

## CHAPTER 9

### EVALUATING THE THREE CATEGORIES OF LOCAL GOVERNMENT FOR THE FINAL RESTRUCTURING PHASE IN THE CITY OF TSHWANE

#### 9.1. INTRODUCTION

The Local Government Transition Act, 1993 (Act 209 of 1993) determined that the second or interim phase commenced, as stated, on the day after the elections for transitional councils as contemplated in Section 9 of the Act and ends with the implementation of final arrangements to be enacted by a competent legislative authority. On 1 November 1995 the interim phase commenced when the communities within the greater Pretoria area elected their political representatives for the metropolitan council and the three metropolitan local authorities (*Official Local Government Yearbook, 1995/96: 13-14*). On 8 December 1995, Premier's Proclamation No 38 was promulgated, and on 12 December 1995 the Greater Pretoria Metropolitan Council (GPMC) with the three metropolitan local authorities was officially inaugurated.

In terms of Section 2 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998), local authorities will be divided into three categories for the final phase. This chapter will evaluate the three categories of local government by practical application to the City of Tshwane. Comparison will be drawn with experience in the United States of America, where there is a wider range of city sizes available than in the Republic of South Africa. The experience will be used to evaluate the local government categories on the basis of key principles advanced by David Crombie's "Who Does What" advisory panel on the restructuring of local government in Toronto, Canada in order to substantiate a local government category for the City of Tshwane.

The Greater Pretoria Area, will from this chapter forward, be referred to as the City of Tshwane when referred to in the final restructuring phase. The name change will be effected with the commencement of the final restructuring

phase after the local government elections on 5 December 2000 in the City of Tshwane.

## 9.2. CATEGORIES OF LOCAL AUTHORITIES

In terms of Section 2 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) on the categories of local authorities, it is stated that an area must have a single Category A local authority if the area can reasonably be regarded as:

- a) a conurbation featuring:
  - (i) areas of high population density;
  - (ii) an intense movement of people, goods and services;
  - (iii) extensive development; and
  - (iv) multiple business districts and industrial areas;
- b) a centre of economic activity with a complex and diverse economy;
- c) a single area for which integrated development planning is desirable; and
- d) having strong interdependent social and economic linkages between its constituent units.

The importance hereof is that once an area complies with the criteria stated in Section 2 it must have a Category A local authority. Category A local authorities are what is commonly referred to as single cities and have exclusive legislative and executive powers (Section 155 of the Constitution, Act 108 of 1996).

Section 3 requires areas that do not comply with Section 2 to have local authorities of both Categories B and C as described in the Constitution, 1996 (Act 108 of 1996).



### 9.3. EVALUATING A CATEGORY A LOCAL GOVERNMENT: INTERPRETATION OF THE CRITERIA FOR THE IDENTIFICATION OF THE NODAL POINTS

Sections 4 and 5 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) state that the Minister must declare which areas are metropolitan areas, and that the Minister must identify the nodal points of the metropolitan area, but must leave the determination of the outer boundaries of such areas to the Demarcation Board. (A nodal point is defined by the Demarcation Board (28 June 1999: 11) as the nearest intersection to the main civic centre of the urban conurbation under consideration.) Section 2 of the Act effectively defines what may qualify as a metropolitan area. An area must have a single category A local authority if that area can reasonably be regarded as:

- a) a conurbation featuring –
  - (i) areas of high population density;
  - (ii) an intense movement of people, goods and services;
  - (iii) extensive development; and
  - (iv) multiple business districts and industrial areas.
- b) a centre of economic activity with a complex and diverse economy;
- c) a single area for which integrated development planning is desirable; and
- d) having strong interdependent social and economic linkages between its constituent units.

The clear use of the term “and” at two points within the section indicates that any area which does not fulfil all of these criteria must form part of a district council (category C) area (section 3), with primary local authorities (category B) as well as the district council (section 3), except for situations in which primary local authorities are not viable (section 6). It is concluded that, in order for any area to be deemed metropolitan in terms of the Act, it must clearly fulfil



all of its provisions. But conversely, if an area does reasonably fulfil all of these criteria, then it must be declared metropolitan.

There is little doubt that if these criteria were limited to the points stated in (a) and (b), most of Gauteng could be said to form a single metropole. However, the addition of points (c) and (d) make for a rather different argument. In other words, (c) and (d) will assist the Minister in arriving at the limits of the list of metropolitan areas, as well as in assessing whether or not multiple metropolitan category A local authorities should exist in areas of great urban complexity, such as much of Gauteng. It is therefore important to examine the specific wording of Section 2 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) in greater detail. (The interpretation is based on legislation as the primary point of reference combined with a common understanding of the law.)

**(a) a conurbation featuring:**

In its own right, the use of the term conurbation to head this group of subcriteria has substantial implications. Ashworth's *Encyclopaedia of Planning* (1997: 48) notes that this term was first used to describe a continuously built up area. Ashworth gives examples of the largest British urban areas to illustrate this. The key elements thus appear to be both size and continuity of urban development and some of the sub-elements of subsection (a) assist in this regard.

**(i) areas of high population density:**

What high population density means in South Africa is potentially contestable. At a minimum, a liberal (the term simply implies the opposite of strict and has no political connotation) interpretation of this point would suggest that a metropolitan area must show the presence of several higher density areas. A more strict interpretation would require that a category A local authority must include reasonably substantial areas of unusually high population density by

typical South African urban standards, not merely small pockets of high density.

**(ii) an intense movement of people, goods and services:**

This subcriterion can be criticized in the grounds of its unclear expression. The concept, which it nevertheless clearly suggests, is that of a range of intensities of movement, whether of people, goods or services. It thus suggests that below a certain point on a range of movement density scale, an area cannot be regarded as metropolitan.

Strict application of this criterion requires quantitative data. However, the data will be of no use without knowing at what point a break in the intensity of movement would separate a metropolitan from a non-metropolitan area. It seems probable that such a break would be difficult to identify, or might separate only the very largest urban areas in the country from the rest. One would seek such a break then at the top of the scale of movement intensity.

A more liberal interpretation would probably require only a sense that movement intensity could be satisfactorily separated from the ordinary urban circumstances of the large number of busy towns in the country in the effort to identify the metropolitan areas. In other words, one would look for the break at the lower end of the scale.

**(iii) extensive development:**

This subcriterion appears to indicate two closely-related concepts, one of scale – a very small urban area could not have a category A local authority, and one of continuity of development. The issue of scale is addressed again under criterion (b) below. The subcriterion also appears to require that a Category A local authority area must be more or less continuously developed, that is it leads to the expectation that a Category A area will have a built environment with relatively fewer significant breaks in its continuity. In this



sense it adds to the notion of a conurbation in the general definition in criterion (a).

The criterion cannot mean that the area should have no breaks in its built environment, since that would imply the separation of local government between many former townships and the cities with which they closely interact. To do this is clearly not the intention of this legislation, following as it does in the path of the Local Government Transition Act, 1993 (Act 209 of 1993). What is required is to interpret the degree to which breaks in the continuous built environment would be acceptable.

It would appear that this criterion would tend to exclude from the definition of a metropolitan area areas with multiple well-separated urban environments, which might be regarded as conurbations on the grounds of their interdependence and strong movement patterns, but in which substantial separation suggests the impossibility of regarding them as suited to metropolitan government. An example might be found in the Northwest Province complex of Stilfontein-Klerksdorp-Orkney, which increasingly appears to function as a single and fairly large urban complex, but in which the requirement of extensive development cannot be said to be met.

**(iv) multiple business districts and industrial areas:**

The very essence of a conurbation is that it is not an urban area with a single business district. The term suggests an extensive urban environment with many different business centres and industrial areas. The subcriteria make explicit such an urban form as a requirement for recognition as a metropolitan area.

What could be considered multiplicity is an issue. The use of the term multiple is suggestive of more than merely two, though that point could be debated. The subcriterion would also appear to require that the conurbation have multiple industrial areas to qualify as a metropolitan area.



The key difficulty in the application of the criterion will lie in the question of the relative scale of the various business districts. A small neighbourhood shopping centre, such as may be found distinct from a town centre even in fairly small towns, cannot be what is intended by business districts. What makes a conurbation is the inclusion of several business districts, which can be recognised as having substantial weight, sometimes competing with a central business district in aspects of their functions. A multiplicity of business districts of considerable scale must be intended. For example, in East London, which certainly has multiple industrial areas, the question would be whether there is a business district which can, in any sense, be admitted as one of a set of multiple districts in addition to the central business district. The range of views on the application of this criterion must revolve primarily around what constitutes the necessary scale of several business districts for the area containing them to be considered a metropolitan area.

In sum, criterion (a) requires a number of fairly strictly defined features to be present before an urban area can be regarded as a potential metropolitan area. These are that it must be large, with significant areas of high population density, contain a very high level of movement, and be a more or less continuous and extensive urban environment, as well as contain many centres of business and industry.

**(b) a centre of economic activity with a complex and diverse economy**

Like other criteria, this item establishes two necessary conditions for the recognition of metropolitan areas: they must form centres of economic activity as well as having a complex and diverse economy. Whilst it is true that many towns may be regarded as centres within restricted areas, for example Bronkhorstspuit would be regarded as a centre of its district economy, no one would regard such towns as the epicentres of major sectors of economic activity, or of particular regional economies. The links of such towns with the wider national and international economy are, in almost all cases, mediated through financial institutions and other economic actors whose bases rest only



in the larger cities. Thus the notion of the centre of economic activity implies a reasonably substantial scale. The more liberal interpretation would suggest that those regional centres which link regional economies to the nation and the world might qualify on this point as metropolitan areas; the more strict interpretation would suggest that very few South African cities really form centres of economic activity which connect the sectors of activity and which connect the country to the world across a wide range of activities.

The second aspect of the criterion is that of the complex and diverse economy. To some extent this is a matter of scale in that typical urban areas tend to have increasing economic complexity in relation to their size. Thus this criterion adds to the weight of criterion (a)(iii) in so far as this aspect is concerned.

It may be noted that none of the criteria in Section 2 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) specifically require that a metropolitan area be of a particular size. However, the criteria demand a conurbation, meaning typically something very large. Extensive development certainly also implies that the metropolitan area is large and the notion of complexity implies questions of scale.

Thus the emphasis of the criteria seems to lie again on the largest of the urban areas in the country, and a strict interpretation would seem to require caution in including at this stage too wide a range of cities in the list of recommended metropolitan areas. However, there is nothing explicit to enforce this sense and a more liberal interpretation might, once again, be possible.

The second aspect of subsection (c) has to do with a diversity of the urban economy. As with intensity of movement, this point suggests a continuum of diversity. Similarly, it would appear that a stricter interpretation would place the emphasis on the greatest extremes of diversity, meaning that only those urban economies with a maximum diversity of activities can qualify as metropolitan areas. Alternatively, a more liberal interpretation would suggest

that something beyond the simpler urban economies would imply diversity. The latter approach would exclude the purely mining or agricultural service economies, but admit those urban areas with a spread of industrial, commercial, educational and other activities as potentially metropolitan. The difficulty in that approach might lie in the fact that specific South African towns of moderate size do contain a range of commercial, industrial and other activities – and the legislature would appear to have been inclined to include those within the category A list.

**(c) a single area for which integrated development planning is desirable:**

There is a key reason for arguing that this criterion affects the identification of appropriate metropolitan areas in terms of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998). The point may be expressed as a question, “How large an area can usefully be incorporated into integrated development planning processes?”

There is no fixed answer to this question. However, it can reasonably be stated that with present capacities, experience (including experience of participation in planning on the part of the people) and technologies, it would not be feasible, for example, for the whole Gauteng urban complex to form the subject of a single integrated development planning process.

**(d) having strong interdependent social and economic linkages between its constituent units:**

Every part of each urban area has social and economic linkages with all other parts of the urban complex. However, there is no doubt whatsoever that there is great variety in the strength of these linkages.

It is at this point that it appears that the Minister, in applying the criteria and declaring the nodes of category A local areas, needs to be mindful of the provisions of the Municipal Demarcation Act, 1998 (Act 27 of 1998)



concerning boundaries. The reason is that if the Minister were entirely to ignore the provision of the Municipal Demarcation Act, 1998 (Act 27 of 1998), it could make the task of the Demarcation Board practically impossible.

### **9.3.1. APPLICATION OF THE CRITERIA FOR THE IDENTIFICATION OF THE NODAL POINTS**

The following section provides a summary of eleven conurbations researched in South Africa for each of the criteria laid down in terms of Section 2 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998), which defines Category A local authorities. The analysis is based on a single year's data drawn from three major sources: the 1998/99 local authority budgets as approved by the Department of Finance; Project Viability quarterly reports for the 1998/99 financial year; and data relating to taxable capacity supplied directly by the individual local authorities.

#### **(a)(i) A conurbation featuring areas of high population density**

The eleven conurbations researched vary in terms of population size. Greater Cape Town, Johannesburg and Durban are all larger than 2,5 million people followed by the Greater East Rand and Pretoria at over 1,2 million people. Except for Greater Bloemfontein and Richard's Bay, all urban conurbations have average densities of well over 1000 persons per square kilometre.

In order to further distinguish areas of high population, each conurbation was examined in terms of areas where, within 25 kilometres of the conurbation's nodal point, the enumerator areas had densities of over 5000 persons per square kilometre. The Greater East Rand, Johannesburg, Durban and Cape Town had over 100 square kilometres where such densities were found.

**TABLE 12: A CONURBATION FEATURING AREAS OF HIGH POPULATION DENSITY (a)**

Local authority	Population	Rank	Area (km <sup>2</sup> )	Population density	Rank	Residential density	Rank
Cape Town	2 557 456	1	2155.60	1186.42	7	117.11	4
Johannesburg	2 521 352	2	1386.48	1818.53	2	148.42	2
Durban	2 519 992	3	1362.08	1850.11	1	137.63	3
East Rand	1 708 550	4	1198.95	1425.04	4	166.61	1
Pretoria	1 238 127	5	1 164.24	1 063.45	9	44.02	7
Port Elizabeth	942 077	6	636.06	1481.11	3	58.40	5
Vereeniging	607 372	7	563.15	1078.53	8	53.42	6
Bloemfontein	512 057	8	598.39	855.72	10	19.93	10
East London	409 330	9	311.95	1312.17	5	25.32	8
Pietermaritzburg	399 781	10	324.51	1231.95	6	24.27	9
Richard's Bay	98 740	11	339.17	291.12	11		11

(a) Source: *Department of Finance*, 1999.

**(a)(ii) A conurbation featuring an intense movement of people, goods and services**

A second set of indices were developed using the 1995 October household surveys which indicated the origin-destination flows of commuters in each of the major urban conurbations. A similar situation to that obtaining for urban densities was found, although it is clear that, in Gauteng conurbations, there is significant movement between and within the urban conurbations.

**TABLE 13: A CONURBATION FEATURING AN INTENSE MOVEMENT OF PEOPLE, GOODS AND SERVICES(a)**

Local authority	Destination of commuters	Rank	Internal movement of commuters	Rank	%
Johannesburg	790 271	1	396 756	4	52%
East Rand	652 219	2	565 979	1	87%
Pretoria	554 881	3	346 198	5	62%
Cape Town	491 403	4	462 063	2	94%
Durban	457 292	5	455 809	3	99%
Vereeniging	197 902	6	191 619	6	97%
Richard's Bay	127 812	7	105 349	9	82%
Pietermaritzburg	125 400	8	116 643	8	93%
Port Elizabeth	120 440	9	118 493	7	91%
East London	87 306	10	87 306	10	110%
Bloemfontein	77 472	11	77 472	11	110%

(a) Source: *Department of Finance, 1999.*

**(a)(iii)&(iv) A conurbation featuring extensive development, featuring multiple business districts and industrial areas and a single area for which integrated development planning is desirable**

Using satellite imagery showing different land uses, each of the urban conurbations has been broken down into various land uses. The following table indicates how each urban conurbation ranks in terms of major land use and the extent of development.



**TABLE 14: A CONURBATION FEATURING EXTENSIVE DEVELOPMENT**  
**(a)**

Local authority	Residential	Rank	Industrial Transport Commercial	Rank	Mines	Water-bodies	Other	Total land cover (km <sup>2</sup> )
Cape Town	485.03	2	63.81	3	3.27	53.70	1535.51	2141.32
Johannesburg	531.34	1	79.09	2	55.88	14.09	703.85	1384.24
Durban	467.01	3	61/13	4	1.81	2.52	804.99	1337.46
East Rand	362.90	4	81.94	1	42.61	35.86	673.39	1196.70
Pretoria	329.41	5	47.63	6	4.41	4.73	760.98	1147.17
Port Elizabeth	192.06	6	37.36	8	3.09	24.27	374.25	631.03
Bloemfontein	90.19	9	48.26	5	0.00	0.21	459.72	598.39
Vereeniging	114.01	8	43.88	7	4.15	3.47	387.76	553.27
Richards Bay	31.90	11	10.30	11	1.60	63.74	226.70	334.25
Pietermaritzburg	114.28	7	15.95	9	0.20	15.07	178.99	324.49
East London	66.98	10	15.89	10	0.21	4.87	223.86	311.81

(a) Source: *Department of Finance*, 1999.

**(b) A centre of economic activity**

The following table indicates the number of people identified in the 1996 Census as being economically active and the proportions who were employed and unemployed. Significant differences are found between each of the urban conurbations.

**TABLE 15: A CENTRE OF ECONOMIC ACTIVITY (a)**

Local authority	Employed	%	Unemployed	%	Total	Rank
Johannesburg	889 139	70.89	365 031	29.10	1 254 200	1
Cape Town	888 938	80.34	217 574	19.66	1 106 512	2
Durban	750 647	68.70	341 936	31.30	1 092 583	3
East Rand	573 429	68	269 818	32	843 247	4
Pretoria	458 173	79.62	117 265	20.38	575 438	5
Port Elizabeth	232 025	63.10	135 679	36.90	367 704	6
Vereeniging	161 804	62.71	96 221	37.29	258 025	7
Bloemfontein	144 410	69.94	62 078	30.06	206 488	8
Pietermaritzburg	113 082	65.79	58 804	34.21	171 886	9
East London	108 266	63.97	60 985	36.03	169 251	10
Richards Bay	35 807	83.55	7 051	16.45	42 858	11

(a) Source: *Department of Finance, 1999.*

**(c) A complex and diverse economy**

The number of persons employed in the finance sector provides a good measure of the degree to which an economy is complex and diverse. In addition, numbers employed in the primary and secondary sectors is also a useful measure of complexity and diversity.

**TABLE 16: A COMPLEX AND DIVERSE ECONOMY (a)**

Local authority	Agriculture, mining, manufacturing	Rank	Utilities, Construction	Rank	Trade, Transport	Rank	Finance	Rank	Total	Rank
Johannesburg	120 832	3	74 596	2	203 769	1	141 553	1	913 866	1
Cape Town	194 077	1	75 634	1	189 687	2	106 851	2	901 959	2
Durban	164 336	2	51 622	4	143 570	3	63 892	5	762 715	3
East Rand	116 055	4	51 680	3	135 035	4	67 546	4	586 078	4
Pretoria	47 388	6	29 575	5	95 584	5	71 353	3	468 203	5
Port Elizabeth	49 819	5	13 870	7	41 012	6	15 574	6	235 415	6
Vereeniging	40 361	7	13 886	6	29 703	7	13 018	7	164 389	7
Bloemfontein	18 050	10	10 802	8	29 523	8	10 472	8	146 699	8
Pietermaritzburg	18 634	9	6 808	10	18 552	10	10 008	9	114 765	9
East London	21 717	8	7 119	9	19 269	9	6 872	10	110 522	10
Richards Bay	7 429	11	1 893	11	6 677	11	2 570	11	36 285	11

(a) Source: *Department of Finance, 1999.*

Further measures of the effects of a complex and diverse economy may be found simply through examining the size of local governments in the various conurbations as indicated in the following table.

**TABLE 17: LOCAL AUTHORITY BUDGETS (a)**

Local authority	Salaries 1998/99	Operating budget 1998/99	Capital budget 1998/99
Johannesburg	1 664 273 000	8 448 407 000	484 643 000
Durban	1 634 760 664	6 788 127 150	1 571 544 540
Cape Town	1 906 910 667	6 660 396 617	1 482 014 888
Pretoria	1 288 024 425	5 938 949 510	817 382 786
Port Elizabeth	531 336 952	1 839 864 804	330 595 866
East Rand	739 400 006	3 161 741 639	711 731 147
Vereeniging	270 200 769	1 124 341 558	113 255 197
Pietermaritzburg	227 078 238	896 626 069	219 288 112
Bloemfontein	183 542 870	632 417 580	157 171 195
East London	180 149 360	614 840 687	278 580 970
Richards Bay	90 335 533	449 013 592	104 360 520

(a) Source: *Department of Finance*, 1999.

### 9.3.2. EVALUATION OF FINDINGS

Significant differences between the eleven nodal points in terms of size, scale and intensity of economic activity became apparent in the research. From the research, only three nodal points complied with all the criteria needed to be classified as a Category A local authority in terms of Section 2 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998), namely Greater Johannesburg, Cape Town and Durban. The City of Tshwane, however, does not fulfil all the criteria needed to be classified as a Category A local authority mainly because it reflects a below average population density which impacts negatively on the evaluation criteria used to define a Category A local authority.

The assumption can thus be made that, due to the fact that the City of Tshwane cannot be regarded as a definite Category A local authority, it may be dealt with in accordance with Section 3 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998). Section 3 of the Act stipulates that areas that do not comply with Section 2 (Category A local authorities), must

have local authorities from both Categories B and C as described in the Constitution, 1996 (Act 108 of 1996).

#### **9.4. EVALUATING A COMBINED CATEGORY B/C LOCAL GOVERNMENT**

The proposed Category B/C local government was the local government dispensation in the Greater Pretoria Area in the interim phase. The Greater Pretoria Metropolitan Council (GPMC) as a Category C local authority, fulfilled a large scale service delivery function in the three geographic local authorities, as Category B local authorities, namely the City Council of Pretoria, the Town Council of Centurion and the Northern Pretoria Metropolitan Substructure, in the Greater Pretoria Area.

In addition, the Greater Pretoria Metropolitan Council (GPMC) also fulfilled a co-ordinating function within the area by means of a matrix structure. The various local authorities were responsible for the retailing of services to consumers within their own geographic areas by means of their own distribution networks. The service delivery functions as well as the relation between the Greater Pretoria Metropolitan Council (GPMC) and the three local authorities was determined by legislation, being Schedule 2 of the Local Government Transition Act, Second Amendment Act of 1996.

The three local authorities were unequal in size and consequently used disparate volumes of services contributing to different service charges to consumers. There were differences between the policies of the respective three local authorities leading to different service standards with regard to supply, operation, maintenance, standardization and approach. Limited resources, such as a lack of funding, expertise and historical inequities, impeded effective service delivery.



#### **9.4.1. INTERVIEW FRAMEWORK**

In order to develop a local government category that will address the current deficiencies and problems (referred to in Chapter Five (5) of this study) prevailing in the institutional structure of metropolitan local government in the Greater Pretoria Metropolitan Area, interviews with management officials from the Greater Pretoria Metropolitan Council, the City Council of Pretoria, the Town Council of Centurion and the Northern Pretoria Metropolitan Substructure were conducted in the interim phase. These officials were separately interviewed at pre-arranged sessions lasting for two (2) to three (3) hours at a time.

A request was made to the officials to be frank about their experience of service delivery in the four mentioned structures in the interim phase. An opportunity was extended to volunteer information, which further elucidated the subject matter concerned. In return complete confidentiality in respect of name and rank was guaranteed. In this manner, I believe that success in obtaining an accurate picture of the actual problems and deficiencies prevailing in the interim institutional structure, has been achieved.

The essence of the questions posed and a summary of the answers received follows.

##### **(a) Lines of communication**

It appears that the lines of communication between the category B local authorities and the category C local authorities are too long for effective and efficient performance of all the actions relating and incidental to the execution and management of bulk services in the Greater Pretoria Metropolitan Area (GPMA). The deficiency appears to be a direct consequence of the interim institutional framework.



**(b) Unnecessary delays in decision-making**

It appears that procedures, which are in place and probably necessitated by the present institutional framework, cause unnecessary and serious delays in the decision-making process, which lead to inefficiency in planning, designing and execution of projects and budgetary allocations and controls.

**(c) Responsibility without authority**

The procedures in place in the present institutional framework transfer responsibility to the Category B local authority with respect to bulk services without the delegation of the necessary authority to manage them.

**(d) Variations in priorities**

It seems that differences in priorities exist between the various Category B local authorities and the Category C local authority with respect to the allocation of funds relating to the execution and management of bulk services. This appears to be a direct result of the present institutional framework.

Different councils allocate their funds according to their own priorities some of which require funds simultaneously from another local authority, which in turn allocates funds according to its own priorities. These competition priorities result in inefficiencies of allocation of scarce resources.

**(e) Budgeting procedures causes delays**

The budgeting procedures with all their related allocations, appear to cause significant delays due to the interim institutional framework.

**(f) Organizational problems**

Especially in the execution of projects, it appears that organizational lines between Category B and C local authorities tend to cross or fade away



causing serious concern and confusion. The legal doctrine of agency and its consequences seems to fade away within concomitant actual or perceived organizational problems.

**(g) Cross-subsidization**

Cross subsidization is contrary to accepted economic principles, since it results in sub-optimal allocation of resources.

**(h) Organizational framework**

The organizational framework of the local authorities is composed of too many functions. This causes inter-functional delays in communication and execution of tasks. It particularly occurs within levels of the top structure.

**(i) Bureaucracy**

Partly due to historical reasons and partly due to the interim institutional framework, over-regulation and the proliferation of bureaucratic procedures stifle initiative and reduce staff motivation. As a result, these factors cause serious economic inefficiencies.

**(j) Quadruplication of functions, posts and costs**

The interim institutional framework, which consists of four local authorities, has basically the same or a similar organizational structure which entails, in general, quadruplication of institutions, organizations and functional posts. The principle of economies of scale suggests that inefficiencies exist in the interim organizational framework.

**(k) Execution and control dualism**

It appears that the execution of certain projects and the control thereof resides in different institutions in the interim institutional framework. Consequently the



opportunity for conflict is real and actually occurs or is presumed to occur leading to inefficiencies.

**(l) Executive non-participation**

It appears that the executive of the Category C local authority is too remote from the operating activities of the Category B local authorities. Consequently, the relationship between the local authorities is perceived as effective non-participation.

**(m) Absence of economies of scale**

The interim institutional framework does not encourage economies of scale and is perceived to be inefficient.

#### **9.4.2. INTERVIEW SUMMARY**

The interim institutional framework for Greater Pretoria has been regarded as not ideal and not-contributing to the legislative mandate to provide services in an effective and efficient manner to the consumer and the rate payer. Against the information obtained from the interviews, the following conclusions can be reached:

- (a) the service delivery functions of local authorities are duplicated;
- (b) the current administrative systems tends to be cumbersome;
- (c) some role players feel threatened by the possibility of a redistribution of functions;
- (d) interaction between technical and political decision-making must improve;
- (e) the standard of service delivery is non-consistent;
- (f) uncertainty about the future of structures and cumbersome administrative systems result in frustration and the loss of expertise; and
- (g) non-payment must be addressed.

The consequences of all the above-mentioned deficiencies regarding the interim institutional framework are frustration of the workforce, especially at the middle and top management levels which leads to demotivation with its concomitant negativity and lack of initiative. The demotivation and negativity of personnel results in economic deficiency and sub optimality, which leads to consumers paying higher prices for services and receiving lower levels of service than those to which they otherwise would have been entitled.

### **9.5. EVALUATING LOCAL GOVERNMENT CATEGORIES ACCORDING TO RESTRUCTURING PRINCIPLES**

The future of local government in the greater Toronto area was the subject of intense debate amongst the various role players following the release of the Golden Report under the chairmanship of Anne Golden during January 1996 and the election of a new provincial government with a clear mandate to cut taxes and restructure metropolitan government in Ontario (Greater Toronto Area Task Force, 1996: 2).

The report focused on the restructuring of local government in accordance with the restructuring principles compiled by the “Who Does What Panel”, chaired by David Crombie (Office of the Premier, 1997: 5). The following four principles were deployed by the “Who Does What Panel” in its deliberations, namely:

(a) Democracy, accountability and responsiveness:

Municipal government is a democratic institution fundamental to local political decision-making. Its structure should be as understandable as possible to promote public access, participation and accountability. It should respect and accommodate diversity and be responsive to the needs and preferences of the communities (Crombie, 1996: 34).

(b) Fairness:

The structure should ensure that costs and benefits are shared fairly across the entire community (Crombie, 1996: 34).

(c) Efficiency:

The structure should allow services to be delivered by the lowest level of government that has the capacity to do so effectively. It should also be more cost-effective than the current system, delivering maximum value with available resources (Crombie, 1996: 34).

(d) Co-ordination:

The structure should encompass the interests of the entire community. It should support the strategic co-ordination of certain key services and foster an approach to decision-making, which integrates economic, environmental and social considerations (Crombie, 1996: 34).

With respect to the first principle it argues in favour of individual local authorities on the basis that smaller local governments are more accountable, more responsive and more attuned to communities and neighbourhoods, while larger local governments are more susceptible to special interests and are less controllable. From the point of view of efficiency, larger local governments generally have higher unit costs than smaller local governments; there are diseconomies of management scale, greater resistance to innovation and legislative reform and amalgamations do not produce lower cost local government (Government of Ontario, 1996: 34).

### **9.5.1. APPLICATION OF PRINCIPLES**

The consideration of democracy, accountability and responsiveness principles, emphasizes the difficulty larger local governments (over one million

population) face in sustaining viable democratic processes. The three United States single cities with populations of over two million have faced particularly intractable problems. Two of the three (New York and Los Angeles) are contending with advancing secession movements, sparked by the belief that remote city halls were ignoring local neighborhood needs. The third single city (Chicago) has lost almost one million residents, who have seceded (Staley, 1992: 13).

As far as the efficiency principle is concerned, the United States experience points to substantially higher costs for cities in the population range of over one million. These cost penalties are typically in the 20 percent to 40 percent range and can exceed 100 percent in the case of amalgamated local authorities. For residents and businesses of these larger cities, cost premiums mean higher property taxes and lower service levels (Sancton, 1996: 113).

**(a) Smaller government units are more accountable:**

Smaller governments tend to be more accountable and responsive to their citizenry. They are more accountable to citizens, because the individual citizen has more “voice” in a smaller governmental unit. For example, a voter’s voice in a city of 100 000 population is ten times as strong as in a city of 1 000 000. Bigger government is more remote from the electorate and is by definition, less accountable and less responsive (Tonks, 1996: 38).

**(b) Smaller governments are more responsive:**

As governments increase in size, processes and communications necessarily become more bureaucratized (more rigid). As government processes become more rigid, they become less understandable to the individual citizen. This discourages people from addressing issues with their government. This less effective and efficient feedback process often results in smaller problems escalating into crises, as it is only when circumstances become unbearable that citizens have sufficient impetus to deal with the overly complex processes typical of more remote governments. With a less efficient and effective



feedback system, the quality of government services is likely to decline (Staley, 1992: 13).

**(c) Larger governments are more susceptible to special interests:**

The latter is true for three reasons. Firstly, special interests have the financial resources to hire professional advocates (such as lobbyists) to learn, understand and manipulate the rigid processes of larger governments. Conversely, individual citizens and neighborhood groups rarely have the financial resources to hire professional advocates. Secondly, there are economies of scale with respect to political advocacy; it is simpler and less expensive for special interests to influence a larger government than multiple smaller governments. Thirdly, the more diffuse voice of the electorate makes larger government more susceptible to special interest influence (Government of Ontario, 1996: 54).

**(d) Smaller governments are more attuned to communities and neighborhoods:**

Regional governments are necessarily more sensitive to broader geographic issues than local, community or neighborhood issues. This is because regional governments include a larger number of communities, which diminishes the voice of each such community in the political process. Individual, neighborhood and community issues are likely to be less effectively addressed by larger, rather than smaller governments. As a result, regional governments are not appropriate for local government (Sancton, 1996: 24).

**(e) Large governments are less controllable:**

Larger governments tend to be more difficult for policy makers to control. As governments become larger, elected officials must rely to a greater degree on their staff and are less well positioned to effectively exercise their oversight function (City of Mississauga, 1997: 10).



**(f) Diseconomies of management scale:**

As governments increase in size they require additional layers of management and support personnel, further increasing costs. One important variant of economies of scale is diseconomies of scale in management. As the size of a provision unit increases, beyond some point scale economies attained as a technical matter of production may be offset by management difficulties that multiply as the provision unit attempts to organize more production in house (Sancton, 1998: 42).

**(g) Greater resistance to legislative restructuring:**

Larger governments are more difficult for legislatures to restructure. Larger governments are able to marshal considerable political and financial support to maintain the status quo (Government of Ontario, 1996: 65).

### **9.5.2. LOCAL GOVERNMENT SECESSION TREND**

The political disenfranchisement that occurs when governments are too large is feeding a growing local authority secession movement. Strong secession movements had begun in two of the three United States single cities (cities with more than two million population) in 1996.

The New York borough of Staten Island is well advanced in its secession process and plan to establish itself as an independent city (population of 400 000). Proponents predict a binding referendum before the end of the decade (United States Census Bureau, 1996: 33). A secession effort has begun in the San Fernando Valley of Los Angeles, which would create a new city of more than one million people, decreasing the population of Los Angeles to two million. State legislation to facilitate the secession process was narrowly defeated in 1996 and will be reconsidered (United States Census Bureau, 1996: 35).

A consequence of diluted democracy is that governments in larger United States cities have generally been less successful in delivering quality public services to their residents. This has contributed, along with other factors, to virtual population haemorrhages (Sancton, 1998: 51). Chicago, the only United States city of more than two million that is not facing a secession drive, has lost nearly one million residents since 1950 (United States Census Bureau, 1996: 36).

The local authority secession movement should be considered in the context of its daunting challenges. Local government enabling legislation tends to require more than 50 percent majority referendum results and favourable local authority boundary commission decisions, in addition to well financed advocacy campaigns by larger government to prelude secession.

### **9.5.3. LOCAL GOVERNMENT ACCESSIBILITY**

In each community there are both local and regional public policy issues. Local issues are most competently addressed by local governments, and regional issues by regional co-ordinating bodies. The single city model, however, leaves residents without local government.

The stronger city governments proposed by the mayoral model would be more accountable and responsive to their electorates than the amalgamated regional metropolitan governments. Consequently, these cities would respect and accommodate diversity and be responsive to the needs of communities and neighbourhoods more than would one metropolitan wide government. Cities averaging 400 000 population are, by definition, more accessible to their residents than an amalgamated regional government of over one million population (Staley, 1992: 10).

The single city approach to governing within the metropolitan area is anti-democratic. More remote government is not more democratic government; on the contrary it is less democratic. To paraphrase Abraham Lincoln:

*“Government of the people, by the people and for the people is government that is closer to the people.”*

#### **9.5.4. COST EFFICIENCY OF GOVERNMENT AMALGAMATIONS**

The evidence is clear that amalgamated governments are not more cost efficient. For example, a number of city-county amalgamations have occurred in the United States of America. In each case, the amalgamated government represents only a part of the metropolitan area. United States amalgamated cities of more than one million population spend 112 percent more *per capita* than amalgamated cities with 500 000 to 1 000 000 residents, 152 percent more than amalgamated cities with 100 000 to 500 000 residents and 38 percent more than the average amalgamated city (United States Census Bureau, 1996: 8).

During the 1950's and 1960's, United States primary and secondary school districts consolidated on an unprecedented basis. In each of these decades, the number of school districts was reduced by half. Costs per pupil rose from 45 percent to 80 percent more in the decades of consolidation than in the decades before and after (United States Department of Education, 1997: 10-14).

During the 1960's and 1970's, United States transit agencies went through unprecedented consolidations. Transit costs per kilometer increased 42 percent per decade during the consolidation period, compared to eight percent and 14 percent increases in the decades before and after (inflation adjusted) (United States Public Transit Association, 1997: 44).

The research indicates that local government amalgamations do not save money, either in the United States or elsewhere. As Sancton (1996: 113) also stresses, “There is no academic evidence to suggest that consolidation produces savings”.

### 9.5.5. INCREASED COST ESCALATION

Where governments merge, unit costs in the amalgamated government migrate to the highest unit cost in the pre-existing government cost structure. This is illustrated by the largest component of municipal costs, employee wages and benefits. Successive collective agreements can be expected to increase the compensation of local government employees to the level of the highest paid workforce of the pre-existing cities (Sancton, 1996; 56-57).

Downward convergence in labour rates is unprecedented. There is also a convergence of collective agreement work rules towards the least productive provisions, which further increases the unit costs of government services, though less obviously (Sjouquist, 1982: 15).

In the longer run, unit costs are likely to rise at a greater rate in amalgamated governments. Again, employee compensation can drive this dynamic. Government employee labour rates are established through an arbitrary and political non-market process. In addition, labour disputes are more disruptive to regional governments than local governments. The larger number of residents impacted on by strikes in larger jurisdictions increases the political pressure on elected officials to settle, skewing the balance of power in favor of the trade unions (Sjouquist, 1982: 16).

Moreover, local government amalgamation's purported cost efficiency advantages relate almost entirely to administrative costs. Administrative costs represent a relatively small percentage of local authority budgets, approximately 10-15 percent. Delivering maximum value with available resources requires even greater attention to the direct costs of service delivery that constitute between 85-90 percent of local government operating costs. The comparative return is illustrated by a KPMG study that estimated maximum savings from amalgamation in the Hamilton-Wentworth region, Canada, at two percent. The savings from alternative service delivery approaches, which would not require amalgamation, were estimated at from 15 to 30 percent (Sancton, 1998: 33).



But the research demonstrates that even comparatively insignificant administrative cost savings do not survive the restructuring from projection to reality. A frequently advanced example contends that an amalgamated metropolitan government would employ a single fire chief instead of the interim four local authority fire chiefs in the Greater Pretoria Area. It is likely, however, that a new single city fire chief would be installed over the present four city chiefs, who would become ward chiefs.

Despite the evidence to the contrary, the Toronto Metropolitan Council, has suggested that amalgamation would save up to \$208 million annually (Tonks, 1996: 18). But a substantial portion of metropolitan savings would be achieved through such measures as achieving industry staffing ratios, application of best practices, workforce flexibility, and competitive tendering. Such productivity improvements are not the result of amalgamation; they are rather better management practices that could be achieved by any local government, large or small, but they are more likely to be achieved by smaller, rather than larger local governments.

The performance of the more remote metropolitan government reinforces the case for not-amalgamating into one large single city. There is virtually no reasonable prospect that amalgamation into a single city would be more cost-effective and would deliver maximum value with available resources.

## **9.6. CONCLUSION**

With the application of the categorization criteria set out in Section 2 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998), the City of Tshwane cannot definitely be regarded as a Category A local authority. The City of Tshwane does not comply with all the criteria attached to a single city in terms of Section 2 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998).

From the interviews conducted on the interim institutional dispensation in the Greater Pretoria Area, being a combined Category B and C local authority (metropolitan government with three local authorities), it is apparent that this institutional category does not meet with the approval of the senior functionaries directly involved with the daily operation and maintenance of service delivery in the Greater Pretoria Area. It is perceived as an ineffective local government model, not-contributing to efficient service delivery to the taxpayers.

The international case study on Toronto has indicated that merging of local authorities into a single city, Category A local authority, has been proven by the Greater Toronto Area Task Force in consultation with the Government of Ontario to be a solution to their current problems. An analysis of the four restructuring principles advanced by David Crombie, chairperson of the “Who Does What Panel” for the Government of Ontario, however, indicates that larger local governments (over one million population) face difficulty in sustaining viable democratic processes. The three United States single cities with populations over two million have faced particularly intractable problems. Two of the three (New York and Los Angeles) are contending with advancing secession movements, sparked by the belief that remote city halls were ignoring local neighborhood needs. The third single city (Chicago) has lost almost one million residents who have seceded. Table 18 draws a comparative analysis of the impacts of the two metropolitan government approaches evaluated in this chapter.

**TABLE 18: COMPARATIVE IMPACTS OF TWO METROPOLITAN GOVERNMENT APPROACHES**

Principles	Category A model (Single city):	Category C model:
	Metropolitan council-local authorities amalgamation	Separate local authorities
Democracy	Less democratic	More democratic
Efficiency	Less efficient	More efficient

The single city model will dilute democracy, creating government that is more remote and therefore less accountable and responsive to its electorate. Moreover, the single city is inconsistent with the efficiency principle in that amalgamated local governments tend to be more costly than smaller governments.

The single city approach with respect to governance inside the metropolitan area is not only inconsistent with its approach outside the metropolitan area, but is at odds with the general world-wide trend towards more democratic institutions, devolution, decentralization, market-driven government and customer-orientated government. In the longer run, implementation of a single city is likely dilute democracy within metropolitan areas. A future provincial government, professing less of a commitment to smaller government and less dependent electorally on constituencies outside the metropolitan area could be expected to impose a similar model there thus making local government a structure of the past.

Based on the findings in this chapter conclusion will be drawn in Chapter Ten (10). Recommendations will be made on a category of local government that will ensure that the restructuring principles of democracy and efficiency are met.