stores. Situated in the industrial area in Vulindlela heights.

According to the Eastern Cape Development Corporation, more than 50% of the Eastern Cape population are located within the Transkei area and as a result, the retail sector in Mthatha is booming due to the levels of spending from people from surrounding catchment areas.

Based on retail and restaurant offerings at existing casino complexes with similar number of visitors, and taking into consideration the current supply, the following is proposed:

- **1 buffet restaurant**, which doubles up to accommodate the hotel guests for breakfast, lunch and supper. The buffet restaurant should ideally have a stage for entertainment and should be able to seat a minimum of 100 guests. With the addition of the stage for entertainment, it is proposed that the buffet restaurant essentially function as an upper class type of super club with an action bar area, and with seating similar to that found in typical ‘Barnyard’ style settings. The space will thus be able to function as a restaurant during the day and simultaneously double up as a restaurant with entertainment that can support local one-man bands, karaoke evenings, and show bar for local artists to perform. Daily large shows are not necessarily needed. This pub style buffet restaurant should ideally also be able to open up to the conference facility. A multifunctional space is thus anticipated where quests can either catch the latest sporting events on a big-screen TV, and enjoy cabaret, comedy, jazz, rock etc from local entertainers. A dedicated children’s menu is also a must.

- **2-4 retail stores**, but depending on the location in relation to existing offerings it needs to be ensured that no duplication of offerings exist. Considerations for additional retail include:
  - Tobacco and jewellery
  - Sweets from heaven
  - Biltong and flower shop
  - Health and beauty spa.

- **2-4 food and beverage outlets in a fast food court**

Note that during our time and exploration of Mthatha and its offerings, we have been made aware that fine local restaurants, and local artists exist within Mthatha, which we feel represent the unique Mthatha experience. We suspect that these might potentially be persuaded to either establish “satellite” food outlets, or to entertain at the venue, drawing on their well-established reputations and customer base.
5.4.4. OTHER COMPLIMENTARY PRODUCTS AND FACILITIES

The casino complex should provide for a great number of enjoyable activities to partake in, spending time in the Casino being but one of the activities. In addition to the casino, the proposed accommodation, additional retail, food outlets, and live entertainment, the complex needs to be 100% family friendly, and also encourage families to enjoy fun activities.

Mthatha and surrounds current lack a supply of entertainment facilities and activities, so much so that one of the main forms of entertainment and shopping or going to restaurants. Furthermore, interviews with stakeholders have revealed that numerous local restaurants are relocating to East London, Durban and other major towns to access better amenities and entertainment facilities.

Depending on the chosen location and the notion that duplication of facilities should be avoided, a focus needs to be placed on building mutual synergies to improve aspects such as: the creation of a safe haven, attraction of additional activities/facilities, etc to ultimately strengthen the node and attract more feet. Based on the aforementioned, the following additional complimentary tourism products and facilities, could be considered:

- Children’s day care facility to provide for children between 3 and 12 years of age
- 1 large indoor children/family play/activity zone inclusive of:
  - A games arcade where kids can buy tokens for the machines and receive tickets when they win, which can be exchanged for awesome prizes and toys
  - A ice rink (possibly to be attracted to the development node)
  - Bowling alley
  - Gym
  - Pool hall
  - Table tennis
  - Magic shows
  - Kids videos
- A outdoor children/family play/activity zone inclusive of:
  - A day visitor centre filled with activities and games
  - A swimming pool, possibly with a small waterpark
  - Petting zoo
  - Bow and arrow
  - Skate boarding
  - Picnic facilities
- A cinema complex
- Art gallery containing local artwork
- Landscaped gardens

In essence, the complex needs to provide a variety of fun activities for both younger members of the family and for family-fun activities so that children and adults alike can enjoy hours of fun both in the sun and at night.

Note that since the establishment also needs to be child friendly, the casino complex is also suggested to include a child safety program that allows parents to drop their child off in a qualified facility within the casino that will watch them while the parents are gambling. This needs to include such measures as photo ID to drop off the child and for the same parent to produce a photo ID to get their child out of the facilities locked doors. Besides ID, the parent should produce the same adhesive label that their child will be wearing, which gives the child’s name and any known medical condition, in order for the child to be released.
Examples of some of the anticipated indoor and outdoor activities include:

In short, the prototype casino hotel facility contemplated by the feasibility study has the following characteristics. Note, to be conservative, all of our modelling presumes **12 to 15 table games** and between **250 and 350 slot machines**. We also assumed an amenity mix consisting of a hotel, food and beverage outlets, salon/spa, entertainment and retail. The facilities should be in line and keeping with other similar type casino developments and cater for both the casino patron and families. All non-casino facilities should carry through the theme, and should be designed in an integrated way.

### 5.5 ADDITIONAL CONSIDERATIONS FOR BID AWARD

Successful implementation of a competitive bid license award process demands that applicants compete on the basis of clearly articulated, uniform criteria that are prioritized in a manner that allows each application to be scored as objectively as possible. The competitive bid license award process should not be a "beauty contest" but should instead be a competition based on the ability to deliver, sustain and potentially grow a gaming and entertainment product that is a net positive for both the Province, the ECGBB and the operator, under the taxation scheme, license fee, minimum capital
investment requirements and regulatory scheme spelled out. The following criteria are considered essential for developing a substantial casino complex:

**Business and Market Factors:**
- Highest potential benefit and highest prospective total revenues to be derived from an applicant based upon documented, expert financial analysis.
- Potential gross and net income based upon documented, expert market analysis.
- The extent to which an applicant can reasonably be expected to tailor marketing proposals to the local population and to incentivize gaming participants to remain in the area.
- Proposed capital investment in gaming facility, the amenities mix, the timeline for expenditure of the capital investment and the expected competitiveness of the proposed gaming facility.

**Economic Development Factors:**
- Workforce development plan.
- Any additional economic development planned in the area of the proposed gaming facility.
- The extent to which a gaming facility developed by an applicant can reasonably be expected to constitute a substantial regional tourist destination.
- Extent to create commercial development opportunities in host and surrounding communities consistent with historic uses, local zoning and site development requirements.
- The extent to which a proposed gaming facility can be reasonably expected to preserve existing jobs and the number of net new full time and part time jobs to be created.

**Social and socio-economic Factors:**
- Local stakeholders as shareholders.
- Empowerment of local SMMEs.
- Address/minimize any potential negative consequences including, but not limited to, combat compulsive gambling, efforts directed at: prevention, intervention, treatment, research.
- Any anticipated impacts, both positive and negative, on host and regional communities.
- Considerations for security and development of a safe haven.

**Town location factors:**
- Demographic size.
- Economic data.
- Government priority and investment.
- Tourism attractions and potential.
- Town hierarchy.
- Attractive market dynamics and unleveraged assets.
- Growth prospects.
- Accessibility.
- Proximity to other Casino’s.

**Site Location Factors:**
- Existing transportation infrastructure surrounding the proposed gaming facility.
- Location accessibility and visibility.
- Existing access to services at the proposed site.
- The need for additional public infrastructure expenditures at the proposed gaming facility.
- Compatibility with surrounding land uses.
- Any negative impact, if any, of a proposed gaming facility on the host community.
- Aspects regarding land claims.
6. SOCIO-ECONOMIC IMPACTS, RISKS & MITIGATIONS

6.1 INTRODUCTION AND IMPACT ASSESSMENTS EXPLAINED

The purpose of this section is to describe the economic and socio-economic impacts emanating from the establishment of the proposed casino complex in Mthatha. The impact assessment concentrates on determining the potentially positive and negative impacts during the roll out and operational phases.

There have been many controversies over a casino’s influence on the economy, on the one hand, many see it as a powerful fiscal and economic development tool, and on the other many disapprove and fear the impact of a casino’s economic and social implications. The main negative social impacts that have been referred to by people and communities is that of crime and compulsive gambling, whereas others count the number of jobs created and mention the fiscal benefits the local governments receive to motivate their support of a casino.

Economic impact assessment (EIA) is the study of the way in which the direct benefits and costs of a proposed project affect the local, regional, or national economy. Economic impacts refer to the effects on the level of economic activity in a given area because of some form of external intervention in the economy. The intervention can be in the form of new investment in infrastructure, new development, or adoption of a new policy or services (Diagram 7.1). These interventions subsequently have a diverse effect on the economic environment.

Diagram 6.1: Concept of economic impact analysis

Recent advances in economic forecasting and modelling techniques not only consider the direct benefits of the proposed development on its users, but also the broader influences on the local and regional economy. The economic impacts in this regard are defined as effects on the levels of economic activity in a given area and the benefit to the economy, such as generation of additional jobs, business sales, improved quality of life, and/or disposable income. To quantify the most likely economic impact of a new business or expansion of an existing activity into a specific area, three types of economic impact can be measured, namely, direct, indirect and induced impacts (Diagram 7.2):

- The **direct economic effects** are generated when the new business creates new jobs and purchases goods and services to operate the new facility. Direct impact results in an increase in job creation, production, business sales and household income.
- The **indirect economic effects** occur when the suppliers of goods and services to the new businesses experience larger markets and potential to expand. Indirect impacts result in an increase in job creation, GGP and household income.
The **induced economic effects** represent further shifts in spending on food, clothing, shelter and other consumer goods and services, as a consequence of the change in workers and payroll of directly and indirectly affected businesses. This leads to further business growth/decline throughout the local economy.

**Diagram 6.2: Impact of capital investment**

The impacts can also be viewed in terms of their duration, or the stage of life cycle in which the development takes place. The current study analyses the site roll out (construction) and operational phases of the proposed casino complex. The impacts during the construction phase will be of a temporary nature whereas during the operational phase, which is interpreted as the lifespan of the licence or 20 years, the impacts will be of a sustainable nature and duration.

The remainder of this section provides an indication of the economic, followed by the socio-economic impacts.

**6.2 ECONOMIC IMPACTS ASSESSMENT, RISKS AND MITIGATIONS**

This section outlines the following economic impacts that are expected to take place during the construction and operational periods of the proposed casino complex:
- Value-added (or GDP) and government revenue generation
- New business output (or sales volume)
- Job creation
- Personal household income
- Expenditure displacements and competition effects
- Property value

Any of these measures can be an indicator of improvement in the economic well-being of residents, which is generally the goal of any investment project. The net economic impact is usually viewed as the expansion or contraction of an area’s economy, resulting from the induced changes.
6.2.1 VALUE-ADDED AND GOVERNMENT REVENUE GENERATION

Casino complexes, which include hotels, restaurants, entertainment and other amenities, have been justified as an important component in a larger or provincial scale economy. This is as a result of the developments bringing people and their money into the local economy or region, and therefore having various positive influences as money is transferred to the local economies. Some of the main economic benefits that communities perceive to gain from the development of a casino complex is increased employment, greater tax revenue to local governments, and growth in local retail sales.

The most all-encompassing measure of macroeconomic economic contribution is contribution to Gross Domestic Product (GDP) as well as the contribution to Eastern Cape Gross Geographic Product (GGP), which is the provincial share of GDP, contribution to taxes and contribution to indirect household income.

The increase in the gaming industry in the Eastern Cape will contribute to both direct and indirect taxes. Gaming levies and VAT payments will increase and at the same time other forms of direct revenue to the government, such as company tax and PAYE, will increase. Indirect taxes, generated through the multiplier effect and linkages in the economy, will also increase.

The entertainment contribution made to the economy of Mthatha is lower than its potential due to a lack of sophistication and hierarchies in the retail and entertainment market and inadequately catering for a variety of entertainment needs. With the result that not only is it experiencing a leakage of buying power it is also not attracting the larger market and spending power that its central place function should be able to fulfil. It is thus anticipated that the proposed Casino Complex development would have a positive impact on the economy of the area. The economy would be stimulated by increased economic activity from the different economic sectors both from within Mthatha, the other secondary towns located in the catchment area, and visitors/tourists.

It is anticipated that the economy will be stimulated in the following ways:
- Increased financial spending.
- Expenditure on resources that is required for the construction of the development to take place. These include the purchasing of building material, payment of services provided and infrastructure etc; Increased expenditure by employees in that income that would be generated by employees would be mostly spent within the region.
- Potential for creation of better connectivity with potential new linkages, bringing businesses and clientele into previously inaccessible areas.
- Potential to create occupational opportunities

During the construction phase of the proposed development, contractors, construction labourers and service industries would benefit from the construction activity. This will have knock-on effects on suppliers of goods and services in other areas of the region. A positive impact is likely to be experienced in terms of the increased markets dealing with the sale of local goods to construction staff and direct employment by construction contractors. A stimulation of the economy is also expected in the manufacturing sector, as more construction material would need to be manufactured for the different construction phases of the development. The construction sectors’ role in the economy is important in the sense that growth in the economy is dependent on the performance of other economic activities, due to the strong backward linkages in the local economy.

A stimulation of the economy is also expected in the transport sector, as more public transport will have to be made available for the construction workers. An increase in the trade sector, which includes retailers, restaurants, etc is also expected to be stimulated when larger numbers of construction workers enter the area.
The proposed Casino Complex will also have a substantial positive impact on the government revenue throughout the licencing period. The type of government revenue to be received will be in the form of:

- VAT
- Provincial gambling levy
- Annual licence fees
- Licence application fee
- Operator Licence application fee
- Employee Licence Fees
- Rates and taxes.
- Employee taxes (PAYE and SITE)
- UIF, SDL & Workman’s Compensation
- Income tax
- Secondary tax on companies

An increase in government income is generated from an increase in the tax base and an increase in economic activity (i.e. domestic investment). The capital investment for the proposed casino complex would be injected into the economy, thereby causing a positive economic impact that leads to fiscal impacts. Fiscal impacts are changes in government revenues and expenditures. Economic impacts on total business sales, wealth or personal income can affect government revenues by expanding or contracting the tax base. Due to the jobs that will be created as a result of the proposed casino complex, as well as the increased business activity levels, the salaries and wages of those jobs along with the increased turnover of the companies, can be translated into increased personal and business income tax.

**Proposed mitigation measures:**
The increase in value adding and government income is a positive impact that is likely to take place due to the proposed casino complex development. During the construction and operational phases, the proposed development will be viewed as a potential economic injection to the area and has an opportunity for creating other economic spin-offs that will benefit the entire region, Province, and country. Local and national benefits that will accrue to the government during the construction and operational phases, are a given and no mitigation is required.

It is however important that as much as possible procurement is done within the Eastern Cape and Mthatha and its neighbouring areas in order to increase the impact on local government income. Local industries, sectors and economic activities should be considered for public/private partnerships and strategies should be developed to encourage savings. More importantly, there should be a focus on small traders and young entrepreneurs in the area. The local economy could also be stimulated by increasing the number of local residents who obtain jobs, enhancing the opportunities of local businesses to obtain project construction and supply contracts, and encouraging development of local businesses with backward or forward linkages to the proposed development. In other words, local construction materials and construction contractors as well as employees should be used as far as practically possible. It is further suggested that, during the operational phase, local businesses be supported as far as possible. Where possible, the project implementers in collaboration with the Local Municipality should support the establishment of business initiatives within nearby low-income neighbouring communities. This collaboration should also involve local residents at the outset of the construction phase. These business initiatives will be aimed, in part, at assisting local residents to secure benefits associated with the construction phase. The key responsible entities for managing/implementing this mitigation measure, are the local municipalities, the project implementers and the local residents.
6.2.2 NEW BUSINESS SALES AND STIMULATION OF THE ECONOMY

The proposed Casino Complex is expected to have a positive impact on the economy, which will lead to increased business sales and increased standards of living. Increased employment is associated with increased income and consequently with increased buying power in the area, thus leading to new business sales.

The operations of the proposed casino complex in the Eastern Cape Province is anticipated to have a positive impact on business development in the area in terms of increased sales and subsequent growth of GGP. Owing to the limited Eastern Cape economy, it is expected that impacts will mostly not only be experienced on the regional level, i.e. Eastern Cape Province, but some impacts will also be felt throughout the country. The following will be generated as a result of different impacts:

- Direct investment in trade, business activities, and social and personal services sector by the proposed Casino Complex will increase the GDP and provincial GGP
- The indirect impact of the construction and operational periods’ expenditure will lead to such positive effects as the increase in production capacity of the existing firms, establishment of new SMMEs, and improved competitiveness. Due to the nature of indirect impacts, they will be spread throughout the country.
- Business development will lead to creation of additional employment opportunities in the area. This, at the same time, will result in higher disposable income among households in the Province and a subsequent growth of the demand for consumer products and services. The main industries benefiting from the induced impact will be the agricultural sector, food and beverages, furniture, plastic products, trade (retailers, restaurants, and wholesalers), transport services, communications, insurance, real estate, business activities, government, health, and education.

The establishment of the proposed casino complex in the Province will positively affect business development in the area. Attributed to the increase in demand for some of the manufacturing goods, retail products, financial and business services, as well as government services, the casino complex will boost local sales leading to the growth of the provincial GGP. This positive impact will be observed during the construction and operational periods as investment in capital assets and operational expenditure over the next 20 years.

Furthermore, the proposed development will ensure the provision of a hierarchy of entertainment developments in Mthatha. The proposed development will thus provide in the entertainment needs of not only Mthatha residents but also those of the surrounding towns which are currently travelling to amongst others East London to fulfil their entertainment needs. The buying power locally will thus be increased. With the increased buying power from capturing the leakages and attracting greater retail spend from surrounding areas previously lost, and higher employment with a subsequent increase in income (for those employed), increased business opportunities can be experienced. The economic benefits mostly include an increase in trade such as local shops, restaurants, accommodation and transport services. The increase in businesses is as a result of the following factors:

- Increased market size
- Higher disposable incomes
- Satisfaction of identified needs (such as entertainment, variety, etc)
- Increased consumer spending and entrepreneurial opportunities

New Business Sales refers to the value of all inter- and intra-sectoral business sales generated in the economy, as a consequence of the introduction of an exogenous change in the economy. Simply stated, new business sales equates to additional business turnover as a result of the introduction of a new development in the economy. In other words, over and above the originally invested money
During the construction and operational phase, a large amount of revenue is generated due to the multiplier effect in the different sectors of the economy.

Apart from the casino complex development having the potential to create occupational opportunities, the proposed development could also stimulate economic growth in the region by attracting other commercial activities and creating linkages between existing commercial activities. The change in the stimulation of the economy will impact different sectors in different ways. Some sectors, such as the construction and trade sector, will benefit more during the construction phase, while the operational phase will benefit the finance and trade sector more. The construction phase would only stimulate the economy for the duration of the construction period; therefore this phase will have an unsustainable benefit to the economy. More sustainable economic stimulation will be created during the operational phase. During the operational phase, the trade sector will be stimulated due to the increased purchasing power in the area. This will be resultant from the permanent jobs created, the greater number of people employed in the area, the increase market size, and capturing the current leakage of buying power. In addition, this will stimulate the trade sector, which includes retailers, wholesalers, entertainment, restaurants, accommodation establishments, etc. The spin-off effects associated with these economic contributions: capital expenditure, increase salaries, etc., include: improved standard of living, decreased dependence on government social benefits, increased disposable income and ability to purchase additional goods.

The standard of living is a measure of economic welfare. It generally refers to the availability of scarce goods and services, usually measured by per capita income or per capita consumption, calculated in constant Rands, to satisfy wants rather than needs. The proposed development is set to improve the standard of living. It is assumed that economic conditions would essentially improve in terms of productivity or per capita real economic growth, income distribution and availability of public services.

**Proposed mitigation measures:**
The proposed development could increase the standard of living and new business sales, which, even though it is a positive impact, can be enhanced.

To increase the standard of living locally, the contractors employed, should aim to ensure that local or surrounding people are employed where possible. It is furthermore suggested that all the employees should be motivated to spend their earned income locally. This can be achieved by ensuring that the goods and services required by the employees are provided for locally (if possible), so that they do not need to spend their money elsewhere. This would be the responsibility of local shop owners to supply that which is being demanded. The increase in the population and purchasing power resulting from the proposed development will enable the formation and sustainability of new businesses. The establishment of new businesses in the area will have an additional positive impact on the increased standard of living during operation. The employment of local residents during operation (as far as practically possible) would increase the standard of living, since they would have a higher disposable income and less transportation costs. The key responsible entities for managing/implementing this mitigation measure are the contractors and the local shop/business owners.

**6.2.3 EMPLOYMENT CREATION**
The gambling industry creates and sustains three types of jobs. The first are jobs in the provincial construction industry where the construction and ongoing maintenance have sustained jobs in the industry. The second type of jobs are those due to the ongoing running of the industry. The third type of jobs are the so-called indirect jobs which are the result of the multiplied spending on construction and operations.
The establishment of the Casino Complex will have a positive impact on sustaining the current employment in the region and the creation of new jobs. Since the analysis of job creation covers a twenty-year period, it is necessary to note that job creation resulting from investment of the proposed development, during the construction phase, will be observed mostly during the first years of the licencing period when the economy receives a boost in demand for goods and services. When operations reach their maturity, however, the day-to-day expenses will predominantly support employment opportunities created during the previous years. Nevertheless, job creation due to refurbishment of sites and upgrade of equipment is also expected to take place during the operational period, although it will be less sustainable.

Nonetheless, high unemployment rates in the economic active population are prevalent. The proposed employment opportunities from the development, and those that will arise from new business sales, will bring much needed relief to the high unemployment figures in the area. The development of the proposed Casino Complex is however not expected to solve unemployment in Mthatha, although it will go some way towards easing the unemployment situation. A reduction in the unemployment rate will have a direct impact on social impacts such as crime and poverty.

During the construction phase, the employment opportunities would be temporary in nature. The increased employment in the area will also result in increased expenditure, which will mean that more than just the proposed direct jobs required for the construction, will be created due to the economic spin-offs. During the construction phase, there will be a demand for contractors, labourers, artisans, and service providers. The benefit of increased jobs can also be translated into economic terms. The additional jobs would in essence result in additional income creation. This increase in income in the area can be translated in a specific impact ranging from Broad Based Black Economic Empowerment (BBBEE) to poverty alleviation depending on the procurement policy and the construction technology applied. It is anticipated that an increased number of previously disadvantaged people could be provided with an annual income. This will place them in the financial position to acquire all the goods and services that are required to maintain a basic level of living.

The employment opportunities to be created as a result of the proposed Casino Complex development during the operational phase relate to the to the operations and maintenance staff required for the completed development as well as all the actual staff of the ancillary developments and retail outlets. The actual development can thus be seen as creating additional maintenance and cleaning opportunities, and because it is possibly creating a new entertainment node (one of kind in Zone 4), it will, due to capturing additional buying power, create new retail jobs, etc. Retail jobs will be created due to the increased spending from the increased market size captured. The impact is anticipated to be experienced during full operation, once the construction phase is completed. Some of the anticipated operational positions entail:

- General manager: Highly skilled
- Personal assistant: Skilled
- Regional accounts manager: Highly skilled
- Area manager: Skilled
- Client liaison officer: Skilled
- Senior compliance officer: Highly skilled
- Compliance officer: Skilled
- Technical manager: Highly Skilled
- Senior technician: Skilled
- Technician: Skilled
- Warehouse controller: Skilled
- Senior licencing officer: Highly skilled
- Gaming licencing officer: Skilled
- Licencing administrator: Skilled
Training officer: Skilled  
Training assistant: Skilled  
Senior accountant: Highly skilled  
Accounts assistant: Skilled  
Receptionist: Skilled  
Office assistant: skilled

It is estimated that during operations of the casino complex, in terms of: gaming, administration, security, cleaning, cashiering, food and beverage, etc., approximately 150 to 200 direct permanent positions could be created. Based on gaming employment multipliers it is anticipated that the job creation in the economy could amount to:

- Direct permanent opportunities: 150 - 200
- Indirect and induced opportunities: 690 - 920
- **TOTAL opportunities**: 840 - 1120

It is expected that once operational the casino complex will provide work opportunities for between 350 and 450 workers in total including permanent and temporary. The labour remuneration is expected to be between R35 million and R 40 million per annum.

**Proposed mitigation measures:**
With regards to increased employment, the town to benefit from the development of a casino complex, depends on where casino visitors and workforce come from. Therefore the proportion of benefit of local communities depend on the size of local workforce, as the larger the workforce size the greater the share of casino revenue in the local community, and therefore the greater the multiplier effect of the revenues and the local economy.

The objective of this mitigation/management measure is to ensure that employment opportunities created will lead to employment of local residents as far as possible. Emerging employment opportunities during the construction phase should be targeted at local residents as well as people from the surrounding settlements. This will ensure a reduced dependency on temporary employment in addition to enhancing the living standards of local people. The actions/programs/strategies suggested to achieve this objective are outlined below.

It is suggested that non-locals should only be hired when specialist skills, which are not available locally, are required and local business providing such skills aren’t available. The following aspects in this regard should receive priority:

- Labour based construction methods should be used whenever practically possible
- Local residents and communities should be employed, wherever possible
- Local construction companies should be used whenever possible, especially for subcontracting work
- Local suppliers should be used as far as possible

Even though much of the employment created during the construction phase is of temporary nature, it will help to provide an economic boost to the community. The use of local labour should be approached in such a manner that large numbers of residents benefit from this action rather than only a select few. It is advised that fair employment criteria be used in sourcing employment from the surrounding areas, so as to avoid a situation whereby many unskilled and unemployed persons from the surrounding areas are not employed during construction, which can cause potential conflict. It is therefore suggested that a skills survey be undertaken. Should a skills register or a labour desk for local unemployed persons, however, not be feasible it is suggested that employment be undertaken...
through assistance from the ward councillors and local Non-Government Organisations and community leaders.

Employment opportunities should however be communicated in a fair and transparent manner, while at the same time being sensitive not to create any expectations for employment. This will assist in avoiding the situation, which is likely to occur, whereby some unemployed persons whom are willing and able to be employed are not employed. This could lead to conflict. In the event of there being an excess of local unemployed persons whom are willing and able to be employed, it is suggested that certain selection criteria be used such as employing one person per household. This will ensure that as many households as possible benefit from the employment opportunities. Other criteria could, for example include, the level of skills, previous experience, and the applicant’s employment record. It is anticipated that should persons from the immediate surroundings be employed, the unemployment rate will substantially decrease in the areas located near the proposed development. This impact will mostly be felt during the construction phase. The impact of a decrease in unemployment is as a direct result of the impact of an increase in the employment opportunities, and does not require any additional mitigation.

6.2.4 INCREASE IN HOUSEHOLD INCOME

Local business development stimulated by the increased demand for local goods and services created by the casino complex development will lead to the creation of additional employment opportunities in the area. This will result in higher disposable income among households in the Province and a subsequent growth of the demand for consumer products and services. The main industries benefiting from the induced impact will be food and beverages, furniture, energy, trade (retailers, restaurants, and wholesalers), transport services, communications, insurance, business activities, government, health, and education.

Proposed mitigation measures:
As with employment creation, the induced impact of household income creation, does not require any additional mitigation. However, in order to maximise the local impact thereof, the mitigations actions proposed for employment creation and maximisation of local labour, where possible, is proposed.

6.2.5 EXPENDITURE DISPLACEMENTS AND COMPETITION EFFECTS

Displacement of revenues could be as a result of the displacement of revenue that could occur when local residents spend at the casino on entertainment and other spending rather than at areas they would normally have spent at, such as at existing gambling facilities: bingo, LPMS or slots, as well as at existing entertainment: restaurants, shopping malls, etc.

Note in this regard that the below table shows that results from the business surveys reveal the following average percentage share of main clientele.

Evidently, nearly half of clientele for all businesses come from local residents and businesses from the catchment. Approximately half of the clientele to the tourism orientated establishments are from non-local residents and businesses. Furthermore, gaming entities on average reveal that 58% of their clientele use gaming facilities at their venues, and all believe that having gaming facilities attract many of their clientele.
Two thirds of entities with gaming facilities indicated that the opening of a casino would have no impact on their business, while the remaining third indicated that it would slightly have a negative impact. All business together businesses (gaming, tourism entities, and other) have provided the following share in regards to impact on their business from the opening of a casino complex development:

- Very negative: 0%
- Negative: 2%
- No impact: 28%
- Positive impact: 62%
- Very positive impact: 8%
- Total: 100%

Those that believe the opening of a casino complex will have a negative effect have indicated that this would be due to direct competition to their business and that the complex may draw customers away from their business and may result in people spending money on casino gambling and leaving them with less money to spend at their business.

Furthermore, 100% of the gaming entities surveyed, believe that a casino complex development will have a positive effect on the growth of the economy. Whereas a total of 87% of all the businesses (gaming, tourism entities, and other) believe that having a casino complex development will have a positive effect on the economy.

Key reasons, in order of importance, why businesses believe a casino complex development will have a positive impact on the economy include:

- Casino may attract more visitors/tourists to Mthatha
- People staying outside of Mthatha may visit more frequently
- The casino may stimulate the local economy
- The casino may increase the catchment area of visitors to Mthatha

Other positive reasons noted less frequently include:

- Will attract more businesses to do business with business
- Increase clientele
- Increase business opportunities
- Increased business exposure and resulting business growth
- Greater opportunity for networking with potential clients
The above households and business survey results show a very positive indication in regards to anticipated competition effects from the opening-up of a casino complex development. Businesses are so positive, that as much as 58% of all businesses interviewed indicated that should a casino complex be developed in Mthatha, they would consider opening up a new business. The following types of new businesses that existing businesses would consider opening-up should a casino complex be developed include:

- Entities focused on the tourism side of the hospitality industry: tour guides, accommodation facilities, car rental, catering, etc.
- A lounge or coffee shop, restaurants
- Another liquor store closer to the Casino complex
- Arts and culture to expose more of their cultural history
- Bar/pub/clubs
- Car maintenance, rental, car wash, panel beaters
- Cinema
- Clothing and fashion related companies
- Construction companies
- Day and night care with children entertainment facilities
- Interior design company
- Internet café and in store mobile services
- IT services
- Property development services
- Job seekers centre
- Massage parlour
- Health, beauty and wellness
- On site flash photography for unforgettable moments
- Hardware dealership
- Security companies

Local restaurants face the possibility of being negatively impacted as they may for instance struggle to compete with elaborate yet cheap buffets offered at the casino complex. Therefore the more casino visitors are received from the outside areas the less the local community will be negatively impacted from the displacement of revenues. Furthermore, when people choose to gamble they are making choices within a finite amount of disposable income. If people do choose to gamble with their money then they choose not to spend it on other things. What does this mean for jobs and expenditure? Any increase in jobs and expenditure which will occur as a result of the establishment of a casino complex, for example, will be offset, to a larger or lesser extent, by a loss of jobs in other sectors.

There is however, three circumstances when a casino complex will NOT displace other forms of economic activity. The first is when there is a general increase in income. The second is when the operation of the casino itself leads to an increase in income. The third is when the displacement reduces imports from other provinces or countries. In the Eastern Cape, displacement of essential spending is proportionately the lowest for casino spending. Casino spending is also the type of gambling where displacement of non-essential spending is the highest.

The proposed development is expected to promote amenity and convenience as well as efficiency and economy based on:

- Pleasant entertainment environment
- Accessible and situated on a major road
- Wider variety of entertainment facilities with child caring
- Recreational facilities
- Boost to the local economy
In short, key benefits of the proposed casino complex include:

- Human resource development and training
- Job creation during construction
- Job creation during operation such as support staff/ cleaning staff and managerial staff
- Employment: for franchise joint ventures and/or own businesses
- Social development: public facilities, recreation, open space, entertainment
- Savings: Convenience, transport costs, time
- Institutional gains: increased rates and taxes, service fees, casino licence fees, etc.

Nonetheless, even though the feasibility has proven a definite need and desirability for a casino complex development, the proposed centre could have an impact from competition on existing facilities in Mthatha, but not to the extent that all new jobs will be ‘transferred’ from the older gambling facilities. This is because the proposed development will entail achieving a greater catchment area and increasing the size of the buying power because it will function as a regional centre. Due to the development of the proposed casino complex, existing small scale facilities could experience a loss of sales during the initial operation phase of the proposed development. The proposed development could also have an impact on the retail sales of existing facilities. In the short term, there could be a negative impact on the existing surrounding gambling facilities. The proposed casino complex will however attract additional economic activity to the area. Currently, due to the existing malls, not providing in the need and desirability of more entertainment space, much buying power is believed to be lost.

Furthermore, the proposed development is aimed at providing entertainment to an untapped market. There will thus not be an excessive over supply of entertainment or gambling facilities, which could negatively impact on the economic development of the area. While existing gaming facilities will in the short-term be impacted upon, existing facilities are not envisaged to become dormant or under-utilised. It is expected that there will be continued support to existing facilities due to:

- Familiarity
- Fulfilling neighbourhood convenience needs, etc

Once additional buying power and visitors is obtained, the economy of Mthatha will be stimulated and boosted such that increased retail will take place. Take for instance that when shoppers go to areas outside of the study areas, they also undertake other functions simultaneously such as going to the dentist, doctor, having their car serviced, undertaking Christmas shopping, etc. Now these leakages can be captured locally and hence raise the level of services locally as Mthatha will become more of a destination.

Furthermore, a community needs a full range of entertainment facilities to satisfy the wide-range of needs that occur. A shortage of entertainment leads to imbalances in spending behaviour and hence impairing actions leading to leakages of consumers from one economic area to another. This leads to increased costs of travelling time for consumers as well as loss of potential economic empowerment in the form of local employment opportunities in a specific area. When people are not satisfied with shopping, convenience, and entertainment in their own area, the free market allows them to go to other areas for such purposes. This situation is however detrimental to those people in lower income groups that cannot afford to travel further distances or to travel for entertainment purposes. This is especially true of those who do not have their own motor vehicles. People should not be denied their fundamental right of having the necessary facilities and amenities they desire. This argument is strengthened by the fact that the private sector is willing to take certain risks to invest in Mthatha by developing a casino complex. Profit, is the motive, but a great deal of development and advantage will be procured by the local community.
In short, the proposed development could be seen to serve as a growing catalyst that will bring increased development energy to the area and should not be seen as a direct competitor. The proposed development in the short-term could temporarily negatively impact existing facilities, but from an economic perspective it will be good for the whole of Mthatha in that existing leakages of spending power will be stopped as will a greater spending power be captured locally from surrounding towns and visitors. More local buying power will thus be kept and greater buying power will be drawn into Mthatha. The positive economic impacts on the economy of Mthatha and businesses and retailers will thus outweigh the short-term negative impacts from competition on existing facilities.

Proposed mitigation measures:
The proposed casino complex development would contribute to the creation a new regional entertainment centre. This proposed development will contribute to the betterment of existing centres and will have the effect of integrating the wider area through capturing the leakage of buying power as well as attracting a larger market. Furthermore, depending on the location, the proposed complex could lead to synergies between for instance existing malls, which could lead to the development of strong entertainment nodal development, one of its kind in the region.

Thus, no mitigation or management guidelines are required. However, the challenge lies in directing the market in such a manner that the hierarchy of facilities in Mthatha is drastically improved, such as for instance through the complex providing a cinema, and family orientated day and night activities. This can be achieved through ensuring that the proposed centre provides for food courts, restaurants, cinemas and entertainment areas, etc. This will ensure that the proposed centre is not in direct competition with other retail outlets. In order to increase the desirability, it is suggested that the proposed development be developed with the unique theme as suggested in the previous section. This could enhance the desirability, attractiveness, buying power and stimulation of the local economy. However, physical factors are but one dimension of consumer behaviour patterns. There is an increasing realisation that other factors are equally important, e.g. cognitive factors, emotional factors and experiential factors. Cognitive factors plays a dominant role in the sustainability of a casino complex, and hence, the importance to provide the correct tenant mix as part of the complex. Additionally, the complex should comply with modern design standards, provide extended trade hours to cater for the afterhours demand from both the household and the business component of the market, in particular the food hall, restaurant and entertainment components, as linked with the night life activities typically associated with a casino.

6.2.6 IMPACT ON PROPERTY VALUES
The analysis of property value changes was limited to two new casinos. To quantify the impacts on property values, estate agents operating in the areas surrounding the new casinos were asked whether the casino’s had changed property values and whether this resulted in a positive or negative impact. The results, are from interviews conducted as part of other studies undertaken at the time of the new casinos that opened-up.

The original interviews for The Boardwalk were conducted in 2007. Estate agents felt that the Boardwalk’s impact had been positive and that prices had increased between 5% and 10% depending on the property’s closeness to the development.

Based on the opinions of local property agents, during 2009, the Queens Casino and Hotel has had only a limited effect on Queenstown property prices. Some houses close to the casino have been converted to offices and a few bed and breakfast establishments have opened up in the hope of providing accommodation for out-of-town gamblers. However recent indications reveal that residential properties in the immediate vicinity of the Queens casino along Ebden Street have
experienced a rise in value. According to local estate agents, the roughly 200 properties on Ebden Street and close to the casino have appreciated by an average of 20%.

It is thus anticipated that property values in and around new development, and especially casino complex developments are anticipated to lead to property price increases.

**Proposed mitigation measures:**
The impact on property prices, is expected to result in positive impacts that don’t require any mitigation. The degree of which existing properties will be impacted positively will largely be dependent on how existing facilities react to the new development.

### 6.3 SOCIO-ECONOMIC IMPACT ASSESSMENTS, RISKS AND MITIGATIONS

The purpose of this section is to outline potential socio-economic positive and negative impacts associated with the establishment of the proposed casino complex. The socio-economic impacts are viewed in terms of a change in the following:

- SMME procurement and development
- Skills development opportunities
- Social investment and improved quality of life
- Family life and health deterioration
- Increase in crime and violence risks
- Increased pressure on infrastructure and services

#### 6.3.1 SMME PROCUREMENT AND DEVELOPMENT

It is a requirement that the licensee be committed to the development of small and medium enterprises, as well as to the empowerment of previously disadvantaged groups. During the construction period some of the beneficiaries of the increased business sales should be local SMMEs, including those with the majority share held by HDIs.

During the operational period, the maintenance of sites and upgrade of equipment will create additional sales for SMMEs. Assuming that a share of the supply-chain is held by local PDI-backed SMMEs, the empowerment of black entrepreneurs, including women, and the youth could be substantial.

**Proposed mitigation measures:**
SMME procurement and development is a requirement, but in order to ensure maximisation of SMME development it is proposed that in order for the licensee to stimulate local economic development and job creation, two main categories are to be enforced:

- Procurement policy
- Facilities development

With regards to the **procurement policy**, it is advised that approximately third of the supply-chain be held by local SMMEs, particularly PDI-backed SMMEs. The following list outlines the type of activities that should receive preferential procurement:

- **Preparation of the premises**: Painting of premises, shop fitting, wiring; supply and installation of signage, lighting, carpets, rope balustrades, etc; Transport
- **Complex set-up**: Supply and install of furniture; Supply and install of shelving; Provision of security; Supply and install of computer hardware, software, and networks; recruitment services of staff; training; promotions
- **Ongoing operational support**: ongoing operational supplies including stationery, consumables, etc; in call centre services.
Any opportunities that arise out of the development, operation, and maintenance of the casino complex outside of the premises owner’s responsibility and which can justifiably be nominated as a business opportunity for which especially PDI SMME’s are able to provide the service, should be advertised as broadly as possible. The proposed process to be followed for appointing suitable contractors will be as follows:

- Advertise the contracts available in the media.
- Develop a database of all respondents to advertisements.
- Invite all database registrants to participate in a pre-qualification process to establish the ownership, competence and potential of the registrants to undertake the work under consideration.
- Invite pre-qualified entities to provide quotations in respect of the work to be done.
- Adjudicate tender responses according to predetermined criteria which include, but are not limited to, price, commercial terms and conditions, track record, financial strength, empowerment participation goal, in-house systems and procedures, ownership, etc.
- Negotiate suitable terms and conditions with successful tenderer.
- Establish procedures for contract performance management as well as empowerment performance monitoring and evaluation.

With regards to facilities development, it is proposed that the licensee will work with local contracted facility owners at the casino complex to help them upgrade their facilities, the services they offer, and the skills of the managers and staff. This advised so that additional economic benefits to the new complex and entertainment industry can arise. As revenue starts to flow in to the premises, the owners will be encouraged and assisted by the licensee (with advice and relevant case studies from other premises) to invest in the continued upgrading of premises and facilities development.

6.3.2 SKILLS DEVELOPMENT OPPORTUNITIES

During the construction and operation, the development will create employment opportunities that would definitely result into the transfer of skills. Skills development is necessary for human resource development, and will have a lasting impact on the economy. During operation, the licensee will be committed to promote skills development among its employees and staff of the premises. Allied to the additional temporary jobs created during the construction phase and the permanent jobs created during the operational phase, there will be an element of skill acquisition.

During the construction phase, construction workers would be required for the construction of the proposed casino complex. The skill acquisition will probably be limited to on the job training. The acquired skills by the construction workers should enable them to search for similar construction employment after the completion of the construction phase. It is anticipated that there will be a transfer of skills during the operational phase. The most dominant occupation type directly created by the proposed development is that of maintenance of the buildings, which includes cleaning, maintenance, etc. The operational phase will provide long-term employment opportunities that will be sustainable in nature. Examples of some of the skill requirements include:

- Restaurant personnel and waiters
- Sales consultants
- Dry cleaners
- Casino attendants and cashiers

Proposed mitigation measures:
It is likely that skills transfer could occur with the creation of additional employment. Even though this is a positive impact, measures can however be taken to enhance the skills transfer impact. The actions or strategies suggested to achieve this objective during the construction and operation phase are outlined below.
During construction, skills transfer is required to take place to ensure that local labourers are not being used merely as unskilled labourers. The use of diverse activities should be stimulated, allied to but not reliant on, construction related activities, such as outsourcing catering activities to local businesses. The local municipality could specifically play a role in ensuring that the local residents and business owners are ready to obtain the most benefit associated with the spin-offs emanating from the proposed development. For enhanced social benefit, stakeholders should be mutually accountable for increased opportunities regarding skills and competency development (general education and technical training). This will enable active participation, not only in the construction sector, but also in other spheres of the economy, as well as providing opportunities for career enhancement. A further advantage of job training and manpower development strategies as a mitigation strategy, is its popularity among local residents, since it offers them the opportunity to acquire valuable skills. These skills can potentially be utilised in other employment areas when the construction phase of the proposed development terminates. Training should be concentrated on skills that can be readily transferred to other employment opportunities in the local area to avoid persons with trained skills leaving the area for work elsewhere. In order to ensure the appropriate skills transfer, it is suggested that the implementers and/or the contractor’s identify the required jobs to be undertaken prior to the construction phase. It will then be possible for local recruitment and/or some form of basic training to follow. It is recommended that a comprehensive program for recruiting, hiring, training, orienting and counselling be established. Such a programme has the added advantage of enhancing local recruitment. Special training to prepare workers for jobs in the proposed development may be conducted either by local or regional technical institutions, often with support from government. Training may also reduce any competition posed by the proposed development to other local employers. The nature of the training provided does not need to be limited to specific project related tasks and can include financial planning, bookkeeping, general arithmetic etc. Lastly, it is important to follow the principles of the Expanded Public Works Programme and apply effective labour-based construction technologies in order to increase the job creation effects. The key responsible entities for managing/implementing this mitigation measure are the implementers and/or contractor’s, local and regional technical institutions, local municipality, developers, and community leaders.

During operations, the licensee is suggested to follow a skills development strategy which can be divided into two main segments, i.e. Study Assistance Scheme for employees and skills development programme for staff of facilities:

- **Study Assistance Scheme** applies to an employee who has been in the employ of the licensee for a minimum period of six months and who pursues part-time or correspondence study to further his or her career. The scheme involves the licensee contributing all or part of the course fees in advance for eligible staff. Before awarding this benefit, however, the employee will be subject to an assessment by the General Manager as to the relevance of the proposed field of study and the benefits that will flow to the company and employee as a result of the successful completion of the field of study.

- Since the facilities will be managed and staffed by a workforce independent of the casino licensee, it is imperative that the premises’ staff undergo a **skills development programme** covering management procedures, good business practices, and regulatory obligations. An effective training programme, coupled with regular supervision by the licensee, and targeted motivational programmes, will ensure premises owners and staff achieve an optimum level of business.

With this in mind, the licensees training programmes should be designed around achieving:

- **Effectiveness** - What can we do to improve customer service to players?
- **Efficiency** - How can the business meet its regulatory and administrative obligations as efficiently as possible?
- **Empowerment** - How can training be undertaken in a manner that complements the project’s empowerment objectives at premises level?
In particular, the following benefits should be delivered:

- Direct business empowerment
- Specialised knowledge transfer
- Regulatory compliance
- Competitive and profitable operations
- Superior player and community service

Some basic courses that could be offered by the licensee include:

- **Induction programme.** This programme could provide those employees who are new to gaming with the opportunity to learn about the licensee and the gaming industry. It will enable new employees to become familiar with the network and the organisation.

- **Gaming Operations.** This programme should be designed to enable new staff with minimal experience to become familiar with policies and procedures and awareness of gaming machines through the manufacturers.

- **Progressive Gaming Course.** This course is provided for staff to build on their gaming knowledge as well as for supervisors and those associated with management of gaming in the premises to improve their knowledge. Participants could be given a greater understanding of critical issues such as cash collection, master resets and regulations.

- **Games Workshops.** These workshops could be used to enhance staff knowledge of games and game play. It should be more practical workshop session that delves into the generics and the specifics of games found within the network, dealing with matters such as return to player, random number generators, player’s odds, game features and dispelling myths and theories about gaming.

- **Literacy and Numeracy.** The staff could have varying levels of education. In order to make the training programmes accessible, the licensee could utilise a basic literacy and numeracy course in conjunction with its training service providers for use where required.

Additional courses to take an employee of the premises owner from an entry-level customer service attendant through to the point where they can fully service the needs of game players, and manage the gaming area of the casino, could include:

- Responsible Service of Food
- Occupational Health & Safety
- Gaming Operations
- The Edge Customer Service
- Progressive Gaming
- First Aid
- Armed Robbery Training
- Grooming & Personal Presentation
- Wine Appreciation
- Coffee Making
- Gaming Float Reconciliation
- Train The Trainer
- Stock Control
- Introduction To Personal Computers and to the Microsoft Office Suite
- Internet Training, Browsing And E-Mail
- Venue Management Programme in hospitality
- Project Management, recruitment & Selection
- Finance Budgets
- Time Management
- Employee Relations
- Negotiation & Conflict Resolution
6.3.4 SOCIAL INVESTMENT AND IMPROVED QUALITY OF LIFE

The licensee is required to be committed to invest in local communities through community development initiatives throughout the licensing period during the operation phase. This will also lead to improved quality of life for the communities involved.

Additionally, households will experience an improved quality of life due to the establishment of the casino complex. This is related to the creation sustainable direct employment positions, as well as sustainable jobs due to the indirect effects.

Proposed mitigation measures:
Social investment and improved quality of life is a positive impact to the affected households and communities. It is however suggested that it be made a requirement that a share of its pre-tax profit should be assigned to community development projects such as for: local NGO initiatives, upgrading of infrastructure such as roads in less developed areas, as well as donations towards various community development projects, community support like HIV/AIDS, supporting orphanages and youth hostels, supporting local sports clubs and music events, poverty alleviation, support for education, promotion of local arts and culture, etc.

6.3.5 FAMILY LIFE AND HEALTH DETERIORATION

Gambling can lead to a number of negative social effects such as deterioration of health, financial problems, increase in crime, and violence. All these impacts would eventually affect the family lives of gamblers. The major problem is that gamblers start spending less quality time with their families; but problems such as quarrels around financial issues and increased aggressiveness are also common.

However, gaming is considered by the majority of gamblers as recreation. Furthermore, the complex will likely include other facilities such as restaurants, cinema, etc. The tendency of casino’s to offer a complex choice of entertainment of which gambling is only a single component has transformed gaming into a family activity where the main objective is to derive pleasure rather than to win money.

Nonetheless, gambling can lead to considerable health deterioration through increased stress, depression, and anxiety that could lead to aggression/ suicide (NGB 2005). However, the analysis of the survey results reveal that such problems are generally observed among irresponsible gamblers, particularly those who lose big sums of money (NGB 2005). There is a possibility that some people could get addicted to gambling and see it as a way to earn some easy money to pay off debts or improve their current lifestyle. This would be most relevant among people with low income, unemployed, or with no formal schooling.

However, the 2012/2013 NGB study revealed that Gambling has become “normalised” behaviour in South Africa. The study revealed that the social demand for gambling appears to be relatively stable. It appears that gamblers are able to manage their gambling behaviour in a relatively mature fashion. The latest results reveals that the majority of South African gamblers are best described as “recreational gamblers”, and are able to manage their expenditure and time in a relatively responsible way. However, it cannot be disputed that there is a comparatively small category of “problem gamblers” in South Africa.

Proposed mitigation measures:
To address this negative issue, the relevant institutions such as gamblers anonymous, etc must be on board as with any other casino development.
6.3.6 INCREASE CRIME AND VIOLENCE RISKS

Crime rate increases are among some of the social impacts that could occur in casino areas, although when viewed within context, all high tourism areas typically experience a higher crime rate. There is little evidence to suggest that casinos are much different from other large visitor attractions.

Nonetheless, increased participation in gambling activities could lead to higher violence and crime rates in communities. The results of the NGB survey (2005) highlighted that the majority of households were of the general perception that gambling had negative spin-off effects in terms of increased domestic violence, abuse of women and children, and abuse of men. Furthermore, the participation in casino gambling is the highest with more approximately 70% of gaming money spent at casinos. This shows that the amount of money involved gambling in casino is by far larger than the amount of money involved in LPMs, and other gaming.

It should however be noted that the casino complex will give consumers an additional choice of entertainment, it could assist with eradicating illegal gambling industry and generate considerable tax revenue. The development will also fund other infrastructure including roads, etc. Note for instance that the casinos in both Nelson Mandela Bay Metro and Buffalo City brought about major regeneration in their local areas. There has also been considerable spending on corporate social investment of various types. Incomes have been generated, jobs created and a tourist attraction has been established in Port Elizabeth.

Proposed mitigation measures:
People who consider gaming as recreation will not become violent as their perception about money lost is different to the normal gamblers. However, the licensee needs to take the relevant measures to ensure that gaming at the casino will not lead to a substantial increase in violence and crime at the casino and in the surrounding communities, through creation of a safe haven as proposed.

6.3.7 INCREASED PRESSURE ON INFRASTRUCTURE

The **construction phase** of the development could cause an inflow, or an increase of construction workers, to surrounding areas. These workers would mainly consist of construction labourers and additional people who would be in search for employment. Due to the fact that labourers would need to be located near the development site, the provision of services, etc would be required. In addition, the actual construction of the development would require bulk services that would cause negative pressure to infrastructure.

**During the operational phase** of the development, more pressure would be exerted on infrastructure. All the proposed markets for the development would require bulk services such as water, sanitation and electricity. Electricity supply shortage is already a major problem experienced throughout the country. The provision of retail would put further pressure on the already weak system. The absence of appropriate planning has the potential to increase pressure on social facilities and bulk infrastructure beyond sustainable levels.

There are however positive aspects regarding infrastructure development that could arise from the development. Road linkages could be improved and the development of infrastructure in the area could cause a circulation of economic activity due the capital that will be spent. The role of sufficient and appropriate infrastructure and services as a catalyst in economic development has been proven throughout the country. As part of a public-led intervention, the provision of services can efficiently open up an area for investment and economic development.
Proposed mitigation measures:
The purpose of this mitigation measure is to minimise the negative impact of an increased pressure on infrastructure. A method of softening development impacts, is to take steps to ensure that the needed public services and capital facilities are in place before the peak construction occurs. This is in order to ensure that demand for these services do not exceed supply. It is crucial that the provision of the infrastructural services be integrated with the economic needs of the community. The developers and the municipality should therefore proactively plan and aim to provide enough infrastructure and services to meet the maximum potential of the development in terms of service and infrastructure demand.

It is anticipated that the proposed development will lead to increased pressure on infrastructure in the area. Even though this cannot be properly mitigated, it is required that measures be put in place to address this as part of future planning. It is suggested that the relevant authorities and bodies involved in the supply of bulk services for the proposed development be informed, in order to ensure that it gets incorporated into their demand projections. The key responsible entities for managing/implementing this mitigation measure are the authorities (town planners, engineers and environmental officers) from the affected local municipality, the developers and the contractors.

6.4 SUMMARY OF IMPACT ASSESSMENTS, RISKS AND MITIGATIONS

The establishment of the proposed casino complex will bring noticeable positive economic benefits to the Eastern Cape economy. The expenditure for the development and operation of the Casino Complex will generate value-added through direct, indirect and induced impacts. This will benefit government revenue, employment creation, new business sales, employment creation, etc.

With regard to the social impact, a number of positive and negative impacts might arise from the casino complex development. Positive impacts include: community development, skills development, SMME procurement and development, social investment and improved quality of life, etc. Negative impacts include: family life and health deterioration, increase in crime and violence risks, increased pressure on infrastructure and services.

When considering the positive impacts in relation to the negative, it should be noted that the casino complex will give consumers an additional choice of entertainment, could assist with eradicating illegal gambling, generate considerable tax revenue, fund other infrastructure including roads, etc. It is thus concluded that the anticipated impacts from the proposed casino complex development outweighs the negative impacts to such as degree that the overall net economic and socio-economic impact is that of a positive impact to households, the community, SMMEs, and the economy.
BIBLIOGRAPHY

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# ANNEXURE A: LIST OF STAKEHOLDER INTERVIEWS

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Designation</th>
<th>Department or Organisation</th>
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<td>KSD LM: infrastructure Dept</td>
<td>047 501 4062</td>
</tr>
<tr>
<td>10 June 2015</td>
<td>Zandisile Kanise</td>
<td>Manager: SMME Development</td>
<td>Ntinga OR Tambo Development Agency</td>
<td>082 765 6201 <a href="mailto:zandisilek@ntinga.org.za">zandisilek@ntinga.org.za</a></td>
</tr>
<tr>
<td>11 June 2015</td>
<td>Ntokozo Zwani</td>
<td>Town Planner</td>
<td>KSD LM: Town Planning Dept</td>
<td>047 501 4060</td>
</tr>
<tr>
<td></td>
<td>Liziwe Mkwali</td>
<td>Manager: Housing</td>
<td>KSD LM: Human Settlements Dept</td>
<td>047 501 4232</td>
</tr>
<tr>
<td></td>
<td>Mr Z.A Vava</td>
<td>Deputy Chairperson</td>
<td>NAFCOC</td>
<td>078 085 1304 <a href="mailto:zdvava@gmail.com">zdvava@gmail.com</a></td>
</tr>
<tr>
<td>12 June 2015</td>
<td>Siyabonga Buso</td>
<td>Director</td>
<td>ORTDM: Environmental &amp; Spatial Planning</td>
<td>047 501 6400 <a href="mailto:siyakubongab@ortambo.dm.gov.za">siyakubongab@ortambo.dm.gov.za</a></td>
</tr>
<tr>
<td></td>
<td>Russell Ndzo</td>
<td>Electrical Engineer</td>
<td>KDS LM: Electricity Dept</td>
<td>047 532 2011</td>
</tr>
<tr>
<td>19 June 2015</td>
<td>Moloko Ramatsui</td>
<td>Senior Manager</td>
<td>ECDC</td>
<td>083 295 4693</td>
</tr>
<tr>
<td></td>
<td>Nomonde Makaula</td>
<td>Regional Manager</td>
<td>Eastern Cape Parks &amp; Tourism Agency</td>
<td>071 613 3335</td>
</tr>
</tbody>
</table>
### Potential Operators

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Company</th>
<th>Contact details</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 June 2015</td>
<td>Mbulelo Nodada</td>
<td>Cape Gennet</td>
<td>072 920 1338</td>
</tr>
<tr>
<td>11 June 2015</td>
<td>Mr Ntlabathi</td>
<td>Mthatha River Resort</td>
<td>082 467 7784</td>
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### Gaming Facilities

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Manager/Contact details</th>
<th>Contact details</th>
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<tbody>
<tr>
<td>9 June 2015</td>
<td>Phumelela Gaming</td>
<td>Thabani Gwantshu</td>
<td>047 531 2439</td>
</tr>
<tr>
<td>9 June 2015</td>
<td>Spin &amp; Win</td>
<td>Gavin Vermak</td>
<td>047 531 4401</td>
</tr>
<tr>
<td>6 July 2015</td>
<td>Hollywood Sportsbook</td>
<td>Busiswa Magugu</td>
<td>047 531 1432</td>
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### Focus Group Discussions

<table>
<thead>
<tr>
<th>Date</th>
<th>Area/Ward</th>
<th>Ward Councillor Contact Details</th>
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</thead>
<tbody>
<tr>
<td>10 June 2015</td>
<td>Ward 6 - Southernwood</td>
<td>073 042 8836</td>
</tr>
<tr>
<td></td>
<td>Ward 13 - Ncambedlana</td>
<td>083 745 3030</td>
</tr>
<tr>
<td>11 June 2015</td>
<td>Walter Sisulu University students</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Ward 9 - Maiden Farm</td>
<td>076 790 9566</td>
</tr>
<tr>
<td>12 June 2015</td>
<td>Ward 11 - Mandela Park</td>
<td>072 283 7711</td>
</tr>
<tr>
<td></td>
<td>Ward 4 - Zimbaneville</td>
<td>073 644 1075</td>
</tr>
</tbody>
</table>
OFFICE OF THE REGIONAL LAND CLAIMS COMMISSIONER: EASTERN CAPE
13th Floor, Caxton House, Terminal Street, East London P.O. BOX 1375, East London, 5200
Tel: (043) 709 6000 | Fax: (043) 743 3887

Enquiries: N. Pindani
Your Ref: Ayabulela Ngcaku
Attention: Ms Ngcaku
Tel: 012 346 4845
Fax: 012 346 0068

Re Confirmation of Land Claims
Dear Sir / Madam

Your letter has a reference,

PROPERTIES:
1. Mthatha Airport, Mthatha Golf Course, Mthatha Plaza, BT Ngebs Mall, Owen Dam, Shell Ultra City, KSD Municipality, OR Tambo District, Province of Eastern Cape.

Findings:
Mthatha Airport is under claim by both Upper & Lower Noise Communities also subject to restoration.
Mthatha Golf Course, Mthatha Plaza and BT Ngebs Mall are under claim by Zimbane Community however restoration is subject to the vacant land.
Owen Dam is under claim by Zimbane Community subject to restoration.
Shell Ultra City is under claim by Zimbane Community and KwaLindile Community subject to restoration.

Please feel free to contact us for any clarification that may be required.

Yours faithfully

[Signature]

CHIEF DIRECTOR: RESTITUTION SUPPORT
For REGIONAL LAND CLAIMS COMMISSIONER: EASTERN CAPE
DATE: 07/10/2016
Enquiries: N. Pindani
Your Ref: Ayabulela Ngcaku
Attention: Ms Ngcaku
Tel: 012 346 4845
Fax: 012 346 0068

Re: Confirmation of Land Claims

Dear Sir,

Your letter has a reference.

PROPERTY:

1. Northcrest shopping centre, KSD, OR Tambo District, Eastern Cape Province

This serves to confirm that there is no land claim registered on the abovementioned property.

It must also be pointed out that some claims have been received for unspecified land and until such claims have been field visited it is not known to which portions of land it applies. Therefore the fact that a claim has not been registered specifically on the abovementioned property at this stage does not preclude the fact that it might be included in the unspecified claims mentioned above.

While reasonable care has been taken in ensuring the accuracy in the compilation of this information, the office of the Commissioner cannot be held accountable for any claims that may be brought as a result of legal actions based on the information thus given.

Please feel free to contact us for any clarification that may be required.

Yours faithfully

[Signature]

Chief Director: Restitution Support
For Regional Land Claims Commissioner: Eastern Cape
Date: 07/02/2015