

THE CASINO COMPLEX
AS A
FACTOR IN DEVELOPMENT STRATEGIES
IN
NEWLY INDEPENDENT STATES
A CASE STUDY OF BOPHUTHATSWANA

MASTERS THESIS

for

PUBLIC ADMINISTRATION

by

NANCY-HELEN SEGAL

University of Cape Town

South Africa

1986

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Nancy-Helen Segal

Masters Thesis for the Department of Public Administration

University of Cape Town

September 22nd, 1986.

ABSTRACT

This thesis discusses the casino complex as a factor in development strategies in the newly independent state, with particular reference to Bophuthatswana.

The main body of the thesis (Chapter Four) commences with a brief discussion of the history of development in Southern Africa: the South African Government's policy of Separate Development which ensured the creation of the newly independent states, one of which is Bophuthatswana, and their National Development Corporations; in the case of Bophuthatswana, the Bophuthatswana National Development Corporation. Due to their independent status, the national states were entitled to invite casino complex developments to their respective countries; the casino complex developments all managed and controlled by Sun International. Sun International Bophuthatswana, its characteristics and policies are discussed in depth in, and conclude, Chapter Four.

The casino complexes, however, are officially considered part of the Departments of Tourism of the respective newly independent states, and it is within the framework of tourism that the casino complexes are discussed. The researcher combined the theories of Mathieson and Wall (1982: tourism framework), Tiebout (1962: the Community Economic Base Study) and a general Casino Theory to formulate the theory, and title, of Chapter Five: MATCOMCASINO. The characteristics and impact of the two Bophuthatswana casino complexes, Mmabatho Sun and Sun City, are discussed and analyzed according to this theory in this chapter.

With respect to the hypothesis of this thesis: that the casino complexes have played a positive role in the development strategies of (the case study) Bophuthatswana, the research, and analysis provided in Chapter Five, found this hypothesis to be correct. By virtue of the casino complexes providing a) considerable funds as an export industry (foreign exchange: taxes, 50% of the profits from the complexes) to the Bophuthatswana

Government and Bophuthatswana National Development Corporation, both directly and indirectly, and to their employees (in the form of wages); b) by encouraging the growth of supplying industries in their midsts (ripple effects: provide more jobs, income and taxes for Bophuthatswana Government and Development Corporation), c) necessitating infrastructure which may be generalized for use on a regional basis and, above all, d) initiating the tourism industry in the country, the casino complexes have contributed much from the economic perspective. Environmentally, the casino complexes have provided the financial resources, and hence impetus, for the preservation and conservation of natural resources around them. From the social perspective, through job creation and income earning opportunities, the casino complexes have provided their employees, both direct and indirect, with the means to improve their standards of living. On the negative social side, gambling by the local people is a considerable problem and one which has dampened the significant social and economic benefits derived from the complex developments.

In the final analysis, however, social workers and government officials insisted that it was more important to focus on the employment and income earned, and thereby the provision for basic needs and to acknowledge the fact that no one is forcing people to spend their money at the casino complexes. All economic, environmental and social costs and benefits considered, therefore, the casino complexes were said to have played a positive role in the development strategies of the newly independent state.

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PREFACE

According to the game of tennis, one plays, at the most five sets in order to reveal the victor; and then the match is over until the following tournament, where the chances are, that one will not meet the same opponent. With this rationale in mind, it was difficult for the authoress's Father to comprehend the 'academic match', in which one continues to play the same opponent for close on three years. Great confusion and puzzled expressions were therefore to characterize that warm, late summers day of 1985, when I announced that my match was going to continue:

"I'm going back to the homelands Dad"

"You can't do that Nancy"

"Why not?"

"Well because you've just been there - didn't you see enough the first time 'round? I mean by now, Nancy, you must know more about Sol's casinos than Sol does ..."
... and with that terrifying thought in mind, he reached for his old 'Dunlops', and headed for the courts.

But it was the barefoot children to whom I wanted to return. I wanted to see how much of a contribution was really made by the casinos to the people, and the country as a whole. I was not to be disappointed for there were forces in the country, which highlighted the intrinsic benefit of the casinos against a backdrop of all pervading poverty and influx control.

So many sights were seen: children pursuing the skeletons of bicycle wheels with sticks, whilst their administrative brothers took charge from black Mercedes and YB number plates ... and then there was the Kutlwanong School for the Deaf, where silence and the gentle sway of the Jacaranda trees reigns and children talk in hysterical tone, whilst gesticulating at a frantic pace; fingers, hands and facial expressions beckoning each other to pay attention ... but there was criticism. The casino operations have often

been accused of depriving communities of what they have never had before, of promoting social evils which had been latent for decades and which found suitable justification in the casino operations nearby.

But then someone realized his dream and in so doing built empires in the newly independent states; empires which were to bring smiles to shareholders, both private and Bophuthatswana Government, smiles to the people who had nothing before ... empires which would clothe, feed and shelter the innocent victims of the migrant labour system of Southern Africa ... and at the end of the day ... no one could deny that Kerzner took the initiative in risky circumstances, and built dreams for everyone.



This thesis is dedicated to two friends, both charismatic, both dedicated to their respective games; one to the game of tennis and one to the game of casino operations.

NHS

Spring, 1986.

ACKNOWLEDGEMENTS

A special word of thanks for Brigadier W. Van den Bos, of the Department of Public Administration, University of Cape Town, and for Messrs Ken Rosevear and Miron Stabinsky of Sun International.

CHAPTER ONE

Introduction

Chapter One: Introduction

Since 1948, the policy of the South African Government, particularly in its Verwoerdian manifestations, has led to the creation of a number of political entities; with intention to provide geographically distinct areas for South African 'blacks' in which they could exercise their political preferences outside the mainstream of 'white' South African politics. The ultimate objective has been to establish, for each group in South Africa's black population, a 'homeland' in which political rights could be exercised as citizens of an independent state. The merits of such an approach to the political evolution of South Africa's blacks will not be discussed here. For the purposes of this thesis, it is accepted that such entities have been created, and exist today with varying degrees of independence from the government which originally created them. Consideration, however, is given to both arguments regarding the credibility of this state of 'independence'.

On the one hand, critics of this policy (Separate Development), both in South Africa (Hereinafter referred to as RSA) and elsewhere, maintain that the 'independence' of these territories is no more than an illusion and a sham. They argue that the homelands/newly independent states are economically so dependent on the RSA as to be inherently non-viable in economic (and political) terms, and that 'independence' as such can not be applicable to them. Politically, these opponents stress, the homelands/newly independent states are artificial creations of the South African government, and their situation merely an outcome of apartheid. There is much truth in these arguments.

On the other hand, and in support of their 'independent' status, these homelands/newly independent states have been equipped with legislative and executive structures which are empowered to enact, and implement, legislation patently at variance with South African legislation. One aspect has been the scrapping of the panoply of South African 'apartheid' legislation. More importantly, and an additional aspect which prompted

identification of the theme of the research, was the freedom of the homelands to enact laws relating to gambling (specifically the establishment of gambling casinos); which differs radically from South African legislation in this regard. In addition, the homelands' legislature and executive have also been empowered to prepare budgets, in particular for development, and accordingly formulate development strategies, and tap certain revenue sources independently of the South African Government. The fact that such budgets might be heavily subsidized by the South African Government does not relieve these homeland legislatures, and executives, of the responsibility for compiling such development budgets, implementing the corresponding development strategies, and accounting for subsequent authorized expenditure.

Of the homelands created by the South African Government, four (Transkei, Bophuthatswana, Venda and Ciskei: Hereinafter referred to as the TBVC countries) have now (1985) reached the point where they are regarded, by the South African Government, as being 'independent' states (although formal recognition of this status, by other governments, the United Nations and other world bodies, remains conspicuously lacking). As such, their governments have been empowered to draw upon internal sources of revenue to meet planned expenditure. One of their sources of revenue has proved to be the casino complexes, created under the aegis of the more liberal gambling laws of the TBVC countries. Apart from their direct contributions to the relevant fiscus, each of these complexes appeared to generate a measure of economic development in its immediate environment. The writer thus came to the conclusion that the role of the casino complexes in the development strategies of the TBVC countries warranted investigation.

The original intention was to conduct a comparative study in all four countries. A preliminary investigation (conducted as part of the writer's studies for an Honours Degree in Public Administration) indicated, however, that information forthcoming from government sources in Transkei, Venda and Ciskei was likely to be negligible and thereby vitiate

a comparative study as such. It was then decided to limit the study to Bophuthatswana, where information from government sources seemed to be more readily available, and where the great scale of operation of one of the casino complexes, in particular (Sun City), exercised a significant impact on its surrounding community. The writer, however, willingly acknowledges that information released to her by Bophuthatswana Government sources, about the formulation and implementation of development strategies, and by Sun International about its casino operations, may not have been sufficient to expose all aspects of the interactions between the two. This is a constraint which the independent (and poorly funded) researcher must often, perforce, accept. What follows here, therefore, is an analysis, on the basis of information that could be gleaned, of the role of Sun International's casino complexes (case study includes only Sun City and Mmabatho Sun: Thaba Nchu Sun not complete at time of research and writing) in the development strategies of the newly independent state of Bophuthatswana.

In the context of Southern Africa (as in the case of the United States: Las Vegas, Atlantic City; Monte Carlo and Australia), Sun International's casino complexes clearly constitute a tourist attraction. The casino complexes, therefore, are investigated in terms of their tourist potential, and the extent to which such tourism may contribute to economic development and their role in the general strategies for development. In Bophuthatswana, the casino complexes are officially under the jurisdiction of the Departments of Tourism, which lends support to this contention.

Tourism, in the case of Bophuthatswana, is but one of their strategies for development, and is neither the major strategy, nor priority for development in the newly independent state. The research revealed that the tourism sector is of minor importance in comparison with the newly independent state's primary (Platinum mining) sector, and it is the development of this sector which Bophuthatswana, for the most part, pursues. In 1984, for example, the total investment of Sun International Bophuthatswana was three and a

half percent, with the Platinum mining companies dominating the investment picture (Platinum mines produce 30% of the world's platinum).¹ Nevertheless, tourism remains an important sector, being more significant in the newly independent state with less industrial potential, as for example in the case of Venda.

The focus of this thesis, therefore, is tourism and the casino complexes as primarily fund raisers for the Bophuthatswana National Development Corporation (Hereinafter referred to as the BNDC) and the Bophuthatswana Government, and thereby as contributors to the development strategies of the newly independent states. (Fig. 1) The other development strategies, of mining or industrial development for example, will not be considered.

—oO—

Chapter Two discusses the Methodology and Chapter Three the Theoretical Foundation for this thesis. In Chapter Four, the major themes of the thesis are introduced, namely: the South African Government's policy of Separate Development, which ensured the creation of the newly independent states; one of these states, and case study of this research, Bophuthatswana and the BNDC; the partner of the BNDC, the casino complex operator, Sun International. In Chapter Five, the theoretical foundation of the thesis comes into play: MATCOMCASINO, and the empirical information collected during the field research is analyzed according to the combined theories of Mathieson and Wall (1982), Tiebout (1962) and a general Casino Theory, utilizing the framework of Mathieson and Wall: the Dynamic, Static and Consequential Elements. Chapter Six considers the future role of the casino complexes in the development strategies of Bophuthatswana, and Chapter Seven concludes the thesis.

Figure 1

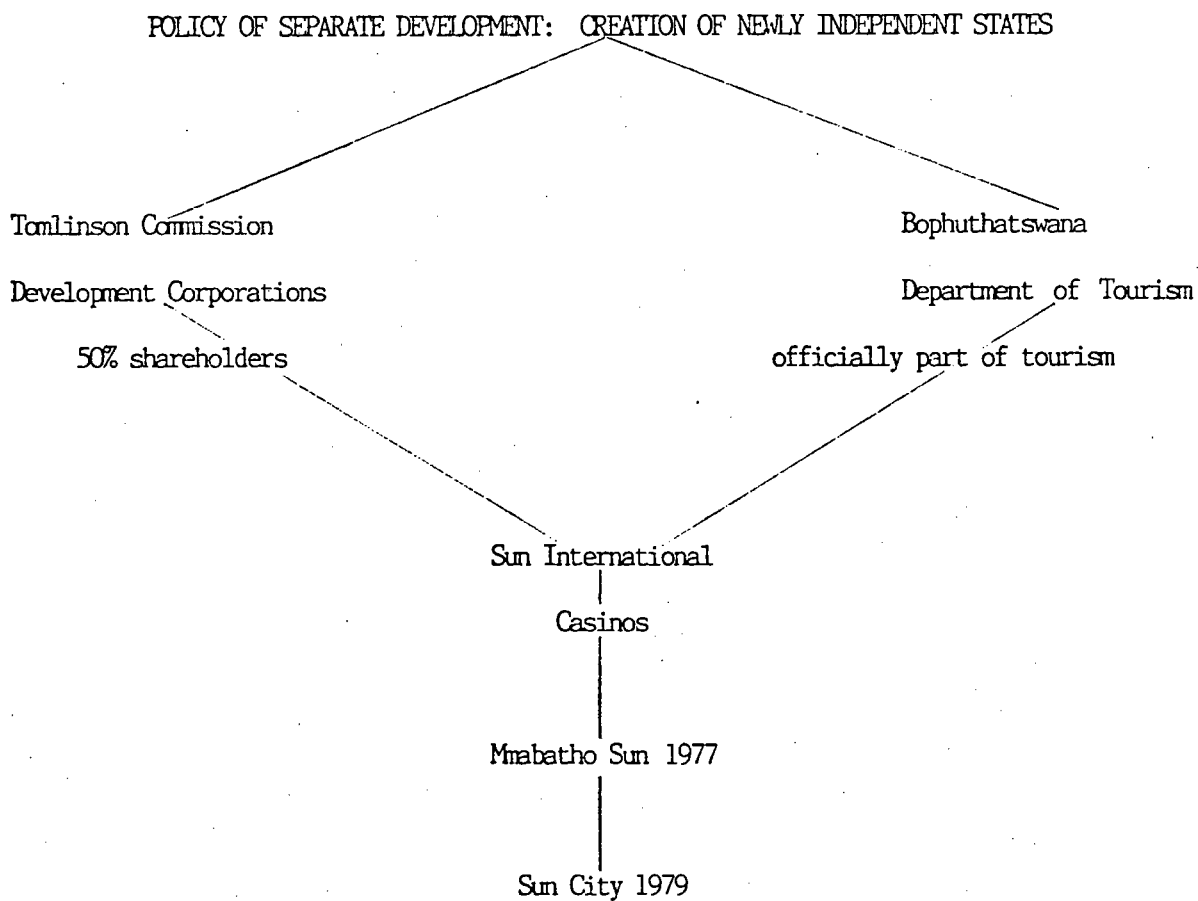


DIAGRAM: THE CASINO COMPLEX AS A FACTOR IN DEVELOPMENT STRATEGIES IN NEWLY INDEPENDENT STATES

(Source: N.H.S)

End NotesPage

1. Interview E. Gobey, Deputy Managing Director BNDC: 24.4.85.

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CHAPTER TWO
Methodology

Chapter Two: Methodology

The theoretical foundation of this thesis was formed with reference to the work of Mathieson and Wall¹, Tiebout's Community Economic Base Study² and a general casino theory. Additional textbooks and official government reports were utilized in order to explain the South African situation in relation to the newly independent state of Bophuthatswana, Bophuthatswana and the BNDC, and casino developments in general. Information regarding Sun International, and its operations in Bophuthatswana, was gathered from Annual Reports, and newspaper and magazine articles.

With regard to the casino complex developments in Southern Africa, however, textbook information was negligible. The researcher, therefore, relied on her own perception of the situation, and information gathered from a wide cross-section of experts, directly and indirectly associated with the casino projects, in order to analyze the role of the complexes in the development strategies of Bophuthatswana. The researcher supported her argument, concerning the effective role, and contributions, of the casino complexes in the development strategy of Bophuthatswana (Hypothesis), by carrying out four surveys, between March and June of 1985, in the two communities concerned; the Mbabatho-Mafikeng and Sun City-Mogwase communities. These four surveys were aimed at establishing the extent of the ripple effects created by the casino complexes, and hence an added contribution to development. Capital and employment generation, within the supplying industries to the casino complexes, were to be the indicators thereof. Unfortunately, industrialists were hesitant to release their turnover figures, and the researcher was forced to restrict her measurement to job creation. The surveys nevertheless remained representative of a 'direct measurement' of the economic base of the communities.

Surveys One and Three were carried out at the Sun City and Mbabatho Sun complexes themselves, and all of the concessionaires (Sun City = 33, and Mbabatho Sun = 5) were interviewed. Survey Two was carried out in the Sun City-Mogwase community (51 companies

within a 30 kilometre radius of Sun City: Sun City, Ledig, Mogwase, the Light and Heavy Industrial areas), and the researcher interviewed all of the companies and retail outlets in the area; both suppliers and companies with 'no tie' to the complex. Survey Four (same questionnaire as Survey Two) was carried out in the Mmabatho-Mafikeng community (35 companies), and only suppliers to the Mmabatho Sun were interviewed; all companies 'tied directly'. The criterion for inclusion of a company in Surveys One, Three and Four, therefore, was whether or not the company was classified as a supplier to the complex, and the Current Provisions Purchasing Pattern of the complexes here assumed importance. By way of these purchasing requirements, the local supplying companies were traced, and the companies were either 'tied directly' (supplied the complex directly), or 'indirectly' (supplied the tourists to the complex).

Each of the companies were surveyed by way of a questionnaire (refer Appendix B). The questionnaires were completed in personal interviews with the Managing Directors, or Senior Supervisors of the companies. The questionnaires were adapted to each company accordingly: questions for Galleria, for example, had to be re-phrased for Bop TV and the Mmabatho Air Services. On the whole, the level of response to the questionnaires was very good. The questions, description of each question and brief summaries of the results are provided in Appendix B.

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1. A. Mathieson and G. Wall, <u>Tourism: Economic, Physical and Social Impacts.</u> Longman: New York, U.S.A., 1982.	9
2. C.M. Tiebout, <u>The Community Economic Base Study: Supplementary Paper</u> <u>No. 16.</u> Published by the Committee for Economic Development: New York, U.S.A., 1962.	9

CHAPTER THREE

Theoretical Foundation

Chapter Three: Theoretical Foundation

The theoretical foundation of this thesis is made up of three theories, which together constitute the MATCOMCASINO Theory. This Theory endeavours to explain the role of the casino complex in the development strategies of Bophuthatswana, and is utilized to prove that the major hypothesis of this thesis is correct; that the casino complexes have played a positive role in the development strategies of Bophuthatswana. For the purposes of this thesis, only certain aspects of each theory, which are relevant to the major hypothesis, are utilized.

The newly independent states of the RSA officially recognize the casino complexes as tourism developments, and accordingly the complexes are part of the respective Departments of Tourism. For this reason, the first theory provides the framework for the thesis, and encompasses the empirical information collected in the field study carried out in the respective communities. This tourism framework, developed by Mathieson and Wall (MAT) proposes two frameworks for tourism analysis, which are interlinked and mutually reinforcing: the Specific and General Frameworks.¹ The Specific Framework includes the Dynamic Element: the needs and motivations of the tourist to travel, and the constraints which prevent them from visiting the casino complexes. The General Framework encompasses the Specific Framework (Dynamic Element), Static and Consequential Elements. The Static Element comprises the characteristics of the tourists; the destination and the carrying capacity, which refers to the interaction between tourist and destination. The emphasis of this thesis was placed on the Consequential Element: the economic, physical and economic impacts of tourism/the casino complexes on the destination area, and hence role of the complexes in the development strategies of the newly independent state.

Mathieson and Wall defined 'tourism' as the "temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their

stay in those destinations, and the facilities created to cater to their needs."² The major reason for using Mathieson and Wall's work was that their framework could be more easily and readily applied to the development of tourism, and role of the casino complexes in the TBVC countries.

With regard to Mathieson and Wall's emphasis on the 'destination area', it became necessary to locate a theory which would reveal the true impacts of tourism/casino complex developments, or more specifically the role of the casino complexes, on the development of the respective communities, as referred to by Mathieson and Wall (the economic, physical and social impacts). The most applicable theory, in this context, was that of Tiebout's Community Economic Base Study (CEB) (1962).³ The application of an advanced Tiebout Study to the area, however, would have been unrealistic, as amongst other problems, the newly independent state has neither the infrastructure of the developed country, nor the sophisticated socio-economic and political systems, which justified the original study (in the United States of America). Tiebout's study was therefore simplified considerably and adapted to the Bophuthatswana setting.

The Sun City-Mogwase area was the focus of application of Tiebout's Study, as the Mogwase area was predominantly initiated by the Sun City Development (refer Chapter Seven, Section 1: Economic Impact: Final Analysis), and hence the effects of the casino complex on the community were more clearly visible. It was therefore easier to isolate 'extraneous variables' (i.e. the effects of independence, capital city growth as in the case of the Mbabatho Sun, etc.) in the area, and to recognize the direct impact of Sun City.

Tiebout defines a 'community' as a "place for earning a living," where the "population settles or expands primarily because of job opportunities."⁴ The 'economic base of the community' "consists of those activities which provide the basic employment and income on which the rest of the local economy depends."⁵ Tiebout then divides the local economy

into two segments: 1) "firms and individuals serving markets outside the community" (basic sector); and 2) "firms and individuals serving markets within the community" (non-basic sector).⁶ In this thesis, the casino complex is part of the 'basic sector', catering to the 'export market'. The level of activity of the non-basic sector, or industries serving the local market, will correspond to that of the basic sector, and grow or decline accordingly (cause and effect relationship).⁷

Tiebout's Study was utilized namely:

- to explain the economic base of the communities concerned (Mmabatho-Mafikeng/Molopo District and Sun City-Mogwase/Mankwe District);
- their present sources of employment and income in relation to the casino complex developments; and
- to ascertain whether, or not, the Sun City and Mmabatho Sun casino complexes had contributed to the development strategies of Bophuthatswana, not only by providing funds to the BNDC, but by stimulating the growth of other industries in the area, by virtue of supplies to the complexes: primary, secondary, tertiary and quaternary industries, which in turn would employ, and provide income for, the local people (refer Methodology, Chapter Two, 'surveys': pp. 9-10).

The third theory involves the subject of the two preceding theories: the casino (the word 'casino' is derived from the Italian word 'casa' meaning 'house' and the diminutive suffix 'ino', meaning small: small house⁸) (CASINO). There is no defined casino theory as such, and the researcher collated various articles pertaining to casino developments to formulate this final theory in relation to the framework of Mathieson and Wall, and Tiebout's Community Economic Base Study.

According to general casino theories, the presence of an 'attraction' is considered to be of the utmost importance for tourism development; as only attractions have the

required economic impact to constantly attract thousands of visitors.⁹ The 'attraction' in many tourism developments of the world, is the casino. The casino is used to stimulate tourism, usually in nearby outlying areas, in integrated resort-type developments, for amongst other reasons in order to facilitate regional development and to minimize possible negative social effects. In addition, the casino being a year-round attraction (not subject to seasonal variations like most resorts and remarkably recession resistant) ensures tourist activity in the area throughout the year.

Internationally, the legalization of gambling has confirmed the casinos as a source of revenue for the State. The casino in this context, it has been realized, is a 'type of business' which requires 'severe controls', high capital input and large premises.¹⁰ Accordingly, in most countries of the world, the private sector has become involved not only to ensure efficient operation of the 'business', but to provide the large amounts of capital required. Traditionally, thereafter, the private and public sectors have jointly insisted on 'severe controls' and have ensured the availability of large premises in predominantly, economically inactive, regional outposts (within 'comfortable' distance of major tourism generating centres: demand factor important). Having ensured the tourism supply, the public and private sectors then encourage the tourism demand; by way of eradicating border posts for example in the case of the public sector, or using sophisticated marketing techniques in the case of the private sector.

Attention now turns to the combined theory: MATCOMCASINO

MATCOMCASINO

Historically, predominantly political design ensured the creation of independent states within the internationally recognized boundary of a country characterized by a dualistic economy. On the one hand, the country hosts an advanced, modern region, exchange economy and puritanical society, and on the other, a predominantly traditional region and economy;

and ... /17

and culturally heterogeneous populations. Accordingly, each 'politically' independent state is created to encompass a distinct ethnic, or 'national' group in their respective areas, and the economic policy of 'regionalization' assumes importance.

With the creation of the independent states, economic forces are necessary to sustain the respective communities economically, in order to reduce their economic dependence and drain on the 'modern', or 'core', country's financial resources. This necessitates public and private sector interaction and investment so as to facilitate regional economic development. In this scenario, according to Tiebout, the motivation of the private sector to invest in regional development, as such, will be for the potential "income-earning opportunities"; income which the private sector pledges to share, equally, with the public sector of the host country.¹¹ Thereafter, the "development of public (public sectors of both the tourism generating country and independent state) capital improvements and services occurs to a considerable extent to assist the economic activities of the area."¹² For the purposes of this thesis and theory, public (both public sectors: modern and traditional states) and private sector participation is in tourism development of a mass institutionalized nature. Tourism development, for the modern, tourism generating country, masks the use of casinos for regional development within this highly politicized context.

According to general casino theory, in order for the casinos to generate satisfactorily vast sums of money, they require volume, and the demand factor becomes important. The demand factor is determined by the availability and proximity of casino developments to major cities. In addition, in order to attract sufficient bettors willing to risk sizable amounts, and appeal to a wide cross-section of people, a "complete leisure and entertainment environment must be established, including first-class hotel and dining accommodations and attractive entertainment and recreational facilities."¹³

The destination areas chosen for the casino complexes are two communities of an underdeveloped and newly independent state. The first casino complex is placed in a relatively urban area, and growing capital for the independent state, and the second, major, casino complex in an underdeveloped, rural area of the same independent state. Both casino complexes are within approximately three and two hours driving time of the tourism generating centre respectively (accessibility).

In these destination areas, with reference to Tiebout, the casino complexes are classified as 'export industries' in a modern economy of specialization and exchange (community "pays for (their) goods and services by specializing in the production of certain goods and services which it sells outside the community."¹⁴). The export specialty in this case is the casino complex. The complexes bring tourists (all private exports, therefore, as opposed to for example government exports) to the respective communities, who in turn, bring money from outside the destination area, spend it, and thereby increase the income of the community and region. The casino complex, therefore, provides export or basic employment and income, and as such is a key economic activity in the community, and contributor to the economic base of the respective communities.

With reference to Tiebout's Minetown Community, in the case of the predominantly rural area, where the major casino complex is placed, it is anticipated that the complex will initiate the development of the area by necessitating the development of associated infrastructure and services. The casino complex, thereby, will set the general pace for development, and be instrumental in encouraging other activities to agglomerate around it. It is expected that suppliers to the casino complex will gradually move into the area concerned, resulting in a greater retention of funds, and the "income stream (will) swell(s) as more dollars change hands."¹⁵ In this instance, where the health of the community is determined by the export function or basic sector; it is the non-basic sector, or the supply potential of the community (to the casino complex in this context),

which will play a considerable role in the future stabilization of the community. Local supply will ensure that more funds are retained within the community through local sales, and more growth and development promoted.

It is anticipated that the effects of these casino developments on the community will be greater in the rural areas, as opposed to the casino in the urban area. Due to the magnitude of the casino complex in the rural area; the impact of the complex on the community will be greater. The complex, for example, is expected to generate more funds, and more leakage of these funds will occur due to a number of factors such as the underdevelopment of the area (inability of local producers to supply primary products), the slow movement of suppliers to the area, insufficient linkages, and the possible status of the private sector company as a Multi National Corporation. Similarly, the environmental and social impact will be greater in the rural area as opposed to the urban area. In contrast to the rural casino development, the development of the casino complex in the urban area will accompany the growth of the capital area with its associated commercial and industrial infrastructure. Although the casino complex will not generate as much funds as the rural complex, more funds will be retained in the area due to the growth of this infrastructure. Nevertheless, the economic reward received from both of the casino complexes, by the public sector of the independent state, will be significant, and somewhat relieve the shortage of funds necessary to carry out development in the underdeveloped state. The income derived from this export activity in the community is expected to remain dependent on tourist arrivals from the generating centre, and will be unchanged in quantity unless greater import substitution (local supply), or a significant increase in the demand for the casino complex takes place. The dramatic impact, and contribution of the rural complex on the surrounding community, however, is expected to diminish as more industries are attracted to the area, and the community gains its own momentum.

In the final analysis, the researcher postulates that the casino complexes will play a positive role in the development strategies of this newly independent state.

<u>End Notes</u>	<u>Page</u>
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3. C.M. Tiebout, <u>The Community Economic Base Study:</u> <u>Supplementary Paper No. 16.</u> Published by the Committee for Economic Development: New York, U.S.A., 1962.	14
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8. E.A. Lusher (QC ILB), <u>The Legalizing of Gambling Casinos in New South Wales.</u> n.p.: Sydney, Australia, 19.7.77: p. 9.	15
9. F.F. Ferrario, <u>An Evaluation of the Tourist Resources of South Africa.</u> Centre des Hautes Etudes Touristiques: Aix-en-Provence, France, 1980: p. 4.	16
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CHAPTER FOUR

Public and Private Sector Co-Operation in Development of Bophuthatswana

Chapter Four: Public and Private Sector Co-Operation in Development of Bophuthatswana

Chapter Four focuses on Development in Southern Africa; the evolutionary changes which have resulted in the creation of the newly independent states (1). One of these states, Bophuthatswana, is the case study of this thesis. The Government of Bophuthatswana and its National Development Corporation, the BNDC (2), have as their partner in tourism development a South African company, Sun International Bophuthatswana (3). In this chapter, Sun International (4), and the group operating philosophies of the company, are discussed in depth in relation to Bophuthatswana.

1. Separate Development and Creation of the Newly Independent States

The policy of Separate Development, unique to the RSA, of the promotion of separate 'white' and 'black' areas of residence, was established in the first 'white-black' contact in the seventeenth century. This policy stresses the inherent heterogeneity of the Southern African population; the "sovereign right" of each population group to "self-government according to its own system of values, abilities and needs; to retain that which it regards as valuable; and to pursue objectives which it formulates for itself."¹

The South African Government, in 1955 with reference to the recommendations of the Tomlinson Commission, also realized that in order to effect the above-mentioned basic principle, National Development Corporations were essential. The Development Corporations were necessary, amongst other reasons, to facilitate the South African Government's change of decision to encourage 'white' entrepreneurship to invest in development projects within the national states (initially all industrial development was to be restricted to the South African side of the borders with the national states: the decision was then rescinded by virtue of the Promotion of Economic Development of Homelands Act, Act No. 46 of 1968²). The Government had realized that their policy of Separate Development would only be successful to the extent that the areas demarcated for each national group were "built up in completely viable socio-economic and geo-political self governing communities ... /24

communities."³ It was essential that "economic content" be lent "to the political power of the homeland governments," where the "political power of a government is more meaningful if it is backed by the control of significant economic resources and the ability to produce, with the resultant strength of greater economic independence."⁴ It was therefore suggested that the development bodies should be introduced to "participate in and ... frequently take initiative in the establishment of industrial undertakings and promote the development of Bantu enterprises and home industries."⁵

As a result, three Development Corporations were established; the Bantu Investment Corporation (Act 34 of 1959) and the Xhosa Development Corporation (Act 86 of 1965) for Transkei and Ciskei. The functions of the Development Corporations, by virtue of Act 46 of 1968, were then decentralized to the respective areas of concern and finally converted into independent National Corporations, the BNDC being the first on August 1st, 1975, in terms of the Promotion of Economic Development of Homelands Act, Act 46 of 1968.

In 1963, the South African Government's policy of Separate Development ensured the creation of the first of the self-governing, and later newly independent, states in Southern Africa: the Transkei. Bophuthatswana, Ciskei and Venda followed suit in 1972 and 1973, for Venda, respectively. During their self-governing stage, and prior to independence, the TBVC countries were bound by the laws of the RSA. With independence, the South African laws were no longer applicable: in particular, the law governing 'games of chance' (a game which depends on chance, where there is no skill on the part of the gambler or operator involved⁶). According to Act 51 of 1965, Subsection 6: the Act to "prohibit lotteries, sports pools and games of chance and to provide for other incidental matters," the playing of games of chance were prohibited within the RSA.⁷ Casinos were therefore prohibited in the RSA, but allowed in the TBVC countries, created by the RSA, with independence.

The first of the TBVC countries, Transkei gained its independence in 1976; followed

by Bophuthatswana in 1977, Venda in 1979 and Ciskei in 1981. Despite the independence of the TBVC countries, the newly independent states were to continue to be 'linked' to the RSA by virtue of the South African Customs Union and the Rand Monetary Area; the latter characterized by the free flow of funds, goods and services between all of the countries concerned. The SATBVC (RSA, Transkei, Bophuthatswana, Venda, Ciskei) countries were to be economically integrated and mutually dependent; the TBVC countries reliant on the RSA for, for example, budgetary aid, employment and expertise, and the RSA reliant on the TBVC countries to shelter her workers and their families away from the Metropolitan areas of the RSA. Relationships of dependency (the "psychological antithesis of development."⁸) and the perpetuation of dualistic economic structures (where a self-sustaining, modern industrial economy co-exists with a traditional, subsistence economy, with low income levels, lack of capital⁹) were to be the order of the day; not only with regard to the Development Corporations and the companies they were to attract to their respective countries, but for tourism (RSA being the main tourism generating country) and the casino complex developments themselves (Sun International: the South African investor).

This marriage of interests between the SATBVC countries within the context of the Rand Monetary Area has been aptly exemplified by the lack of border posts (exception Transkei has border posts but not between Port Edward and the Mzamba Wild Coast Sun). The lack of border posts, of course, facilitates the passage of tourists to the casino complexes, thereby providing easier access for the gamblers and discouraging repetition of their previous trips to Botswana, Lesotho and Swaziland (referred to as the BLS countries), where border posts proved cumbersome and time consuming.

More importantly, perhaps, economists translated this policy of Separate Development as being the South African Government's attempt at regionalization within the borders of the RSA; the decentralization of economic activity to the peripheral areas of the RSA, where

there were differences in prosperity between the regions (major concentration of economic activity PWV area: Pretoria-Witwatersrand-Vereeniging) and unemployment rife in the rural areas of the Republic. The expansion of work opportunities in the depressed rural areas, newly independent states of Southern Africa, was therefore essential; but a formidable task for the public sector alone. Private sector involvement was necessary; but for most industrialists, the move to the peripheral areas was costly and inconvenient, particularly for industries reliant on the agglomeration of infrastructural and support services available in the industrial areas of the RSA.

One sector of the economy, however, was amenable to this type of development: the tourism sector; in this case represented by the companies Southern Suns and Holiday Inns, and later combined in Sun International. The tourism industry was renowned for being particularly 'footloose' and preferring the peripheral areas of the country, where resort developments could be created around natural features.¹⁰ Tourism, thus, became an ideal partner for the public sector of the RSA, Bophuthatswana and the BNDC. In the three way 'partnership', the government of the RSA would provide the necessary infrastructure and the governments of the RSA and Bophuthatswana various fiscal incentives, leaving Sun International to develop the superstructure and associated services of the tourism industry. However, hotels alone in these peripheral areas were not viable enough: Sun International was to develop casino operations, as the gaming revenues were to support this highly capital intensive industry and ensure the wide range of facilities which otherwise were unaffordable. The casino operations would generate tremendous profits to be shared equally by the BNDC and Sun International (TBVC countries independent: casinos and gambling lawful). More importantly, perhaps in the South African context, the casino complexes were to attract South African money, primarily, to regional outposts of the Republic, and represent a form of voluntary taxation for the South African taxpayer, who ordinarily, and ultimately, would have to pay higher taxes to support the South African Government's costly policy of Separate Development.

Although casinos could not be classified as tourism developments in the true sense of the word, but rather as 'attractions', tourism was nevertheless to become the justification for these casino developments. Tourism and the casinos therefore went hand in hand, and became the development tool in the rural areas of the RSA and contributor to regionalization and Separate Development. The South African public and private sectors were to collaborate to ensure the supply of tourists (demand element): the South African Tourism Board was formed to co-ordinate and promote the tourism interests of the SAIIBVC countries through Multilateral and Bilateral Committees, aided by the newly appointed tourism co-ordinator (Mr Norman Jenkins). The casino complexes, therefore, were to form part of the respective Departments of Tourism of the newly independent states, and ensured their inclusion in the broader tourism objectives for Southern Africa.

Although the casino complexes were officially under the jurisdiction of the Departments of Tourism, which are in turn financed by the tax revenues from the complexes, it is the Development Corporations which have the specific task of managing foreign investment in their respective countries. The BNDC, in this light, is responsible for the administration of financial matters concerning the Bophuthatswana casino complexes and their investment (50% shareholding in Sun International casino complexes in Bophuthatswana). After the initial contact between the hotel group Chief Executive and the Chief Ministers, it is this the economic arm of the Department of Economic Affairs, which then takes over in the administration of the casino complex development on behalf of the public sector. The third stage of the casino complex-Development Corporation relationship is the tri-partnership relationship between Sun International, the Development Corporation and the public acquisition of a certain percentage of the shares. In Bophuthatswana, this development is referred to as the 'Yabeng' Investment Holding Company, Ltd.' (Fig. 1) The BNDC has placed two and a half percent of its shares in Southern Sun Hotels Bophuthatswana (Pty) (Ltd) (SIB: 50% share of profits) into a mutual fund, together with the shares of seven other successful companies, which are then sold to the public. (Fig.2)

Yabeng Investment Holding Company Limited ("YABENG")

(Incorporated in the Republic of Bophuthatswana)

Prospectus in respect of an
offer for sale of 4 000 000 ordinary
shares of 25 cents each at 25 cents
per share

Opening time and date of the offer 09h00 on 20 June 1983
Closing time and date of the offer 12h00 on 19 August 1983

Issuing house:



Banker to the issue:



**Standard Bank of
Bophuthatswana Limited**
(Registered Commercial Bank)

This prospectus was registered by the Registrar of Companies in Bophuthatswana in terms of the Bophuthatswana Companies Act as amended on 14 June 1983.

The fourth stage is the listing of Sun International Bophuthatswana on the Johannesburg Stock Exchange, in which the citizens of Bophuthatswana are invited to participate in the shareholding of a company in their country. The BNDC, as a 50% shareholder, is automatically involved in this shareholding venture.

The Bophuthatswana Government and BNDC, as the partner of Sun International in the casino complex developments in Bophuthatswana, are here briefly discussed.

2. The Bophuthatswana Government and National Development Corporation

Bophuthatswana became a newly independent state on December 6, 1977. Bophuthatswana is a "fully independent parliamentary democracy with an Executive President, Dr Lucas Manyane Mangope."¹¹ Bophuthatswana is not geographically united and stretches over seven 'islands' of land which border the Pretoria-Witwatersrand-Vereeniging Complex (Hereinafter referred to as the PWV: PWV complex generates 60% of total economic activity in the RSA), and has a total land mass of 44 000 km². The capital is Mmabatho (meaning 'Mother of the People'). Bophuthatswana has a "free-enterprise economy although joint ventures between the State and foreign investors are encouraged in order to establish and operate development projects."¹² In these ventures, the State "usually involves its two major industrial and agricultural agencies namely the Bophuthatswana National Development Corporation (BNDC) and the Agricultural Development Corporation (AGRICOR) respectively."¹³ Both the BNDC and AGRICOR are State Corporations "wholly owned by the government of Bophuthatswana."¹⁴ The BNDC, in collaboration with the local authorities of the Bophuthatswana Government in the respective areas, holds the key to development.

The BNDC, as a public institution, is governed by a specific Act, and "acts for the Bophuthatswana Government on all matters relating to economic development through the establishment of new businesses or the expansion of existing businesses" and therefore is an important instrument for the government to mobilize economic resources in the

Details of Yabeng's share investments 12(a), 12(b), 12(c), 17(b)

Name of Company	Financial year-end	Number of shares in issue	% of shares in issue purchased by Yabeng	Number of shares purchased by Yabeng	Price per share (R)	Total cost (R)
Bophuthatswana Chain Stores Limited ("Checkers")	30 June	500 000	15	75 000*	1.50	112 500
Bophuthatswana Commercial Radio (Proprietary) Limited	31 March	1 000 000	20	200 000+	4.75	950 000
Frasers (Bophuthatswana) Limited	30 September	75 000	15	11 250*	6.00	67 500
Metro Cash and Carry (Bophuthatswana) Limited	30 April	100 000	15	15 000*	24.00	360 000
Shoecorp Shoe Stores (Bophuthatswana) (Proprietary) Limited	31 March	10 000	15	1 500*	12.00	18 000
Southern Sun Hotels (Bophuthatswana) (Proprietary) Limited	31 March	10 300 000	2.5	257 500*	7.00	1 802 500
Sun Financing Bophuthatswana (Proprietary) Limited	31 March	400	2.5	10*	24 000.00	240 000
Wanda Furnishers (Bophuthatswana) (Proprietary) Limited	30 April	100 000	15	15 000*	7.50	112 500
Total cost to Yabeng						3 653 000

*These shares were purchased from BNDC. The total purchase consideration was R2 713 000.

+ These shares were purchased from the Government of Bophuthatswana for R950 000.

country.¹⁵ The BNDC, therefore, is representative of a form of 'business organization' of the government, and is "disciplined by the profit motive but exempt from the payment of taxes and dividends."¹⁶ The Corporation strives to promote development; co-ordinating external and internal resources, through business projects, particularly in areas where the "risk factor is too high and the profit margin too low for participation by the private sector."¹⁷ By virtue of the fact that the BNDC manages this business side of the Department of Economic Affairs, the Corporation is classified as an agent of Public Administration and is run by a Board of Directors appointed by the Bophuthatswana Government. (Figs. 3 & 4)

The BNDC is "financed mainly with state funds, grants and loans" and, accordingly, the BNDC is required to submit their development budget to the Bophuthatswana Government, which then places the requirements of the Development Corporation into their overall budget according to their priorities for development.¹⁸ The Government provides a certain amount of loans and grants according to specific projects and the BNDC is required to work according to a budget thereafter. In addition, funds have to be raised (borrowings) on the capital market of the RSA and internationally as the mobilization of 'black' savings is limited to R2 700 000 of the total amount of funds, which are derived by way of the Yabeng Investment Corporation.¹⁹ Dividends are also forthcoming from associated companies such as Sun International. The receipts from direct intervention in the casino complexes/ tourism industry, and the dividend received from Sun International as an associated company, have been significant: 1984 = R9 000 000.²⁰ (Fig. 5) These funds from the South African private sector, as such, enables the Development Corporation to better attend to economic development; their objectives for development, strategies to attain these objectives, and important tasks.

The objectives of the BNDC, as with the Ciskei National Development Corporation and all of the Development Corporations of the newly independent states, are to "plan, finance,

Public Institutions of Bophuthatswana

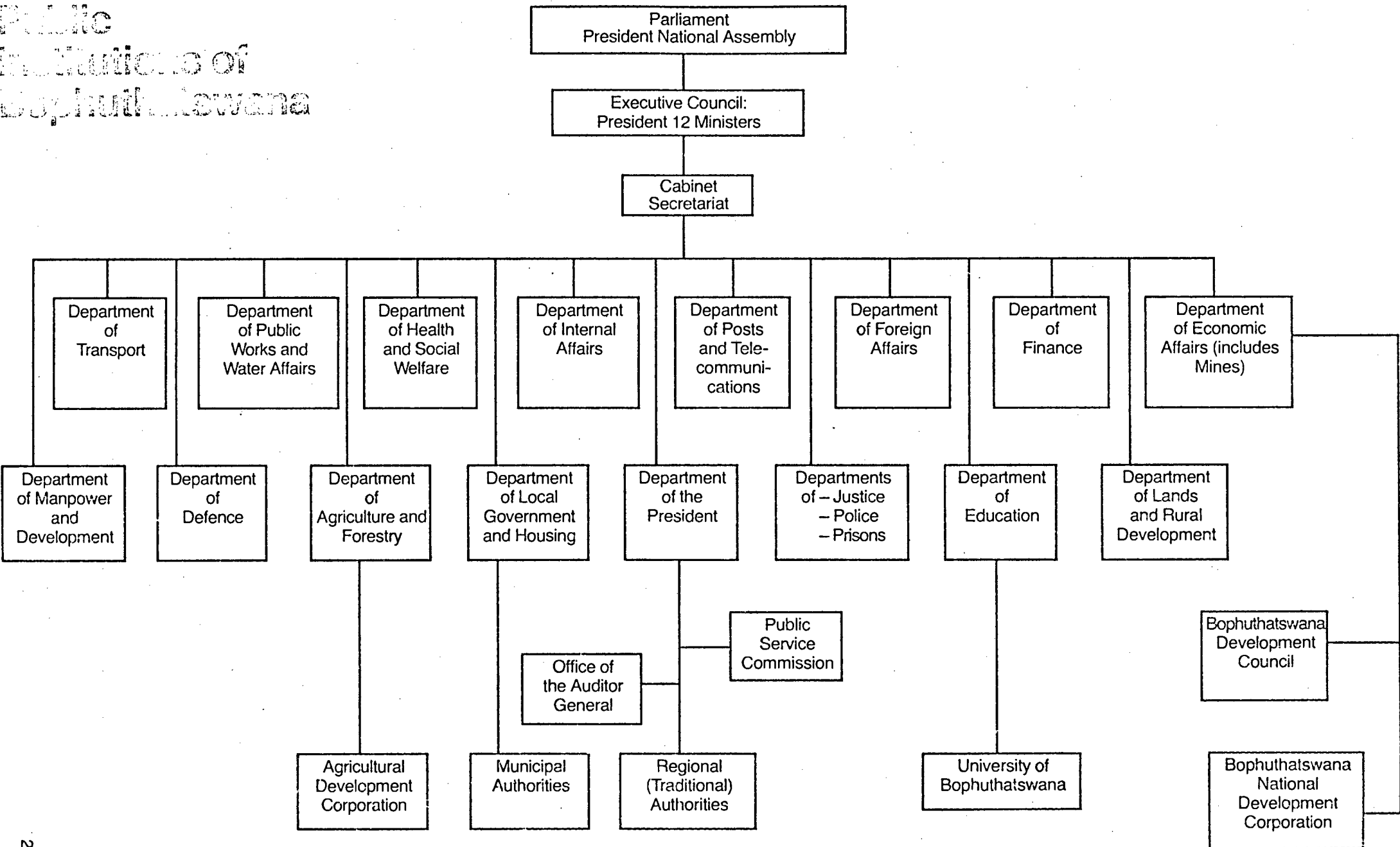
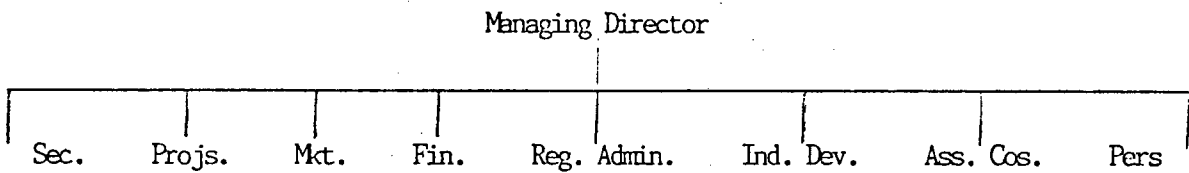


Figure 4Abbreviations:

Sec.: Secretariat
 Projs.: Projects Department
 Mkt.: Marketing Department
 Fin.: Finance Department
 Reg. Admin.: Regional Administration
 Ind. Dev.: Industrial Development
 Ass. Cos.: Associated Companies
 Pers.: Personnel Department

DIAGRAM: DEPARTMENTAL STRUCTURING OF BNDC
 (Interview D. Gould, BNDC: 23.4.85)

Figure 5

1. Share capital/grants (usually utilized for infrastructure, roads, electricity, etc.) from the Bophuthatswana Government.	R103 923 924
2. Internal Reserves and unappropriated surplus	R 50 708 653
3. Shareholders' loans: loans from the Bophuthatswana Government for shopping centres, factories, etc.	<u>R 40 118 800</u>
TOTAL SHAREHOLDERS LOANS	<u>R194 751 377</u>
4. Other loans in S.A. (in the past loans from the Corporation for Economic Development - future loans from Development Bank of South Africa	R 43 638 031
5. Foreign Loans: cost 18-19% interest: take forward cover	R 12 009 127
6. Other long term loans	<u>R 1 000 000</u>
	<u>R 56 647 158</u>
<u>TOTAL FUNDS FOR THE BND</u>	<u><u>R194 751 377</u></u>

TABLE: SOURCES OF FUNDS: BND 1984

(BND Annual Report 1983-1984: p. 13)

co-ordinate, promote and carry out the development of the Republic of Ciskei and its people in the fields of industry, commerce, finance, mining, agriculture and other businesses."²¹

The strategy for development of the Development Corporation, in concert with the overall strategy of the government of the newly independent state, "centres around the concept that growth is accomplished by creating a sound export base to generate primary income and employment."²² The export base (basic sector), in the context of this thesis is the casino complex. The domestic multiplier effect, thereafter, is expected to generate secondary income and employment. Other factors included in the general strategy for development are import replacement, the provision of infrastructure, curbing the leakage of spending power and the re-direction of this purchasing power to areas within the state, thereby contributing to national development goals.²³

More specifically, officials of the BNDC stressed two main strategies for development:

- to improve the quality of life of the people through industrial and commercial development; through the creation of job opportunities, of placing industries wherever possible and improving the living standards of the people through, for example, the creation of shopping centres;
- to attain self-sufficiency and independence from the other SAT VC countries.

The most important tasks for the BNDC, therefore, are:

- the creation of job opportunities;
- the training and development of workers in order to increase production;
- the provision of infrastructure to attract more industries;
- to develop local markets in order to curb the leakage of funds;
- to promote exports, where possible out of the Rand Monetary Area.

In keeping with these strategies for development, and the budget of the BNDC, funds are allocated to the various sectors of the economy. In 1983-1984, the BNDC and its investors participated in development projects to the order of R195 400 000: of these funds, R60.4 million went to the development of hotels and resorts (30.9%).²⁴ (Fig. 6) The recent allocation of funds, by industry, is best portrayed by the 'Provisional Development Budget' for the BNDC for the year ending March 31st, 1986; where tourism is allocated R20 million, or 24.08% of the available funds (Molopo Sun Hotel, Mmabatho). (Fig. 7) The majority of Bophuthatswana's tourism projects are in association with Sun International, either directly in a casino complex development, a tourism development requiring Sun International management, or with regard to the development of natural resources to complement these tourism developments. According to an agreement with Sun International, with regard to the casino complex developments, the BNDC's allocation of funds are representative of 50% of the investment. In 1978, the BNDC and Sun International entered an agreement in which both parties would provide 50% of the initial investment to build the casino complexes. In order to complement this investment, Sun International would raise loans in the South African market. Thereafter for reparations and expansions, each party would either contribute half of the funds required, or, Sun International would not declare a dividend to the BNDC, and would finance the project from its own resources, through the 'retain and reinvest' principle (as in the case of the Cascades project at Sun City).

With regard to the BNDC possibly favouring, and hence allocating resources to, projects which are related to the casino complex in the selection process (in an effort to facilitate linkages, income, employment and general agglomeration benefits and hence retain money in the country): this consideration, according to BNDC officials, does not influence their choice between development projects. As was stressed by BNDC officials, the positioning of a company in the vicinity of the casino complexes does not guarantee a contract or a sale to the complexes; and without a confirmed contract, these supplying industries would 'start up' with nothing more than hope for business from the casino

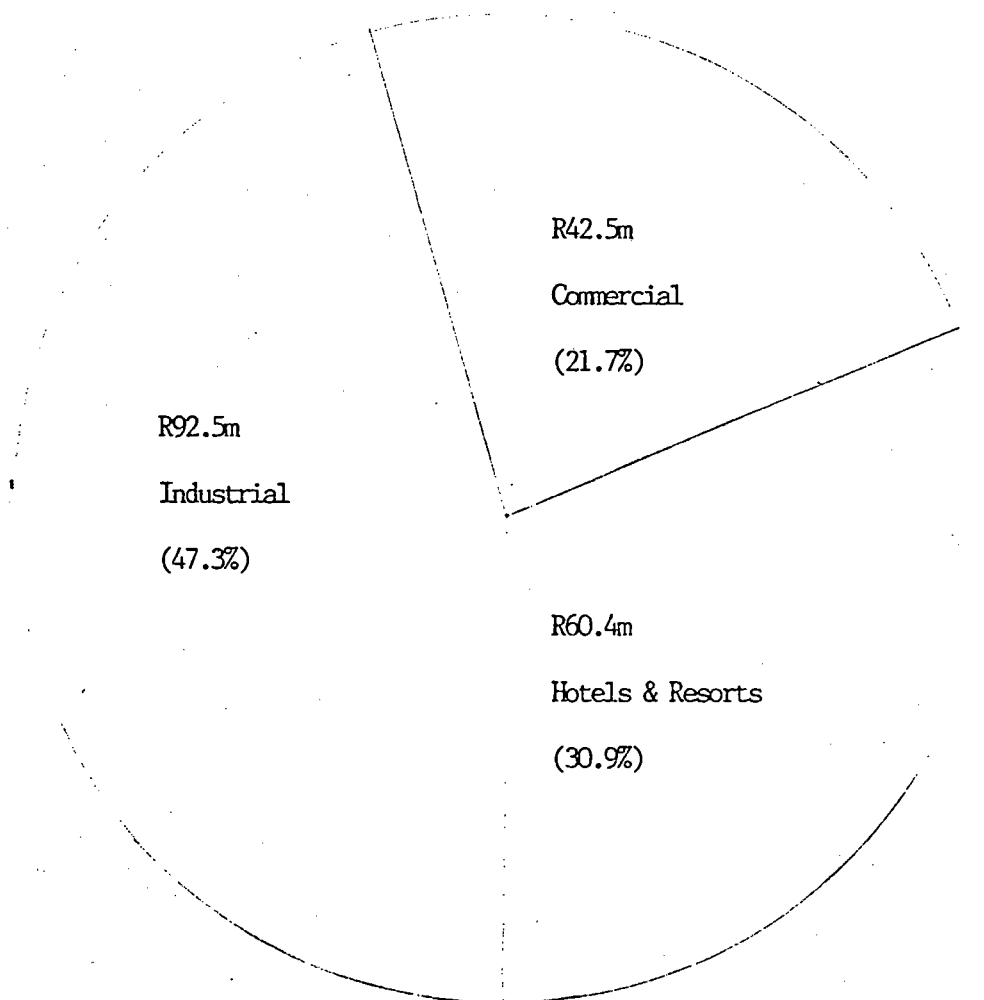
Figure 6

DIAGRAM: TOTAL EXPENDITURE 1983-1984 (R195 400 000)

(BND Annual Report, 1983-1984: p. 3)

Figure 7

BNDC: PROVISIONAL DEVELOPMENT BUDGET FOR YEAR ENDING31 MARCH 1986

SUMMARY 1985/1986

TOTAL REQUIREMENTS (R'000)

Industrial Development	R41 244	49.66%
Commercial Development	R17 800	21.43%
Tourism	R20 000	24.08%
Small Industries	R 1 000	1.20%
Associated Companies	<u>R 3 000</u>	<u>3.61%</u>
	R83 044	99.93%
Less: Amounts to be financed from external and own funds	<u>R60 800</u>	
	R22 244	
<u>Add:</u> Current Account in respect of expenses on behalf of the Government	<u>R11 800</u>	
<u>Requirements from Government</u>	<u>R34 044</u>	
Grant in aid (Vote 6)	R 7 244	
Loans (Vote 7)	R15 000	
Current Account	<u>R11 800</u>	
	<u><u>R34 044</u></u>	

(Source: D. Seymore, BNDC: 25.4.85)

complexes.

As was emphasized by BNDC officials, with reference to their development budget and the choice between projects: the Development Corporation is continually handicapped by insufficient human and financial resources to ensure satisfactory development. With the competing claims for resources, private sector involvement is crucial, and the Development Corporation should only be used when there is no response forthcoming from the private sector. This more 'development oriented strategy' stresses that the Corporation should only have to put the business on a sound footing and then sell off their shares to the private sector, which is better equipped with both the know-how and capital, and is therefore better able to contribute to the development of the country.²⁵ The integration and use of South African capital and expertise is therefore vital for the achievement of the Corporation's objectives.

With reference to the tourism sector, the BNDC appreciates that tourism requires substantial financial investment, sophisticated planning, organization and marketing "if its full potential (was) to be realized."²⁶ South African capital and expertise is forthcoming from the BNDC's tourism partner, Sun International. Sun International, its characteristics and policies are now discussed.

3. Sun International Bophuthatswana

The introduction of Southern Sun Hotels, and the casino complexes of Mbabatho Sun and Sun City to Bophuthatswana, was initiated by South African Breweries, the then parent company of Southern Suns. Negotiations for a capital hotel in Mbabatho then commenced between Sol Kerzner, Managing Director of Southern Suns, and the Bophuthatswana Government led by President Lucas Mangope. Kerzner believed that given "natural beauty, a terrific climate and easy accessibility, you have the makings of a fantastic tourist potential."²⁷ With this in mind, Southern Suns laid down the basic structure to support a thoroughly

successful tourist industry in Bophuthatswana. The Mbabatho Sun Hotel was the beginning.

As part of the "tri-partnership agreement between Southern Suns and the BNDC that led to the establishment of Mbabatho Sun on the site of the new capital near Mafikeng;" Southern Suns was granted a sole casino concession for Bophuthatswana, a concession which is not enacted in the law (separate agreement).²⁸ On the one hand, and according to the law, the monopolization of casino interests by one group is against public interest (contra bonos mores), and which in a free-enterprise economy (refer 'free-enterprise economy', Section 2: p. 29) could prove to be a problem when a member of society, or business, may one day wish to challenge this agreement. On the other hand, it is recognized by legal experts that it is not feasible to have an uncontrolled casino development in Bophuthatswana.²⁹ The Government, for one, would be endangering their own stake in the casino operations by granting concessions to another hotel group. On the part of Sun International, it can not be expected that the company which is prepared to make as great an investment, as Sun International has done in Bophuthatswana, to do so without the opportunity given for the company to recoup its investment.³⁰ The monopoly of Sun International in Bophuthatswana is ensured by the fact that if a casino is built on government owned land, it has to apply for a licence which is subject to renewal each year. The agreement which exists between Sun International and the Government of Bophuthatswana is said to be valid for a period of 15 years. The link between the Bophuthatswana Government and Sun International, therefore, is a protected one. The history, characteristics and policy of this tourism operator, Sun International, are now discussed.

The shareholdings in Sun International are discussed in depth in the following section (Section 4) in order to illustrate the magnitude of capital which has initiated, supported and secured the Sun International developments in the newly independent state.

4. Sun International

Sun International was formed through the consolidation of interests of the two hotel groups, Holiday Inns and Southern Suns: the Holiday Inns franchise controlled by the South African Mutual Life Assurance Society (controlling interest) and Rennies, and Southern Suns controlled by South African Breweries under the leadership of Sol Kerzner (as of 1969). Holiday Inns operated casinos in Botswana, Lesotho and Swaziland prior to the granting of independence to the homelands/self-governing states. With the independence of the TBVC countries, Holiday Inns and Southern Suns competed for the casino rights in each of the newly independent states. The initial introduction to the self-governing state, extended to one of the groups would have been in the form of a request from the respective leaders for a capital hotel in which they could celebrate their forthcoming independence. During these meetings, future tourism developments would be discussed; namely the establishment of casinos, permissible once the states had attained independence and South African law no longer applicable.

The two hotel groups finally reached an agreement and the united company, Sun International, was formed in September 1983. The foreign assets of Holiday Inns and Southern Suns were amalgamated under the directorship of Sol Kerzner; one of the principle shareholders, along with Rennies and Southern Suns. Sun International, officially founded in October 1983, acquired "the hotel/resort interests in Bophuthatswana, Ciskei and Mauritius of Southern Sun Hotel Holdings Limited" and those of "Holiday Inns Limited, in Botswana, Lesotho, Mauritius, Swaziland, Transkei and Venda."³¹ (Fig. 8) Amongst other reasons stated for the formation of the company, Sun International, was the desire of the two companies to pool their international marketing strengths.³² Perhaps, more importantly, it was felt by those concerned that the merger was most beneficial for the independent states. Although Sun International was to have a monopoly over casino developments in Southern Africa, the competition between the two companies "to be the first to open a casino in newly independent states," and the detrimental effects thereof, "would cease."³³

It was widely recognized that "with control (now) in one pair of hands, ..., development (could) be controlled and allowed to take place in an orderly fashion."³⁴

In the 1984 operating company of Sun International, the shareholders were Sun Rennie Investments 75%, and Southern Sun Hotels 25%. In turn, the shareholders of Sun Rennie were Rennies through Holiday Inns (50%) and Sun International Holdings (50%). Sun International Holdings were owned 50.1% by Kerzner and Associates and 49.9% by Safmarine. The company was listed on the Johannesburg Stock Exchange under the title 'Javcor', a company which acquired shares in Sun International, and the name of which was later changed to Kersaf in July of 1984 (company which owned 75% of Sun Hotels International). Sun International, as a company, had to wait until March 1985, when the restraining date for Sun International to trade within the RSA fell away. (Fig. 9)

In December of 1984, the merger of the major shareholders of Kersaf, Safmarine and Rennies was announced, and Sun International's principal shareholders became Kerzner and Associates, Safren (the Holding Company of the merged Safmarine and Rennies Group) and Southern Sun Hotels, with joint control vested in Kerzner and Associates and Safren. The ultimate Holding Company was to be Sun Rennie Investment Holdings.

In April of 1985, the merger between Southern Suns and Holiday Inns took place. Kersaf acquired shares in Holiday Inns and passed them on to Southern Suns in exchange for a 21% shareholding in Southern Suns (Kersaf would then effectively own 21% of Southern Suns). Southern Suns would own 24% of Sun International with Holiday Inns wholly owned by Southern Suns (Holiday Inns acquired for R85 million), and South African Breweries would control both Southern Suns and Holiday Inns.

Apart from Kersaf's acquisition of 21% of Southern Suns, Kersaf would gain another 36.5% of Sun International from Safren Holdings for R385 million. Kerzner would relinquish

Figure 9

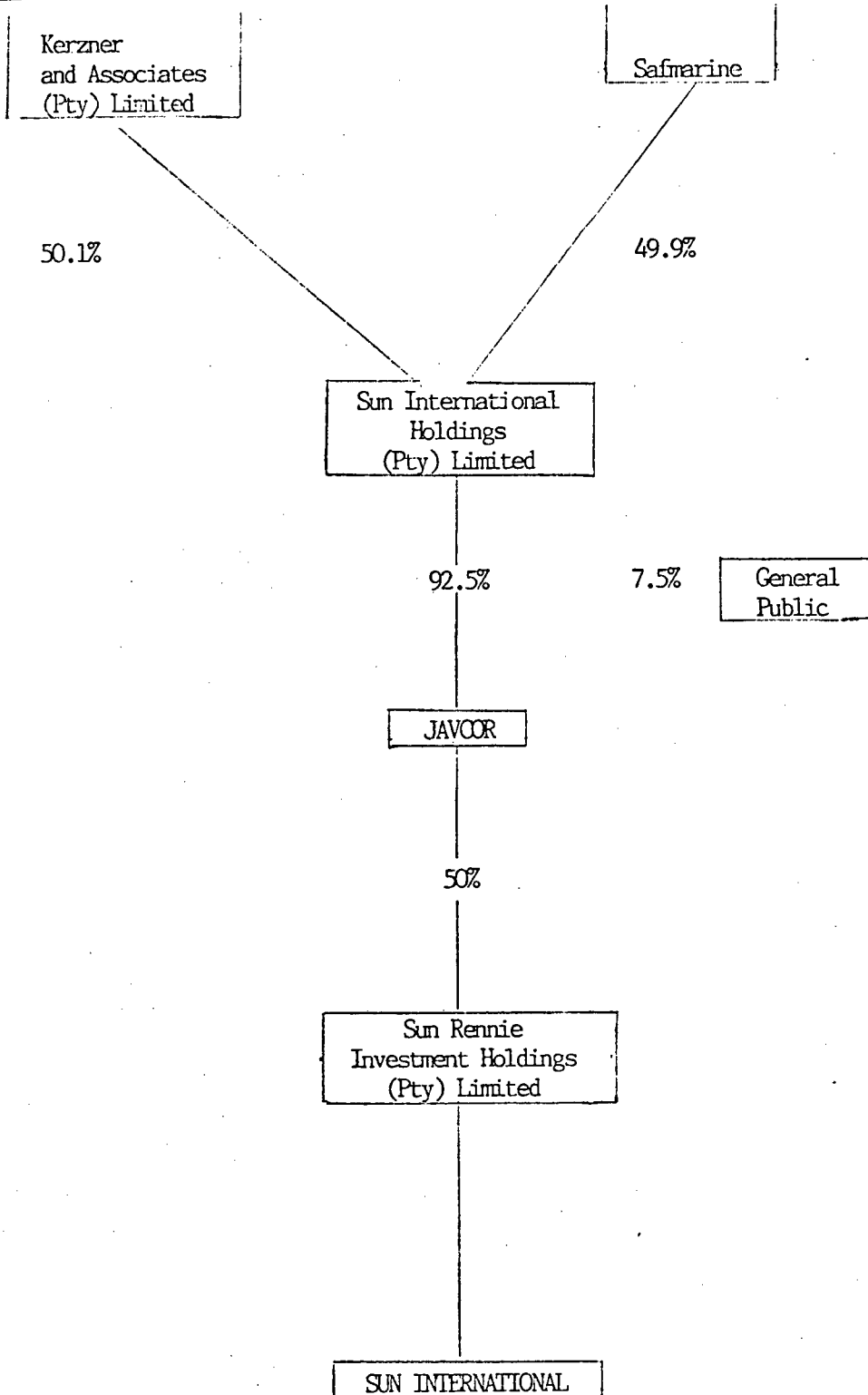


DIAGRAM: STRUCTURE OF SHAREHOLDINGS: JAVCOR - SUN INTERNATIONAL (Citizen: 9.5.84)

control of Kersaf to Safren. Safren would have 79% of Kersaf, which controlled 73% of Sun International. Safren would receive an issue of 14.8 million new shares from Southern Suns for Holiday Inns, and Safren would pass these shares, plus its 36.5% stake in Sun International, to Kersaf for R35 million worth of new shares in Kersaf (Kersaf would receive Rennie's liquor interests, fitness centre (Aloe Ridge) and Suncrush). Kersaf, with 73% of Sun International, 40% of Satbel, and other important interests, would be valued at more than 700 million on the Johannesburg Stock Exchange.³⁵ (Fig. 10)

The merger was allowed by the competition board as it held significant potential advantages for the tourist industry in the country and, in particular, for international tourism as well as substantial benefits for the public. It was felt by official bodies that the amalgamation and rationalization programme, instituted by the new deal, was in everyone's best interests. International co-operation would be secured and senseless competition within the Southern African context alleviated. Foreign and local tourism, of all income groups, would be facilitated; with Sun International controlling tourism and casino developments in the surrounding newly independent and national states (and international expansion programmes), and Southern Suns and Holiday Inns controlling internal tourism (within the RSA).

In May of 1985, Sun International went international and sought a vehicle for their stock exchange listing in the United Kingdom. Kersaf acquired a 40% stake in a London based leisure company, "Kunick".

In June of 1985, Sun International proposed the listing of Sun International Bophuthatswana on the Johannesburg Stock Exchange in order to consolidate Sun International's present projects in the newly independent state, and to cater for future ventures. Sun International Bophuthatswana would own Mmabatho Sun, Sun City and Thaba Nchu Sun, and would be the first company of Sun International to be registered in the former homeland,

figure 10

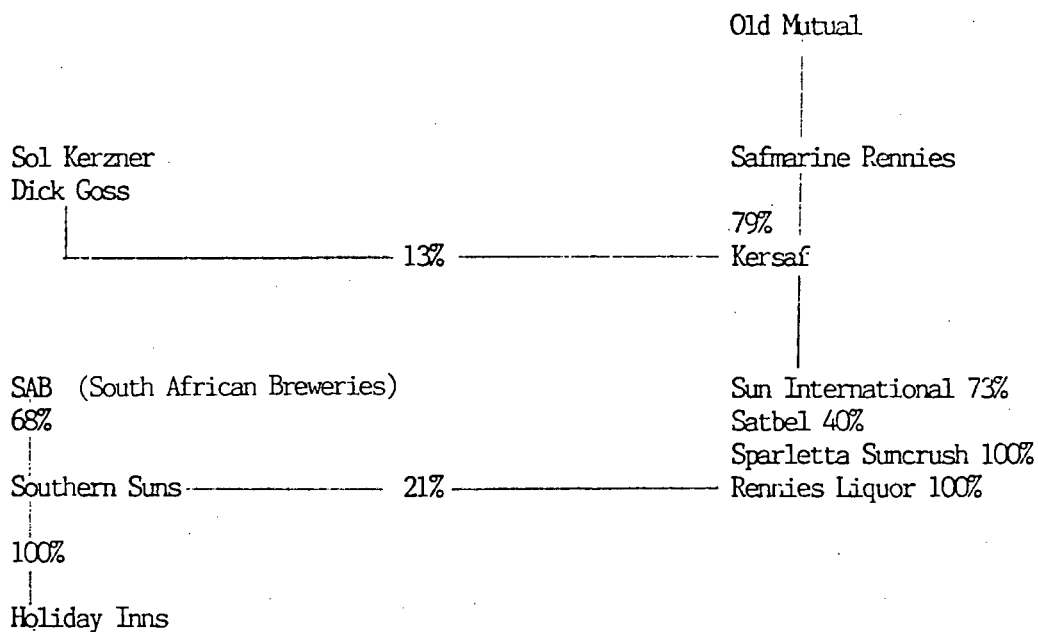


DIAGRAM: THE GRAND ALLIANCE
("Star Wars: The Big Deal." Sunday Times, 14.4.85: p. 2)

and listed on the Johannesburg Stock Exchange (proposed that the other casino interests of the TBVC countries follow suit). The objective of the listing would be to give the people of Bophuthatswana a chance to participate in the company. According to Mr Ken Rosevear of Sun International, the shares would be moderately priced to ensure that the local people could afford to purchase the shares; in keeping with the true aim of the listing.³⁶ Apart from the benefits which would accrue to the Bophuthatswana people and Kersaf shareholders, the new listing would facilitate a strong growth drive for the Bophuthatswana company. Sun International and the BNDC would each hold 40% of the shares in Sun International Bophuthatswana after the listing. (Fig. 11) The public would hold approximately 20% of the stock. In addition, the public's 20% would be divided between the public and the residents of Bophuthatswana (10%) and 10% being held by Kersaf and Southern Suns' shareholders respectively.

The present company, Sun International (4.1) and the company's group operating philosophies are now discussed (4.2).

4.1. Present Company: Sun International

Sun International's status as a Multi National Corporation is debatable with consideration given to the size of the company and international operations (Sun International operations in Southern Africa, Mauritius, and proposed developments for London and Monaco, etc.); the centralized control of operations at Head Office in Johannesburg and parental company domination (Sun International: parent company Kersaf, parent company Safren SA: refer Section 4: p. 43).³⁷ Centralized Head Office control of subsidiary operations (eg. Sun City) is tight; with control over investment decisions, investment planning and approval for capital expenditure being necessary. The parent company, Sun International, also shapes the budget making of each complex and comprehensive financial reports are submitted monthly. There is also detailed policy control on other decisions such as marketing (all marketing from Head Office), and decisions regarding some of the suppliers to each of

Figure 11

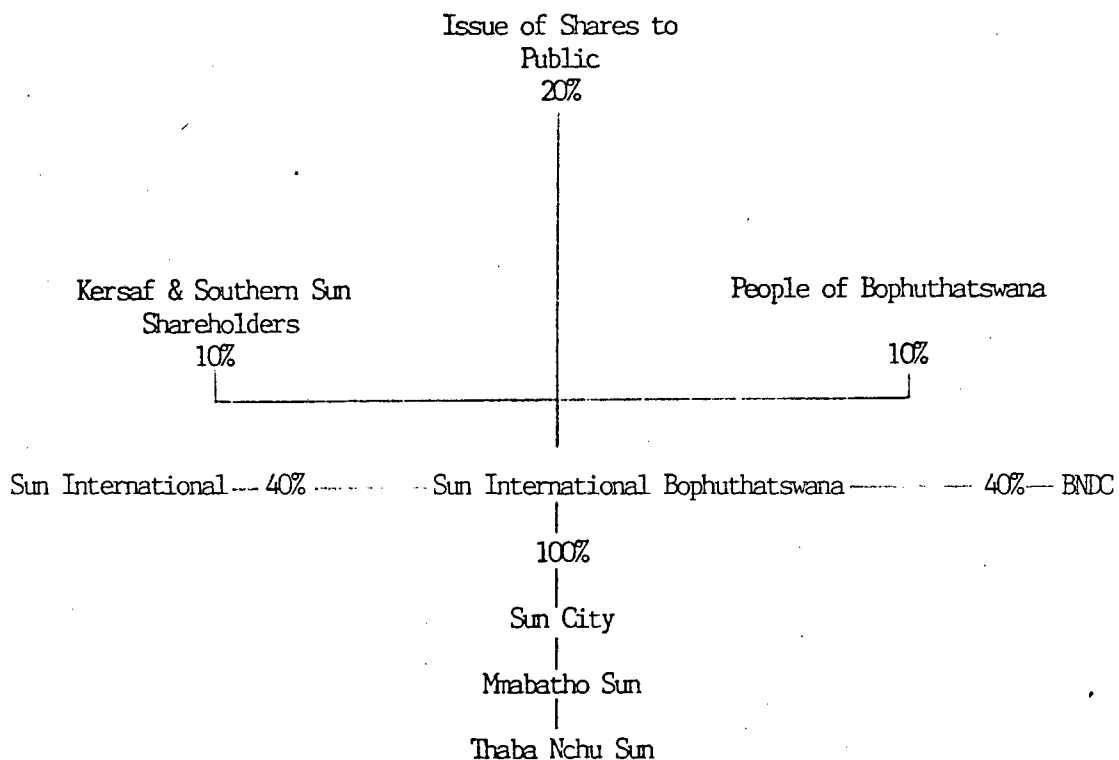


DIAGRAM: STRUCTURE OF SUN INTERNATIONAL BOPHUTHATSWANA
(Source: K. Rosevear, Deputy Managing Director Sun International: 9.9.85)

the complexes with reference to quality control. More importantly, the Head Office intervention extends to the standardization of service throughout, so that the company's trade mark is associated everywhere with a distinct, uniform quality of product.³⁸

The casino complexes in the newly independent states are classified as subsidiary operations; Sun International having a direct interest in the ordinary share capital of Sun International Bophuthatswana (Pty) (Ltd) of 50%, and a beneficial interest of 50%.³⁹ Sun International also has associate companies, such as Sun Financing Bophuthatswana (Associate Company: where company "owns between 20% and 50% of the issued equity shares and exercises management influence, but not over all control of the Board of Directors."⁴⁰) The principle activity of Sun Financing is 'asset leasing', where Sun Financing owns all the movable assets of the company, such as the computers and vehicles, and leases these assets to the hotels (advantage taken of tax allowances available in Bophuthatswana: shareholders of Sun Financing are BND (2) and Sun International (2)).

Sun International is therefore a relatively integrated company, horizontally and vertically. Sun International, directly, has hotels, casinos and internal or central reservations and by virtue of the company mergers with Rennies, for example, Sun International has gathered retail outlets (vertical), Southern Suns and Holiday Inn Hotels (horizontal), its own busing service to the resorts (vertical), entertainment industry and Satbel (vertical) (refer Section 4: pp. 43,45). Within the casino complexes themselves, there is an additional, and interesting, form of integration; where a few of the shops at Sun City, for example, are owned by the management of the hotel. Vertical integration, in particular, is used by Sun International, as with other investors to compensate for the high fixed costs of the tourism operations. After the initial heavy investment costs, however, operational and maintenance expenses are said to be less severe in comparison with the other sectors of the economy (according to World Tourism Organization: for every R100 invested in the tourism sector, only R5 is needed each subsequent year to operate

and maintain the project as opposed to health R17-71, agricultural R10, educational R8-R72, housing R3 and factory projects R1).⁴¹

As far as the financial status of Sun International is concerned, the Annual Report of 1984 revealed that the "group achieved attributable profits of R24.5 million on a turnover of R175.6 million."⁴² Improved turnovers at each of the operations have been attributed to the stringent control over costs.⁴³ The investment and financing policy of Sun International is now referred to, with regard to the operating philosophies and policies of the group.

4.2. Focus on Group Operating Philosophies

The group operating philosophies of Sun International comprise the investment, financing and management policy (4.2.1), the employment and training policies (4.2.2), Sun International's community responsibility (4.2.3), operating standards (4.2.4), marketing policy (4.2.5) and Sun International's operation according to Kerzner's concept of fun (4.2.6).

4.2.1. Investment, Financing and Management Policy

Sun International's strength lies in its ability to successfully develop and manage hotels, resorts and gaming operations. Many of the key management staff are from Southern Suns and Holiday Inns, and Executive and Senior Management are therefore well experienced in the hotel and gaming industry. (Fig. 12) The appointment of these Executives to the subsidiary casino complexes are made at the Head Office. Management methods are coordinated across the subsidiary operations, providing for an easy transfer of Executives from one casino complex to another. Regional management is either located at the casino complex, or travels from complex to complex, and is accountable to the Head Office. The high quality of service offered at the casino complexes, which is required to maintain the complexes at the international standards for which they are designed, are as a result

Figure 12

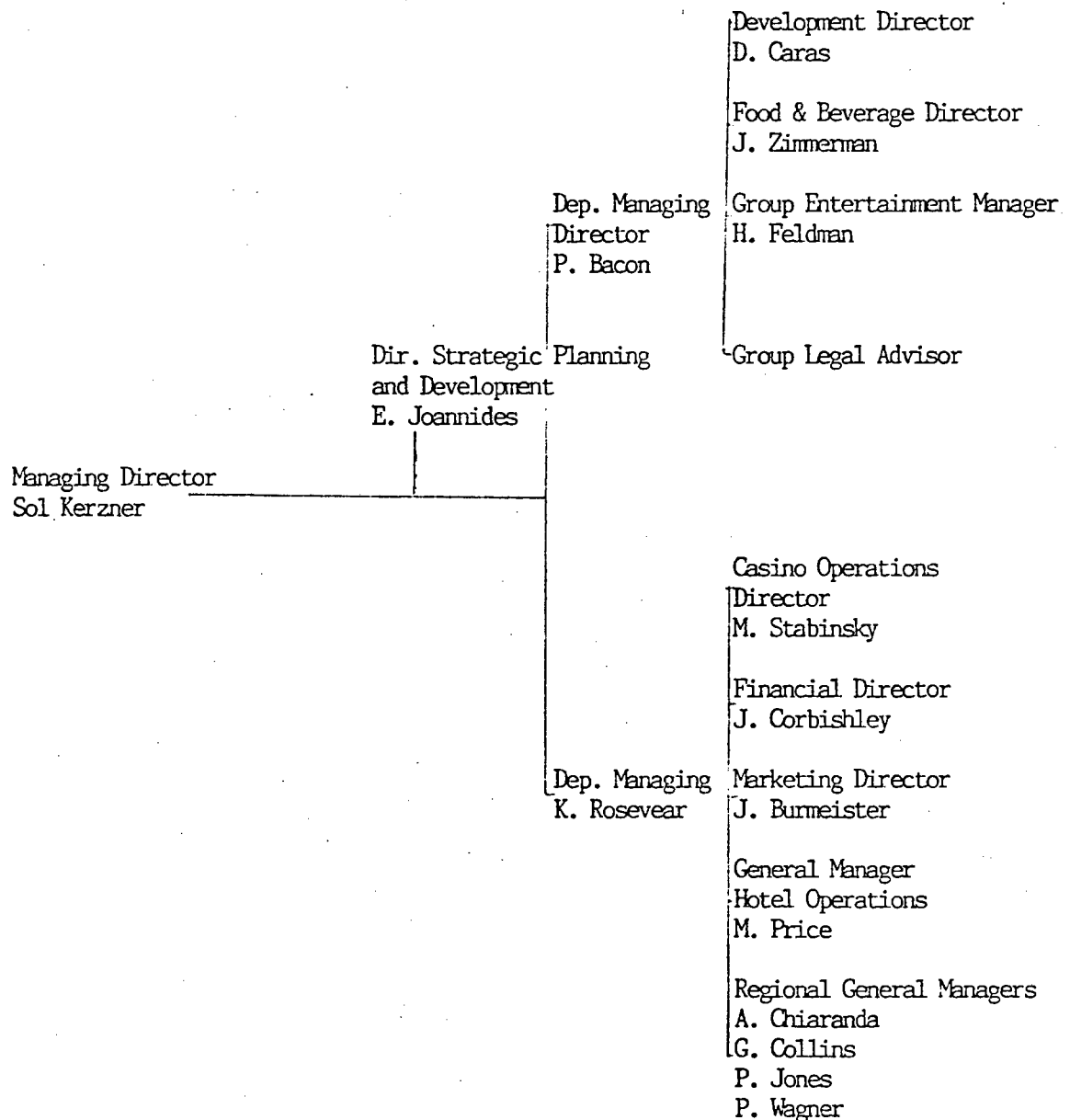


DIAGRAM: MANAGEMENT STRUCTURE OF SUN INTERNATIONAL
(Sun International Annual Report, 1984: p. 6)

of these experienced and well trained management personnel. Although employment of the local people has a high priority, extensive training is required in each of the subsidiaries (refer Section 4.2.2.: Employment and Training Policy).

Sun International's policy regarding the extent of equity participation in a project is flexible but contingent upon Sun International's overall management responsibility. One of these equity arrangements exists with the Bophuthatswana Government where, as aforementioned (refer Section 2: p. 36), each party (BNDC and Sun International) provide 50% of the capital for investment and share the profits accordingly. Sun International's investment funds for their operations, as in Bophuthatswana for example, have a varied origin. As was emphasized by Kerzner, "Sun International Bophuthatswana is well established and can raise capital in the competitive market place quite easily."⁴⁴ Kerzner also stressed that there has been a substantial re-investment of profits over the last few years, in Sun City in particular.

In order to encourage Sun International's investment and re-investment of funds, the Bophuthatswana Government offers different incentives to the hotel group to establish hotel-casino resorts.⁴⁵ For the most part, the various allowances applicable in the RSA are applicable to the newly independent states: according to the grading of the hotel, certain deductions may be made in relation to the total cost of the hotel building. The allowances include:

- the grading allowance: whereby according to the grading of the hotel, certain deductions may be made in relation to the total cost of the building (eg. 1 star = 4% deduction, 5 star = 10% deduction);
- the initial allowance: a 'once only' allowance of 15% on the cost of equipment directly related to hotel operations;
- the investment allowance: comprising the building ('once only' allowance of 10% in year of purchase of hotel building), and equipment allowance ('once only' allowance of

20% on cost of equipment directly related to hotel operations) - there is an emphasis on this allowance to encourage the building of hotels, and thereby it is anticipated that employment will be generated;

- wear and tear allowance: calculated on a diminishing value basis;
- the training allowance: 100% of the cost of approved training schemes, and the administration thereof; and finally
- the exporter's allowance: 100% of marketing and direct expenses incurred in the generation of foreign revenue (outside the Rand Monetary Area).⁴⁶

There are also favourable tax rates in order to encourage this South African investor to take the risk in establishing a casino complex, and then for the complex to provide a sufficient return for both parties. Due to the emphasis on the investment allowance, for example, there will be 'hiccups', or fluctuations, in the tax rate and returns of Sun International Bophuthatswana. In 1985, the tax returns of Sun International to the Bophuthatswana Government will be less because of the Cascades project at Sun City. In 1986, the 'hiccup' will be as a result of the Thaba Nchu Sun. The casino tax, however, will escalate.⁴⁷

Having invested a considerable amount of funds in the casino complexes, collected allowances and paid taxes, the remaining question is that of government receipts and the final distribution of profits. The Government receives taxes from the casino complexes, both direct taxes, corporate taxes and licence fees; and indirect taxes, P.A.Y.E. (Pay-As-You-Earn) for example. Both taxes and licence fees have been steadily increasing over the years as the casinos continue to be profitable. In addition, the Bophuthatswana Government has gained an outlet for the sale of Bop Bonds, a development bond/fund for Bophuthatswana, where the Sun City outlets have proved to be very profitable. Sun International also contributes to the Bophuthatswana National Provident Fund (Hereinafter referred to as the BNPF), and hence a reduction in social charges. (Refer to Section

3.1.1.2.: Foreign Exchange Earnings for figures)

The BNDC, as the economic arm of the Government, and 50% partners with Sun International in the Bophuthatswana investments, receive their 50% share of the profits. The BNDC also receives rentals for the Mmabatho Sun property, for the accomodation of Mmabatho Sun and Sun City personnel (refer to Section 3.1.1.2. for figures).

Sun International receives 50% of the profits derived from the casino complex operations, and management fees. Sun International's management services are costly, and this balances the distribution of monies to Sun International and the Bophuthatswana Government, and their share of the profits. Sun International also declares dividends, but which are subject to alteration in order for each entity (complex) to retain sufficient funds to afford their future developments. Recently, however, and as aforementioned (refer to p. 52), there has been a substantial re-investment of profits into the complexes for further development and alterations (Sun International's policy of retain and re-invest). It is the consistent policy of Sun International to re-invest a percentage of the profits in each of the complexes in order to maintain, replace and build onto existing structures; with the objective to constantly broaden the base of Sun International's market (a policy not adhered to by all tourism operators).

The following example illustrates the above: if for example, the company makes a profit of R10 million; the Government/BNDC will immediately take R5 million as its share. A dividend of R5 million may then be declared, and the Government will retain 15% of this amount as part of the non-residents' shareholders tax; most of the shareholders residing in the RSA (double taxation agreement). Therefore, the maximum amount of money to leave the country, after all the taxes, will be R4.2 million, exclusive of management fees. Bophuthatswana, however, will not receive less than its 50% share.⁴⁸

A percentage of the funds generated by the complexes is dedicated to one of the major contributions of Sun International to the development, and development strategies, of the newly independent state; the development of human resources.

4.2.2. Employment and Training Policies

This section refers to Sun International's employment policies (4.2.2.1), followed by their training policy (4.2.2.2). The employment and training policies of Sun International are discussed in detail in this section in order to illustrate the extent of job creation, and the stability thereof, by Sun International, within their casino complexes in Bophuthatswana (as with all national states).

4.2.2.1. Employment Policy Sun International

With reference to the employment code for the hotels, Sun International subscribes to the "policy of providing equal opportunity for all its employees without regard to sex, race, colour or creed."⁴⁹ The rules and policies governing Sun International's employees are discussed with reference to Sun City: the personnel and training policies of which provide the model pursued by Mmabatho Sun, as with all of the casino complexes. All of the information which follows was obtained from the Mmabatho Sun and Sun City hotel administrations' respectively.

The introduction of the employees to Sun City is by virtue of the Personnel Department of the complex, which is responsible for the recruitment of employees, and later the provision and revision of salaries (revision of salaries for Batswana three times per year to cope with escalating inflation and in recognition for good work: average increase 18% (1984); expatriate revision of salaries once a year: average increase 6-14%). The Personnel Department also keeps all personnel records, as for example certificates of achievement, or for the completion of courses, which provide proof that the necessary experience and qualifications have been attained for general application upon leaving

the casino complex (and recognized as such). The Department will also form part of the grievance procedure when problems cannot be solved by the respective departments and their employees.

The Director of the Personnel Department forms part of the general staff organization of Sun City, which is as follows:

- Executive Management: including the Regional Manager of Sun International Bophuthatswana and the Heads of the various departments, eg. General Manager Country Club;
- Departmental Management;
- Heads of the Departments;
- Senior Staff: Supervisors up to Sectional Management, who are responsible for Junior Staff;
- Junior Staff: including all employees below Supervisory Level.

There is also a net import of managerial skills from the RSA and overseas, which is crucial for the efficient running of the casino complex and training of the local staff. The expatriate staff fill primarily the management, technical and casino positions, with the local people (the Batswana) being employed up to and including Departmental Head positions. The organization tries to keep expatriate staff to a minimum. With respect to localization targets, at Sun City for example, the aim is to reduce expatriate staff to ten, and finally five percent of the staff. As was stressed by Miron Stabinsky, one hundred percent localization is not feasible and five percent of the labour force will always remain expatriate; it being necessary for the industry.⁵⁰ Sol Kerzner reiterated that when Sun City first opened, 50% of the staff were expatriates, and if it was not for the tremendous growth of Sun City over the past four and a half years, expatriate staff would be down to 10% (speaking in July 1984).⁵¹ Frans Moatshe, a training officer at Sun City, added that 100% localization was not feasible and would be disastrous, resulting in inefficiency and a situation of elevating people without the necessary skills. Moatshe

emphasized that to date, localization objectives had been satisfactorily attained; that expatriate figures were now down to 10-15%.⁵² One of the reasons given for the decline in expatriate employment was the success of the training courses and maintenance of standards. The objective, with regard to local staff, remains of promoting capable Batswana employees to supervisory and managerial positions after, either completion of the required courses, or having gained sufficient experience to attain such positions.

All employees are expected to work a minimum of 54 hours per week, and to take the seventh day off, as arranged with their superior (but in the hotel industry, staff are expected to work overtime; there is no extra pay for overtime, and instead the worker becomes entitled to time off). Leave may be taken after a minimum of six months employment: leave periods ranging from 14 days (first year), to 28 days leave (fifth year).

The issue of maternity leave is a serious problem for the casino complexes. At present, women may have six weeks leave (extended to eight weeks with a medical certificate) with a guarantee of re-employment at the same salary, and job, as prior to leaving the complex (application for money from the Unemployment Insurance Fund (Hereinafter referred to as U.I.F.) during leave). Family planning clinics, as there exists at the Wild Coast Sun, are slow to be generalized to the other complexes as it is such a controversial issue: one which is accepted by the women, but not by their men as the clinic is regarded as an infringement of their tribal customs.

With reference to company notice to leave, or resignation, this may be effected within 24 hours during the probation period of three months, and thereafter one week's notice. Notification to an employee to leave, or less seriously disciplinary procedure, is effective following disobedience of any work code, as for example: absenteeism, disorderly behaviour, gambling (gambling by the staff is prohibited by Act of Parliament). Disciplinary procedure may be in the form of an informal verbal warning; a formal written

warning; a final warning and thereafter termination of employment. The disciplinary procedure is in order to correct behaviour, and where disciplinary measures are seen as the last resort. The average annual turnover rate for Sun City, all departments considered is 57%; with an annual monthly turnover rate of 4.9%. In 1984, the highest turnover figures were recorded for the Security Department (annual turnover rate 114.5%) and lowest turnover rate 16.5% for the Complex and Grounds Department.⁵³ The annual turnover rate for the Mbabatho Sun for 1984-1985 was: Casino 45.8%, Hotel 35.5% and Complex 36.6%.

In an effort to avoid misunderstandings, disciplinary procedures, unnecessary employee notification to leave and voluntary discharge; Sun International, with reference to Sun City in particular, stress adherence to a grievance procedure which involves the Works Committee representative. The role of the Works Committee and elected representatives in employee relationships is a very important one. There are five Works Committees at Sun City: one for each of the main departments (Hotel, Complex, Cabanas, Entertainment Centre and Cascades). The Works Committee, which consists of elected representatives from each department, is based on the premise that all employees have the right to air their problems, provided the correct channels are followed. Good communication and working relations, thereby, will prevail between the various levels, management and employees, and problems will be solved and prevented from spreading. The Works Committees are monitored by members of the Department of Manpower and Development, who are free to walk into any of the meetings. The Works Committees are at varying stages of development in the various Sun International operations, being referred to as Liaison Committees at the Anatola Sun (Ciskei), for example.

One of the complaints encountered during the research, and one which undoubtedly has been put before the Works Committee, has been that of wages. Despite this complaint, the Department of Manpower in Mgwase stressed that Sun International employees received very fair wages, and benefits, in relation to those received in the general area. These staff

benefits and deductions are now referred to.

Salaries are paid on the last Tuesday of each month by the Heads of the Departments. The minimum wage for the Batswana employee in July 1985 was R213. In addition to their salaries; the benefits received by employees include : a food allowance (R30 per person per month for canteen meals whilst on duty), discounts at Sun International and Southern Suns/Holiday Inn Hotels (75% discount at Sun International hotels, 50% discount Southern Suns/Holiday Inn hotels), discounts at Sun City theatres (50%) and Mmabatho Air Services (50%: dependent on seat availability).

Deductions from employee salaries include:

- pension: compulsory for expatriate and optional for Batswana staff earning more than R300 per month (Rennies Scheme: employee contribution 6.5%, and company 9.5%);
- P.A.Y.E.: no income tax for incomes of less than R1800 per annum, and taxation progressive with maximum rate of 40% for incomes above R26 000;
- BNPf: both employees and employers contribute to this retirement fund (contribution 5% below R300, 10% above R300 (5% employer);
- U.I.F.: condition of employment for all (employee contributes 5%, company 3%);
- Medical Aid: Rennies Medical Aid compulsory for expatriates and optional for Batswana;
- other deductions: private agreements between employee and employer, as for example housing agreements (rental deductions).

An additional, and most important, staff benefit, is that of the training received by Sun International employees. The training facility at Sun City is viewed by the Department of Manpower as an 'Adult Education Centre', which provides informal training (primary, secondary schooling regarded as formal training) and training in basic skills. Accordingly, Sun International receives various tax concessions for the provision of training in Bophuthatswana (refer Section 4.2.1: p. 53 'training allowance'). In 1984,

a member of the Department of Manpower stated that the training offered by Sun International was of an international standard, and that Sun International provided for more than their own needs. The spokesman added that the skills acquired in the casino complexes could be used in other activities in the service industry/commercial sector. On the part of Sun International, employees are encouraged to realize their true potential within the confines of the hotels by way of participation in the many carefully designed human resource development programmes.

4.2.2.2. Training Sun International

The training practices of Sun International are a combination of the two training patterns inherited from Holiday Inns and Southern Suns. The training for Southern Suns staff is largely on-the-job training under the supervision of the Department Head and peers: of learning from practical experience and correcting faults promptly. There is no formal training procedure: employees are given a handbook/pamphlet explaining company policy and the expectations of employees, of the facilities and benefits offered to those employed. Insight into the workings of other departments is by virtue of, either informal conversation, or when job rotation takes place as in the case of shortages in a department.

Southern Suns and Holiday Inns are similar in their training practices, but part ways when it comes to management training programmes; Holiday Inns insistent on three year programmes in conjunction with the Hotel School, theoretical experience and board exams. Southern Suns, under the directorship of Kerzner, tended to have expatriate managerial expertise and gradual, unspecified, training by virtue of promotions beneath the Hotel Manager.

Sun International, therefore, combines these two training practices: of general training and complex in-service management training to ensure that local staff attain management positions. However, the training departments of the respective casino complexes insist

that ... /61

that training policies remain decentralized as each training department has a better idea of the needs, and problems, of the hotel and the local people by being directly associated with both. In addition, any hope of centralization of training practices has been thwarted by the fact that for each of the newly independent states, there is different legislation applicable which may overrule certain centralized training, and employment, practices. Therefore, decentralization is further emphasized in order to be closer to the preferences of the governments and the management policies. Nevertheless, certain issues require uniformity, such as: the institution of the Paterson Grading System, the induction programme, and in the long term, the general upgrading of training standards throughout. It is well recognized that a sound mix of theoretical explanation, training and practical experience in the shortest, yet recurrent, period of time, is needed in order to cater for both the interests of the state governments and the hotel group. The important criterion in the training practices is the realization by the training officer, and Sun International, that the local people must be suitably trained to assume managerial positions in the near future as the expatriate staff are temporary; it is the local staff who will remain.

The Training Department of Sun City is over three years old and there are five training officers at present. The training is in basic skills, and later in the further development of those skills. The Training Department differentiates between 'training to maintain standards', and 'training for development'. Training to maintain standards includes, for example, induction training and hygiene training. Training for development is for the development of the individual; supervisory and management courses. The progress of each employee is monitored through feedback from the Departmental Heads and questionnaires completed by the employees themselves. Performance appraisal sessions are also held on a monthly basis, wherein the trainee evaluates himself first and is then evaluated by the training officer. These sessions are said to be successful in both overcoming any problems that the candidate may have and of teaching him how to cope better

with situations, whilst providing room for both praise and criticism. Thereafter, follow-up training is conducted. The Department Heads and training officers maintain contact throughout the training process, and discuss promotions and problems. Department Heads are free to express problems that are experienced with employees, and to request the development of a specific training programme to deal with the problem. The aims of the Training Department, therefore, are to satisfy both the needs of the complex; with regard to maintaining standards, increasing productivity and developing the potential skills, and, catering to the needs of the employee. Thereafter, the Training Department endeavours to retain trained staff; by offering competitive salaries, promotions, perks, refresher and management courses.

The first exposure of the employee to the Training Department is by virtue of the Induction Training Course. These sessions are held twice a month for Junior Staff, and once a month for Senior Staff. The aim of the induction meetings is to orientate newly employed people to the complex; to explain how a hospitality business is run, and the rules and policies of the company. During the induction sessions; some of the training methods may be used such as videos and slides, role playing exercises and group dynamics (mainly for more senior employees).

Following the induction training sessions, there are a number of courses which run throughout the year. There are separate training facilities for the specialized departments and courses; such as the Fire and Security Departments and for casino training. The course which is most important for the local employees, and as part of the general localization strategy of the company, is that of the Supervisory and Management Development Course. There are three Supervisory Courses per year which teach basic, intermediate and advanced skills. In the Management Development Course; recruiting, interviewing, disciplinary and communication skills are some of the topics dealt with. There are then: the Food and Beverage Courses (1984: review of product knowledge,

Bartender Competition), the course in Customer Relations (endeavours to improve the social skills of the local employees), and a course in Hygiene (instruction in personal cleanliness; how to handle food and clean their work areas). Accordingly, the system of Attitude Awards was introduced to Sun City, where monetary rewards are received by successful employees; as advised through the guest questionnaires (winning department receives a trophy and monetary prize of R850).

A course which is one of the most important for the complexes is that of the Security Department of Sun City, which trains employees of both Sun City and Mmabatho Sun. Basic and standard training is essential, and the applicant will only qualify to join the force if he passes the course. Thereafter, there are 16 different training courses offered by the Training Department, and the training of the men is carried out at the casino complex by a specialized division (the original training of the Security Force was by members of the South African Security Police).

These in-house training courses (examples as above), may be supplemented by employees attending the training courses in Garankuwa, the Hotel School. The above-mentioned training courses are also generalized to include the Mmabatho Sun. One of the training officers goes to the Mmabatho Sun once a month to conduct induction courses, training and/or refresher courses for a period of three to four days. Sun International, with regard to these courses and general training programme endeavours to "improve the lifestyle and economic status of its employees," and thereby attend to one of their major responsibilities to Community Development.⁵⁴

4.2.3. Community Responsibility

As far as community responsibility is concerned, the group is aware of its social responsibilities to the communities of those countries in which the company operates. Sun International contributes toward educational, social, sport and environmental projects

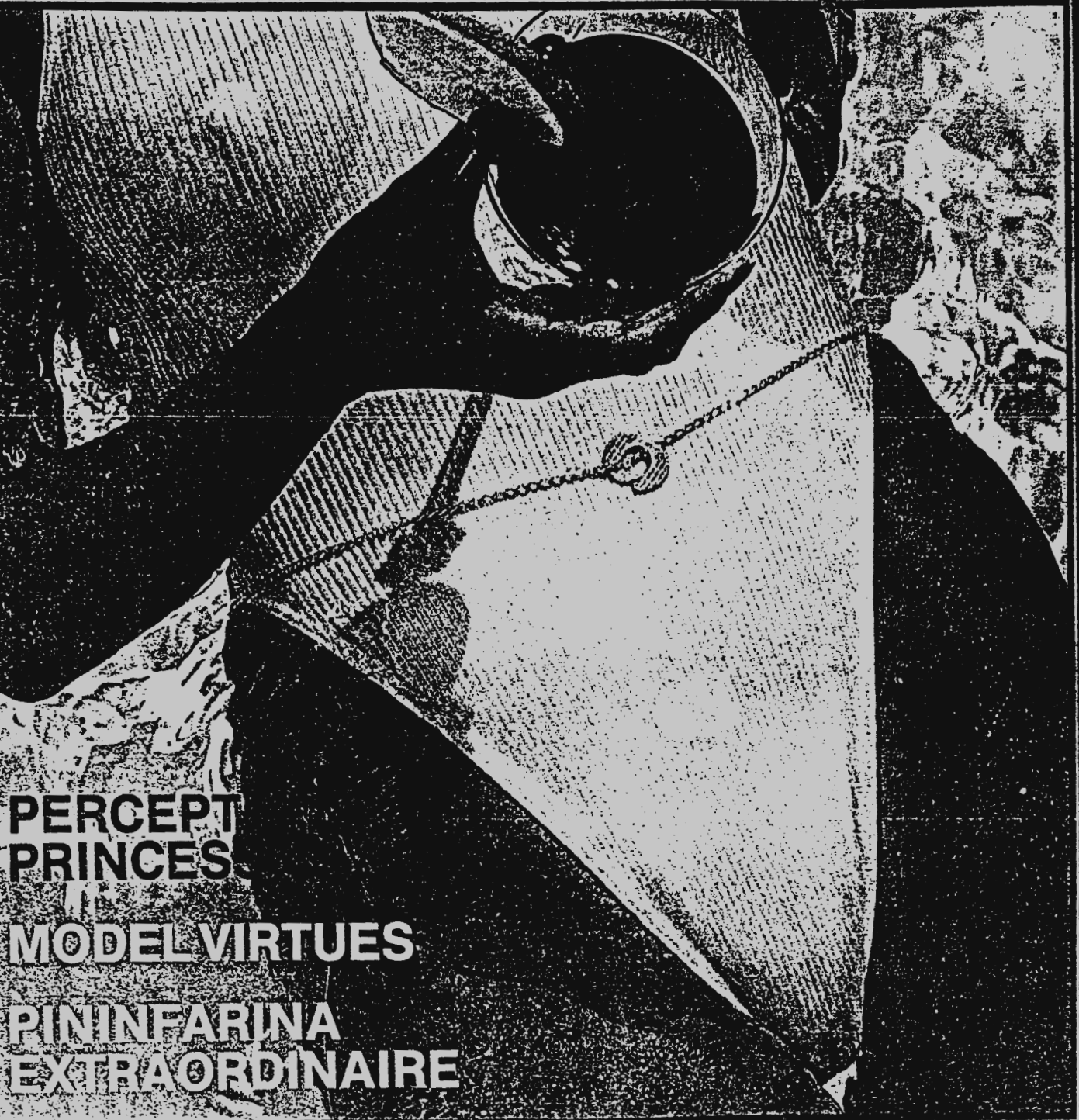
(refer Chapter Five, Sections 3.2. and 3.3.: Environmental and Social Impacts).

In addition, in a more economic gesture, and with reference to Sun International's provisions purchasing policies; Sun International buys as many items as possible, if they are available, in the countries in which they operate. The policy of Sun International is that if the local suppliers have the goods required, and the price is competitive, Sun International will support them (sometimes Sun International is compelled, by virtue of permit systems, to buy inside the country). Unfortunately, and in most instances, it is not possible for Sun International to locally locate the items that they require. Few of the local producers are geared to supply the casino complexes (even in the RSA, many of the industries are unable to sufficiently supply the complexes). Local producers (Bophuthatswana) have complained that Sun International's demands, particularly with regard to foodstuffs, are difficult to meet. Sun International, however, stands firm in their demand for quality produce, and their major considerations remain:

- whether the product is available;
- the quantity in which it can be supplied (bulk = better price);
- the quality of the goods to be supplied;
- price;
- if the supplier can provide the product on a regular basis.

In general, however, Sun International purchase whatever they can on a corporate basis. Through Head Office, a contract will be negotiated with a supplier for the different units and, thereafter, the hotels will place their own orders as they see fit. All goods carrying the Sun International logo are purchased from Head Office in Johannesburg. Another, more important, reason for corporate purchasing is in order to maintain certain standards across the different hotels, in particular when purchasing for the five star hotels.⁵⁵

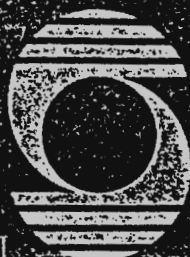
EXCELLENCE



**PERCEPT
PRINCES**

MODEL VIRTUES

**PININFARINA
EXTRAORDINAIRE**



VOLI N°1

R3 GST excluded

Figure 13
Page 65

4.2.4. Standards

As far as standards are concerned, the objective of the group is to provide the highest possible standards of accommodation, cuisine, entertainment and service to its clientele. There is therefore extensive commitment to continual staff training programmes which are designed to "maintain a motivated and efficient workforce" (refer Section 4.2.2.: pp. 55-63 Employment and Training Policies).⁵⁶ Similarly, these same high standards have a vital application to the Marketing Department of Sun International.

4.2.5. Marketing

With regard to marketing; the emphasis of Sun International is on creative, visual marketing programmes, with the intention to continually expand the market.⁵⁷ There is a very recognizable 'Sun image', which is promoted by way of glossy photographs; projecting a very sunny, sensual image with universal appeal. (Fig. 13: p. 65)

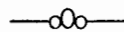
The Marketing Department of Sun International, which operates from Johannesburg, advertizes their destinations, facilities and services formally in magazines and on the radio, and informally where Sun International has a high social profile. The objective of Sun International's marketing is to keep things exciting all of the time; not only for the people enjoying the facilities, but for those reading about these happenings at the resorts in the media to ensure that people always associate excitement with Sun City. Essential to this concept of creating excitement, is to space the promotions and to maintain the momentum once the excitement has been created. Stabinsky illustrated this aspect by drawing a parallel with the performance of a car: if you let the car slow by taking your foot off the pedal, to get it back up to a hundred kilometres an hour is very costly. It is therefore important to maintain the momentum of the car, and the excitement of the casino complex at its optimum; not to ever let the exciting momentum slide. Stabinsky added that this was of particular importance during the downturn of the economy; that marketing becomes crucial during this time and full use must be made of imagination to

create new events (particularly) when there has been a rapid decline in the arrival of international superstars because of the political (anti-apartheid campaign United States) and economic situation (RSA: weak Rand).⁵⁸ Marketing and the accurate assessment of peoples' motivations, of their target markets, has therefore become increasingly important. Sun International's future prosperity, in this respect, will depend on the company's ability to adjust fast enough to changing customer needs and wants; which are prone to change faster than the product itself (the Demand Element is discussed in greater detail in Chapter Five, Section 1.).⁵⁹

In keeping with this theme of creating excitement, the final policy or philosophy which Sun International pursues is that of Kerzner's concept of 'fun'.

4.2.6. Operating According to Kerzner's Concept of Fun

Sun International operates according to Kerzner's concept that people want to have fun; that everybody enjoys being entertained and it is the "capacity of an organization to meet these needs that finally determines the size of the market."⁶⁰ The environment, facilities and standards of the various casino resorts are all directed towards this goal of fun and entertainment creation.



Chapter Five analyzes the impact of the Bophuthatswana casino complexes on their respective communities according to the MATCOMCASINO Theory.

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CHAPTER FIVE

Matcomcasino

Chapter Five: Matcomcasino

This chapter follows the framework of Mathieson and Wall (1982), with analysis of the empirical information according to the MATCOMCASINO Theory. (Fig. 1) The framework includes:

- 1) the Dynamic Element: comprising the demand, needs and motivations of the tourists, and the factors constraining their visits to the casino complexes;
- 2) the Static Element: comprising the characteristics of the tourists and the destination (the casino complexes); the carrying capacity with reference to the interaction between tourists and destination is discussed in;
- 3) the Consequential Element: the emphasis of this thesis is on this aspect, which includes the Economic, Environmental and Social Impact of the casino complexes on the destination area, and the role of the complexes in the development strategies of the newly independent state.

1. The Dynamic Element, Demand: Motivations, Needs, Marketing, Constraints

The Dynamic Element, or demand factor, as aforementioned, refers to the motivations and needs of the tourists to travel, and the marketing strategies of Sun International to prevent factors, which may constrain the tourists from venturing to the casino complexes.

The research conducted in 1984-1985 revealed a persistent, and consistent, demand for the casino complexes in the newly independent states. The 'push' and 'pull' factors associated with tourism demand were very apparent in all cases: the 'push' factor being the desire of the tourists to escape from the reality of urban living and the economic recession. The numerous 'pull' factors comprise the diverse tourist attractions, the easy accessibility, close proximity and lack of frontier formalities. Perhaps one of the most important 'pull' factors has been that of the existence of casinos (specialized export) across the 'border' from a country of puritanical bond: the casinos offering all of the facilities prohibited in the tourism generating country (RSA).

Figure 1

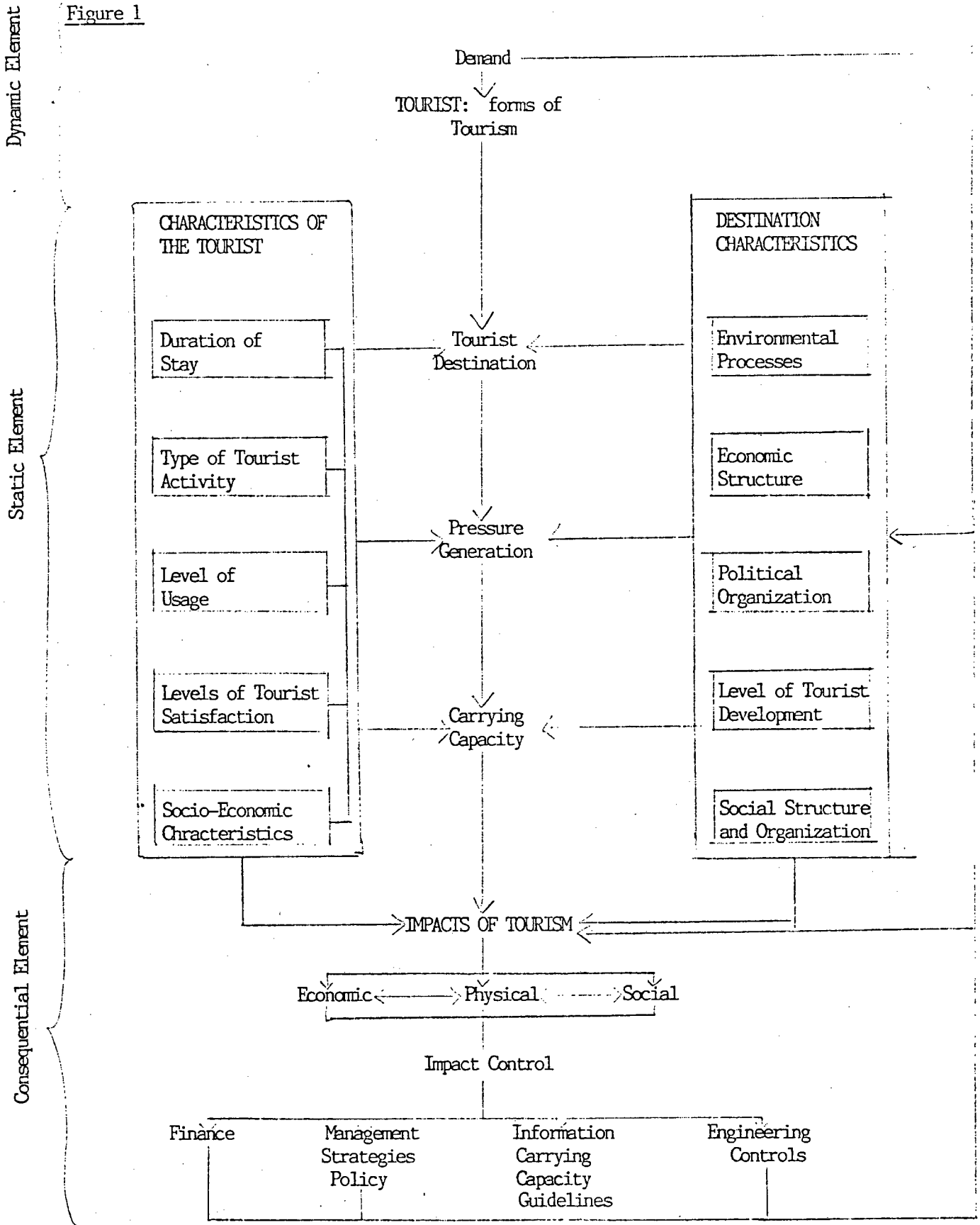


DIAGRAM: A CONCEPTUAL FRAMEWORK FOR TOURISM (Mathieson and Wall, 1982: p. 15)

The demand for tourism depends on the motivation of the individual to travel to a particular destination. The 'motivation' to travel, may be in search of "food, water and shelter ... (ranging to) ... sheer pleasure."¹ In the informal interviews carried out at Sun City and Mbabatho Sun (1984-1985): the latter motivation was the most applicable. The motivations of the tourists to frequent the casino complexes were found to be primarily to gamble (over-riding reason amongst both residents and day trippers), and to enjoy the facilities with other people. Cultural and environmental motivations were minimal. These motivations to go to the casino complexes were relevant to all racial groups.

As a major source of 'pleasure', the casino complexes fulfil the needs of many South African tourists. A 'need' is defined as "an internal condition that arises from the lack of something which, if present, would tend to further the well-being of that individual."² The presence of the casino complexes enables the South African tourists to do what they cannot do in the Republic, as for example gamble in the casino, mix with other races at all levels prohibited in the RSA: see pornographic films, attend concerts of celebrated international artists and enjoy various sporting facilities. Gambling, in particular, fulfils the needs of people by providing a form of 'psychic' income, which is derived from the risk, and excitement, involved in a game of 'chance'.³ Gambling is said to be the "microcosm of life" - "the edge," which "centralizes the diverse elements of life."⁴ Other needs which are fulfilled by gambling include the recognition received by gamblers (their egos' pampered by casino personnel and contemporaries when they are spending, or losing, their money); their need to relax, have fun and escape from their problems and loneliness, where one of the casino complex's advantages is their appeal to many people of diverse backgrounds (because of the spectrum of activities offered).⁵

The marketing strategies of Sun International (refer Chapter Four, Section 4.2.5.:

pp. 66-67) have also played a considerable part in converting suppressed into actual, or effective, demand for the casino complexes. Sun International advertizing, as aforementioned (refer p. 66), has also increased during the downturn of the economy in an effort to overcome the factors constraining tourist arrivals: i.e. shortages of money, energy, political instability and/or better priced substitutes for tourism.⁶ As a result of these constraints, there has been a tendency in the RSA toward shorter vacations and weekend excursions; both of which are still much suited to the casino complex developments.⁷

Factors which will hopefully ensure persistence of the demand factor, despite these constraints, will be:

- the strong dollar discouraging international tourism by South Africans;
- the psychological effects of recessionary living, which encourage people to want to get away;
- increased promotion by the South African Tourism Board in conjunction with major hotel groups; package tours and special low price offers;
- narrowing wage differentials between 'black' and 'white' populations of the RSA: the increase of disposable income for black families in particular.

Additional characteristics of the tourists, and the demand factor, are now discussed with reference to the Static Element.

2. The Static Element

The Static Element comprises the characteristics of the tourists (2.1), the destination (2.2) and the interaction of these two factors with respect to the carrying capacity of the casino complexes (2.3).

2.1. Characteristics of the Tourists

Tourists to the casino complexes comprise a wide cross-section of people from all socio-

economic groups; mainly emanating from the RSA, the FwW area (tourism generating centre). One of the main assets of the resort developments, as for example the Wild Coast Sun and Sun City, is their appeal to many people of diverse backgrounds because of the wide spectrum of activities and facilities offered. The capital hotels (Mbabatho Sun, Venda Sun, Amatola Sun) are primarily frequented by commercial travellers (many conferences held during the week), the locals, and local government officials during the week. Both the capital and resort hotels are visited by South African and local families for their wide range of recreational facilities over the weekends. In the case of the Mbabatho Sun, 95% of the visitors are said to be South Africans and 5% international. In the case of Sun City, one to three million people pass through the gates of the complex per annum, and of these, 97.5% are South African and 2.5% foreigners (international). Of the visitors to Sun City, 40% are residents (average length of stay two and a quarter nights), and 60% are day trippers (few hours); 60% of the day trippers being South Africans and 40% local people. Day visitors arrive by car and by bus. Car arrivals, in 1984, ranged from 39 026 in the month of January to 33 209 in June 1984.⁸ Busing has also provided a particularly important market for the casino complexes as it brings customers during the slow periods. Rand Coach Tours (Sun International: vertical integration, refer p. 49) brings approximately 4583 passengers per month. These passengers, at a cost of R16.70 per person, spend R75.00, on average, per day, and bring R4 124 700 per year. On average, the bus passengers come to Sun City once a month, and most are over the age of 40.⁹ It is projected that by the end of January 1986, 225 000 people will go to Sun City on the daily bus service.¹⁰

The stay of the tourists, therefore, ranges from a few hours to a few days, and there is a consistently high usage of the casino complexes despite the recession. The casinos have proved to be relatively recession resistant; the gaming industry usually reacting last to recessionary and inflationary conditions: as in "highly inflationary economic environment(s), paper money rapidly loses its purchasing power, in effect taking on the psychological ... /78

psychological characteristics of play money."¹¹

The second aspect of the Static Element, the characteristics of the two destinations, Sun City and Mbabatho Sun, are now considered.

2.2. Characteristics of the Destination

The Bophuthatswana casino complexes of Mbabatho Sun (capital hotel) (2.2.1) and Sun City (resort and rural hotel) (2.2.2) are located in the Mpolo and Mankwe Districts of Bophuthatswana respectively. The economic bases of the two communities are still developing: Mogwase more than the Mbabatho-Mafikeng area due to the declaration of independence, and proclamation of Mbabatho as the capital, with associated commercial and industrial expansion. As a result, the economic base of the Mbabatho-Mafikeng area is more diversified. Both communities, however, are characterized by acute unemployment problems (Mogwase in particular), and are predominantly populated by women due to the persistent South African migrant labour situation. These communities, nevertheless, remain potential areas for earning a living and the population settles and/or expands according to the job opportunities available. The casino complexes, as one of the key export industries within these Bophuthatswana communities, provide export, or basic, employment and income, and contribute to their economic bases accordingly.¹²

The casino complexes are integrated (resort: Sun City) developments, being of a self-contained disneyworld type, in the case of Sun City, which cater to a mass demand. Where tourism requires a viable tourist base, an 'anchor', on which tourism development can be built; the casino complexes successfully fulfil this role.¹³ According to the 'shopping centre principle'; in order to have a successful shopping centre, an 'anchor store' "with sufficient drive and potential to ensure a basic flow of customers," is required.¹⁴ The casino complex, as the 'anchor store', or more specifically, the 'attraction' (meaning something interesting and unusual to do¹⁵) will constantly attract

thousands of tourists. Thereafter, it is anticipated that individual stores/tourism developments will be attracted to the centre, and thereby contribute to various complementary aspects of the service sector. All of these facilities in turn will generate employment, income, taxes and return on investment.

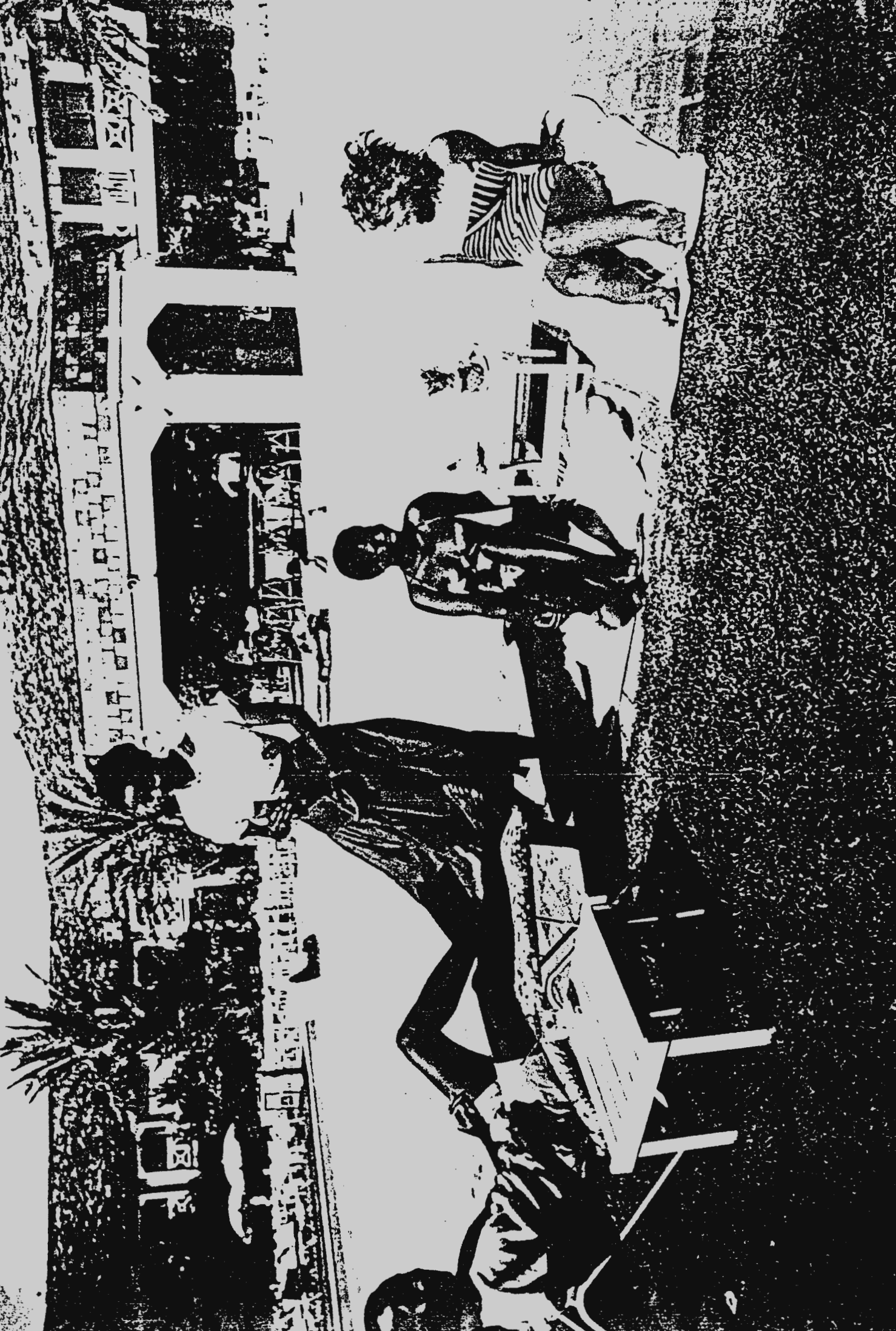
In this context, the casino operations are considered businesses like any other and are paralleled with supermarkets, which require mass consumption in order to offset the great scale of investment. Like a supermarket sells goods, the casino sells playing hours, and simply takes a percentage commission from the sale.¹⁶ Unfortunately, the aspect of complementary 'stores', or other tourist facilities, being attracted to the area has been slow to occur. In the case of Sun City, there are two major hotels in the area but as yet these developments are not representative of a fully integrated, inter-dependent tourist system.

The 'anchor', the casino complex, has thus provided the mainstay of the tourism operations for the state, with the public and private sectors being the shareholders in these tourism ventures. The 'anchor' for the Mmabatho-Mafikeng area is the capital hotel-casino of the Mmabatho Sun.

2.2.1. Mmabatho Sun

The complex is central to Mmabatho and Mafikeng, as was the wish of President Lucas Mangope. The Mmabatho Sun serves as a meeting place; for not only members of the government, but for the prospective investors in the region who require accommodation, restaurant and recreational facilities. (Fig. 2)

The Mmabatho Sun has a four star rating (by both South African and Bophuthatswana standards), and consists of a hotel (126 rooms, 20 chalets, 4 suites) and a casino. The complex is three kilometres from Mafikeng on route to the Botswana Lobatsi border, and 282 kilometres



from Johannesburg. The Mbabatho Sun occupies approximately 20 acres on which the sporting facilities include: tennis courts, a volley ball court, swimming pools and a jacuzzi. The complex has a main restaurant, the 'Lekhala', the 'Weaver's Coffee Shop', the Lucas Mangope Conference Centre, two bars, a cinema and curio shop.

The hotel opened December 9th, 1977; in time for the Bophuthatswana independence celebrations. The average occupancy rate for June 83-84 was 82.8%, one of the highest for the hotel group.

The second planned hotel-casino complex for Bophuthatswana, and the brainchild of Sol Kerzner, was Sun City.

2.2.2. Sun City

The Sun City complex consists of three hotels: the Cascades (5 star), the main Sun City Hotel (5 star), and the Cabanas (3 star), which totals 867 rooms. The complex is 150 kilometres in circumference and is situated in the valley of the Pilanesberg Mountains, 167 kilometres from Johannesburg and 44 kilometres from Rustenburg.

Sun City developed through four phases. The First Phase consisted of the building, or incorporation of:

- 340 rooms, de-luxe and suites;
- the casino and slot machines;
- the theatre, which seats 630 people (Extravaganza);
- the country club, consisting of the golf course, tennis courts (6), 3 squash courts, and a health club fitted with a jacuzzi and sauna;
- the restaurants, a la carte and self service: 'Raffles' (casino), 'Calabash' (main foyer, open 24 hours), 'Silver Forest' (main foyer), 'Sun Terrace' (breakfast buffet, lunch), and 'Fast Food' (Sun Terrace);

- two discotheques: 'Aquarius' (over the foyer) and 'Raffles' (casino).

The phenomenal flow of tourists to the complex brought Phase Two forward earlier than expected. Phase Two was opened in December of 1980. The aim of this phase was to increase the sporting facilities, and to supplement accomodation at Sun City and included:

- the building of the cabanas: 284 rooms, 140 luxury, 144 standard;
- the building of the man made lake: 750 metres in size;
- the 'Morula' Steakhouse (Cabanas) and 'Palm Terrace' (Cabanas) and the bars: 'Pool Bar', 'Boathouse Bar', 'Palm Terrace Bar' and 'Waterworld Bar';
- the boathouse and waterworld sporting facilities on the man made lake.

The aims of Phase Three were for the complex to attain a town status; with a post office and bank in the Entertainment Centre, and to cater for the additional conference facilities required. Phase Three was completed in July of 1981, and the new Entertainment Centre was opened by Frank Sinatra. This phase included (all in the Entertainment Centre):

- the Superbowl; to seat 7000 people for superstar shows including the Million Dollar Tennis Tournament, roller and ice-skating;
- the placing of the slot machines in the Entertainment Centre and hence a second gambling facility and Bingo Centre;
- seven conference rooms: 'Pilanesberg', 'Cheetah', 'Linx', 'Impala', 'Sable', 'Eland', and 'Leopard' catering for 1200 delegates;
- additional bars and restaurants: 'Flamingo', 'Goldies', 'Annies', 'Squire Village', 'Saloon Bar', 'Fast Food Bar';
- the 'Imax' cinema and 'Galaxy Show Bar'.

Also part of the Entertainment Centre are the independent concessionaires, who do not fall under the management of Sun City as for example, the CNA, Schwartz Jewellers, the three cinemas.

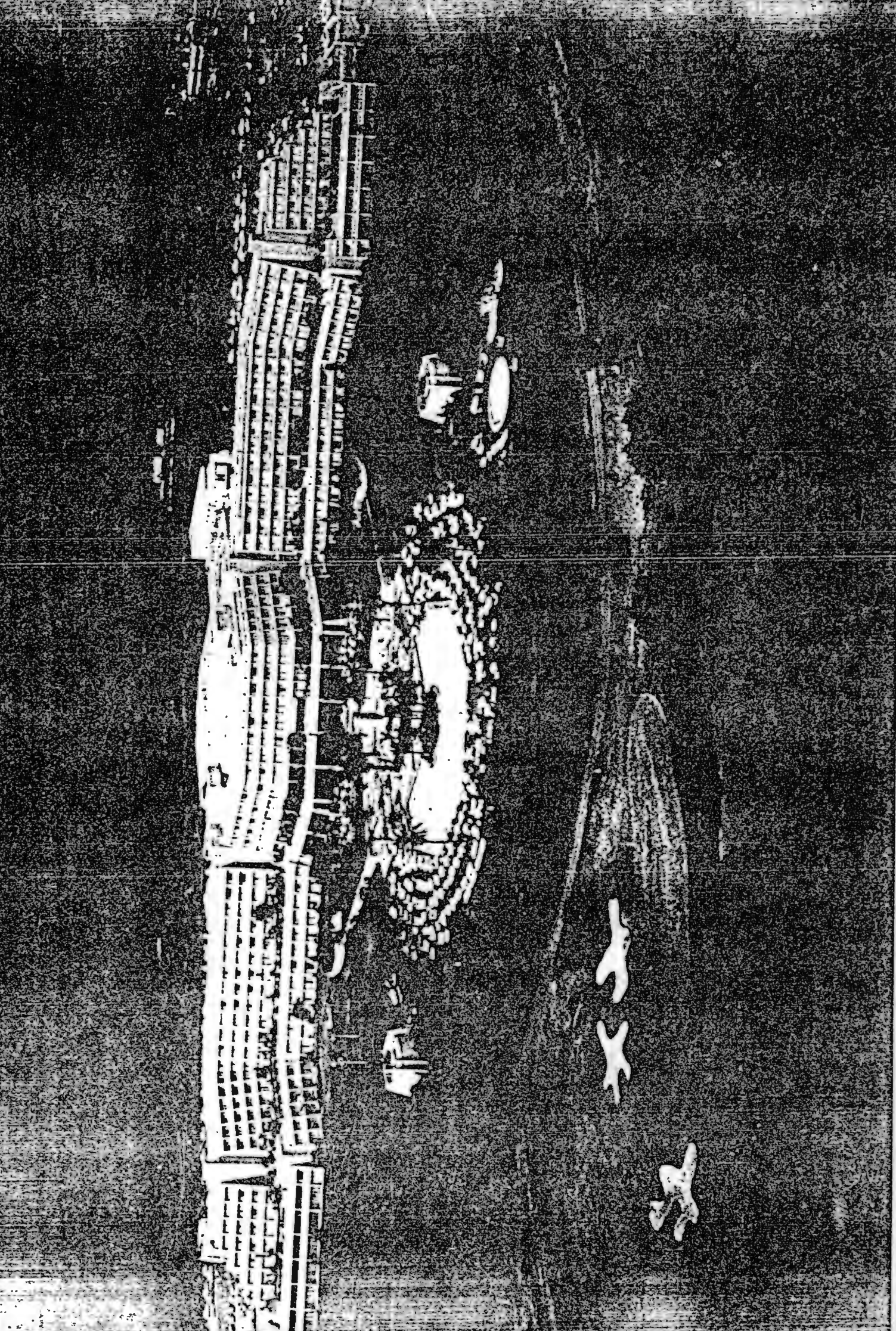
Phase Four was built as a result of the increasing demand for accommodation. This phase was also to cater for the guests attending conferences in the Entertainment Centre, in particular. Phase Four, which was completed December 14, 1984, included:

- 243 rooms and new convention facilities;
- restaurants: the 'Peninsula' and 'Grotto', and 'Fig Tree Coffee Shop';
- the 'Vista', 'Grotto' and 'Cocktail Bars'.

With the completion of Phase Four, Sun City was valued at R195 million.

There were important differences between these four phases of development of the complex, and the hotel accommodation provided. In the first phase; the Sun City Hotel was built, which, as aforementioned houses the casino and slot machines. (Fig. 3) The main hotel was to attract a set clientele; predominantly the gamblers who wished to be near to the casino, and for families, as many of the family facilities have been concentrated in the main hotel. Day visitors were to use some of the facilities of the hotel, such as the slots area and the restaurants. Kerzner explained this first phase as: "In planning Sun City, ... , we thought that if we could come up with a really exciting concept, we could expand the market. We chose a site in the middle of the African veldt near Johannesburg, and told the architect to develop a dramatic structure that would incorporate an African theme and complement the environment. On the inside, we wanted to create a total fantasy that would leave our guests gasping. The same thinking was behind the rest of the development, including the theatre and the golf course, where we planned the biggest tournaments in the world. We decided that it would be fantastic to build a lake in the midst of the dry veldt and then surround this whole development with a game park, which we convinced the government of Bophuthatswana to develop."¹⁷

Kerzner then provided his reasons for the development of the second phase by saying: "Within four months of opening, we started the second phase and again did something unconventional. We built little bungalows with no public facilities, little service



and a nice low price tag. The philosophy was to draw the fullest possible spectrum of people, and not confine our marketing to a narrow sector. Then we built an enormous, self-contained entertainment centre separate from the hotels."¹⁸ In the second phase, the Cabanas were therefore created. The Cabanas have become the family oriented part of the Sun City complex development, slightly cheaper than the other two hotels, and offering better family rooms. The Rooms Division Manager of the Cabanas believed that the reasons encouraging people to stay at the Cabanas were 50% for financial reasons, 30% for family reasons, and the rest for the Cabanas themselves. The Cabanas were to cater for the mass market, and receive the majority of the day visitors; as with the payment of a nominal fee, day visitors may have a locker and use the pool area, restaurants and waterworld facilities.

The Entertainment Centre was then built as part of the third phase in order to stage indoor events, and to augment the conference facilities of the complex. The conferences are of particular importance as there is "nothing more perishable than a hotel room night," as "when it is allowed to remain empty, the revenue lost that night cannot be retrieved."¹⁹ In addition, it is essential for the casino business to build volume, and one of the most enduring methods of doing so is by way of conventions. Conferences, therefore, fill out the down periods, the slow months, and the convention business stabilizes the seasonal variations in the hotel business.²⁰ For many hotels, the conference market is their bread and butter, as in the case of Sun City, where peak conference periods fill Sundays to Thursdays, and tourists fill the weekend allocation of rooms. Other advantages of the conference business are that people go to the resort at the firm's expense, and do not spend their own money. This gives the hotel the opportunity to 'showcase' itself, and where many return of their own accord later. The congress market is also not affected by the weather, which is traditionally a decisive factor for most tourists to travel.²¹ The Sun City complex, in particular, offers one of the finest conference facilities in the world, catering for up to 2000 people (in

Superbowl), and offering a wide variety of audio-visual facilities as for example lasers and sound effects.

In the fourth phase, the Cascades were created. The Cascades Hotel is representative of the up-market hotel of the complex and where it is still a novelty for most to stay there; to enjoy the gardens and waterfalls. According to the Guest Questionnaires, people commented that they 'felt more individual' staying at the Cascades. There are neither slot machines in the lobby, nor partitions in the rooms (for children). As a result, the hotel attracts a more adult clientele. Day visitors can only use the bar.

During these four phases of development, the various social facilities for the staff were also augmented, as for example the creche (for the children of the staff only), the medical services (for staff only: a nursing sister 24 hours of the day and a Doctor once a week from Rustenburg) and the Sports and Social Club. The Sports and Social Club is responsible for many of the staff facilities and activities offered at Sun City: from the pub for the Senior Staff (which largely finances this club: grosses R40 000 per month and profits from bar pay for all sports and social facilities) to the creche, the BMX track and, most importantly, the Club House and sportsfields. The Sports and Social Club is largely responsible for the various recreational activities which take place for the staff at the complex; from the inter-departmental football games and the Bophuthatswana National Football League, to the rugby and cricket tours.

Sun City therefore operates as a small town; with its own infrastructure as for example: post office, bank and retail facilities. The Sun City resort opened December 7th, 1979. The average occupancy rate of the main Sun City Hotel, for 1983-1984 was 81-82%, as opposed to 79% for 1984-1985.

The interaction between this destination area, and the tourists is now discussed with

respect to the question of carrying capacities.

2.3. Carrying Capacity: Interaction between Tourist and Destination

The final aspect of the Static Element, the carrying capacity of the Bophuthatswana casino complexes, refers to the "maximum number of people who can use a site without an unacceptable alteration in the physical environment and without an unacceptable decline in the quality of the experience gained by visitors."²² The "economic, physical and social sub-systems of the destination area have carrying capacities and the magnitude and direction of the tourist impact is determined by the tolerance limits of each."²³ The carrying capacity levels are thus determined by the interaction of the characteristics of the tourists, the destination area and its population.²⁴

The research revealed that the interaction of the characteristics of the tourists and the destination area, was found overall to be positively balanced due to the encapsulation of the casino complexes. The tolerance limits, in most cases, of the casino developments have not been exceeded and therefore the effects of tourism may be considered to be generally positive. In the case of Sun City, the largest of the resort complexes, the carrying capacity, at times, has been pushed to the limit; particularly during superstar concerts. At Sun City, there has also been minimal local participation of an economic nature (economic carrying capacity: ability of the complex to support all tourist functions, without destroying the possibilities for local entrepreneurial participation); most of the retail outlets being owned by South African Holding Companies (75.75%), and to a lesser extent the management of the hotel (9%) (refer Appendix B, Question 4). However, with reference to the environmental (environmental carrying capacity: the ability of the natural and historical environment to withstand tourist intrusions) and social carrying capacities (social carrying capacity: the tolerance levels of the local people and their ability to withstand the presence and behaviour of the tourists); the encapsulation of the casino complexes has largely prevented these tolerance levels from being ... /88

being exceeded. This aspect, of the carrying capacity of the casino complexes; the economical, environmental and social impacts are discussed in greater detail in the next section: the Consequential Element.

3. The Consequential Element: Economic, Environmental, Social Impacts

The interaction between the tourists and the casino complex facilities offered, result in a variety of impacts in the host country. These impacts are discussed with reference to Bophuthatswana in particular. The economic impact concerns the monetary costs and benefits from use of the tourism facilities (3.1). The environmental/physical impact includes the modifications to the natural, or man made, environment by the people (3.2). The social impact, refers to the alterations in the way of life of the local people of the destinations (3.3).²⁵

The impact of each of the casino complexes will be distinct for the different states, depending on the carrying capacity levels applicable: the impact of the complex in Bophuthatswana (Sun City) and Transkei (both resorts) being greater than in Venda and Ciskei (both capital hotel-casino complexes), because of the magnitude of the complexes. According to general tourism research and theory; the benefits of tourism are usually associated with the economic aspects thereof, whilst the costs are associated with the physical and social impacts. In contrast to this, the findings of this research revealed that one of the greatest benefits of tourism and the casino complexes, to the newly independent states, has been the significant improvement in the standards of living of those people associated with the complex.

3.1. The Economic Impact

The economic characteristics and impacts have been both positive (3.1.1) and negative (3.1.2). In the final analysis (3.1.3), the economic impact of the casino complexes was found to be positive. The positive characteristics and impact are discussed first.

3.1.1. Positive Economic Characteristics and Impact

The predominantly positive economic characteristics and impact, of the casino complexes, refer to the stimulation of the growth of the community (Mogwase community) by virtue of tourism being an export industry and prime mover of the local economy (3.1.1.1); the foreign exchange earnings received by the Bophuthatswana Government and BNDC (3.1.1.2), the creation of income and jobs (3.1.1.3) and additional job creation by virtue of the local entrepreneurial activities encouraged (3.1.1.4). One of the more positive ripple effects of the casino complex developments (3.1.1.5) was found to be the creation of infrastructure, the use of which has been generalized to the region as a whole, and stimulated development accordingly (3.1.1.6).

3.1.1.1. Growth of Minetown Community: Parallel with Sun City Export

With particular reference to the community of the Sun City-Mogwase area, it is postulated by the researcher that this community has grown in a similar fashion to the Minetown Community (as described by Tiebout); its growth being stimulated by a single export industry.²⁶

Prior to the Sun City development, the Sun City-Mogwase area was predominantly rural; with little development and few employment opportunities: before the "Minetown community (Sun City community) existed the income stream (was), naturally zero - a dry riverbed."²⁷ Mogwase, better known as Hystekrand (17 kilometres from Sun City) had been identified as the potential capital of Bophuthatswana. Due perhaps to the predominance of the Bafokeng Tribe in the area, and the greater support for President Mangope in the Mafikeng area, Mmabatho became the administrative capital instead. An industrial capital was then required and the choice was between Mogwase and Phokeng; Phokeng being the more logical choice due to certain factors already in existence: infrastructure, its proximity to Rustenburg and the border industries nearby. It was the desire of Kerzner for the Mogwase area which was the deciding factor; the Phokeng area being considered unsuitable for

a Sun City development as the location did not have the scenery of the Pilanesberg-Mogwase area.²⁸

The copper mine, or Sun City, is then discovered, or developed, and ore, or the tourism product, is exported. Remuneration is received by the exporting company, or casino complex, and shared equally between the host country (Bophuthatswana Government and ENDC) and the generating country's private sector, Sun International. Payments are made for the machinery for the mine, or operating imports, for Sun City. The situation of the community remains constant until some suppliers begin to move to the immediate area (either having established a stable local demand or due to the import permit system) to supply the mine, or casino complexes, directly. The "income stream swells as more dollars," or Rands, change hands and the community grows.²⁹ There are leakages as the suppliers still pay for the goods purchased, or operating imports, but a considerably greater amount of money is retained in the community than before.³⁰

The underlying theme of the Economic Base Theory, therefore, is that the growth and expansion of an area is dependent on the demand for exports; in particular the demand for a specialty item, and thereafter the spread effects of this export sector.³¹ The community will specialize in the export of a commodity which other communities will purchase, as for example iron ore or the casino complex. The export specialty and demand, in this case, is for the casino complex; the demand forthcoming from South African and international tourism generating countries. Sustained growth of the community, thereafter, will be dependent on the ability of the exporter to shift resources to the dictates of the market; the capacity of the company to transform the product according to market trends (refer Marketing: pp.66-67).

This export specialty generates extensive foreign exchange earnings, which are now referred to.

3.1.1.2. Foreign Exchange Earnings

Tourism, thus, is a vital, invisible export industry and the tourists have brought extensive foreign exchange earnings (Rand classified as foreign exchange for newly independent states), which are welcomed by the newly independent state hard pressed for revenue for development projects. These foreign exchange earnings relieve the shortage of financial resources constraining economic development.³²

The essential funds received by the Bophuthatswana Government and BNDC include:

a) Taxes: Direct Contribution Bophuthatswana Government: 1984-1985

Casino Licence: 15% of casino turnover

Casino Tax: (5%) Mmabatho Sun: R1 million

Sun City: R9 million

Corporate Tax: (40%) Mmabatho Sun: R1 850 000 (1984)

Sun City: R6 million

Income Tax: Mmabatho Sun: R23 115 (Feb 85) R36 193 (March 85)

Sun City: R327 000 (Dec 84) R198 000 (Jan 85) R342 000 (Feb 85)

Liquor Licence: 1.5% of beverage turnover

Non-Resident's Shareholders Tax: 15% (double taxation agreement RSA)

Visiting Artist's Tax: Sun City only: 50% of winnings in excess of R25 000 and stay of less than 2 weeks (International Double Taxation Agreement)

b) Indirect Contribution Bophuthatswana Government: 1984-1985

Wages Paid: Mmabatho Sun: R173 552.00 (Feb 85)

Sun City: R1 558 305.49 (March 85)

BNPF: (reduced social charge) Mmabatho Sun: R9 459.00 (March 85)

Sun City: R58 921.90 (March 85)

U.I.F.: Mmabatho Sun R1 209.00 (March 85)

Sun City R9 312.56

Bop Bonds: Sun City outlets (3) Jan 85 R21 506.00

Feb 85 R22 660.00

Mar 85 R71 706.00

(Monies forthcoming from bonds used for development projects)

c) Direct BANC Receipts: 1984-1985

50% of profits Mbabatho Sun: R1.5 million (1984)

50% of profits Sun City: R7 million (1984)

Funds used for other development projects.

Rentals for Mbabatho Sun (hotel property and staff accomodation) and Sun City (staff accomodation on site and Mogwase: Sun International owns Sun City building):

Mbabatho Sun R903 000 + Sun City R2 640 000 = R3 543 000 (1984)

d) Indirect BANC Receipts: 1984-1985

Funds derived from purchases from related industries or affiliates, as for example

BANC and Agricolor: meat and eggs (Mimosa Nest) from Mbabatho Food:

R4 356 315.63 (July 1984-February 5, 1985).

Sun International's share includes 50% of the profits plus management fees:

Mbabatho Sun: R1.5 million + management fees

Sun City: R7 million + management fees.³³

Income is also received by employees, and this aspect is referred to next.

3.1.1.3. Income and Job Creation

Income from the casino complexes is also received by employees; both directly (work in casino complexes) and indirectly (work for suppliers to the casino complexes, provide accomodation for employees.)

There has been an increased amount of money in circulation: a monthly injection of

funds into both communities (refer 'Wages Paid' p. 91). In July 1985, the average wage of the Sun International worker was R213, which was found to be competitive with general salaries offered in the area: more than most industries in the Sun City-Mogwase-Bodirello (Heavy Industrial) area (average R50-R100 per month vs AECI R315) and less than salaries paid to government employees and army personnel in Mmabatho-Mafikeng. Accordingly, the researcher made certain assumptions in order to provide a rough calculation of what the total injection of spending power into the local economy, and Bophuthatswana economy, would be as a result of the Sun City staff receiving a raise in July 1985. The propensity to consume was assumed to be very high - 95%. The income propensity of the local sales (monies/part of the sale remaining in the local economy, as local income) was considered to be very low, at 2%. Therefore, if income in the Sun City complex, for example, rose in July 1985 by R14 (R213-R199 = 7.5%), the multiplier for local consumption, with reference to Sun City employees would be as follows:

$$\text{Total income increase} = \frac{R14 \quad \times \quad 1}{1 - (.95 \times .2)}$$

$$\frac{R14 \quad \times \quad 1}{1 - .19}$$

$$\frac{R14 \quad \times \quad 1}{.81}$$

The multiplier value would then be = R17.28. The increased amount of money in circulation as a result of the July 1985 salary raise would then equal: R17.28 x 2327 Batswana employees at Sun City = R40 210.56. The original income change of R14 has been increased to R17.28; through the effect of the local consumption sector.³⁴ Therefore, as a result of the July 1985 salary raise, there was an increase of R40 210.56 in disposable income

for the Sun City-Mogwase area (but due to the leakage problem and inadequacy of retail outlets, most of this additional spending power would be received by retailers in Rustenburg).

These salaries are received by many thousands of employees. Where unemployment in Southern Africa is rampant; this creation of jobs in rural areas is a tremendous contribution. The casino complexes are very labour intensive, and can absorb unskilled labour rapidly. Both the jobs and the income generation for the communities are of a consistent, stable, nature as the casino complexes are not subject to the problem of seasonality (casinos attract tourists throughout the year). The Mrabatho Sun provides jobs for 466 (March 1985) and Sun City 2682 (March 1985); 388 and 2327 of these are jobs for the local people respectively (employment figures include only those employed on a full time basis). (Figs. 4 & 5) By virtue of the employment multiplier, and presence of an estimated six people per family, the beneficiaries of these figures total 16 290 people (due to direct employment), excluding the employment created by the suppliers to the complex. In addition, income effects and employment are closely related, where the most successful income generating casino complexes employ the most local people, as for example Sun City. Additional employment and income is also generated through the stimulation of local entrepreneurial activities.

3.1.1.4. Stimulation of Local Entrepreneurial Activities

With respect to additional job creation, by virtue of the stimulation of local entrepreneurial activities; the impact of the complexes has varied depending on the demands of the complex, the producers, suppliers and their abilities to meet these demands. The direct encouragement of local entrepreneurial activity refers to the creation of a demand for goods and services required for the casino complex (supplies to the hotel, staff and tourists) as for example a small Mogwase business making curtains for Sun City (3.1.1.4.1). Local entrepreneurial activity is stimulated indirectly through

Figure 4

<u>Staff Composition</u>	<u>1984 Figures</u>	<u>1985 Figures</u>
Europeans	84 (17.53%)	71 (15.2%)
Coloureds	4 (.83%)	3 (.6%)
Asiatics	3 (.62%)	4 (.8%)
Batswana	<u>388 (81%)</u>	<u>388 (83.2%)</u>
TOTAL	<u>479</u>	<u>466</u>

TABLE: STAFF COMPOSITION MMABATHO SUN 1984-1985

(Source: Mbabatho Sun Hotel: 1985)

Figure 5

<u>Staff Composition</u>	<u>1984</u>	<u>1985</u>
Expatriates (Whites, Zulus Coloureds, Indians, etc.)	612 (23.45%)	355 (13.23%)
Citizens (Batswana)	<u>1997</u> (76.54%)	<u>2327</u> (86.76%)
TOTAL	<u>2609</u>	<u>2682</u>

TABLE: STAFF COMPOSITION SUN CITY, 1985.

(Source: Sun City 1985)

the profits received by the Development Corporation, which loans money to local entrepreneurs to establish businesses (3.1.1.4.2).

3.1.1.4.1. Direct Encouragement of Local Entrepreneurial Activities

In the opinion of the researcher, the 'direct' stimulation of local entrepreneurial activities in Bophuthatswana has not been as significant as it could be. Within the casino complexes, this aspect has been limited; most of the companies or concessionaires being South African companies, or subsidiaries (75.75%), as demand patterns (according to management) have indicated preferences for South African and international goods. With regard to the stimulation of local entrepreneurial activities by virtue of the supply of primary products (agriculture) and manufactured products to the casino complex, this aspect has been particularly disappointing and is dealt with in the next section (Section 3.1.1.5: the Ripple Effects of the Casino complexes).

In the nearby villages, however, the small trade stores in the townships (Ledig, Saulspoort), and retail outlets in Mogwase and Mafikeng have benefitted from the presence of the Sun International workers; their steady jobs and hence income (which in turn offers a continual source of income for many of the traders), and the increased amount of money in circulation. Local entrepreneurs have had more capital to extend, build and/or diversify their stores. In Mmabatho-Mafikeng, greater use has been made of local businesses, or local supply, because of the inconvenience and, in certain instances, the price.

The local handicraft industry has also been stimulated considerably in the Sun City-Mogwase area; due mainly to the presence of Kyindu Curios, a curio shop in the lobby of the main Sun City hotel, which carries curios manufactured by Tswana Craft. The demand of this shop has been high and consistent. The supplying industry, 'Tswana Craft', is based in Mogwase and is run by two former Rhodesians who employ approximately six Batswana, and

encourage them to develop their skills and provide training. Another example of stimulation of the local handicraft industry is forthcoming from Kutlwanoeng, the deaf school. As part of the educational or training process, the students are encouraged to make handicrafts and do weaving. The school, thereafter, is given the opportunity to display and sell their products at Sun City, as for example, weaving and handicraft exhibitions. Handicrafts are also sold by independent craftsmen and women directly outside the gates of the casino complexes, particularly outside the Sun City complex, over the weekends. The local people establish a small scale linear market place along the road.

Additional encouragement of local participation in the casino complex economy is with reference to transport and accommodation facilities. At the Mmabatho Sun complex, the Porter of the hotel, Sam, provides a private taxi service for the use of the Mmabatho Sun staff (particularly those staff working late and early shifts), which is paid for by the hotel (R4000 per month). Similarly, in the case of Sun City; the Sun City taxi ranks have swelled considerably since the opening of the hotel in 1979, and the taxis have proved to be somewhat of a problem for the major alternate mode of transport: the bus services of RBS (Rustenburg Bus Service: serves Sun City area: 25% of trips via Sun City which accounts for 8-9% of total revenue) and BIH (Bophuthatswana Transport Holdings: Mmabatho Sun Area: hotel accounts for 1% of total revenue). The taxis have neither timetables, nor fixed fares and pass freely through the villages.

In the case of accommodation, there is no staff village for the Mmabatho Sun. Some accommodation (40 houses and flats across the road from the casino complex and in the former Mafikeng convent) is rented from the BNDC and BNPF, but the majority of staff reside in the township developments in the vicinity of the Mmabatho Sun. Some of the Sun International staff, therefore, rent accommodation from other community members, and thereby provide added income to their respective local communities. Similarly, in the case of Sun City, accommodation is provided at the complex for Senior Staff (400 serviced flats),

and there are 100 houses in Mbgwase for Junior and Senior Staff (originally 150 houses, but 50 released for sale to occupants). The majority of Sun City staff, however, have either acquired their own homes in nearby townships, or rent accommodation from other community members.

The factors which impede greater direct stimulation of local entrepreneurial activities, in both communities, include:

- the demands of the casino complex are, in certain cases (refer Section 3.1.1.5: Ripple Effects Agriculture: 3.1.1.5.1 and Manufacturing: 3.1.1.5.2), too great for the local entrepreneurs to keep up; the casino complex, as aforementioned, demands quality, quantity, efficiency of supply and pricing, which must be competitive with the Pw area's producers, and which is way beyond the means of many local producers (refer Chapter Four, Section 4.2.3. Community Responsibility: pp. 63-64);
- the lack of sufficient liaison between casino complex management and the local producers to find out in what way the two parties can help each other, although management does give the local entrepreneurs an opportunity to present themselves and their products;
- the lack of sufficient expertise and training amongst the local entrepreneurs;
- the BNDC, which could perhaps help in this regard; by training and reconciling the demands of both parties.

The issue of 'indirect stimulation' of local entrepreneurial activity is now referred to.

3.1.1.4.2. Indirect Stimulation of Local Entrepreneurial Activity

With regard to 'indirect stimulation' of local entrepreneurial activities, the research revealed that the BNDC was active in recycling the funds (from Sun International casinos to BNDC to development projects: some associated with the casino complexes) into small business development and local entrepreneurial concerns. In addition, and by virtue of

the casino complex and staff expenditure patterns, the BNDC has derived substantial profit from partnerships with supplying companies, as for example in Mmabatho-Mafikeng, the major wholesale and retail stores (eg. Metro Cash and Carry, OK Bazaars). The BNDC may in turn utilize these funds to stimulate more local entrepreneurial activity in Bophuthatswana. On a lesser scale to these major partnerships, local entrepreneurial participation in the casino complex economy has also been promoted by virtue of local entrepreneurs sharing in independent partnerships with the BNDC, foreign, South African and other local entrepreneurs. The objective of these partnerships has been for the local partners to realize total ownership in the near future. Examples of this were found in the shopping centres of Mogwase and Mmabatho-Mafikeng, and small businesses supplying the casino complexes.

As can be noted from Figure 7 (p. 38), the BNDC's small industry investment, according to their Provisional Development Budget for the Year Ending 31 March 1986, accounted for 1.20% of their total investment.³⁵ This investment, however, was found to be primarily directed toward the Mmabatho-Mafikeng area, as suggested above. The BNDC was not as active in the Mogwase area, in this regard.

The stimulation of local entrepreneurial activities, both directly and indirectly, is further discussed in the next section: the Ripple Effects of the Casino Complexes.

3.1.1.5. Ripple Effects of the Casino Complexes

As far as the more general supply is concerned, and more specifically the ripple effects of the casino complexes; this aspect has also been disappointing, and consideration is given to the primary (3.1.1.5.1), secondary (3.1.1.5.2) and tertiary (3.1.1.5.3) industries.

3.1.1.5.1. Primary Sector

In the first instance, the primary sector/agriculture, Bophuthatswana has been unable to consistently supply the casino complexes with most of the agricultural products required. The Bophuthatswana casino complexes have tried to support Agricor by virtue of their requests for fruit and vegetables, but demand quality, quantity, price and consistency of supply: demands which Agricor find particularly difficult to meet due to the country's state of underdevelopment. The complaints of Agricor have ranged from a lack of water (drought dealt severe blow to agricultural development) to insufficient infrastructure in general; as for example cold storage facilities and transport.³⁶ Nevertheless, Bophuthatswana has been able to secure the supply of certain products because of the initiative taken by Agricor, as for example in providing meat and eggs (Mmabatho Food Corporation: wholesale and retail functions mainly).

Stimulation of the Secondary Sector has been equally disappointing, and is now referred to.

3.1.1.5.2. Secondary Sector

With regard to the secondary sector/manufacturing, the demand from the casino complexes is said to be limited. There are two manufacturing companies successfully supplying the complexes at present: Argatex (BNDC Shareholding), which makes linen for the hotels and the second, a company in Babelegi, which makes uniforms. Recently, a third company, a small business in the Light Industrial Area of Mogwase, which makes curtains for the Sun City complex, joined the ranks of suppliers to the complex.

With reference to the processing of foodstuffs, the potential contribution of the Sun International hotels to the development of this sector is hampered by the necessity to import raw materials from the RSA, as for example flour for the bakeries in Selosesha. This imported component accounts for 99%, whilst the local input is 1%.

Stimulation for the small business sector, with reference to building and maintenance jobs, has been limited in the Sun City-Mogwase area as Sun City is largely self sufficient with their own Maintenance Department. The main benefit to the local people and local business is in the form of occasional on-site work for the Maintenance Department. Local businesses share in these maintenance ventures, and benefit accordingly, when their prices are competitive. The same situation is applicable to the Mmabatho Sun, although a little more is contracted out in the Mmabatho-Mafikeng area due primarily to the availability of the necessary skills (Mmabatho Sun also has own Maintenance Department).

In contrast to these Primary and Secondary Sectors, stimulation of the Tertiary Sector has been more promising.

3.1.1.5.3. Tertiary Sector

In contrast to the two preceding sectors, the casino complexes have had their greatest impact on the tertiary sector/services; the suppliers gaining from both the hotels' provisions purchasing patterns, and the expenditure of the local employees.

In the first instance, with reference to the general current provisions purchasing pattern, and as referred to in the previous section with regard to Sun International's purchasing policy (also refer Chapter Four, Section 4.2.3., Community Responsibility: pp. 63-64); the casino complex managements' endeavour to buy as much as possible locally and to support, for example, the local farmers and companies wherever possible, and economically feasible. In the case of the Mmabatho Sun, for example, high transport costs in particular force the hotel to buy products locally. The hotel management, however, find that in some cases it still remains more viable to buy directly from the Fw area, as for example bulk and specialized items (local wholesalers, eg. Metro Cash and Carry, and retailers do not carry exotic items required by the hotel). In addition, Mmabatho Sun purchasers find that their local suppliers tend to 'fade' as local farmers, for example, insist on

primarily planting crops that they can sell to their own people. Figure 6 provides the Current Provisions Purchasing Pattern for the Mbabatho Sun Hotel for the months July 1984 to March 1985: an incomplete financial year (June 1985).

The current provisions purchasing pattern for Sun City is provided in Figure 7: of the total monthly provisions (R1 100 000), food purchases account for 51% of the total. All suppliers, to both of the casino complexes from the RSA and Bophuthatswana, are flexible in their deliveries; delivering perishables on a daily basis.

In the second instance, the expenditure of local employees, the injection of funds at the end of the month, has been phenomenal. Suppliers, or retail outlets, have gained considerably from the staff employed at the casino complexes. The shops and shopping centres of Bophuthatswana, particularly in Mogwase and to a lesser extent in Mbabatho however, have been completely inadequate resulting in a considerable outflow of spending power to nearby Rustenburg, as for example in the case of Sun City. It has been only perhaps due to the distance factor to Rustenburg (44 kilometres which is too far for most of the local staff), that any shopping is conducted locally at all. The Mogwase shopping centre stocks a limited range of goods due to the small size of the store (reason given: when Sun City first built, the growth potential of the complex and area was doubted and the shops thought to be adequate³⁷). Nearby Rustenburg stores stock both the quality and quantity of goods required, and consumers benefit accordingly from the agglomeration of stores. As a result, most of the staff of the Sun City complex travel to Rustenburg to do their shopping, and the consumer markets are "shared" ("if nearby communities can provide the indirect consumer goods and services, the market will be shared ..."³⁸). Spending by Sun City staff, however, still takes place at Mogwase, and shopowners commented on the great buying power of the staff, which has encouraged some of them to diversify their premises (secondary benefit BND). Accordingly, the shops employ staff and provide income (tertiary benefit). Therefore, a measure of success, of a positive ripple effect,

<u>Product</u>	<u>Total</u>	<u>South Africa</u>	<u>Bophuthatswana</u>
Meat	398 550		398 550
Fish	132 850	132 850	
Fruit & Vegetables	140 000		140 000
Frozen Vegetables	8 600	8 600	
Dairy	166 000	33 200	132 800
Bakery	26 000		26 000
Dry Goods	201 000	180 900	20 100
Beverage Purchase	313 000	313 000	
Laundry	62 000		62 000
Print & Stationery	21 000		21 000
Music & Entertainment	117 000	117 000	
Kitchen Fuel	30 000		30 000
Paper Supply	18 000	18 000	
Menus & Wine Lists	7 000		7 000
Operating Equipment	80 000	80 000	
Tobacco	33 000	33 000	
Telephone Service	90 000		90 000
Bank Charges	12 000		12 000
Hotel Vehicles	21 000		21 000
Marketing	240 000	240 000	
Hotel Maintenance	346 000	276 800	69 200
Heat, Light & Power	190 000		190 000
Employees Transport	40 000		40 000
Employees Accomodation	250 000		250 000
Staff Wages	175 000	78 750	96 250
Staff Meals	<u>255 000</u>	<u>38 250</u>	<u>216 750</u>
TOTAL	<u>R3 373 000</u>	<u>R1 550 350</u>	<u>R1 822 650</u>
PERCENTAGE TOTALS		(45.95%)	(54.01%)

TABLE: CURRENT PROVISIONS PURCHASING PATTERN Mbabatho Sun 1985

(Source: Mbabatho Sun Hotel: 1985)

<u>Foodstuff</u>	<u>Bophuthatswana</u>	<u>South Africa</u>	<u>Total</u>
Meat & Poultry	R165 000 (MF)	R31 000 (A&N)	R196 000
Fish	R 7 000 (BS)	R41 700 (S)	R 48 700
Fruit & Vegetables		R25 000 (CF/V)	R 25 000
Eggs & Dairy	R 42 000 (MD/A)	R 3 000 (J/M)	R 45 000
Bakery		R17 500 (B/C)	R 17 500
Bulk Produce/Dry Goods		R23 000 (T)	R 23 000
Liquor	R 56 000 (UB)	R81 000 (DH)	R137 000
Sundry	<u>R 47 000 (TF)</u>	<u>R 6 500 (C/T)</u>	<u>R 53 500</u>
Total	<u>R317 000</u>	<u>R228 700</u>	<u>R545 700</u>
Percentage to each	58.09%	41.90%	

These figures are representative of a month's purchasing.

Abbreviations:

Bophuthatswana

MF = Mmabatho Foods

BS = Bophuthatswana Seafoods

MD/A = Mankwe Dairies/AGRICOR

UB = United Breweries (SAB Garankuwa)

TF = Tswana Foods

South Africa

A & N = A & N Foods

S = Seaworld

CF/V = Cashmir Fruit/Vegepak

J/M = Jolly ice cream/Marigold

B/C = Bonabak/Costa/de Kroon

T = Tongaat Foods

DH = Devonshire Hotel Off Sales

C/T = Ciro/Table Top

TABLE: PROVISIONS PURCHASING PATTERN SUN CITY 1984

(Source: Sun City, 1984)

has occurred in this tertiary sector.

In Mmabatho, more products are purchased locally (refer Figure 6: p. 104), and a greater ripple effect resulted. The Mmabatho Sun Hotel purchases many of its supplies locally due primarily to the distance, the Mmabatho-Mafikeng economy being more diversified, more products and services being available and the price factor. Suppliers to the Mmabatho Sun commented on the advantages of having the hotel as a customer: providing stable, permanent, seven-day-a-week orders. Similarly, there is more staff spending in the immediate area as there are more shopping centres in Mmabatho-Mafikeng. Most of the staff do their daily purchasing locally, and the rotation of funds is greater. For bulk, luxury and specialty items the staff journey to Johannesburg.

The casino complexes have therefore stimulated the construction, and further development, of an aspect of the commercial infrastructure for the surrounding communities of the complexes. The development of the general infrastructure for the casino complexes, which is now discussed, has been a significant and positive economic contribution to the communities.

3.1.1.6. Infrastructural Creation

The great investment in the infrastructural provisions for the casino complexes has been looked upon favourably because their use has been generalized to other regional development projects, as for example the development of the industrial township of Mogwase near Sun City, or, the extension of infrastructural provisions to the local communities surrounding the complexes, as for example Ledig near Sun City. The infrastructure created for the casino complexes, Sun City in particular, therefore, has been extended to include the communities in which they are found, and it has been by virtue of these infrastructural provisions that the greatest indications of growth, as a result of the stimulation of the complex development, have been revealed.

The infrastructural provisions for the Mmabatho Sun Hotel are at first considered (3.1.1.6.1), followed by those for Sun City (3.1.1.6.2).

3.1.1.6.1. Infrastructural Provisions Mmabatho Sun

The infrastructural provisions for the Mmabatho-Mafikeng area offer a different picture to that of the Sun City-Mogwase area. The Mmabatho-Mafikeng area, prior to the independence of Bophuthatswana and its incorporation into the newly independent state, had a complete well equipped infrastructure, and one that simply needed to be extended and duplicated to serve Mmabatho and the Mmabatho Sun. The infrastructural provisions for the hotel include reference to: roads (a), railway (b), telecommunications (c), electricity (d), water supplies (e), sewerage (f), airports (g) and the postal (h) services.

(a) Roads

Some sections of the roads (route from Johannesburg via Rustenburg and Zeerust, or Derby and Lichtenburg) required re-surfacing to cater for the added traffic to Mmabatho-Mafikeng, but no new main roads were built to accomodate the development of the hotel.

(b) Railway

The railway lines were already in existence: the main railway lines from the South African ports to the North through Botswana and Zimbabwe to Central Africa pass through Mafikeng (Main Line from Kimberley to Botswana and Zimbabwe passes through the Ditsobotla and Molopo Districts, and in Mafikeng is joined by the line from Johannesburg, which serves Montshiwa and Mmabatho).³⁹

(c) Telecommunications

With regard to telecommunications, the Mmabatho Sun has 40 lines, excluding extensions. There is direct dialling to both Bophuthatswana and the RSA from the hotel, and

international calls are channelled through the Mmabatho Sun switchboard. In 1984, the automatic exchange in Mmabatho was supplemented with the introduction of a micro-wave network, at a cost of approximately R6 million, which has further improved international communications.⁴⁰

(d) Electricity

There are two electricity lines serving Bophuthatswana: one to Mafikeng (88/11 kv line) and one to Mmabatho (88/22 kv line). The Mmabatho Sun receives its electricity from an extension off the Mafikeng system. The Mmabatho Sun is supplied by a 11 kv line from Mafikeng, and has a one megawatt transformer.⁴¹

(e) Water

With regard to water supplies, the RSA supplies water in bulk from the Molopo Eye (underground water supply approximately 20-30 kilometres from Mmabatho) to the Mafikeng/Bophuthatswana border. From the border, the water is pumped to the Purification Works (10-12 kilometres outside Mafikeng), from where two pipelines transfer the water to Mafikeng, to Montshiwa, the reservoirs west of the airport and finally to the Mmabatho Sun and military base nearby (take-off line to the hotel).

(f) Sewerage

Sewerage from the hotel, in the past, used to be pumped to the Mafikeng reticulation system, and Mafikeng Sewerage Treatment Plant. Sewerage is now pumped from the Mmabatho Sun to the Mmabatho Sewerage Works.

(g) Airport

This is a new addition to the Mmabatho-Mafikeng infrastructure, and the presence of which is beneficial for the hotel. The airport is 10 kilometres from Mmabatho and was established at a cost of R25 million.

(h) Post Office

This is another addition to the infrastructure of Mmabatho, and which is used by the hotel and local personnel for postage, the acquisition of Bop Bonds and savings accounts.

In contrast to the well developed infrastructure of Mafikeng, the Mogwase area required the creation of an infrastructural system to support Sun City.

3.1.1.6.2. Infrastructural Provisions Sun City

In contrast to the Mmabatho-Mafikeng area, the Mogwase area had little infrastructure before the arrival of Sun City. As a result, an entire new infrastructure had to be created for Mogwase, and it was 'piggy backed' onto that created for Sun City. The infrastructure for the Sun City development was directly and/or indirectly provided for by the South African Government (Department of Finance: Foreign Aid R8 million); on the premise that the money and infrastructure would be used for regional development. The infrastructural provisions included: roads (a), railway (b), telecommunications (c), electricity (d), water supplies (e), sewerage (f), airport (g) and the postal (h) services.

(a) Roads

According to government officials, the road from Rustenburg to Mogwase 'detoured' via Sun City (South African Government officials). According to development experts, associated with the project at the time, the road from Rustenburg to Mogwase via Sun City was especially built for Kerzner. Southern Suns paid only for the road from the gate to the hotel itself. Presently, good tarred roads and highways link Rustenburg to the PWV area, either through the Magaliesberg Mountains or the Hartebeestpoort Dam. Upon leaving Rustenburg, there are now two roads to Sun City and Mogwase: the Thabazimbi route and the road via Phokeng, which is used by most of the visitors to the complex.

(b) Railway

The railway line from Pretoria to Rustenburg, via Thabazimbi, was established before the Sun City development. The line passes through both the Mankwe and Bafokeng Districts (Sun City in Mankwe). The establishment of the Main Line through Mogwase, with sidings which serve AECI and the industrial township, was later required with the rapid development of the area facilitated by the development of Sun City.⁴²

(c) Telecommunication Lines

Sun City ensured the creation of both the automatic exchange at Sun City (600 lines excluding extensions from Sun City exchange to hotel), and the one at Phokeng. The Sun City exchange serves Mogwase and Thlabane, and would not have been there without Sun City. Sun City is a major subscriber in the area and, together with the Mxabatho Sun, the Sun International hotels account for 10% of the revenue for the Telecommunications Department.⁴³

(d) Electricity

Escom supply electricity (in bulk) to the Trident substation on the South African-Bophuthatswana border. Escom's relationship with the Mogwase area commenced in 1970. Between 1970 and 1979, the area hosted a single furniture factory, and 100 kva of electricity was sufficient to service it. In the latter part of these years, the George Stegmann Hospital in Saulspoort necessitated the building of a power line and this was built through the Pilanesberg Mountains to supply Saulspoort and Matooster. With the emergence of Sun City in 1979, housing was required in Mogwase and a T-off line (off the Matooster Line: 88 kv line: Figure 8) was created for the town. Simultaneously, Southern Suns made an application to Escom to supply the complex and Escom supplied a separate 88 kv line (for Sun City and the Ruighoek Mines nearby). Sun City was to have its own transformers and 2 x 10 Mva transformers were installed.

Figure 8

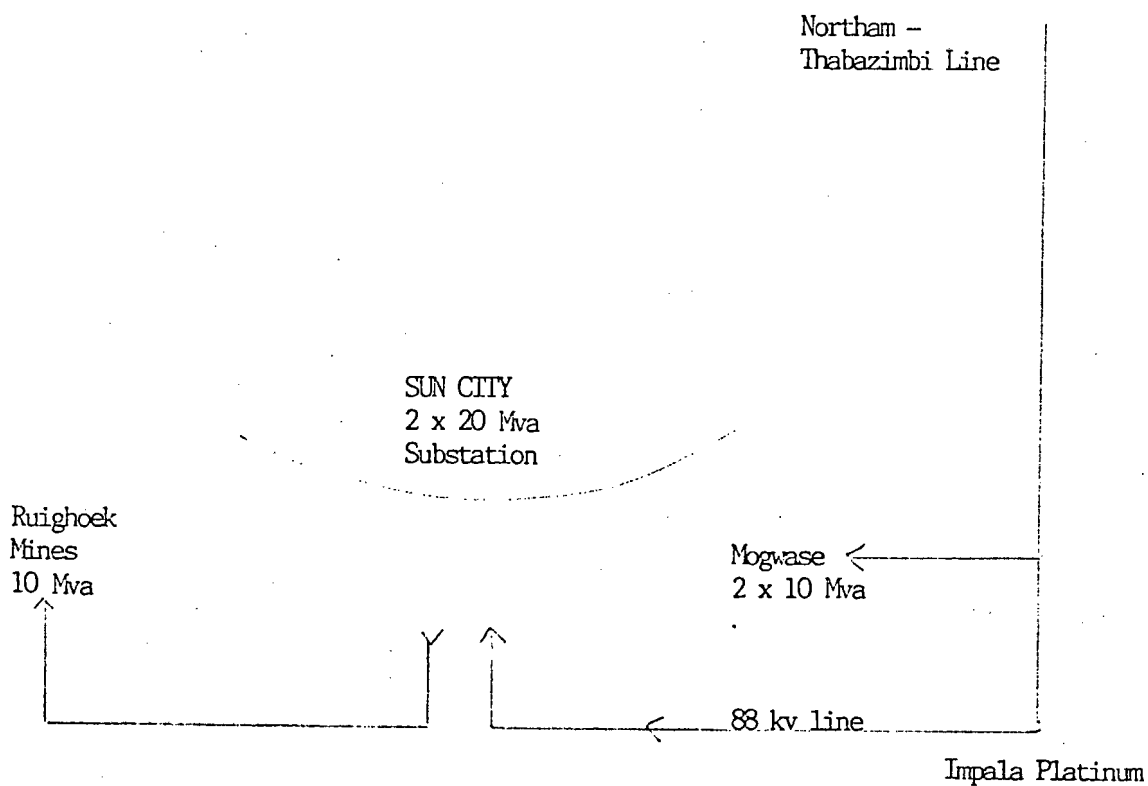


DIAGRAM: SUN CITY-MOGWASE ELECTRICITY SUPPLY 1985
 (Source: M. Wiley, ESCOM: 19.4.85)

When Sun City first opened, it required 4 Mva of electricity. With the construction of the Entertainment Centre, 8 Mva was required and with the Cascades 11 Mva. At present, the electricity supply to Sun City is 2 x 20 Mva (Sun City using 11 Mva at the moment: 3 cable capacity 27 Mva), and the new monorail will absorb another one Mva. The Sun City complex also has two mobile generators, and one emergency generator for the Superbowl and Entertainment Centre (total capacity of emergency plants are adequate to maintain the public areas, and essential services during a power failure: up to 24 hours).

The impact of Sun City on the growth of the Sun City-Mogwase area is aptly represented by the growth in the electricity requirements for the area, which have been as follows:

before 1979 and Sun City: 300 kva

1979-1981 1 500 kva

1984 3 500 kva

1985 4 500 kva⁴⁴

(e) Water

The water pipeline from the Vaalkopdam, some 30 kilometres long, was installed specifically for Sun City. Provision thereafter was made for the supply to Mogwase. Water is directed from the Vaalkopdam, to the Magaliesberg Purification Plant, to the Lapatrie Reservoirs and finally to Thabazimbi to serve the mines. The 'T-off' line passes via Mogwase and then onto Sun City (portion of water retained at the Mogwase reservoir). The Bophuthatswana Government receives an allocation of four and a half million litres, for Sun City, per day.

Another source of water for Sun City, in particular, emanates from the weir on the Elands River (four kilometres from Sun City). This unpotable water is pumped into the Sun City dam and used for the golf course.⁴⁵

(f) Sewerage System

Sun City has its own sewerage system; a sewerage treatment and water reclamation scheme. Water is recycled and fed back up to the complex to be used for the golf course, the gardens and for the football fields. As far as Mogwase is concerned, there are temporary sewerage ponds, and permanent works for the area have been proposed.⁴⁶

(g) Airport

With the Sun City development, Kerzner stressed the necessity for an airport as close to Sun City as possible. A small airport was built seven kilometres from the complex. The runway, which was made of gravel in 1979, was tarred some months later, after the opening of Sun City. Plans for a regional airport fell away with the decision to build the international airport at Mmabatho. The building of a regional airport in the area was also considered to be unrealistic because of the proximity of the mountains, the expense of upgrading the small airport, the difficulty of making cross runways and the noise factor.

Mmabatho Air Services operates a daily service between Jan Smuts and Pilanesberg, and Johannesburg and Mmabatho.⁴⁷

(h) Postal Services

The post office of Sun City performs a vital function, not only for Sun City employees, but for the industrialists of the area, most of whom use the Sun City facilities (refer Section 2.2.2.: p. 86 'Sun City operating as a small town'). Employees at the Sun City complex use the post office to remit money to their families, and keep savings accounts there. The post office also sells Bop Bonds.



In contrast to these very significant economic benefits and positive economic impact, as illustrated by the infrastructural provisions for Sun City; the economic costs of

the casino complex developments (3.1.2) have been relatively few.

3.1.2. Negative Economic Characteristics and Impact

The economic characteristics of the casino complex developments, which are deemed to carry a more negative impact, include reference to: the operating company, Sun International, being a Multi National Corporation (3.1.2.1), the casino complexes encouraging inflationary conditions in the economies of the respective communities (3.1.2.2), the strain on local infrastructure as a result of the casino complex development (3.1.2.3), external costs (3.1.2.4), the problem of leakages (3.1.2.5) and finally, there being possibly a better alternative to the casino complex development, and Sun International as the operating company, in the communities concerned (3.1.2.6). Replies accompany some of these criticisms in this section.

3.1.2.1. Sun International as a Multi National Corporation

The economic costs, or negative economic impact of tourism/the casino complexes, have mainly centred around the factor of Sun International possibly being a Multi National Corporation, with the associated negative characteristics of:

- perpetuating the dependence-dominance relationship (mechanism of neo-colonialism), of perpetuating spatial discontinuity (where decisions are made in the core and consequences felt in the periphery);
- Sun International's 50% shareholding ensuring their control over the operation of each of the subsidiaries;
- reinforcing dualistic economic structures;
- Sun International having significant power, and greater negotiating strength (due to the large scale capital inflows necessary), in the state by virtue of the company's privileged market position.⁴⁸

Replies to some of these negative economic aspects are as follows. In the first instance,

with regard to the dependence-dominance question (where tourism demand is "increasingly shaped, directed and stimulated by the holiday tour operator" which renders the TBVC countries vulnerable and dependent on Sun International and the RSA for tourist arrivals⁴⁹) and of perpetuating spatial discontinuity: these are themes much characteristic of the South African situation (refer Chapter Four, Section 1: p. 25 'dependency'). At present, this relationship is not seen as a factor for anti-development. In the opinion of the researcher, Sun International, as a prominent South African based company, is more likely to have the interests of the newly independent state at heart than most internationally based Multi National Corporations. In this regard, development experts contend that it is preferable that the casino concessions be granted to a local South African chain, as in the event of international hotel-casino investments, a significant amount of funds will leave the country. Taking this factor together with that of the second, Sun International's controlling 50% shareholding, into consideration; to nationalize the casino complexes, in an effort to alleviate this situation, would be suicidal. According to international expert opinion, private enterprise is essential in the hotel-casino operations, as if the casino complexes were run by public servants, the complexes would not render the same high returns. The efficient, high operating standards, which bring the tourists, are ensured by the foreign expertise. In addition, research in the newly independent state in 1984, revealed that the agreements between Sun International and the governments of the newly independent states were considered to be fair by both parties, and there was no evidence of anti-Sun International sentiment. It is, undoubtedly, as much in the long term interests of Sun International, in particular, to ensure that these relationships with the respective governments remain fair.

In the third instance, with regard to Sun International/tourism possibly reinforcing dualistic economic structures, or divisions among the social strata; this criticism holds true with reference to local government participation in their private capacities; the problem of 'personalization'. Research into the ownership of supplying firms, or more

specifically concessionary agreements, revealed government participation both of an official and unofficial nature, as for example investments in and around Sun City (3% of concessionaires at Sun City are members of the Bophuthatswana Government, in their private capacities, and 12% of concessionaires are official Bophuthatswana Government investments: refer Appendix B, Question 4). The problem of 'personalization' is a formidable one for the newly independent state, but one for which Sun International alone cannot be held responsible.⁵⁰ Local government officials have greater access to development projects, and hence are assured economic reward accordingly. On the other hand (and as is discussed in greater detail in the section relating to Social Impact: Section 3.3), the majority of the employees at the casino complexes are drawn from the lowest socio-economic stratum of society, and are promoted through the ranks of the casino complexes depending on their potential skills, and general abilities. In time, with stable employment and income, some of these people will achieve mobility within their communities.

In the fourth instance; where Sun International may enjoy significant power and greater negotiating strength in Bophuthatswana by virtue of the company's privileged market position (monopoly): this position has been perhaps justified in order to control the casino developments in Bophuthatswana (refer Chapter Four, Section 3: p. 40 'sole casino concession'), and taking into consideration Sun International's contributions to the state government. These contributions have included capital (the casino complex developments demanding high capital inputs), expert management, export markets and taxes. The capital input, in particular, has been essential as the governments of the respective newly independent states could not have financed these establishments on their own. The establishment of the complexes, in turn, has rendered tremendous profits which have been used by the Development Corporation to generate further development. Similarly, the Bophuthatswana Government could not have provided the expert management to ensure the maximization of profits (shared equally with Bophuthatswana Government and BNDC) and the training of the local staff (Bophuthatswana shortage of financial and human resources).

Expatriate management has been vital for managerial and supervisory positions, as the local people have not been ready to assume these positions. The insistence on local management filling these positions would have deprived other industries, or government offices, of vital managerial expertise.

The export markets provided by Sun International are also beneficial to both Sun International and the Bophuthatswana Government; contributing viable export industries, which do not suffer from diminishing returns, synthetic substitutes or cheaper sources of supply, to the communities concerned.⁵¹ Tourism has proved to be an unusual export activity as the "customer brings himself to the point of sale, at his own expense and takes delivery of the service."⁵² Tourism/the casino complexes neither has to be packaged (and transported), nor does the producer have to await payment as payment in most cases is immediate. The tourist, therefore, brings money from outside, into the destination area of Bophuthatswana, spends it and thereby increases the income of the region. In addition, by virtue of marketing, Sun International exposes the country to international tourism, thereby ensuring that more tourists come to the area. In turn, the taxes, which Sun International provide, contribute to the creation of essential social services and infrastructure, which may not be necessarily associated with the casino complexes. In the final analysis, it is these contributions of a Multi National Corporation which increase the growth potential and development of the country.

The second negative economic impact refers to the casino complex's possible encouragement of inflationary conditions in the respective communities.

3.1.2.2. Inflationary Conditions Encouraged

The inflationary effects of the casino complexes were predominant during the early stages of development, when the supply of goods and services were unable to respond fast enough to meet the increase in disposable income and hence demand; as for example in the case

of the retail outlets in Mogwase, in particular (demand surpassed supply = inflationary conditions: refer Section 3.1.1.5.3.: p. 103 'shopping'). The building of shopping centres in both Mmabatho and Mogwase have been in an effort to reduce these inflationary effects, which were much stimulated by the shops within the casino complexes (Sun City shops charge inflated prices). This problem has been alleviated somewhat by these shopping centres, and the local residents and employees have been discouraged from shopping at the complexes. The centres, at present, however, are still inadequate to cater sufficiently for this problem.

With regard to the inflationary land prices around the casino complexes: it is debatable as to whether or not the increased land prices have been as a result of the casino complexes, or the general development of the area.

3.1.2.3. Strain on Local Infrastructure

With regard to infrastructure, there has been little strain on the local infrastructure due to the extension of these provisions from the RSA: Mmabatho Sun from Mafikeng, Sun City from Rustenburg. These arrangements prevented, and catered for, not only any possibility of overload on the respective systems, but facilitated extensions for other industries in the area. In the case of Mogwase, the extension and duplication of the infrastructural system contributed to regional growth and the formation of Mogwase (refer Section 3.1.1.6.2.: pp. 109-113).

3.1.2.4. External Costs

On the question of external costs, pollution to the environment for example; this aspect has been satisfactorily attended to, in the opinion of development experts, as referred to in the section relating to Environmental Impact (Section 3.2.). The encapsulation of the casino complexes, and their self sufficiency as far as waste disposal is concerned, has prevented possible detrimental effects from reaching the environment (Sun City waste

products processed at sewerage recycling plant of casino complex: refer Section 3.1.1.6.2., (f): p. 113).

Leakage of an economic nature, however, has posed a more serious problem for the newly independent state.

3.1.2.5. Leakages

The economic cost of leakages is a more serious problem, to which Sun International may be a contributor. These leakages, with reference to Sun International, refer to Sun International's direct operating imports, management fees, dividends to shareholders. loan redemptions, expatriate salaries and the demonstration effect (the desire of the local people for modern tourist accessories, and search for these commodities in South African towns due to unavailability in their own shopping centres⁵³). All of these factors contribute to the leakage problem out of the country, but which according to both the Bophuthatswana Government and Sun International is still in keeping with the fair agreement established between those concerned. With reference to the problem of direct operating imports, these extensive leakages have been due to the rapid development of the casino complexes; the immediate demand for significant amounts of agricultural products, in particular, for which local suppliers have been unable to cater (demand acute for even South African companies to meet). In addition, and due to the lack of sufficient linkage within the economy, the propensity to import by the hotels has been greater. More products are imported for the Sun City complex than for Mbabatho Sun due to the fact that linkages within the Mbabatho-Mafikeng economy are more developed.

These leakages are possibly inevitable between countries without borders, as referred to in the beginning of the thesis (refer Chapter Four, Section 1: p. 25). However, leakage to Rustenburg and the companies situated between Sun City and Rustenburg, with regard to supply for Sun City, still allows for many jobs to be created for the Batswana

and is considered important in the overall context of supply. All of these companies employ Batswana and thereby contribute indirectly to the development picture of Bophuthatswana. Farmers on the South African side located in Boshhoek or the surround of Rustenburg, for example, all employ local labour. It is estimated by the Development Board of Rustenburg, which registers all Batswana employees, that there are 4000 'blacks' working on the farms in the area, 96% of whom are Batswana. The Development Board also estimates, that in addition to this figure, there are 5-10% of unregistered labourers. Sun City buys produce directly from the farmers, as for example, fruit and vegetables, when available. In addition, the fruit and vegetable shops in Rustenburg which supply Sun City, as for example Pat's Fruit Store, buy produce locally from the farmers who hire Batswana labour. Sun City, therefore, supports both the wholesalers and the retailers of the area. The Development Board estimates that there are between 15 000-15 500 Batswana employed in Rustenburg daily (96% of the labour force), the number varying with hirings and firings. In contrast with this direct and indirect employment picture of Sun City, the Platinum mines employ 22 000 'blacks', only 5% of whom are Batswana.⁵⁴

The final question involves the opportunity cost of tourism investment and development.

3.1.2.6. Alternative to Tourism and Sun International as Investing Company

The final criticism of the casino complex developments and their impact concerns the question of an alternative to tourism developments, or alternative to Sun International as the investing company: the opportunity costs of investment.

In the first instance, it is doubted that money would have gone into the Sun City area, for example, without the Sun International investment (Sun City-Mogwase area), and both casino complexes are taxed. Therefore, according to Professor Jill Natrass of the University of Natal, tourism/the casino complex investment has made a positive economic contribution to the area.⁵⁵

In the second instance, and in the opinion of the researcher, there are few alternatives to the casino complex investments, with respect to the organization of the investment. The casino complexes cost the respective governments and National Development Corporation of the newly independent states relatively little to establish: most of the development having been attended to by Sun International and the South African Government. Where the casino complex developments have required infrastructural investments on the part of the newly independent governments; these provisions have been extended from existing South African installations in order to encourage the development of industrial and residential areas in the states. Where government investment in infrastructure is thought to have been better utilized elsewhere; the investment in the tourism sector promises quick returns, returns which fund much needed development programmes. In addition, few industrial developments could have re-located as successfully to the rural areas of Southern Africa, not spoilt the environment (eg. Mzamba: Wild Coast Sun and Pilanesberg: Sun City), generated as much profit to be equally and fairly shared with the government, provided taxes and jobs for as many of the local people (both directly and indirectly through attracting developments around them).

With reference to an alternative investing company to Sun International; it would be difficult for the newly independent states to find another company as generous, and which does not exploit financial arrangements, where governments automatically receive 50% of the profits, as has been the policy of Kerzner from the outset of each of the operations. In contrast to the many 'uhuru hoppers', who move their factories in and out of the newly independent states ('uhuru hopper': individuals in the Southern African context, who see various opportunities in the newly independent states for making 'easy money' quickly - they set up their businesses in the national states and apply for the concessions due to them: some make a considerable amount of money in a short period of time and leave; usually before the concessionary period is over), Sun International has made long term commitments to the areas in which they operate. Sun International also controls the casino

complex developments in the newly independent states, and Southern Africa, very carefully to ensure that saturation of the market is prevented, and that maximum returns may be achieved by Sun International, in partnership with each of the newly independent states.

Accordingly, from the macro perspective, tourism investment by Sun International was found to be beneficial to the newly independent state. The final analysis, from the macro and micro perspectives, is now referred to.

3.1.3. Final Analysis

The final analysis considers the economic benefits and costs of the casino complexes from the macro (3.1.3.1) and micro (3.1.3.2) perspectives.

3.1.3.1. Macro Perspective: Positive Economic Impact

In the final analysis, the research revealed that, economically, the casino complexes, Sun City in particular, have had a major impact on their respective areas (Sun City-Mogwase area most notably) from the macro perspective: stimulating primary, secondary, tertiary and quaternary industries in their midsts.

Sun City has encouraged the development of other industries in the area (noted from industrialists that Sun City gave them confidence to establish their businesses, by providing example that a successful business could be launched in a short period of time in a rural area: 21.56% of industrialists replied positively: refer Appendix B, Question 3), and Bophuthatswana and the BNDC have gained from the arrival and permanence of the companies which have come to supply the Mmabatho Sun and Sun City and have stayed, as for example Stocks and Stocks Bophuthatswana, Kilpatrick's and Boston Laundries (hence secondary and tertiary contribution to BNDC: secondary by encouraging suppliers to set up shop, tertiary: suppliers provide employment and income); both suppliers (41.1% of companies in the area are suppliers: refer Appendix B, Question 5) and industries in

general. Some of these industrialists, in the interviews, commented that Sun City has much stimulated the growth of their respective industries; primarily indirectly by bringing tourists to the area, and providing facilities for their clientele (57.4%: refer Appendix B, Question 15). These suppliers, and industries in general, have provided employment, income and a service to the community.

In addition, the Bophuthatswana Government and BNDC have also capitalized on the presence of the casino complexes, in both areas; by setting up complementary or supplying industries (classified as related industries: related to the casino complex by Government/BNDC financial participation in the casino complex developments) to reap possible benefits: in order to 'piggy back' development, and thereby provide additional employment and income. In the case of the Mbabatho Sun: 'related' participation was to the order of 8.5% Government and 28.5% BNDC/Agricor, and for Sun City: 14.28% Government and 4.76% BNDC/Agricor.

The true ripple effect of Sun City and Mbabatho Sun, with regard to their suppliers in the area, was calculated with reference to employment figures. Only 'direct' (primary effect: direct suppliers to casino complex) and 'indirect' suppliers (secondary effect: suppliers to tourists of casino complex) were included in this calculation. The calculation therefore excludes the large amount of employment created by virtue of staff spending (tertiary effect).

Sun City-Mogwase suppliers	463 Expatriate
	3630 Batswana
Sun City	90 Expatriate
	309 Batswana
Mbabatho-Mafikeng Suppliers	302 Expatriate
	1329 Batswana
Mbabatho Sun	1 Expatriate
	10 Batswana

The Sun City complex, in particular, was found to be a major employer: the employment generated by Sun City alone accounting for 59.70% of the total employment of the Sun City-Mogwase area.

Analysis of the economic impact from the micro perspective now follows.

3.1.3.2. Micro Perspective: Disappointing Economic Impact

At the micro level, the true economic impact of the casino complexes on their communities was not as promising. This proved to be the case possibly because tourism is a fragmented product, demanding a little from a lot of places. In addition, the tourism development for the newly independent state has been of a rapid, mass institutionalized nature. With rapid development there has been little time for the developing states to adjust economically, environmentally, socially and hence little chance for satisfactory local participation in supply. Even where the casino complexes have stimulated local industries to supply, the research revealed that the most that the casino complexes could demand from companies, of their total sales, was found to range from 60% of their total sales (examples ACR Foods, Boston Laundries in the Sun City-Mogwase area) to 20% for Mmabatho Food (meat, eggs: Mmabatho-Mafikeng), to .5% for Premier Bakery (Mafikeng) per month. As aforementioned (Section 3.1.1.5.3.: pp. 102-106, Ripple Effects: Tertiary Sector), most of the supplying companies were tertiary industries (52.38% Sun City, 74.2% Mmabatho Sun: refer Appendix B, Question 1). The tertiary industries served Sun City directly (primary effect), indirectly with regard to the tourists (secondary effect) and staff of the casino complexes (tertiary effect). However, the majority of supplies continued to be imported from the RSA: for reasons of quality, quantity and reliability of supply. The Master Supplier Listing, for Sun City, revealed figures to support this claim (Fig.9).

The general spin-offs of the casino complex, at the micro economic level, were therefore poor, but by the casino complexes buying locally, and attracting supplying and general

Figure 9

REVIEW OF SUPPLIERS TO THE COMPLEX: STATISTICS

<u>Transvaal</u>	<u>Figures (Rands)</u>
Transvaal General: Cities/Towns	2 307 031 24
Johannesburg	21 489 377 16
Boshhoek (Sun City-Rustenburg)	33 415 50
Pretoria	2 086 063 10
Rustenburg	7 876 464 03
<u>Transvaal: Percentage of Purchasing in South Africa = 97.17%</u>	
<u>Transvaal: Percentage of Total Purchasing = 74.84%</u>	

Cape

Cape Town Area	555 539 97
Port Elizabeth	12 103 49
East London	3 752 53
<u>Cape: Percentage of Purchasing in South Africa = 1.64%</u>	
<u>Cape: Percentage of Total Purchasing = 1.26%</u>	

Natal

Durban-Natal	382 447 16
<u>Natal: Percentage of Purchasing in South Africa = .10%</u>	
<u>Natal: Percentage of Total Purchasing = .84%</u>	

Orange Free State

Orange Free State	30 394 66
<u>Orange Free State: Percentage of Purchasing in South Africa = .08%</u>	
<u>Orange Free State: Percentage of Total Purchasing = .06%</u>	

Figure 9 Continued

<u>Ciskei</u>	<u>Figures (Rands)</u>
Ciskei	2 617 19
TOTALS:	
South Africa	34 776 588 84 (77.01%)
Bophuthatswana	10 373 539 47 (22.97%)
Ciskei	<u>2 617 19</u> (.02%)
<u>Total</u>	<u>R45 152 845 40</u>

<u>Bophuthatswana</u>	<u>% Pop</u>	<u>%SA</u>	
Sun City	.79%	.61%	278 975 08
Mogwase	8.29%	6.38%	2 883 777 77
Phokeng	2.18%	1.68%	759 072 20
Tlhabane			9 100
Mafikeng-Mbabatho	12.79%	9.85%	4 448 012 96
Garankuwa	5.75%	4.43%	<u>2 003 610 46</u>
TOTAL			<u>R10 373 539 47</u>

TABLE: REVIEW OF SUPPLIERS TO SUN CITY COMPLEX JULY 1984 TO FEBRUARY 1985

(Source: Sun City 1985)

industries to the area; the contributions were nonetheless made to the economic base of the communities of which they form part. If there were more local projects to supply the casino complexes, either directly, indirectly or both, more local citizens would benefit along with the Bophuthatswana Government and National Development Corporation. Due to the present circumstance of supply, the increase in monetary flows has been unsatisfactory.

In the final analysis, perhaps, the greatest economic impact of the Sun City complex, in particular, has been with reference to the growth of the Sun City-Mogwase area. It is without doubt that the growth of the Sun City-Mogwase area was initiated, and accelerated, by the Sun City development (94.11% of the companies in the Sun City-Mogwase area were established after 1979, after Sun City's opening: refer Appendix B, Question 2). It was the demands of the private investor for a) the Sun City location, and then b) for housing, support services and facilities, in particular, and finally, c) infrastructure, which provided impetus for the growth of the area. According to infrastructural and development experts, the Mogwase development did not commence prior to the Sun City development. It was the Sun City option which provided the opportunity for a regional growth centre, and utilization of the area's potential. Mogwase had always been regarded as a future industrial development point, and had received decentralization concessions. The development of the Mogwase township, however, had never commenced. When the Sun City option came along for the Pilanesberg-Mogwase area; it provided the opportunity for the creation of development on a broader basis (regional growth insisted upon by South African Government: 'Info Scandal' 1978 - Government did not want to be associated with casino developments: supplied Foreign Aid of R8 million on condition that money would be used for regional development). The first township development of Mogwase began in 1979 with Sun City's request for housing (initial request 150 houses placed in Unit 1). The town centre was then planned as the Government (Bophuthatswana) then realized that in order to collect rental for the various services and facilities,

to be offered, that regional offices were required, and these were placed in Mogwase. In turn, the local government officials required more housing, as did the AECI development (4000 ha. in Bodirello/Heavy Industrial Area). According to local government officials, the demand for housing appeared to grow with the expansion of the Sun City complex; from the Hotel, to the Cabanas, to the Entertainment Centre, to the Cascades.⁵⁶ The contributions of Sun City, however, are expected to decline over time, whilst the development of Mogwase gains and maintains its own momentum.

In contrast, the Mmabatho Sun grew with independence, and the general modernization of the area. It is for this reason that the extent of the economic impact of, specifically, the casino complex was difficult to ascertain (in the maze of development which occurred following independence). The Mmabatho Sun, in comparison with Sun City therefore, has played a limited role in the development of the Mmabatho-Mafikeng area. It has been primarily the establishment of the administrative capital and generation of businesses in the area, which has stimulated the growth of, and maintained, the community as such.

In relation to the other newly independent states, the economic impact of tourism has been greater in Bophuthatswana due to the size of the casino complex, like Sun City, the great flow of tourists and high expenditure on all of the facilities, from the gambling to the Entertainment Centre. Bophuthatswana is also the most developed of the newly independent states, and accordingly has a wider economic base. The distribution of expenditures, however, has been mainly confined to the complex itself.

Another factor, or impact, confined mainly to the complex itself is that of the environmental factor, which is now briefly discussed.

3.2. Environmental/Physical Impact

The physical impact of the casino complexes/tourism, refers to the "effect of tourism

on elements of the natural environment and on the man-made or built environment," in particular, where environments are created for resort developments.⁵⁷ Tourism and the physical environment can enjoy both a mutually supportive relationship, and a conflictual relationship, depending on the physical features; their resilience and suitability for development, the investor and the controls instituted to protect the interests of both. The research revealed that the casino complexes have had a minimal negative environmental impact on the surrounding areas; due primarily to the relative encapsulation of the complexes, the protection of the ecology within the confines of the complexes by landscape experts and sophisticated waste disposal plants (eg. Sun City and Wild Coast Sun).

Due to the encapsulation of the casino complexes, the possible harmful effects of tourism on the environment are retained within the boundaries of the site, as for example people, congestion, noise and litter; whilst also preserving those environmental elements within their boundaries. There is therefore minimal disruption to ecosystems, animal life cycles and plant life. By virtue of careful planning and the institution of various preventative measures, tourism and conservation enjoy a mutually supportive or symbiotic relationship with each benefitting from the other.⁵⁸ This relationship would not have been possible were it not for careful planning of the alterations: the landscaping of each of the resorts being attended to by experts who are aware of the needs of both the company and the environment. Where the natural environment has been altered, within the boundaries of the casino complexes, as in the case of the resort complexes in particular (Sun City and Wild Coast Sun); the environmental features and conditions have been left as close as possible to their original state; as for example the Wild Coast Sun, where the wildness of the terrain has been preserved. Sun International has received much credit, in this regard, for the considerable effort put into the 'decoration', and where possible, the preservation of the natural features of the casino complexes.

From the architectural point of view, there is neither evidence of ribbon development

nor sprawl, within or outside of the complexes; neither architectural pollution, nor the overload of essential infrastructures: all of which are problems characteristic of many third world countries catering to the tourism trade. For many years, the architectural design of the casino complexes was attended to by renowned architect Baba Selsick, who was able to sensitively translate the ideas of Kerzner, of environment-hotel complementarity into his hotel designs, as in the case of Sun City and Thaba Nchu Sun in particular (refer Section 2.2.2.: p. 83 'development of Sun City').

With regard to waste disposal, where the "discharge of inadequately treated effluent" is known to be the most widespread problem in resort developments: the resort complexes of Sun City and Wild Coast Sun have elaborate recycling schemes, which are integral parts of the casino complexes (refer Section 3.1.1.6.2.: (f) p. 113).⁵⁹

Outside of the casino complexes, the complexes and tourism have provided the impetus and capital to conserve the environment; the casino complexes providing an essential avenue of support for the adjacent game reserves, for example. The Pilanesberg game park (next to Sun City), for example, would not have been created was it not for the encouragement of Kerzner (refer Section 2.2.2.: p. 83). In this case, the development of the physical resources have been dramatic; with animals being imported into the game reserve. Sun City, and the tourists that the complex has attracted to the area, has thereafter provided major sources of revenue for the game reserve; if not the only according to some sources. In turn, by protecting these tourist resources, the inflow of tourists to the casino complexes has been secured, and an important part of the tourist base maintained.

This same measure of environmental preservation is applicable to the Mbabatho Sun where, in addition to protecting the environmental elements within their boundaries, the continual flow of the tourists to the Mbabatho-Mafikeng area provides incentive for the restoration of monuments, for example, and the economic means by which this is achieved (evidence

in and around each of the complex developments).⁶⁰

The Bophuthatswana Government has also played a major role in this aspect of environmental impact; having interests in both the casino complexes and the adjoining game reserves, and ensure co-operation between the agents of development. Together with the casino complexes, the Government has played a prominent role toward insistence on administrative and planning controls being established.

The environmental impact of the casino complexes in Bophuthatswana is therefore viewed positively: there was no evidence of a negative impact. In the final analysis, it has been the conservation and preservation of the natural areas within, and where possible around, the complexes which have been an important spill-over benefit of the casino complex development.

In contrast, the social impact of the casino complexes was found to be both positive and negative.

3.3. Social Impact

The social impact of the casino complexes on their surrounding communities has been dramatic: both positive and negative. The "social and cultural impacts of tourism are the ways in which tourism is contributing to changes in value systems, individual behaviour, family relationships, collective life styles, safety levels, moral conduct, creative expressions, traditional ceremonies and community organizations."⁶¹

As with the environmental impact previously discussed, and as a result of the encapsulation of the casino complexes (and tourists remaining largely within the confines of the casino complexes), the impact of the casino complexes appeared to be limited to those people who were employed directly (at the casino complex) and/or indirectly (suppliers, or those

who provide accomodation), and those who chose to frequent the casino complex. The social impact of the casino complexes on the general environment was therefore found to be negligible. This factor was found to have both positive and negative repercussions. The positive aspect was that the possible negative social impact on the communities in the surround was minimized; providing the people with a choice as to whether or not they wished to take part in the activities of the complex along with the South African tourist. This factor was detrimental with regard to the local community's possible receipt of the socio-economic benefits offered to the employees of the complexes: such as educational (tertiary education) and training facilities, health, sporting and entertainment facilities (refer Section 2.2.2.: p. 86 'Sun City facilities for staff'). In this light, to the extent that participation for the local communities would be possible, the "economic power of community members - and hence their participation in decisions on, and benefits of, tourism - would be increased."⁶² With the present situation at hand, inclusion in the socio-economic benefit pattern for the members of the surrounding communities in general has been minimal. This issue of encapsulation, however, has been more relevant to the resort complexes, than to the capital city complexes: the resort complexes being more isolated from the social fabric of society (agreement between Kerzner and Heads of States).

The social benefits of the casino complexes to the communities are at first discussed (3.3.1), followed by the social costs (3.3.2). Section 3.3.3. concludes this chapter.

3.3.1. Social Benefits

The casino complexes have brought significant benefits to the communities which surround them. Some of these benefits include a general improvement to the quality of life for the people, by virtue of the provision of employment and income earning opportunities (3.3.1.1); entertainment and recreational facilities (3.3.1.2), and the contribution of the complexes to various charities (3.3.1.3).

3.3.1.1. Employment and Income Generation

The casino complexes have provided a considerable amount of jobs for people in the rural areas of the RSA, and Bophuthatswana in particular (also in urban areas: capital hotels), where unemployment and poverty are rife. The casino complexes have drawn upon the human resources of the surrounding areas, where some workers (mainly men) had worked before in South African towns (Mafikeng, Lichtenburg and the PWV area in the case of the Mmabatho Sun, and Rustenburg, Johannesburg and general PWV area in the case of Sun City), but where for the majority, there were no previous employment opportunities. The stable and consistent employment offered by the casino complexes has provided for their basic needs: for relief from hunger, provision of shelter, and in general, income for the least privileged of the social groups. With employment and the gradual reduction of poverty, family structures are said to have stabilized and, accordingly, the mental well being of the people improved with their standard of living.⁶³ Health and educational facilities offered by the casino complexes (resorts mainly), for example, have contributed to a reduction of malnutrition in the Wild Coast Sun area, and the training received at the complexes has provided the employees with greater life chances, and abilities to secure additional, or unrelated, employment outside of the casino complexes. In addition, there has been a slight impact on the educational facilities surrounding the complex, as the greater incomes forthcoming have resulted in a demand for better schooling, as for example the Adult Education Centre in Mogwase where basic reading and writing skills are taught (Mbatshe, one of the Sun City training officers, plays an important role in this Adult Education Centre Programme⁶⁴). The employment at the casino complexes, therefore, has changed the way of life of those employed; contributing greatly to improving their standards of living.

The research carried out at the complexes confirmed the above. The employees were found to be favourably disposed toward the casino complexes; most of them very appreciative for the employment provided by Kerzner: employment which has enabled them to live near

to their families. Most of the employees felt that the casino complexes had contributed toward upgrading their standards of living. There were complaints of low wages, and desires expressed to attain more senior levels as soon as possible. Many of those employees who left the casino complex for better wages, however, soon wished to return, either for the excitement and prestige of working at Sun City, or for the benefits received in addition to their salaries. On the other hand; some employees, having been trained at Sun City, have been very successful in establishing their own businesses (eg. opening cafes in Mmabatho-Mafikeng). With regard to the frustrations to attain more senior positions, many admitted that they required more training.

The majority of the complex employees are women, and it is possibly in this respect that the social impact of the casinos has been extraordinary. The casino complexes employ a high percentage of women, particularly in the Housekeeping and Food and Beverage Departments. Through employment at the casino complexes, women have learnt how to better themselves, and have earned the means toward greater independence. According to Bophuthatswana Social Workers, their homes have changed, and there have been associated improvements in community life.⁶⁵

In addition, Bophuthatswana Social Workers have noted changes in community cohesion where, in traditional African society, strict authoritarian patterns and the "financial dependence of youth on the older generation" prevail.⁶⁶ These authoritarian patterns have been greatly affected by the availability of employment for women, and young people; possibly straining relationships and altering the dependence of both on their superiors. The employees stressed, however, that the additional income alleviated some of the shortages and accentuated poverty of many homes. It was emphasized by employees that the revenue helped to educate the younger members of the family, and women expressed their enjoyment of a greater freedom that their employment has brought them. The consensus amongst employees and Bophuthatswana Social Workers was that the relaxing of authoritarian inter-

inter-generational relations has had a positive effect on community life in general. Therefore, although on the one hand the employment of women may have disrupted kinship and community ties; on the other hand it has fostered a greater community cohesiveness and development around the casino complexes; where those directly employed try to integrate others in the sharing of profits (African communities long been noted for their informal networks, where others will be brought into the picture by renting rooms to the employees of the complex, as is very apparent in the vicinity of the Wild Coast Sun, or, in the making and selling of handicrafts.)⁶⁷

The casino complexes have thus improved the quality of life of the people which it employs: by not only providing employment for women, but for their men by offering them an alternative to migrant labour. In the opinion of employees and social workers, migrant labour and influx control has dealt a more severe blow to family integration and community cohesion than the casinos could ever have; causing a terrific male-female imbalance and devastating impact on black marriages. The provision of employment to both the appendages of the migrant labour system, the women, and their men, close to their families has afforded them more disposable income, to better support themselves and their families; leisure time and freedom.

3.3.1.2. Provision of Entertainment and Recreational Facilities

An additional contribution to raising the quality of life of the people has been by virtue of the provision of entertainment and recreational facilities; for not only the tourists, but for the local people and government officials. The Bophuthatswana Social Workers insisted that the local people have largely withdrawn from the lure of the casinos, and enjoy the recreational facilities and entertainment offered instead. The appreciation of the local people for the Mbabatho Sun as a source of family entertainment was illustrated when a raffle was held in the capital in 1985. The first prize was three nights accommodation for the whole family, at the Mbabatho Sun. According to Mrs Rosemary

Mangope, the organizer of the raffle, the support for the raffle was overwhelming; a sign that the Mmabatho Sun was important to the local people.⁶⁸ In the research, social workers stressed that the majority of the local people 'home in' on an aspect of the complex that most appeals to them, to the exclusion of the rest. The Vhavenda, for example, chose the discotheque and beer garden, which has since replaced their traditional 'gigis': the Ciskeians, the 'Gaslight Bar', in the case of the Amatola Sun. Bophuthatswana Social Workers added that the people attracted to the casino complexes, with the gambling objective in mind, were likely to gamble regularly, but that this percentage of the local population was very small.

The casino complexes also provide essential recreational facilities for the South African, and other, industrialists residing in the newly independent states. The Mmabatho Sun, for example, offers the only restaurant (Lekhala) of international standard and associated accomodation facilities in the area. Suppliers to the complex (91.42%) said that they used the Mmabatho Sun for entertainment. In the case of the Sun City-Mogwase area, 92.15% of the industrialists commented that they used the Sun City facilities; 86.27% for the entertainment and sporting facilities and 13.72% for the business facilities.

Another social contribution of the casino complexes to the surrounding areas has been the various charities, to which the Sun International developments contribute.

3.3.1.3. Social Contributions: Charities

The Mmabatho Sun supports various charities in its area, such as the Lions Charities, the Early Learning Clinic and the Tsumeleng School for Cripples. The Mmabatho Sun and Sun City hotels in these instances usually sponsor these charities by providing facilities, and/or catering for their functions at reduced rates.

In the case of Sun City, a Community Development Fund has been established, whereby an

annual donation of R300 000 is given to the Bophuthatswana Government: the Departments of Health and Welfare, Education and Sport. Unfortunately, little of this money has returned to the Sun City area, and has been used for developments in the Mmabatho area instead. The major contribution of Sun City to the immediate area has been received by Kutlwanong, the deaf school some 40 kilometres from Sun City. Sun City has contributed financially by buying video sets, donated clothes, toys, a playground, a sound system (designed by Colisseum Accoustics: teach children to listen to amplified sound). Sun City has allowed the school to display their goods (mainly pottery and weaving) in the Lucas Mangope Room of the Main Hotel, and during which time many goods have been sold (refer Section 3.1.1.4.1.: pp. 97-98, 'handicrafts'). The 'pop' group Queen also donated R25 000 to the school to help finance one of the school's hostels. Sun City has also invited school pupils to enjoy the facilities of the complex, and sponsored a trip to the Worcester Summer Games in the Cape (Sun City provided three combis and R500 for the trip). In addition, Sun City has employed a few of the school leavers in the Maintenance Department of the complex (taking into consideration that there are different levels of deafness).

Other contributions of Sun City to community services in the area are not as well publicized, nor recognized. Donations are made to the St Annes Hospital in the vicinity of Sun City, but no aid has been received by the local Department of Education in Mogwase. A spokesman for the Department of Education said that the only benefits that had been forthcoming to the Department were the occasional use of the football fields of the Sports and Social Club, the only grass pitch in the area.

Thus, the charitable contributions of the casino complexes have been, perhaps, disappointing, and the negative impact of the complexes is now referred to.

3.3.2. Social Costs

The social pathologies associated with the casino complex developments include the general social and cultural changes which have occurred, possibly as a result of the casino complexes (3.3.2.1) and, more specifically, the effect on the values and moral standards of the people (3.3.2.2). Other social pathologies (3.3.2.3) refer to possible increases in crime, gambling and alcoholism. The problem of the demonstration effect is considered separately as it is one of the major criticisms of tourism/casino complex developments (3.3.2.4). In the final analysis (3.3.3), however, Bophuthatswana Social Workers insisted that most of the social pathologies associated with the casino complexes, were not solely as a result thereof: the major contribution being the general process of modernization.

3.3.2.1. Social and Cultural Changes

Tourism and the casino complexes in the newly independent states appear to be in an interim stage of development vis a vis social and cultural changes; social changes marked by the transition from enthusiasm to xenophobia, and cultural changes from a 'phenotypic' nature, or cultural drift (when behaviour of local people changes temporarily to coincide with the duration of the relationship with the tourist, after which he/she will revert to his/her previous lifestyle) to being of a 'genotypic' nature (when changes in their society or culture are "handed down from one generation to the next."⁶⁹)

In the case of Bophuthatswana, the casinos have been in existence for a few years, and the rate of social change, which theoretically is said to occur concurrently with the growth of the casino complexes, has plateaued. Similarly, the initial euphoria associated with the preliminary phases of tourism/the casino complexes, has begun to dissipate with the expansion of the industry and augmenting numbers of tourists.⁷⁰ Nevertheless, the casino complexes have continued to be enthusiastically acknowledged in the respective communities with regard to the potential benefits which are, and still may be, derived from the casino complexes and the tourism they bring. The research found that the attitudes of the local people have neither reached, as yet, the stage of antagonism, nor

that of xenophobia (in the case of xenophobia, the carrying capacity of the complex is surpassed and resentment and contempt openly expressed to the tourists: refer Section 2.3: p. 87 'social carrying capacity').

According to Bophuthatswana Social Workers, with reference to cultural changes, these changes have occurred primarily as a result of the historic migrant labour system and with the new state of independence. The casino complexes, therefore, have been one of a number of modernizing forces, and it has been difficult to separate the impact of tourism on the local culture, from other modernizing forces.⁷¹ More specifically, in anthropological terms, the cultural changes have been more of a 'phenotypic' nature ("visible change in behaviour resulting from the interaction of two groups"), more accurately referred to as the "process of cultural drift."⁷² The second stage of acculturation ('genotypic'), and cultural change, has not been attained as yet.

With regard to the aspect of change in the traditions and customs of the local people, the Bophuthatswana Social Workers felt that the traditions and customs of the people had not been abused in any way by the complexes. The social workers reiterated the above; that effects on the local traditions and customs should be seen in the general context of modernization within the newly independent state. The social workers stressed that the local culture and authoritarian patterns had remained dominant, and had even been more avidly preserved since their independence under the directorship of their leader.

Accordingly, religious values, and material representation of this in the form of handicrafts, was believed to have suffered little. In support of the Bophuthatswana Social Workers argument in this regard, Schädler wrote that "tourism alone can hardly affect a religion as long as people adhere to it seriously; consequently, tourism alone can do little harm to traditional values and significance of arts and crafts." Schädler added that "any change in this area, ..., is due only to changing beliefs and growing

secularization in general."⁷³ With regard to the making of handicrafts by the local people, the tourist demand for the goods has encouraged a revival of this cottage industry in many locations, and the high quality of workmanship preserved, as for example in the case of Tswana Craft (refer Section 3.1.1.4.1.: pp. 97-99).

The changes in general values and the moral standards of people are now discussed.

3.3.2.2. Changes in Values and Moral Standards of People

With respect to changes in the values of the local people, the Bophuthatswana Social Workers have noted a shift in the values of the people with the introduction of the casinos, and exposure to something novel; the casinos being something different and modern and the people wanting to try them. For people deprived of money and job opportunities, the casinos have possibly encouraged them to seek quicker ways to find money, which would predispose them to gambling (people try gambling as an alternative when they could not make sufficient money in their jobs).⁷⁴ In addition, social workers felt that the values of the local people (particularly the young), have been disrupted by the showing of pornographic films at the complexes, and moral values confused thereby. The pornographic films, the social workers believed, provided changes in attitudes about sex, encouraged promiscuity amongst women and possibly prostitution.⁷⁵ However, in the research, and as confirmed by Bophuthatswana Social Workers, with regard to prostitution: it was recognized that prostitution had always existed, only that through the casino complexes, a new avenue of operation had been found. It was stressed by a Mogwase lawyer that neither he, nor any of his contemporaries had encountered any prostitution cases concerning the complexes. The lawyer admitted that although prostitution did exist, it was a more sophisticated, high class, form of prostitution emanating from Johannesburg, and not characteristic of the local people of the areas in consideration.⁷⁶ As was stated by Jones (1978: Prostitution in Bali) in support of this argument: "prostitution is usually changed, not caused, by tourist demand."⁷⁷ In addition, security measures at the complexes

were said to be strict in this regard, and do whatever possible to prevent the situation, short of direct accusations which could involve legal proceedings.

Other social pathologies of increases in crime, gambling and alcoholism are now referred to.

3.3.2.3. Other Social Pathologies: Crime, Gambling, Alcoholism

As far as increases in crime were concerned, no substantial increases had been noted. Within the confines of the complexes, economic crimes (thefts) were severely dealt with by management. A more serious problem, and major negative aspect of the casinos' social impact is that of gambling.

Gambling is undoubtedly a tremendous problem; bearing the potential to create addiction and dependency amongst the poor, in particular. The integration of many a family has been destroyed through the loss of a month's wages, and thereby a month's food. Despite insistence by the Mmabatho Social Workers that the initial fascination with the fruit machines has dissipated in the communities; the numbers of local people and South African tourists seen queueing around the machines and tables of the casino complexes, particularly around the end of the month, provides proof enough of the considerable problem for both Bophuthatswana and South African Social Workers, and the remedial costs for the states. There is little doubt that this gambling problem has been exacerbated by the lack of educational facilities to teach the people of the dangers associated with the machines, which do not automatically produce a number of coins in exchange for a single coin at a time. Many families, instead, at one time or another, have become reliant on church groups in order to sustain their existence due to this misinterpretation of fruit machine antics (article on families in the Ciskei: reported to have to rely on "financial aid from churches after their monthly earnings have been whittled away at the casino."78).

With reference to the issue of alcoholism: according to social workers this has always been a problem, and one neither caused nor exacerbated by the casino complexes.⁷⁹ As was noted by a Mogwase lawyer, few could afford to go to the casino complex to get drunk.⁸⁰

In addition to these social pathologies discussed, some critics of the casino complex developments have voiced fears with regard to the social problem which follows: the demonstration effect.

3.3.2.4. The Demonstration Effect

The 'demonstration effect' refers to those "changes in attitudes, values, or behaviour which can result from merely observing tourists."⁸¹

Some of the Bophuthatswana Social Workers voiced fears regarding the problem of demonstration effects: the fear, for example, that the local people would succumb to decadence, the "importation into the area of a flamboyant style of living, where the social model on which local youngsters will be tempted to re-structure themselves, is that of the slick, get-rich-quick-gambler."⁸² It was feared that the young people, witnessing the tourists as such, would be tempted to leave school to work. Employment in the complex would be seen as a way for them to improve their standard of living. In many cases, their standards of living have been improved, except when the monies forthcoming have been spent on luxury items instead of essentials. Informal interviews with both the Bophuthatswana Social Workers and employees of the complex revealed that this was the problem, with respect to the young people.

With regard to the older local people and exposure to the tourist's affluence; fears were expressed by Bophuthatswana Social Workers that this interaction would elicit feelings of deprivation, and inferiority, amongst those who could not afford the facilities of the complexes. The casino complexes, however, are not the only luxuries that people have

not been able to afford, and which generate envy. Undoubtedly, the affluence and associated trimmings of the black cabinet ministers have evoked similar feelings. This problem, therefore, has application to most forms and effects of modernization in the third world state, in particular.

Accordingly, with respect to feelings of resentment, with reference to the above, there was little evidence of, either resentment, or intolerance, in the research; of either having to share facilities with other tourists, or due to foreign ownership and employment. There was more evidence of the black clientele enjoying the facilities with others, of enjoying equal treatment. As was stated in the Washington Post of January 26, 1981: "Although only a minority of blacks can afford the luxury of even a day trip to Sun City, those who come say they enjoy being treated like a normal customer without the constraints of South Africa's segregationist policies." This is not to say, however, that there are certainly members of the population who may despise the imposition of a reminder of the historical situation; simply, that this was not evident in this research and the informal and/or formal interviews conducted.

In general, contact between tourist and host remains superficial for the most part; usually involving a discussion of how much has been won or lost around the one-armed-bandits. Mathieson and Wall suggest that the superficial contact between host and guest is due to the transitory nature of the mass tourism setting; the temporal and spatial constraints, the lack of spontaneity due to its commercialization and the unbalanced experience for tourist and local employee.⁸³ More specifically, in the South African setting, it is possibly the issue of traditional subservience which precludes any possibility of a greater understanding between the two from developing. Between the tourist and local employee, in particular, the issue of 'strangerhood' and various other stereotypes are encouraged to remain ("strangerhood": a problem whereby the touristic transaction will always tend to be on a more general and impersonal level.⁸⁴)

The research revealed more of an understanding of each others cultures existing in the employer-employee relationship. The understanding and knowledge of each others cultural idiosyncracies are encouraged through advisory sessions for expatriate staff members prior to commencing employment at the casino complex.

In the final analysis, the problem of the demonstration effect, and possible disruptive role of tourism reinforcing "locally unattainable socio-economic aspirations," has not been as dramatic as has been experienced in other parts of the world.⁸⁵ The system of migrant labour and previous residence in South African cities exposed many people to radio, television, general commercial advertising, and to what the South African tourists were likely to bring with them. For most, the casino complexes have become representative of another Johannesburg in Bophuthatswana; housing all of the amenities to which the South African tourist has been accustomed and catering to his various fantasies.

3.3.3. Final Analysis: Social Impact

The social workers concluded that most of the social pathologies associated with the casino complexes/tourism development, were not solely as a result of the casino complexes: the major contribution being the general process of modernization. The social workers stressed that the issue of recent independence, and the associated modernization effects, were an important consideration when analyzing the social impact of the casino complexes on the newly independent states: that the effects of independence, urbanization, modernization and the casino complex on the local community could not be separated. The casino complexes of Mmabatho Sun and Sun City accompanied the independence of Bophuthatswana, opening in 1977 and 1979 respectively. The casino complexes were therefore seen to be one of the modernizing forces, and one of the elements to contribute to change. Accordingly, it was noted by social workers that many of the social changes which have occurred would have taken place in any event in the context of modernization and independence: tourism and the casino complexes just accelerating the rate of some of

these changes.⁸⁶ As was aptly summed up by the HSRC Report, it was difficult to accurately locate a cause and effect relationship between the casino developments and the social problems in the area. Many of these social problems emerged concurrently with the Sun City development, and most of the problems were likely to have existed before Sun City was conceived.⁸⁷ This argument was supported by, amongst others, Mrs Moletlege, wife of the Bafokeng Tribal Chieftain, who reiterated that the disruption of tribal values and incidence of prostitution were bound to happen anyway: that Sun City simply speeded the process.⁸⁸

With reference to the detrimental aspect of gambling, possibly being encouraged by the presence of the casino complexes, many of the social workers and development experts advocated the 'individualist free enterprise' point of view. This point of view insists that casino gambling is an individual matter, a responsibility of the individual concerned, and that as an adult, a person should be capable of making his or her own judgements.⁸⁹ Bophuthatswana Social Workers and employees agreed, in the final analysis, that no one is forcing the local people, in particular, to frequent the casino complexes, and that it would be worse to deny people entry into the casino complex because it was perceived that they could not afford to enjoy the gambling facilities.

It has been suggested, however, that a Community Development Team should be introduced to the respective areas as a preventative measure. The Community Development Team would prepare and educate people about the casino complexes, and the dangers of gambling in an attempt to alleviate this very negative aspect of the complexes. A Community Development Team effort would possibly "ease personal and social stresses related to the rapid growth," of these casino developments within their communities, with particular emphasis on educating people about gambling.⁹⁰ In this light, social workers stressed that the establishment of educational programmes, training facilities, small industries and health programmes would be appreciated. The Community Development Team, it was felt

by social workers, should be part of the general planning process in the initial stages prior to the complex development, and not recognized as a necessity afterward.

The Community Development Team would therefore:

- prepare the people in the initial stages of the casino developments; and
- continue the educational process to help people to assimilate the casino complexes into their lives; and
- finally, to rehabilitate the victims of the gambling facilities.

In addition, Mrs Rosemary Mangope hopes that through the new Cultural Centre planned for Bophuthatswana, that children and adults will be taught about the evils of becoming dependent on gambling and alcohol, for example. The aim of the cultural project, therefore, is to "make the community strong against the casino complex."⁹¹

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Chapter Six is concerned with the future role of the casino complex developments in the development strategies of Bophuthatswana.

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CHAPTER SIX

The Future

Chapter Six: The Future

In the future, it is expected that the casino complexes will continue to play a positive role in the development strategies of Bophuthatswana; that the casino complexes will remain the mainstay of tourism developments in the country, but that a broader base for tourism development in the region will be slow to occur. Future tourism developments for Bophuthatswana include the Thaba Nchu Sun in the vicinity of the Maria Moroka Nature Reserve (at time of writing), the new Molopo Sun Hotel (opening October 1986: Sun International management); one, two and three star hotels for Temba, Mabopane and Pampierstad, and the new Sun International hotel in Garankuwa.

Based on present trends, the demand for this export activity, the tourism/casino complex developments, is expected to remain buoyant. According to Market Research Africa, the demand for 'hedonism' in the future is expected to increase: of "sensation seeking, living for today, novelty and change."¹ With the insistence of Sun International to continue to broaden the base of appeal for the complexes, by offering a wide range of attractions and activities peripheral to gambling such as country clubs and shows; there is no indication that the future demand will slacken. There may be fewer overseas arrivals, due to the strength of the anti-apartheid campaign and political instability in the RSA as a whole, but domestic tourism is expected to continually increase, particularly with foreign exchange rates being as they are, and will be for some time to come. Lest it be forgotten, the casino complexes have also become a way of life for many South Africans. The future demand for the casinos will no doubt continue to be encouraged by the conservative South African Government dictating what can and cannot be done in the RSA; thereby arousing the curiosity of the South African tourists, and encouraging them to travel and enjoy that which is prohibited at home. In addition, the black tourism market is expected to grow from three million, at present, to ten million by the end of the century: the black tourism market encouraged by increasing salary parity, in particular.²

With regard to demand, however, the threat of saturation of the market is a problem for the future. Unless control of the casino complex developments remains in one pair of hands, the likelihood of market saturation is considerable. It is acknowledged that although the casinos are still relatively new and exciting, and cater to needs previously not attended to, the RSA has a limited market. It is hoped that the natural growth of the South African population will continue to support the casinos (natural population growth predicted for Year 2000: 44 250 000 (low) or a high of 45 445 000³). There is, however, still the danger of international ownership and unrestricted casino developments outside of the Sun International 'umbrella', as for example in Ciskei and Kwandabele; thereby threatening the control of Sun International. In this respect, the casino business can become cut-throat and saturated.

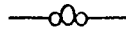
With regard to the question of allowance of casinos within the South African Republic in the future: this possibility is doubtful. The role of the casino complexes in the development strategies of the newly independent states must be seen in the context of Southern Africa as a whole. From the political perspective, the South African Government saves face vis a vis the Dutch Reformed Church; with promise to keep casino developments to those parts of the country no longer considered part of the RSA, but now the independent states. It is therefore unlikely that, in the future, casinos will be allowed within the borders of the RSA. From the economic point of view, the casino complexes are necessary and successful regional development tools in their respective areas. The casino complexes provide a form of voluntary taxation for the South African Government, and money flows from Johannesburg via Mbabatho and back to Johannesburg. In this scenario, private sector involvement is crucial as the "political power of a government is more meaningful if it is backed by the control of significant economic resources and the ability to produce with the resultant strength of economic independence."⁴

With regard to the future of the private sector involvement in these tourism developments, much will depend on the health of the leader of the group, Sol Kerzner. The tourism operating company of Sun International relies heavily on Kerzner's marketing abilities and his strategy for development.

With respect to the factor of supply for the Sun International casino complexes, as "in considering the future of the community it is also important to study the supply side," given that the Bophuthatswana Government and BNDC do their utmost to encourage industries to the area, it is anticipated that more complementary industries/suppliers will move to the area.⁵ These suppliers will possibly start up as cottage-type industries as far as the small business sector is concerned. The extent to which the BNDC will become more active in areas like Mogwase, for example, will depend on the development strategies of the Bophuthatswana Government; the development strategies of the BNDC being aligned with those of the Bophuthatswana Government. It is hoped, thereafter, that linkages between these supplying industries and other industries in the area, including Sun City, will develop over time.

Another factor, in addition to the fostering of linkages in the communities concerned, which will result in the growth of the economic base of the communities, will be an increase in the demand for this export specialty. This will result in increases in employment, and income, and a more satisfactory circulation of money. In turn, the growth of the local communities will open up new markets for the casino complexes, and whilst this factor will contribute to the coffers of the BNDC and Bophuthatswana Government, added community awareness will increase in importance in order to alleviate an increasingly negative social impact. In the future, as in the past and present, impact controls must be insisted upon in order to ensure that the operator and community go hand-in-hand, and are mutually reinforcing. It is anticipated that the casino complexes will continue to remain sensitive to their surrounding communities.

Taking all into consideration, the final 'futuristic' reference is to gambling itself. From the optimistic point of view, according to Nigel Calder and the 'People's Almanac Book of Predictions' (1981), under 'prediction of great events to occur between 1987 and 1992,' it is noted that 'Gambling is the chief leisure time activity of the world.'⁶ From the pessimistic point of view, Friedman writes that "whenever casino gaming is allowed on a wide open basis, whether legal or illegal, it usually lasts ten to thirty years before the many social-related problems lead to a strong reform movement that completely closes it down. Casino gaming in large cities has traditionally resulted in crime and other social costs that far outweigh tax benefits."⁷



Chapter Seven concludes this thesis.

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CHAPTER SEVEN

Conclusion

Chapter Seven: Conclusion

Hypothesis: The Casino Complexes have Played a Positive Role in the Development Strategies of Bophuthatswana

The researcher maintains, by virtue of the information provided, and the analysis which follows, that the hypothesis of this thesis is correct: that the casino complexes have played a positive role in the development strategies of Bophuthatswana.

The strategies for the development of Bophuthatswana, as outlined in Chapter Four (p. 35), included the general strategy for development of the Bophuthatswana Government, of:

- "growth ... by creating a sound export base ...";

and more specifically, the development strategies of the BNDC, of:

- attaining self-sufficiency and independence from the other newly independent states;
- improving the quality of life of the people, as for example, through job creation.

The casino complexes have played a positive role in the Bophuthatswana Government's and BNDC's development strategies by:

1) Providing a vital export industry, and thereby contributing to the growth of a sound export base in the communities in which they operate: in turn, this export industry has contributed a significant amount of funds to the Government and BNDC, thereby helping towards the attainment of their goal of self-sufficiency and independence (refer Chapter Five, Sections 3.1.1.1. & 3.1.1.2.: pp. 89-92);

2) Improving the quality of life of the people whom the company employs by:

- providing employment and income (refer Chapter Five, Sections 3.1.1.3.: pp. 92-94, 3.1.1.4.: pp. 94-100, 3.3.1.1.: pp. 133-135);
- providing training (refer Chapter Four, Section 4.2.2.2.: pp.60 -63);
- providing social and recreational facilities (refer Chapter Five, Section 3.3.1.2.: pp. 135-136);

- contributing ... /161

- contributing to various community charities (refer Chapter Five, Section 3.3.1.3: pp. 136-137).

These points are elaborated upon in this final section, and analysis, which follows the General Framework of Mathieson and Wall: the Economic (1), Environmental/Physical (2) and Social (3) Impacts.

1. Economic Impact: Final Analysis

This section considers the positive role of the casino complexes in the economic development strategies of Bophuthatswana, by providing an export industry and contributing to the growth of a sound export base; by providing funds to the BNDC and Bophuthatswana Government to be utilized for other development projects; the supplying industries and adequate retail outlets which are required to retain more of these funds in the respective areas and suggestions for improvements in this regard for the BNDC and Bophuthatswana Government.

Additional contributions of the casino complexes to the economic development strategies of Bophuthatswana include: the casinos' contribution to the development of their communities, the contribution of the casino complexes to the development of tourism in Bophuthatswana and the contribution of Sun International, as the investing company, to Bophuthatswana.

According to the Bophuthatswana Government's strategy of "growth ... by creating a sound export base ...", and of thereby attaining self-sufficiency and independence from the other newly independent states; the casino complexes have provided vital, 'invisible', export industries, and contributed to the export base of the communities in which they are located.² The casino complexes, as such, have contributed to the diversification of the economic base of the country and community, and provided a considerable, and

consistent, amount of funds/foreign exchange for the governments and Development Corporations of the newly independent states. These funds have helped to relieve dire shortages of funds necessary to carry out development, and aided the country toward their goal of self-sufficiency and independence.

With regard to the criticism of the casino complexes contributing to the leakage of funds by way of management fees and operating imports, for example (in Sun City area in particular): in the first instance, with respect to the export of management fees and dividends, both Government and Sun International personnel believe that their financial relationship is fair and not abused in any way. Despite the outflow of funds, the revenue received by the Bophuthatswana Government from this export activity remains considerable. In the opinion of the researcher, Sun International, as the tourism operating company, is fair in their relationship with the governments of the national states; where there are few companies which automatically grant a 50% shareholding in their projects to these governments (of newly independent states).

The second criticism of leakages due to operating imports is more serious in the development context of the communities concerned. The amount of products imported by Sun International, however, depends on the extent to which demands for these goods and services can be met domestically. Sun International cannot be held responsible for either the BND's, or Agrico's, job of developing the local market of supply; either directly to the complex (primary), to the tourists (secondary), or to the staff of the complex (tertiary). It is in these instances that the major loss and leakage occurs, and is a major constraint to the development of the newly independent state.

In the researcher's opinion, the full benefits of the casino complex developments have not been sufficiently utilized to generate maximum development of the area. As was stated by Watkins: if the staple export of the economy generates linkage effects that are

adequately exploited, the economy will diversify and grow.³ Similarly, this factor of linkage, or more specifically 'supply', was an important theme in Tiebout's Study. With greater supply, more money circulated, and was retained, within the community. Accordingly, more employment and income earning opportunities were provided, and the "income stream (would) swells" resulting in greater community growth.⁴ Sun International has been willing to purchase their supplies locally: their monthly budget, for the two hotels, totalling more than one million Rand (Sun City R545 700 (Fig. 7: p. 105) & Mbabatho Sun R202 516 (Fig. 6: p. 104) = R748 216 (Sun City: only food accounted for)). In Mogwase (Sun City), in particular, the insufficient number of suppliers has resulted in an unsatisfactory amount of money in circulation, and the leakages encouraged by external supply have reduced the benefits which should accrue to governments, Development Corporations, communities and local people. The injection of these funds should be proof enough of the considerable potential for capitalization on these benefits, which should be realized by the local communities.

With regard to the question of retail outlets, the research revealed that the greatest potential receipts from tourism were in this, the tertiary sector (refer Chapter Five, Section 3.1.1.5.3.: pp. 102-106). However, as in the case of suppliers, where these benefits could and should be realized by the respective communities, the inadequacy of the facilities prevent optimal realization of this factor. The benefits could be sizable with monthly injections of approximately R1.5 million in wages from the casino complexes alone (Sun City R1 558 305.49 (refer Chapter Five, Section 3.1.1.2: p. 91) & Mbabatho Sun R173 552.00 (refer Chapter Five, Section 3.1.1.2: p. 91)), and few places to spend this income. This has been more a problem for the Sun City-Mogwase area than for Mbabatho-Mafikeng, where due to the availability of facilities locally, more has been purchased locally and the associated benefits received accordingly. Where local spending in Mogwase, in particular, would ordinarily contribute to the development of the local community, most of the funds have found their way to South African companies nearby in Rustenburg,

for example. The BNDC, therefore, has been slow to provide sufficient retail outlets to benefit from the phenomenal increase in local spending power, and inflationary conditions resulted. In addition, and with reference to the development strategy of improving the quality of life of the people; these social facilities should be available nearby, and not 44 kilometres away in a South African town (Rustenburg). The research revealed that, with regard to improving these commercial facilities, that politics have played a considerable role, and successfully over-ruled economic logic. According to the BNDC, Bophuthatswana should be developed evenly and fairly. The Mogwase shopping centre, therefore, has remained too small and inadequate for many years, apparently unaffected by the increasing sums of money forthcoming to the area by way of wages.

According to official sources in Mogwase, Government investment in this community, in general, has ceased over the last few years. The reason that has been given was that funds were more urgently required elsewhere, and that the Sun City-Mogwase area has sufficient infrastructure for some time to come. In the opinion of the researcher, it is in this respect that the efforts of the Bophuthatswana Government and BNDC should be concentrated. The Bophuthatswana Government and BNDC should remain responsive to the development and growth of the community; in both their current and investment expenditures, and thereby promote the development of linkages and, accordingly, the growth of a stable community. Without this important function being performed, it is doubtful that adequate linkages, and the positive repercussions thereof, will ever be forthcoming.

With regard to the role of the BNDC in this context, the BNDC is required to:

- encourage more supplying industries to move to the area (in order to attend to their development strategy of import replacement);
- forge greater linkages between the supplying industries and the casino complexes: both major industries and the local entrepreneurs of the small business sector, as satisfactory linkages within the economy are essential for the full benefit of tourism

to be realized;

- establish adequate retail outlets, with the required quantity and quality of goods.

Benefits, or trickle down effects, could then be received by the local communities. The trickle down effect would provide for the retention of funds within the area; generate more employment and income, and raise the standard of living of more people. The role of the public administrator, the BNDC, in this context, therefore, would be considerable: from the encouragement of suppliers to the community to simply acting as a liaison between the casino complex and the local entrepreneur. In effect, the BNDC would be required to play a ministerial role in the communities and encourage interaction between the various industries. These actions would result in a long term benefit for themselves, help the community, and ultimately the country to a greater level of self-sufficiency. On the primary supply side (agriculture), Agricolor could also become more responsive to the requests of the casino complexes: encouraging the development of local projects to supply the complexes directly, as for example the Onderstepoort project (Temisano: five out of forty hectares under irrigation at present). In this way, many more local citizens would benefit from the casino complex development.

On the part of Sun International, in this regard of community development; as the Community Development Fund of Sun City has failed to ensure that funds return to the immediate community of the Sun City-Mogwase area, the researcher would like to suggest the establishment of a "Reinvestment Development Authority" similar to that which exists in Atlantic City, U.S.A. This Reinvestment Development Authority, comprising members of both the public administration, the BNDC, and Sun International, would ensure that a percentage of the funds received in the form of dividends from both parties would be used for the development of the area from a community development perspective. This form of casino re-investment has been "touted as the answer to the bad public relations of having glittering money factories against a backdrop of slums."⁵

Without the Sun City development, the BNDC would have had little with which to attract the industrialist to Mogwase, and it is debatable as to whether or not as many industrialists as are there at present would have had the confidence to invest in Mogwase, without the Sun City development close by.

Development experts, however, have since debated that the dramatic impact and contribution of Sun City to the surrounding area, and development strategies of Bophuthatswana, will gradually diminish over time as the area gains its own momentum. The researcher has doubts in this regard, of Sun City losing its impact and prominent position in the development of the area. Sun City is a major employer (59.70%), and provider of income on a stable, and continual basis in the area. In contrast, most of the export companies (and thereby determinants of future growth) in the major Heavy Industrial Area of Bodirello; industries which are supposedly to contribute to the community gaining its own momentum (majority export industries: 70.9% in Heavy Industrial Area) were found in the research to be in the area primarily for the concessions (58.8%), and simply import their raw materials from the RSA, and export their finished product back to the RSA. When their concessionary agreements cease in five to seven years time, the researcher believes that many of these industries will return to the Metropolitan areas of the PW; leaving empty factories and resulting in the de-employment of thousands of workers. In contrast, the casino complexes of Sun City and Mbabatho Sun have developed both their export and local markets, and made long term commitments to their respective areas. It is therefore hypothesized by the researcher that the casino complexes, Sun City in particular, will remain the engines of growth, or at least major contributors to growth, in their respective areas.

The development of local markets, or supply, by the export industries of the Sun City-Mogwase area is nevertheless of vital importance (export industries concentrated in immediate Sun City area and Bodirello/Heavy Industrial Area). As aforementioned, with respect to one of Tiebout's major themes, the future potential growth of the area is

determined by the ability of the export industries to develop both export and local markets (and for local suppliers to cater for the export industries). In this light, it is important for the Bophuthatswana Government and BNDC to encourage these industries to remain in the area; to not only provide employment and income and contribute to the export base of the community, but to prevent the surrounding community of Sun City from becoming 'hostage' to the casino development (where outside of the casino complex development, employment will be nil). This (hostage community) would be fatal for development in the area, and the Bophuthatswana Government and BNDC must become more active to prevent this situation from arising.

In contrast to the above scenario, and the considerable impact of Sun City on its surrounding community, the impact and contribution of the Mbabatho Sun Hotel, as an export industry and contributor to the export base and development strategies, has not been as dramatic as that of the Sun City complex. The Mbabatho Sun complex grew with independence and general modernization of the area, and was successfully absorbed into the growing capital city where other industries have greater importance, and greater impact on the community. It has been this growth of the Mbabatho-Mafikeng community and its commercial infrastructure, which has afforded a greater supply potential for both the hotel and staff.

Despite differences in the extent of their impacts, both the Sun City and Mbabatho Sun complexes have played a vital role in the development strategy of Bophuthatswana with their contribution to tourism development. It has been well noted in official circles, and by tourism experts, that tourism for the newly independent states commenced and grew due to the casino complex developments. Kerzner, as the private investor has successfully played the role of promoter in bringing together a consortium of public and private interests, and making tourism development possible. Tourism is regarded by Bophuthatswana, and the other newly independent states, as being an essential industry, and the influx of people, currency and associated trade is important to the local economy. The Sun

International hotels in Bophuthatswana contribute 75% of R100 million a year in tourism revenues to the Bophuthatswana Government, and this figure is expected to rise considerably in the future when other tourism projects come on stream.⁷

The casino complexes have therefore spearheaded, and provided the anchors for, the development of tourism in the newly independent states, and ensured their inclusion in the broader tourism objectives for the Southern African region as a whole. More importantly, perhaps, with regard to achieving international recognition for Bophuthatswana as a newly independent state, Sun International has put Bophuthatswana and Sun City on the world tourism map. Although, it is widely recognized that the development of tourism for Bophuthatswana, and the newly independent states, would still have occurred without the casino complexes; it is doubtful whether these developments would have been, either as successful, or as rapid. Sun International has provided hotels and resorts of international standard (and are maintained as such by virtue of their policy of 'retain and reinvest'), and carefully managed and controlled their casino operations.

Sun International, as the investing company, and in addition to the abovementioned policy of careful management and control of casino operations, has made other noteworthy contributions to the economic development strategies of Bophuthatswana. Although Sun International as a company follows a profit-oriented strategy, the company has contributed to the more development oriented strategy of Bophuthatswana and the BNDC (in which private sector investment is crucial: refer Chapter Four, Section 2: p. 39), by taking the initiative, as a South African company, and investing in the newly independent state. Sun International has proved to be one of the more 'perfect' companies for the Development Corporation to have, with credits which include:

- having a sound, experienced management structure (thereby providing for their own human resources and training for the workers of Bophuthatswana);
- being financially independent, and not requiring extensive subsidization, and

concessions, and is therefore not an added drain on the financial resources of the Development Corporation and country;

- providing many thousands of jobs for people of minimal skill (at a cost of between R6 000 and R7 000 to create a job in Bophuthatswana);
- there being a considerable market for the tourism/export product (export market and foreign exchange);
- the company having made a long term commitment to the country.

Two of these contributions of Sun International and the casino complexes will be emphasized: namely the financial and employment aspects. As discussed in the section relating to the economic impact; with a partner as well organized as Sun International, the Development Corporation has only to provide half of the financial commitment for the development of the casino complex (50% shareholding in projects: refer Chapter Four, Section 2: p. 36). This leaves the Development Corporation free to become involved in whatever alternative projects to the casino complex developments as the Corporation so desires. Sun International, in turn (through profit generation and dividend declaration), provides the Development Corporation with sufficient funds to invest in both Sun International ventures and alternative projects. Where some Bophuthatswana officials insisted that Sun International's contribution to the BNDC has been minimal in comparison with other companies, other officials recalled how for some time, the casino complexes were their most viable, and few profit generating, investments. An additional bonus to the Sun International Bophuthatswana investment, and role in the development of the country, has been the recent participation of the people in the casino complex investments by way of the Yabeng Investment Corporation and, recently, the proposed listing of Sun International Bophuthatswana on the Johannesburg Stock Exchange. Accordingly, where Sun International has been labelled a Multi National Corporation, with the associated malevolent and benevolent characteristics, and in particular a symbiosis between the company and governing class of Bophuthatswana suggested, few can deny that the

contributions, financial in particular, of the company have been more than a diplomatic gesture.

With regard to the employment aspect, where unemployment and poverty are undoubtedly two of the greatest problems facing Africa, it is in this respect that the contribution of the casino complexes, as labour intensive service industries, is most dramatic. The casino complexes provide a considerable amount of employment in the rural areas, in particular, where both unemployment and poverty are rife. The researcher conservatively estimates that direct and indirect employment opportunities, created as a result of the Bophuthatswana casino complex developments amount to 856 Expatriates and 5278 Batswana. Taking the employment multiplier into consideration (of six people per Batswana family), these figures (for local Batswana) rise to approximately 31 668 people affected by the casino complex developments. An additional, indirect, contribution to the development strategies of the Bophuthatswana Government and BNDC concerns the provision of employment in the rural areas, which curbs the problem of 'urban drift' to Mmabatho-Mafikeng, where problems of housing and employment creation are already acute.

As was summarized by the Managing Director of the BNDC: "if a company can generate cash and that cash can be used for development, as well as there being income for the government in the form of taxes ... with the creation of a few thousand jobs and training ... and income forthcoming to the employees of the complex, where this money can be spent in Bophuthatswana where more jobs and income will be created, ... in turn, the employees pay taxes to the government, and the company is able to elevate the country from a position of obscurity to a situation, where it can draw tourists from overseas and local people to a five star resort and facilities, which advertize the hotel and country on international television during boxing contests ... if a company can achieve all of these things, it should be encouraged.⁸

The final analysis of the Environmental Impact is now referred to.

2. Environmental Impact: Final Analysis

Environmentally, the research found that the casino complexes have played a positive role in preserving, and conserving, the natural resources in their midsts; both within their own boundaries and outside of them in game parks, for example. Any possible negative repercussions of the casino complex developments on the natural environment have been retained within the boundaries of the complexes. In addition, the casino complexes have provided essential financial avenues of support for the conservation of the game reserves (refer Chapter Five, Section 3.2.: pp. 128-131 'Environmental Impact').

In the final analysis, the social impact of the casino complexes, is also believed to be beneficial.

3. Social Impact: Final Analysis

With reference to the casino complexes contributing to the second major development strategy of the Bophuthatswana Government and the BNDC, of improving the quality of life of their people whom the company employs, this contribution has been effected by the complexes providing employment and income; by providing training, social and recreational facilities and by contributing to various community charities.

In the opinion of the researcher, it has been in this regard of improving the quality of life of the employees of the complexes, that the impact of the casino complexes has been possibly greatest. The benefits have been received by those directly, or indirectly employed, by those who utilize the complex facilities for entertainment and recreational purposes, and those who do not participate in the major social criticism of the complexes: the gambling facilities.

With the employment and income forthcoming from not only the casino complexes, but from the industries attracted to the areas, either to supply the complexes, or due to the excellent infrastructural provisions created for the complex developments; the standards of living of the people have improved considerably. People, and women in particular, have had more money to provide for their basic needs, and to better educate their children. For men, the casino complexes have provided an alternative to migrant labour, and afforded them the opportunity to reside near to their homes. The complexes have contributed to family re-integration in this way. As a result of the increases in income, over the years, there has been a marked improvement in the areas around the Sun City development, where for example tin huts in Ledig have been replaced with brick houses. Similarly, the training offered at the complexes has provided many people with greater life chances, and contributed to another major development strategy of the Bophuthatswana Government: the development of human resources.

On the negative social side, and in agreement with the critics of the casino complex developments; the encouragement of the local people to gamble, by virtue of the presence of the complexes in their respective communities, is a major problem and negative aspect of the casino complexes. As the critics stress, gambling is a regressive form of raising revenue, appealing to people who can least afford it. In this light, the complexes are perhaps incorrectly placed in rural areas, where poverty is rife. The researcher advocates that positive steps need to be taken, and a Community Development Team is required (as discussed in Chapter Five, Section 3.3.3.: pp. 145-146).

With regard to the other social changes, which may have occurred as a result of the casino complexes: social workers have stressed that it has been difficult to locate a cause and effect relationship, when most of the social problems investigated existed to some degree before Sun City was conceived. The casino complexes, it was decided, have been but one of the modernizing forces in the newly independent state, and incorrectly labelled

the scapegoat for all of the social evils felt by the community.⁹

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In the final analysis, the researcher advocates, in support of the hypothesis, that there still remains a positive net benefit for Bophuthatswana as a result of the casino complex developments: from the economic, environmental and social perspectives. The economic, environmental and social benefits still outweigh the social costs. The basic needs of many thousands of people being fulfilled through employment; of relief from hunger, the provision of shelter, a better standard of living and hope for the future are all more important considerations.

In conclusion, the justification for the casino complex developments may be numerous in the political context of the newly independent states, as tourism for example, but the fact remains that the casino complexes have played a positive role in the development strategies of the newly independent states; albeit a minor role, with the associated marginal benefits and costs, in relation to their major strategies for development.

<u>End Notes</u>	<u>Page</u>
1. BENBO: <u>Black Development in South Africa</u> . Bureau for Economic Research: Pretoria, South Africa, 1976: p. 74.	160
2. Ibid.	161
3. M. Watkins, <u>A Staple Theory of Economic Growth</u> , in W.L. Johnson & D.R. Kamerschein (Eds.) <u>Readings in Economic Development</u> . South Western Publishing Co.: Ohio, U.S.A., 1972: p. 469.	163
4. C.M. Tiebout, <u>The Community Economic Base Study: Supplementary Paper No. 16</u> . Published by the Committee for Economic Development: New York, U.S.A., 1962: p. 28.	163
5. "The Casino Reinvestment Playoff: A Tough Ball Game." <u>Gaming Business Magazine</u> , New York, U.S.A., August 1984: p. 15.	165
6. Interview P. Kleynhans, Sviridov and Partners Town Planners, 8.5.85.	166
7. Interview L.M. Lethlaku, Bophuthatswana Department of Tourism, 6.9.85.	169
8. Interview W. Van Graan, Managing Director BNDC: 30.4.85.	171
9. All information on Social Impact of Casino Complexes: Mrs R. Mangope (25.4.85), Mrs I. Sekwane (1984) and Mrs T. Ratefane: Departments of Health and Social Welfare and Mrs Ratefane, Department of Foreign Affairs, Bophuthatswana	174

APPENDIX

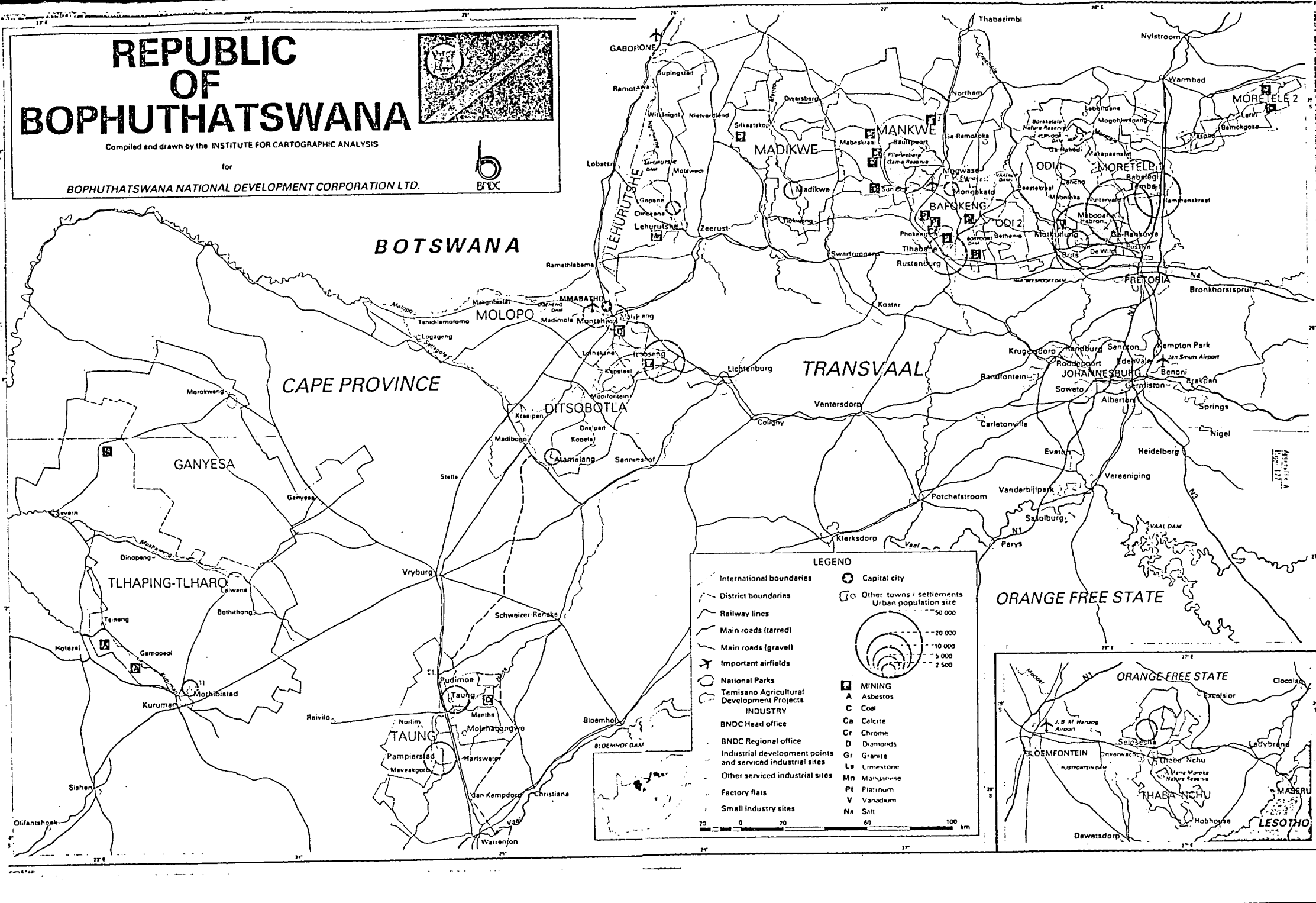
REPUBLIC OF BOPHUTHATSWANA



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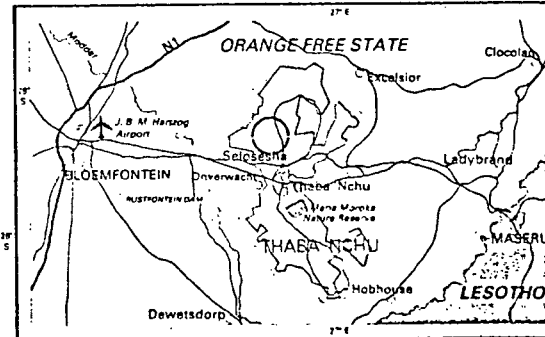
BOPHUTHATSWANA NATIONAL DEVELOPMENT CORPORATION LTD.



LEGEND

- International boundaries
- District boundaries
- Railway lines
- Main roads (tarred)
- Main roads (gravel)
- Important airfields
- National Parks
- Temisano Agricultural Development Projects
- INDUSTRY
- BNDC Head office
- BNDC Regional office
- Industrial development points and serviced industrial sites
- Other serviced industrial sites
- Factory flats
- Small industry sites
- Capital city
- Other towns / settlements
- Urban population size
 - 50 000
 - 20 000
 - 10 000
 - 5 000
 - 2 500
- MINING
 - A Asbestos
 - C Coal
 - Ca Calcite
 - Cr Chrome
 - D Diamonds
 - Gr Granite
 - Lb Limestone
 - Mn Manganese
 - Pt Platinum
 - V Vanadium
 - Na Salt

Scale: 0 20 40 60 80 100 km



Appendix B

As referred to in Chapter Two: Methodology (pp. 9-10), four surveys were carried out in the Mbabatho-Mafikeng and Sun City-Mogwase communities:

Survey One: The Sun City Hotel: the 33 concessionaires of the Sun City complex: Questionnaire 1. (Fig. 1)

Survey Two: The Sun City-Mogwase area (51 companies within a 30 kilometre radius of Sun City: Sun City, Ledig, Mogwase, the Light and Heavy (Bodirello) Industrial Areas. All companies in the area were surveyed: both suppliers and companies with 'no tie' to the complex: Questionnaire 2. (Fig. 2)

Survey Three: The Mbabatho Sun Hotel Concessionaires: 5 concessionaires: Questionnaire 1.

Survey Four: The Mbabatho-Mafikeng area: 35 companies, and only suppliers to the hotel were surveyed: Questionnaire 2.

In the pages that follow, the questions, description of each question and brief summaries of the results are provided.



Figure 1QUESTIONNAIRE FOR CONCESSIONAIRES: SURVEY 1 (SUN CITY) &
SURVEY 3 (MMABATHO SUN)

1. Type of Shop?
2. Date of Establishment?
3. Reason for Establishment of Shop?
4. Ownership of Shop? Bophuthatswana Government, Government Officials (Personalization), Local Ownership, Sun City Management, South African Subsidiary, South African Company,
5. Shops Tied Directly or Indirectly to Casino Complexes?
6. Distribution of Sales: Export/Tourist Sales-Local/Staff Sales?
7. Employment: Expatriate and Batswana?
8. Training of Employees?
- 9.(10) Supplies: Imported and/or Local Supply?
- 10.(16) How the Concessionaires Envisage the Future of the Complex?
- 11.(19) Complaints about the Complex?

Figure 2

QUESTIONNAIRE FOR INDUSTRIALISTS: SURVEY 2 (SUN CITY-MOGWASE) &
SURVEY 4 (MAFIKENG -MABATHO)

1. Type of Industry?
2. Date of Establishment?
3. Reason for Establishment of Industry?
4. Industry Related or Unrelated to the Casino Complex?
5. Industry Tied Directly or Indirectly to Casino Complex?
6. Industry caters for Export or Local Sector: Percentage Assigned to Each? (Export Sectors: Private/Government; Local Sector: Local Consumers, Local Business, Local Government)
7. Employment: Expatriate and Batswana?
8. Training Offered?
9. Did you Receive any Encouragement/Aid from the BNDC?
10. Where are your Suppliers Based?
11. Where are your Distributors Based?
12. How do you Envisage your Future External Demand and Local Supply Possibilities?
13. Do you use the Casino Complex? In Personal Capacity or Conventions?
14. In What Way does your Company Serve the Complex?
15. Has the Casino Complex made any Contribution to the Growth of your Industry?
16. How do you see the Future of the Casino Complex?
17. In What Way has the Casino Complex Contributed to the Area?
18. In What Way do you feel your Company has Contributed to the Development of Bophuthatswana?
19. Do you have any Complaints about the Area?
20. What Improvements should be made to the Area?

Questions, Description of Questions, Brief Results1. Type of Industry?

The basic sources of income and employment were categorized as follows:

- Primary Industries: Agriculture, Mining.
- Secondary Industries: Manufacturing, Construction.
- Tertiary Industries: Services, Wholesalers, Retailers.
- Quarternary Industries: Communications

Hypothesis: Suppliers to the complexes were mainly tertiary/service industries.

Hypothesis proved correct.

Survey One: Sun City Concessionaires:

All tertiary industries

Survey Two: Sun City-Mogwase Industries

Supplying companies only (21/51: 41.1%)

Primary/Agriculture: 2 (9.52%)

Secondary/Manufacturing: 8 (38.09%)

Tertiary/Services: 11 (52.38%)

Survey Three: Mbabatho Sun Concessionaires

All service/tertiary industries

Survey Four: Mbabatho-Mafikeng Industries

Primary/Agriculture: 3 (8.5%)

Secondary/Manufacturing: 4 (11.4%)

Tertiary/Services: 26 (74.2%)

Quarternary/Communications: 3 (8.5%)

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2. Date of Establishment?

The contributions of Sun City, to the development of Mogwase, were hereby investigated.

Prior to 1979, the establishment of the industries was considered as a separate entity. After 1979, with the birth of Sun City, the establishment of the industries could be assumed to be as a result of the growth of the Mogwase area, and associated concessions offered; an indirect result of the establishment of the complex.

Hypothesis: Sun City contributed to the development of Mogwase by encouraging industries to move to the area: date of establishment after opening of Sun City December 7th, 1979.
Hypothesis proved correct.

Survey One: Sun City Concessionaires

The dates of establishment of each of the shops coincided, in the majority of instances, with the openings of the respective areas of the hotel, as for example, shops in the Main Hotel, December 1979, Entertainment Centre 1981.

Survey Two: Sun City-Mogwase Industries

Area	Before 1978	1979/80	1981/82	1983/84	84+
Sun City	I	II	I	II	
Ledig	I			II	
Mogwase		II	IIII	IIIIII	II
Light Industrial Area				IIII	IIII
Bodirello	I	I	IIII	IIII	IIIIII

Survey Three: Mbabatho Sun Concessionaires

The dates of establishment of the shops coincided, in the majority of instances, with the opening of the Mbabatho Sun Hotel (1977).

Survey Four: Mbabatho-Mafikeng Industries

Before 1900's	1930's	1950's	1960's	1970's	1980's
4	1	3	1	7	20

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3. Reason for Establishment of Industry?

The reason for establishment of the industry, and where possible, possible factors influencing location in the particular area, eg. markets, labour.

Hypothesis: Many companies were in the Sun City-Mogwase area, in particular, because of the concessions offered by the South African and Bophuthatswana Governments.

Hypothesis proved correct in the Bodirello region in particular.

Survey One: Sun City Concessionaires

The major reason for the establishment of the shops was in order to cater for both the needs of the Sun City visitors and staff.

Survey Two: Sun City-Mogwase Industries

Area	Sun City	Concessions	Expansion	Market	Only Available	Other
Sun City	6					
Ledig				1		2
Mogwase	1			2	1	
Light Indus.	3			2	5	2
Bodirello	1	10	3	1		2 (58.8%)
	21.56%	19.60%	5.88%	29.41%	11.76%	11.76%

Survey Three: Mmabatho Sun Concessionaires

The major reason for the establishment of the shops was in order to cater for both the needs of the Sun City visitors and staff.

Survey Four: Mmabatho-Mafikeng Industries

Historical	11	31.4%
Markets	19	54.2%
Mmabatho Sun/Sun City	1	
Service	2	
Other	2	

4. Industry Related/Unrelated to the Casino Complex?

The BNDC (Government Body) receive 50% of the profits from the casino complex developments, and the BNDC is classified as a Bophuthatswana Government body. Industries which are related by ownership, therefore, will be owned or partly owned by the Bophuthatswana Government and/or BNDC. (Similarly, industries/retail outlets owned/partly owned by Sun International, will also be classified as related industries).

Hypothesis: The Bophuthatswana Government and/or BNDC have capitalized on the presence of the casino complexes, and set up complementary industries to reap possible benefits accordingly: i.e. piggy-back development and provide employment and income in the process.

Hypothesis proved to be true to an extent. There was evidence of personalization.

Survey One: Sun City Concessionaires

Government	12.1%	4	(Related)	
Personalization	3.0%	1	(Related)	
Management	9.0%	3	(Related)	
South African Subsidiary Companies	39.3%			13
South African Companies	36.3%	12		

Survey Two: Sun City-Mogwase Industries

Related to Bophuthatswana Government	5/21 23.80%	3/21 of suppliers	14.28%
Related to BNDC	6/21 28.57%	1/21 of suppliers	4.76%

Survey Three: Mmabatho Sun Concessionaires

South African Subsidiary	1	20%
South African	2	40%
Local	2	40%

Survey Four: Mmabatho-Mafikeng Industries

Related to Bophuthatswana Government	3	8.5%
Related to BNDC/Agricor	10	28.5%

5. Industry Tied Directly/Indirectly to Casino Complex ?

Industries which supply the complex directly are 'tied directly'. These industries provide food, as for example Mimosa Nest: Eggs. Indirect suppliers supply the tourists, as for example, the BP Garage in Mogwase which supplies tourists on route to both Sun City and the Pilanesberg Game Reserve.

Hypothesis: A large proportion of the industries in the Mogwase area are tied directly and/or indirectly to the complex.

Hypothesis proved to be partially true: 41.1% of the industries in the area supply the complex directly/indirectly, or both.

Survey One: Sun City Concessionaires

All of the Sun City concessionaires are tied both directly and indirectly to the complex.

Survey Two: Sun City-Mogwase Industries

Tied Directly	13	25.49%	} 41.1%
Tied Indirectly	8	15.63%	
Tied Directly and Indirectly	3	5.88%	

Survey Three: Mmabatho Sun Concessionaires

All of the Mmabatho Sun concessionaires are tied both directly and indirectly to the complex.

Survey Four: Mmabatho-Mafikeng Industries

All of the industries/retail outlets surveyed were tied directly and/or indirectly and supply the staff of the Mmabatho Sun Hotel.

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6. Industry Caters for Export/Local Sector and Percentage Applicable?

Industry caters for export/basic and/or local/non-basic sector, and the percentage assigned to each. The export sector refers to private or government exports. Tourists, and the casino complex operations, are all private exports (South African and

international tourists). The local sector refers to local government/ENDC investment, local people/individual consumption and local business investment, i.e. sales between industries.

This question is linked to the following question on employment. The reply forthcoming on the distribution of sales is used to categorize employment accordingly. Employment is assumed to be 'basic' or 'non-basic' according to the distribution of sales, on a proportional basis.

Experience showed that this means of categorization; the use of sales and employment percentages and, thereafter, the 'arbitrary assumption approach', was the most feasible under the circumstances. Questions regarding sales, as a measuring unit, and salaries generated much hostility and were deleted accordingly. The question was: "What percentage of your sales are to the export market, and what percentage of your sales are to the local market?" The question regarding the further subdivision of percentages, vis a vis export and local sales, was also not insisted upon. Where respondents volunteered this information, it was gratefully acknowledged (as for example if local sales were 100% - the percentage to local government, local business, local people).

Hypothesis: Most of the industries in the Bodirello/Sun City-Mogwase area were export industries, and in Mbabatho-Mafikeng mainly dedicated to the local market.

Hypothesis proved to be true in the case of Sun City and Bodirello areas; not in the case of Mogwase and Light Industrial areas; positive for Mbabatho-Mafikeng area.

Survey One: Sun City Concessionaires

Export 70%

Local People/Local Staff 30%

Survey Two: Sun City-Mogwase Industries

Companies Exporting/Planning to Export to the RSA 70.9%

Companies solely for local market 29.1%

Survey Three: Mmabatho Sun Concessionaires

Export 60%

Local 40%

Survey Four: Mmabatho-Mafikeng Industries

South Africa and Bophuthatswana 12/35 34.2%

Bophuthatswana 23/35 65.8%

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7. Employment: Expatriate and Batswana?

Numbers employed: Expatriate and Batswana and then division into 'basic' and 'non-basic' employment.

As aforementioned, the percentage distribution of export and local sales were then applied to this question of employment. It was assumed that the percentage division of sales (export/local) corresponded with the division of employment accordingly, i.e., if a company's export/local sales picture was of the order export/basic = 60%, and local/non-basic = 40%, it was assumed that the employment of the factory followed a similar form of employment; of 60% of the workers being assigned to the export production and 40% assigned to local production. The researcher was well aware of the many faults associated with this 'arbitrary assumption approach'; such as skill differentials altering the distribution of workers and the possibility of unified production processes. Under the circumstances, however, it proved difficult to extract a consistent answer from all the respondents without becoming involved in unnecessary antagonism.

Employment was the unit of measurement because of its universal availability. Employment in the industries was used to calculate the extent of the ripple effect; the number of people affected by Sun City, both directly and indirectly.

Survey One: Sun City Concessionaires

Expatriate	90	
Batswana	309	Ratio: 1:3.4
Basic Employment	270	
Non-Basic Employment	126	Ratio: Negative -2.1:1

Survey Two: Sun City-Mogwase Industries

Expatriate	463	
Batswana	3630	Ratio: 1:7.8
Basic Employment	3379	
Non-Basic Employment	720	Ratio: Negative -4.69:1

Survey Three: Mmabatho Sun Concessionaires

Expatriate	1	
Batswana	10	Ratio: 1:10
Basic Employment	5	
Non-Basic Employment	6	Ratio: 1:2

Survey Four: Mmabatho-Mafikeng Industries

Expatriate	302	
Batswana	1329	Ratio: 1:4.4
Basic Employment	280	
Non-Basic Employment	1355	Ratio: 1:4.8

Employment: Sun City-Mogwase area Expatriate: 553

Employment: Batswana: 3 939

Employment: Mmabatho-Mafikeng area Expatriate: 303

Employment: Batswana: 1 339

Total Employment Direct and Indirect Supply: Expatriate: 856

Batswana: 5 278 (x 6 per family = 31.668)

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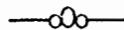
8. Training Offered at the Factory/Shop?

Whether the company offered training for its workers, and hence made a valuable contribution to the country; where there is a terrific shortage of skills.

Hypothesis: Companies attracted to the Sun City-Mogwase area, in particular, by Sun City, provide training and thereby contribute to the development strategies of the newly independent state and the development of human resources: additional contribution to the BADC.

Hypothesis proved to be correct.

All companies in all four surveys offered training: primarily on the job training.

9. Did you Receive any Encouragement/Aid from the BADC ?

Hypothesis: The BADC has encouraged industrialists to establish their companies in Bophuthatswana by providing help and aid.

Hypothesis proved to be true: In general, the replies of the industrialists correlated positively with the BADC's word that they had done as much as possible, in the areas concerned, to stimulate development.

Survey One: Sun City Concessionaires

No aid was/is receivable by either the Sun City or Mmabatho Sun concessionaires.

Survey Two: Sun City-Mogwase Industries

50% of the businessmen in the area replied positively to this question, 24% replied negatively.

Survey Three: Mmabatho Sun Concessionaires

Reply as above with reference to Sun City Concessionaires

Survey Four: Mmabatho-Mafikeng Industries

65.7% of the businessmen in the area replied negatively to this question and 37.1% of

The Hypothesis, therefore, proved to be correct in certain instances (Bodirello); the raw materials were being transported to Bophuthatswana and the finished product sent back to the RSA.

Survey Two: Sun City-Mogwase Industries

RSA	18.5%	(Distribute product from the RSA)
Bophuthatswana	81.4%	(Distribute product from Bophuthatswana)

Survey Four: Mbabatho-Mafikeng Industries

RSA	8.5%
Bophuthatswana	91.4%



12. How do you envisage your Future External Demand and Local Supply Possibilities?

Hypothesis: The industrialists, in the Bodirello area in particular, would only remain for as long as the concessions were effective. Most of the industrialists in the Bodirello region were optimistic about their future external demand, but businessmen in the Light Industrial Area were pessimistic.

There was no indication as to whether, or not, the industries would remain after the concessionary period was over. Local supply potential in the area, however, was considered to be very poor and most products, as aforementioned, would continue to emanate from the RSA for some time to come.

Survey Two: Sun City-Mogwase Industries

Optimistic about future demand, but little indication if would remain after concessions:
59.2%

Optimistic about local supply potential: 18.5%

Survey Four: Mbabatho-Mafikeng Industries

Optimistic about future demand: 85.7%

Optimistic about local supply potential: 45.7%



13. Do you Use the Complex ?

Hypothesis: The Sun City and Mbabatho Sun Complexes provide valuable sources of entertainment and enjoyment for industrialists.

This Hypothesis proved to be true in both cases (Sun City and Mbabatho Sun). Sun City was used by most of the industrialists in the Sun City-Mogwase area for entertainment, the business facilities: banking, post office, and the sporting facilities. In the case of the Mbabatho Sun, the complex was used by all for entertainment because it offered the highest standards of entertainment and service in the area. The major clients in the Mbabatho area were the government officials (for the restaurant facilities).

Survey Two: Sun City-Mogwase Industries

Yes, use the complex: 47/51 92.15%
 Use the complex for entertainment/sporting reasons 44/51 86.27%
 Use the complex for the business facilities 7/51 13.72%

Survey Four: Mbabatho-Mafikeng Industries

Yes, use the complex 32/35 91.42%
 Use the complex for entertainment reasons 28/35 80%
 Use the complex for conferences 4/35 11.4%

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14. In What Way does your Company Serve the Complex?

Hypothesis: Most of the companies in the Sun City-Mogwase area, in particular, were suppliers to the complex.

Hypothesis proved to be true to an extent: 41.1% of companies in the Sun City-Mogwase area supply the complex.

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15. Has the Casino Complex made any contribution to Growth of your Industry?

Hypothesis: The casino complexes have made considerable contributions to the growth of the supplying industries in particular.

Hypothesis was partially correct. Most of the publicly recognized contributions of the casino complexes were indirect, of bringing tourists to the area. The supply potential to the casino complexes, as far as the industrialists/shopkeepers were concerned, was minimal.

Survey Two: Sun City-Mogwase Industries

Sun City has contributed to the growth of their industries: 57.4%

Survey Four: Mmabatho-Mafikeng Industries

All of the suppliers replied positively to this question; that the Mmabatho Sun has made significant contributions to the growth of their industries or retail outlets.



16. How do you see the Future of the Casino Complex?

The 'business leaders' judgement was respected in this instance. The Executives of the industries were asked how they saw the future of the area. The researcher assumed that the industrialists, being close to the complexes, would be in the best position to comment in this regard. The reply was overwhelmingly favourable for Sun City; that the complex would continue to grow and to attract millions of tourists. As far as the Mmabatho Sun was concerned, some people were a little pessimistic with the impending introduction of the new Mmopopo Sun Hotel across the way. It was not confirmed at the time that Sun International would take over the management of the hotel.

Survey One: Sun City Concessionaires

With reference to the future, many of the concessionaires felt that Kerzner would have to keep the momentum going; to continually provide new attractions to keep the people coming to the complex. Most of the concessionaires were optimistic that the complex would continue to grow.

Survey Two: Sun City-Mogwase Industries

All of the industrialists interviewed said that Sun City would grow. The only factor

which would impede the growth of Sun City would be the allowance of casinos in the RSA, i.e. a change in South African Government policy.

Survey Three: Mbabatho Sun Concessionaires

All of the replies were positive in this regard: the Mbabatho Sun has a promising future.

Survey Four: Mbabatho-Mafikeng Industries

All of the industrialists in the area were optimistic about the future of the Mbabatho Sun.

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17. In What Way has the Casino Complex Contributed to the Area?

Hypothesis: The casino complexes have contributed considerably to the area. In the Sun City area, the contributions of the complexes were said to be remarkable (by Industrialists); of Sun City putting Bophuthatswana on the map, providing employment, income, a better quality of life for all employed, of providing employment closer to the employees' families. In the case of the Mbabatho Sun, the major contribution of the complex was said to be the provision of entertainment in the area, and of providing a major tourist attraction; which brought people to the area, who in turn spent money on the various services offered.

The Hypothesis, therefore, proved to be true (according to public opinion).

Survey Two: Sun City-Mogwase Industries

The contributions of Sun City to the area, in order of importance were as follows:

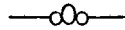
- employment, in particular for people near to their homes;
- Sun City has 'put Bop on the map';
- there would not be a Mogwase without Sun City;
- Sun City had given industrialists confidence to invest in the country;
- Sun City has provided necessary foreign exchange for Bophuthatswana;
- Sun City has provided income for people;
- Sun City was the only place to go for entertainment in the area;

- Sun City has provided a better quality of life for the people of the area.

Survey Four: Mmabatho-Mafikeng Industries

The contributions of the Mmabatho Sun complex to the area, in order of importance, were as follows:

- the hotel has brought tourism to the area;
- the hotel provides a few hundred jobs;
- the hotel provides entertainment.



18. In What Way do you feel your Company has Contributed to the Development of Bophuthatswana?

The majority of replies in this instance revolved around the provision of employment and income. In the case of the service industries, particularly in the Light Industrial area of Mogwase and in Mmabatho, the replies centred around the provision of a service to the people of the area.

Hypothesis: The casino complexes attract industries to their respective areas, and industries in turn provide employment and income, and hence another benefit to the Development Corporation.

Hypothesis proved to be true.

Survey Two: Sun City-Mogwase Industries

In the Sun City-Mogwase area, the provision of employment was said to be the greatest contribution of the companies to Bophuthatswana. In the Ledig and Light Industrial areas, the offer of a 'service' to the people, and the companies of the area, was said to be the most important contribution of the companies to Bophuthatswana.

Survey Four: Mmabatho-Mafikeng Industries

In the Mmabatho-Mafikeng area, the contributions of the companies to the area were given as follows: the associations formed as for example the Bakers Association, the service provided, employment, training and taxes to the government.



19. Do you have any Complaints about the Area?

Hypothesis: There are numerous problems/weaknesses to be attended to by the BNDC.

The Hypothesis proved to be true, when the complaints of the industrialists were combined with those of the researcher, and the prevailing problems in the region revealed. Similarly, suggestion was made as to the improvements thought to be necessary; improvements which would involve the help of the Bophuthatswana Government and BNDC. Complaints included the shortage of shopping facilities and the inefficiency of the local government administration of the area.

Survey One: Sun City Concessionaires

The complaints of the Sun City concessionaires centred around the lack of management support for their shops; that the hotel management did not promote the interests of the concessionaires.

Survey Two: Sun City-Mogwase Industries

The complaints of the industrialists of the area were as follows:

- infrastructural improvements were necessary in the area;
- more retail outlets were required;
- the BNDC and local government were not managing the area correctly.

Survey Three: Mmabatho Sun Concessionaires

The only complaint of the Mmabatho Sun concessionaires centred around the recession, which has dealt a severe blow to their businesses.

Survey Four: Mmabatho-Mafikeng Industries

There were two major complaints forthcoming from the shopkeepers and industrialists of the area. The first concerned the control of markets by government monopolies, as for example the meat industry (Mmabatho Food). The second complaint concerned the service at the Mmabatho Sun over the weekends. According to the people interviewed; during the week, they felt welcome at the hotel, but when the tourists were in abundance over the weekends, they were not served to the same standards.

20. What Improvements should be made to the Area?

With reference to the question above, the researcher hypothesized that improvements were necessary in both the Sun City and Mbabatho areas.

This hypothesis was confirmed in the research.

Survey Two: Sun City-Mogwase Industries

In the Sun City-Mogwase area, all of the industrialists agreed that improvements were necessary. In addition to the factors mentioned in the previous section (question 19), industrialists felt that it was necessary for authority to be decentralized to local government representatives.

Survey Four: Mbabatho-Mafikeng Industries

Improvements were considered to be necessary by all of the Mbabatho-Mafikeng industrialists interviewed. No specific improvements were mentioned.

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Jordan, Y. Department of Manpower: 29.4.85.
 Lethlaku, L.M. Department of Tourism: 6.9.85.
 Mangope, R. Department of Health and Social Welfare: 25.4.85.
 Masibi, P.H. Planning and Urban Development: 26.4.85.
 Mc Cormack, E.V. Department of Manpower: 26.4.85.
 Mompoti, M.S. Department of Tourism: 1.5.85.
 Nel, H.J. Department of Telecommunications: 30.4.85.
 Ratefane, T. Department of Foreign Affairs: 1984.
 Roussow, D. Department of Finance: 26.4.85.
 Sekwane, I. Department of Health and Social Welfare: 1984.
 Young, L. Minister of Finance: 26.4.85.

Mwabatho Sun Hotel

Bennet, H. Food and Beverage: 21.4.85.
 Penney, A. Deputy Manager Mwabatho Sun: 21.4.85.
 Penney, J. Stores: 22.4.85.
 Prinsloo, A. Finance: 22.4.85.
 Sam Porter (Taxis): 24.4.85.
 Trimble, C. General Manager Mwabatho Sun: informal.

Mogwase Government Officials

Gaebee, R. Administrator Mogwase: 9.4.85.
 Kgame, E. Department of Manpower: 21.5.85.
 Malebana, P.R. Leader of Opposition: 18.5.85.
 Moletlege, Mrs Wife of Chief Moletlege: 18.5.85.
 Phiri, S. Mayor of Mogwase: 18.5.85.
 Selebogo, B.D. Department of Manpower: 21.5.85.
 Tlolane, Mr. Department of Education: 21.5.85.

Sun City

Dreyer, R. Banqueting: 16.5.85.
 Duffet, E. Finance Department: 7.4.85.
 Joseph, H. Public Relations: 8.4.85.
 Maloy Mr Post Office: 9.4.85.
 Mbatshe, F. Training Department: 12.4.85.
 Moore, R. Country Club Manager: 7.4.85.
 O'Connor, M. Maintenance Department: 16.5.85.
 Owen, R. Purchasing Department, Sun City Main Hotel: 14.4.85.
 Pritchard, K. Finance Department: 23.5.85.
 Roper, A. Administration: 7.4.85.
 Roussos, M. General Manager Cascades Hotel: 7.4.85.
 Smuts, K. Security Department: 8.4.85.
 Tate, N. Rooms Division Manager, Sun City Main Hotel: 7.4.85.
 Wagner, P. Regional Manager Sun International Bophuthatswana: 7.4.85.
 Wardrop, E. Training Department: 8.4.85.
 Warner, I. Rooms Division Manager Cascades Hotel: 16.5.85.

UNIBO

Lange, J. Department of Public Administration: 23.4.85.
 Nathan, C. Department of Law: 22.4.85.

South Africa: Development Bank of South Africa

Basson, P. 7.5.85.
 Mills, J. 27.5.85.
 Schoeman, D. 29.5.85.
 Van der Hof, G. 6.5.85.
 Van Eeden, F. 17.4.85.

ESCOM

Dent, R. Johannesburg: 18.4.85.
 Wiley, M. Seconded to Bophuthatswana: 19.4.85.

General

Boffard, R. Editor ERA Magazine: 13.4.85.
 Cooper, D. Landscapers: for Sun International Hotels: 6.5.85.
 Greef, A. Rustenburg Town Planner: 20.5.85.
 Kleynhans, P. Sviridov, Oliver and Partners, Town Planners: 8.5.85.
 Langschmied, W. Market Research Africa: 10.5.85.
 Oberholzer, O. Lawyer: SA and Mogwase: 21.5.85.
 Watson, P. Landscaper for Sun International Hotels: 6.5.85.

South African Tourism Board

Jenkins, N. Tourism Co-ordinator for SATVC countries: 6.9.85.
 Roux, J.J.C. Director Domestic Tourism: 6.6.85.

Sun International

Brownie, S. Personnel: 2.7.84.
Collins, G. Regional Manager Venda, Ciskei: 22.5.84.
Harrington, B. Purchasing: 6.5.85.
Jones, P. Regional Manager Mauritius: 1984.
Kerzner, S. Managing Director Sun International: 2.5.84.
Rosevear, K. Deputy Managing Director Sun International: 28.5.85.
Stabinsky, M. Director Casino Operations: 13.4.85.
Strydom, J. Transport: 9.5.85.

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