

**PRIVATISATION OF THE SPORT AND RECREATION FUNCTION  
AT THE KLERKSDORP MUNICIPALITY**

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## **ABSTRACT**

Local government must always transform to meet the challenges of the future. Local government should, therefore, provide services to communities and it must structure and manage its administration in such a way that economic development is achieved. By implication, this means that local government can deliver services itself, or that it can privatise services in order for private organisations to deliver the services.

Privatisation can be described as the systematic transfer of appropriate functions, service delivery activities and property, such as sport and recreation services and infrastructure from the public to the private sector.

Due to rising costs and limited tax and income sources, local government such as the Klerksdorp Municipality, is forced to look at the privatisation of services such as the sport and recreation function, in order for these services to continue.

Sport and recreation is an important service that must be delivered and must not be neglected by local authorities and, therefore, the privatisation of such services should be regarded as an option.

Very often, however, managers take a cost-only resolution when decisions regarding the privatisation of services are considered and disregard the social development of people. This approach may lead to the improper implementation of privatisation or, even worse, the privatisation of services that were never meant to be privatised. This seems to be the case at the Klerksdorp municipality, and the municipal council and officials appear to be uncertain as to whether the sport and recreation services should be privatised or not.

It is the intention of this study to determine the possibility of privatising the sport and recreation function at the Klerksdorp municipality.

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# **CHAPTER 1: INTRODUCTION**

## **1.1 ORIENTATION AND PROBLEM STATEMENT**

Legislation on local government level (municipalities), such as the Municipal Structures Act (Act 117 of 1998), gave South Africa a rare and historic opportunity to transform local government to meet the challenges of the future. Although local government will remain subject to the precepts of the transition process, as regulated by the Local Government Transition Act (Act 114 of 1993), the Constitution (Act 108 of 1996) and the mentioned Municipal Structures Act of 1998 envisage a complete transformation of the local government system.

In terms of the new Constitution, local government is a sphere of government in its own right and no longer a function of national or provincial government. Local government has also been given a distinctive status and role in building democracy and to promote socio-economic development. Legislation also spells out the framework in terms of which the local government system will have to be transformed. The Constitution of the Republic of South Africa (Act 108 of 1996), for instance, mandates local government to:

- Provide democratic and accountable government for local communities.
- Ensure the provision of services to communities in a sustainable manner.
- Promote social and economic development.
- Structure and manage its administration to promote the economical development of its community.

The above mandate emphasises, inter alia, two important issues, namely that local government should provide services to communities and that it must structure and manage its administration in such a way that economical development is achieved. By implication this means that local government can deliver services itself, or that it can privatise services in order for private organisations to deliver the services.

Privatisation can be described as the systematic transfer of appropriate functions, service delivery activities and property, such as sport and recreation services, from the public to the private sector. When privatised, functions can be regulated more efficiently by market and price mechanisms. The point of departure of privatisation is that services rendered by the private sector should be rendered in an efficient manner in order to secure efficient service delivery to the public.

There are a number of privatisation options available to local government, of which the following are important:

- The sale of public sector assets to private enterprises;
- Partnerships between public and private enterprises;
- Leasing of business rights;
- Contracting out of public sector assets; and
- Discontinuation of a service or activity.

Due to rising costs and limited tax and income sources, local government institutions such as the Klerksdorp municipality, is forced to look at the privatisation of services, such as recreation services, in order for these services to continue. The transformation of local government over the past years put great financial demands on local authorities to provide basic services, such as water and housing, to the communities. The upgrading of these services, in effect, means less money for other 'less important' services, such as sport and recreation. Sport and recreation services, which is an important and expensive service, may, however, not be neglected by local authorities and the privatisation of such services should be regarded as an option.

Very often, however, managers take a cost-only resolution when decisions on the privatisation of services are considered and local authorities disregard the social development of people as not important. This approach may lead to the improper implementation of privatisation, or even worse, the privatisation of services that are never meant to be privatised. As such, large sums of money can be wasted and the standard of services can be lowered. This seems to be

the case at Klerksdorp municipality, and the municipal council and officials are not certain whether the sport and recreation services should be privatised or not.

In Klerksdorp municipality the sport and recreation services are delivered by the Department of Community Services, which includes the section Parks and Recreation. There is, however, also a sports council in Klerksdorp, which is also responsible for sport and recreation services, namely the Klerksdorp Sports Council. This Council is a body consisting of representatives from the community, sports clubs, schools, council officials and councillors who *advise* the Klerksdorp municipality on all matters regarding sport and recreation. This division of authority complicates the privatisation of the sport and recreation services, because the City Council, sport clubs, schools and the public in general seemingly have a say in the management of this function.

With this in mind, certain questions arise, namely:

- What does privatisation entail?
- What forms of privatisation occur?
- Which forms of privatisation are relevant to local government?
- What do sport and recreation services in the Klerksdorp municipality consist of?
- Is it possible to privatise the sport and recreation services of the Klerksdorp municipality, taking into account the existence of the Klerksdorp Sports Council?

## **1.2 OBJECTIVES**

The main objective of this study is:

- To determine what privatisation entails.
- To determine what forms of privatisation occur.
- To determine which forms of privatisation can be used by local government.
- To analyse the sport and recreation function in Klerksdorp municipality.

- To analyse the objectives and structure of the Klerksdorp Sports Council.
- To determine the possibility of privatising the sport and recreation function of the Klerksdorp municipality, taking into account the existence of the Klerksdorp Sports Council.

### **1.3 CENTRAL THEORETICAL STATEMENT**

This research is based on the assumption that sport and recreation services in the Klerksdorp municipality are:

- Well-structured in order to deliver quality services to the communities, and
- Cannot be efficiently privatised, taking into account the existence of / relationship between the Klerksdorp Sport Council and the City Council.

### **1.4 METHOD OF INVESTIGATION / RESEARCH**

A literature study will be undertaken to gain knowledge on privatisation as a phenomenon and on sport and recreation services in local government. A preliminary investigation indicates that ample material is available to conduct a study of this magnitude. Interviews with relevant persons will be held to gain knowledge on the practical functioning of sport and recreation services at the Klerksdorp municipality.

#### **1.4.1 Literature study**

Primary literature will be used for this research. Books, periodicals, government reports and other documents will be consulted. A computer search for relevant material has also been undertaken.

#### **1.4.2 Database**

The following data banks have been consulted:

- Catalogue of Dissertations and Thesis of SA Universities (GKPV);
- Nexus (RGN);
- University info-auditorium and other facilities; and
- South African Indices: NICS SA.

### **1.4.3 Respondents**

Structured interviews will be conducted with at least 10 councillors and with senior managers of the municipality to determine what the sport and recreation services entail. Structured interviews will also be conducted with members of sports clubs and the Sport Council to determine their views on the possible privatisation of these services.

### **1.4.4 Procedure**

The following techniques will be applied in the execution of the research:

- (i) A literature study or analysis will be done to determine what the current situation of the delivery of sport and recreation services at the Klerksdorp municipality is.
- (ii) A study will be done to determine the current objectives and structures regarding sport and recreation services, both at the Klerksdorp City Council and the Klerksdorp Sports Council.
- (iii) Recommendations will be made, based on the theoretical and empirical study.

## **1.5 Chapters**

- **Chapter 1:** Introduction and problem statement
- **Chapter 2:** Privatisation as a phenomenon
- **Chapter 3:** Sport and recreation services at Klerksdorp municipality
- **Chapter 4:** Privatisation of the sport and recreation services
- **Chapter 5:** Conclusion and recommendations

## **1.6 References**

## **CHAPTER 2: PRIVATISATION AS A PHENOMENON**

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### **2.1 INTRODUCTION**

A variety of factors have caused the public sector in South Africa (viz the central, provincial, regional and local authorities, state enterprises, public corporations and semi-government institutions) to transfer many of its activities and functions to the private sector over a period of time. Privatisation consequently is not a novelty in South Africa. Nevertheless, the need to provide services to a fast-growing population in changing circumstances has increasingly burdened the public sector, causing its participation in the economy to expand. In addition, a number of external and internal events have had an increasingly negative effect on the South African economy. As a result of these factors the government decided to re-examine the various methods that could be applied to limit or reduce public sector participation in the economy.

In a changing South Africa, local authorities will be increasingly burdened by larger claims from the ratepayers to supply services over a wider spectrum. Such pressures will inevitably put local authorities in the unenviable position of only being able to provide services when those who require them are willing to pay for their use.

Provision of sports and recreation facilities to a given community is traditionally the responsibility of the local authorities. An ever decreasing budget, however, force local governments to evaluate the importance of function in order to deliver only those functions which are of the utmost importance to the public. Important functions, or the so-called core functions, are being considered to address the basic needs of the people, such as water, electricity health and housing. This means that functions such as sport and recreation, no matter how important they may seem to a large number of people, are deemed to be less important than the core functions.

Privatisation is a response to this problem and local government is consequently on the lookout for acceptable ways and means to make sure that functions, such as sport and recreation functions, are still being delivered. A

variety of privatisation options are available, which will be discussed in this chapter. This will shed light on the best option, if applicable, to privatise the municipality's sport and recreation function.

In this chapter the phenomenon of privatisation will firstly be discussed (2.2). Thereafter the advantages and disadvantages of privatisation (2.3) and methods of privatisation (2.4) will be discussed. The issues of outsourcing as a method of privatisation (2.5), public-private partnerships (2.6) and sale of public sector enterprises and assets (2.7) will also receive attention.

## **2.2 DESCRIPTION OF THE PHENOMENON**

Savas (2000: 111-158) explains that privatisation is necessary because dissatisfaction and recurrent problems with government's service delivery invite privatisation as a possible remedy for the problems. Complaints about poor government performance and service delivery are commonplace throughout the world, and much of this may be conventional and culturally obligatory grumbling and ridicule, but there is also ample evidence that much of the dissatisfaction is justified. This makes privatisation a world-wide phenomenon. In this section the phenomenon of privatisation will be discussed with reference to the need for privatisation (2.2.1), objections of privatisation programme (2.2.2), the definition of privatisation (2.2.3), the purpose of privatisation (2.2.4), guidelines for privatisation (2.2.5) and criteria for privatisation (2.2.6).

### **2.2.1 Need for privatisation: symptoms and diagnosis**

Indicators of poor performance are much the same for both government services and government-owned enterprises (GOE's), and it is these symptoms that lead to the demand for privatisation. Agencies and institutions that exhibit the following characteristics (problems) are potential candidates for privatisation (Savas, 2000: 111-112):

- Inefficient work performance and low productivity.
- Overstaffing.
- Poor quality of goods and services.
- Constant losses and rising debts.
- Lack of managerial skills or sufficient managerial authority.
- Unresponsiveness to the public.
- Insufficient maintenance of facilities and equipment.
- Insufficient funds for needed capital investments.
- Obsolete practices or products, and little marketing capability.
- Multiple and conflicting goals.
- Misguided and irrelevant organisation/institutional missions.
- Underutilised and underperforming assets.
- Illegal practices.
- Theft and corruption.

These characteristics should act, inter alia, as a standard to determine whether the sport and recreation function of the Klerksdorp municipality is a candidate for privatisation or not. The issue will be discussed in more detail in chapter 3 and 4.

### **2.2.2 Objectives of privatisation programme**

Municipalities (and government institutions at large) should have specific objectives for privatisation. Overcoming the problems (characteristics) listed in 2.2.1 are, for instance, common objectives that should be rectified to secure an effective delivery of services. If not, privatisation is an option to consider. This can, however, be seen as a negative approach of rectifying poor service delivery. A more positive approach would involve the following objectives (Savas, 2000: 119-120):

- Reduce the cost of service delivery in order to save tax-payers money.
- Generate revenues, both by selling assets (privatisation) and then by collecting taxes from them.

- Reduce municipalities' debt, for instance through debt-equity swaps.
- Supply infrastructure or other facilities and privatise the function.
- Bring in specialised skills and technology, although this will cost more money.
- Expand the service, although this will also cost money.
- Reduce government interference and direct presence in the function by partly privatising the function.
- Reduce the role of the municipality government in society (build or strengthen civil society).
- Accelerate economic development in the area and use the money to deliver better services.
- Decentralise the economy and broaden the ownership of economic assets, a step which also bears features of privatisation.

The above objectives are to a large extent based on privatisation and not on rectifying internal problems as discussed in 2.2.1. A municipality thus has two options, namely:

- To rectify the problem of service delivery, or
- To privatise a function.

In order to privatise a function, according to Savas (2000: 124-125), an ideal policy environment should be created. This means that privatisation is a means and not an end in itself. The municipality should create an ideal environment to make sure that the specific function, which has been privatised, is still being addressed and that community needs are still being satisfied. Once privatised, a function will have to remain under the jurisdiction of a municipality. A municipality should secure the following in order to ensure that a specific function is still delivered efficiently to the public (Savas, 2000: 124, 125):

- The service should be delivered at market price.
- Monopolies should not be created.
- The company which will be in control of the privatised function, should be allowed to own property and to exercise property rights.
- The municipality should not determine any barriers for other companies to enter the market.
- The company should enforce all government and municipal legislation, including the tax code and contract law, within a fair, comprehensive, independent legal system.
- The newly privatised company must be granted the freedom to hire and fire employees, subject to equal application of labour laws and the privatisation agreement.
- The newly privatised company should be granted the freedom to restructure or change the business, subject to the privatisation agreement.
- The newly privatised company should secure political stability.

### **2.2.3 Defining privatisation**

According to Van der Waldt (2002: 257) it is not easy to define privatisation, since various perspectives or approaches exist regarding the phenomenon.

Some of the approaches to privatisation may entail the following:

- A municipality working hand-in-hand with private business, sharing the risks and opportunities through joint ventures (PPP's).
- A build-own-operate-transfer relationship with the private sector.
- Long-term leasing, where the government retains ownership of the asset, but leases its use to the private sector.
- Franchising, where the private sector obtains, for fair value, a responsibility to deliver a service within a clear operating framework.
- The sale of assets, either in whole or in part, to the private sector.
- Sale to a not-for-profit entity.

It should be clear that privatisation generally means the injection of sound and proven private-sector techniques to public sector activities. The private sector in fact will manage public sector activities (Van der Waldt, 2002: 257).

In the White Paper on Privatisation and Deregulation (South Africa, 1993: 8-9), privatisation is described as the transfer of appropriate functions and activities, such as sport and recreation, from the public to the private sector. It is generally believed that such a function can then be regulated more efficiently by market and price mechanisms. This is, however, not always the case and privatisation occurs in some instances because of the lack of public money to run such a function. The following methods of privatisation can, inter alia, be identified (South Africa, 1993: 8-9):

- The sale of public sector enterprises and assets to private enterprises;
- Partnerships between public and private organisations;
- Leasing of business rights;
- Contracting out; and
- Discontinuation of a service or activity which was previously provided by the public sector.

One of these options will be relevant to privatising the sport and recreation function, should privatisation be regarded as an option.

Privatisation emphasises two important issues, namely that economic and financial matters should be taken into account when local functions are privatised and that services delivered to the communities must stay intact. The organisation which takes over a public function, must secure the continuation of the function to the public in a satisfactory manner (South Africa, 1993: 8-9).

This process of privatisation forms part of a strategy whereby:

- The public sector's involvement in the economy can be limited or reduced so that more capital, means of production and opportunities can be made available to the private sector; and

- The private sector is given the opportunity to develop and grow optimally and with minimum state intervention and regulation (South Africa, 1993: 8).

#### **2.2.4 Purpose of privatisation**

The purpose of privatisation is to improve the performance of the economy in the following manner (South Africa, 1993: 8-9):

- Effective use of production factors. In order to create an effective economic climate in South Africa, the available capital, manpower, material and facilities must be utilised optimally to achieve maximum economic growth and development. The use of these factors by the public sector must therefore be limited to what is essential in order that the greatest possible proportion can be made available for the development of productive segments of the private sector.
- Optimal functioning of market forces. Because the provision of services and products by the public sector is not subject to self-regulatory demand and supply to the same extent as in the private sector, the provision of as many services and products as possible should be left to the private sector. In that way it will be left to the market to determine both the demand for and the supply of such services and products to the benefit of the country's economy.
- Increasing the percentage of net fixed investment in the private sector. In terms of monetary values, the public sector was responsible for 63,7 percent of all net fixed investments made during the period from 1970 to 1984, whereas only 36,3 percent was invested in the private sector. Because investment in the private sector must be increased in order to achieve economic growth, it is an objective of privatisation to change this investment trend to one in which there will be a greater percentage of private sector and a smaller percentage of public sector investment.

According to Nafziger (1990: 448) privatisation refers to a range of policies, including:

- Changing at least part of an enterprise's ownership from the public to the private sector (through equity sales to the public or sale of the complete enterprise when capital markets are poorly developed);
- Liberalisation of entry into activities previously restricted to the public sector; and
- Franchising or contracting public services or leasing public assets to the private sector.

Government needs improved competition policy in the private sector if denationalisation is to result in gains in allocative efficiency. A government selling a public enterprise faces a trade-off between the higher sale price when a privatised firm is offered market protection and the greater economic efficiency when the firm operates under competitive market conditions.

According to Adam *et al.* (1992: 6-8) the term 'privatisation' has been used to describe an array of actions designed to broaden the scope of private sector activity, or the assimilation by the public sector of efficiency-enhancing techniques generally employed by the private sector. This loose description, which results in privatisation often being viewed as a goal in it self, rather than as simply a means to an end, can lead to confusion. Essentially privatisation is a process and therefore it is preferable to work with what can be regarded as an analytically correct definition of privatisation, which covers the transfer from the public to the private sector of the ownership and/or control of productive assets, their allocation and pricing, and the entitlement to the residual profit flows generated by them. Consequently, under this definition, the focus falls on the following:

- The outright, or partial sale of assets by the state;
- The transfer of assets to the private sector under leasing arrangements; and
- The introduction of management contracting arrangements.

Finally, there is the important relationship between privatisation and the wider issue of economic deregulation. Many aspects of deregulation, such as price

liberalisation, abolition of import controls, and the deregulation of factor markets, will affect the performance of public enterprises, either directly by altering the cost function of the firm itself, or indirectly through the effect of deregulation on the competitive environment in which the firm operates. In principle, the distinction between the nature and effects of the two concepts is clear, and indeed, *ex ante*, there is no logical reason why they should be connected. In practice, however, the identification of the separate effects of privatisation and deregulation on performance is often very difficult (Cameron, 1999: 306).

No definition of privatisation is ever likely to be watertight, and in many cases the extent to which 'privatisation' has occurred is a matter of degree and interpretation.

### **2.2.5 Guidelines for privatisation**

The White Paper on Privatisation and Deregulation (S.A., 1993, 11-12) gives the guidelines as well as the criteria for privatisation. The government stipulates that the following general guidelines will be adhered to as far as possible during the implementation of the privatisation process.

- Each case of privatisation will have to be considered individually and this may require that a public enterprise will first have to be made more efficient and profitable in order to obtain the best benefits from privatisation, but without trying artificially to make it more attractive to investors.
- The concentration of economic power and possible foreign control of strategic industries will be avoided.
- It must be integrated with the total economic strategy for the Republic.
- It must be applied on a continuous basis in respect of both existing and contemplated future public sector activities.

Funds which become available to the state as a result of privatisation measures must be applied judiciously and subject to strict requirements for capital or development projects.

## 2.2.6 Criteria for privatisation

It is the government's point of view that privatisation is not an end in itself, but forms part of the policy and strategy intended to achieve economic development and growth. This makes it necessary to determine under what circumstances the privatisation of public sector activities can be considered.

### 2.2.6.1 Valid criteria

Because of their nature or the circumstances under which they are performed, it would not be in the public interest to privatise certain public sector activities. The following criteria must therefore be considered before decisions are taken on whether to privatise an activity or not (South Africa, 1993: 11):

**Governmental functions**, i.e. functions which are so intimately related to the public interest that they require compulsory performance by public officials (e.g. defence of the country) will not be privatised. As such, functions often consist of a variety of activities. However, it is not ruled out that one or more of those activities can be privatised (e.g. supply of certain defence equipment).

#### **Privatisation of a function or activity must:**

- (i) *not entail a real risk to state security or internal order*
- (ii) *not defeat the constitutional, social or ecological objectives served by a function or activity.*
- (iii) *be reconciliable with the policy on competition.* This means that adequate capacity to effect competition for and during the performance of the function or activity in the private sector must exist or that the circumstances must exist for it to be created. In appropriate cases, however, a function or activity for which there is insufficient competition can be undertaken on a partnership basis by the private and public sectors;

- (iv) *be to the long-term benefit of the taxpayer or the community in general.*

This means that the continuation of the function or activity must as far as possible be ensured at a fair cost.

It follows that the private sector must also be interested in taking over the activity and that sufficient capacity to undertake it efficiently must exist or that the circumstances must exist for it to be created in that sector.

#### **2.2.6.2 Invalid criteria**

Other objections to privatisation may be raised which may, on the face of it, appear to be valid, but it must be stated clearly that the following will not be accepted as reasons why privatisation cannot be undertaken (South Africa, 1993: 12):

- (i) It could be argued that privatisation will distort an existing state of cross-subsidisation. Certain activities of public institutions are sometimes operated profitably, while losses are incurred by others. The profitable activities therefore subsidise the non-profitable activities. It may then be contended that the private sector will be interested only in the profitable activities and leave the public institution with the loss-incurring activities. This will not be accepted as an impediment to privatisation. If an activity which is performed at a loss must be continued in the public interest, the users should contribute to it to the maximum. To the extent that there may still be a loss, this should be financed or subsidised in the normal manner by the Exchequer.
- (ii) The fact that a service or product will apparently cost more after privatisation, will not *ipso facto* be a reason for not privatising it. Services and products are often supplied by public institutions at a price below their actual cost. The user of that service or product is consequently subsidised by non-users by means of taxes. Such a state of affairs can lead to an artificial increase in the demand for the service or product which, in turn, may lead to the misallocation of scarce resources. Before an allegation of higher cost can be accepted, therefore, *the actual total*

cost of the service or product will have to be determined, taking account of all capital and current expenditure and discounting all tax exemptions, lower rates of interest and other benefits enjoyed by the public institution, as well as the tax yield for the state that can be realised if it can be privatised.

### **2.2.6.3 Human Resources considerations**

Although it cannot be regarded as a criterion, the government is aware of the fact that the attitudes of personnel involved in privatisation measures are of vital importance to the successful implementation of the process. The personnel implications of privatisation will therefore have to be considered carefully in the course of every privatisation investigation and the fair treatment of the personnel involved must be ensured. The following methods, *inter alia*, have been applied successfully during privatisation in other countries (South Africa, 1993: 12):

- (i) The personnel can themselves take over the activity and manage it as their own business. There are various examples of privatisation having been achieved very successfully in this manner. Personnel can also acquire an interest in a company which takes over the activity through franchise agreements or share participation. By this method, the personnel become joint owners of the enterprise resulting from privatisation and they are transferred together with the activities.
- (ii) The personnel can be transferred to the private sector enterprise which takes over the activity on the basis of personal negotiations regarding conditions of service.
- (iii) The personnel can be seconded for a fixed or indefinite period to the organisation which takes over the activity. In such a case there will be no change in their status as public sector employees.

- (iv) Surplus personnel can be transferred to other posts or employed additional to establishments until they can be transferred to vacant posts as a result of normal staff turnover.

### **2.3 ADVANTAGES AND DISADVANTAGES OF PRIVATISATION**

According to Craythorne (1997: 462-463), the perceived advantages of privatisation are:

- The economic share of the public sector in the economy is reduced and, as a consequence, the private sector is in a better position to create jobs and generally to contribute to the growth of the economy.
- The burden on the taxpayer and the number of public-sector officials may be reduced.
- Improved levels of efficiency and service may be brought about through the operation of market forces, but the 'costs of democracy', i.e. having a particular service under public sector management for reasons other than cost, is also a factor to be borne in mind.
- The private sector's cost overheads may be lower because of the need to make a profit, and hence the cost burden on the public in general is reduced, but the 'cost of democracy' (see above) is also a factor to be borne in mind.

The disadvantages or disincentives for privatisation at the local government level are as follows (Craythorne, 1997: 462-463):

- There is no evidence that the private sector is either more or less efficient than the public service. Where the municipality remains responsible for providing a service and that service is provided or operated by a private concern in such a way as to lead to complaints by the public, the elected representatives will have political accountability problems with relatively little opportunity to rectify complaints until a contract runs out. Sometimes it is considered essential that a particular function or service remains under public sector control. In such a case the expenditure can be

described as a 'cost of democracy'. In respect of some services, e.g. refuse collection, contracts cannot summarily be cancelled.

- Each municipality will need a relatively strong inspectorate to monitor performance and quality control to ensure that where the taxpayers are paying for a service, they are getting value for their money.
- In the case of concession, contracting out, or discontinuation, once this has been done and in-house staff and facilities have been disposed of, it is virtually impossible for the public body to restart a service or function at short notice in the event of the failure of the concessionaire or contractor, or in the event of a need for that service suddenly arising.
- Once it has been decided no longer to render a service, and that decision has been implemented, the collective skills and expertise within the organisation are lost for good.
- Municipal staff enjoys specific rights in terms of their employment contracts and the protection they have from labour law. Many staff, particularly at the supervisory or managerial levels, are reluctant to enter service with employers who are unknown entities, particularly if they are within, say, 10 years of retirement. As staff cannot be compelled to work for another employer, this resistance could lead to a municipality having to pay pension and other benefits to redundant staff, something which will increase overall costs and deprive local communities of existing experience, skills and expertise.

According to Savas (2000: 144-146) the privatisation process must be managed in a sound manner. Privatisation can be regarded more a *political* than an *economic* process. Long-term, incrementalistic tactics are needed to implement a privatisation strategy, with a research and public relations effort to press for internal and external support respectively, tax reforms to encourage it, legislation to allow it, and strong coalitions of stakeholders - some newly converted - to support it. It may also be necessary to erode anti-privatisation coalitions, for example, by selling or giving shares to workers of a GOE that is to be privatised.

Government must organise and manage the whole process. Below is a set of management guidelines for this process (Savas, 2000: 144-146):

- Ensure that the political will exists and is understood throughout the municipality; this is the most important requirement, without which the process is doomed because the politicians must approve the privatisation process.
- Assign unambiguous responsibility for the process, for it is a complicated one that requires authority, resources, knowledgeable personnel, and often consultants.
- Establish clear objectives for the privatisation programme. There may be many different desirable but sometimes conflicting objectives and careful attention must be given to this step. Intuitive feelings are not enough.
- Select the appropriate form of privatisation by choosing among the many different forms identified above or by crafting a suitable combination of them. The selection should be based on a careful analysis of the sector, sector trends, experiences elsewhere, political factors, employee relations, degree of competition that can be elicited, financial conditions, estimates of the situation-specific economic and other benefits that may be realised, and the privatisation objectives.
- Enact necessary legal reforms. Privatisation may require new laws to protect private investors and to allow contracting for services, selling state assets such as natural resources, or establishing long-term concessions for infrastructure, for example.
- Develop clear and transparent procedures for the process. Clear procedures are open and equitable criteria for qualifying bidders and selecting winners, a reasonable timetable, and clear standards for performance, payment, and future investment (if appropriate).
- Estimate the values of assets and enterprises that are slated for divestment by using professional assessment specialists. Different methods may be used, such as discounted cash flow, liquidation value, replacement value, book value, or comparative value, but ultimately the only valid measure is the market price as determined by a competitive

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efficient services to the public and thus to minimise disadvantages.

According to Craythorne (1997: 461-464), the following methods of privatisation exist:

- **Transfers.** A function, together with its assets, liabilities and personnel, whose consent have been obtained, are sold as a going concern to private enterprise. Municipal enterprises that could be considered for this method of privatisation are caravan parks, abattoirs, markets or restaurants. The sport and recreation function of a municipality can also be transferred to a private company, as it falls in the same category as a caravan park.
- **Partnership or joint undertakings.** The municipality has a fixed shareholding in a private concern or in a body set up in partnership with a private concern to supply a specific product or service. The arrangement may be permanent or limited to a specific time. This method would be suitable for large-scale developments such as mass housing areas, large townships or large new industrial developments or cleansing services. The sport and recreation function of a municipality can be managed as a joint undertaking with the private sector to supply the sport and recreation function. The municipality can, for instance, privatise the planning and management function of sport and recreation to the public sector, but stays responsible for the maintenance of the sport and recreation infrastructure.
- **Concession.** A private undertaking is authorised to satisfy a need on a concession basis and for its own profit, for instance to provide and manage new swimming pools, sports complexes or caravan sites for profit. The sport and recreation function of a municipality can also be transferred to a private company as it falls in the same category as a caravan park. Under a concession a private company can raise funds through letting the public pay for the service.
- **Joint use of facilities or leasing of business rights.** A private concern could use underused capacity in facilities under public ownership, temporarily or on a permanent basis, even though both sectors are providing the same type of service, such as hospitals and education. Alternatively, underused public facilities or property could be leased out for

any business use. The sport and recreation function and specifically the infrastructures of a municipality can be delivered as a joint use facility.

- **Withdrawal or discontinuation.** The municipality either ceases to provide a particular service, or maintains it at a specific level, thereby creating an opportunity for the private sector to move in if the service can be provided at a profit. This method would not be suitable in respect of services relating to sport and recreation, but can be applicable for services such as public safety, e.g. clinics, fire services or building control.
- **Contracting or farming out.** The public sector body remains responsible for providing a particular service but contracts with one or more private concerns to do the work for it at a specific price. For example, a municipality may remain responsible for providing suburban streets, street lighting, street horticulture, storm water etc, but does not employ any staff to do the work. Instead it employs consultants to do the planning of the work and the letting and supervision of contracts to operators. This method is the one most people have in mind when they talk of privatisation, and may be implemented completely, as described above, or partly, by acquiring equipment and supplies by tender and letting out contracts for maintenance, etc. The sport and recreation function of a municipality can be contracted out.

Van der Waldt (2003: 258-259) also identifies the following as well-known methods of privatisation (some overlap with the above methods):

- **Contracting out (also called 'outsourcing')**: The public institution, such as a municipality, effectively contracts a private organisation to deliver a service, or part of a service, in the place of that municipality. The infrastructures to deliver the service is normally also contracted out to the public institution. A typical example is where a sport and recreation or mechanical workshop is contracted out.
- **PPP's (Public-private partnerships)** is a contractual arrangement whereby a private party performs a departmental function on behalf of a

national, provincial or local government department for a specific time. The sport and recreation function of a municipality can, as mentioned, be provided in coherence with a private company.

- **Management contracts:** The management and operation of a specific function is contracted out to a private organisation while the infrastructure remains under the control of the public institution. Facilities where the management is frequently contracted out include airports, wastewater plants, arenas, convention centres and sport and recreation facilities.
- **Public-private competition** (also called 'managed competition', or market testing): When public services are opened up to competition for the private sector, in-house public departments are allowed to participate in the bidding process. In-house public departments may win a bid and then act as an independent agency to deliver the service in the place of the public institution itself. Security services and sport and recreation functions can, for instance, be delivered to a municipality by its own safety department or sport and recreation department, at a cost.
- **Franchise:** A private organisation is given the exclusive right to provide a service within a certain geographical area. Ambulance services and sport and recreation services are typical examples of such functions that can be delivered by a private organisation.
- **Internal markets:** Departments in a municipality are allowed to purchase support services such as printing, maintenance, computer repair and training from in-house providers or outside suppliers. In-house providers of support services are required to operate as independent business units competing against outside contractors for local government's business. Under such a system, market forces are brought to bear within an organisation. Internal customers can reject the offerings of internal service providers if they are not satisfied with the product. This form of privatisation is applicable to sport and recreation functions.

- **Vouchers:** Municipalities pay for a service, but, individual organisations are given redeemable certificates to purchase the service on the open market. The local government subsidise the consumer of the service, but services are provided by the private sector. In addition to providing greater freedom of choice, vouchers bring consumer pressure to bear, creating incentives for consumers to shop around for services and for service providers to supply high-quality, low-cost services.
- **Commercialisation** (also referred to as 'service shedding'): Municipalities stop providing a service and let the private sector assume the function. This can be applicable to a sport and recreation function.
- **Self-help** (also referred to as 'transfer to non-profit organisation'): Community groups and neighbourhood organisations take over the running of a service or government asset, such as a local park. The new providers of the service are directly benefiting from the service. Governments increasingly are discovering that by turning some non-core services, such as zoos, museums, fairs, remote parks and some recreational programmes over to non-profit organisations, they are able to ensure that these functions do not drain the budget.
- **Volunteers:** Volunteers are used to provide all or part of a municipality service. Volunteer activities are conducted through a government volunteer programme or through a non-profit organisation. The cleaning of parks can be done by volunteers, but it is doubtful whether a sport and recreation function can be managed by volunteers.
- **Corporation:** Municipal functions are reorganised along business lines. Typically they are then required to pay taxes, raise capital on the market (with no government backing - explicit or implicit), and operate according to commercial principles. Government corporations focus on maximising profits and achieving a favourable return on investment. They are freed from government procurement, personnel and budget systems.

- **Asset sale or long-term lease:** A municipality sells or enters into long-term leases for assets such as airports, fuel utilities or real estate to private firms, thus turning physical capital into financial capital. In a sale-lease-back arrangement, government sells the asset to a private sector entity and then leases it back.
- **Private infrastructure development and operation:** The private sector builds, finances and operates public infrastructure, such as roads and airports, and then recovers costs through user charges.
- **With build-operate-transfer (BOT) arrangements,** the private sector designs, finances, builds and operates a facility for a certain period of time. At the end of this period, ownership reverts back to the government. Sport and recreation activities can be managed as BOTs.
- A variation of BOT is the **build-transfer-operate (BTO)** model, under which title transfers to the government at the time construction is completed.
- With **build-own-operate (BOO)** arrangements, the private sector retains permanent ownership and operates the facility on contract.

Botes *et al* (1992: 210) describe these methods of privatisation as not all totally relevant to municipalities. Because of the limited scope of a mini-dissertation, only the well-known privatisation methods, namely *of contracting out, PPP's and the sale of public functions* will be analysed in the next section.

The main reasons for only focussing on the above three methods of privatisation are:

- The scope of a mini-dissertation, as mentioned, does not allow focus in detail on all the methods.
- The above three methods are the more general methods that have been used by municipalities in the past.

- Privatisation policies differ according to the sphere of government involved for the obvious reason that the functions performed by each sphere of government are different in nature and scale.
- Local government (municipalities) is a decentralised form of government, and because municipalities are autonomous, it would be contrary to the principle of devolution to impose centrally managed privatisation policies on them.
- Very few studies have been done on the privatisation of a sport and recreation function at a local authority, with the implication that this study will focus on the main issues and methods of privatisation.
- It seems that these three methods are the most efficient, effective and at least as equitable as municipal services.
- These three methods can be measured.

A detailed discussion of each of the three methods will follow in the next sections.

## **2.5 OUTSOURCING (CONTRACTING OUT) AS A METHOD OF PRIVATISATION**

Van der Waldt (2003: 260) defines contracting out or outsourcing as a situation in which a public institution, such as a municipality, effectively contracts a private organisation to deliver a specific service, or part of a service, in the place of that public institution. Contracting out can range from the contracting out of a specific function, such as the sport and recreation function of a municipality, or of a section of a function, such as the recreation function.

Where services are contracted out, local government should secure and protect specified standards. The quality of the service delivered by the private organisation should be secured during the tender evaluation processes and contract specifications should elaborate on contract monitoring and compliance techniques. Contracting out is most effective when municipalities are both clear

and specific about the nature of the service they are seeking from a contractor. This will enable the local government to effectively monitor the quality of the work done by the private organisation. The local government can thus still be accountable to the public for such a service.

The White Paper on Privatisation and Deregulation (South Africa, 1993: 10-11) states that the government accepts that the private sector can undertake public services or activities on its behalf. However, in such cases the public sector remains responsible for the services or activities. The fact that the taxpayer will still be paying for the services or activity must therefore be recognised. Such contracting out can be justified if the public sector is not in itself able to undertake the service or activity or if the private sector can perform it just as the public sector or more efficiently or economically.

According to Savas (2000: 147-173), outsourcing is popular and growing throughout the world for purely pragmatic reasons. When carried out sensibly, it leads to greater productivity and better economic performance. Numerous studies of competitive contracting and divestment provide overwhelming and unambiguous evidence as to the effectiveness of this method. Comprehensive studies of public services - typically municipal services - that have been privatised by contracting are numerous and widespread because the services themselves are very similar in different cities and even in different countries: solid-waste collection, bus transport, water supply, and the maintenance of vehicles, parks, and streets, for example. Hence, these studies can be carried out across jurisdictions and aggregated, leading to a large volume of responsible studies. In contrast, every state-owned enterprise is different and operates under a different regime in each country; no country has more than one national airline and one national telephone company. This would appear to make it harder to draw compelling conclusions about divestments of such enterprises. Several important studies of such divestments have nevertheless been conducted and are presented here.

### **2.5.1 Surveys of public officials**

The fact that contracting out is commonplace and increasing indicates that, on the whole, public officials are satisfied with it. Surveys corroborate this intuitive assessment. Two early surveys of government officials showed that about 60 percent of responding officials considered contracting to be less costly or no more costly than in-house service. By a ratio of about four to one they considered the quality of contracted services to be at least as good as in-house services (Savas, 2000: 150).

One can and should go beyond the positive attitudes of public officials about contracting to examine carefully executed, comprehensive, comparative studies of contracted services. The danger exists that privatisation by contracting out might be no more than a temporary enthusiasm, a fad not unlike many earlier nostrums for improving productivity. Moreover, answers given by public officials to opinion surveys are suspect if they are reporting on privatisations that they themselves initiated (Savas, 2000: 151).

Savas (2000: 156 - 157) also gives the following reasons why contracting out is a successful method of privatisation. The reason for government services often being both costly and poor is not that the people who work in government are somehow inferior to those who work in the private sector. In fact, the issue is not public versus private, but monopoly versus competition. Monopoly is generally inferior to competition in providing high-quality, low-cost goods and services, and most government activities are unnecessarily organised and run as monopolies. Privatisation, when properly carried out, gives public officials and the public a choice; choice fosters competition, and competition leads to more cost-effective performance. Thus, as noted, privatisation means dissolving public monopolies and introducing competition in the delivery of public services. The public will benefit from this competition, provided that sound competition-promoting procedures are employed.

The results of a comparison between public and private service delivery with regard to various services are presented in table 2.1 below.

**Table 2.1: Studies of public versus private service delivery**

<b>Service area</b>	<b>Findings</b>
Maintenance support for airforce bases	Contracting reduced cost by 13% using 25% fewer personnel; achieved improved availability of parts and planes.
Airline operation	Efficiency measures of private airline were 12% to 100% higher.
Airports	Airports subject to market forces had savings of 40%.
Property-tax assessment	Private assessments were 50% less expensive and more accurate.
Cleaning services	In-house work cost 15% to 100% more.
Day care	Private day care cost 45% less because of fewer teachers, fewer non-teaching staff, and lower wages.
Debt collection	Private services were faster and 60% less costly.
Fire protection	Switching to private contract fire-fighting saved 20% to 50%.
Forestry	Labour cost was twice as much per unit of output for public agency.
Housing	Public agencies cost 20% more than private contractors.
Insurance claims processing	Private insurers' equivalent costs were 15% to 26% lower.
Laundry service	Private costs were 46% lower than public costs.
Legal services	Contract counsel was faster and cost 50% less.
Military support services	Contract costs were lower because of higher productivity and lower wages, but contract costs increased over time.
Motor vehicle maintenance	Contractor costs were lower because of greater productivity.
Nursing homes	Contract-operated homes cost 45% less per day.
Parking	Contracting costs less because of lower fringe benefits and greater flexibility in staffing.
Parks and recreation	Cost savings of 20% to 31% because of privatising.
Payroll and data processing	One study found no differences; another found higher-quality data processing and cost savings of 15%.
Postal service	Contractors saved up to 66% on delivery and 88% on window services.

Service area	Findings
Printing	Private costs were 33% lower for commercial printing.
Prisons	Private construction cost 45% less; operations cost 35% less.
Railroads	Private railroad handled repairs 70% more efficiently; a public railroad increased its efficiency after competition was increased.
Security services	Private security services saved 50% or more.
Ship repair and maintenance	Private ship repair costs averaged 80% less than navy's costs.
Slaughterhouses	Public agencies were significantly more costly because of overcapacity and overstaffing.
Towing of automobiles	Contract towing provided cost savings of more than 40%.
Weather forecasting	Private forecasters provided equivalent service at 35% lower cost.

**Source:** Derived from John Hilke, *Cost Savings from Privatisation, A Compilation of Study Findings* (Los Angeles: Reason Foundation, 1993).

Conclusive evidence from a number of authoritative studies shows thus that contracting out is in general very efficient. It is more efficient than a franchise or free-market service, and substantially more efficient, as effective, and at least as equitable as municipal service. Government and municipal service can be thought of as a permanent monopoly and the free-market arrangement as continuous competition; contracting out creates a temporary monopoly with periodic competition, and this is the best arrangement for this service.

The best approach for a city with municipal collection is to divide the city into sections and seek competitive bids for each section *both from private firms and from its own department*. This tactic assures the maximum degree of competition and protects the city against possible collusion by contractors.

While the idea of privatising a service can be introduced by anyone in an organisation, leadership to give the idea serious consideration has to come from the top, from an executive mayor, for example, who sponsors the idea, initiates the necessary actions, and motivates managers to adopt and act on the concept. Private-sector task forces can be effective in helping such a leader, as

can meetings with privatisation experts and other officials in similar positions who have carried out such programmes. The decision should be made on pragmatic grounds, not ideological ones. The steps in the contracting out of services may be summarised as in table 2.2 below.

**Table 2.2: Steps in contracting out of services (Savas, 2000: 175)**

- |   |
|---|
| <ol style="list-style-type: none"><li>1. Consider the idea of contracting out</li><li>2. Select the service</li><li>3. Conduct a feasibility study</li><li>4. Foster competition</li><li>5. Request expressions of interest or qualifications</li><li>6. Plan the employee transition</li><li>7. Prepare bid specifications</li><li>8. Initiate a public relations campaign</li><li>9. Engage in 'managed competition'</li><li>10. Conduct a fair bidding process</li><li>11. Evaluate the bids and award the contract</li><li>12. Monitor, evaluate, and enforce contract performance.</li></ol> |
|---|

According to Du Toit *et al.* (1998: 122), contracting out is a recent development in the public sector. Often contracting out gives public institutions greater access to superior technologies, quality control and unique processes. The reason for this is that public institutions do not always have the financial resources to obtain the latest technology in order to provide quality services. Through outsourcing such technology can be obtained from the private sector.

It furthermore is sometimes the only option a municipality has, due to the lack of qualified internal staff and the lack of funds. This in many cases leads to slow service delivery, or no service delivery at all. Private organisations, with specialised staff and financial resources, can solve this problem and are able to provide services rapidly, which is a benefit to the public.

## **2.6 PUBLIC-PRIVATE PARTNERSHIPS (PPP'S)**

As it is a relatively new phenomenon in public institutions, there is much uncertainty about what a PPP's is and how and under what circumstances it should be implemented. The purpose of the following sections is to provide clarity on this matter.

### **2.6.1 Defining PPP's**

The South African Treasury, through its Treasury Regulations, has adopted a definition of PPP's, namely that it is a contractual arrangement whereby a private party performs a departmental function on behalf of a national, provincial or local department for a specific time (Dept. of Finance, 2000: 5). At local government level PPP's are implemented according to the *Municipal Service Partnerships Policy*.

Through PPP's substantial responsibility and risk are transferred to the private sector, or the private party involved in the PPP. The private company in practice acts on behalf of the municipality and should be held responsible for delivering the service in an effective and efficient manner. Unless a private party assumes the risks and responsibilities of the arrangement the transaction will be of no use to the municipality specifically and the public at large. A municipality should therefore seek contracts that limit unanticipated liabilities and that clearly define the application of public sector guarantees or performance undertakings to enhance the viability of a project. The private sector, in turn, put time, technological expertise and money at risk and seeks conditions that enable them to minimise these risks and to make a success of the venture (Dept of Finance, 2000: 5).

Support for service delivery through PPP's vary across government institutions, including municipalities. Up to now a municipality has been regarded as a provider of services, but with the new approach of PPP's a municipality becomes a regulator of service provision. Osborne & Gaebler (1993: 87) provide leading thoughts in this regard and argue that the role of local government is changing as follows:

- It has to steer instead of row.
- It has to empower rather than serve.
- It has to inject competition into service delivery.
- It has to transform rule-driven institutions.
- It has to fund outcomes, not inputs.
- It has to meet the needs of the customer, not the bureaucracy.
- It has to earn rather than spend.
- It has to change from hierarchy to participation and teamwork.
- It has to leverage change through the market.

These so-called guidelines emphasise the fact that PPP's has an important role to play in the future delivery of services at municipal level. Municipalities should 'steer instead of row on its own'. This is where PPP's come into play.

According to the White Paper on Privatisation and Deregulation (S.A., 1993: 10), partnerships are established in instances where it would not be acceptable to transfer an existing state enterprise to the private sector in its entirety, or where the nature or extent of a new enterprise would require the involvement of the state, or where such an enterprise could in appropriate cases be managed by a partnership between the state and the private sector. A partnership of this nature could have the benefit of effectively reconciling private sector participation and a private sector approach to management with public sector strategic interest in such an undertaking.

The manner in which such a partnership is structured, would probably differ from case to case and could include the following:

- The acquisition of shares by the private sector in existing or new state undertakings, but with the public institution, as an interim arrangement, retaining its shareholding until such time as full ownership can be transferred to the private sector.
- The acquisition of shares by the private sector in an existing or new state enterprise in which the public institution maintains a permanent involvement. Such a partnership between the public and private sectors



intentions of such changes are to achieve efficiency and accountability and to have the entity act like a business rather than a political body. An evaluation of public authorities in the water business concluded that the most successful ones had:

- Financial strength, with reasonable tariffs that covered costs.
- Good customer relations.
- In some cases, private contractors for operations and maintenance, private capital, good cost-accounting systems, and clearly defined roles for government, the board of directors, and management. Regional transportation authorities are an example of this form (Savas, 2000: 242).

### **Service contract**

Specific services associated with infrastructure may be contracted out to private firms.

Examples here are ticketing, cleaning, and catering for railroads; meter reading, billing and collection for water and cleaning of highways. The public agency retains overall responsibility for operation and maintenance of the system, except for the particular contracted services, and it bears all the commercial risk. It must finance fixed assets and provide working capital. Compensation to the contractor may be on the basis of time, lump-sum, fixed fee, or cost-plus, or on the basis of a physical parameter (number of water bills sent out). Service contracts are generally for periods of less than five years (Savas, 2000: 242).

### **Co-operative**

A non-profit, voluntary, co-operative association assumes responsibility for the service. Rural co-operatives in countries as diverse as the United States, Canada and Finland successfully expanded local telephone systems. Kenya, India and China are among the many developing countries where irrigation management transfer is taking place, whereby water-user associations take over and operate local irrigation works. Using their own labour and monetary contributions, these associations often succeed in maintaining the network of

canals and ditches, and even dams, used in local distribution systems where centralised operation by the government water authority was failing. Examples are also found in other services (Savas, 2000: 243).

### **Lease-build-operate (LBO)**

A private firm is given a long-term lease to develop (with its own funds) and operate an expanded facility. It recovers its investment plus a reasonable return over the term of the lease and pays a rental fee. Because the facility remains publicly owned, this arrangement avoids possible legal problems associated with private ownership of a facility that was publicly financed originally. The largest public-private airport partnership in the United States is that for Stewart Airport, a huge but underdeveloped facility located 85 miles north of New York City; it is being leased by the state for 99 years to a British company (Savas, 2000: 243).

### **Build-transfer-operate (BTO)**

A private developer finances and builds a facility and, upon completion, transfers legal ownership to the sponsoring government agency. The agency then leases the facility back to the developer under a long-term lease, during which the developer operates the facility and has the opportunity to recover his investment and earn a reasonable return from user charges and commercial activities (Savas, 2000: 243).

### **Operations and maintenance contract or lease**

A private partner operates and maintains a publicly owned facility under a management contract with the sponsoring government, which owns the facility. This arrangement is similar to a service contract, but in this case the private partner has overall responsibility for operating and maintaining the system (commonly called an O & M contract) and makes the day-to-day decisions; it does not assume any of the capital risks. The objective is greater efficiency and effectiveness of service (Savas, 2000: 244).

### **Build-operate-transfer (BOT)**

A private developer is awarded a franchise (concession) to finance, build, own, and operate a facility (hence this is sometimes referred to as BOOT - build, own, operate and transfer), and to collect user fees for a specified period, after which ownership of the facility is transferred to the public sector. This arrangement is similar to BTO but may encounter legal, regulatory and liability issues arising during the long period of private ownership before the transfer. Nevertheless, this is perhaps the most common form of public-private partnership for building new infrastructure. In contrast to a sale or permanent concession, government retains strategic control over the project - which is often a political plus (Savas, 2000: 244).

### **Wraparound addition**

A private developer finances and constructs an addition to an existing public facility, and then operates the combined facility either for a fixed period or until he recovers costs plus a reasonable return on his invested capital. He may own the addition. The objective of this arrangement is to expand the facility despite the government's lack of resources or expertise to do so entirely with its own funds (Savas, 2000: 244).

### **Buy-build-operate (BBO)**

An existing public facility is sold to a private partner who renovates or expands it and operates it in perpetuity under a franchise. This is equivalent to divesting a company, which then operates under a franchise. As in other franchise models, during the negotiations prior to the sale, the public owner can use the franchise agreement to exercise public control over pricing, access, noise, safety, quality, and future capacity expansion, for example (Savas, 2000: 244).

### **Build-own-operate (BOO)**

A private developer finances, builds, owns and operates a facility in perpetuity under a franchise, subject to regulatory constraints on pricing and operations (Savas, 2000: 245).

### **2.6.3 Benefits of PPP's**

There are certain benefits for local government when following the route of PPP's. These benefits, inter alia, means that local government (Van der Waldt: 2003: 262):

- Gains expertise from the private sector which may lead to more efficient service delivery.
- Enhances accountability by clarifying responsibilities and deliverables.
- Creates better local economies, generated from integrating the design, building, financing and operation of assets with the private sector
- Can utilise internal human resources, which become available due to the contracting out of services to the private sector, in other capacities.
- Capacitates human resources when they work with private sector human resources.
- Obtain the youngest technological expertise to deliver services.

These benefits can be comprehensive in the fields of human resources, economic savings, technical development and ultimately better service delivery (Van der Waldt, 2003: 262).

## **2.7 SALE OF PUBLIC SECTOR ENTERPRISES AND ASSETS**

According to the White Paper on Privatisation and Deregulation (S.A., 1993: 9), the main characteristic of this method is that the public sector will not retain any further responsibility in respect of those assets, services or activities and that their continuation, scope and price after the sale will be subject to the market mechanisms.

To many people the concept of privatisation means the sale of public sector enterprises. This is probably the case as a result of examples in Western countries where industries were nationalised and, as a result of poor

performance thereafter, became financial liabilities to the state. By relocating such undertakings in the private sector, their profitability could be restored. In this manner the state was immediately relieved of its liability and the sale of assets also provided it with a non-recurring income. These examples are, however, no reason why public sector assets in the Republic should be sold to the private sector.

Nationalisation has not been used in South Africa to convert private sector enterprises into government enterprises. The enterprises which are still managed by the state were established by virtue of sound strategic considerations and at times when the private sector did not have the means or was not interested in establishing such enterprises. The value these enterprises had for economic development in South Africa and its neighbouring states is indisputable.

According to the White Paper on Privatisation and Deregulation (S.A., 1993: 9), the government also does not favour selling public sector enterprises or assets to the private sector just to obtain the non-recurring additional income from the proceeds. The government is prepared, however, to consider the sale of such assets in appropriate cases, if it is convinced that this will be in the long-term interests of the Republic's inhabitants.

In the process of privatising a service, one must always beware of creating monopolies, which are not good for the quality of service delivery.

### **Monopolies**

In the White Paper on Privatisation and Deregulation (S.A., 1993: 9), the government can see little long-term advantage in totally alienating the assets of a public sector monopoly if it is to be replaced by a private sector monopoly. One of the envisaged benefits of privatisation is the deregulation of markets currently dominated by the public sector in order to establish a *number of* enterprises and thereby to create competition in the market.

If privatisation should result in the creation of private sector monopolies, the state would be obliged to regulate them in the public interest, to ensure that prices were kept within reasonable limits. Private sector monopolies might give rise to higher rather than lower prices. The government is therefore in principle not prepared merely to allow private sector monopolies to be created in this manner.

According to O'Looney (1998: 46), although most forms of privatisation are relevant to and can be used by local government, it is not that easy to determine which forms are more applicable than others. This is because of the following reasons:

- Some methods / forms increase or maximise efficiency and increase service quality.
- Others create monopolies.
- Each function of local government differs and will forward its own set of requirements to be privatised. The privatisation of the sport function will differ considerably from the privatisation of, for example, the security function.
- Privatisation policies differ according to the sphere of government involved.
- Different forms of privatisation will, therefore, be applicable to the different functions of local government that wants to be privatised. In the privatisation of a specific local government function all forms of privatisation must be considered in order to determine which form will be the most appropriate.

## **2.8 CONCLUSION**

According to the White Paper on Local Government (S.A., 1998: 101), the privatisation of assets which are not considered strategic to the core purpose and role of municipalities, may boost municipal capacity and revenue to focus on the delivery of strategic and core services. Privatisation of 'non-core' assets may remove the necessity for public subsidy of services which constitute a drain

on municipal revenue, and generate capital which can be utilised for strategic and core activities. With the exception of services aimed at meeting basic needs, which are clearly 'core' municipal activities, there is variation between municipalities regarding municipal assets which are 'non-core' and therefore open to the option of privatisation. While national guidelines will be issued in this regard, each municipal council will need to make its own assessment in relation to the strategic direction put forward in the municipal IDP.

This chapter focused on privatisation and the different methods to implement it. For the purpose of this research, it is further necessary to focus on which of these methods are applicable to the specific situation in Klerksdorp regarding sport and recreation. To do this, it is necessary to assess the current situation regarding sport and recreation in Klerksdorp. Chapter 3 will explain the current situation in Klerksdorp and will assess the applicable methods of privatisation.

## **CHAPTER 3: SPORT AND RECREATION SERVICES AT KLERKSDORP MUNICIPALITY**

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### **3.1 INTRODUCTION**

Due to rising costs, limited tax and income sources and the increasing need for service delivery, local government is forced to look at the privatisation of services, such as sport and recreation services. The transformation of local government from the present to the future will, however, place great financial demands on local authorities, as they initiate plans to upgrade and provide essential services in underdeveloped areas, while simultaneously maintaining acceptable standards of service to their present ratepayers. The cost of delivering a sport and recreation service to the public is one of the more expensive services, which most municipalities will not be able to deliver in future. The government, however, views sport and recreation as vital components of the reconstruction and development of South Africa.

It is currently not clear whether sport and recreation services in a municipality should be privatised or not. Very often managers make a cost-only resolution when decisions on this matter must be made while the service delivery part is underestimated. This may lead to the improper implementation of privatisation, or even worse, the privatisation of services that were never meant to be privatised. As such, large sums of money can be wasted and the standard of services can be lowered.

This problem is also applicable to Klerksdorp municipality, where the council and officials are not certain whether the sport and recreation services of the municipality can successfully be privatised. In Klerksdorp, the sport and recreation service is delivered by the Department of Community Services, which includes the section Parks and Recreation. There is also a sports council in Klerksdorp, which is responsible for sport and recreation services, namely the Klerksdorp Sports Council. This Council is a body consisting of representatives from the community, sports clubs, schools, council officials and councillors who *advise* the City Council on all matters regarding sport and recreation.

It is important to analyse the sport and recreation function of Klerksdorp municipality in order to determine exactly what this function entails. Without a sound knowledge of the function it is impossible to make recommendations about its privatisation. Therefore this chapter will concentrate on the sports and recreation policy of the municipalities (3.2), current structures regarding sport and recreation in the Klerksdorp Municipality (3.3) and current structures and objectives of the Klerksdorp Sports Council (3.4)

## **3.2 THE SPORT AND RECREATION POLICY OF THE MUNICIPALITY**

The purpose of a sports and recreation policy is to lay down guidelines which a local government has to follow in order to implement a sport and recreation function. The Klerksdorp municipality developed an extensive sport and recreation policy and made the sport and recreation section responsible for implementing most of this policy. A discussion of the policy will shed light on the extent of this. Aspects such as creating basic sport and recreation facilities (3.2.1, provision of regional sports facilities (3.2.2), creation and upkeep of facilities (3.2.3), the running of these facilities (3.2.4), provision of services (3.2.5), alienation and renting of land for the development of these facilities (3.2.6), subleasing of facilities by sports clubs (3.2.7) and conditions for financial aid to sports clubs (3.2.8) are discussed in the section below.

### **3.2.1 Creating basic sport and recreation facilities**

It is accepted as a matter of principle that the municipality accepts the responsibility for the creation of basic sport and recreation facilities. The council can choose to either develop the facilities, or to make land available at special prices to sports clubs or bodies with the means at their disposal to undertake the development. The policy thus creates room for private initiative to participate in the delivery of sport and recreation actions in Klerksdorp. This is, however, not part of a privatisation action and the municipality remains the primary service deliverer for sport and recreation activities (Klerksdorp City Council Sports Policy, 1993: 3).

### **3.2.2 Provision of regional sports facilities**

The municipality of Klerksdorp will perform a training, advisory and providing role, whereas the Klerksdorp Sports Council will act as an advisory body regarding sport and recreation activities. In the event of a sport and recreation facility having been created for the general community of Klerksdorp and surrounding communities by another body, the municipality undertakes to accept the function of the upkeep and operating of such a facility (Klerksdorp City Council Sports Policy, 1993: 3).

### **3.2.3 Creation and upkeep of sport and recreation facilities**

The municipality deemed it desirable that sports clubs and bodies maintain their sport and recreation facilities. That is, however, not always feasible due to a lack of funding and expertise on the side of sports clubs and private concerns. The municipality will therefore render this service to these clubs and bodies (Klerksdorp City Council Sports Policy, 1993: 4).

Subsidising, or partial subsidising, by the municipality is not regarded as desirable with regard to the upkeep of sports facilities, as control over the funds to ensure utilisation to the benefit of the community cannot be guaranteed.

Total upkeep by the City Council is regarded as the ideal. In exceptional cases collaboration agreements or joint upkeep may be considered if this is in the public interest, such as the Klerksdorp Swimming Pool and Golf Course.

Any improvement and/or extensions to basic facilities must take place at the expense of the Sports Club or body, with the City Council's approval. Sports clubs are authorised to alter the various clubhouses as preferred, provided that the sports club shall not be entitled to make any structural changes or additions to the aforementioned premises without having previously obtained written consent from the City Council, as well as that any such changes, additions or improvements as carried out by the City Council or sports clubs remain the property of the City Council upon expiry of the agreement.

The City Council undertakes to maintain the various sports grounds, including the playing surfaces of the indoor sports, as well as the exterior of the various buildings (club houses, toilet facilities, etc.) and the Sports Club will be responsible for the cleaning and upkeep of the interior of the various buildings, as well as the repair of all window-glass, regular wear and tear being excluded.

The sports clubs undertake to furnish the City Council with motivation in regard to proposed extension of the sports facilities and also the manner in which such extensions are to be financed, annually on or before 31 January (Klerksdorp City Council Sports Policy, 1993: 5).

### **3.2.4 The running of the sports facilities**

The running of all the sports facilities which are the property of the municipality, or towards which substantial financial or other contributions are made by the municipality, rests with the municipality provided that (Klerksdorp City Council Sports Policy, 1993: 5):

- (i) Sport clubs obtain users' rights according to the first consumer principle and that the clubs themselves handle all matters with regard to the practice of sport and control over their members;
- (ii) The municipality reserves the right to make the facility available to the general community in the event of the facility not being used or where the facility is largely being underutilised;
- (iii) The municipality undertakes to annually earmark an amount obtained from the running of the facilities for allocation to the Sports Council, to ensure the functioning of the Sports Council; and
- (iv) The municipality undertakes to enter into agreements with the various sports clubs in connection with the various sports clubs, for the use of the sports facilities by such clubs, and to discuss the relevant conditions with the individual sports clubs, to ensure that the parties concerned are cognisant of their responsibilities in respect of their usage of the sports facilities in question.

### **3.2.5 Provision of services**

The sport and recreation policy of the municipality determines the following regarding the provision of services:

- (i) A club itself shall be responsible for electricity accounts and basic connection fees.
- (ii) A club shall not be liable for payment of water consumption, sewage and garbage collection. The municipality, however, reserves the right to indeed place the responsibility for payment for such services on the club during future terms.
- (iii) In the event of a sports club or body operating a public restaurant and/or public bar, the sports club or body shall be deemed to be a regular consumer and the club shall, points (i) and (ii) notwithstanding, be responsible for the full account.
- (iv) Where any facility is provided with flood-lights of high light intensity and in the event of the sports club or body in question obtaining an income from entry or game fees, an appropriate user's rate will be levied by the municipality.

### **3.2.6 Alienation and/or renting of land for the development of sport and recreation facilities**

In the event of sports clubs or bodies preferring to handle the development of the facility themselves, the municipality can either place land at their disposal at a special price, leasing the land at a nominal fee, or make land available at no cost, provided that the land is used for the purpose for which it had been allocated and that the facilities become the property of the municipality in the event of the sports club being dissolved or moving to another facility (Klerksdorp City Council Sports Policy, 1993: 7).

### **3.2.7 Subleasing of facilities by sports clubs**

In view of the fact that the municipality manages and controls all the municipal sport facilities, the subleasing of any sports facility is subject to approval by the City Council. The municipality also reserves the right to rent facilities, taking sports clubs' activity programmes into account (Klerksdorp City Council Sports Policy, 1993: 8).

### **3.2.8 Conditions for financial aid to sports clubs**

The municipality makes available low interest-rate loans or interest-free loans for the establishment or upkeep of sports and club facilities. Where the need arises to obtain low interest-rate or interest-free loans for the creation and improvement of facilities by sports clubs or bodies, such loans may be arranged with the municipality's approval, subject to the availability of funds. The municipality may act as sponsor for the club, subject to, inter alia, the following conditions (Klerksdorp City Council Sports Policy, 1993: 8):

- (i) Sports clubs must submit written applications to the municipality for loans;
- (ii) The property shall be reverted to the municipality in the event of its use being discontinued or in the event of it no longer being used for sporting activities, or in the event of the municipality requiring the land for other use;
- iii) The municipality may at any time repossess the land should that prove necessary for extension or redevelopment; and
- iv) All improvements on the premises are subject to the municipality's approval, failing which no compensation shall be due in that respect.
- (v) In the event of a club having outstanding debts, further facilities will not be created on the premises.

- (vi) If a club wishes to erect improvements with their own funds, an application must nevertheless be made to the municipality. The club must submit satisfactory proof that its own funds are to be used.
- (vii) Other facilities, such as restaurants which the club may from time to time decide upon, will be established at the club's expense, if the municipality has given approval and the necessary consent.
- (viii) Irrigation equipment for sports fields and beautification of the terrain must conform to standards set by the municipality.
- (ix) Lighting will be provided according to the judgement of the municipality, where necessary, for regular practicing of the relevant sport, to a standard approved by the Department of the City Electrical Engineer. (Sports such as tennis and bowls, are not regarded as sports where lighting is essential to its regular practicing).
- (x) Parking will be provided where deemed necessary by the municipality.

From the above it is clear that the Klerksdorp municipality deems the sport and recreation function as an important function and that municipal control over the function is important. These guidelines are important and will play an important role if this function should be privatised. The private company taking over the function, will remain responsible for the implementation of this policy. The question that needs to be answered is whether a private company will be able to uphold this policy.

### **3.3 CURRENT STRUCTURES REGARDING SPORT AND RECREATION IN THE KLERKSDORP MUNICIPALITY**

According to communication with the Manager Community Services, Ms M.J. Masilo (2003), the Klerksdorp municipality accepts that the delivery and development of the sport and recreation function within Klerksdorp remains the responsibility of the City Council (municipality). This responsibility includes the maintenance function, which has to do with the physical maintenance of sport and recreation infrastructures. This means that the municipality must see to it

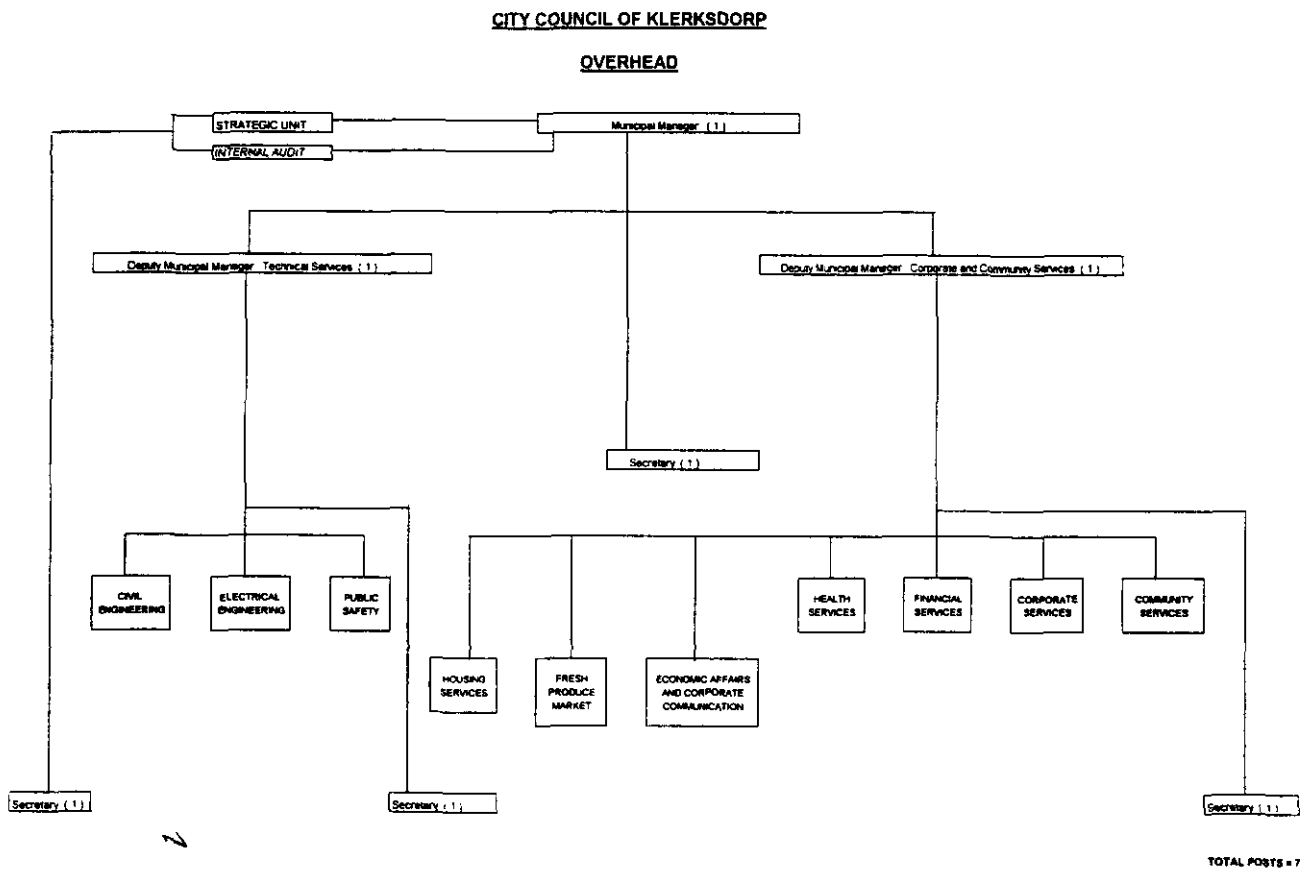
that the sport and recreation function is developed and maintained to adhere to standards set by the taxpayer.

According to Ms M.J.Masilo (2003), the municipality currently consists out of ten service delivery departments, namely:

- Department of the Civil Engineering;
- Department of the Electrical Engineering;
- Department of Public Safety;
- Department of Housing Services;
- The Fresh Produce Market;
- Department of Economic Affairs and Corporate Communication;
- Department of Health Services;
- Department of Financial Services;
- Department of Corporate Services; and
- Department of Community Services (including the sport and recreation function).

According to the Klerksdorp City Council Personnel Structure (2002: 10), the diagram in figure 3.1 gives a clearer representation of the above structure.

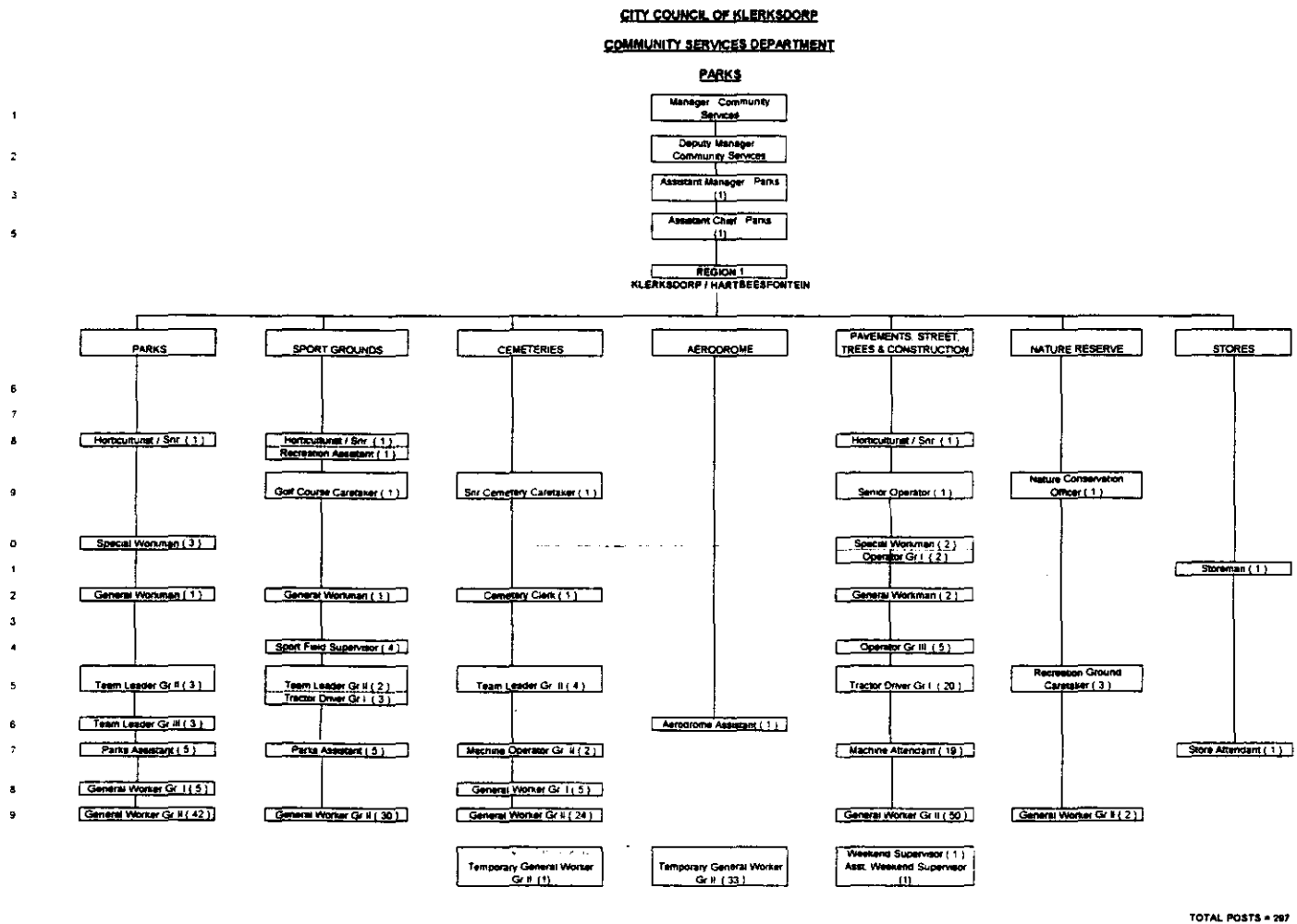
**Figure 3.1 Organogram of the Klerksdorp City Council**



According to the Klerksdorp City Council Personnel Structure (2002: 12), the Sport and Recreation Section of the Klerksdorp municipality falls, as indicated, under the Department of Community Services, as illustrated in figure 3.2.

What is interesting is that the sport and recreation maintenance function (and more specifically, the sports grounds) is not part of the actual sport and recreation section. This function falls under the section Parks. Should the sport and recreation function be privatised, this phenomenon should also be addressed, to determine whether this function should also be privatised or not.

**Figure 3.4 Organogram of the section Parks**



According to an interview with the Manager Community Services, Ms M.J. Masilo (2003), the main objective of the Klerksdorp municipality, regarding sport and recreation, can be described as follows:

- (i) To accept responsibility for the provision of the sport and recreation function in the municipal area.
- (ii) To ensure that the sports and recreation facilities are multi-functional and made available to the various age, gender and social groups in the municipal area.
- (iii) To make sure that the quality and standard of the facilities are of a high standard to encourage their use by the community.
- (iv) To make sure that the sport and recreation facilities are maintained on an ongoing basis.
- (v) To manage the function in such a way that sport and recreation facilities are available to all the people in the municipal area.
- (vi) To promote the sports image of Klerksdorp by means of liaison and facilities which are of a high standard.
- (vii) To develop new sport and recreation facilities according to the needs and interests of the community.
- (viii) To establish a positive attitude in the community, towards sport and recreation and to encourage greater community involvement and interest in sport and recreation.
- (ix) To co-ordinate and supervise all sport activities in Klerksdorp.
- (x) To compile and handle all policy and management affairs in respect of sport and recreation.

An analysis of these objectives indicates, by implication, that the Klerksdorp municipality considers itself as the main provider of sport and recreation services in the municipal area. As mentioned, the Klerksdorp Sports Council

forms an important part of the functioning of the sport and recreation function in the Klerksdorp municipality.

### **3.4 CURRENT STRUCTURE AND OBJECTIVES OF THE KLERKSDORP SPORTS COUNCIL**

The situation regarding sport and recreation at the Klerksdorp municipality differs from most other local authorities, mainly because of the existence of the Klerksdorp Sports Council. This Sports Council is a body consisting of representatives from the community, sport clubs, schools, council officials and councillors who advise the municipality on all matters regarding sport and recreation.

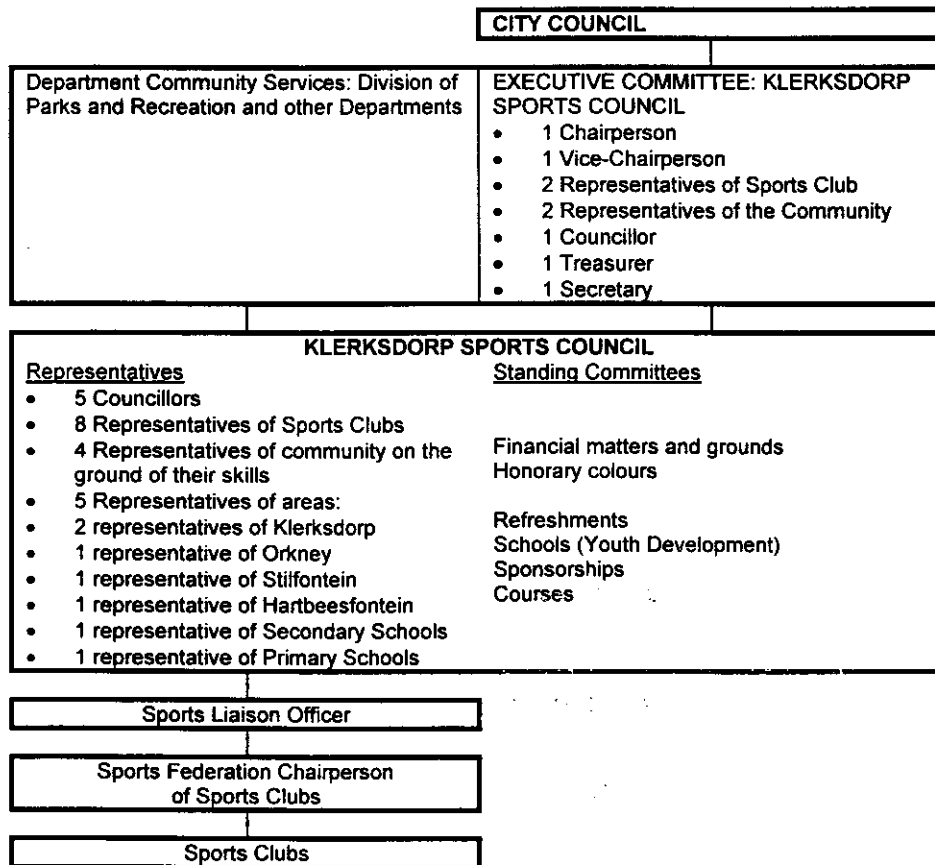
In the event of privatising the sport and recreation function of the municipality, this council will play an important role in the process. Privatisation without the consent of this council may jeopardise the whole process.

According to the Constitution (1992) of the Klerksdorp Sports Council, the structure and objectives of the council are as follows:

#### **3.4.1 Structure of the Sports Council**

The structure of the Sports Council may be schematically represented as in figure 3.5:

**Figure 3.5 Structure of the Klerksdorp Sports Council:**



The Klerksdorp Sports Council is thus part and parcel of the organisational structure of the municipality. The Sports Council acts as a mouthpiece for sport and recreation matters and to advise the City Council on these issues.

### 3.4.2 Objectives of the Sports Council

The main objectives of the Sports Council are the following (Constitution, 1992: 2):

- To promote sport and recreation, facilitated by one body, regardless of race, colour, creed and religion.
- To co-ordinate all sport and recreational organisations and all related institutions in the Klerksdorp municipal area who contribute to the promotion of recreation and to recreation on an educational, scientific and technical level.

- To admit any club, union, educational institution, or other such body in the Klerksdorp area and of whom the objectives are basically the same as that of the Sports Council. The affiliation of such a club or institution should, however, promote the objectives of the Sports Council.
- To make recommendations to the municipality regarding the allocation and lease of sport and recreation facilities.
- To advise, deliberate and work with the Klerksdorp municipality regarding any administrative functions that are relevant to sport and recreation.
- To assist in the establishment of new clubs.
- To promote and maintain friendly relations with sporting bodies.
- To encourage links with all welfare and recreation agencies which share their policy concerning the encouragement of youth to participate in sports.
- To appoint sub-bodies and subcommittees and to give them such powers and constitutions as the Sports Council deems necessary for the promotion of sport and recreation.
- To advise, deliberate and work with the Klerksdorp municipality, or any other establishment in the private sector regarding the interests of the members of the Sports Council.
- To act as a mouthpiece in respect of all matters relating to sport and recreation.
- To lure top sport stars to the area and to keep them there with the accent on the development of local talent.
- To lure top trainers to the area and keep them there.
- To organise sports clinics and training sessions for the youth in the area in order to promote active participation in sport and to help identify potential for development.

- To annually co-ordinate the standards for the awarding of the Sports Council awards and to present the sport merit award function.
- To equip officials charged with sports and recreation in the area with policy and management capabilities.
- To provide a forum for the solving of problems of affiliated and non-affiliated clubs, in order to ensure maximum participation of all bodies in the Sports Council.

An analysis of these objectives will give an indication of the important role that the Klerksdorp Sports Council plays in the development of the sport and recreation function and activities in the Klerksdorp area. Should the sport and recreation function of the municipality be privatised, the role that this council fulfils should be taken into account.

The Klerksdorp Sports Council and the municipality complement each other in the following way regarding sport and recreation:

- Both organisations promote sport and recreation.
- The Sports Council deals with policy and management matters, while the City Council deals with operation and maintenance matters.
- The Sports Council (sports people) advises the City Council on matters regarding sport.
- The City Council has the personnel to carry out the recommendations of the Sports Council.

The current situation is further complicated by the affiliation of the Klerksdorp Sports Council with the Provincial Sports Body. It seems that privatisation may have an effect on this affiliation.

### **3.4.3 Affiliation with the Provincial Sports Body**

The affiliation of the Klerksdorp Sports Council with the Provincial Sport Body has the following implications (Constitution, 1992: 5):

- The Klerksdorp Sports Council is of the opinion that it should stay affiliated with the Provincial Sports Body.
- The Sports Council accepts and stays bound by the rules as laid down by the Provincial Sports Body, as well as interpretations of such rules by the Provincial Sports Body.
- All affiliated members, affiliates or subcommittees under the jurisdiction of the Sports Council shall, through such affiliation, specifically accept that they are bound to Provincial Sports Body.

The area of jurisdiction of the Klerksdorp Sports Club will also play a role when the sport and recreation function of the municipality is privatised.

### **3.4.4 Area of jurisdiction of the Sports Council**

The area of jurisdiction of the Klerksdorp Sports Council is as follows (Constitution: 1992: 6):

- Klerksdorp Local Municipality area;
- Any club, society, or any other body that the Sports Council may allow to affiliate despite the fact that such a club, society or body may be situated outside the area of jurisdiction of the Sports Council.

A question that will have to be answered is whether this ruling will have an influence on the privatisation of the sport and recreation function.

Sport clubs under the jurisdiction of the Klerksdorp Sport Council are also affiliated to the Sport Federation. With privatisation of the sport and recreation function this affiliation should also be scrutinised in order to determine how it will be affected.

### **3.4.5 Sports federation**

Sports Clubs, under the control of the Sport Council, are also represented on the Sports Federation. The Sports Federation consists of the chairperson and secretaries of all clubs, bodies and subcommittees that are affiliated with the Sports Council. The Sports Federation plays an important role in the following matters (Constitution, 1992: 8):

- Election of Sports Council members;
- Changing of constitution; and
- Adoption of financial statements.

### **3.5 CONCLUSION**

Points 3.1 to 3.4 above described the role played by the City Council of Klerksdorp as mainly responsible for the provision and maintenance regarding sports, recreation and facilities. The Klerksdorp Sports Council, on the other hand, plays an advisory role and does not have executive powers. The Sports Council will advise the municipality on the development of new facilities, while the municipality will undertake the upkeep and operation of such a facility. The financial responsibility for sport and recreation currently remains with the municipality.

The current situation in Klerksdorp regarding sport and recreation, therefore, does not differ considerably from most other authorities, except for the existence of the Klerksdorp Sports Council, which is an advisory body. In this chapter it was indicated that sport and recreation is well organised due to the sports policy which is in place, as well as approved structures. The Sports Council furthermore ensures representation of all sport and recreation affairs on management level.

Whereas this chapter has focused on the role of the Klerksdorp municipality and the Klerksdorp Sports Council in the development of the sport and recreation function in the Klerksdorp area, the influence of privatising this function will be discussed in the next chapter.

## **CHAPTER 4: PRIVATISING SPORT AND RECREATION SERVICES AT THE KLERKSDORP CITY COUNCIL**

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### **4.1 INTRODUCTION**

Before a decision can be made on the feasibility of the privatisation of sport and recreation services in Klerksdorp municipality, it will be necessary to analyse the advantages (strengths) and disadvantages (weaknesses) of the current situation in the Klerksdorp municipality as well as the Klerksdorp Sports Council. This will give an indication of whether the sport and recreation function needs to be privatised or not. It will also indicate whether the municipality is currently in the position to deliver quality sport and recreation services to the community and whether a private enterprise should take over the function.

The indicators of poor performance, as discussed in chapter 2, will have to give an indication of whether the sport and recreation function of the Klerksdorp municipality can be privatised, taking into account the existence of the Sports Council. The indicators that serve as a standard to determine whether the sport and recreation function should be privatised will be discussed. Contracting out, public-private partnerships and the sale of services will also be discussed to determine which of these methods of privatisation is the best method to use in the case of the sport and recreation function in the municipality.

### **4.2 INDICATORS TO DETERMINE THE USEFULNESS OF PRIVATISING THE SPORT AND RECREATION FUNCTION**

If more than three of the following indicators occur in the implementing of the sport and recreation function at Klerksdorp municipality, privatisation of the function should be considered as an option (Savas, 2000: 111–112):

- Overstaffing in the organisational structure of the sport and recreation section.
- If poor quality of sport and recreation services and goods are delivered to the public of Klerksdorp.

- When continuing losses occur and debts rise constantly in the sport and recreation section.
- If there is a lack of managerial skills or sufficient managerial authority in the section/function.
- If personnel are unresponsive to the public.
- If sport and recreation facilities and equipment are underutilised or in poor condition.
- When funds are insufficient to deliver the service.
- When obsolete practices are in use or products are outdated.
- When there are conflicting goals, which lead to insufficient service delivery.
- When the sport and recreation section's vision, mission and objectives are misguided and irrelevant.
- When assets are underutilised and underperformance occurs.
- When illegal practices are detected in the section.
- When theft and corruption occur in the section.

As explained above, these indicators should act as a standard to determine whether a specific service should be privatised or not. It should be the norm to decide whether the sport and recreation function of the Klerksdorp municipality is a candidate for privatisation, or not. In order to determine this, an analysis of the strengths and weaknesses of the section has been undertaken.

#### **4.3 ANALYSIS OF THE STRENGTHS AND WEAKNESSES**

The purpose of analysis of the strengths and weaknesses is to determine what the current situation or status quo regarding the delivery of the sport and recreation function is. It is important to determine whether the situation in Klerksdorp meets the criteria and objectives for privatisation as set out in paragraph 4.2.

With this in mind, an analysis of the strengths and weaknesses of the Klerksdorp municipality follows.

### **4.3.1 Strength and weaknesses of the Klerksdorp municipality**

The strengths and weaknesses of the municipality regarding sport and recreation are the following:

#### **4.3.1.1 Strengths**

The strengths of the municipality boils down to the following (Manager Community Services, Ms M.J. Masilo, 2003):

- The municipality accepts the responsibility of providing the sport and recreation service to the community and is thus willing to deliver the service.
- There is a comprehensive sport and recreation policy in place.
- The municipality budgets ±R4,5 million annually to deliver the service and has 60 fulltime employees to provide the sport and recreation service.
- Efficient organisational structures are in place to deliver the service.
- The municipality has sufficient infrastructures to implement the function.
- The municipality has sufficient skills, equipment and facilities for the delivery and maintenance the sport and recreation function.
- The municipality is the owner of all the sports facilities, which amount to ±R40 million.
- The municipality has an approved structure in place regarding personnel/staff for the delivery of sport and recreation.
- The municipality has an official sports office that deals with all sporting matters such as bookings, enquiries, liaison, administration, etc.
- There is a Sport Council assisting the municipality with the sport and recreation function.
- The taxpayers are willing to pay for the service.

#### **4.3.1.2 Weaknesses**

The following are weaknesses in the profile of the municipality (Manager Community Services, Ms M.J. Masilo, 2003):

- The fact that the sport and recreation function is not centralised in one organisational department. The maintenance of sports grounds falls under the section Parks and is thus not part of the sport and recreation function as such.
- The decentralisation of the sport and recreational function may hamper effective service delivery to an extent. This leads to the following:
  - Prioritisation of needs regarding the sport and recreation function is difficult, because the two sections involved regard different functions/activities as important.
  - There is a clash between the management teams of the two sections involved regarding the management activities of the function.
  - Budget control is difficult because two separate sections have to budget for the same function.
  - Communication between the two sections is difficult and sometimes impossible.
  - Acceptance of responsibilities is hampered.

#### **4.3.1.3 Summary of findings regarding strengths and weaknesses**

A comparison of the strengths of the current sport and recreation function at the Klerksdorp municipality with the indicators on page 7 (symptoms and diagnosis for privatisation) reveals that it will not be advisable to privatise the function at this point in time. A comparison between the reality and the symptoms will be indicated in table 4.1.

**Table 4.1: Strengths regarding the sport and recreation function as deduced from the interview with the Manager: Community Services and Savas (2000: 111-112)**

<b>Indicator (symptoms)</b>	<b>Strengths of current situation at the municipality</b>
1. Inefficiency and low productivity	1. Not relevant: Policy, infrastructure and personnel in place which operate at full potential .
2. Overstaffing	2. Not relevant: 60 employees are well-managed and fully utilised.
3. Poor quality of goods	3. Not relevant: Community and sports clubs are satisfied with quality of service.
4. Lack of managerial skills	4. Not relevant: Management teams are well-trained, with applicable qualifications.
5. Unresponsiveness to public	5. Existence and participation of Sports Council indicate correspondence between the public and the function.
6. Undermaintenance of facilities and equipment	6. Not relevant: A budget of ± R4,5 million and sufficient skills and equipment secure the efficient maintenance of facilities and equipment.
7. Insufficient funds for capital investment	7. Not relevant: An annual budget for capital secure adequate funds to run the service.
8. Little marketing capability	8. There is a Sports Liaison Officer and personnel who promotes sport and recreation in the city.
9. Misguided missions	9. A comprehensive sports policy gives guidance on the implementation of the function.
10. Underutilised assets	10. There are ±60 contracts with sports clubs, which means that equipment is well utilised.

The current situation regarding the strengths of sport and recreation in Klerksdorp municipality shows that privatisation of the function will be a radical step and can be seen as unnecessary. The function is well-managed, with effective personnel and equipment in place. The municipality provides a budget that is sufficient and the public makes use of facilities. Not one of the indicators to determine the usefulness of privatising a function were identified, which means that the sport and recreation function is not a candidate for privatisation.

There is, for instance, not a problem with overstaffing in the organisational structure of the sport and recreation section, the quality of sport and recreation services delivered to the public of Klerksdorp is good, no financial losses occur, there is no lack of managerial skills, sport and recreation facilities are excellent, funding is sufficient and assets are well-utilised (see paragraph 4.2).

The weaknesses of sport and recreation function as deduced from the interview with the Head of sport and recreation Services may be presented as in table 4.2.

**Table 4.2: Weaknesses regarding the sport and recreation function as deduced from the interview with the Head of Sport and Recreation Services and Savas (2000: 111-112)**

<b>Weakness</b>	<b>Weaknesses of current situation at the municipality</b>
1. Sport and recreation function is not centralised	1. This is a structural weakness and privatisation will not solve it – rather restructuring.
2. Prioritising needs	2. This is a structural problem, where the function is divided between two departments.
3. Budget control	3. This is a structural problem, where the function is divided between two departments.
4. Communication not good	4. This is a structural problem, where the function is divided between two departments.
5. Acceptance of responsibility	5. This is a structural problem, where the function is divided between two departments.

The above analysis of weaknesses yielded interesting information, namely that the weaknesses are structural in nature rather than privatisation related. Not one of the indicators to privatise occur, which means that the weaknesses of the sport and recreation function is not a candidate for privatisation. As explained above, these indicators should act as a standard to determine whether a specific service should be privatised or not. It should be the norm to decide whether the sport and recreation function of the Klerksdorp municipality is a candidate for privatisation or not.

#### **4.3.2 Strengths and weaknesses of the Klerksdorp Sports Council**

The strengths and weaknesses of the Klerksdorp Sport Council have also been determined, to see if privatisation of this body is an option. This was necessary due to the fact that the Klerksdorp Sports Council forms an integrated part of the sport and recreation function in Klerksdorp.

The following strengths and weaknesses of the Klerksdorp Sports Council were identified:

#### **4.3.2.1      *Strengths***

The strengths of the Sports Council (Chairperson of the Klerksdorp Sports Council, 2003) are as follows:

- The Sports Council is a democratically elected body, representing all the important role-players in the community, such as sports clubs, schools, the community and the municipality.
- The Sports Council acts as a central mouthpiece for sport in Klerksdorp.
- The Sports Council promotes sport through various committees and several projects, such as clinics, sporting achievement award functions, sponsors, etc.
- The Sports Council co-ordinates all sport and recreation in Klerksdorp.
- Sports people take resolutions on sporting matters and advise the municipality in this regard.
- The Sports Council provides a forum for the solving of problems.

#### **4.3.2.2      *Weaknesses***

The following are the weaknesses of the Sports Council (Chairperson of the Klerksdorp Sports Council, 2003):

- It has no legal identity.
- The Sports Council is a voluntary organisation and its members are under no obligation to perform.
- Insufficient funds.
- It has no authority and no executing or mandated powers.
- There are no fulltime personnel or personnel structure in place.

- The Sports Council has no equipment for the maintenance of sport and recreation facilities.
- The council does not have any infrastructures to implement the function.
- The council has no sufficient skills and equipment for the delivery and maintenance of the sport and recreation function and facilities.
- The council does not own any sports facilities.

Because of the existence of the Klerksdorp Sports Council and the fact that the Sports Council is an integrated part of the municipality's sport and recreation function, the strengths and weaknesses of the Sport Council are also compared with the indicators for privatisation, as shown in table 4.3.

**Table 4.3: Strengths regarding the Sports Council on the sport and recreation function as deduced from the interview with the Chairperson of the Klerksdorp Sports Council and Savas (2000: 111-112)**

Indicator (symptoms)	Strengths of current situation
1. Unresponsiveness to the public	1. Not relevant: It is a democratically elected body representing all role-players in the community.
2. Little marketing capability	2. Not relevant: It acts as a central mouthpiece for the whole of Klerksdorp.
3. Conflicting goals	3. Not relevant: Forum for solving problems advises council.
4. Underutilised assets	4. Not relevant: It is a body for the co-ordination of sport and recreation.
5. Poor quality of goods	5. Promotes sport through committees.

It is clear that the Sports Council is a non-formal structure, which cannot be evaluated according to the principles of privatisation. It has, inter alia, no formal budget, no personnel, no assets and no facilities to manage. The Sport Council is only an advisory body, assisting the municipality with the sport and recreation function. As such privatisation is no option.

Table 4.4 summarises the weaknesses regarding the Sports Council on the sport and recreation function as deduced from the interview with the Chairperson of the Klerksdorp Sports Council.

**Diagram 4.4: Weaknesses regarding the Sports Council on the sport and recreation function as deduced from the interview with the Chairperson of the Klerksdorp Sports Council and Savas (2000: 111-112)**

Indicator (symptoms)	Current weaknesses
1. Overstaffing	1. No permanent employees.
2. Illegal practices	2. No legal identity.
3. Lack of management authority	3. No executing powers.
4. Undermaintenance	4. No equipment.
5. Facilities and equipment	5. Own no assets.

From the above it is clear that the Sports Council cannot even be considered as an option for privatisation. The fact that the Sports Council has no legal identity is the most important point of argument. The legal entity in the current situation is the municipality, and the council will therefore remain an advisory body. Should the municipality, however, decide to privatise the sport and recreation function the Klerksdorp Sports Council will have to form part of the process (Chairperson of the Klerksdorp Sport Council, 2003). This will make the privatisation of the sport and recreation function even more difficult and, to an extent, even impossible.

In the final analysis the solution to the problems or weaknesses in Klerksdorp regarding the sport and recreation function must thus be sought in the restructuring of the structures, rather than in the privatisation of the function. A brief discussion of what restructuring entails, will follow below.

#### **4.4 RESTRUCTURING OF LOCAL GOVERNMENT ACTIVITIES**

This section will offer an explanation and study of what the restructuring of local government entails of. This study will show that restructuring is a better option than privatisation. This also implies that an independent study will have to be

carried out to obtain the correct organisational structure for sport and recreation in Klerksdorp, which falls beyond the scope of this dissertation.

The restructuring of organisational structures at local government level is a complex field of study. According to Cloete and Mokgoro (1995: 12), restructuring of local government entities must result in:

- A hierarchical structure with strict control and supervision at all levels.
- Standardised procedure codes and manuals, which are extensively used in budgeting, purchasing, training and in dealing with the public.
- Centralised departments providing and regulating interdepartmental domestic services in finance and personnel.
- Reports, statistical returns and accounts, with prescribed standards and checking systems.

Cloete and Mokgoro (1995: 13) refer to the working of restructuring as instructions and directives to lower level structures which are issued via complex regulations and memoranda, passing through a multilevel hierarchy. Information is passed upwards through the same hierarchy. Resources, more specifically financial resources, have to be used strictly in accordance with budgetary and parliamentary prescriptions. The standards developed and the measures introduced focus mainly on regularity, without considering the merits of the transactions. There is, in essence, a persistent preoccupation with procedures and functional rationality to the exclusion of ethical values and standards.

The performance of officials from top to bottom is measured in terms of their ability to stick to predetermined budgets and procedures. Given that the quality of the service cannot be measured by consultation with clients and communities (there are no mechanisms for such consultations), it follows that bureaucratic performance measurement becomes a centralised procedural audit that never takes the views of the consumer into account (Cloete and Mokgoro, 1995: 13).

The process of restructuring will further include the abolition of some departments and the absorption of others into local structures, with the continuation of then existing functions. It may also mean that certain functions are divided into two separate functions or that specific functions are amalgamated into one structure (Cloete and Mokgoro, 1995: 13).

According to Gildenhuys (1997: 1), the following steps are necessary to integrate and create new organisational structures:

- The first step is to restructure the existing organisational structure or to develop a completely new one. In the case of the sport and recreation function, which is divided between two separate departments, a completely new department will have to be created, accommodating the total function.
- The second step is to create a governing or management system to fit the new organisational structure. This will mean that the sport and recreation function will be managed by one team with one budget, one personnel structure and with the same facilities and infrastructure.
- The third step is to fill the positions created in such a structure with well-trained personnel.
- The fourth step is to delegate operational and decision-making power to the new department and to the management team and other officials in the department.

Restructuring of municipal departments must be guided by pure organisational principles and guidelines in order to create viable organisational entities (Gildenhuys, 1997:1). Gildenhuys (1997: 3–9) gives the following principles of restructuring an organisation:

1. A municipality's organisational structure, such as an autonomous Sport and Recreation Department, must comply with the provisions and prescriptions of national, provincial and municipal legislation; otherwise it will be *ultra vires*.

2. In cases of agreements on the division of functions and authority and related aspects (distribution of assets and liabilities and of personnel) care should be taken that the restructuring complies with such agreements.
3. There must be a clear understanding of the role of councillors as elected political representatives and the functionaries in the department.
4. The newly created organisational structure/department must always suit the local circumstances.
5. An priority of public needs should first be established before the structuring of the department is undertaken.
6. Any local government system must be organised around goals and objectives.
7. One does not move functions or people around simply for the sake of accommodating specific persons.
8. Local governments should not serve as job providers but as providers of services aimed at satisfying the basic needs of their communities.
9. A local government's organisational structure should provide for capacity building and personnel development.
10. The hierarchical structure of the organisation must provide for the optimum span of control.
11. It must provide for both formal and informal horizontal and vertical communication lines. These are necessary for proper co-ordination of the flow of information and instructions downwards, and the upward flow of reports on results, information and suggestions to management at the top.
12. For each position in the hierarchical structure, proper job descriptions and job evaluations must be drawn up.

13. The organisational structure must provide for clear definitions of goals, objectives and functions.

It would be advisable to negotiate the whole process with the municipal trade unions right from the start. One can understand that under circumstances of restructuring and rationalisation, staff will feel insecure and be nervous about the whole exercise, because their future and that of their families are at stake. The existing staff component must therefore be drawn into the whole process right from the beginning. Their co-operation must be obtained, otherwise the whole exercise might fail.

Should the municipality, however, decided to privatise the sport and recreation function one of the following methods can be selected to privatise (see Chapter 2):

- Contracting out.
- Partnerships with private enterprises.
- Selling of the function.

Each of these options will be discussed briefly below within the context of chapter 2.

#### **4.5 PRIVATISATION OPTIONS FOR THE SPORT AND RECREATION FUNCTION**

The critical success factors, which will apply for the successful privatisation of the sport and recreation function, are listed below:

- All interested parties should be involved in the process.
- The municipality must remain responsible for the delivery of the service currently being performed by the Sports Council and the two departments responsible for the sport and recreation function.
- All parties must benefit when the service is privatised.

- Personnel involved must receive an offer of employment.
- Service standards must be determined and quantified.
- A detailed agreement must encompass all of these points.

With these critical factors in mind, contracting out (4.5.1) partnerships between the public and private sector (4.5.2) and the sales of public sector enterprises and assets to private enterprises (4.5.3) will be discussed below.

#### **4.5.1 Contracting out**

With this form of privatisation a municipality delegates its responsibility for the provision of a sport and recreation function to a private company. The primary objective of contracting out is to supply the same service to the community, but at a lower cost or a better service for a limited increase in cost (Craythorne, 1997: 462).

A contract is entered into between a municipality and the private company and this contract will cover the complete relationship between the two parties, and specifically the following aspects (Van der Waldt, 2003: 258):

- Financial aspects such as fees.
- The purchase of assets such as stadiums.
- Rental of fixed property.
- Personnel issues.
- Service provision guarantees and standards and quality of services.

It must be remembered that contracting out can range from the contracting out of specific aspects of a particular service to the introduction of competitive tendering for the delivery of most aspects of a service. Where services are contracted out, municipalities should protect standards and promote quality through tender evaluation processes, contract specifications, and contract monitoring and compliance techniques (Van der Waldt, 2003: 258).

Contracting out is most effective when municipalities are both clear and specific about the nature of the service they are seeking from a contractor, and have the capacity to manage the process of tendering and contract development and monitoring in a manner which ensures that municipal objectives are met.

In theory, the contracting out of the sport and recreation functions can be viable, because the function as a total unit will be delivered by a private company, according to an agreed contract. By contracting out the sports function in Klerksdorp, the following advantages will arise:

- (i) Often outsourcing gives public institutions greater access to superior technologies, quality control and unique processes. The reason for this is that public institutions do not always have the financial resources to obtain the latest technology in order to provide quality services. Through outsourcing such technology can be obtained from the private sector.
- (ii) It furthermore is sometimes the only option a local government has, due to the lack of qualified internal staff and the lack of funds. This in many cases leads to slow service delivery, or no service delivery at all. Private organisations, with specialised staff and financial resources, can solve this problem and are able to provide services rapidly, which is a benefit to the public.

According to a communication by Ms M.J. Masilo (2003), the main problems that will arise when the sport and recreation function in Klerksdorp is contracted out, will be as follows:

- There is no indication of the exact cost to render the sport and recreation service in Klerksdorp.
- The existence of the Sports Council ensures that the community can provide inputs and have a say regarding sporting affairs. If this service is contracted out, this input will be phased out.
- What will happen to the personnel currently working in this section?

Council currently does not have an intensive replacement programme on this and, therefore, most vehicles and equipment is very old and in poor condition.

According to communication by Ms M.J. Masilo (2003), one of the biggest practical obstacles to privatising the sport and recreation function to any private organisation is the fact that the current financial output from the side of the municipality of Klerksdop regarding sport and recreation is not really measurable. Personnel and equipment from the Parks section and other departments use to assist the sport and recreation section with the upkeep of their facilities. However, no interdepartmental charge-outs are accounted for and it is, therefore, not possible to determine the true cost of sport and recreation in Klerksdorp. Costs currently budgeted for by council significantly understate the true position.

The fact that the Sports Council members currently serve on a voluntary basis complicates matters when the municipality considers the contracting out of the sport and recreation service. Questions such as the following are difficult to answer:

1. If the Sports Council members currently serve voluntarily, how will they be involved in a private organisation?
2. Will the current employees of the municipality who are involved in sport and recreation be prepared to move over to a private organisation?
3. What will happen to the benefits of personnel?
4. What is the real cost for the sport and recreation service in Klerksdorp?
5. What will happen with the Sports Council's affiliation to the provincial and national sports bodies?

These aspects will make it difficult for the municipality to consider contracting out as an option of privatisation.

### **4.5.3 The sale of public sector enterprises and assets to private enterprises**

The sale of public sector enterprises to private enterprises implies that a municipality sells assets such as airports, fuel utilities, estates and sport and recreation facilities to private enterprises, thus turning physical capital into financial capital (Van der Waldt, 2003: 259).

According to a communication with Ms M.J. Masilo (2003), in theory this method of privatisation can be implemented in Klerksdorp, but in practice this is not an easy venture. It would mean that the Klerksdorp municipality would have to sell all the sports and recreation assets to a private company and thus effectively stop the function. Currently the total value of these assets amounts to ± R40 million. This amount does not include the equipment that is currently being used to maintain the sports facilities. This can also amount to an additional ± R3 million. To buy these assets, a private company would have to be financially strong and must be of the opinion that the service will be a profitable one. It is a possibility that the management / liaison / promotion function (currently the Sport and Recreation section) on the municipality's structure can be privatised through this method. This method will, however, not be investigated further because the maintenance function (currently under Parks on the structure) cannot be privatised by this method due to a lack of funds.

## **4.6 CONCLUSION**

A comparison of the different methods of privatisation applicable to the Klerksdorp situation with the indicators or symptoms for privatisation discussed in Chapter 2 yields the following results:

- The restructuring rather than the privatisation of the sport and recreation function will address the problems.
- The Sports Council is not in a position to be privatised.
- The restructuring of the sport and recreation function should be handled as a study of its own.

The central theoretical statement as stated in chapter 1, page 4, has proved to be correct to a certain extent only. It was projected that:

- A. Sport and recreation services in Klerksdorp municipality are well-structured in order to deliver quality services to the communities.

This study has proven that the restructuring (and not privatisation) of the sport and recreation function can *improve* service delivery.

AND

- B. Sports and recreation services in Klerksdorp cannot be efficiently be privatised, taking into account the existence / relationship between the Klerksdorp Sports Council and City Council.

This study has proven that *restructuring* is a better option than privatisation to improve the current situation regarding sport and recreation in Klerksdorp.

If the City Council, however, still wants to continue with the privatisation of the sport and recreation function, the following three methods of privatisation are recommended:

- (i) contracting out;
- (ii) partnership between public and private institutions; or
- (iii) sale of public sector enterprises to private enterprises.

## **CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS**

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### **5.1 INTRODUCTION**

As mentioned in chapter 1, local government institutions, such as the Klerksdorp municipality, are forced to look at the privatisation of services, such as sport and recreation services, in order for these services to continue. The transformation of local government over the past years put great financial demands on local authorities to provide basic services to the communities, such as water and housing. The upgrading of these services in effect means less money for other services, such as sport and recreation.

It was, however, uncertain whether the entire Sport and Recreation service of the Klerksdorp municipality could be privatised. It was also uncertain whether privatisation of the Sport and Recreation function is the only option for Klerksdorp, and whether there is another option available to the municipality. Another option was also that the function should be delivered by the municipality, as is currently the case.

This chapter presents the conclusions and recommendations of this study, by providing a summary of the research (5.2), a formulation of the realisation of the objectives of the study (5.3), recommendations (5.4) and the critical success factors for restructuring of sport and recreation in Klerksdorp (5.5).

### **5.2 SUMMARY**

**Chapter 1** formulates the orientation and problem statement and explains what the objectives of the study will be. The method of investigation is also described and a brief overview of the chapters of the dissertations is provided.

**Chapter 2** gives a description of privatisation as a phenomenon. The objectives, criteria, guidelines, methods, advantages and disadvantages of privatisation are discussed.

**Chapter 3** reflects the current status of the sport and recreation services at the Klerksdorp municipality. The sports policy, current structures and the Klerksdorp Sports Council are discussed in this chapter.

**Chapter 4** deals with the possibility of privatisation, with specific reference to the sports and recreation function in Klerksdorp. The indicators to determine the usefulness of privatisation are explained, and an analysis of strengths and weaknesses is done with regards to the current situation of the sport and recreation function at the Klerksdorp municipality.

The options for privatisation are discussed, as well as the possibilities of restructuring.

**Chapter 5** provides a summary and recommendations, and identifies critical success factors for restructuring sport and recreation in Klerksdorp.

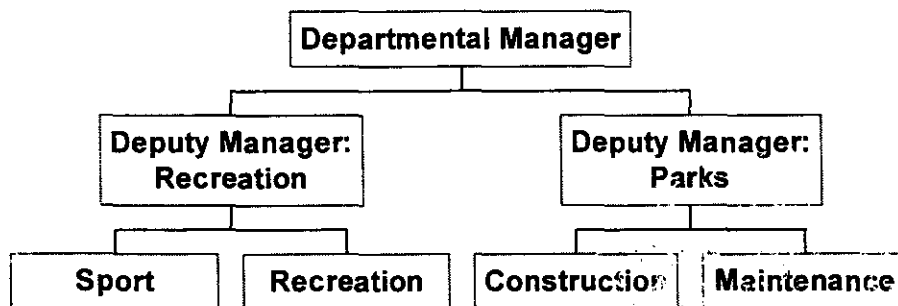
### **5.3 REALISATION OF THE OBJECTIVES OF THE STUDY**

The objectives of this study, as stated in chapter 1, have been reached in the following manner:

- The objective to determine what privatisation entails has been reached, and in chapter 2 and in-depth analysis of what the phenomenon privatisation entails was given.
- The various forms of privatisation that exist have also been determined and it has been determined what forms of privatisation are most applicable to municipalities (chapter 2).
- The sport and recreation function in Klerksdorp municipality has been analysed and an in-depth analysis of the organisational structure has been given (chapter 3).
- It was also determined that the sport and recreation function in Klerksdorp municipality should not be privatised (chapter 4).

It is also recommended that a proper investigation be done with regard to the duties and responsibilities of personnel concerning sport and recreation, as well as with regard to the various sports clubs with the view to proposing a more efficient and workable structure with clear reporting lines and defined duties and responsibilities. This should be an independent study of its own and does not fall within the scope of this study.

A possible organisational study may, however, follow the following trend:



Botha's (1981: 105) research on the administration of municipal parks and recreation facilities indicates that most municipalities in the USA have separate departments for parks and recreation. He recommends that parks and recreation must be two separate departments, because they are two separate labour fields.

The Klerksdorp Sports Council has a right to existence, but only as an advisory organisation or body. The main advantage of the Sports Council is that it provides a platform to promote sport and recreation through a central body and to make recommendations to the City Council in this regard.

In terms of the proposal, the tasks, responsibilities and reporting lines of each official must be clearly stated.

It is felt that the structure set out above will facilitate the delegation of responsibilities and the flow of information, allowing effective policies to be adopted and successfully implemented.

Most importantly, structure follows from strategy. In other words, if the proposed strategy is not implemented by council, the proposed structure is irrelevant. However, council should be aware that the structural changes can be phased in over time, although, obviously, the definition of tasks, the reporting lines and responsibilities of the various posts must be adjusted accordingly.

Although the current sharing of equipment by the parks and sports ground section may be problematic in the beginning of the new structure, a solution to this can also be phased in over time.

The above structure will ensure that service standards will be improved and all sports and recreation affairs will be dealt with by one section. The Sports Council can continue to act in an advisory capacity to the council with regard to policy and other relevant matters.

Restructuring, however, is a comprehensive study and was not addressed in this study. The restructuring of the sport and recreation function in Klerksdorp will demand an independent study.

In view of the aforementioned recommendations it is further suggested that the following recommendations can be made, based on this research:

- (a) That the Klerksdorp Sports Council continue as is and act in an advisory capacity to the City Council with regard to policy and other relevant matters.
- (b) That the sport and recreation function at the Klerksdorp municipality not be privatised.
- (c) That the following methods of privatisation be recommended, should the Council wish to continue with the option of privatisation:
  - contracting out;
  - public-private partnerships; or
  - sale of public sector enterprises.

- (d) That the restructuring of the sport and recreation as set out in paragraphs 5.4 and 5.5 be considered.
- (e) That the City Council appoint a consultant to carry out a study regarding the possibility of restructuring the sport and recreation section in Klerksdorp Municipality.

## **5.5 CRITICAL SUCCESS FACTORS FOR RESTRUCTURING OF SPORT AND RECREATION IN KLERKSDORP**

There are certain critical factors that have to be taken into account for the successful restructuring of the sport and recreation function in the municipality. These factors will be discussed below.

### **5.5.1 Responsibility of Council**

An important factor for the development of sport and recreation within Klerksdorp is the acceptance by the Klerksdorp municipality that it must maintain responsibility for the provision of sport and recreation in the city. This study showed that the municipality is delivering services of quality to the community regarding sport and recreation and that by privatising the function no guarantee can be given for the continuation of the function.

### **5.5.2 Strategic planning**

It is vital for the development of the sport and recreation function in Klerksdorp municipality that detailed plans for the future be developed and successfully implemented. Planning should be holistic and encompass all interested parties, activities and the greater Klerksdorp area, including Stilfontein, Orkney and Hartbeesfontein. No *ad hoc* development should be allowed.

The creation of a viable plan, or series of plans, must be the work of a dedicated, knowledgeable and professional team in conjunction with the community at large. The team must carefully monitor the implementation stages of their plans in order to ensure success.

### **5.5.3 Professional approach**

The management of sport and recreation facilities is vital to the success of providing an acceptable service and it is a necessity that a professional management team, representative of the community, be appointed to undertake the restructuring process of the function.

### **5.5.4 Autonomy**

The department responsible for preparing the various plans, including capital expenditure budgets, and the implementation of projects must be fully accountable for meeting these objectives.

A priority for the successful development of sport and recreation is the creation and retention of a positive image. In order to achieve this, the standard of the facilities must be good and must be seen to be improving, and they must cater for the majority interests of the community.

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