

Objectives of privatisation

To increase efficiency and competitive power of the enterprise

To strengthen industrial management

Distributing ownership more widely in the population at large

To make optimum use of resources

To achieve rapid industrial development of the country

To reduce the administrative burden on the state

Forms of privatisation

Complete Privatization

Complete privatization is the outright sale of government assets to the private sector. This type of privatization not only confers assets but also related responsibilities of ownership to the private sector. Government run industries and assets have generally been completely privatized through one of three main ways.

- 1. share issue privatization-** The government sells shares of the government run company which can then be traded on various stock markets.
- 2. asset sale privatization-** In this method, the whole firm or asset is sold to an investor. This is usually done by auction.
- 3. voucher privatization-** in which shares of ownership are distributed to all citizens for free or for a very low price

Privatization of Operations

The privatization of operations is the turning over of managerial and operational responsibilities of publicly owned facilities to private sector firms. This kind of privatization is often seen with the running of sports and concert venues.

Franchising

Franchising is the awarding of exclusive rights to perform services within a specific geographic area to a private firm by a governmental unit.

Contracting out

The private sector firm is paid directly by the government for their services. The government finances these services through the taxes of the collection of user fees. This type of arrangement is commonly used for the collection and disposal of solid waste.

Advantages of privatisation

Privatization is most of the time associated with improved efficiency due to the profit incentive. Private companies will ensure they improve their operational efficiency in order to reduce their costs and improve on profits.

Privatization reduces the government's political interference. The government sometimes seems incapable of making hard decisions especially when they impact their political footing such as layoffs and pay cuts which are bound to attract negative publicity.

Privatization urges improvements in the company through competition. When a state owned entity is privatized it loses its government protection and is forced to adapt to the market by providing better services or products in order to survive and thrive.

Disadvantages of privatisation

Privatization of certain state entities such as water and electricity authorities may just create single monopolies. These may eventually seek to increase prices at the detriment of the consumer with no controls.

The government loses dividends after privatization as seen with most successful companies that are developed through privatization. These dividends are instead channelled to wealthy individuals.