

# Boys in the hood

## Robbin' the poor

*The recent Tips conference highlighted some of the unforeseen consequences of various policy choices. Reneé Grawitzky examines whether the poor are gambling away their right to access basic services.*

**A** key area of discussion during the annual Trade and Industrial Policy Strategies (Tips) conference held last month was the relationship between liberalisation and poverty. Some presentations focused on transformation and liberalisation in various sectors and who ultimately has benefited. Some rather interesting trends emerged when comparing the results of Telkom's rollout to households who previously did not have access to fixed landlines and the attempt to use the gambling industry to promote black economic empowerment. A key issue to emerge was whether empowerment gains were made at the expense of the poor who have been increasingly spending their limited disposable income on gambling products such as casinos and the national lottery instead of being able to pay for basic services perhaps.

### Limited gains for rural areas

James Hodge from the University of Cape Town focused on the primary goal of partial privatisation and liberation of telecommunications. His research found that rural and low-income users achieved limited gains despite Telkom's huge rollout programme.

Hodge estimated that Telkom spent in the region of R17bn on infrastructure to roll out 2.69 million fixed lines as

part of its commitment during its exclusivity period. Since 2000, Telkom was forced to disconnect two million of the fixed lines as a result of non-payment. These households remain indebted to Telkom and cannot obtain a fixed line (or apply for credit through formal channels) until they repay the debt. While Telkom was forced to disconnect the majority of the lines that it rolled out, the cellular phone industry gained momentum. It is estimated that there are now in the region of 11 million South Africans who have either pre-paid cellular or subscriber contracts. Hodge indicated that there was a clear trend by low-income consumers to move to prepaid cellular phones as it was cheaper and there are low usage options.

These developments have important implications for policy formulation especially in relation to universal access and government's overall approach in the provision of basic services. Telkom incurred a huge social waste in terms of its investment. In effect it spent R17bn to provide phones to 500 000 homes, while 60% of households still do not have access to phones. The roll out targets, Hodge says, do not make any sense if there is no incentive to keep them. Consumers have been left worse off as many remain in debt. Ongoing water and electricity cuts reflect that the roll out in some areas is not sustainable

because people cannot afford to pay for the services.

### Gambling industry

A case study on the gambling industry provides some interesting pointers as to the social consequences of this sector and whether these are outweighed by the so-called empowerment gains. Linda de Vries, University of the Western Cape found some mixed experiences. The building of casinos in the Western Cape led to 2 777 new permanent jobs being created (a rather costly exercise in view of the amount spent); close to R2bn spent in developing infrastructure while SMMEs were promoted. However, the extent to which real wealth was created across the board is questionable as the incidence of gambling in the country has risen from 34.5% in 1999 to 77.8% in 2001.

Her presentation posed a number of important questions: is gambling a tax on the poor? What impact is gambling having on the health and social welfare on those who can least afford it? Is there not a contradiction in using gambling to bring those previously denied access into the economy at the expense of the poor?

*All the papers presented at the conference can be found on the Tips website: [www.tips.org.za](http://www.tips.org.za) or you can contact the organisation on telephone (011) 645-6404.*