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# Privatising Cape Town: From *Apartheid* to Neo-liberalism in the Mother City

David A. McDonald and Laïla Smith

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**Summary.** One of the most remarkable features of the post-*apartheid* political landscape in South Africa is the increasingly hegemonic nature of neo-liberal thought and practice. This ideological dominance is most noticeable at the national level but has trickled down to urban policy-making as well. This paper documents the new urban neo-liberalism in the city of Cape Town. Based on extensive interviews, policy analysis and a critique of the track record of local government since 1996, the paper provides the first comprehensive overview of the character and extent of neo-liberalism in a large South African city. The empirical data are coupled with an analysis of the structural and ideological pressures from the national and international levels that have given rise to this policy focus, and an assessment of the room for alternative policy manoeuvre at the local level. We argue that there is considerable potential for policy autonomy in Cape Town, but that non-neo-liberal policy alternatives have been largely ignored, abandoned or intentionally shut out by the majority of senior decision-makers in the city, making for a self-reinforcing loop of neo-liberal discourse and practice at different levels of government in South Africa and with international funding bodies and advisors.

One of the most remarkable features of the post-*apartheid* political landscape in South Africa has been the rise of neo-liberal thought and policy-making. This policy orientation is most noticeable, and most widely documented, at the national level, but it has trickled down to urban policy-making as well.

After four decades of a mixed economy and racial welfarism that saw White South Africans and White-owned industry benefit from state subsidies and soft financing, the country has witnessed a dramatic shift to neo-liberal policies of trade liberalisation, financial deregulation, export-oriented growth, privatisation, full cost recovery and a general rolling-back of the state. These poli-

cies are at the core of a ‘home-grown’ structural adjustment package with far-reaching implications for South African cities.

The extent and character of this ideological shift remains hotly contested, however. Although there is a general consensus in the literature that neo-liberalism has become a major factor in policy-making and implementation at the local level (Bond, 2000b; Beall *et al.*, 2002; Freund and Padayachee, 2002; Hart, 2002; McDonald and Pape, 2002; Parnell *et al.*, 2002; Watson, 2002), there are widely differing opinions on how deeply this ideological construct has penetrated local government, how widespread it is and what it implies for urban governance. Particularly heated are the debates over the

David A. McDonald is the Director of Development Studies, Queen's University, Kingston, Ontario, Canada, K7L 3N6, and Co-director of the Municipal Services Project ([www.queensu.ca/msp](http://www.queensu.ca/msp)). Fax: 613 533 2171. E-mail: [dm23@post.queensu.ca](mailto:dm23@post.queensu.ca). Laïla Smith is a Postdoctoral Fellow at the University of Cape Town through a National Research Foundation grant. Fax: 011 274 3510. E-mail: [smith\\_laïla@hotmail.com](mailto:smith_laïla@hotmail.com).

extent to which the ruling African National Congress (ANC) has adopted a neo-liberal policy platform (at local and national levels) and how this relates to the party's long-standing positions on welfarist urban reforms (for example, the redistribution of municipal assets, heavily subsidised state housing, etc.).

We argue in this paper that there has been a very significant shift to neo-liberal policy-making and implementation at the urban level in South Africa and that this shift is most notable within the ANC. We illustrate this point with a detailed empirical study of Cape Town, the oldest and third-largest city in the country, with particular reference to the commercialisation of basic municipal services such as water, sanitation and electricity. This is the first comprehensive case study of its kind, helping to strengthen a critical literature on urban reform which has, to date, focused almost solely on national-level policy-making and international policy-making influences with limited references to changes on the ground. The case study illustrates in concrete terms the extent to which neo-liberal policies have been adopted by a wide range of municipal politicians and bureaucrats in the city of Cape Town and how this ideological shift links with, and is reinforced by, similar policy orientation at the national and international levels. It is this self-reinforcing loop of neo-liberal discourse and practice at different levels of government, and its links with international funding bodies and advisors, that makes these policy shifts so powerful.

We are also implicitly critical in the paper of the growing literature on 'developmental local government' in South Africa (Graham, 1995; Swilling, 1996; RSA, 1998b; USN, 1998; Cameron, 1999; Reddy, 1999; Beall *et al.*, 2002; Parnell *et al.*, 2002) which, in our opinion, underestimates the extent of the effects of neo-liberal policies and overestimates the potential for more participatory and state-oriented forms of urban governance. There are, to be sure, more opportunities today for low-income (especially Black) households and community organisations to have their voices heard than there were under

*apartheid*, and there are many politicians and bureaucrats committed to a more democratic and equitable city, but the overall trend since the mid 1990s has been towards a narrowing of policy debate and public participation and growing role for private consultants and commercial interests.

Although Cape Town may not seem as 'privatised' in this regard as other South African cities (most notably Johannesburg) which have sold and/or corporatised key municipal assets and functions, the definition of privatisation is itself part of this debate. We adopt a broad definition here, ranging from the outright sale of public assets to the corporatisation of a public utility to the deepening commodification of essential services through full cost recovery. The common thread here is one of commercialisation and the embracement of market principles, with the objective of balancing the financial bottom line and 'running the city more like a business'.

Despite these widespread policy shifts, we argue that there is considerable space for alternative policy manoeuvre should there be the political will at the local and/or national levels to adopt a more redistributive, statist model of development. The likelihood of these alternatives being taken up in the near future would appear to be weak, however, as national and international pressures for neo-liberal reforms remain strong and local-level decision-makers appear blinkered by the new policy discourse.

We begin our analysis at the national and international levels to demonstrate the pressures from above for neo-liberalism in South African cities, followed by the case study material. The latter is based on interviews with senior municipal bureaucrats and politicians, a close reading of policy documents, planning papers and election manifestos, and a review of the track record of local government in Cape Town since 1996. This is followed by an analysis of the 'room for manoeuvre' at the local level and the potential to resist structural and institutional pressures from above.

### Neo-liberal Pressures at the National and International Levels

Under *apartheid*, local governments in South Africa had considerable financial autonomy but little political independence and limited responsibility for service provision in Black townships. With the end of *apartheid* and the creation of unified, non-racial local authorities in the mid 1990s, local governments were granted sweeping new powers and responsibilities, most notably the task of ensuring the provision of adequate basic services to all residents, Black and White. South African municipalities are now expected to ensure an equitable and sustainable provision of water, sanitation, energy, waste management, roads, libraries, recreation and a host of other important services, and to engage residents in the decisions that are being made (RSA, 1994; Parnell *et al.*, 2002).

These new post-*apartheid* local authorities operate within strict national and international constraints, however, which limit the choices that city managers and policy-makers are able to make and, in particular, encourage the commercialisation of municipal services. To illustrate, we look at three national initiatives—the Growth, Employment and Redistribution (GEAR) framework, the Municipal Infrastructure Investment Unit (MIIU) and the Municipal Systems Act—as well as some international pressures. These are not the only factors bearing on local government decision-making, but they provide an indication of the pro-market climate and regulatory framework within which local government decision-makers in South Africa find themselves operating.

#### *Growth, Employment and Redistribution (GEAR)*

The Growth, Employment and Redistribution (GEAR) macroeconomic framework was introduced by the ANC national government in 1996. Compiled and released to the public without consultation with its institutional allies in labour and civil society, GEAR represents a significant swing to the right for the

ANC in fiscal and monetary policy terms and downplays much of the interventionist and redistributive Keynesianism that was to be found in GEAR's predecessor, the Reconstruction and Development Programme (RDP).

GEAR's effect on municipal infrastructure and service delivery has been profound. First, it has resulted in significant decreases in intergovernmental transfers from national to local governments in the name of fiscal restraint. Although these cuts began as far back as the early 1990s under the then-ruling National Party, transfer squeezes continued and escalated after the ANC came to power at the national level in 1994, resulting in an 85 per cent decrease (in real terms) in intergovernmental transfers to local government between 1991 and 1997 according to the Finance and Fiscal Commission (1997) and a further 55 per cent in Cape Town between 1997 and 2000 (Unicity Commission, 2000).

In fiscal 2001/02, intergovernmental transfers to local governments for infrastructure development were a mere 2.2 billion Rand and, although these transfers have seen modest increases in the past fiscal year, there is no sign of significant increases in the near future.<sup>1</sup> Projections of the capital costs of addressing service backlogs, meanwhile, are in the order of R45–89 billion nation-wide (depending on the level of services provided) with government-sponsored operating costs (such as free lifeline services) adding many billions more per year (RSA, 1995, 2000d).

National government has also put caps on rates increases that local governments are able to levy on (wealthy) property owners. The Draft Local Government Property Rates Bill of 2000—for example, states that local governments cannot apply taxes at the local level which threaten its own tax-reducing, fiscally conservative strategy, as evidenced by the following quotations

A municipality may not ... exercise its power to levy rates on property in a way that would materially and unreasonably prejudice national economic policies, economic activities across its boundaries,

or the national mobility of goods, services, capital or labour.

The Minister, with the concurrence of the Minister of Finance, may by notice in the Gazette set a limit on the amount of the rate that municipalities may levy on property; or the percentage by which a rate on property may be increased annually (RSA, 2000b, ch. 2, secs 4–5).

With approximately 90 per cent of all local government revenues being generated locally (of which about 25 per cent come from property rates), these caps mean that local governments are unable to increase significantly their own revenue pools through progressive taxation—and this at a time when municipalities have been asked to do more, not less, with the resources that they have. National government has, in effect, created ‘unfunded mandates’ which municipalities cannot hope to fulfill within the current revenue structures. As a result, local authorities have begun to look to the private sector as a way to finance and expand service delivery.

Less concrete, but arguably just as significant, is the ideological climate that GEAR has spawned in the country. With the Finance Ministry enjoying unchallenged supremacy in Cabinet at a national level, fiscal conservancy dominates. Challenging this economic orthodoxy has meant political alienation for some and political disbarment for others. A prominent example of the latter is the expulsion of Trevor Ngwane, a former Soweto-based ANC Councillor who was forced out of the party in 2000 as a result of his public criticisms of the ANC’s ‘iGoli 2002’ plans to privatise and corporatise services in Johannesburg. The alienation within the ANC of Communist Party stalwart Jeremy Cronin is another. Just how widespread this experience is is difficult to say but anecdotal evidence suggests that these are not isolated events.

Even the Congress of South African Trade Unions (Cosatu) has muted their criticisms of GEAR and national government’s privatisation initiatives. Notable exceptions have come from two Cosatu-led strikes protesting

privatisation held in August 2001 and October 2002, but Cosatu leadership has come under intense pressure from the ANC to retract its anti-privatisation stance.

#### *Municipal Infrastructure Investment Unit (MIIU)*

The formation of the Municipal Infrastructure Investment Unit (MIIU) in 1997 is an important development here as well. Established with funding from foreign donors (primarily USAID) and the South African government, the MIIU’s stated mission is “to encourage and optimise private-sector investment in local authority services” (MIIU, 2000). Activities to be undertaken involve “assistance to local authorities in the process of hiring private-sector consultants and the management of contracts with the private sector” and “developing project proposals involving private-sector investment”.

These investments can take a broad range of forms, including

- private-sector financing of municipal debt;
- contracting out of the management of on-going services;
- concessions to operate the local authority’s assets over a defined period;
- contracts requiring the private sector to design, build, finance and operate assets to deliver services for the local authority; and
- privatisation of assets and services.

The MIIU has been active in promoting and financing the privatisation and corporatisation of municipal services. It has provided advice and funding to dozens of municipalities in the country along these lines, including the controversial 30-year concession to run the water and sanitation systems in the city of Nelspruit granted to a consortium led by British multinational Biwater. The MIIU also assisted the city of Johannesburg in setting up the legal contract for a five-year international management contract for that city’s water utility.

The more recent formation of the Public–Private Partnerships for the Urban Environment (PPPUE) office in Pretoria (funded in

part by the United Nations Development Programme) is another example of state funding for privatisation initiatives. The fact that there is no parallel organisation set up at a national level to promote and conduct research on how best to improve and extend public-sector service delivery is indicative of the pro-market bias in central government. Plans by the Department of Provincial and Local Government (DPLG) in South Africa to establish a "Support Unit for Public Provision of Services (SUPPOS)" to address this "imbalance" have yet to materialise.<sup>2</sup>

### *The Municipal Systems Act*

The Municipal Systems Act (RSA, 2000a) is important because it provides the legislative framework for municipal service delivery and determines the scope for private-sector involvement. In contrast to the ANC's local government election manifesto of 2000 which stated that "national and provincial governments will keep the public sector as the preferred provider of municipal services", and contrary to the "preferred option" language of the National Framework Agreement signed with Cosatu in 1998, the Municipal Systems Act fails to use the word 'preferred' altogether.<sup>3</sup> In fact, the most relevant section of the Act (ch. 8, part 2) places the public sector on equal footing with alternative service delivery options, including private-public partnerships and outright privatisation: although a municipality must "first assess ... internal mechanisms" when evaluating service delivery options, it may, at the same time, "explore the possibility of providing the service through an external mechanism" (RSA, 2000a, pp. 72-74). As a result, the promises made by the ANC in their election manifesto and National Framework Agreement to keep public services as the preferred option are effectively nullified by the binding legislation of the Municipal Systems Act.

Further evidence of a backing away from public-sector preferences is found in the Department of Local and Provincial Govern-

ment's *White Paper on Municipal Service Partnerships* (the ANC's term for 'public-private partnerships'). Released in early 2000, the paper attempts to clarify the government's position on 'preferred options' but succeeds merely in downgrading the public option to one that is no more important than private-sector initiatives

While the Government is committed to facilitating the use of MSP [municipal service partnerships] arrangements, this does not mean that MSPs are the preferred option for improving service delivery. It is rather that MSPs should enjoy equal status among a range of possible service delivery options available to municipal councils (RSA, 2000c, p. 14).

### *The Role of International Organisations*

The role of international organisations in the promotion of privatisation in South Africa is also critical. Bond (1999, 2000a) has documented the role of the World Bank in particular and argues that Bank officials played a key role in promoting privatisation, full cost recovery and other forms of municipal commercialisation. The Bank made its mark early with extensive urban missions to the country's four largest cities in 1992/93. It continues to be active today, with on-going collaboration and contact with senior city officials across the country.<sup>4</sup>

The World Bank has also teamed up with the United Nations Development Programme (UNDP) to create the Urban Management Programme, which promotes private-sector involvement in services in the region. Additional pressure from the World Trade Organisation to have South Africa ratify the General Agreement on Trades and Services (GATS) framework also helps to pave the way for further privatisation initiatives (Pollock and Price, 2000; Sexton, 2001; Clarke and Flecker, forthcoming).

There are the large multinational corporations as well, eager to win service contracts in South Africa. Suez Lyonnaise Des Eaux, which won the contract to manage

Johannesburg's water services for five years in 2000, has also been 'knocking on the doors' of Cape Town water managers to investigate the possibility of a contract for that city's water services (more on this below). Suez is the largest private water company in the world (based on the number of customers) and one of the world's 100 largest firms. With enormous resources at hand, and with a track record of bribery and corruption in its attempts to win contracts elsewhere (Hawley, 2000; Loftus and McDonald, 2001), large private service providers such as Suez have contributed to the new terrain of political decision-making at national and local levels in South Africa.

These international pressures are perhaps no different or more intense in South Africa than they are in other cities in the South. Our point here is simply that municipalities in South Africa operate in a national *and* an international environment which both promote privatisation and other pro-market policies, making it difficult for local governments to explore public-sector reform options.

### Neo-liberalism at the Local Level

But it is not just pressure from above that has created this new urban political landscape in South Africa. We turn now to an analysis of local government policy-making in Cape Town, starting with interviews with senior local government decision-makers.

#### *Talking Privatisation: Interviews with Bureaucrats and Councillors*

Our assessment of senior decision-makers is based on interviews with 61 municipal managers and politicians in the Cape Metropolitan Area (CMA) over a 3-month period from June to August 2000. Three groups of interviews were completed: senior-level management (30 interviews); mid-level management (18 interviews); and elected councillors (13 interviews). Managers were drawn randomly from a list of what were considered to be 120

of the most important service delivery decision-making positions. Many of these managers were from engineering departments, but interviews were also conducted with managers from planning, finance, housing and other relevant sectors.

Efforts were made to interview all executive-level managers in the six municipal 'sub-structures' and the one metropolitan authority that made up the interim local government from 1996 to 2000 (for example, CEOs and Executive Directors).<sup>5</sup> The sub-structures of Cape Town and Tygerberg were the largest municipal authorities in this interim government structure and therefore provided the largest number of interviewees, with a total of 21 out of 61 interviews.

Councillors were selected on a similar basis, with interviews being sought with the most senior and influential politicians from each of the parties in power in the metropolitan area (the African National Congress, the New National Party (NNP) (the revised name of the National Party that governed South Africa under *apartheid*) and the Democratic Party (DP)—the long-established liberal party that contested elections during *apartheid* on an anti-racist, free-market platform). For purposes of confidentiality, the names and positions of interviewees are not mentioned in this paper.

The interviews were semi-structured questionnaires which focused on four themes of municipal restructuring in Cape Town: the redistribution of public services since 1996; preferences for private- versus public-sector service delivery options; the degree to which public participation has occurred in decision-making; and, perceptions of what it means to be a 'world class' city. The second of these themes is the primary focus here.

It should be noted that important personnel and political changes have taken place since these interviews. In early 2001, the party that won the December 2000 local elections—the Democratic Alliance (DA), a merger of the NNP and the DP—fired all ANC-allied members of the Executive Management team of the former Cape Town City Council,

**Table 1.** Attitudes of managers and councillors towards increased privatisation of municipal services in Cape Town

	‘Cautious’	‘Bullish’	Opposed
Senior managers	16	13	1
Middle managers	8	10	0
Councillors	1	9	3
Totals	25	32	4

removing several key decision-makers. In October 2002, after a falling-out of NNP and DP members within the Democratic Alliance and a subsequent formation of an NNP–ANC coalition, a number of NNP councillors used new ‘floor-crossing’ legislation to leave the DA and join the ANC–NNP, once again handing power back to an ANC-led team of politicians and further changes in the bureaucracy.

Despite these alterations, relatively little has changed on the political front since the first local government elections in Cape Town in 1996. Some politicians and bureaucrats have left office and many have new positions in the municipality, but the bulk of civil servants and most senior politicians remain active in municipal affairs, including many of those interviewed for this research. Most importantly, there has been no clear, identifiable shift in policy orientation by any of the major political parties in Cape Town or within the civil service as a result of these shifting political alliances. The ideological underpinnings of the policy references described below appear largely impervious to this political gerrymandering.

*Attitudes towards privatisation.* When asked a series of questions about municipal services in the new Unicity and whether they should be delivered by the public or private sector (and why), there were two broad categories of responses. One group of managers/councillors took a very pro-privatisation approach—what will be referred to here as ‘bullish’. This group felt that the public sector is simply incapable of providing services on a sustainable basis and made calls for

rapid and widespread private-sector investment and participation. The second group took a more careful—or, more accurately, ‘cautious’—approach to privatisation.

Nevertheless, both groups were strong proponents of increased private-sector involvement in service delivery, with only 4 of the 61 managers and councillors interviewed being opposed to increased private-sector participation. Twenty-five interviewees (41 per cent) fell into the ‘cautious’ category, while 32 (53 per cent) fell into the ‘bullish’ category. Interestingly, only one of the councillors interviewed could be classified as ‘cautious’, while 9 were ‘bullish’ and 3 were opposed to privatisation. Middle and senior managers were more or less split between cautious and bullish positions (with only one manager opposed to privatisation). Table 1 provides a breakdown of these responses.<sup>6</sup>

*The ‘cautious’ respondents.* One area that differentiated the cautious group from their more bullish counterparts was a concern about ‘core’ services such as water, sanitation, electricity and waste. The cautious respondents saw these as intrinsically public in nature and needing to be provided by local government. One manager argued that

Government is better at providing emergency services and sewerage, which is a highly integrated service and where the risk for a contractor is too high.

He added that the public sector has better knowledge of these key services due to its

long history of running them. Another manager commented that

The result of privatising an area like sewerage to the private sector is that if payment isn't received, you will end up seeing sewerage running down the street.

There was also a general sense amongst the cautious group of respondents that government should remain in charge of services that are highly subsidised, such as libraries, clinics, community halls and swimming pools, where "customers are unable to pay the full economic value of running services". This concern reflected a broader apprehension about privatising highly subsidised services and how this might affect the city's capacity to cross-subsidise services in low-income communities. One manager highlighted these equity considerations by saying

If poor people can't pay for a service ... local government can arrange for flexible forms of payment. The private sector isn't flexible when it comes to payment.

Tradeable services such as electricity, water, wastewater and solid waste are other areas for which the cautious interviewees noted some concerns. These services form a significant portion of local government revenue in the CMA (combined tariffs and charges making up more than 12 per cent of revenues), while some services contribute to the general rates accounts and are used to cross-subsidise other municipal activities (most notably electricity which contributes 13 per cent of total sales to general revenues) (PWC, 2001, pp. 7, 17).

Another area that differentiated the 'cautious' group from the 'bullish' group was the issue of context. Cautious respondents said that there should be no generic privatisation blueprint for the city of Cape Town, arguing instead for public-private partnership (PPP) packages that met the existing capacities, backlogs and resources of a given community. Others went as far as to argue for the need for a better evaluation of public-

sector capacity before considering public-private ventures. According to one manager

We need to reassess the private-public partnership and tailor public services with particular needs at particular localities. We need to ask if public resources match a given package for an area and what other resources are available in this area to help boost the funding for this defined package. We need to look at other public resources for redistribution within districts. Getting district information on needs and resources in a given area can help with this process. When this approach is institutionalised local government can have a greater assessment of localised investment.

A final area of concern was the issue of integrating what remains a highly fragmented and inequitable system of service delivery in the metropolitan area. According to one senior manager

Privatisation must mean taking responsibility for providing value for money for people who elect them. The danger is having independent service providers for those who can afford to pay for a service, as this will thwart the critical element of integration. [Some parts of the city] don't have the in-house capacity that [the former sub-structure of] Cape Town has, the work is contracted out and becomes a piecemeal effort where integrated planning is lacking.

The general response to these kinds of concern, however, was not one of less private-sector participation but rather one of better regulation. As one senior manager noted

The key issue is government ensuring that the service gets provided. This doesn't necessarily [mean that government] has to be the deliverer of services. We need to hold the public authority accountable for this in terms of how the private sector engages poor people and builds on their skills.

*The 'bullish' respondents.* In contrast to the 'cautious' approach to public-private partnerships, the 'bullish' group of respondents held a one-dimensional view of privatisation. This group clearly saw the private sector as being able to deliver services more effectively and less expensively than the public sector. Efficiency was the most frequently cited issue in deciding whether core or non-core services should be turned over to the private sector, regardless of equity concerns. As one senior-level manager noted

Local government has increasingly outsourced engineering services and gotten more involved in the responsibility of community services. ... The role of local government's core function is to be the ensurer with services as stand-alone business units moving to public utilities then to the private sector. ... Electricity and water are well suited for this line of thinking as they have a tariff base.

Other respondents were fatalistic in their belief that the private sector was the only option for service delivery, with one manager stating "there is no way to restructure the public sector without moving into the private sector and the formation of utilities". Another manager suggested that the "public sector should only be considered once proven that it can beat the private sector with cost-effectiveness".

When asked what municipal services would be better provided by the private sector, one manager responded: "All of them. Services like cleansing, water and electricity could be enhanced if there were greater competition". A senior councillor pushed this idea of competition further, stating that "everything within the public domain should be opened up for competition with the private sector". Another councillor added the following

The national framework agreement [the document signed between government and Cosatu which makes the public sector the 'preferred service provider'] has to be discarded. The private-sector service delivery

will be more efficient than government when it can achieve the proper market situation.

This group of respondents were unanimous in their belief that the private sector could provide better services than the public sector, and there was widespread agreement that privatisation is an inevitable outcome of post-*apartheid* restructuring. As one respondent argued, "The disparities in local government create a climate that makes it more difficult to save on costs. This makes it difficult to compete with the private sector". In other words, this group sees privatisation as a rational and unavoidable response to the inefficiencies of *apartheid* planning and service delivery.

It should also be noted that many of the managers and councillors interviewed made reference to "labour problems" as one of the key reasons for privatisation. There was a widespread perception amongst these interviewees that workers are "lazy and paid too much" and that job security for municipal workers is responsible for low labour productivity. As one manager argued, "Municipal workers are so secure in their jobs that those who want to work hard don't have the opportunity". According to another, "the biggest barrier to equity [in service delivery] is the inflexibility of labour relations".

Significantly, the strongest voices within this 'bullish' group were managers with an engineering background who were responsible for day-to-day decisions regarding service delivery. That these managers are, by and large, also products of the statist *apartheid* system, underscores the dramatic ideological changes that have taken place in the city.

*Corporatisation: internalising the ideology of privatisation.* Differences of opinion on the extent and scale of privatisation aside, the local government decision-makers interviewed for this research are more or less united in the acceptance of corporatisation as a method of service delivery reform. In fact, plans to corporatise water and sanitation, re-

fuse collection and electricity are well advanced (CMC, 2001; PWC, 1999, 2000, 2001).

Although distinct from privatisation in that corporatised utilities remain fully owned and operated by the state, with local authorities setting key financial targets as well as service-level agreements, corporatisation does incorporate many private-sector principles such as performance-based management and full cost recovery. Corporatised utilities can also outsource part of their functions as an operating strategy (and generally do).

One of the key features defining corporatisation is that of 'ring-fencing', whereby all incomes and expenditures associated with running the service are separated from other municipal functions (for example, refuse collection would be separated from road maintenance, with no personnel or equipment being allowed to operate in both areas). Where services are shared by other departments—for example, information technologies or scientific services—the ring-fenced entity pays a full-cost fee for these services. The intent of ring-fencing is to reveal the full financial costs/surpluses of running a service and to identify areas of financial loss/gain that may have otherwise been 'hidden' in intricate accounting systems. In particular, cross-subsidisation mechanisms within a complex, integrated service delivery system based on centralised management are targeted as inefficient and expendable. Financial ring-fencing also creates an opportunity to introduce financially driven performance targets for managers (i.e. managers are rewarded for meeting loss/profit targets for the service entity).

Corporatisation is important because it often constitutes a first step in the process of privatisation, capturing many of the efficiency gains claimed in the process of privatising but without the political debates that accompany the outright sale of assets (Moran, 2000, p. 57). As one Cape Town manager put it, corporatisation is an opportunity "to run services leaner, meaner and without sweat". Even more explicit is the

following admission by one senior water manager

Lyonnais des Eaux has come knocking on my door on two occasions. These French water companies have become too powerful to resist. The take-over is inevitable. I want to run our services like solid business units to make sure that we negotiate from a position of strength when it does happen.

This last quote illustrates the almost complete lack of faith that many within the council in Cape Town expressed towards public-sector reform as an option for improved service delivery.

#### *Writing Privatisation: The Evolution of Policy*

Further evidence of the shift to neo-liberalism in the area of service delivery comes from policy documents and discussion papers—the most important of which have been put forward by the Unicity Commission (or 'Unicom')<sup>7</sup> as part of its role in the amalgamation of six sub-structures into one Cape Town 'Unicity' in 2000. The Unicom was composed of an equal number of ANC and NNP councillors (five from each party) and one DP councillor, as per party political representation in the municipal structures at the time. This group reviewed and voted on recommendations made by a team of technical advisors composed of senior bureaucrats from municipalities in the CMA and private-sector consultants, such as PricewaterhouseCoopers, with the latter doing the bulk of the consulting work for the Unicom and still being closely engaged in developing policy platforms for the city.

The Unicom policy recommendations are critical for at least two reasons. First, they represent the first-ever policy recommendations to deal with the Cape Metropolitan Area in its entirety.<sup>8</sup> Secondly, the two major sets of policy recommendations put forward by the Unicom—the August 2000 "Discussion Document" and the November 2000 "Strategic Recommendations"—were unanimously (and uncontroversially) approved by the political representatives on the

Commission. The multiparty nature of the Commission, in turn, meant that these recommendations were broadly supported across political lines and went forward to Unicity councillors with a stamp of approval from the major political parties.

Two Unicom documents are examined here in some detail to reveal their explicit and implicit privatisation objectives, starting with the Discussion Document.

*Discussion document.* Although the term ‘privatisation’ is not used in the Discussion Document, the report makes repeated references to private-sector participation in a future Unicity and the Unicom clearly sees private-sector involvement as the path to a ‘successful’ and ‘competitive’ Cape Town. The avoidance of the word privatisation, and the concomitant use of ‘soft’ language to refer to private-sector involvement, is problematic because it tends to conceal, rather than reveal, the actual policy thrusts in the document and makes it difficult for a lay person (or councillor) unfamiliar with privatisation debates to know what the implications of ring-fencing, partnerships and other service delivery initiatives might be.

The most explicit reference to increased private-sector involvement in service delivery is the call to “move boldly beyond the current emphasis on service provision issues” to a position where the new Unicity Council “understands its role as a service insurer as a guarantor of municipal services rather than as a primary service provider” (section 3.1).<sup>9</sup> In other words, local government should act primarily as a regulator of services while the private sector or public-private entity provides the services. Although subtle, the shift in emphasis from “service provider” to “service insurer” is a critical one, adopting the language of the World Bank (1994) in its policy positions on the matter.

Other euphemistic references to increased private-sector participation and corporatisation include: the need to “modernise” the way local government operates (section 3.3); the call for “greater competition” in service delivery (section 6.1); the call for a “strong

emphasis” on a “partnership approach” in service delivery (section 6.2); the suggested “dismantling of current local government administrations and the establishment of a range of highly focused business units” (section 8.1); the recommended creation of a “small and focused corporate center” to manage the activities of service delivery (section 8.2); and the call for “ring-fenced business units” (section 8.3). Terms such as “performance management” and “flexibility” also pepper the Discussion Document.

Most importantly, there is a marked shortage of references in the Discussion Document to building public-sector capacity and/or redistributing existing municipal resources in a more equitable manner. There is fleeting reference to the need to improve the “skills base” of city employees (section 9.1), but there are no details as to what this “large investment” might entail financially or how these skills-development funds would be broken down between managers, politicians and labourers. Nor is there any reference to the issue of resource distribution in the Cape Metropolitan Area—despite the fact that comprehensive audits of existing municipal resources have never been conducted and municipal resources remain highly skewed on a racial and geographical basis (see below). In short, the Unicity’s Discussion Document failed to explore the public-sector option in any meaningful way and situates the private sector—or at least private-sector operating principles—as the driving-force of service transformation.

It is also worth noting that there was very little input from the public in the development of this Discussion Document. There were a handful of public hearings with various ‘stakeholders’, but the inputs were largely *post facto* with virtually no opportunity for the public to participate in the development of the Document. The process was effectively a closed shop for a small group of bureaucrats, politicians and private-sector consultants.

This extremely limited participatory model brings into question the use of the term ‘consensus’ in section 4.1 of the Document and

highlights a profound tension between the stated aims of developing a broadly participatory and democratic decision-making model for the new Unicity, and the thrust towards creating a “small and focused corporate center” (section 8.2). While the need for some centralised bureaucratic decision-making by a relatively small group of people who run the daily operations of services is acknowledged, it is important to flag the democratic tensions inherent in this commercialised model of reform.

*Strategic recommendations.* The Discussion Document was eventually re-released in November 2000 as the Unicom’s “Strategic Recommendations” to the new Unicity Council, but these recommendations did not fundamentally alter the pro-privatisation approach outlined above. The term ‘privatisation’ is once again not used, but the document is more explicit in its pro-privatisation agenda, as demonstrated in the following “recommendation”

All stakeholders acknowledge the reality that a significant proportion of local government service delivery responsibilities are already outsourced, and that this proportion is likely to increase in future, particularly in the case of new services.<sup>10</sup>

The document goes on to make the following recommendations about the ring-fencing of tradeable services like water, electricity, sanitation and sewerage

- That service ring-fencing initiatives should seek to foster competitive incentives in service delivery where these are sensible and appropriate.
- That service ring-fencing should always assist in revealing true service delivery costs, and that all services should therefore be ring-fenced from a financial accounting point of view.
- That the service ring-fencing should [be] undertaken on an incremental basis, with increasing levels of decentralisation being balanced by increasing levels of corporate capacity to manage ring-fenced services.

Lessons from the experiences of Johannesburg and other local governments should be gathered and applied.

- That particular attention be given to addressing those aspects of industrial relations which inhibit ring-fencing initiatives and lead to inflexible and inefficient human resource utilisation.

This last recommendation is noteworthy in that it is the only reference to labour relations in the Strategic Recommendations document (despite the fact that there are over 20 000 labourers in the metropolitan area, and relations between the Unicom and the union which represents the overwhelming majority of labourers—the South African Municipal Workers Union (Samwu)—were extremely tense at the time that the recommendations were written).<sup>11</sup> The reference to labour is also a negative one, suggesting that labour will only “inhibit ring-fencing initiatives” due to their “inefficiency” and “inflexibility”.

Although this quote in and of itself does not ‘prove’ an anti-labour bias in the Strategic Recommendations document, or within the Unicity for that matter, it is nevertheless indicative of a prevailing negative attitude towards organised labour amongst senior civil servants and councillors in the CMA (for a more detailed discussion, see MSP, 2000). At the very least, the Unicity Commission’s documentation illustrates a marginalisation of labour, with only one reference in the Strategic Recommendations document to the single most important resource in the CMA: labourers (as compared with 23 references to “business”).

Most surprising of all, perhaps, is the lack of detail in both the Discussion Document and the Strategic Recommendations document—with the latter being a table of point form notes with columns representing “issues”, “options” and “recommendations”. This lack of detail is all the more surprising given that the Strategic Recommendations paper represents the final recommendations of the Unicity Commission that was handed to the new Unicity council and was the cul-

mination of 12 months of research and several million rands of public funds.

There is additional detail contained in technical memoranda and confidential annexures but no references are made to this additional technical data in the report and no efforts were made to distribute this information to the general public. The 27-page summary of the Strategic Recommendations itself proved difficult to obtain.<sup>12</sup>

### *Campaigning for Privatisation: The 2000 Local Government Elections*

The local government elections held in Cape Town on 6 December 2000 also provide interesting insights into the shift towards neo-liberalism in the decision-making halls of Cape Town. The election was won by the Democratic Alliance with 108 of the 200 seats available. The ANC won 76 seats (and 42 per cent of the popular vote) with the remainder going to various smaller parties and independents. Significantly, the ANC refused to take up the 4 seats it was entitled to on the new 10-seat mayoral 'executive committee', arguing that it would compromise their ability to act as an effective opposition to the DA, stating that "the ANC's policies and approach to address poverty are fundamentally different than the DA's".<sup>13</sup> Election posters and speeches also suggested significant differences between the two main parties and much was made of the different styles and approaches of the two opposing mayoral candidates.

Just how different were the election platforms of the two main parties and what do they reveal about their ideological orientation, particularly on issues of privatisation and corporatisation? We start with the Democratic Alliance's election positions and then compare these with the ANC's. The sources for these comparisons are political speeches made during the election campaign, press coverage and, most importantly, the 'election manifestos' issued by the national offices of the two parties. The rupture of the Democratic Alliance in late 2001 and its

implications for privatisation policy in Cape Town are also addressed.

### *The Democratic Alliance*

On the issue of privatising municipal services (as well as corporatising and outsourcing), the DA takes an explicit and very 'bullish' neo-liberal position

In DA-controlled municipalities, cost savings through competitive out-sourcing and privatisation will be instituted in an on-going drive to provide better value for money. Local and international experience has shown that the introduction of a businesslike approach, competition, and private-sector involvement in the delivery of municipal services, in other words commercialisation leading to appropriate out-sourcing and privatisation, leads to significant savings and improvement in the quality of services delivered. Privatisation and outsourcing also creates new opportunities for employment in the private sector and increases job creation in new projects financed with the resultant cost savings. The eventual effect is more overall employment in the city or town, and more wealth for all the people (DA, 2000, sec. 6).

The DA election manifesto goes on to state that virtually every service that municipalities are responsible for "lend themselves to variants of commercialisation, competitive outsourcing and privatisation": "garbage and solid waste disposal, fire protection, emergency ambulance services, maintenance of parks and recreational amenities, public transport systems, certain social services and primary health care, certain planning and zoning functions, water and sanitation, and certain municipal management functions". The document argues that "savings of between 20% and 60% for particular out-sourced or privatised services are generally possible" and cites "successful" examples of such savings from around the country and around the world.

This is a clear and strong endorsement for

a significantly increased role for private-sector service delivery at the level of local government on the part of the DA. Democratic Alliance councillor Ian Neilson articulated this position during the Cape Town election campaign as well, arguing that “only competitive service delivery, through outsourcing and privatisation, will achieve [cost savings in municipal services]” (*Cape Argus*, 19 August 2000). The fact that there is no mention in the DA’s manifesto about building public-sector capacity or looking for public-sector efficiency gains through a more equitable distribution of municipal resources (the term ‘public sector’ is not used in the manifesto), speaks further to the DA’s pro-privatisation position.

Other DA policy positions that underscore a neo-liberal orientation are

*Competitive cities.* “Local government must create enabling environments to develop world-class cities and towns and locally competitive and viable municipalities”. To do so, the DA proposes “local enterprise zones offering rates holidays and subsidized infrastructure development aimed at targeted investment” (DA, 2000, p. 11).

*Cost recovery.* The DA promises to

create a culture of payment for all services consumed above the lifeline level, *inter alia* by strictly collecting all arrears and debt. DA municipalities will also clamp down on people stealing municipal services like water and electricity. Towards this aim we will institute improved controls and monitoring, including more effective metering systems (DA, 2000, p. 25).

*Municipal workers and organised labour.* The DA promises to

continue to drive the process of amending rigid labour laws in order to make it easier for business to create jobs. ... DA controlled local governments will work towards increased labour flexibility and a

new co-operative relationship with organised labour (DA, 2000, p. 33).

*Property rates.* The DA promises to “levy the minimum necessary, rather than the maximum possible, levels of rates”, arguing that “any form of taxation on wealth, such as property rates ... is ultimately a tax on initiative, savings and investment” (DA, 2000, p. 34).

*The African National Congress.* The ANC’s official position on the privatisation of municipal services is more ambiguous. At times, the party suggests that the public sector should be the “preferred” service provider, while at other times (often in the same document) it opens the door to increased private-sector participation.

The ANC’s manifesto from the 2000 local government elections is illustrative of this ambiguity. After an initial statement making the public sector the “preferred option to provide services”, the manifesto goes on to say that

where a local government lacks the necessary capacity, it may engage in partnerships with other government institutions, such as state-owned enterprise or other local governments, as well as community organisations and/or the private sector (ANC, 2000, p. 4).

The ANC mayoral candidate for Cape Town, Lynn Brown, was equally non-committal on the matter, stating at a community forum on privatisation held in November 2000 that she is “opposed to privatisation without proper evaluation and public consultation”, but she then held out public-private partnerships and other forms of commercialisation as “possible alternatives” for service delivery in the new Unicity.<sup>14</sup> On issues of cost recovery, competitive cities, municipal workers and property rates (issues on which the DA had much to say in their election manifesto), the ANC was silent during the election campaign and did not take a position on these critical and controversial matters in any of their official election material.

**Table 2.** Household water cut-offs in Cape Town and Tygerberg sub-structures, 1999–2000

	1999	2000	Total
Cape Town	1 289	4 078	5 367
Tygerberg	9 598	60 453	70 051
Totals	10 887	64 537	75 418

One is left wondering, therefore, what makes the ANC’s policies in Cape Town so ‘fundamentally different’ from those of the DA, at least when it comes to municipal services. To answer this question more fully, it is necessary to look at the ANC in practice—i.e. its policy actions while it was in power in the two largest municipal sub-structures in Cape Town during the period 1996–2000. During this time, the record of the ANC in Cape Town is one of increasing privatisation, outsourcing and aggressive cost recovery.

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In the two municipal sub-structures that were controlled by the ANC from 1996 to 2000 (Tygerberg and the City of Cape Town), the outsourcing of municipal services was widespread and included library services, industrial refuse collection, street cleaning, child care, parking, water reticulation services and a myriad of other core and non-core services. These two ANC-controlled councils were also responsible for massive cut-offs for non-payment of services in their bid to improve cost recovery in the townships (hence reducing the pressure to raise property taxes in the suburbs). In the former sub-structures of Cape Town and Tygerberg, for example, 75 418 households had their water cut off for non-payment of water bills in 1999 and 2000 alone (see Table 2).<sup>15</sup> Assuming an average household of 5 people in low-income areas, this represents a total of 377 000 people who experienced water cut-offs for at least some period of time. This history of ANC-san-

tioned cut-offs in Cape Town contrasts starkly with the party’s call for free lifeline supplies of water and electricity as part of their election platform for 2000.<sup>16</sup>

The first six kilolitres of water per month are now free of charge for all households with access to metered taps in Cape Town—a policy supported by the ANC—and the number of water and electricity cut-offs appears to have decreased since the ANC came back into power in 2002, but service disconnections and household evictions continue in the city on a daily basis, supplemented by aggressive efforts to introduce pre-paid water and electricity meters in an attempt to deal with non-payment of services. These pre-paid meters have been labelled as anti-poor by numerous community and labour organisations who argue that pre-payment systems lead to self-imposed cut-offs due to the fact that low-income households buy only as much water/electricity as they can afford, regardless of what they actually need.<sup>17</sup> There have also been widespread criticisms that six kilolitres of free water and 50 kilowatt hours of free electricity per month per household do not provide sufficient assistance to low-income families.

But it is arguably the plans to corporatise water, sanitation and electricity in Cape Town that best illustrate the on-going commercialisation plans of the ANC and the service restructuring consensus that exists within all major municipal parties in the city. As outlined earlier in the paper, the plan to create ring-fenced ‘business units’ with these core utilities was first proposed by the Unicity Commission in late 2000. Although having been put on hold several times since then due to the see-sawing of political power and

associated changes in the ranks of the senior bureaucracy of the city, there has been no fundamental deviation from these corporatisation plans by either the DA or the ANC.

Interestingly, both parties have been quick to argue that corporatisation is not 'privatisation'—with many local politicians keen to differentiate Cape Town's service restructuring strategy from that of the controversial *iGoli* plans in Johannesburg—but the South African Municipal Workers Union and other anti-privatisation organisations in Cape Town contest this point, arguing that corporatisation is a form of privatisation/marketisation and that Cape Town's plans are merely the first step towards more overt private-sector intervention. These definitional differences remain contained within a relatively small group of people, however, with the popular press seemingly uninterested in the complexity of the debate and with the general public and many policy-makers themselves left largely in the dark.

And yet it is these debates over the definition of privatisation that go to the very heart of the dispute in Cape Town. With very few outright divestitures of municipal assets to date, and no high-profile, publicly discussed commercialisation plans to point to (such as *iGoli 2002* in Johannesburg), the privatisation debate in Cape Town is necessarily one of nuances and complexity. Our argument is that privatisation has been taking place in an *ad hoc*, piecemeal fashion across a wide range of municipal sectors, backed up by a deep and widespread ideological shift to neo-liberalism. The DA has been most open about this shift, but the ANC has also clearly demonstrated its commitment to policies of cost recovery, deregulation, coporatisation and other forms of market-oriented reform.

### Room for Manoeuvre?

The question remains, however, as to whether this neo-liberal shift at the local level is merely a response to ideological, institutional and fiscal pressures from above or whether it has its own independent base amongst local government decision-makers

in Cape Town. We would argue that it is a mixture of the two. The fiscal and policy restraints from above are very real. But it is also true that there is considerable room for policy manoeuvre at the local level and that decision-makers in Cape Town have the political and economic space to challenge the neo-liberal reforms being promoted from above and/or to introduce alternative policy options. The fact that this room for policy manoeuvre has been insufficiently taken up, and in some cases actively ignored and repressed, suggests a strongly independent neo-liberal base at the local level.

The following sections provide a conceptual and empirical summary of several areas where alternative policy strategies could be introduced by local government in Cape Town but have not.

### *Intergovernmental Transfers*

One possibility is for Cape Town city councillors and bureaucrats to push for greater intergovernmental transfers. South African municipalities may be "constrained by the need to balance harsh fiscal ... realities" (Beall *et al.*, 2002, p. 3) but these are political choices as well, not fixed truisms. With a 55 per cent decrease in transfers from the national to the local level between 1997 and 2000 in Cape Town alone, and only modest increases since 2001, city officials could be making a stronger case for a greater share of national government revenues and a different priority on national government spending. To illustrate, national government provided tax cuts to middle- and upper-income households (R15 billion in fiscal 2002), but during the same fiscal year set aside only R2.2 billion for local government infrastructure grants.<sup>18</sup> The announcement in late 2003 by national government of a large 'public works' programme and additional funds for infrastructure will go some way towards addressing municipal finance shortfalls, but municipalities throughout the country remain financially incapable of fulfilling their constitutionally prescribed responsibilities on their own.

Ironically, it was the pro-privatisation Democratic Alliance that first made intergovernmental transfers a political issue in an attempt to win favour amongst Cape Town's urban poor while at the same time trying to embarrass the ANC at a national level. The DA promised to push for increased transfers during the 2000 local government election campaign in Cape Town and it was flagged as an issue in the party's election manifesto that year (something that the ANC election manifesto failed to mention). The DA did not follow through on its promise, but the option remains to make it a policy issue.

### *Progressive Taxation and Tariffs*

There is also the option in Cape Town, given its demographic and economic profile, of increasing property taxes on wealthy households and introducing stronger progressive block tariffs on services such as water and electricity in order to generate more council revenues. These revenues could help to cross-subsidise services for the poor and alleviate pressures for full-cost recovery and privatisation (McDonald, 2002). The caps on property tax noted earlier are a legal constraint in this regard, but once again this is a political question and local governments could challenge this fiscal restraint as a policy choice.

One option for a legal challenge is the Constitutional Court on the grounds that local governments are constitutionally bound by the Bill of Rights (section 24) to provide a "safe and healthy environment" for all residents in their jurisdiction but are prevented from doing so by tax caps imposed by national government. This clause in the Bill of Rights has been used by non-governmental agencies to force the provincial government of the Western Cape—via the Constitutional Court—to provide resources for adequate housing and basic services to an informal settlement outside Cape Town and there will no doubt be other such cases in the future (on this point, see Glazewski, 2002). The decision to use this legal tool is largely a matter of political will and ideological orientation.

### *A Fairer Distribution of Existing Municipal Resources*

Perhaps the most significant potential for local government to resist pressures to commercialise can be found in a fairer distribution of existing local government resources. The redistribution of human, financial and capital resources at the local level was in fact one of the key objectives of local government restructuring in the early 1990s. Formerly White municipalities had long benefited from significantly higher levels of local government spending on a per capita basis and it was hoped that the redistribution of assets and a reprioritisation of budgets would be a major boost to poverty alleviation after the first democratic local government elections in 1996—a 'peace dividend' of sorts that would allow all South Africans to benefit from the wealth accumulated at the local level during *apartheid* (Swilling, Humphries and Shubane, 1991; Smith, 1992; Ahmad, 1995). This redistribution potential was also one of the rationales behind making the public sector the 'preferred service provider'—i.e. rationalise existing public resources and distribute them more equitably and efficiently before exploring private-sector options.

There has been some notable progress in this regard in Cape Town with efforts being made to redirect resources to township areas, and there have been numerous large-scale infrastructural development projects in the city (for example, the iKapa water leaks programme). These gains are important and mark a substantial shift from pre-1996. But the distribution of municipal resources in the Cape Metropolitan Area remains remarkably skewed along race and class lines. Detailed research conducted by the authors in the water and waste management sectors of the city found that per capita distribution of public resources continues to benefit middle-class areas with ratios of 2:1, 10:1 and even as high as 100:1, differentiating the historically White suburbs and Black townships.<sup>19</sup>

Table 3 provides a breakdown of the personnel and equipment available for

**Table 3.** Distribution of waste management resources in the CMA by depot

	Depots servicing suburbs	Depots servicing townships
<i>Equipment (number of residents per piece of equipment)</i>		
Containerised vehicles	12 315	27 445
Bakkies	30 684	47 906
Tractors	n/a	101 600
Compactor trucks	13 408	43 160
Front-end loaders	35 500	70 763
Grab trains	30 150	95 000
Long-wallers	30 750	n/a
LDVs	45 690	62 350
Mechanised sweepers	51 428	25 000
Water trucks	40 125	54 966
Refuse trucks	19 650	52 112
Trailers	37 500	140 000
Green machines	45 750	55 944
Push-carts	11 850	78 000
Wheelbarrows	10 312	43 562
<i>Human resources (number of residents per employee)</i>		
Managers/supervisors	6 833	24 847
Labourers	1 027	1 659
Administrators	22 014	67 820
Shift workers on-site	9 012	13 888

residential waste management in the CMA.<sup>20</sup> The figures refer to the number of people per piece of equipment and per municipal employee, with lower numbers indicating higher levels of resources per person. The 33 waste depots have been divided into those that predominantly service suburban areas (for example, the Claremont depot) and those that service predominantly African and coloured township areas (for example, the Langa and Bontheheuwel depots) and have been aggregated for the metropolitan area as a whole. The former represent approximately 800 000 residents and the latter some 1.7 million residents. It should be noted, however, that there is overlap in some of the areas serviced by the depots. As a result, the figures provided here should be seen only as general indicators of resource distribution. Nevertheless, they do illustrate considerable resource differentials along race/class lines.

Even more striking are the direct comparisons of particular depots. Table 4 provides a comparison of the waste depot in Durbanville (an upper-income and predominantly White suburb) with that of Khayelitsha (an extremely poor and predominantly African township). These two depots have been chosen for comparison in part because of their race/class divide but also because they were part of the same municipal sub-structure (Tygerberg) from 1996 to 2000 and demonstrate the limited transformation that took place during that period.

In every category, the Khayelitsha depot has significantly lower levels of resources than that of Durbanville. Even in the area of capital expenditures—public funds used to upgrade and or expand service facilities—the Durbanville depot received 10 times more money on a per capita basis than Khayelitsha in fiscal year 1999/2000.

The same is true of water services. Table 5

**Table 4.** A comparison of resources in waste depots in Khayelitsha and Durbanville

	Khayelitsha depot	Durbanville depot
Population serviced	450 000	36 000
Operating expenses in past fiscal year (Rand per resident)	57	194
Capital expenses in past fiscal year (Rand per resident)	0.56	5.55
Value of office supplies and equipment in stock (Rand per resident)	0.01	0.97
Value of materials and tools in stock (Rand per resident)	0.16	0.55
Number of residents per piece of heavy equipment	18 750	2 403
Number of residents per manager/supervisor	45 000	5 150
Number of residents per labourer	3 261	1 288

**Table 5.** A comparison of resources in water depots in Khayelitsha and Durbanville

	Khayelitsha depot	Durbanville depot
Population serviced	450,000 people	45,000 people
Operating expenses in past fiscal year (Rand per resident)	11.56	86.67
Cumulative operating expenses since 1996 (Rand per resident)	28.89	177.78
Capital expenses in past fiscal year (Rand per resident)	0.67	100.00
Cumulative capital expenses since 1996 (Rand per resident)	22.22	122.22
Value of office supplies and equipment in stock (Rand per resident)	0.44	1.78
Value of materials and tools in stock (Rand per resident)	0.17	0.67
Number of residents per piece of heavy equipment	28 125	4 500
Number of residents per manager/supervisor	56 250	9 000
Number of residents per labourer	90 000	2 368
Average monthly water consumption per person per month (in Kl)	4.0	13.8

provides a comparison of the human, capital and financial resources available to the Durbanville and Khayelitsha water depots. In this case, data on cumulative operating and capital expenditures from 1996 to 2000 were also available and illustrate a strong bias in favour of Durbanville during that four-year period, with five times more being spent on a per capita basis in Durbanville than in Khayelitsha on capital investments.

It is worth noting here that these data represent the first attempt to collect metropolitan-wide statistics on municipal resources in the CMA, despite legislation requiring such audits and despite repeated requests from organised labour in Cape Town for information on resource distribution in the city. That such data had not been collected almost five years after the first post-apartheid local government elections

(and have still not been collected) raises further questions about the commitment of city politicians and bureaucrats to the transformation and redistribution of publicly owned resources. The potential for creating a more equitable and efficient public sector with *existing* public resources would appear to be considerable and could alleviate or perhaps even eliminate the assumed need to rely on private capital and cost recovery to expand service delivery in township areas.

### Conclusions

It would appear therefore that there is considerable potential for local government decision-makers in Cape Town to make policy choices that do not conform to the neo-liberal dictates of national government or those of international institutions such as the World Bank. The fact that these alternative policy choices are *not* being made serves to reinforce the argument that the same ideological impulses that have transformed national government have permeated down to the local level. Neo-liberalism in South Africa is a truly multiscalar phenomenon, where national-level policy-makers reinforce/encourage the policy-making and implementation of their neo-liberal counterparts at the local level, and vice versa.

The hegemonic nature of this neo-liberalism also serves to suppress effective policy debate and meaningful public participation. Heated exchanges do take place in council chambers and there are differences of opinion amongst senior decision-makers in the city, but these debates rarely stray outside the 'cautious' and 'bullish' strands of neo-liberalism outlined above. Moreover, community input is minimal, with critical voices and organisations such as the Anti-eviction Campaign being marginalised and, in some cases, victimised by policy-makers.<sup>21</sup>

The same is true of on-going plans to corporatise water, sanitation, waste management and electricity. After five years of planning behind closed doors with private-sector consultants, efforts by municipal officials to set up arms-length 'business units' for these

utilities were only halted when the city's legal council determined that procedures for consultation laid out in the Municipal Systems Act had been violated. The South African Municipal Workers Union—for example, was only informed of these corporatisation plans after they had been finalised, being told in early 2001 that "This is a lawful decision of Council and we do not have to justify the decisions to the unions".<sup>22</sup> When corporatisation was put back onto the council's agenda a year later, internal consultations were initiated on the micro-design of this process but, according to Samwu, these consultations were intended merely to 'inform' labour of changes taking place rather than providing a forum for their input on how to improve the delivery of public services.<sup>23</sup>

The regular employment of private-sector consultants by Cape Town policy-makers is another indication of power imbalances when it comes to participatory governance. Equipped with blueprint models of urban transformation that are applied equally to Cape Town, Cairo and London, private consulting firms have effectively replaced the role of civil society in the restructuring of local government in Cape Town and have served to reinforce neo-liberal policy leanings.

This is not to suggest that meaningful participatory governance or non-neo-liberal policy-making is impossible in Cape Town or elsewhere in South Africa. The rapid growth of organisations such as the Anti-eviction Campaign in Cape Town, the Anti-privatisation Forum in Johannesburg and the Concerned Citizens Forum in Durban all point to a growing dissatisfaction with neo-liberal reforms in the country, a revitalisation of local government politics in the townships and a desire on the part of low-income households to have a bigger say in local government policy-making. However, efforts by local and national governments to repress these alternative voices, and the difficulties that civil society and labour organisations face in challenging the new neo-liberal orthodoxy of the post-*apartheid* city, do not augur well for immediate policy shifts.

The full impact of these changes in Cape

Town remains to be seen. What has been described here is, in effect, the start of a new ideological wave in the city—one that breaks fundamentally with the protectionist, state-oriented welfarism of the past (albeit racially construed) to one that is driven by market-oriented reform.

**Notes**

1. Presentation by the Minister for Provincial and Local Government, FS Mufamadi, GCIS Parliamentary Media Briefing, Cape Town, 12 August 2002.
2. Based on a DPLG mimeo forwarded to the authors by Samwu officials in November 2002.
3. Similar wording is to be found in the Water Services Act (section 19 (2)) from 1997.
4. The participation of several City of Cape Town staff and councillors in the World Bank's 2000 "Competitive Cities" conference is but one example.
5. "Interim local government" refers to the legislative principles and geographical boundaries used for municipalities between the first democratic local government elections in 1995/96 and the second elections in 2000. Many of Cape Town's boundaries stayed the same after 2000, but the sub-structures that made up the metropolitan area were eliminated in favour a single 'Unicity'.
6. It is difficult to identify any trends in attitudes in terms of race and gender, due in large part to the fact that the sample was overwhelmingly White (79 per cent) and male (93 per cent), itself a telling feature of the senior *échelons* of decision making in Cape Town.
7. The Unicom was established in November 1999 as a temporary research and political body designed to oversee the transition from the seven local authorities to a single metropolitan government (the 'Unicity') in the December 2000 elections.
8. During the first phase of post-*apartheid* local government in Cape Town from 1996 to 2000, there were seven municipal bodies, none of which had the political legitimacy or the constitutional authority to implement urban policies at a metropolitan scale. As a result, none of these bodies dealt with the range of governance issues that the Unicom was mandated with. Moreover, none of the interim local government bodies had the requisite metropolitan-wide information needed for metropolitan decision-making due to the fragmentation of data and a lack of

co-operation in sharing information between the different local authorities. It was only with the power vested in the Unicom by the Municipal Structures Act (RSA 1998a) that this information could be obtained, collated and acted upon in a centralised manner.

9. All references in this section refer to the Unicity Commission (2000). Section numbers are provided as page numbers were not given in the document.
10. No page numbers are provided in the document.
11. For example, over 300 Samwu officials 'illegally' occupied the Unicom offices in November 2000, *toyi-toying* in the offices and on the streets, demanding better representation in the Unicom deliberations. There were also tense stand-offs over strike action, with the Unicom interdicting the union's attempts to be in a legal strike position. Although interdicted once, the union did manage a one-day strike in early December of that year over a unilateral decision taken by the Unicom on staff placements after amalgamation.
12. A copy was made available to the authors of this report only after repeated requests.
13. Ebrahim Rasool, leader of the Western Cape provincial ANC, as quoted in *Cape Argus*, 13 December 2000.
14. "Youth Summit on Privatization", Gugulethu (Cape Town), 12 November 2000, organised by the Alternative Information and Development Centre (AIDC).
15. Data collected from the Departments of Billing and Accounts in Tygerberg (Belleville office) and the city of Cape Town and based on the PROMIS software system used by these municipalities. Water cut-offs began in 1998, however, suggesting even higher total cut-offs. Research conducted by the authors in July 2000, based on detailed questionnaires sent to every water depot in the metropolitan area and representing cut-offs from the previous fiscal year (1998/99) are as follows: Cape Town 9000; Khayelitsha 5000; Durbanville 100; Goodwood 0; Delft 1000; Belleville 100; Parrow 200; Helderberg 6000; Atlantis 600; Killarney 3872; Kleinvllei (no response); Scottsdeme 6000; Southern Peninsula Municipality (SPM) 900. It is not known what percentage of these figures represent repeat cases where households have had their water supply cut more than once.
16. The former City of Cape Town did have a lifeline water tariff in place by only charging 50 cents per kilolitre (kl) for the first 6 kl. This was augmented in early 2001 to R1.08 in order to develop a uniform tariff with

other sub-structures that had much higher rates and was reduced to zero in mid-2001 when the free lifeline tariff was introduced (under a DA government). The point still remains, however, that thousands of households had their water cut off for non-payment under ANC-controlled councils.

17. After a similar debate in the UK, the government there banned pre-paid water meters in the late 1990s for exactly this reason (DE-FRA, 1999).
18. Presentation by the Minister for Provincial and Local Government, FS Mufamadi, GCIS Parliamentary Media Briefing, Cape Town, 12 August 2002.
19. Surveys on capital, human and financial resources were conducted in mid 2000 with surveys being sent to each of the 33 waste depots and 13 water depots in the CMA, with the approval and knowledge of the relevant municipal authorities. Depot managers completed the surveys and sent them back within one month. Some follow-up clarifications were conducted telephonically. All water and waste depots participated in the surveys, as follows: water: Cape Town, Khayelitsha, Durbanville, Goodwood, Delft, Belleville, Parrow, Helderberg, Atlantis, Killarney, Kleinvelei, Scottsdeme, South Peninsula Municipality; waste: Sea Point, CBD, Woodstock, Nightwork, Bonteheuwel, Athlone, Guguletu North, Guguletu South, Nyanga, Claremont, Mowbray, Maitland, Langa, Eastridge, Westridge, Browns Farm, Strand, Atlantis, Killarney, Kraaifontein, Kuilsriver, Brackenfell, Meltonrose, Wynberg, Simonstown, Muizenberg, Schaapkraal, Khayelitsha, Delft, Parow, Durbanville, Bellville, Goodwood.
20. In some cases, depot managers only provided figures for the number of households serviced. In order to obtain per capita figures, we multiplied the number of households by three for suburban areas and by five for township areas, as per standard statistical practice in South Africa, in order to give a truer indication of the distributional figures. The figures provided here are also adjusted for the percentage of resources that are used for industrial waste management, as per the figures provided by the depot manager. It is worth noting that depots reporting significant proportions of their resources being used for commercial activity were also in suburban-oriented areas, indicating an even higher potential use of resources for domestic waste management activity in these areas.
21. Actions taken by city officials against the Anti-eviction Campaign (AEC) in Cape Town are most illustrative here, with the

leaders of AEC branches in Tafelsig and Mandela Park (Khayelitsha) having been arrested on several occasions and charged with criminal offences. In most cases, these charges have been dismissed by the courts, but individuals have spent time in prison and/or were released on highly restrictive bail conditions which included being banned from attending or speaking at public meetings. Similar actions have been taken against related organisations in Johannesburg and Durban.

22. Quote contained in a letter to Samwu. Obtained from Roger Ronnie, General Secretary of Samwu, 15 March 2001.
23. Personal communication with Lance Veotti, National Water Coordinator of SAMWU, 18 October 2002.

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