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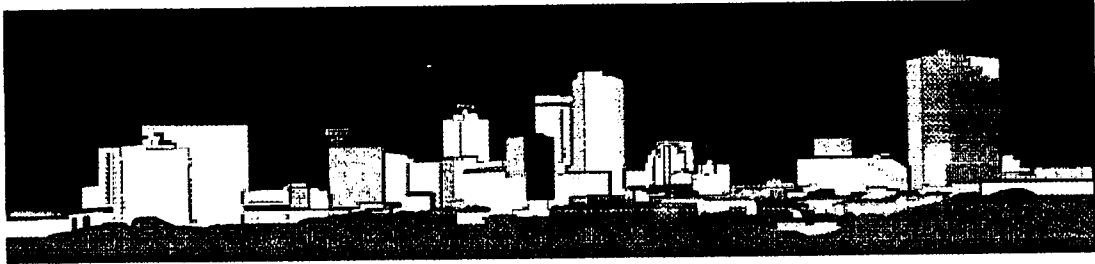
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# THE INFLUENCE OF MARKET FORCES IN URBAN PLANNING:

*A SOUTH AFRICAN PERSPECTIVE*



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This thesis is presented to comply with the requirements for the degree Philosophiae Doctor in the Faculty of Natural Science and Agriculture in the Department Urban and Regional Planning at the

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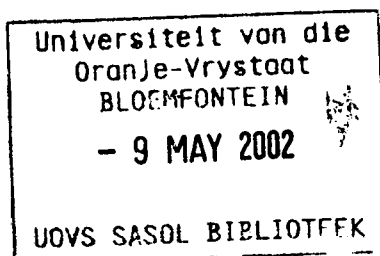
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# THE INFLUENCE OF MARKET FORCES IN URBAN PLANNING

*A SOUTH AFRICAN PERSPECTIVE*

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# CHAPTER 1

## INTRODUCTION

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# CHAPTER 1

## INTRODUCTION

### **1.1 OPSOMMING**

Hierdie proefskrif ondersoek die invloed van markkragte op stedelike en streekbeplanning.

Die hipotese wat gestel is maak die stelling dat stedelike beplanners nie voldoende let op die invloed wat markkragte uitoefen op beplanningsaspekte nie. Beplanning word dikwels gedoen ingevolge oudmodiese voorskrifte terwyl dit veral in die ontwikkelde lande gebeur dat stedelike ontwikkeling plaasvind buite die riglyne van ordelike stedelike beplanning. Hierdie teenstrydighede is te wyte aan die feit dat beplanners nie genoegsaam ag slaan op ekonomiese markkragte nie.

Die bevindings staaf die hipotese. Die groeiende gaping tussen rykes en armes, veral in ontwikkelende lande, is die enkel grootste kwelpunt waarvoor beplanners te staan kom. Dit word aan die hand gedoen dat beplanners wel 'n belangrike rol kan speel in die opheffing van die ekonomiese en sosiale standarde van arm mense.

Die rykdomgaping het in Suid Afrika 'n besondere inslag gevind as gevolg van die voormalige apartheidswetgewing. Dit is die mening van die skrywer dat die ekonomiese- en beplanningswetgewing van die huidige regering van hoogstaande gehalte is. Die uitvoering van hierdie beleid bly egter steeds gebrekkig.

Sekere aanbevelings word gemaak hoe beplanners 'n opheffingsrol kan speel deur dieper kennis te neem van ekonomiese faktore en spesifieke beplanningsaksies kan toepas om uitvoering te gee aan die huidige wetgewing en beleid van die regering.

### **1.2 HYPOTHESES**

The main objective of this study is to illustrate the importance of market forces on the urban form and how these forces should be incorporated into the overall jigsaw puzzle of spatial and urban planning to produce a result that is equitable and fair to the people who are affected thereby. This has been undertaken with specific reference to South Africa.

Since the 1980s it became clear that dramatic population increases would take place in the world's urban areas in general, and in particular in the mega-cities of developing countries. Various authors have predicted that economic growth would be accompanied by an acceleration in the rate of urbanisation; a considerable increase would occur in the number of metropolitan conglomerates with over 4 million people each; and mega-city formation

would be more massive and rapid in the developing countries than in the developed ones, thus continuing to increase the population glut in many Third World cities. (Botha 1990, Cernea 1993, Potter & Lloyd-Evans 1998, International Monetary Fund 1999a) These forecasts became reality in the late 1990s and have become one of the major challenges for city administrators and planners in the third millennium.

*"Reordering of city spaces in developing countries is inevitable, and looms large. Indeed, by the end of the current decade, an additional 600 million people, representing two-thirds of the incremental population growth in developing countries will inhabit urban settlements."* (Cernea 1993:5)

This study strives to illustrate the following hypotheses for which support has been obtained from various authorities:

### 1.2.1 **The primary hypothesis**

of this study is that the three most important factors influencing optimum land use are:

1. **Economic aspects**, centred around the forces of demand and supply;
2. **Social needs and wants**, centred around human behavioural patterns; and
3. **Environmental aspects**, centred around the forces and realities of nature.

While the latter two aspects are of vital importance in planning and may not be ignored, this thesis concentrates on the first mentioned aspect of economic influences. It is submitted that this aspect does not enjoy the level of consideration that it should receive in urban planning and where considered, only some theories are conveyed and not the solutions. This thesis strives to illustrate the importance of the market forces in urban planning and to propose some solutions for some of the more pressing problems.

It is clear that the new South African government policies regard economic development and growth as the main measure to alleviate poverty, and as the highest priority in urban planning. The extreme diversity of economic wealth and poverty is therefore the greatest problem that needs the attention of planners.

### **Subsidiary Hypotheses:**

#### 1.2.2 **The effect of globalisation.**

##### 1.2.2.1 *On global markets and economic systems*

There have been significant, and perhaps fundamental shifts in the global economy since the 1980s. These include: globalisation of markets and finance, the decline of the influence of the nation state, the emergence of supranational economic blocs, the



emergence of East Asia as an economic power and the shift from mass production to flexible specialisation. It is submitted that these changes have a direct bearing on urban planning as they have and will continue to affect the urban form and the quality of life of the greater majority of the global population.

These influences have been addressed in Chapter 7 in order to determine how urban planning should react thereto as set out in Chapter 10.

#### *1.2.2.2 On cities.*

Clearly every dimension of economic and technological change has a spatialising effect. It is imperative that planners should recognise these demands and incorporate them in urban planning. At local level, technological and economic forces are reshaping the city. The idea of the new or transformed city is captured in such phrases as 'the informational city', 'the edge city', 'the global city', 'the network city', 'the creative city', 'the dual city'. (Harrison 1995a, Watson & Gibson 1995, Short 1996 *et al*) This is dealt with in Chapter 3.

The hypothesis is that economic globalisation, which is occurring at a rapid pace, exercises new demands on the urban structure. It is essential for city administrators and planners to recognise these demands and to make relevant plans and preparations to adapt adequately. This is formulated in Chapter 10.

Short (1996:89) contends that the new urban order has its roots in the major economic changes that have occurred since the mid-1970s and have a marked effect on the spatial reorganisation of society. It is evident that the rapidly changing economic scenario will have a distinct long-term effect on the urban form, the nature whereof needs to be determined. A more comprehensive study of the influences of economic and market forces on urban planning is required to incorporate these forces in comprehensive urban planning. This has necessitated an economic study at global, national, regional and micro level, which is considered in Chapters 7 & 8.

It is necessary to view South African cities in the light of the changing global socio-economic trends and paradigms. To be able to make a meaningful contribution to resolving economically oriented urban structural and spatial problems, it is necessary to understand the broader economic situation and to consider those economic forces which have a bearing on the urban structure, form and order. How is South Africa coping (economically) with its change to democracy and how is this change affecting the form of its cities? These aspects are considered in Chapters 6 and 10.

### *1.2.2.3 On competitiveness and productivity*

During previous decades countries competed with each other for international trade and business. This competitiveness was watered down by international trade agreements and greater co-operation between countries. With the advent of wider communications and global product awareness, international competitiveness is shifting to inter city competitiveness. This is increasing the pressure for cities to become 'economic enterprises'. This trend may also affect local authorities as discussed in chapter 8.

### *1.2.2.4 On labour markets and demography*

Globalisation also causes increased migration, and according to Went (1996:26) any policy attempting to limit migration merely increases the illegal labour market sector. South Africa is already low on the international competitiveness rankings while the majority of labour immigration stems from neighbouring countries with extremely low levels of education or skills.

South Africa urgently needs to create more jobs. It is clear that globalisation gives industries a wider global choice of location and non-competitive countries are losing jobs. This problem enjoys the urgent attention of the South African government. The question is; can planners play a role to improve economic competitiveness and enhance job creation?

These aspects are considered in Chapters 6, 8, 10 and 11 to determine what role urban planners can play to pre-empt urban development trends.

### *1.2.2.5 On developing countries.*

It is submitted that the spatial and development requirements caused by the globalisation of trade and industry has a different influence on developing countries to that of the advanced economies. In the developed (rich) countries the trend is towards de-industrialisation while the reverse is experienced in developing countries. Developing countries also experience a more significant and widening gap between the wealthy and the poor communities with a lack of efficient education and training.

While most countries are benefiting from the globalisation trends, some of the poorer countries are being left further behind. Also, cities in the developing countries and particularly in South Africa, are seemingly becoming more and more economically segregated. The rich are growing richer, and the poor are becoming poorer. Vast inequalities in society are a serious threat to the survival of liberal democracy. It is difficult to conceive of equal participation in democratic processes if there are glaring differences of wealth and status in society. This can only lead to devastating social

consequences and must be rectified. How successful are the programs for the economic upliftment of the poor? Can planners play a role in this restitution? Consideration to how this can be done is given in Chapters 7, 10 and 11.

#### **1.2.2.6 On Southern Africa**

Africa has been referred to as the 'dark continent'. It has been through a period of decolonisation during the second half of this century, with mixed but mostly detrimental economic results. While many emerging countries have been and are benefiting from the process of globalisation, the question remains whether Africa will follow suit, or will it 'miss the bus'? It is submitted that economic success or failure has direct effects on urban planning.

The political economy of the South African transition away from *apartheid* - comparable to the transition occurring in the former communist ruled nations - has taken place in the context of internal and external pressure to adopt neo-liberal reforms. Such reforms should integrate the nation more comprehensively into the structures of the global political economy - the question is, will it and can South Africa replicate some of the more successful emerging economies or will it go the way of some of the 'African economic disasters? (Cheru 1997:230) This has been considered in chapters 6, 10 and 11.

At the same time it is necessary to consider the role of South Africa in the economy of Southern Africa. South Africa has been widely regarded as the economic 'powerhouse' of Southern Africa, and in a sense, the gateway to southern Africa. (Cheru 1997:219) While much is expected of South Africa there may be immanent problems. The outcome will have substantial spatial effects on major cities, particularly Johannesburg which is seen as the financial core of southern Africa.

#### **1.2.3 The role of urban planning.**

Even within the narrower concept of planning, town planning may be studied from many different angles; e.g. the legal, architectural, surveying, historical, sociological, environmental, geographic and economic. Inevitably, conclusions reached in one field of study will have implications in other fields of study. When making a decision on town planning each factor must be considered along with every other factor. Decisions cannot be taken purely on economic considerations alone, since what is desirable from an economic point of view, may be undesirable from other points of view.

The magnitude and the pace of change of the communications technology, finance, trade and industry require a different approach to planning. The slow bureaucratic

control-oriented processes of the past will have to be speeded up while the methods and approaches to urban planning must also change. Urban planning needs to be viewed in a wider scope with significant emphasis on economic planning.

The Development Facilitation Act (No. 67 of 1995) lays emphasis on the promotion of economic development through pro-active forward planning. It is clear the new political dispensation in South Africa has brought a new era for planning. The question may be posed whether this era is one where the planning norm is based on economic improvement of the people. In the rapidly changing world, professional people must constantly reconsider their roles and services rendered. This is clearly also applicable to the planning profession.

Without detracting from the importance of environmental issues, it is submitted that economic concerns are of greater relevance in urban areas. ***Economic forces cause environmental concerns***. This has been noted by planners. It is necessary to incorporate greater economic understanding, knowledge and information acquired into the planning system. This study strives to set out the *modus operandi* by which this can be achieved. These aspects are considered in Chapters 4, 8 & 10.

#### ***1.2.3.1 The role of government in economic and planning controls.***

A free market system without any controls will not succeed, but too much government intervention retards economic growth and productivity. A balance must be found while government can also play a leading role in promoting economic welfare. The question is at what level this balance is to be found?

Behrens & Watson (1996:12) feel that, minimal public intervention in layout planning results in maximisation of private choice. They believe that insufficient consideration is given to the implications of layout planning for the creation of economic opportunities. This argument needs thorough consideration.

The World Bank (1996:3) advocates smaller governments and urges that, where possible all government controlled enterprises should be privatised as the result is greater productivity and effectiveness. This privatisation includes government land holdings and government and quasi-government institutions with substantial land stock. What role can planners play to promote more rapid privatisation? Consideration has been given to the potential of government/private sector partnerships in Chapter 7 and the role that planners can play therein.

#### **1.2.4 The importance of property rights on property values**

Property is a very important instrument of investment. Land use provisions as well as the legal title thereof substantially affect property values. More attention should be given to the influence of planning and other legal provisions that affect property values. It is submitted that remedies should be approached along economic lines rather than a mere reversal of socio-political injustices.

The World Bank (1996:44) is adamant that an efficient response to market processes requires clearly defined property rights - and this will eventually require widespread private ownership which must be achieved through privatisation. Historic colonial land right prescriptions are imbedded in the legal structures of many developing countries, including South Africa. While certain significant changes have been made in the democratisation process and legal and policy prescriptions during the 1990s, it remains to be seen to what extent these policy changes will achieve their goals. This has been considered in Chapters 5, 10 and 11.

#### **1.2.5 Sectoral analysis and the devolution of control functions.**

The main arena of global competition has shifted from nations to cities. With this shift the various sectors of cities start to play a more important role. Competitiveness and productivity of these sectors should be measured. Sectoral economic bases need to be examined. As example, the concept is illustrated in the case study.

The entire structure of urban administration has been severely altered around the turn of the century. The new mega-city administrations pose a new challenge to city administrators and the South African government who has placed a high priority on local government economic development. The methodology and effect of this policy needs to be considered.

The role of local communities in economic and planning decision making is examined in Chapter 8.

#### **1.2.6 The influence of economic cycles on the urban form.**

It is a recognised phenomenon that capitalist economies change over time. Short (1996:71) distinguishes between short cycles of 3 to 10 years which he calls business cycles and the longer (50 year) cycles. It has been deemed necessary to investigate the effects of these cycles on the urban form with particular reference to the South African situation.

The study of economics and more particularly urban economics would be meaningless on its own, if not brought into the context of urban development and the planning

methodology required to optimise land use over **time periods**. Therefore it has been necessary to draw comparisons between economic events, economic cycles and the urban evolution.

The hypothesis is that, prior to the great recession in the late 1920s and early 1930s little academic attention had been given to economic cycles. The great recession caused economists to study the cyclical pattern of the economy, but those studies were mainly directed at long-term cycles. It was only from the early 1970s that shorter-term economic cycles became prevalent and started to have a meaningful influence on property development and planning.

A further hypothesis is that the cyclical movements in the economy do not necessarily correlate precisely with the property cycles. Even within the property market itself the cycles do not necessarily correlate with various kinds of properties or in various areas. It is therefore necessary to study the economic and business cycles, the general property market cycle and individual sectoral cycles. These sectoral cycles should be studied in geographical context as well in the context of different kinds of properties.

These aspects are considered in Chapter 9.

#### **1.2.7 The postmodernist paradigm of change.**

The main thrust of the 'post-modernist' thinking relating to urban planning is that the needs and wants of the individual should hold preference to the greater community. These needs and wants are largely centred on economic issues. The need for economic enhancement of the majority of the population is specifically relevant in countries like South Africa where there is a great diversity of cultures and wide spread poverty with a substantial gap between the wealthy and the poor. This is considered in Chapters 2, 7 and 10.

#### **1.2.8 The future of the urban form of the major South African metropolitan areas.**

It is submitted that South Africa has reached a socio-economic cross-road. Various somewhat idealistic economic proposals, such as the G.E.A.R. policy have been made by government but little is spelt out about the implementation thereof. The future of South African cities is dependent on the economy of the nation. It is therefore necessary to consider certain scenarios regarding the economic future that will influence the future of the urban form.

Wastage of land and development opportunities is an important factor which is retarding economic growth in South Africa. There are vast opportunities for development and job

creation on state land. Some specific illustrations hereof are conveyed in Chapters 6, 11 and in the case study.

Economic forces influence the lives of most people. By studying these economic forces urban planning can react to ease some of the tensions brought about by economic pressure and in so doing, can improve the quality of life of urban dwellers.

### **1.3 METHODOLOGY**

#### **1.3.1 Hypotheses**

A number of hypotheses have been posed above. These hypotheses and the subject matter affecting them have been considered in the body of the thesis. Thereafter conclusions relating to the hypotheses have been made.

Recommendations are made in their context and summarised in Chapter 12.

In order to achieve these objectives the following methodology has been implemented:

#### **1.3.2 Literature**

1. Study the readings of leading authors and academics on the subjects set out in the goals and objectives above.
2. Study the latest readings on urban planning and global economic trends and tendencies.
3. Study readings on the latest thoughts on urban development, urban planning and economic influences, which affect or are likely to affect the urban form of South African cities.
4. Study urban and regional planning policies, acts and ordinances.
5. Study government policy relating to macro and micro economics and consider critique from experts in this field.
6. Study statistics and factual data on global and local economic trends.
7. Consider the major needs and wants of society at different levels to determine the influences thereon on spatial needs.
8. Study reports on the spatial development trends of a wide variety of cities, with particular reference to South African cities.
9. Read and consider reports on global and local economic trends and policies.

### 1.3.3 Empirical Studies

Detailed valuation reports involving studies of virtually all urban areas in South Africa were carried out in the period 1976 - 1995. Specific empirical studies relating to the Group Areas Act (1972 - 1983) and coastal developments (1980 - 1991) were executed. An empirical study of property price cycles in South Africa was executed in co-operation with Unit for Property Research at the University of Stellenbosch (1986 - 1991).

Some of the theories expounded during the course of the study have been more practically introduced in the preparation of a case study where much empirical studies and observations have been made.

### 1.3.4 Personal Observations

South African Property Owners USA property tour 1981.

Attend international annual conferences of the Urban Land Institute:

Washington D.C. 1986

San Antonio 1989.

Attend International Real Estate Academy courses:

Miami 1987

London 1988

Stockholm 1989

Oxford 1990

Personal inspections of numerous world cities have been made on numerous occasions for study purposes, between 1981 and 1991. These cities include: London, New York, Tokyo, Paris, Frankfurt, Brussels, Amsterdam, Madrid, Barcelona, Stockholm, Oslo, Copenhagen, Helsinki, Zurich, Atlanta, Miami, San Francisco, Chicago, Los Angeles, Rome, Athens, Hong Kong, Istanbul, Bangkok, Rio de Janeiro, Guatemala City and San Jose (Costa Rica).

Continuous inspections for valuation purposes have been made of all urban areas in South Africa (1966 - 1995).

### 1.3.5 Conclusions

- It is an objective of this work to draw conclusions from the above and to make recommendations and to extrapolate expected future trends.
- Try to present the findings in a comprehensible and meaningful way.

### 1.3.6 The structure of the thesis

The dissertation is divided into three parts:



The **first** part deals with cities, **planning theories** and **regulatory structures** with specific reference to the South African situation. An overview is given of urbanisation patterns leading to modern trends and tendencies which have more recently been heavily influenced by economic globalisation. Certain international changes have been noted and their influences on developing nations, particularly South Africa, considered.

This part also deals with **urbanisation** and **urban economics**, illustrating the relevance of economic influences in the urban form. The history and phenomenon of urbanisation from international to local level and from the macro view to a micro level is reviewed, with specific reference to the South African situation.

The object of this review is to compare the past and present South African situation to those of other comparable situations to determine how the unique South African urban planning policies of the past have influenced the urban form. Thus these situations can be identified so that recommendations can be made as to how problems may be remedied.

It has been necessary to view the **legal structure** of property and property rights as they have a profound influence on planning policy and eventually the urban form. Legal prescriptions are the result of socio-political influences, which strongly influence the implementation of planning thoughts, conceptions and implementation.

In this part certain planning theories and tendencies on both global and local bases have been considered. Recommendations have been made as to how economic planning should be integrated into spatial planning.

The **second** part considers **economic influences** that are relevant to the property market and planning considerations. The economic and market force influences which affect urban development have been considered with the object of illustrating which factors exert the most pressures and influences on urban form and urban planning. With this determination in mind, projections can be made for future scenarios. These factors have also been considered at various levels ranging from the micro level to macro economic issues.

One of the submissions in this work is that the urban structure should be analysed on a sectoral economic basis to ascertain the economic role which is played by various sectors within the economic whole of the urban area, the province, the nation and in a global context. Thus the economic bases of various sectors must be considered as it is submitted that each sector of urban activity should be recognised as contributing to the whole.

Economic activity is cyclical by nature. It is important that these economic cycles be identified and considered in urban planning. Thus **economic cycles**, and more specifically

the urban economic cycles have been considered so that recommendations can be made as to how their affect on urban environments can be considered in urban planning.

This part also strives to draw a comparison between economic cyclical events and the property cycles, to indicate which economic aspects affect the property cycle in which manner. Consideration has been given to the timing differences between economic and property market cycles.

The **third** part includes the **conclusions**, which have been reached and some **future expectations** of economic and development trends. The role of planning and its relationship to market forces and economic policy has been thoroughly considered. Various **recommendations** have been made.

Few countries have undergone the degree of political change experienced by South Africa in the past decade. Now the economy is in a crucial stage and much hinges on the implementation of the sound theoretical proposals that have been set out by government. Planning must play an important role in this phase. As South Africa's economy becomes part of the global business network, planners face major changes - to keep in step with rapid technological innovation, global competition and continuous shifts in markets.

There is little doubt that the world economy is in a rapidly changing phase. Much has been written about the necessity to adapt to these changes, but the more detailed implementation thereof, particularly in the South African context, is still unclear. It is submitted that Urban Planning is a major aspect of concern regarding these changes and that planners can play a leading role in the execution of beneficial essential change. This work endeavours to coerce specific ways of implementing these necessary changes.

***Recognising the need to change is one thing; putting it into effect is quite another.***

The **final** part contains a **case study**.

The study covers a metropolitan sub-region that contains a full mix of income sectors. It serves to illustrate the importance of sub-regional economic enhancement and development.

This case study illustrates the role of market forces in urban planning in a practical way.

#### **1.4 SUMMARY**

The hypotheses which are to be discussed and the methodology that has been followed in the body of the thesis has been set out in this chapter. Particular attention is given to South African cities.

This work concentrates on the influence of contemporary **economic forces** and trends such as globalisation, on **urban planning**. Bearing in mind the influence of this combination on the economics of urbanisation and consequently on the urban form and the resultant socio-economic life in cities, it has been deemed prudent to consider the subject of urban economics briefly in the following chapter.

# CHAPTER 2

## URBAN ECONOMICS AND GLOBALISATION

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# CHAPTER 2

## URBAN ECONOMICS AND GLOBALISATION

### 2.1 URBAN ECONOMICS

There can be little doubt that urban economics affects urban land planning. The subject of urban economics lies at the core of this thesis and therefore needs some consideration as an overview.

The approach to the subject of urban economics has passed through various phases over time. Although one can trace the foundations of the subject back to the study of urban land economy in the late nineteenth century, the first collegiate course materials dealing specifically with this field were published in the US in 1922<sup>1</sup>. While extensive work on urban problems was undertaken in the German-speaking countries in the period between the two World Wars, modern urban economics is more closely related to regional economics, which is the subsection of economics that gave rise to urban economics in Second World War. Early work in this field was predominantly American, with pioneering studies of the internal structure of the developing American city being produced by H. Hoyt (1933). The major subsequent studies also emanated from the USA since the 1960s, notably the application of economic analyses on transport and location decisions in urban areas. (Segal 1977:7)

#### 2.1.1 Definition

Urban economics is sometimes seen, not as an agglomeration of various issues including economy, sociology, geography, planning, finance, *et cetera* but as a study of various aspects of the urban economic activities within a city. The studies of the economics of transport, communication, locality and planning have all been dealt with as separate subjects on many occasions. The mere geographical analysis of cities, their establishment, growth, production, and their renewals or decline have all been subjects of numerous in depth analyses a list of which is deemed superfluous.

*Urban economics* may be described as that division of economics, theoretical and applied, which is concerned with urban land as an economic concept, and with the economic

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<sup>1</sup> Land economics was first recognised as a course for collegiate study in 1892 when Richard T. Ely offered a seminar on Landed Property at the University of Wisconsin. Formal recognition as a separate field came in 1919 when a Division of Land Economics was established in the US Department of Agriculture. (Barlowe 1986:3)

relations which grow out of land as property.(Mahoney 1974:3) It presents a broader view of *urban land economics*. The former includes not only aspects of land economics but also the general economics of an urban area. The latter deals with the economic relationships people have with others regarding urban land and refers more specifically to the aspects of spatial demand and supply of property within the city or town. (Barlowe 1986:3) Urban land economics may be described as the study of the location choices of firms and households. Urban economics could therefore include all spatial and aspatial aspects of macro and micro economics in a specific urban area. Lewis (1979:5) views urban economics as a *"collection of economies."*

Differentiating it from other fields of economics, Bish & Nourse (1975:27) considered the major characteristics of urban economics based on the location theory, while focusing on spatial aspects, particularly the spatial aspects of large urban agglomerations.

Lean & Goodall (1966:2) recognised that every field of study in economics involves every other field, for example, the study of land use inevitably leads to a study as to how labour and capital are used with land to produce goods and services.

Towards the end of the 1970s most writers agreed that there was no clear dividing line between the various fields of study:

*"In short, the economy of the town is the economy of several different sets of people and firms often overlapping in their membership, and all with economies that interact with each other".(Lewis: 1979:2)*

In a more contemporary approach, Tomlinson (1994:10) indicated two ways of looking at cities - neither of which he viewed as incorrect:

**One** approach examines the restructuring of the international economy - the decentralisation of production and service functions, global financial and commodity markets, the centralisation of control functions within giant corporations - and then considers the implications of this for the movement of capital and labour throughout the entire world system of cities and regions. Within this approach, the fortunes of individual regions and cities are determined not by their specific locational advantages, but by the strategies of capitalists and the manner in which they are affected by state policies.

The **second** approach examines specific places: their economic bases, the predominant political interests and social divisions operating there, and the potential for coalitions that promote development. (Tomlinson 1994:10) Potter & Lloyd-Evans (1998:53) refer to an analysis of an urban system, defining it as the total set of towns and cities that together make up the settlement fabric of a given area, be it a region, nation or entire continental

division. The urban system consists not only of a set of physical objects - in this case the urban settlements - but also of the flows and linkages that serve to bind them together. These flows are of people, capital, factors of production, ideas, information and innovations. Urban systems are adaptive, continually changing and shifting their structures and external linkages.

While the first has not been ignored, the second approach is deemed to be a more relevant application to this thesis. A **third** approach may be added, being the role that planning and planners can fulfil in improving the quality of urban life. A case study illustrating the influence of market forces on urban planning rounds off the overall contents of this thesis.

### 2.1.2 Urban economists

Given this rather simple definition of the subject matter of urban economics, it is worth pondering for a few moments the question of why it has taken economists so long to become involved in the planning of our cities.

- The **first** reason is that there had been a pronounced feeling or policy of "*anti-urbanisation*" for many years or even centuries. This approach was particularly prevalent in Britain. Historically, the tendency had been to accept cities as unpleasant economic necessities and to concentrate on the supposedly more important problems of agriculture and rural life. In South Africa, this was emphasised by certain political policies after 1948 and in particular the restrictions on free movement of certain racial groups, particularly in the 1960s. This has now changed. (Botha 1990:130)
- A **second** reason why economists were slow to take an interest in urban matters is that town planners were formerly reluctant to recognise the importance of economics in the planning process. Urban planning until the 1960s was a physical exercise: town plans constituted the preparation of cartographic maps of how the land-use patterns of cities should develop. This attitude prevented economists and other social scientists from actively participating in the solution of urban economic problems. In South Africa, this difficulty was magnified by racially oriented legislation, and did little to encourage academic research into urban economic problems. British writers contend that there is a high correlation between the changing attitude of planners and the growth of urban economics. (Button 1976:5)
- **Third**, planning is not merely concerned with economic efficiency, but also with equity. In the traditional fields of economics, the emphasis was on devising rules for achieving the optimum allocation, production and distribution of resources; in other words, maximisation of production efficiency. Planning is more akin to political economy and

deals with housing, pollution, crime prevention, environmental and racial issues and poverty, all of which cannot be treated in a purely objective way. Before urban economics could become a viable field of study, it was necessary for economists to realise the wider political and social framework within which they had to develop their theories. (Button 1976:6)

Sociological and behavioural aspects, needs and desires, politics, and cultural trends cause a different end result in economic theories when property is compared to most other commodities. The factors, which make urban economics somewhat different from many other fields of economics, are a major reason why traditional or even most modern economists are hesitant to involve themselves heavily in the field of property. (Button 1976:6)

- The **fourth** reason is more straight-forward: the basic techniques of 'Marshallian microeconomic analysis', with their emphases on perfect markets and minimal government involvement, were founded on a number of implicit and explicit assumptions, many of which are not tenable in an urban setting. (Button 1976:6)
- The **final** reason is that, although (mainly American) cities have been competing for industries for a number of years, it is only more recently that cities have begun to compete directly with each other on a wider scope (to attract more than just industries, e.g. tourism and the services sector). This competition has resulted in specific measures being compiled with which the performance of cities is measured. (O'Sullivan 1996:29)

### 2.1.3 The Urban Economy

Previously, the study of cities implied a study of geographical space as opposed to a national or global economy, but the traditional Marshallian neo-classical or even the Keynesian economic theories, which were developed at the turn of the century, make no allowance for this additional dimension. Urban or spatial economics is primarily designed to consider the determinant of prices and outputs at some predetermined location. This emphasis was not altogether surprising; in Marshall's day much of the UK industry was tied to immovable sources of power and raw materials, and consequently location was almost always predetermined by geographical factors. Although it is possible to circumvent this limitation by modifying the basic theory and treating distance as a cost of either production or consumption, other issues have proved more difficult to resolve. (Button 1976:6)

The urban economy constitutes an 'imperfect' world, and is characterised by widespread external factors, such as costs and benefits, which are not reflected in the prices at which



goods are bought and sold. The existence of these external effects makes it difficult, if not impossible to allocate or utilise economic resources optimally. In addition, investments tend to be sporadic and often exhibit considerable economies of scale, which makes traditional marginal analysis inappropriate. (Goldberg & Chinloy 1984:264)

O'Sullivan (1996:3-5) divides urban economics into four related areas:

1. Market forces in the development of cities,
2. Land rent and land use within cities,
3. Spatial aspects of poverty and housing, and
4. Local government expenditures and taxes.

It is submitted that these areas as set out above, are in the correct order of importance to planning decisions.

Despite the rapid expansion of interest in urban economics, no distinct and irrefutable boundary to the subject has been agreed as yet. This may be due to the increased diversification of economic influences on cities. O'Sullivan (1996:5) aptly argues that there are three predominant problems to demarcating urban economics within a single, comprehensive and workable definition.

- **First**, and probably the most important, it is impossible to study the urban economy in purely economic terms; full cognisance must be taken of the historical, political, sociological, planning and geographical perspectives on urban activities. It also encompasses an analysis of human behaviour. The study of cities must, by virtue of the nature of urban agglomerations, be multi-disciplinary. This is not to say that one cannot concentrate on the economic aspects, but rather that one must always remember the wider dimensions involved.
- **Second**, cities form part of a much larger economic system; most cities play important roles in regional activities, while the largest can influence the course of the national economy. Consequently, many urban problems cannot be treated in isolation but must be placed in a much broader context.
- **Third**, although it is the least intractable problem in many ways, it is difficult to define the physical boundaries of urban economies. It is generally agreed that an urban economy is characterised by proximity, production specialisation, affluence and technology, but this provides little insight into the problems of defining the geographical confines of the urban concentration. This tends to place the urban economist at some

disadvantage relative to his colleagues who are concerned with national economic problems.

#### 2.1.4 Spatial economics

Spatial economics is a narrower field of urban economics and concerns the theories of economics and location. This can be viewed from two angles; from the concern of economic activity, which requires physical space, and from the view that available land should be economically optimally utilised. The latter study is often referred to as Land Resource Economics. (Barlowe 1986:1)

*"Location theory not only explains the pattern of land use, but by indicating a solution to the problem of what is the most rational use of land suggests ways in which the current pattern can be improved."* (Balchin & Kieve 1982:16)

Spatial economics examines the 'where' of economic activities. O'Sullivan (1996:2) says that urban economics explores the spatial aspects of urban problems and public policy. This definition is more apt in describing urban land economics. The concept of economic location assumes that some areas enjoy locational advantages over others. (Barlowe 1986:31) This relates to the view of locational theories as described by Alonso (1964).

Most economic activities create spatial influences that obviously affect planning considerations. These two concepts, economic structure and spatial structure, interact to form what is sometimes termed 'static equilibrium'. (Vickerman 1984:38) The location of economic activity is the central concern of spatial economics and hence forms a key part of any discussion of a local economy such as that of a city or region. Theories of location set out to achieve two goals: **first**, they need to provide some account of where a given economic activity will locate, given an existing spatial structure of the economy in question, and **second**, there is the market equilibrium problem of what sort of equilibrium spatial structure will emerge from a complete set of individual but interdependent location decisions.

There are various dimensions to this market. There is the spatial structure of firms or plants in a given industry, there is the structure of land use within a given area (the spatial organisation of the individual city) and there is the degree of spatial specialisation or competition within the economy as a whole. The mixture of industrialisation and urbanisation emerges from an interplay of the first two sets of market operations. From time to time various writers have considered different models of locational theories, e.g. Alonso (1964), Leahy, McKee & Dean (1970) Newell (1977) Lewis (1979) Harvey (1987) et al.

At the macro level the increasingly interdependent nature of the global economy is resulting in profound spatial restructurations - deepened by concentrations of economic activity and growth, and dramatic migrations of people to certain concentration points. This is also causing devastating dislocations and peripheralisations in numerous third world countries, with the exception of a few regions. This intensified pressure towards potential marginalisation and irrelevance is acting as a significant external threat to the locale (urbanity), which spurs and acknowledgement amongst various local stakeholders to accept a degree of commonality of interests in order to attract productive investments, boost local industrial capacities, improve the image of the region, develop appropriate human resources, and invest in local cultural capital. (Pieterse 1997:4)

Soja (1989:187) aptly points out that every dimension of economic and technological change has a spatialising effect.

*"Never before has the spatiality of the industrial capitalist city or the mosaic of uneven regional development become so kaleidoscopic, so loosened from its nineteenth century moorings, so filled with unsettling contrariety."* Soja (1989:187)

Technological change has played a fundamental role in shaping the arrangement of economic activity on the landscape.

*"Each bundle of innovations has allowed a radical shift in the way that space is organised and therefore opened up radical new opportunities for the urban process."* (Coyle 1997:201)

Harrison (1996b:7) contends that economic and technological change is associated with new regional geographies that are replacing or are being superimposed upon pre-existing spatial patterns. Yet, Ellin (1996:189) points out that while contemporary urban design largely breaks from the modern project in theory, its implementation is nonetheless embedded in it.

Silicon Valley, south of San Francisco serves as an example of developments caused by technological change, which was driven and created through market demand, rather than by planning proposals:

*"The valley is an existential creation: nobody said 'lets build an entrepreneurial technological centre'."* (Zhou 1997:23)

The rapid changes taking place around the turn of the millennium has upset most economic spatial equilibrium patterns, particularly in developing countries and in large global centres.

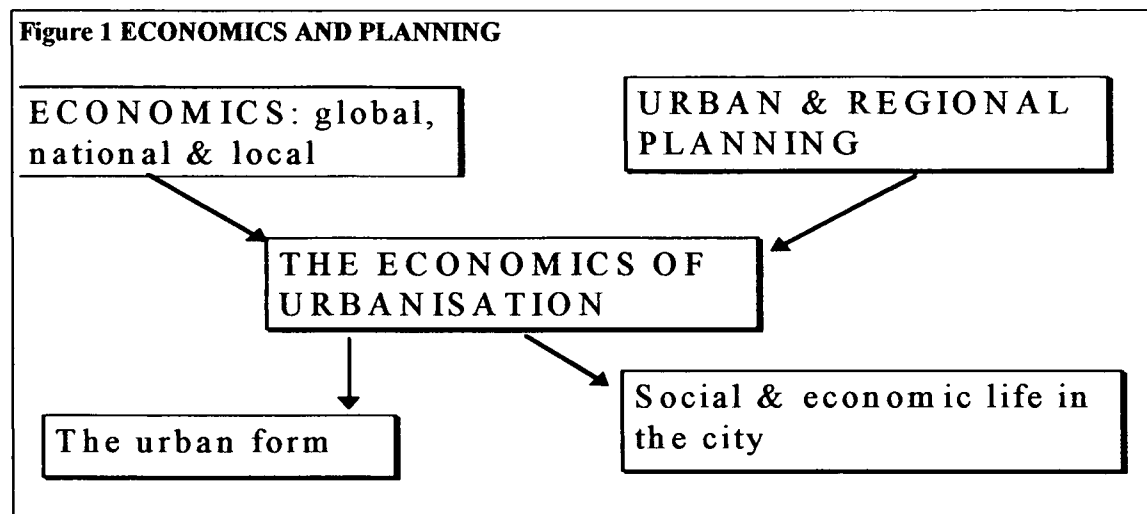
Every piece of land is unique because of its specific locality. It is relatively fixed in supply, particularly in the short term. Land use decisions may have long-term effects or be

irreversible. (Goldberg & Chinloy 1984:xii) Laws, customs and public opinion impose major constraints. Because of population and economic growth associated with industrialisation, urbanisation and ownership, land as such has given rise to both idealistic and emotional attitudes. These attitudes mean that within the process of change, the discipline of economics has to be extended to take account of the special significance of land as a factor of production. The decisions of public and private owners and occupiers of land bring about change in the physical environment. Their decisions are influenced by professional advisers operating within the institutional and private sector framework.

In order to provide a sound basis for optimal decision-making on land economics, it is essential for people to improve their techniques of measurement and prediction and to assess the implications of alternative plans by taking into consideration both quantitative and qualitative factors, including an analysis of the impact on the environment. They must also take market values and private costs, social values and community costs into consideration.

The outcomes observed in urban growth and change, transportation, housing, poverty, planning and zoning, education and so on, are the results of many individual choices where individuals selected one particular alternative which in turn led to still further choices by others. The (post)modern information technology greatly enhances the possibilities to incorporate a wider range of inputs into planning and decision-making.

The confluence of economics and urban planning can be diagrammatically illustrated as follows:



It is submitted that the subject of urban economics has become too broad and diverse to be regarded as a single subject in the modern (or postmodern) education curriculum. The subject is wide enough to encompass an entire diploma or degree course.

## **2.2 GLOBALISATION**

Throughout the world global forces have been transforming the economic bases of metropolitan areas. The new logic of production, employment, and distribution has engendered changes in land-use and social occupation. Fainstein, Gordon & Harloe (1992:1) argue that it has caused a reordering of the urban hierarchy and of the economic links between places. The issue of globalisation has attracted much interest in urban studies, through an attempt to analyse the relationship between the structural development of global cities and macro-economic policies. This agenda has seen a shift away from theorising which focuses solely on the internal processes affecting city structure, to an approach which aims to enhance our understanding of the ways in which global economic and social processes influence city structure and the built environment, and the resulting effect on the social and political organisation of the city. (Potter & Lloyd-Evans 1998:115)

Globalisation is not a new phenomenon. Highly integrated markets contributed to the rapid growth of trade and output during the period of the gold standard prior to World War 1, but two world wars, the Great Depression, the adoption of central planning in a substantial part of the world economy, and the pursuit of protectionist and interventionist policies in many countries seriously disrupted international economic and financial interactions. Went (1996:6) contends that globalisation is not a direct result of revolutionary technological innovation, but that these innovations have become possible as a result of social relationships.

### **2.2.1 Definition**

A myriad definitions and understandings of the term 'globalisation' have been proposed, with differing emphasis, depending on the disciplinary orientation or the theoretical inclination. In this work the emphasis is placed on economic globalisation and more specifically on how it affects the urban form. Theories of globalisation have been used to refer to a number of processes.

Broadly, globalisation refers to the multiplicity of linkages and inter-connections that transcend the nation-states. It defines a process through which events, decisions, and activities in one part of the world can come to have significant consequences for individuals and communities in distant parts of the globe. (McGrew 1992:65) For King (1995:220) globalisation is seen to be the intensification of global connectedness, the constituting of the world as one place.

*"Globalization is also seen to have a 'differential reach', with its consequences not uniformly experienced across the globe. Hegemonic states in the inter-state system work to impose a form of world order which attempts to encourage openness and*

*interdependence, but which also reinforces inequalities of power and wealth both between states and across them.*" (King 1995:221)

Globalisation may be viewed in two interrelated dimensions:

- **scope** (or 'stretching') which defines a set of processes which embrace most of the globe or which operate world-wide; and
- **intensity** (or 'deepening') implying an intensification in the levels of interaction, interconnectedness, or interdependence between the states and societies, which constitute the modern world economy.

Accordingly, along with this 'stretching' goes a 'deepening' of the globalisation processes, both of which have spatial connotations.

*"A myriad different processes co-exist and constitute each other in these processes of 'stretching' and 'deepening', with particularly manifest consequences in urban spaces."* (Pieterse 1997:2)

Some of the more significant processes include:

#### **2.2.1.1 Global Trade**

The opening of national markets and the spectacular **increase in volumes of trade** over the past few decades has caused increasing **regionalisation** of economies, manifested in free trade areas, and the emergence of the triad polarisation (US, Europe & Japan).

*"In plaats van de vroegere nationale markten is een mondiale markt tot stand gekomen, die de natuurlijke strategische horizon vormt voor grote bedrijven, beleggers en speculanten."* (Went 1996: 11)

**Flexible specialisation** meaning that in principle at least, globalisation creates the opportunities for societies to make the best use of their comparative economic advantages:

*"...allowing high-tech America to produce jetliners, software, financial products and professional services, while Malaysia can assemble circuit boards and Brazil can get the best price for its steel."* (Time Magazine 1998:14)

The internationalisation of production and trade was made possible by and in turn gave rise to a new pattern of international finance which is organised through a number of different markets, mediated and controlled by a wide variety of finance capital institutions. Banking lies at the traditional heart of the global financial system. A global system of supply and circulation emerged in place of the bilateral funding arrangements, tied to trading blocs and dominated by governments that existed at mid-century. (Clark 1996:84)

### **2.2.1.2 Communications**

Profound developments in **telecommunications technology** which has served to shrink 'space' and 'time' to allow for much greater flows of information, goods, services, knowledge, ideas and money.

### **2.2.1.3 Technology**

The ascendancy of **information industries**, which are propelled by the dramatic increase in the speed of technological innovation, has resulted in the development of clusters of 'high tech' industrial parks.

### **2.2.1.4 The mobility of capital**

Capital now moves at a speed and in volumes that would have been inconceivable just a few years ago. (Camdessus 1998) Through transnational mobility, capital can counter attempts at regulation by states - which are in competition for scarce investment resources - and make the essence of *raison d'être* to pay court to this structural power. 'Business confidence' now more than ever, determines the direction of capital flows, the availability of finance, and future investments, upon which future production, employment, and tax revenue depends. (Ryner 1997:22)

The financial services industry is on the frontier of the information technology revolution in economics. The economic engine of the financial services industry is the production, transformation, distribution and consumption of digital information. "*It is in the front line of the shift towards [the] weightless world*". (Coyle 1997:20)

Hutton (1996:312) believes that the world financial system is spinning out of control.

*"The world has been turned on its head, with the real economy driven hither and thither by financial speculation."* Hutton (1996:312)

The global financial system is mediated by a number of institutions, including the International Monetary Fund, which set policies and regulate credit and exchange rates, and the World Bank, which arranges and provides multilateral aid for development. (Clark 1996:85) The World Bank and the International Monetary Fund however, are adamant that all countries benefit from access to global capital markets and from the improvement in resource allocation that is associated with market-based competition for financing both within and among economies. (International Monetary Fund 1998:V7)

### **2.2.1.5 The polarisation of global finance to global cities**

Short (1996:37), Sassen (1991) and others identify London, New York and Tokyo as the dominant financial power of the past 150 years. Sassen (1991:4) refers to "*a new type of city*" - the global cities. She argues that, the fundamental dynamic posited here is that the

more globalised the economy becomes, the higher the agglomeration of central functions in relatively few sites, that is, the global cities.

#### ***2.2.1.6 The spread of information and knowledge***

Coyle (1997:22) argues that guiding people around information is more valuable than producing information; knowledge is more or less free but time is money. She substantiates this argument on the fact that the weekly TV Guide in the US makes larger profits than the four major television networks combined, and quotes Krugman saying "*A world awash in information is one in which information has very little market value.*" (Coyle 1997:23) Yet, in practice, much information is sold on the Internet (with some notable exceptions of the prolific writings of Krugman).

#### ***2.2.1.7 The services industry***

Developments in production and finance are associated with, and are in part dependent upon, the growth of the international service economy. Service activities, which were once domestically bound, have reorganised on an international basis so as to serve the needs of businesses operating across the globe. This trend is reflected in the rise of the advanced producer services sector that provides support services to industry and trade. (Clark 1996:86)

Sassen (1995:65) contends that cities are key sites for the production of services for firms. Hence the increase in service intensity in the organisation of all industries has had a significant growth effect on cities in the 1980s. The growth in services for firms is evident in cities at different levels of a nation's urban system; regional, national and global. In this context, globalisation becomes a question of scale and added complexity.

#### ***2.2.1.8 Multinationals***

Globalisation has brought about the centralisation of corporate control and a shift from an international to a global economy. (Lyons & Salmon 1995:99)

A vast portion of the world economy is controlled by a small number of powerful transnational corporations that dominate global networks of production and consumption. They have a disproportionate influence over supplies of raw materials and manufacturing capacity, and determine and direct patterns of spending through advertising and promotional activities. They dominate and control the key economic sectors. Transnational corporations are supported by banking and investment institutions that manage and manipulate global finance, and by a range of organisations that provides producer services in the form of management consultancy, legal, personnel and marketing advice, on an international basis. The organisation of the world economy is made possible by and is



maintained through an international division of labour in which the tasks which people perform, their working conditions and their rates of pay are determined by the requirements of global capitalism. (Clark 1996:7)

The transnationalisation of production involves the manufacture of global products, with global brand names, which are assembled across the world from components made in a number of countries. It is achieved by direct investment by firms from the core economies in developing countries, a practice that increased significantly in the 1980s. Clark (1996:81) refers to the emergence of a 'global factory' as the representative unit of production under transnational corporate capitalism. This obviously has spatial implications.

Clark (1996:88) argues that transnational corporate capitalism produced and is producing urbanisation in the developing world both directly, as a consequence of urban growth and in response to localised investment, and indirectly through its impact on traditional patterns of production and employment. He believes that the former arises because economic exchanges between core and periphery are spatially focused and so lead to a concentration of globally related economic activity in urban places.

Beauregard (1995:234) contends that, within the overall perspective only two categories of actors are deemed significant on the world stage - transnational corporations and national states - and the former are the most powerful. He argues that, lacking international political bodies of sufficient power to control international finance and production, the world is primarily integrated economically and only secondarily is it integrated politically.

#### **2.2.1.9 Democratisation**

Conceptions of historical change can be related to the idea of an active process involving *international human collective action*, understood as a social movement, as a potential, and as a normative goal of human emancipation. This goal should include the aim to promote greater social equity and an enhanced diffusion of power; the standard of non-violence in dealing with conflicts; and the principle of the equality of civilisations and their perspectives on world order. By perhaps helping to form a global collective political will, progressive political forces might be synergised, so as to democratise the restructuring processes associated with Anglo-American style capitalism, and more broadly the trends towards neo-liberal forms of 'economic globalisation.' (Gill 1997a:4)

*"The globalisation process is a hierarchical one, and is associated with economic constraints and political pressures - or forms of discipline in society".* (Gill 1997a:51)

Even countries like China, who have not accepted a capitalist economy internally, are bound to accept globalised capitalist economics as the major instrument of trade and

finance. This momentous development forces us to think anew about the world economy. In the past, differences in political policies across regions of the world resulted in vast differences in economic performance, but in future, policies are compelled to become more similar. The question may be posed: Will urban planning also become 'democratised'?

#### ***2.2.1.10 The shrinking influence and power of the nation-state***

In practical, imaginary and symbolic terms, trade barriers are coming down and technological capacity makes national boundaries more porous in terms of external political and cultural influences through media flows. These processes are intertwined with the highly influential and mobile discourses, structural adjustment, decentralisation of government powers, and limited state involvement in terms of the compelling neo-liberal policy agenda.

Globalisation causes less government control over the global economy. Clearly modern information technology makes such control very difficult. Consequently, more regional trade agreements have emerged. According to the World Trade Organisation 109 regional trade agreements were signed between 1948 and 1994, of which a third were signed during the last 4 years of this period. (International Monetary Fund 1998a:37)

The decreasing influence of the national state is countered by a growing strength of global governance like the World Bank and its agencies addressing the numerous economic, social, political and environmental problems. It is also accompanied by greater powers at urban levels.

#### **2.2.2 Economic Inequality**

Social and economic outcomes in the form of opportunity, advantage, injustice and poverty are global in extent and implication. (Clark 1998:7)

The Organisation for Economic Co-operation and Development prophesies that the new global age could result in sharp cuts in poverty, the world over by the year 2020. This argument is not universally accepted. Others argue that the income gap between the well educated and the lesser educated is widening due to a higher level of specialisation and the growth of dependence on sophisticated high technology systems. (International Monetary Fund 1997a:37) (See Chapter 10)

Sachs (1997:19) believes that large parts of the developing world will narrow the income gap between themselves and richer nations. Yet he feels that many developing countries will be left far behind. It is submitted that the strugglers will be those who fail to comply with modern economic planning and the implementation thereof. He says that a new urban order is emerging from the contest between political power and social meaning in world

cities. Commercial pressure for central locations, the growing power of the mode of investment, and the emergence of new social groups are taking place at the same time as deindustrialisation pressure on the poor and the emergence of an underclass marginalised by economic change. (Sachs 1997:20)

The phenomenon of globalisation can be diagrammatically described as follows: Many of these aspects will be dealt with in Chapters 7 & 10.

TABLE 1: DIAGRAMMATIC ILLUSTRATION OF THE GLOBALISATION PHENOMENON

CAUSES/THE SCOPE	ACTIONS	CONSEQUENCES	RESULT
Global Trade	Diminishing trade barriers	Flexible specialisation Increased global competition Customisation	Opening of economies to market oriented systems Regionalisation of economies Strengthening of the Triad
Communications	Telephones, fax, Internet	Centralisation of services	Dominating global cities
Technology	Increasing use of PCs	Deindustrialisation High Tech. Industries (Technoparks)	Labour mobility Passenger & commodity mobility
International mobility of capital	International investments	Higher returns Diversification of investments Short term speculation	Growth of services industries
Spread of Knowledge & Information	Dispersal of information	Increased educational levels Inter city competition	Growth of tourism & increased international travel
Democratisation	Democratic elections & the demise of centrally planned economies	Decrease of nation state controls Decreasing influence of trade unions Global governance - Influence of international agencies	Widening income gap & the marginalisation of the poor. International human collective action

These elements effectively reconfigure the economies, politics and cultural sensibilities of urban areas and are therefore absolutely important for the business of social movements that seek to influence and shape the urban context. These trends also point to the significance of the 'new' context within which urban and local governments have to define their strategic political economic choices. (Pieterse 1997:3)

Globalisation is thus highly significant for particular places, especially cities because they represent and are the convergence (and production, in some cases) points for these processes. They are also significant in a very different way for those places, which are further marginalised through these trends. Both aspects make it highly relevant for South African urbanists. It is in urban spaces that these global flows are negotiated, constructed, reconstructed and resisted. (Pieterse 1997:4)

**Eurocentrism** claims that imitation of the Western model by all peoples is the only solution to the challenges of our time. Amin, (1994: vii) Nevertheless, the concept of globalisation is a dialectical one: as defined here it is also taken to include politico-economic and socio-cultural counter-tendencies.

The International Monetary Fund (1997b:6) argues that there is no doubt that globalisation is contributing enormously to global prosperity. Yet there are some perceived negative aspects of globalisation, including the effects on employment and real wages, especially on the low skilled in the advanced economies.

Asia, in particular, has been the showcase of the benefits of globalisation. In 1996, private capital flows to developing and transition economies reached an all time high of \$235 billion, of which nearly half went to Asia. Over the last several decades, the forces of globalisation have allowed many countries in Asia to accelerate investment and growth, create more jobs, reduce poverty, and attain other important human development goals. In Malaysia, for example, the share of the population living below the poverty line declined from almost 50 percent in 1970 to less than 10 percent in 1995. In Korea, the literacy rate increased from around 30 percent in the mid-1950s to over 95 percent in 1998. Globalisation has helped make such human progress possible. (Camdessus 1998)

But if globalisation offers many opportunities, it also holds two major risks. The **first** can be seen in the experience of Thailand, Korea, and Indonesia, all of which have suffered major financial crises during 1997/8, when investors lost confidence in their economies and large capital inflows turned into massive capital outflows. The **second** risk can be seen in the experience of many African countries. Countries that are unable to participate in the expansion of world trade or attract significant amounts of foreign capital risk becoming

marginalised from the global economy and falling farther and farther behind the rest of the world in terms of growth and human development. This marginalisation, in turn, poses the very real threat of economic stagnation and increasing poverty. The challenge for all countries is how to make the most of the opportunities that globalisation has to offer, while minimising these risks. (Camdessus 1998)

South Africa is heavily involved in the economies of Africa. In Southern Africa itself, South Africa accounts for 82% of the region's GDP while Zimbabwe, the next strongest country, accounts for a mere 8%. South Africa accounts for 62% of total imports and 70% of total exports. (Herbst 1997:1) Herbst holds the view that trade within the Southern African Region was never likely to be a major part of their economies because the total market was too small.

Globalisation is also directly linked to the information technology (IT) revolution. While the changes brought about by technology were substantial in industry and commerce, technology has completely transformed the financial services sector. (Alsop 1998:167) Technology also has a direct influence on urban planning in a variety of ways including the physical (CAD systems) technical (GPS systems) and information (GIS and Internet).

The International Monetary Fund (1997b:6) believes that globalisation is not a zero-sum game with some economies winning at the expense of living standards and employment elsewhere. If policies are adapted to meet the requirements of integrated and competitive world markets, then all countries should be better able to develop their comparative advantages, enhance their long-run growth potential, and share in an increasingly prosperous world economy.

### **2.2.3 The weightless economy**

Coyle (1997) sees globalisation as creating a 'weightless world'. Even in physical terms the output of the developed economies weighs about the same as the 20 times less valuable output of the same economies at the end of the nineteenth century. To her, the proof of the advancement of new technologies lies in the fact that the microchip in a musical greetings card contains more computer power than we had on the entire planet in 1945. (Coyle 1997:ix)

*"Weightlessness, symbol of the economic effects of the cluster of advances in information and communication technology, has much wider implications, however. Like any technical development, it interacts with other fundamental changes, such as demographic and social trends and the grand sweep of political history."* (Coyle 1997:ix)

Weightlessness can be found in various forms - from the mechanisation of industry, which increases joblessness - to the international financial markets where trade takes place in cyberspace.

*"The financial markets represent the ultimate weightless economic activity, located as they are in cyberspace."* (Coyle 1997:222)

Economic value is dematerialising - more and more of the economy does not consist of goods at all. Dematerialised commodities show no respect for space and geography. The world's biggest centre for foreign exchange dealing, one of Britain's biggest industries, is actually cyberspace. *"Financial traders are the pioneer cowboys on the frontier of the weightless economy."* (Coyle 1997:180) Weightlessness means that a growing share of economic activity does not have any national physical location at all.

*"Weightlessness is generating both political and economic forces driving the renaissance of our visible cities. In turn, their impending burst of development is going to change the landscape of business and of government."* (Coyle 1997:194)

Some people, notably those in the highest levels in business, government and academia, live communications-intensive lifestyles in a world in which, for them, time and space have ceased to have much meaning. Although the power of place may be in decline for some, it remains strongly entrenched for the majority of people over large parts of the world. (Clark 1996:121)

While some may argue that the dematerialisation of economic output, with the irrelevance of transportation, is essentially unbounded, Coyle (1997:203) suggests the opposite. The fact that in some instances work has been dispersed from an old city centre location to a suburban one, does not spell the end of the city or the city centre. *"If weightless production can occur anywhere, it might as well all take place in the centres where it has already started."* She feels that we are more likely to see massive urban agglomerations.

### **2.3 POSTMODERNISM AND THE NEW ERA**

The postmodernist paradigm stems from the globalisation phenomenon but, it is submitted, is not intrinsically an economic phenomenon - rather an artistic or social paradigm. As postmodernism affects urban planning it will be briefly considered.

The last few years have seen rapid growth in debate about the relationships between a *postmodern aesthetic* with its influence upon architectural, artistic and cultural styles, a *socio-economic 'condition' of postmodernity* which is overlaid on a global economic restructuring of space, and a *postmodern paradigm of knowledge* which is heavily influenced by poststructuralism and information technology. (Watson & Gibson 1995:1)

Accompanying the much celebrated demise of the authority of Western modernism, it is now evident that there has been a marked opening up of the global processes of social, political and cultural transformation in post-industrial societies to forms of spatial analysis. (Genocchio 1995:35)

Many writers have observed that this paradigm shift in critical emphasis has caught the attention of theorists from a variety of disciplines, some of which have formerly eschewed spatial modes of inquiry. In general, however, the 'reassertion' of space into postmodern theory has led to widespread critical attention being given to emergent spatial transformations in our everyday lives as the *loci* of our coming into experience and collective social action. (Genocchio 1995:35)

### 2.3.1 Definition

*"Once upon a time there was something called modernism. This was the thing that came before postmodernism. It consisted of a belief in rationality and progress. It had a concern with uncovering universal truths and transcendent values. Its two dominant religions were Science and Marxism. Postmodernism, the thing that came after modernism is a concern with uniqueness, a distrust of metanarratives and oppressive modernism."* (Short 1993:169)

**Modernism** as a broad paradigm of thinking and behaviour, had its origin, the theme of inevitable human progress. It encompassed the traditional order with bureaucratic rationality based on capitalist economic theories. It accepted the intrinsic rationality of human beings, technological mastery over nature and the superiority of scientific method and knowledge. Modernism labelled anything different or 'unscientific' as irrational. It attempted to order reality with all-encompassing theories and oversimplifications. (Harrison 1996b:26) Modernism was very much an urban phenomenon reaching its peak in the post world war II period till the 1970s. (Potter & Lloyd-Evans 1998:38)

Ellin (1996:262) says that, whereas modern urbanism emulated the machine in order to accommodate an industrial society, postmodern urbanism seeks inspiration from pre-industrial townscapes to accommodate a post-industrial society.

Cooke (1990:338) takes a pragmatic view by arguing that postmodernism should not be regarded as a rejection of modernism but rather as a critique and potential renewal of modernism.

**Postmodernism** is a term that has been used to describe an artistic style and a literacy method but it has also been used to refer to an epoch (i.e. the cultural, social and political practices of a new era), the characteristics of which can be captured in such words as



diversity, decentering, entrepreneurialism, localism, individualism, spectacle, consumerism, pragmatism and indeterminacy.

Healey (1997:200) believes that postmodern analysts present planning systems as a modernising 'relict' of an earlier era. Postmodernism represents a 'bottom-up' paradigm of planning as opposed to the modernist 'top-down' approach. (Potter & Lloyd-Evans:47)

Robins (1991:1) refers to "*this new spirit of urban public life*" which is called 'postmodernism'. The postmodern city is projected as the antithesis of modernist abstraction and anomie: it is about the renaissance of urban culture and sensibilities: "*...postmodernism is about a return to difference and particularity.*" (Robins 1991:1)

The use of the term to describe an epoch also suggests that there is a relationship between the various technological, economic, political, social, cultural and intellectual transformations. Broadly, the concept centres on the period after the modernist era. The term is loosely used to define the present behavioural and thought philosophy - a style that queries all past fixed traditions and the necessity of general conformity. The usage reflects a transformation, a sense of major change, a shift in society and in the world of ideas about society. The postmodern city has four important elements:

- the 'new' look
- the new enclosure movement,
- the 'new' civic culture
- the recognition of individualism

Ellin (1996:88) holds the view that while architecture has figured centrally in discussions of postmodernism, urban design has been largely overlooked. Soja (1995a:126) says that postmodern urbanisation refers to something less than a total transformation or a complete urban revolution or an unequivocal break with the past. Yet, he feels that it is something more than a continuous piecemeal reform without significant redirection:

Short (1996:32) sees a design change in architecture, which commenced in the early 1970's when cities began to compete economically against one another and resorted to more individualistic architectural building styles. They wanted to establish an image that each was at the 'cutting edge' of global competition.

Harrison (1996b:27) says that postmodernism celebrates irony, incoherence, inconsistency, ambiguity and uncertainty and is tolerant of diversity and difference.

Since the mid 1970's 'Reaganomics' in the United States and 'Thatcherism' in Britain were in part a series of ideological and political attacks against the idea and proactive approach

of the Keynesian economics, reducing the commitment to public spending, giving more power to capital over labour and reducing the ability of government to support and maintain the public character of this type of city.

Pieterse (1997:15) draws the distinction between postmodernity as a periodisation-linked concept, as in after modernity, and postmodernism as a theoretical stance, which seeks to up-end the fundamental assumption of modern theories. The former entails a high-tech media society, entailing new technologies making the knowledge possible, consequently restructuring the socio-economic system and so producing a postmodern social formation.

Postmodernity may be linked to the technological revolution and the rise of the computer era - guided and driven largely by the younger generation who traditionally wish to introduce "*the new*."

"... *the machine is to modernism what the computer is to postmodernism.*" (Boyer 1996:10)

Cuthbert (1995:138) sees Hong Kong as offering "*laboratory conditions to examine the central features of postindustrialism and postmodern space.*" He points out that, here we witness a fully-fledged capitalist state being slowly absorbed into socialism against all the rules of contemporary world history, where the reverse is the norm. He feels that many of the accepted characteristics of postindustrialism and postmodernity appear exaggerated rather than diminished: space-time compression, ideological discourse, deconstruction, internationalisation and other existential truths are central to the lives of Hong Kong people.

### **2.3.2 Postmodern Feminism**

There has been an explosion of writings, and debates, particularly over the past two decades around an emerging feminist discourse in urban development. After the death of the male dominated society in the post World War period, the feminist touch in the shaping of the urban form has come to the fore. Short sees this as "*...the feminist equivalent of, and unique contribution to, and alternative history and progressive geography that seeks to tell the story of the powerless.*" (Short 1996:229)

A number of studies pointed to the under-representation of women's experience in the standard urban geography literature, as much of the earlier work had concentrated on men's activities and ignored the role of women. (Short 1996:230) While women have played a major role in the economic forces imposed on the urban form, insufficient recognition was given thereto in academic writings. Much of this has changed in the past two decades with contributions from leading writers like Sassen (1991), Bernstein (1993-99), Robinson (1995), Watson, S. & Gibson (1995) Watson, V (1996), Ellin (1996) Boyer (1996), Coyle

(1997) and Beall (1997). The notion of patriarchy is being redefined and the singular notion of feminism is being replaced by the concept of feminisms.

*"Feminist research has illuminated our view of the city. It has opened up the discourse and uncovered ignored lives and muted voices."* (Short 1996:231)

Women the world over are engaged in productive work both inside and outside the home. Beall (1997:50) says that, in the urban context, the majority of women involved in productive work conduct such work in the informal sector. Yet, women are playing a greater role in economics and the economic development of cities. Not only are more women in paid employment but also they are fast moving up the corporate hierarchy and into positions of planning decision-making. They are also reaching key political positions and are influencing government decisions to a greater extent.

It is submitted that this discourse has gone further and is exerting influences and pressures on the designs of the postmodernist city. Short (1996:311) says that the women's experience of the city is different from men's - there are differences in the way women and men experience the city. These differences are extenuated by their view of violence and security. With the growing influence of women, these aspects are likely to create a greater influence on the urban form of the future.

Short (1996:312) feels that the bulk of feminist writing has been done by and for women with an explicit or implicit political agenda. This view is not supported particularly in the light of writings by authors such as Ellin, Sassen, Coyle and Boyer.

## **2.4 SUMMARY**

This chapter has described the subject of Urban Economics, which it is submitted, is a subject closely related to the concept of the influence of market forces on urban planning. It is submitted that Urban Economics is a subject of growing importance particularly in the light of the substantial economic changes brought about by globalisation. It is submitted that globalisation has already brought about significant changes in the urban form and that it is likely to continue to have a marked effect on urban planning.

It has been deemed necessary to consider the influence of postmodernism on the urban form and consequently urban planning. Now it is intended to consider the structure and form of the city in more detail, with particular reference to the economic role of the city, which will be done in the following chapter.

# CHAPTER 3

## THE ECONOMIC ROLE OF CITIES

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# CHAPTER 3

## THE ECONOMIC ROLE OF CITIES

*Business and money are the soul of the city.*

*"Cities everywhere are makers of wealth, magnets for the industrious, motors of invention."* (World Bank 1996:3)

There is a golden thread leading through the history of the formation of what we find today as the modern city. That is the role of human economic activity. Cities have always been the only places where significant economic activity occurs. (Coyle 1997:192) Today, the concentration of people in cities is an economic phenomenon, which must be analysed as such. (Mohan 1994:2)

The objective of this chapter is to illustrate the importance of market forces on the spatial form of cities. A brief historical review has been given to show that economic forces have played the greatest role in the urban form. Planners need to be fully aware of the historical and present economic forces in order to guide these forces in their planning of the cities of the future.

Global economics have passed through various major phases during the course of history. All these phases have had direct effects upon the major cities of the world. These phases include the economic organisation of agriculture, the various urban empires, the merchant cities, the industrial revolution, the capitalist cities and now the postmodern city. (O'Sullivan 1996:71-86) This latter economic revolution may be referred to as the era of economic globalisation, which is underpinned by the information technological revolution.

Clark (1996:88) believes that the new global economic order is principally responsible for the recent rapid urbanisation of the periphery which in turn raised the level of urbanisation at the global scale beyond the 50% mark. This sentiment has filtered through to urban planning where regional planning is aimed at building conditions for a more dynamic regional competitive advantage.

Short (1996:13) points out that cities have an especially pivotal role in the history of economic development. Yet, he feels that:

*"... cities as crucibles of economic change have not received the amount of attention they deserve."* (Short 1996:13)

Short (1996:13) believes that the urban contribution has not been fully recognised because economists and economic historians have been concerned with the abstract notion of the economy, and when they have looked at the real urban world they have concentrated on such objects as the firm or specific industries or the national economy, rather than the role of the city in economic development. He sees a symbiotic relationship between urban development and economic development and believes that economic growth and decline are intimately associated with urban expansion and contraction.

Hall (1988:5) concurs with this interrelationship and adds the socio/political aspects:

*"In practice, the planning of cities merges almost imperceptibly into the problems of cities, and those into economics and sociology and politics of cities, and those in turn into the entire socio-economic-political-cultural life of the time."* (Hall 1988:5)

Notwithstanding various theories of ancient developments of cities as described by Bairoch (1988) and Potter & Lloyd-Evans (1998:31) it is submitted that urban development is a result of economic forces and not as Short (1996:13) put it: *"The form of urban growth influenced and continues to influence the nature of economic change and development."* Yet it is quite true that *"The social organization of the economy was and is embodied in the spatial organization of society."* (Short 1996:13) Yet, it is submitted that the 'social organisation' of the economy has a leading and very direct bearing upon the form and development of the city. **Cities could therefore be seen to be the spatialising result of economic organisation.** *"For centuries, the world economy has shaped the life of cities."* (Sassen 1991:3) This spatialising result requires orderly structuring thus emphasising the role of the urban planner.

***"Economic development means urbanisation."*** (Coyle 1997:194)

But, as cities develop as a result of economic organisation, they become economic machines. (Hall 1988:343) These machines need to be fuelled and oiled while they themselves build a momentum which, if cities are not properly 'fuelled and oiled' will stagnate or decline, but seldom die. The infrastructure to build the city is too expensive and usually too vast to discard. Yes, some cities are often built anew or substantially 'resurrected' but then it must be borne in mind that global population is increasing - creating a demand for more urban space. In addition thereto there is a migration from rural areas to cities, particularly in developing and poor countries.

The Asian Development Bank estimates that by the year 2025 there will be twenty cities with more than 10 million inhabitants. (International Monetary Fund 1999:14) Metropolitan areas are contributing a growing proportion of country's GDP. Tokyo and Osaka already

contributed more than 36% of Japan's gross domestic product (GDP) in 1990, Bangkok 37% of Thailand's GDP and Manila 24% of the Philippine's GDP. (World Bank 1996:5)

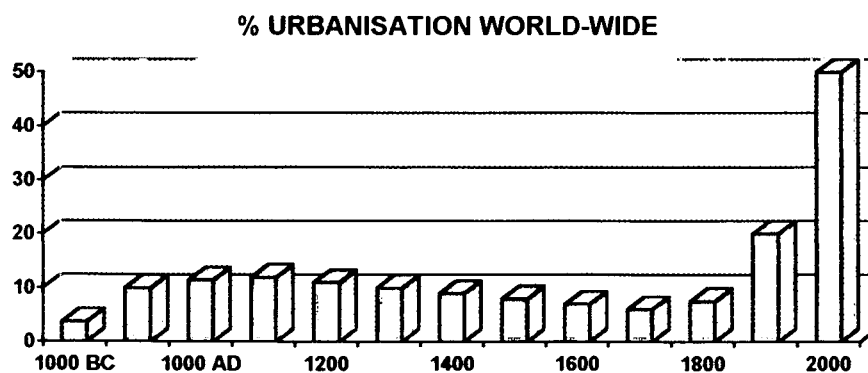
**Cities are economic entities.** Cities have an especially pivotal role in the history of economic development. Today our cities are at the centre of the economic universe and the social organisation of the economy is embodied in the spatial organisation of society. (Short 1996:13)

### 3.1 URBANISATION

The concept '*urbanisation*' entails the establishment and growth of urban conurbations which is usually considered to indicate a migration from rural areas to towns or cities. Urbanisation is an ubiquitous phenomenon which knows no national, cultural, ideological or economic-system bounds. Hence every continent or sub-continent of geo-political grouping has experienced or is experiencing the process of urbanisation. Urbanisation is not merely a geographic, judicial or demographic process, but should also be seen as changing societies and their communities in terms of ideals, objectives and general living standards. Urbanisation is essentially a feature of the last half of the twentieth century and indeed of its last three decades. (Clark 1996:3)

For five million years the world population remained at less than half a billion people. During the second century it rose from this number to over 5 billion and is presently increasing at the rate of 83 million per year. The total world population nearly trebled between 1920 and 1990. At this rate of growth the world population would multiply by 15 in the twenty first century. The majority of these people already live in cities, while at the turn of the twentieth century only 15% of the world's population was living in urban places. (Clark 1996:1&3) Clearly the world will struggle to support this. (Urban Foundation 1992:2)

#### graph 1 GLOBAL URBANISATION



Source: Potter & Lloyd-Evans (1998:5)

The geographic distribution of economic growth in all countries of the world is necessarily uneven, due mainly to the economies of agglomeration and scale offered by towns and cities. There is a corresponding tendency for the bulk of population growth in developing countries to be accommodated in the cities. While there is a process of rural to urban migration in all growing countries, the bulk of urban growth actually derives from natural population increase in the cities and towns themselves. Yet, international experience has shown that urbanisation tends to be strongly correlated with a reduction in birth rates in developing countries. Thus while urbanisation appears to be a product of population growth, its medium-term effect is to actually reduce that growth rate. (Urban Foundation 1992:4)

**The growth of cities is all about economics** - that is why people come to cities.

An anthropological study of cities reveals that human settlements have developed as an integral part of economic, technological, and social evolution. It is only during the last 100 to 150 years that urbanisation really gained momentum. The rapid urbanisation of the 19<sup>th</sup> and 20<sup>th</sup> centuries was caused by the industrial revolution and the associated innovations in agriculture, transportation, manufacturing and construction methods. (O'Sullivan 1996:88)

Cities, like the global economy have, as Bairoch (1988) describes, gone through various phases over thousands of years. Most of the very early phases now have little relevance to contemporary urban life but because many cities have survived the test of time it is relevant to consider their origins briefly.

### 3.1.1 The emergence of cities

*"The combination of scale economies, agglomeration effects, transportation needs, and comparatively higher non-land or land substitution elasticity in industry and services produces a concentration of people and economic activity. Thus cities emerge."* (Mohan 1994:19)

Some authors (Sjoberg 1967, Davis 1978 Bairoch 1988, and Potter & Lloyd-Evans 1998:28) have argued that the theory of how cities began is beginning to be integrated with the theory of how cities operate in the modern society.

*"Cities are as old as civilization and have evolved according to the needs and values of various societies. They are expressions of people's political, economic and social activities and represent the creative achievements of different cultures and norms. ... Cities are characterized by large concentrations of people, different economies of scale, a variety of surplus products and intense human interaction".*  
van der Merwe (1996:1)



O'Sullivan (1996:15) contends that *"cities exist because individuals are not self-sufficient."* It is submitted that cities exist because individuals do not want to be self-sufficient and because they can be more economically productive as a result of specialisation. This is caused by the notion of comparative advantage which is based on the principle of opportunity cost and scale economics, leading to trade.

Numerous theories have been put forward regarding the origin of cities. Some writers (Button 1976, Bairoch 1988 *et al*) argue that the creation of cities is closely linked to the concept of *"surplus products"*. This concept relating to the original formation of cities, implies that once the material goods, which are required for basic survival, have been produced and satisfied, any further production may be regarded as surplus. These surpluses would need a market place to dispose of, thus the market places became the first towns. These were referred to as 'trading cities'.

Short (1996:14) points out that at one time, city development was explained only with reference to the existence of agricultural surplus. He says that, even to this day there is a fallacy that sees farming as natural and cities, especially big cities, as unnatural, parasitic, and ultimately places of economic and social degeneration. Today agriculture is parasitic to urban conglomerates. It was the engine of urban trade that has enhanced agricultural productivity. Jacobs (1969:5) confirms that the **agricultural revolution was not the cause of urban growth but a consequence**. In this revisionist urban view the agricultural sequence is reversed: towns develop on the basis of trade, and the agricultural production needs of the town dwellers is then transplanted to the rural areas. Bairoch (1988:106) says that agriculture constituted the indispensable precondition for the emergence of cities and once cities are in place, they in turn are the source of still greater demand for agricultural products. Coyle (1997:192) believes that: *"The countryside is [now] a parasite on urban wealth."*

Other reasons are given for the establishment of urban concentrations, including:

- comparative advantage resulting from differences in productivity, which encourages trade (O'Sullivan 1996:32)
- scale economics in transportation (Barlowe 1986:223)
- internal scale economics in production which result from factor specialisation and indivisible inputs, generating a negatively sloped long-run average-cost curve. (O'Sullivan 1996:32) and
- agglomeration economies (Segal 1977:57, Barlowe 1986:236 *et al*)

The creation of these markets and the accumulation of these surpluses required a certain level of organisation and technology, firstly to collect and deliver these surpluses and secondly to distribute them to wherever there was a demand. Towns and cities would have to be linked by organised networks to create an influx of goods to and from rural areas.

The emergence of cities went through a number of significant phases. It is clear that cities were preceded by rural life.(Abu-Lughod 1977:16) At the very earliest stages of the development of cities they were 'empires' based primarily on threat and religious appeal but, when exchange replaced threat, regional systems could become global trading networks. (Short 1996:18) Even early Greek cities promoted economic development while the fall of Rome brought about economic decline in Europe. (Bairoch 1988:100-106)

Then, in the twelfth century, came the era of **merchant cities** concentrating on commercial exchange and trade which began to flourish within Europe and between Europe and the East. Already at that stage their development was an important element in the creation of a world economy, an economy created by the trading impulses emanating from what is now Western Europe. (Short 1996:18) At the peak of European medieval civilisation there were between 200 and 300 autonomous city states consisting of a single city within a wide trade network through which it accumulated wealth, using part of it to subdue the surrounding rural area. (Taylor 1995:50) **These cities stemmed from the need for economic activity, and more specifically trade.**

Short (1996:22) - and others - contend that Britain was the first country to undergo that transformation of economy and society that we call the **industrial revolution**. Most of the explanations of the industrial revolution look to technological improvements coupled with economics and sociology. However, Short believes that the enormous growth of London created its own huge effective demand establishing one of the most important stimulants to the industrial revolution.

The great spurt of economic activity that took place at the end of the eighteenth century and flowered during the nineteenth century involved a tremendous concentration of people and fixed capital investment. This economic transformation relocated the locus of production from rural to urban areas bringing about major changes to the urban order, urban growth and new types of cities (like Manchester). Industrialisation and urbanisation went hand in hand, transforming the social, economic and spatial character of many cities. (Short 1996:25 and Bairoch 1988:213) The industrial revolution has been called one of the most decisive events in the history of mankind.(Bairoch 1988:243)

Yet, as Taylor (1995:54) points out, just as production was becoming urbanised to give cities greater relative economic power, they were losing any remaining political autonomy through the cultural centralisation known as nationalisation. Stripped of their political power great cities became creatures of the state.

O'Sullivan (1996:39) points out that trading firms, which collect goods from suppliers and distribute them to consumers, locate at transshipment points. The location of trading and transportation firms explains the development of **port cities** and **junction cities**. Market forces influenced locational decisions. Cities develop around the concentrations of employment generated by firms, so the location choices of firms play a leading role in the location of cities. It was therefore found that most of the earlier more successful towns, which later became cities, were located on rivers, particularly those which gave access to the ocean, as shipping became the prime mode of mass transport.

O'Sullivan (1996:39) considers that the two most important types of firms influencing the locality and growth of cities are industrial and commercial firms. It is submitted that financial and administrative firms usually follow, when a city has already been established. Harvey (1987:14) points out that, although cities may be established for many reasons, the economic forces are likely to reinforce the original impetus. Button (1976:28) emphasises the advantages for industries to be grouped in close proximity to either similar undertakings or supplementary ones.

Thousands of years ago cities like Athens, Carthage, Constantinople, Sparta and Rome were the centres of the universe of human activity at some stage of their existence. Then countries became the major international forces and the leading roles played by individual cities began to decrease. Now we often refer to the "*Global Village*". Transport and technology are leading the way to unite the peoples of the globe, but man will not discard his competitive spirit. There must always be leaders and followers. In many countries individual cities are competing with each other to become better, wealthier and more powerful than their competitors and cities are again playing a leading role in global terms. **We seem to have come the full circle.**

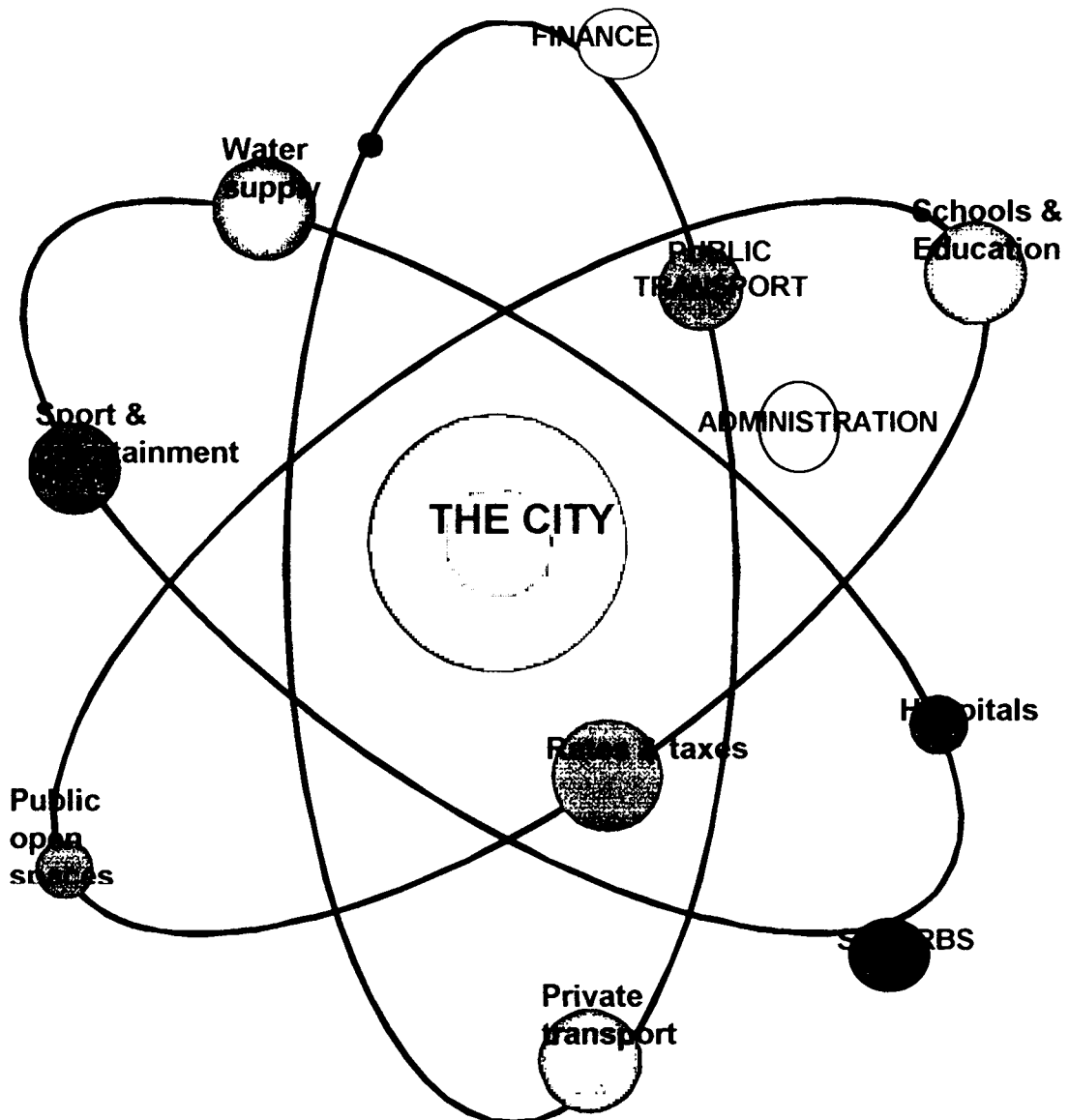
### 3.1.2 The Urban Form

The Urban Form is an all-encompassing concept which entails a great deal more than the mere spatial form or physical attributes of an urban area. It is usually dealt with as the morphological aspects of the city including the complex social, psychological and economic aspects. (Short 1996:390) Thus no single discipline can claim to monopolise the study of the city. Although an urban specialism is long established in geography, the adoption of a world perspective on cities, society and the economics of cities is a recent development.

van Zyl (1996:44) describes the form of an object as a diagram of forces. These forces are both spatial and aspatial. He describes the urban form as the relationships which exist between the components of the urban system. It may be both physical (spatial) and non-physical (aspatial). The residential form of the city is described in physical terms, while the economic form of the city is described in non-physical (aspatial) terms. Martens, & Williamson (1996:1) describe the urban form slightly wider to include the people and activities that occur with these elements, as well as the relationships between these elements, activities and people that determine a city's performance.

The form of the city may be graphically illustrated as follows: (Source: Author)

**Figure 2 THE URBAN FORM**



Although the city is produced in many ways, one of the most important factors affecting contemporary cities is the pulse of investment flows in the property market. In capitalist societies things become commodities, to be bought and sold, traded and bargained. The land and buildings that constitute the physical environment of the city are important commodities. As a site of investment and disinvestment the city is affected by the flows of capital investment and disinvestment. (Barlowe 1986:283)

*"The corporate capitalist city is a machine to make money."* (Feagin 1998:139)

The Urban Form is largely established through the economic forces of the property market. City centres have historically tended to originate at the economic centre of activity in a town - thus the choice of locality of the city centre originated at or soon after the inception of its establishment. At that stage it was a geographic choice where the most suitable land was chosen for the city centre (by comparative advantage) and that centre then tended to grow from this core. (Barlowe 1986:222)

In many instances the core of the city centre has shifted over time, but most of these shifts have not been far. E.g., in London the core retail activities have shifted out of the old city to the Oxford Street/Regent Street area while more recently much new growth, created as a result of the importance and growth of financial services, is found in the old docklands area (Canary Wharf). (Fisher & Kling 1993:61) These changes are the result of economic forces. Feagin (1998:143) points out that land speculation within and around U.S. cities has greatly shaped urban development. He says that some land-oriented capitalists have been so powerful that they have actually shifted the business centre of cities.

If the most expensive land values (resulting from the highest rentals) are used to indicate the epicentre of the city then it may be deemed that the core of some cities has shifted further afield. (Barlowe 1986:154) In this regard Johannesburg may be cited as an example, where the prime commercial land is no longer to be found in the old central business district but in decentralised Sandton where rentals are more than double those of the old CBD. (Rode 2001:4) This is a result of suburbanisation and decentralisation.

Garreau (1988) refers to this phenomenon as the emergence of "Edge Cities." These are the new urban cores within the larger metropolitan area of large cities where the low outlines of the commercial buildings *"dot the landscape like mushrooms, separated by greensward and parking lots."* Their office towers, guarded by trees, *"gaze at one another from respectful distances through bands of glass that mirror the sun in blue or silver or green or gold, like antique drawings of the city of the future."* (Garreau 1988:3)

### 3.1.3 The Industrial Slum City

It could be argued that the modern city was established as a result of the industrial revolution in the nineteenth century. Karl Marx (1939) wrote that big industry *".... resolved all natural relationships into money relationships. In the place of natural towns it created the modern, large industrial cities which have sprung up over-night. .... It completed the victory of the commercial town over the countryside."* (Marx & Engels 1979:28)

During most of the century urban planning was non-existent and cities became places of squalor and denigration. London, the world's largest urban concentration in the latter part of the nineteenth century, contained some 5.6 million people, suffering from overcrowding and transportation problems.(Hall 1988:31) In the USA New York was suffering from a similar fate.

At the turn of the twentieth century de Forest and Veiller (1903) wrote that the tenement districts of New York were places in which thousands of people were living in the smallest place in which it is possible for human beings to exist - crowded together in dark, ill-ventilated rooms, in many of which the sunlight never entered and in most of which fresh air was unknown.

*"They were centres of disease, poverty, vice, and crime, where it was a marvel, not that some children grew up to be thieves, drunkards and prostitutes, but that so many ever grew up to be decent and self-respecting."*(Hall 1988:37)

These sentiments are equally applicable to modern day informal settlements.

Many argue that the planning profession was borne at the turn of the century in reaction to the squalor of the nineteenth century slum city.(Harrison 1996a:31) While this may be partially true, legislation, writings and planning were not the only forces which started to change city structures.

It is submitted that the forces of economics started to 'pull' large new and growing industries and new housing out of the city, which caused the city to disperse and deconcentrate and created new urban peripheries. New transportation technologies - the electric tram, the electric commuter train, the underground railway, the motor bus - allowed this suburbanisation process to take place. The well known economist, Alfred Marshall, in an article of 1884, had suggested the idea that there were large classes of the population of London whose removal into the country would in the long run be economically advantageous - that it would benefit alike those who moved and those who remained behind. (Hall 1988:48)

### 3.1.4 The Monocentric City

In the monocentric city, which was the dominant urban form before the development of the motor car and truck in the early part of this century, commercial and industrial activities were concentrated in the central core area. Today few large cities are monocentric while most small to medium sized cities and towns are still monocentric. (O'Sullivan 1996:191)

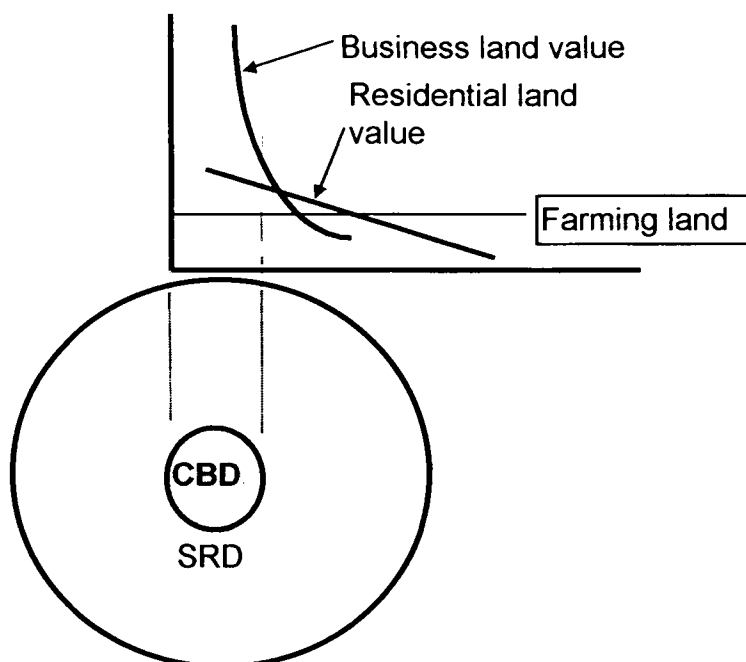
The **city centre** was the focal point of the entire metropolitan area. The city centre formed the central export node where all manufacturing output was exported from the city. The office industry was dependent on face-to-face contact thus clients had to travel to the city centre to transact business. This was also the main shopping area, which people from the residential areas had to frequent. (O'Sullivan 1996:196) The city centre was the core of human economic activity.

The original influence of the motor car on the CBD of the monocentric city was to enhance land values as the CBD became more accessible to commuters - particularly for the wealthier citizens. But then parking restrictions and road congestion became a negative. Initially the authorities were able, in most cases, to keep pace with the provision of road links to the CBD and at inter-city level, but it became difficult to provide adequate parking in the CBD. When this became partially resolved by means of parking garages, the roads at the periphery of the CBD could not cope. Even with some expensive overhead freeways, traffic congestion increased as the ever-taller CBD buildings towered into the sky.

It is submitted that the emergence of the motor car was not the main cause of change from monocentric to multicentric cities. This change was originated initially by the decentralisation of industries - those who grew too large to be accommodated in the central business district (CBD) - and thereafter changing shopping patterns - the creation of the regional shopping centres. These shopping centres were dominated by large supermarkets where the emphasis was on greater turnover and smaller profits. This also created a demand for larger premises at lower prices.

During the era of the non-otherwise employed housewife in the fifties and sixties, the demand for local shopping, particularly for foodstuffs grew rapidly in the residential areas. Since the creation of the multicentric city, the original CBD has struggled to stave off deterioration. This has been exacerbated by the tendency of the wealthy to locate in the suburbs and the poor near the inner city.

The monocentric city offers the following basic land value patterns:

Figure 3: **MONOCENTRIC CITY LAND VALUES**

Business firms outbid resident for central land, generating a CBD.  
The SRD is the area over which residents outbid farmers

Source: O'Sullivan (1996:260)

### 3.1.5 The Garden Cities

Hall (1988:87) sees Ebenezer Howard (1850 - 1928) as "the most important single character in this entire tale" - a "social visionary" whose publication "Garden Cities of Tomorrow" (1902) demoted him to that of a physical planner in the eyes of the public. Howard suggested that these new towns should be limited in size (to 32,000 people) and, as more people moved in, the garden city would reach its planned limit; then another would be started a short distance away. Thus over time, there would develop a vast planned agglomeration, extending almost without limit. Within each garden city a wide range of jobs and services would be offered. So emerged Letchworth and Hampstead, and later Ealing, Welwyn Garden City and New Erswick (with credit to Parker and Unwin) with its cottages disposed in terraces and grouped around communal greens - as a forerunner of suburbanisation. But local industrial development remained a problem.

The garden city concept spread to the USA where Clarence Stein and Henry Wright developed the so-called Radburn Superblock layout (1928) seen outside Washington (Greenhills), outside Cincinnati (Ohio), outside Wisconsin (Greendale), and outside Milwaukee (Wisconsin). It is submitted that, where the concept which commenced in England as a 'sensible' planning exercise based on geo-sociologic planning principles, it became a good deal more commercialised in the USA where it served as a basis for



profitable township development enterprises. Profit became a strong driving force as there was a greater emphasis on land sales as opposed to the residential rental patterns in England. (Hall 1988:134)

After World War II there was even less profit driven private sector township development opportunities in England as the State took over the establishment of new towns:

*"In the land of its birth, the garden city was now nationalized and bureaucratized ... What is certain is that in the process, a great deal was gained and something got lost. The new towns got built...."* (Hall 1988:135)

With government taking over much of the housing, a large proportion of British houses were rental housing. It is submitted that the Americans were no worse off with their more privatised developments while individuals had the benefit of home-ownership. From the late seventies this pattern changed in Britain as the demand grew much stronger for owner occupied houses. At the end of the twentieth century it was adequately clear that private sector developments had once again become re-established in Britain. (Allmendinger & Thomas 1998:122) It is submitted that the garden city is a good planning concept, but that housing should remain the responsibility of the private sector - not that of government.

### 3.1.6 Suburbia

The USA experienced substantial suburbanisation during the period 1940 to 1980 when the percentage of the metropolitan population in central cities declined from over 70% to 43% in 1980, and the percentage of manufacturing employment dropped from 75% to 48%. The percentage of wholesaling employment dropped from 95% to 56%; the percentage of retail employment from 80% to 49%, and the percentage of service employment from 90% to 56%. (O'Sullivan 1996:251) Residential development was concentrated in the suburbs.

According to O'Sullivan (1996:261) the following factors *inter alia*, encouraged many households to move from the central city to the suburbs:

- **Old housing;** The deterioration of the central-city housing stock encourages households to move to the suburbs, where newer housing is available.
- **Race and income;** Some households move to the suburbs to escape racial conflict; others move to avoid living near low-income households.
- **Central-city fiscal problems;** Many central cities have relatively high taxes, encouraging households to move to low-tax suburbs. The causality goes both ways; fiscal problems cause suburbanisation, and suburbanisation contributes to central-city fiscal problems.

- **Crime;** Most central cities have relatively high crime rates, encouraging households to move to the suburbs.

To this, rising land prices, labour costs and traffic congestion may be added.

In the large cities the monocentric core dominated city has been replaced with the multicentric suburbanised city. This modern city has been referred to as a "*system of urban villages*." (Hall 1988:311) The suburban sub-centres have midrise office buildings, hotels, shopping malls and entertainment facilities. People in the surrounding area travel to the sub-centre for work, shopping and play, thus the sub-centre became the core of an urban village. This was caused by market forces.

Thus started the concepts of '*urban sprawl*' and '*suburbia*'. Much consideration has been given by various authors to the '*good and the bad*' of suburbia. Hall (1988:303) points out that on the plus side, it had been a process of extraordinary vitality, producing millions of new homes and hundreds of shopping districts, thus contributing to national economic growth. On the negative side, the costs of scatteration had increased house prices and transportation costs, while much agricultural land had been lost.

Throughout the process of suburbanisation the British kept a more stringent control of land use planning than the USA. The result was improved containment of urban spread in the UK, but with resulting higher land prices. It must be borne in mind that the USA has much more physical space around most cities than the UK or most parts of Europe. The French planners took the view that public plans can provide a set of clear signals to the private sector, thus enabling it in turn to make its own phased investment programmes. (Hall 1988:307) Notwithstanding attempts to ensure public transport to and from the suburbs the private motor car remains one of the main transport headaches.

Ley (1987:43) aptly points out that a corporate urban landscape, the product of an increasingly corporate society, became the legacy of the modern movement. Through the 1960s and 1970s a critique emerged that the planning and design of the modern city was a blueprint for placelessness, of anonymous impersonal spaces, massive structures and automobile throughways.

### 3.1.7 Towards the modern Megacity

**So the cities became '*regions*'.** Already in 1925 there were concerns about regional planning asking not how wide an area can be brought under the aegis of the metropolis, but how the population and civic facilities can be distributed so as to promote and stimulate a vivid, creative life throughout a whole region. Regional planning saw people, industry and the land as a single unit. Instead of trying, to make life a little more tolerable in the

congested centres, it attempted to determine what sort of equipment would be needed in the new centres. (Mumford 1925:42)

A notable feature of the latter half of this century has been the emergence of metropolis as a familiar place for habitation. The greatest growth of large cities, both in the size of individual cities and in the number of large cities, has occurred in the developing countries. In 1960 large cities with a population of over half a million people, accounted for a third of the total urban population in developing countries. Thirty years later this percentage had risen to about half - a proportion similar to that of developed countries. (Mohan 1994:18)

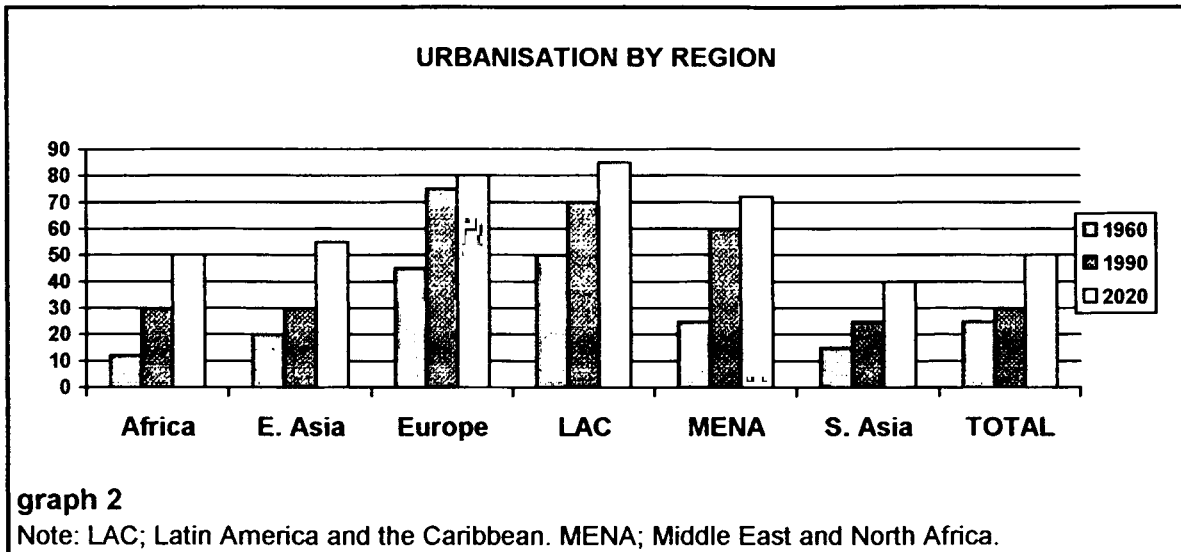
Angotti (1993:10) says that it must be accepted that the world is in the age of the metropolis. He distinguishes between the wealthy and more established 'independent' metropolis (mainly the US and Western Europe) and the 'dependent' metropolis of the Third World - mainly Asia, Latin America and Africa. He sees the metropolis as a qualitatively distinct form of human settlement that emerged in the twentieth century.

Sassen (1991:324-338) says that the combination of spatial dispersal and the global integration has created a new strategic role for major cities. Beyond their long history as centres for international trade and banking, these cities now function in four new ways:

- **first**, as highly concentrated command points in the organisation of the world economy;
- **second**, as key locations for finance and for specialised service firms, which have replaced manufacturing as the leading economic sectors;
- **third**, as sites of production, including the production of innovations, in these leading industries; and
- **fourth**, as markets for the products and innovations produced.

Sassen believes that these changes in the functioning of cities have had a massive impact upon both international economic activity and urban form. Cities concentrate control over vast resources, while finance and specialised service industries have restructured the urban social and economic order.

Mohan (1994:20) says that understanding the reasons for the emergence of large cities is essential to understanding their internal urban structure - the kind, location and density of activities as they are distributed across space in urban areas. Much of the rapidly growing urban population in developing countries is accommodated in shanty towns. Such self-erected and often 'illegal' developments form highly distinctive features of the built environments of most major cities in the developing world. (Clark 1998:95)



### 3.1.8 Migration & Optimum City Size

National populations are on the move; migrating from poor regions to areas of economic growth. (Gilbert & Gugler 1992:33) In the process, big cities are growing ever larger. A pervasive phenomenon characterising a growing city is the decentralisation of residential and economic activity. (Mohan 1994:278)

**Productionism** refers to the phase in people's lives when improved job opportunities, education and income are more important than their actual living conditions. After reaping the benefits of productionism, people normally enter the **environmentalism** phase when they need to improve their actual living and environmental conditions. During this phase they may accept a stagnation or even reduction of income in lieu of more pleasant living conditions. Yet, both productionism and environmentalism are driven by the desire to improve one's living conditions. Geyer (1996:10) contends that productionism and environmentalism hold the root causes of national, regional and even international migration trends in both developed and less developed countries.

Much consideration has been given to the desirability of urbanisation and to optimum city sizes. In 1936 concern was expressed about the size of London: "... such developments [London] are almost analogous to a cancerous growth".(Hall 1988:85) In 1938 Pick saw the risk was of "an amorphous mass of building in which London's country would suffer from a confluent pox."(Hall 1988:85) He argued that if London grew beyond the magic 12 to 15 mile limit set by the economics of the tube, it "must cease to be intrinsically London."(Pick 1938:14) The solution proposed was decentralisation in the form of new towns.

Bairoch (1988:307) believes that size is the chief cause of the declining quality of life in the cities. He feels that the optimum city size should be around 200,000 to 300,000 inhabitants.

Since the 1980s the concerns about optimum city size has decreased as this entirely theoretic exercise has no final conclusion. One of the most obvious criticisms of the optimal city size theory is that efficiency is required at a whole series of different size levels, so that by definition there cannot be a single optimum city size. (Potter & Lloyd-Evans 1998:76)

The USA has a wide and reasonably even distribution of cities. No one city dominates the economic, political, and social life of the country (as in the cases of London and Paris). The largest city, New York has less than 7% of the total national population. There are more than 40 cities in the USA with over 1m inhabitants, 20 above 2m and 9 above 4m. (Coyle 1997:207) Seventy per cent of the total 250m national population live in cities of more than 50,000 people. 30% of the national population live in large metropolitan areas. Most of the large metropolitan areas have shown little growth over the last few decades, but numerous other centres like Phoenix, Arizona grew from 790,000 in 1980 to over 2 million in 1990. Urban decline has been apparent in the older settlements of the north-east and mid-west, particularly in areas of the 'Frostbelt' states like Michigan, Ohio, Pennsylvania, Massachusetts and New York. Substantial urban growth is found in the 'Sunbelt' areas. (Short 1996:44)

In the US each wave of economic growth has produced a wave of urban-ward migration. During the urbanisation phase rural-to-urban migration dominates, initially by concentration within the major centres, followed by diffusion or urban sprawl towards the metropolitan fringes. There is a general tendency among younger, less educated, less wealthy people in most societies to concentrate spatially, while the opposite groups are prone to deconcentrate. (Geyer 1996:11)

Sallez & Verot (1991:297) believe that if insufficient attention is paid to the economic prospect of cities now, within one or two decades social problems will overwhelm many cities as a whole, as happened in declining industry regions. They contend that the states find themselves between two tendencies: either they reinforce the economic efficiency of the city system, or they assure the best spatial equity between cities. The first tendency is oriented toward the development of specific cities, supposed to assure the best return on public investment because they have reached a critical size, for instance a break-even point for international efficiency. The second tendency is more oriented towards an equity between cities of the same category on a hierarchy, with the idea that each city should have a fair chance to attract investments and to constitute an economic base corresponding to the category to which it belongs - said to be typically the German philosophy.

*"The escalation of urban population in low- and middle-income countries - a peaceable revolution, but still and upheaval - is nearly universal."* (World Bank 1996:3)

The emergence of 'megacities' or 'megalopolises' (giant metropolitan areas like New York, Moscow, London, Mexico City, Bombay, Tokyo, Sao Paulo and Beijing) is a very distinct revolution of the late twentieth century. This phenomenon is here to stay and we will have to do the best we can with them. (Angotti 1993:1)

It would seem that it is not within the power of urban planners or authorities to control urban growth. Yet, between them they can exert a strong influence on the quality of life in urban areas. On the one hand such improvements, particularly if accompanied by economic enhancement, will exacerbate the volume of urbanisation. On the other hand this enhancement will decrease the rate of population growth - to the overall benefit of humanity.

So we will find larger and more mega-cities which, if properly planned, managed and controlled, will benefit all.

### **3.1.9 Land Rent vs. Value**

Numerous urban economists [e.g. Barlowe (1986); Alonso (1964), Keiper, J., Kurnow, Clark & Segal (1961)] have concentrated on the principle of land rent as a determining factor in land use patterns. This theory, which originated with Richardo (1821) in the early nineteenth century, was originally mainly confined to British economists because of the high incident of rental properties. In the US and more recently in Britain the emphasis shifted to land values due to the preference of ownership of land. This has resulted in greater importance being placed on land valuation as an indicative factor of land use patterns. (Mohan 1994:278)

The market value of property is the price that a willing buyer will pay a willing seller in an ordinary open market transaction at the date of valuation.(Jonker 1992:23) This may also be equated to the present value of all<sup>1</sup> the future benefits (for which buyers will pay) which may be attributed to the ownership of the property.

Land values indicate market trends and patterns of demand and supply. These value patterns are, or should be strong tools to be used by urban planners as a guide to actual market behaviour, particularly when considering general or specific equilibrium analyses, i.e. when producing GIS (global information systems) models. (O'Sullivan 1996:pp697-704)

<sup>1</sup> Not only the "...present value of the stream of rental income generated by the land" as explained by O'Sullivan (1996) The residual, or remaining land value must also be included.

### 3.2 SPATIAL EFFECTS OF GLOBALISATION

*"The global economic transformations taking place today are fundamental and long-lasting. Effective urban policy must respond in kind, rebuilding the long-term competitiveness of cities and metropolitan regions through strategic investments in both human and physical capital."* (Stegman & Turner 1996:162)

Throughout the world, the integration of the global marketplace is causing a fundamental shift in the way nations think about urban economies. (Stegman & Turner 1996:157) The main driving force behind globalisation of markets and industry is the electronic communications technology. Due to **global communications networks**, information technology has taken the world by storm and is playing its most significant role in the field of international trade. It is submitted that the changes occurring in global markets are unique and more rapid than any previous trend shifts of the past.

Global communications networks will affect the urban form. The effects need to be considered. Communications technology itself exerts particular pressures and demands on spatial requirements in the urban arena. All major first world cities are addressing themselves to the new telecommunications era. Access to digital highways is becoming every bit as important as access to land, labour and capital on the one hand and to the traditional infrastructures of road, rail and air transport on the other. Computer-communications networks may be less palpable than road and rail networks, but they are no less significant today. (Harrison 1995b:21)

Ellin (1996:1) points out that, over the last several decades, Western landscapes have undergone a major change along with the ways we experience them and our visions for improving them. She says that the importance of place has diminished as global flows of people, ideas, capital, mass media, and other products have accelerated.

*"And the walking city has evolved into a less legible landscape where the erstwhile distinctions between city, suburb, and countryside no longer abide."* (Ellin 1996:1)

Boyer (1996:227) agrees that the structure of the public sphere is undergoing profound changes, not only as telecommunications increase personal choices over a variety of public communication systems, but also as these same technologies are consumed increasingly in privatised and domesticated forms. She says that the Internet is perhaps the best example of the reach of the new communications web. Gibbs and Leach (1994) go further by saying that the future prosperity of individual cities will depend upon their comparative advantage in a national and international system of network-based information trade.

Cities are situated in a **hierarchical network** of global economic and political arrangements. Nation-states fragment the world-system while economic forces create close inter-city relations. Smith & Timberlake (1995:81) contend that the nature of these interrelations undergirds the structure of the world-system. The niche a city occupies in the world-system will deeply affect the nature of that urban area, but this niche is subject to change as world-system cycles and trends rearrange the global order. This is a subject in need of further research.

It is clear that globalisation is exerting spatial influences on the urban form. Contrary to the popular view that communications technology will disperse people away from urban centres, turn us all into telecommuters, Coyle (1997:192) avers that the "*weightless world*" will be one where cities resume the importance and economic dominance they have not enjoyed for a century.

### 3.2.1 Deindustrialisation

Industrial development forms a core segment of the urban form. Although industrialisation is playing a lesser role in developed countries, it is an increasingly significant factor of economic activity in developing countries. Deindustrialisation is the term used to refer to the decrease of industrialisation in a particular country. This trend has also been referred to as 'outsourcing', describing a decentralisation of manufacturing activity from the initial manufacturing country to another, where more cost effective labour is available. (F&T Weekly 1998a:34) It may be likened to 'subcontracting' where the manufacturer establishes subsidiary manufacturing plants in foreign countries. This is a free market phenomenon.

Decentralisation of new industrial development is not a new phenomenon - it was a central development concept particularly in developing countries during the 1970s. Early decentralisation policies concerned local new industrial growth in developing countries. (Cheema & Rondinelli 1983:7) Most of these policies were not driven by market forces, but by political sentiments of governments. As opposed to decentralisation of new industries, deindustrialisation represents a shift of industry from industrialised countries to developing countries.

It is clear that the volume of manufactured exports from rich countries and the consequent job opportunities have been decreasing continuously since the 1960s. Deindustrialisation is sometimes perceived as evidence of economic decline, but the contrary has been evidenced in the wealthy countries of Europe and North America. Rowthorn & Ramaswamy (1997:2) argue that deindustrialisation is primarily a feature of successful economic development.



The decline in the industrial sector is countered by a substantial rise in turnover and employment in the services sector. Cybernetics can now be used to create 'general purpose' machines, that facilitate competition through '*flexible specialisation*', rather than 'economies of scale' or 'mass production'.(Ryner 1997:22)

Short (1996:89) feels that the new order has its roots in the major economic changes that have occurred since the mid-1970's in new labour processes, labour markets and systems of production marked by greater flexibility and deregulation. He aptly points out that these economic processes have a marked effect on the spatial re-organisation of society.

*"At the international level there has been a global shift of industrial employment from the core countries to the semi-peripheral and peripheral countries of the world economy."* Short (1996:89)

As a country gets richer, it is inevitable that a smaller proportion of workers will be needed by manufacturing. This trend, which began in America and then spread to Europe and Japan, is now visible in the Asian tigers. The share of manufacturing jobs has been falling in Hong Kong since the 1970s, and in Singapore, South Korea and Taiwan since the 1980s.(The Economist 1997d:88)

**The geographic dispersal of economic activity creates a redeployment of growth poles.** The development of **export processing zones** represents a deployment of manufacturing capacity from highly developed to less developed country and setting up back office operations or retail outlets outside the head office which entails shifting jobs from central to more peripheral locations, while the financial control shifts to global cities.(Sassen 1991:33)

Sassen (1991:33) postulates that the geographic dispersal of factories, offices, and service outlets and the reorganisation of the financial industry over the past two decades have contributed to the need for new forms of centralisation for the management and regulation of the global network of production sites and financial markets. The increased mobility of capital brings about new forms of locational concentration, which is as much a part of this mobility as is geographic dispersal. Sassen adds that insofar as these new forms of agglomeration are associated with new forms of geographic dispersal, they do not simply represent a persistence of older forms of agglomeration, but respond to a new economic logic.

Sassen (1991:338) believes that the transformation in the composition of the global economy accompanying the shift to services and finance, brings about a renewed importance of major cities as sites for certain types of production, servicing, marketing, and

innovation. She believes that the internationalisation of mergers, acquisitions, and financial transactions makes cities 'neutral' centres for management and co-ordination for the raising and consolidation of investment capital, and for the formation of an international property market. Yet she concedes that a considerable number of producer service industries have very small employment requirements, thus not equating turnover and capital growth with population growth in the major global cities. It is submitted that the space implications hereof are that the quantity of office space is not affected, but because of the wealthy nature of these international conglomerates, the demand for high quality of space is increased.

Many cities attempt to make up for the loss of revenue associated with the decline in manufacturing employment by emphasising tourism and building convention centres, and sports arenas. (Fisher & Kling 1993:37)

In tandem with the globalisation of industry has been the globalisation of finance. This has been an important enabling factor in the globalisation of industry, facilitating transnational corporations' need for access to enormous amounts of capital for merger, acquisitions and operational restructuring. (Knox & Taylor 1995:5)

These trends have significant *spatial implications*. The rich countries will require more office space while the countries with emerging economies will need more industrial space. Planners must determine whether South Africa will follow the trends in rich countries regarding deindustrialisation and the increase of the services sector, or whether the patterns of the countries with emerging economies will be followed. In global context South Africa is viewed as a developing country, but in the southern African context the greater Johannesburg may be viewed as an established services dominated centre.

### 3.2.2 Leading Global Cities

The urban world is dominated by a small number of centres that are the command and control points for global capitalism, the world's dominant economic system. Such centres are distinguished not by their size or their status as capital cities of large countries, but by the range and extent of their economic power. Most observers today see these cities as the decision-making points for the world-economy. World command cities are characterised by concentrations of headquarters of global corporations; commodity, currency and securities exchanges; and head offices of producer services organisations. (Clark 1996:137/8)

As manufacturing, financial and service organisations have increased in size and have extended their spheres of operation across the globe, they have concentrated their headquarters functions in a small number of cities which have grown in world stature as a

result. Ten cities host the headquarters of nearly half of the world's 500 largest transnational manufacturing corporations. In 1991 130 of these were based in New York, London and Tokyo. (Feagin 1998:32) These three cities stand on top of a global network that transcends states.

Clark (1996:153) contends that the key individuals and institutions of international production, finance, services and government concentrate in world cities because these are the best places from which to direct global activities. A complex set of location factors is involved, including access to business information, economies of scale, attractions of prestige locations, access to collaborators and competitors and exceptional global accessibility.

#### Locations of head offices of multinational corporations

CITY	POPULATION	HEAD OFFICES
New York	17	59
London	11	37
Tokyo	26.2	34
Paris	9.6	26
Chicago	7.8	18
Essen	5	18
Osaka	15.9	15
Los Angeles	10.5	14
Houston	3.1	11
Pittsburgh	2.1	10
Hamburg	2.2	10
Dallas	3.2	9

Table 2: Source: Feagin (1998:32) as at 1991

According to Friedmann (1986:317) it is only since the 1980s that the study of cities has been directly connected to the world economy. Friedmann's 'World City Hypothesis' sparked a substantial debate around the theory of global spheres of influence of cities.

In his 1986 article, Friedmann used seven major criteria to identify thirty cities that he subsequently arranges in the '*world-city hierarchy*'. These are classified in primary and secondary cities in core countries as well as primary and secondary cities in semi-peripheral countries. Core countries are identified by World Bank criteria as industrial market economies and semi-peripheral ones and as upper-middle-income market economies:

Table 3  
THE WORLD-CITY HIERARCHY

Core countries		Semi-periphery countries	
Primary	Secondary	Primary	Secondary
London ***	Brussels *	Sao Paulo *	Johannesburg *
Paris **	Milan *		Buenos Aires ***
Rotterdam *	Vienna *		Rio de Janeiro ***
Frankfort *	Madrid *		Caracas *
Zurich *	Toronto *	Mexico City ***	Hong Kong **
New York ***	Miami *	Singapore *	Taipei *
Chicago **	Houston *		Manila **
Los Angeles ***	San Francisco *		Bangkok **
Tokyo ***	Sydney *		Seoul **

Population size categories: \* 1-5 million; \*\* 5-10 million; \*\*\* 10-20 million  
Source: Friedmann (1986:320)

The criteria used by Friedmann are:

- major financial centre;
- site for headquarters for transnational corporations;
- international institutions;
- rapid growth of business-services sector;
- important manufacturing centre;
- major transportation node; and
- population size.

However, in his later review Friedmann (1995:23) acknowledges that the world economy is too volatile to allow a fixed and stable hierarchy for any but relatively short stretches of time. He adds that hierarchical relations are essentially relations of power, and competition for place is always severe among cities.

*"In these new economic landscapes the archipelago of world cities not only represents the most important 'theatres of accumulation', but also constitutes the locus of key managerial, financial, research and development, business service, and information processing and interpreting functions.'* (Knox & Taylor 1995:7)

In England 20% of the national population live in and around London. In Mexico 18% of the country's population live in Mexico City, in Uruguay 50% live in Montevideo, in Argentina

30% live in Buenos Aires and in Peru 32% live in Lima. However, the mere size of a megacity does not ensure its international economic or political influence. Mexico City, for example will by the year 2000 have a population approaching 30 million people, but despite its huge population it does not have the same international influence that London, New York or Tokyo has on the global economy. (Short 1996:37 Clark 1996:164 Knox & Taylor 1995:8 Sassen 1991:4 King 1990:87)

*"A key dynamic running through these various activities and organizing my analysis of the place of global cities in the world economy is their capability for producing global control."* (Sassen 1991:6)

Lyons & Salmon (1995:110) contend that notwithstanding the continuing process of globalisation, corporate headquarter agglomerations are no longer the exclusive prerogative of world cities, at least US world cities. They feel that regional centres, further down the urban hierarchy may now be sufficiently integrated into the world economy to function as command centres in their own right. Taylor (1995:59) poses the question whether London as world city needs Britain, or New York as world city requires to be part of the large territorial state that is the USA: *"In a growing trans-state world the relationship between city and state can become problematical once again."*

Coyle (1997:22) emphasises that cities form the base of wealth and taxes milked for the benefit of the national economy. They are wells of spontaneous creativity and enterprise, organic and volatile, prone to boom and bust, and impossible to develop successfully from scratch.

### **3.2.3 Productivity, competitiveness and efficiency**

*"So in future the arenas in which companies will compete may be cities rather than countries."* Bernstein (1996:51)

Jacobs (1986) already argued in the 'eighties that it is cities, not nations, that are the key economic units of macro economics, but for cities to be economically successful they must be able to become *"import-replacers"* - they must produce previous imports. Import-replacement unleashes five economic forces of expansion: (i) city markets for new and different imports; (ii) abruptly increased city jobs; (iii) technology for increasing rural production and productivity; (iv) transplanted city work; and (v) city-generated capital. (Jacobs 1986:47) Therefore it will be cities that compete economically rather than nations. Friedmann (1995:23) emphasises that world cities are constantly engaged in an equilibrating act and are driven by relentless competition, struggling to capture ever more

command and control functions that comprise their very essence. "*Competitive angst is built into world city politics.*" Cities are the hub of innovation. (Bairoch 1988:336)

Inter-city competition for business and industrial development (or place marketing) is a well-established phenomenon in the United States. While economic development officials historically paid overwhelming attention to attracting firms that were either new or were considering a relocation, Blair (1995:41) says that during the past decade, many local development officials concluded that communities can generate more jobs by encouraging local businesses to expand or at least maintain their current location.

In the UK central government has created independent development agencies to circumvent the power of local authorities who operate policies at variance with theirs. These agencies are not wholly political, as is evidenced by Adams, Baum and MacGregor (1987) who believe that most proposals of any size tend to conflict with structure plan policies and generate refusals.

Inter city competition is nothing new in South Africa. Examples of such competition are Centurion (previously Vervoerdburg) versus Pretoria, and the fluctuating fortunes of many of the East Rand towns, which are constantly in competition with each other. They compete on a municipal level while other smaller communities compete with each other within a particular municipal area. More recently large metropolitan areas like Durban and Cape Town compete with each other for tourism, but now the competition is at an international level. Place marketing is encouraged by the Department of Provincial and Local Government (2000: 2/4)

Competitiveness must go hand in hand with the improvement of economic efficiency. **Productivity** will play an important role, but there are many additional aspects which can enhance the economic efficiency of a city or a sector. Aspects such as improved infrastructure, transportation, improved accommodation, communications and technological improvements must all be thoroughly considered. Efficient, market oriented urban planning is a *sine qua non* for economic efficiency and productivity.

The advent of democracy in South Africa has brought with it a new era of integration into the world economy. The opening up of the country's economy to international competition means that cities will have to increasingly compete with foreign cities to become locations for both local and foreign investments. (Durban Corporation 1996:7)

The World Competitiveness Yearbook, published by the Swiss IMD business school shows South Africa in the 45th place amongst the 46 industrialised countries under review in 1997.

	1993	1994	1995	1996	1997
Domestic economy	41	42	42	44	39
Internationalisation	32	35	38	39	44
Government	43	38	35	37	35
Finance	23	26	27	31	33
Infrastructure	32	37	30	32	28
Management	32	35	38	40	43
Science & technology	29	28	31	34	37
People	46	46	46	46	46

Source: World Bank; World Competitiveness Report, IMD Lausanne 1997

The Free market Foundation released an economic freedom index, rating more than 100 countries over the years 1975 to 1995, measuring the extent to which the citizens of a country are free to engage in different economic activities and how this affects economic growth. The countries with the highest level of economic freedom for the 1993-5 period were Hong Kong, New Zealand, Singapore, the United States, Switzerland, the United Kingdom and Canada. All these countries enjoy a significantly high level of prosperity.

South Africa is rated 54th together with Greece and Cyprus. The World Bank (1997:14) argues that the figures show that countries that had an increase in their economic freedom experienced higher rates of economic growth, and conversely those which had the largest reductions in economic freedom had shrinkages in their levels of per capita income. No country with a persistently high economic freedom rating during the two decades failed to achieve a high level of income.

*"Cities are like vast turbines generating wealth rather than energy, but their massive power to contribute to economic development and to create opportunity delivers its benefits unequally."* (World Bank 1996:35)

Clearly South Africa's competitiveness in the global arena is poor. This is a rather dismal situation for South Africa and will have to be substantially improved if it wishes to become a significant competitor amongst the developing nations.

Cities compete in different categories. Kresl (1991:351) alludes to the concept of "**Gateway Cities**", a term of long usage which historically referred to port cities commonly generating the largest international trade between countries. The term takes a new meaning in the postmodernist era. While trade, and particularly through ports still features highly on the

economic agenda, the growth of services industries and particularly the movement of capital and money creates a much higher importance for financial capitals.

Kresl (1991) categorises Gateway Cities into two categories:

- **Bridge cities** serve as conduits between two economies. While the city may have an independent economic importance, in its capacity as a Bridge city it is not in itself a significant economic actor but simply takes advantage of its location at a point of interaction along a barrier between two significant economies. Kresl cites Buffalo, Detroit, Seville, Copenhagen, Lyon and Hamburg as examples.
- **Point of access cities**; which seek to enhance their economic significance as a headquarters site and decision-making centre, usually on a continental basis, by serving as a point from which economic actors may gain access to cities in the other country. In North America, Kresl cites Toronto as the best example of a point of access city. Never having had its economic strength in manufacturing, the city has emerged over the past century as Canada's decision-making, and business and financial services centre. In Europe Amsterdam is cited as the leading example.

For bridge cities competitive investments are primarily sought for transportation related infrastructure, while for point of access cities priority must be given to office space, housing for high income individuals, urban cultural amenities such as museums, galleries, concert halls, recreation facilities and good educational facilities. Kresl (1991:352) believes that in each case, these investments will have to attract the necessary business and financial services companies which are the sine qua non for the success of Gateway cities.

*"Gateway Cities compete against one another fairly intensely and to be successful careful planning and infrastructure improvements are required."* (Kresl 1991:352)

Planners should determine in which category a particular city falls so that they can decide what kind of planning action is required to enhance economic competitiveness.

### **3.3 SUMMARY**

This chapter has emphasised the major influence of economics in determining the urban form. It has shown that, while economics have historically always played a leading role in the establishment and growth of cities, this influence is growing in importance and could dominate urban life.

Economic activities and cities are inextricably linked. Rather than merely acting as points of exchange for goods and services produced and consumed in their surrounding areas, which was the historical pattern, cities are places of articulation where people and products link to the wider world. Cities are locations through which global goods and services reach



their markets and are consumed, and from which surplus values are extracted. They interlock and intermesh in the form of local and national networks which in turn are incorporated within a global urban hierarchy.

This system is dominated by a small number of world cities, housing the headquarters of the principal transnational corporations, finance and producer service organisations. Such centres are effectively the command and control points for global capitalism. The emergence and spatial organisation of the urban world, according to this perspective, are dictated by the needs of the world economy.

The accumulation of wealth through manufacturing, exchange and consumption is the primary cause of urban growth and urbanisation. It is these economic forces, which shape the city through the forces of demand and supply. These are the forces which must be thoroughly analysed by planners to be able to pre-empt the spatial result.

Despite their enormous size, the world's major cities at present are viable and stable places which represent a significant social and economic achievement. They contribute disproportionately to national economic growth and social transformation by providing economies of scale and proximity that allow industry and commerce to flourish. They offer locations for services and facilities that require large population thresholds and large markets to operate efficiently. Urban residents, even in the world's poorest countries, have better access to services and higher levels of social welfare than those who live outside the city. (Clark 1996:24)

There is a correlation between the level of development of a country and its percentage of urbanisation, clearly indicating that sophistication and a higher standard of living are to be found in urbanised areas. It may however be argued that a higher standard of living does not necessarily enhance the quality of life, although there are similarities. Yet, as a result of the desire of humans to acquire a 'better life' in the cities, it may be argued that economic improvement is high on the list of priorities in the definition of an enhanced 'quality of life'.

The challenge to cities is to tap the wealth they generate to finance the many common goods (services like water, power, garbage collection, and transport systems) that are so essential to making cities liveable and to maintaining their productive potential. (World Bank 1996:35) It is submitted that the uneven distribution of wealth in cities and the resulting poverty is the greatest threat to many metropoli, particularly in developing countries.

*"In the end cities exist as an expression of man's attempt to achieve his potential. It is poverty that pollutes the promise. It is development's task to restore."* (Natrass 1981:35)

Cities are entities that have survived the test of time. The major cities have been there for hundreds and some, thousands of years. They may change over time but they are not likely to disappear. They form the core of our every-day life and the basis of our economic activities. It is submitted that the city form, which has been largely shaped by market forces have now become such important economic entities that economic forces will dictate their form to an even greater extent.

The content of this chapter has set out much of the present tendencies, having reviewed the historic trends briefly. The urban form of the future must be thoroughly considered and planned. The next chapter will consider the role that planners play in the economic evolution of the city.

# CHAPTER 4

## THE ECONOMIC ROLE OF URBAN & REGIONAL PLANNING

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# CHAPTER 4

## THE ECONOMIC ROLE OF URBAN & REGIONAL PLANNING

### 4.1 URBAN PLANNING

This chapter strives to emphasise the new role that is required by planners to conform to the requirements of citizens in the era of globalisation and technological change. Emphasis is laid on the influence of market forces in the task of planners.

*"Planning encompasses the broad concept of formulating courses of action for socio-economic change."* (Blakely 1994:xvi)

It is submitted that the economic prosperity of people is of paramount importance to their social well-being and quality of life. Therefore economic enhancement that may be attributed to planning considerations and actions needs to be at the forefront in urban planning.

#### 4.1.1 The Changing World



*"Modern town planning, which has been so instrumental in shaping the twentieth century city, seems impotent in the face of the powerful forces that are currently reshaping our cities."* (Harrison 1995b:42)

The shaping of the new century has become a national preoccupation. Similar events took place at the end of the 19th century. However, much of today's planning appears to be a rejection of the industrial model forecast as the national ideal 100 years ago. (Blakely 1994:133) Now the question may be posed: **'how does this affect urban planning?'** Castells & Hall (1992:73) emphasised that:

*"... we are living in the midst of a fundamental process of historical change that is affecting the intellectual and social foundations of planning and its practice."*

This was written under the title: *"The World has Changed: Can Planning Change?"*

Planning has undergone various **cycles** and has taken many forms over the ages, but has always been seen as a legal control function rather than an economic facilitator. These cycles have differed in various parts of the world. For instance, the planning considerations in Communist controlled countries have been very different to countries where the free enterprise principle has been applied - e.g. in the USA and Western Europe.

The basic trends in these cycles have revolved around the level of involvement or non-involvement of the state. Planning principles and their application, have, over the years affected the development of cities around the world, but it is deemed superfluous to consider these influences over the course of many centuries.

In Britain, town planning emerged as a reaction to the physical degradation, health hazards and functional chaos of the nineteenth century industrial city. (Harrison 1995a:5) In the US the emergence of town planning had more to do with the need to regulate the activity of profit seeking developers who were giving little thought to the public interest in township development. Thus, in both instances, town planning was a spatial control consideration caused by a previous lack of humane considerations. (Short 1996:467) This practice created the anti-profit attitude of planners in the post World War II period.

The period from the end of World War II till the 1970s was the grand era of **modern planning**, characterised by ambitious and large scale projects such as the construction of new towns and urban renewal programmes. Healey (1997:4) says that the planning systems in place across most western countries were designed with conceptions of integrated and self-contained local economies and societies in mind, not the open and globally-reaching relationships which characterise much of today's local economies and social life.

*"Metropolitan planning practice tends to be based on simplistic notions of master planning and master building that ignore the complex division of labor and functions characteristic of the modern metropolis."* (Angotti 1993:144)

Angotti (1993:167) aptly points out that, as the planning profession is a very recent one historically, the first generations of professionally trained planners have been absorbed into technocratic and bureaucratic hierarchies that limit their abilities to function as planners. Thus, many planners willingly refuse to accept the fundamentally political role of planning,

*"and cede to others the real planning process, the ability to influence and change the world."* (Angotti 1993:167)

#### 4.1.2 Defining Urban Planning

Town planning as a fully fledged profession in the way that it is known today, is a relatively modern concept. Yet urban planning was already practiced in early Roman times with their public works programs and even earlier by the Egyptians with their grain storage and pyramid-building projects. (Barlowe 1986:483)

Town planning denotes an institutionalised process for organising the component of urbanised human settlement in such a way as to enhance welfare, prosperity and progress to the highest possible level. **Planning concerns the future**, thus the science of planning is an exercise in research aimed at the determination of futuristic events and actions. This should include scenario proposals.

Over time numerous definitions of urban planning have been compiled, but largely the essence of these descriptions includes the following requirements:

- The art and science of ordering the use of land and the character and citing of buildings and communication routes so as to secure and maximise the practicable degree of economy, convenience and beauty. (Harrison 1996a:20)
- The conscious direction of effort toward the attainment of a rationally desirable goal. (Barlowe 1986:482)
- The application of human consciousness to the building and preservation of human settlements. (Angotti 1993:166)
- Concerned with the design, growth and management of the physical environment, in accordance with predetermined and agreed policies, whereby balanced social and economic objectives may be achieved. (Harrison 1996a:20)
- The determination of the detailed layout of urban areas and the positioning of urban and peri- urban land uses. (Behrens & Watson 1996:24)

Glasson (1974:5) aptly summarises that planning is orientated predominantly toward the future, is deeply concerned with the relation of goals to collective decisions, and strives for comprehensiveness in policy and program:

*“...all planning involves a sequential process which can be conceptualised into a number of stages, such as:*

- \* the identification of the problem;*
- \* the formulation of general goals and more specific and measurable objectives relating to the problem;*
- \* the identification of possible constraints;*
- \* the protection of the future situation;*
- \* the generation and evaluation of alternative courses of action;*
- \* and the production of a preferred plan,*

*which in its generic form may include any policy statement or strategy as well as a definitive plan."* (Glasson 1974:5)

Public policy, and hence planning, is a social process through which ways of thinking, ways of valuing and ways of acting are actively constructed by participants. (Healey 1997:29) Angotti (1993:166) contends that conscious planning is not simply an act of will, but an objective process integrally linked with the material development of society. He believes that conscious planning cannot suppress the objective laws of urban development, or the objective laws of economic development, but believes, on the other hand, that these objective laws need not enslave the human race. He appears to be searching for some middle road between the forces of the market and planning regulation. It is submitted that planning should guide these forces for the benefit of the urban citizens without being entirely prescriptive - planners should be suggestive and facilitative.

There is an important difference between **spatial** and **aspatial** planning aspects. Spatial refers to a direct concern for the pattern in which culture, activities, people and physical objects are distributed in space. Aspatial refers to a lack of such concern for spatial pattern; the characteristics and interrelationships of selected influencing phenomena. (van Zyl 1996:44)

*"Planning at all scales clearly has both spatial and a-spatial (policy) dimensions. Frequently (in fact almost inevitably) both are represented in any particular task, although the relevant emphasis will vary."* (Dewar 1996:50)

This is illustrated by the following diagram:

Table 5			ASPATIAL AND SPATIAL PROCESSES AND FORMS	
			PROCESS	FORM
			ASPATIAL	SPATIAL
NORMATIVE	social values, norms, institutional setting, technology.			spatial distribution of culture patterns and norms: values concerned with the spatial pattern of activities, people.
FUNCTIONAL	division/allocation of functions, activity systems, persons & establishments in their functional role.			spatial distribution of functions, links, activities, spatial pattern of establishments.
PHYSICAL	physical objects, geo-physical environment, man-made improvements, people as physical bodies, qualities.			spatial distribution of physical objects, pattern of land form, buildings, people, roads, physical quality.

Source: van Zyl (1996:45)

As a common denominator the various definitions of planning all refer to a consideration of an existing situation or problem, a series of thought activities and then the taking of action aimed at resolving or improving the problematic situation. This may lead one to think that planning only takes place when there is general consensus that something is wrong and needs to be set right. While this may have been true in the past, there are clear tendencies that modern planning also concerns itself with an orderly structure of the future, which is aimed at preventing things from going wrong.

The National Development & Planning Commission (Department of Land Affairs 1999:19) suggests that a spatial planning system is essential to:

- ⇒ provide vision and consistent direction, as well as a strategic assessment of what is desirable and possible in various contexts;
- ⇒ protect the rights of people;
- ⇒ protect natural systems and prevent environment degradation;
- ⇒ make efficient use of resources;
- ⇒ achieve a high degree of service delivery;
- ⇒ co-ordinate and maximise positive impact from investments; and
- ⇒ set priorities which will make significant inroads to be made into meeting the developmental needs of the country in a fair way.

The primary role of spatial planning is to integrate different sectoral elements creatively.

Professional planning may still be based on geography, but it is heavily influenced by sociological, legal, economic and environmental considerations. Interest has increased in how planning tools may be used to guide nations, regions, cities and communities.

It is not the object of this work to deal with the all basic principles or theory of planning, but rather to acknowledge and to consider the importance of the planning exercise as it affects development trends, economies, land values and the social fabric and form of cities.

#### **4.1.3 The Planning Profession**

*"... the practice of town planning has its roots in a bygone era and, if planning is to be relevant within a vastly changed context, it has to re-establish its legitimacy and redefine the ways in which it is practised."* (Harrison 1995a:5)

Button (1976:206) contends that the first great planners appeared in the last two decades of the nineteenth century. He argues that these planners, who were influenced mainly by



American experience, were concerned with individual planning ventures and were in many ways experimenters rather than planners. He quotes Saltaire near Bradford, Bourneville outside Birmingham, Port Sunlight near Birkenhead and the better-known Welwyn Garden City in Hertfordshire (by Ebenezer Howard) as examples of their work.

Harrison (1996b:31) argues that the planning profession was a product of reform movement within modernism that emerged around the turn of the century, as a reaction to the misery, degradation and chaos of the nineteenth century industrial city, which progressed to become a major force in the shaping of cities by the middle of the twentieth century. Hall (1988:326) said: "*It was a happy, almost dream-like world.*" but, between 1953 and 1957 there occurred an almost instant revolution in human geography, strongly influenced by a new academic discipline uniting the new geography with the German tradition of locational economics. The new locational analysis began to enter the curricula of the planning schools.

*"The old planning system, geared to a static world, was overwhelmed."* (Hall 1988:326)

The consequences for urban planning were substantial. Within a ten year period from 1960 to 1970 the profession changed more than the previous 50 years as a result of a more scientific approach in which vast amounts of precise information were garnered and processed in such a way that the planner could devise very sensitive systems of guidance and control, the effects of which could be monitored and modified. Planning was seen as an instrument of reconstruction and historical progress and planners were considered to be the experts who could lay claim to an understanding of the laws of development and who could apply objective scientific knowledge in pursuit of a better world. (Hall 1988:327)

Hall (1988:329) points out that '*spatial interaction models*' giving basic data about employment and transportation links, could generate a resulting pattern of activities and land uses and became part of the planner's stock in trade. Instead of the old master-plan or blueprint approach, which assumed that the objectives were fixed from the start, the new concept was that of a planning process whereby programmes are adapted during their implementation as and when incoming information requires such changes. (Hall 1988:329) Planning became a continuous process of control and monitoring of these systems, derived from the then new science of cybernetics and became heavily engineering-based in its approach. (Hall 1988:338)

This approach was more flexible and better capable of dealing with the then fast changing and developing cities. But it also enhanced the authoritarian bureaucratic powers of

government planners and officials, resulting in much resistance, calling for a more 'bottom up' approach. It must be borne in mind that the post world war II period from 1945 to 1971 was seen as the 'golden era' of global economic development, but it was also the period when people were homogenised into a mass of similar individuals, with broadly similar behaviours. This undifferentiated conception of people was typical of the planning ideas of the early post-war period. (Healey 1997:40)

Within a decade - 1965 to 1975 these approaches "*neatly stripped the planner of whatever 'priestly clothing', and consequent mystique, they may have possessed.*"(Hall 1988:334) Hall maintains that the change can be caricatured thus: in 1955, the typical newly graduated planner was at the drawing board, producing a diagram of desired land uses; in 1965 s/he was analysing computer output of traffic patterns; in 1975 the same person was talking late into the night with community groups, in the attempt to organise against hostile forces in the world outside. It is submitted that these 'hostile forces' were chiefly contrived by contra-economic planning measures.

Ellin (1996:14) points out that, as neo-rationalism migrated to northern Europe, its urbanistic component evolved into the movement for the reconstruction of the European City. This movement hatched during the 1970s, after a period of gestation during which its ideology was being formulated by a number of historians and architects who had been working independently in various European locales. Along with the student and worker insurgencies of 1968, this movement was both symptom and symbol of widespread dissatisfaction with post-war urban development and with the consequent legitimacy crises in the urban design professions.

Nowhere was planning more radically shaken by government 'de-control' policies than in Britain at the end of the late 1970s. Thatcherism enthusiastically endorsed privatisation in almost all circumstances, and consequently proposed handing over significant parts of the planning function to the private sector. According to Bramley & Lambert (1998:93) the planning profession was stripped of much of its control functions and became unsure of the precise role that it should play. Healey (1997:22) felt that the physical development planning tradition moved away from its utopian and aesthetic roots towards a form of policy analysis focused on the practical management of the dynamics of social, economic and environmental change in urban regions.

**Concern for the environment** brought about a substantial change in urban planning considerations and for a while in the 1980's this concern became the central theme or normative basis of planning. It was almost as if planners needed a new basis for regulatory

bureaucratic planning controls and grasped the environmental issue as an excuse. Many planners became conservationists and environmental experts overnight.

Then planners began to recognise the important role economics has to play in their work while economists realised that the only way the vast number of individual decisions made within the urban economy could be co-ordinated to ensure the greatest welfare for the community was to actively plan much of the city's growth. Resource allocation would not be anything like optimal without a considerable degree of physical planning. Blair (1995) was one of the few authors who emphasised the importance of economics in planning:

*"Economics is usually at the heart of planning processes because planners are interested in economic outcomes, economic methods are used in the planning process, and economic factors constrain what can be done."* (Blair 1995:304)

Harrison (1993:1) argues that, within the context of economic crisis and social turbulence the public became disillusioned with planning and planners themselves lost faith in their own ability to plan for the long term. It may be argued that this is because of the historically restrictive approach taken by planners on zoning. For example, Segal (1977:105) defined municipal zoning laws as *"regulations which restrict the use to which certain properties may be put."* Economically these restrictions *"serve to extend the rights of some property owners to properties owned by their neighbors."* This was a typical view of planners by the public.

Now planners have moved into the era of globalisation and the power of the free market.

#### 4.1.4 Urban Planning in South Africa

It may be said that ***Westernised Urban Planning*** in South Africa emerged with the advent of the Dutch in 1652 and that the first urban planning decision was the location of the original fort built by Jan van Riebeeck. The Dutch East India Company did have the benefit of a knowledge of first world cities in Europe and there is substantial evidence of legal and structural planning decisions being made in the early days of the development of Cape Town. Many of these early physical planning decisions are still in evidence in the downtown area of the city, but few of the early legal requirements have remained in force. Subsequent planning decisions were influenced by the British rulers of the colony. These influences became prevalent.

**African Urban Planning** was practised in different ways by the various population groups. African tribes established their towns on traditional basis, as can still be evidenced today in some rural areas, but white dominance in larger urban areas created Westernised cities.

In the twentieth century the planning profession in South Africa followed the patterns of Britain, and to a lesser extent those found in the USA. The post World War II period witnessed the consolidation of the control-oriented and fragmented approach to planning which laid the basis for apartheid planning. (National Development & Planning Commission: Department of Land Affairs 1999:4) The control-oriented approach was intensified following the 1976 Soweto uprising. During the 1980s urban planning in South Africa was not affected by the influence of the ('Thatcheris't) free market approach mainly because of the international isolation.

The 1994 government inherited a fragmented, unequal and incoherent planning system which had developed under the colonial rule and the subsequent apartheid regime. Commenting on the South African planning system in 1995, the government felt that:

*"South Africa's planning system is extraordinarily complex, internally contradictory and incoherent. It is based on a large number of racially-based laws and ordinances inherited at national and provincial level, as well as from former homelands. This system holds back - rather than facilitates - urban land development."* (Urban Development Strategy 1995:25)

It was only after the advent of the 'new' democratic government in 1994 that a new approach to urban planning was advocated. The new dispensation has ushered in an era of principle-led (normative) planning and development. The transition to democracy has seen the unfolding of a new legislative and policy framework aimed at redressing the imbalances of the past. There has been a major attempt at national level to change the dominant planning paradigm from a control-driven one to a more proactive developmental model. Unfortunately, lack of capacity is one of the more serious issues facing the planning system in South Africa as there are absolute shortages of suitably qualified people in all spheres of government. (National Development & Planning Commission 1999:15)

As is more fully described in the following chapter, various pieces of legislation and policy documents are underpinned by a set of planning principles aimed at guiding development decisions, particularly at local authority level. (Department of Constitutional Development 1999:11) These proposed development principles are also further considered in chapter 8.

#### **4.1.4.1 Public Participation**

Market forces often prevail at neighbourhood and community level. It is submitted that planners should encourage the **economic needs and requirements** of communities. In poor communities their greatest need is for economic upliftment. This should therefore be the primary goal of planning. This aspect is considered further in chapter 8 (Local Economic Development)

In the Integrated Development Planning Manual (Department of Constitutional Development 1999:14) it is argued that the integrated development planning process stretches far beyond the competency or ability of the local government body. It includes all of the development challenges in a specific area and demands that the entire community of an area join forces in pursuit of their common destiny and their vision.

*"An effective communication strategy needs to be put in place to ensure that the 'person in the street' is kept up to date on the planning process happening in the area, and to provide the general public with the opportunity to respond, or contribute, to the process."* (Department of Constitutional Development 1999:22)

In practice it is found that the private sector will employ the services of skilled and qualified planners to assist with the planning design of upmarket property developments. Their proposals are thoroughly vetted by bureaucratic authorities (including skilled and qualified planners) and usually heralded in the press as new and exciting projects. However, it is submitted that insufficient thought or publicity is given to the planning needs of the poor - this remains largely an academic exercise of which little has been converted to practice notwithstanding the directives set out in the new planning legislation and policy. Market forces have little or no chance to prevail in the low cost housing areas.

Public participation and community empowerment are concepts that are finally earning their rightful place in the planning process. Harrison (1995a:33) points out that it is not only the poor township dweller who may scuttle planning initiatives. Wealthy established communities, seeking to preserve the amenity of their neighbourhoods and the value of their properties, often resist development.

Steyn (1989) advocated a somewhat narrower role of public participation by posing certain conclusions:

- Participation operates in a democratic system and can only be dealt with in a democratic fashion.
- Public participation resorts in the category of 'procedure' of planning theory - thus the need for operational methods of planning.
- As the participation resorts within the procedural planning theory, the purpose thereof is the improvement of the effectiveness of the policy and not the legitimacy thereof.
- There is a difference between goals, objectives and techniques. After the goals and objectives are determined various techniques can be used to achieve these goals.
- Participation is part of the communication system between citizens and the state, and *vice versa*, to bridge dissent. If there is no dissent, participation is unnecessary.

- Inputs require a level of knowledge that is comprehended by the affected citizens.

It is submitted that, although public participation is essential in a democratic society, the **practical implementation** thereof in planning is often warped by vociferous (and sometimes malicious) individuals with ulterior private agendas. It is therefore necessary to balance authoritarian planning with public sentiment, but this can usually be more efficiently done by means of research and scientific opinion poles than by public gatherings or even advertising for objections. The opinions of minorities often distort market force trends. Steyn's opinions should therefore be cautiously heeded.

In a later work, Steyn (1996:37) expanded on the approach to allow individuals the freedom to choose or to partake in creative methods of participation. Homogeneity of culture can assist to bridge the levels of thoughts. Where such cultural homogeneity is absent and ideological-, super-, and infrastructural differences complicate matters, participation cannot be used as a method of communication. Steyn then sees it as a political tool to create a conflict situation in the interest of a particular minority. He says that decision-making should be the acceptance of own responsibility to consider a variety of possibilities and then to act according to one's own ideo-structure.

#### ***4.1.4.2 Land Development Management***

The National Development & Planning Commission (Department of Land Affairs 1999:47) aptly points out that land management has two key goals. The first of these is the (historic or old fashioned) provision of protection to both the natural environment and members of the public from negative impacts of land development and land use change. This is the reactive control approach.

The second goal which is now coming to the fore is that it must provide a reliable degree of certainty to developers, members of the public and all spheres of government so that there is a shared and consistent understanding of the scale, extent and nature of permissible land development and use within a specified time period.

Both of these goals are essential for the operation of an efficient and fair land market. The Commission points out that the manner in which a land development management system achieves the above goals is through the determination, allocation and restriction of rights to use and develop land.

## 4.2 PLANNING FOR ECONOMIC PRODUCTIVITY



Contemporary spatial planning has been woven together out of three traditional strands of thought which have grown up in the context of this inheritance. These strands are economic planning, physical development and public administration and policy analysis. Healey (1997:10) says that the interest in economic planning arose in part from a general critique of the processes of industrial capitalism, particularly following Karl Marx's attack on the social costs of industrial development. The result was the split of political ideologies between capitalism and communism.

It is submitted that, particularly in South Africa, the emphasis is now placed on the economic aspects of urban planning. This is evidenced by the views of the Department of Constitutional Development and the supporting urban planning legislation and policy documents.

*"Many municipalities currently have reactive town and regional planning: when crises occur, planning starts. This reduces the ability of the municipality to use spatial planning as a tool to promote social and economic development. Land development objectives should be used to put planning on a more proactive footing. The land development principles in Chapter One of the Development Facilitation Act are a sound basis for more developmental planning."* (Department of Constitutional Development 1997:2)

### 4.2.1 Planning and Economics

Economics and urban planning have many commonalities, the basis being the fact that both are involved with futurology. They are also both concerned with the improvement of the quality of life. It is submitted that **economic growth and stability, financial prosperity and wealth are major components in the improvement of human quality of life.** Thus planning must take full cognisance of economics to achieve its goals. Blair (1995:209) says that land use patterns contribute immensely to the desirability and productivity of a city. Economically efficient town planning leads to a more efficient and better utilisation of the resources of the community than would otherwise be achieved. (Lean & Goodall 1966:228)

Planners usually have a specialised academic background and tend to view urban planning through those eyes - be it a sociologic, political, demographic, geographic, architectural or engineering background. It is submitted that in the past, few economists become urban planners and few planners have a sound knowledge about economics. Hence urban planning often tended to be executed along other lines than that of economic optimisation.

Button (1974:188) pointed out that:

*"town planning was almost non-economic, even anti-economic" while "economics was not happily married into the planning process."*

Harrison (1995a:6) believes that the antagonistic climate within which planning operated in the 1980's revitalised it and saved planning from being reduced merely to a stifling regulative activity. It is submitted that a lot more can be done to enhance the image and role of planners within the context of development and upgrading of urban areas.

Albrechts (1992:193) agrees that planning, as well as any other policy domain is essentially constructed within the social, economic and ideological framework that is dominant during a given historical era. He believes that the planner's tool-kit, which was primarily developed during a period of uncontested belief in overall economic and social progress and in an environment of relative abundance of resources, has to be completely redesigned and adjusted to meet the needs of today's society.

Planning, in its broader sense, is a method of controlling the free operation of the market economy. (Harvey 1987:162) Thus, in this sense, planning may be seen to be an adversary of the free market system, but that does not mean that it is necessarily and adversary of economic forces. **What the planner cannot do is cut across the directions of events.** The only plausible strategy is to harness the dynamics of development to move things in the direction that you want. For the planner or the architect to ignore the currents that are shaping the city is clearly futile. The economic aim of town planning is more likely to be achieved by working in harmony with these forces than against them.

#### ***4.2.1.1 The free-market revolution***

At the international level, urban planning remained based on geo-social norms until the 1980's. The 'New Right' approach to urban planning under the 'free market' policies of Margaret Thatcher brought major changes to the debate about planning *versus* the market. The 1980 Local Government, Planning and Land Act sought to reduce the strategic powers of country councils, introduce greater centralisation of decision-making and to limit the scope of the planning exercise in Britain. According to the Department of the Environment (1985:14) plans were to be seen as tools to "*assist developers and the business community*



*by providing them with some indicators to guide them in taking their decisions.*" The government's view was that planning regulation was cumbersome, costly, ineffective and misunderstanding the development market.

Yet, the formal framework of planning was still intact at the end of the Thatcher administration. However, according to Hull & Vigar (2000:116) the imposition of new values and goals had brought into the open the very contradictory nature of town planning intervention and had questioned both the effectiveness of that intervention and the expertise of the planning profession particularly in regard to their role in economic efficiency.

*"Planning to provide for community needs and to secure an environmentally efficient arrangement of land uses, was being downgraded at the expense of providing a more supportive environment for private-sector developers and some degree of certainty for market players."* (Hull & Vigar 2000:116)

According to Hull & Vigar (2000:117) John Major inherited a planning system in the process of reform, confused by new possibilities for managing future land-use change and unsure of their role and that of development plans in guiding development. The 1990 Town and Country Planning Act, re-establishing the role of local development plans, rectified some of this confusion and uncertainty.

The 1991 Planning and Compensation Act introduced what was referred to as a '*plan-led*' system, giving priority in development-control decision-making to the provisions of comprehensive and up-to-date local plans throughout the country. The system was intended to reduce uncertainties and the cost of building regulation while avoiding costly and time-consuming appeals. However Bramley & Lambert (1998:108) argue that the plan led system produced the opposite effect.

With the ascent of neo-liberalism with its commitment to deregulation, privatisation and the dismantling of the welfare state, and with its antagonism to modernist planning planners were forced to come to terms with the market. New and more entrepreneurial styles of planning have emerged and a range of new institutions provides a greater role for private sector actors.(Hall 1988:359)

Harrison(1995a:36) believes that planners have now become increasingly involved in the active promotion of economic development and have related ever more closely to the activities of investors, industrialists and property speculators. He refers to the change in the discourse of planning from comprehensiveness and the public interest to competitiveness and the private interest.

#### 4.2.1.2 Free-market critics

There are numerous critics of the concept of economic spatial planning. Although this work concentrates on the benefits of economically efficient planning, heed has been taken of the critics. Referring to but a few:

- In an earlier book, *The Humane City* (1989), Short criticises planning for cities as if profits and economic efficiency were all that mattered. He explores new mechanisms for planning through community ownership, co-operatives of labour and the evolving mixed world economy and calls for cities the where people matter most.
- Angotti (1993) is also critical of the strong influence of market forces in urban development. He equates a 'free market system' to a total lack of planning. He regards those who attribute absolute determination in urban development to the interplay of market forces as 'anti-planning'. He proposes a strong consciousness in urban planning. (Angotti 1993:156)

Angotti (1993:156) is critical of anti-planning theorists who rely on the totally free (uncontrolled) open market theories for substance to oppose planning regulation. He points out that this type of theory assumes the existence of absolute natural laws of two kinds: natural laws of social development and natural laws of political decision-making. Using Banfield's (1970) theories of social austerity, which is based on the idea that urban poverty is a relatively minor social defect that the metropolis cannot resolve, he argues that the free marketeers are totally pessimistic.

*"Advocates of theories that worship the spontaneity of the market-place undercut attempts at planning, and then point to the failure of such efforts as proof of their theses. These theories immobilize any attempt to change the metropolis - either its social, economic and physical shape or the political forces that rule it. (Angotti 1993:157)*

Angotti (1993:158) contends that there is no reason why 'limited' land markets cannot coexist with comprehensive economic and urban planning. It is submitted that this is a completely the wrong approach to planning. This approach emphasises the bureaucratic determinism experienced during the height of 'modernist' planning where, as Angotti refers to the *"dichotomy between planning and marketplace"*, planning was regulative and took little heed of market forces. He sees little benefit in market economies, which he refers to as *"free market anarchy"*.

Angotti (1993:166) contends that more planning is done in *the "mature regulated regimes of accumulation than in the relatively unregulated regimes"* where planning is always subordinate to the logic of profit and private property. *"It is utilised by the class of property holders to defend their interests against the property-less." .... "planning is*

*an extension of economic and political power.*" If this is the case where there is more planning, then less planning under free market systems should be more beneficial to the poor. He acknowledges that planners are not the only people endowed with the ability to consciously project and determine the forms of the built environment, but does not include economists in this role.

- Others, like Hall (1988:342) lamented the 'new' role in which planners were forced in the 1980s, having to assist their "*traditional adversary*" the developer. He acknowledges that conventional planning, the use of plans and regulations to guide the use of land, has become more and more discredited. He is concerned that planning is turning away from the narrow role of regulating urban growth, to encouraging development.

*"Cities, the new message rang loud and clear, were machines for wealth creation; the first and chief aim of planning must be to oil the machinery."* (Hall 1988:343)

Hall cannot accept this necessity and denigrates it by feeling that the planner increasingly identified with his traditional adversary, the developer; "*the gamekeeper turned poacher.*" (Hall 1988:343) He seems to equate these suspicious actions to new urban revitalising developments like the London Dockyards where:

*"Each area would be completely open to immigration of entrepreneurs and capital - meaning no immigration controls. It would be based on fairly shameless free enterprise; bureaucracy would be kept to the absolute minimum."* (Hall 1988:356)

Hall concedes that the real debate on both sides of the Atlantic was still all about economic development. Hall does not differentiate between the planner who is instructed by a developer (in an advisory capacity) and the government employed planner who is now laboured with the task of planning for economic productivity. He sees the latter in a rather negative light:

*"But, over wide areas of the country, the call was no longer for the control and guidance of growth; it was for the generation of growth - promoting activities by almost any means."* (Hall 1988:358)

Yet Hall believed that planning will survive mainly because of the need for conservation of "*good environment*" which is something demanded 'proportionately ever more' by countries as they get richer. He believed that the demand for 'good environment' would become an "*income-elastic good*". (Hall 1988:360)

It is submitted that Hall is wrong in lamenting the influence of the private developer in the shaping of the urban form. It is submitted that he has been overtaken by events and the postmodernist era. Planners are beginning to play a greater role in guiding and even initiating developments rather than merely controlling them.

It is submitted that the decrease of strict governmental or bureaucratic controlled urban planning practices in the 1980's was primarily driven by the need for a more 'economically friendly' approach due to the growing importance of more competitive economic policies and the realisation thereof by governments. This thought process was initiated by 'Thatcherism' in Britain and reinforced, *inter alia* by the economic success of the Pacific Rim countries during that period.

Harrison (1995a:14) is optimistic about the future role of planners in their new role. He holds the view that planning may have a new and active role in assisting nations, regions and localities in adapting to global economic change.

Harrison (1993:5) argues that planners should root their activities within some normative framework or basis. It is acknowledged that urban planning has been based on some normative framework in the past, but submitted that the norms have changed from time to time. It is submitted that the normative framework as basis for urban planning has changed in the 1990's to an economic norm, but that this basis is not fully understood by many urban planners.

Harrison (1995a:15) argues that, for planners, the new geography of production (superimposed upon the geographies of previous eras) poses a challenge. There is the need for a better understanding of the complex processes that are at work, but he believes that planners have a very limited grasp of the way in which the spatial economy is being shaped. (It is submitted that Harrison should exclude himself from this lack of insight.) This sentiment is central to this study as it is hoped that this work will create a better understanding of the economic influences on urban development and planning.

#### ***4.2.1.3 The South African free-market revolution***

Ironically, it has taken a new government in coalition with the Communist Party to introduce a greater free market approach to economics and particularly urban planning with the realisation that urban planning must conform to economic forces and demands.

Harrison (1995a:40) believes that the far less ideological 1990s (with the demise of bureaucratic socialism and the tempering of the free market ideologies) provided the opportunity for the emergence of new styles of planning which combine the benefits of market-led approaches (i.e. cost-effectiveness, efficiency, flexibility, private-sector resources, rapid decision-making) with local accountability, strategic planning, concern for social needs and consideration for the natural environment.

But, particularly in South Africa, the urgent need for economic growth and job creation has become a more urgent issue. This realisation has come to the forefront after the initial

ecstasy of the peaceful transition to democratic rule faded in the realisation that democracy alone does not enhance the quality of living - particularly for the poorer urban masses. The previous drive for democracy has turned to become a drive for economic upliftment. The National Development & Planning Commission (1999:46) acknowledges that the private sector will appropriately continue to be the major force in the development of land. The Commission points out that while land management systems in South Africa remain incoherent, unclear, cumbersome and contradictory, the private sector cannot operate with certainty and assurance in the land market.

Harrison (1995a:39) concurs that the traditional spatial focus of regional planning should be replaced with economic analysis, regional marketing and the strategic planning methodologies developed in the private sector.

#### *4.2.1.4 The compromise*

Regulative planning cannot simply be dismissed, for various reasons including:

- the fact that there are basic health and safety considerations and there are living conditions that are so appalling and exploitative that they should not be permitted
- protecting environmental integrity requires some form of regulation.
- large corporate capital makes investments with immense impact on the city that should be regulated in some way to protect the interests of the wider public.(Harrison 1996a:13)

Ellin (1996:196) aptly emphasises that there must be a balance between control and freedom of thought and design, which it is submitted, is equally applicable to economic control. She believes that we might understand the history of urban design theory as that of a continual search for the most harmonious balance between control and freedom, a search for the order, which liberates rather than oppresses.

Blair (1995:235) believes that public land planners in the USA are currently modifying the way they regulate to give private developers and market forces more leeway while maintaining some control over externalities.

If market forces are permitted to regulate the entire economy, the system will collapse. Hence it is necessary for governments to intervene in economic activity. It is submitted that the same can be said about planning. If it would be argued that market forces should be left to determine all land use, then there would be no planning intervention, but this will also lead to chaos.

In contrast, it has been found that economies and land planning which is totally controlled by government, create stagnation.(World Bank 1996:iii) The solution must be found in the

scope between total free enterprise and total government control. It is submitted that government control should be kept to the minimum and that government should only interfere to correct the system. This intervention should strive to be encouragement rather than restrictive.

#### **4.2.2 Highest and best use**

**One of the largest natural resources available for economic exploitation is land.** This is a scarce resource and must therefore be very carefully planned for optimum economic use. The management of urban settlements should be motivated by the most efficient use of resources.

The most profitable, legal use of land is called the highest and best use. Clearly a higher land value signifies a better utilisation of the piece of land. Lean & Goodall (1966:228) argued that, if town planning leads to higher land values than would exist without it, then a better or more efficient utilisation of resources has been achieved. They add the proviso that this increase in land value should not result from town planning which has led to a corresponding decrease in land values elsewhere. (I.e. it should not be a zero sum game.)

Planning and the provision of infrastructure can increase land values - but usually with an accompanying cost. Short (1996:381) acknowledges that, by designating only certain parcels of land for specific purposes the planning system creates and maintains scarcity. The returns on capital invested in prime sites are thus secured by the planning system, which restricts the supply of building land and the size and number of development sites. Such restrictive approaches are inefficient and contrary to the positive aspects of market forces

Therefore overall planning control is essential, but this can only be executed when the under-utilised land areas have been identified and the necessary information pertaining to the **highest and best use potential** of those areas has been ascertained.

Land resources are at their highest and best use when they are used in a manner that provides an optimum return to their operators or to society. Depending on the criteria used, this return may be measured in strictly monetary terms, in intangible and social values, or in some combination of these values. Property is ordinarily considered at its highest and best use when it is used for that purpose or that combination of purposes for which it has the highest comparative advantage or least comparative disadvantage relative to other uses. (Barlowe 1986:13 and Jonker 1992:54)

It is submitted that vacant or unused land, particularly within an urban environment, which does not constitute a planned and meaningful open space, is a wasted resource. The

temporary or short-term vacancies are not relevant to these planning considerations but longer-term trends indicate the pattern of the market. However, it must however be borne in mind that there must always be some vacant developable land available (preferably on the periphery) to balance the forces of demand and supply and to prevent shortages. The productivity of land can be measured by means of property valuations or statistical information. Fully utilised land will yield a maximum value or return:

*"The disposition and intensity of activities and the improvements made in and to land are inseparable from the questions of value and price."* (McLoughlin 1969:143)

It often occurs that planning itself creates wastage, e.g. in residential township layout plans where plots are designed to suit certain requirements, but with little consideration to the main objective of the creation of a plot - that being to build a house thereon. Generally speaking houses should not be designed to fit on or suite a plot - plots should be designed to suit houses. (Dewar & Uytendogaard 1991:90) This becomes more applicable in lower price ranges. If plot layouts are done with little or no prior planning of the basic layout of the residential unit, it often creates substantial land wastage and causes unnecessary decreases of densities.

Optimisation of land use is found with the design of group housing or most planned unit developments (PUDs) because units are planned first and the land sub-division is executed thereafter. Side and other space savings create practical beneficial advantages. Where conventional plot layouts are done and plots sold, it becomes necessary to impose numerous building control restrictions, most of which becomes unnecessary if the residential units are designed prior to the sub-division. E.g. many 'old' grid iron standard plots of 50 feet (15m) by 100 feet (30m) are still to be found. The normal building restrictions require a minimum set back of 4.5m from the street, 3 metres from the side boundaries - sometimes reduced to 1.5 at the 'rear' or even nil for outbuildings with no windows - allowable only on one boundary. Thus the typical development results in much wasted spaces on erven.

Every successful business sets goals and objectives that are aimed at achieving the optimum level of productivity and profits within the confines of the company's available resources. These resources constitute primarily materials, labour and capital. It is submitted that the planning should follow this business approach.

This approach has been recognised by government in it's Urban Development Strategy:

*"Public investment at all levels will be expected to relate to the economic or functional base and potential of an area. Proper spatial economic and cost benefit*

*analyses will be done to assess the economic, functional and financial feasibility of projects.*" (Urban Development Strategy: SA Government 1995:30)

Highest and best use should be a major objective when considering Local Economic Development Projects (discussed further in the following chapter). Local Economic Development is one of the key outcomes that a municipality should strive towards when preparing Integrated Development Plans (as discussed in the following chapter).

**Urban planning can become a very major ally to the government in the promotion of economic growth and prosperity** if urban space is planned with the intention of optimisation of land. With increasing global economic competitiveness every sector of the economy is compelled to become economically productive and competitive. This concept can be described as '**economic spatial planning**'.

It is submitted that planners with the necessary economic knowledge and information are the profession best suited to determine the highest and best land use - a task that has in the past usually been left to property valuers.

#### **4.2.3 Infrastructure-led Development**

The availability of infrastructure and more particularly the development of transport routes, have a strong influence in the initiation of new developments. Planning of such infrastructure can guide longer-term developments to desirable locations. Harrison (1996a:34) feels that, although planning needs to be re-oriented, traditional approaches should not be discarded. He emphasises that planning for infrastructural investment and provision of services remain a key activity of planners.

South Africa has experienced a mixture of successful and unsuccessful infrastructure-led developments. Some politically motivated decentralisation developments (e.g. Atlantis, Bronkhorstspuit, etc.) produced economically disastrous and socially unacceptable results, while some other low cost housing developments (e.g. Delft, Cape) were more successful.

This approach provides planners with greater opportunity to shape the city. The essence of the decision to install infrastructure to a particular area should be based on sound planning considerations backed up by thorough research regarding the expected economic feasibility implications. Blair (1995:313) says that many plans have failed because planners have not been concerned with the implementation thereof. He believes that a 'sub-optimal' plan may be better than a technically 'best' one if the sub-optimal plan has the support of the individuals involved in the implementation thereof.



#### 4.2.4 Enterprise Zones and Simplified Planning Zones

These were concepts that were introduced by the Thatcher government in Britain in the 1980s in an initiative to enhance building development on economic lines. Bramley & Lambert (1998:97) viewed them as radical concepts of virtually 'planning-free zones'. Enterprise Zones were introduced to target the redevelopment of derelict industrial or commercial areas while Simplified Planning Zones were designated for experimental new developments.

Enterprise Zones have their lineage in the ideas of Peter Hall who argued that inner-city industrial decline was not natural or an inherent feature of advanced capitalist economies but a consequence of state intervention in the form of urban planning. In order to achieve success with urban renewal he proposed that selected areas of inner cities should be exempt from planning and other controls. These proposals were introduced by the Thatcher government in 1980, inviting some half a dozen local authorities to submit proposals for sites of around 500 acres. Twelve such zones were created in 1981, a further 14 in 1983 and one in 1993.

However, assessments of Enterprise Zones, undertaken by a private firm for the first three years and by the Department of the Environment thereafter revealed that the removal of planning restrictions had little effect on the type of developments which took place. Allmendinger (1998:138) reports that very little of what has been built was in conflict with planning policies previously in force. Yet it was acknowledged that these zones accelerated development. The origin of Simplified Planning Zones can be found in the simplified planning regimes of Enterprise Zones. The term 'Simplified Planning Zones' was introduced in 1984 by the Department of Environment (DoE 1984:2).

*"Instead of subjecting all development proposals to the uncertainty and delay of discretionary planning control, the SPZ schemes would specify types of development ..... allowed in the zone and the conditions and limitations attached."*  
(Allmendinger 1998:138)

The concept was portrayed as building upon and extending the success of the Enterprise Zones. The SPZs would be suitable for any area other than National Parks, areas of outstanding beauty or conservation areas. The three main criteria that the government felt should precede the approval of a SPZ are uncertainty, inflexibility and delays in the planning system. The aims for SPZs included the promotion of development or redevelopment, speed of decision-making, certainty and flexibility in the development process. According to Allmendinger (1998:139) the planning system was painted as reactive, negative and time-consuming while SPZs could offer speed and certainty as well

as allowing local authorities to pursue more positive approaches than was possible with traditional development control.

Allmendinger examined four Simplified Planning Zones - Birmingham, Cleethorpes, Slough and Derby - against the criteria set by government. He found that the objectives of the government policy were not achieved as considerable scope was left for autonomous local action that derived from a lack of directed policy objectives. This allowed local authorities to substitute their own objectives that were at odds with the spirit of SPZs and the central tenets of Thatcherism, resulting in developments that would have been little different under the previous regimes.

### **4.3 PUBLIC - PRIVATE SECTOR CO-ORDINATION**



*"The term public/private partnership has entered the permanent lexicon of local government."* (Blakely 1994:153)

The consideration of private and public sector co-operation is not a new phenomenon, yet the implementation thereof is often sadly lacking. Cisneros (1985:14) aptly remarked that when planning was successful, around the turn of the century, it was successful because planners understood that you have to link up the business community with the government sector, with public decision making to create a climate for investment.

*"It is acknowledged that without a partnership with the private sector, metropolitan planning can degenerate to no more than a wish list."* (Martin 2000:56)

Tomlinson (1994:116) believes that the debate should not be so much about whether there should be privatisation, but what form public-private partnerships should take. He says that the shape of cities across the world has been much influenced by the activities of growth coalitions which have taken the form of large, architecturally adventurous consumption spectacles designed to replace the industry lost by ailing Western cities. (Tomlinson 1994:202)

A partnership or joint venture is defined as a:

*"... collaborative undertaking between two or more parties for mutual benefit in which both contribute and share rewards on an agreed basis."* (Jones Lang Wootton 1987:2)

Harrison (1996a:28) makes the point that a key issue for planning is how governments can use their limited resources most effectively to bring about a desired outcome. He refers to a "*new realism in planning*" which includes some of the following features:

- a recognition that the form of cities is determined largely by the decisions of individuals and organisations within the private sector and not by public sector planning;
- a recognition of the limitations on the abilities of government to intervene effectively in the urban system (interventions have often produced unintended and undesirable results)
- realism about the limited capacity of institutions to implement plans and programmes, in terms of technical skills, management capacity, institutional efficiency and inter-agency conflict
- innovative land development mechanisms where planners work with rather than against land markets using instruments such as land readjustment, guided land development and the incorporation of informal settlements into formal systems of land management.
- local economic development "*a field in which, internationally, planners are increasingly engaged*"(Harrison 1996a:34)
- investment decision making "*in which urban planning becomes increasingly involved in overall urban management using Multi-sectoral Investment Planning Techniques.*" (Harrison 1996a:34)

*"In the wake of blueprint, masterplan and grandiose planning approaches, as well as centralised and various forms of decentralised government, the currently favoured institutional arrangement for urban management is urban partnership."*  
(Beall 1997:240)

Harrison (1996a:33) also refers to "*a new paradigm of development*" which is emerging around the concepts of partnerships and networking and which is a far more flexible and socially responsive paradigm than the traditional planning approaches. He refers further to an "*inter-locality networking*" which is related primarily to the emergence of a global information highway and the integration of telecommunication technologies. He points out that the importance of networking in the field of development has emerged through co-operative relationships between firms since the discovery of the "*industrial district model*" in the early 1980s.

Horsman and Marshall (1995:268) say that technology and globalisation together allow us to create new links between the individual and the community. They can help forge a network of the personal, the local, the national and the global, enabling individuals and

communities to reclaim some of the dignity and power that they have lost through the advance of modernity and its consequent atomising effects.

Sunter (1997:56) contends that governments and big companies have a lot more in common than either would care to admit. He urges that if a government wishes to be world class, then it has to comply with virtually all the principles that apply to a world-class company - and more - innovation; quality of management; community and environmental responsibility; ability to attract, develop and keep talented people; quality of products and services; financial soundness and use of corporate assets.

#### **4.3.1 Practical International experience**

While economic development has always been important to the nation and its cities, it was not until the late 1970s and early 1980s that explicit recognition was given to the need for the public and private sectors in the USA to work together to expand the economic base of cities and metropolises. Prior to this time, the public and private sectors were frequently in conflict. Most urban officials viewed private sector economic development with suspicion. This situation changed significantly in the 1980s. (Bingham & Blair 1984:11)

In 1987 Robson pointed out that in England, the idea of partnership had changed fundamentally from its earlier notion of linking the arms of government - local authorities, central government departments and health authorities - to one of a partnership between the public and private sectors. This reflected central government's increasing impatience with what was seen as the slow, cumbersome, obstructive and commercially insensitive capacity of local government. Part of this switch was reflected in the development of new agencies which effectively by-pass local authorities - most notably the Urban Development Corporations in London's docklands and Merseyside and in the newly declared areas of Trafford/Salford, Cleveland, Tyneside and the West Midlands. (Robson 1987:44)

One of the most important developments, which has taken place, has been the extent to which public authorities have worked together with private enterprise on various projects affecting the local town or city. Often the co-operative effort has involved community groups, unions, home-owners, etc. This is particularly prevalent in the United States of America where the Constitution provides a high degree of local freedom of such actions.

*"The hallmark of the US experience in local economic development is the combining of the resources of the public sector and the private sector to attain objectives neither could attain alone."* (Blakely 1994:81)

Cochrane (1990:292) felt that the language of welfare was being replaced by the language of growth, regeneration and public/private partnership and that the pulse of capital into and

out of the built environment was affected by the planning system. He felt that we could identify two ends of a continuum: At one end are the more *laissez-faire* systems which allow development pressures to dominate; and at the other are the more interventionist systems.

In the United States there are two basic models of public/private sector co-operation:

- business-civic organisations, and
- broad based civic organisations involving all segments of the local community.

Community Development Programmes originated in the 1970's in the United States under grants provided by the US Department of Housing and Urban Development to stabilise and revitalise depressed city areas. These schemes addressed the total needs of the target community by initiating an integrated community economic development approach which would devise a strategy of neighbourhood infra structure improvements, land assemblage for development opportunities, and development marketing. It is submitted that these are luxuries which, although may have been implemented in the past, cannot now be funded by government in South Africa as Reconstruction and Development Programme funds are much needed for basic infra structure and education in the poorest squatter communities.

In the United States public/private sector co-operation takes place at all levels of the planning process. For example, in Dallas, Texas, economic and civic goals were articulated by the city officials, leading community leaders, and local businessmen, enabling planners to produce recommendations for an overall city development plan.

The council planners produced Minnesota's 'Plans for the 1980's' with financial and planning assistance from local firms.

Robinson (1995:160) reports that there are no guide-lines currently available to councils in approaching public/private partnerships in Australia. Thus, she recommended that a framework for local entrepreneurialism be prepared. A standard objective methodology for local councils to apply when deciding on the feasibility of a public/private partnership is critical to both their public accountability and to the achievement of maximum public benefits. Local authorities in Australia are adopting entrepreneurial approaches in their use of public land to attract private investment, enhance local revenue, provide local facilities and to cope with fiscal stress caused by the withdrawal of state funding for local government programs. (Robinson 1995:156)

Robinson (1995:158) points out that local governments can bring three valuable resources to the development process, being;

**land** - either ownership of site assembly powers,

**financial powers** - loans & subsidies, and

**land use regulatory powers** - and the control over the approval process.

In Peru planning and design are now institutionalised within local government with strong ties with private sector planning in partnerships that are driven from the bottom up. (Beall 1997:248) In a case study in Nicaragua it was found that grassroots initiatives could work in partnership with government policy to produce communities that are not only liveable, but also prosperous, diverse, dynamic and kind. (Beall 1997:276)

Tomlinson (1994:84) supports public/private sector partnerships. He says that such partnerships have produced a turn-around in several cities and have been synergetic because they combine government powers with private sector management and flexibility. Yet he acknowledges that public/private partnerships do embody certain problems.

*"The lesson for the mass of the urban population is that public-private partnerships need to be transformed into representative bodies which promote fair outcomes."*

(Tomlinson 1994:84)

#### **4.3.2 The South African Experience**

The Cape Town City Council recognises the benefits of a more market related approach to economic control:

*"There has been a world-wide shift from government intervention in the economy to the greater use of market forces to determine priorities. This change of direction in economic policy planning is seen as part of the effort to achieve greater economic efficiency. Instead of trying to alter situations beyond their control, governments now seek to exploit comparative advantages."* (Cape Town City Council 1987:2)

These beliefs must surely be equally applicable to planning control.

The Urban Strategy Policy document of the government endorses this approach and confirms the policy that public sector investment in economically non-viable new developments will as far as possible be avoided.

*"Proper spatial economic and cost benefit analyses will have to be done to assess the economic, functional and financial feasibility of projects."*(Urban Development Strategy 1995:30)

This has been endorsed by some South African local authorities:

*"... local government needs to identify new areas of activity for itself and work in partnerships with other role players so that the economic development challenges facing the region can be confronted in a collective manner."* (Durban Corporation 1996:4)

Another may be found with the development of the Cape Town Waterfront.

*"The idea that it is possible to alter the balance of comparative advantage has largely been abandoned in favour of using market forces to achieve planning objectives."* (Cape Town. City Council 1987:8)

The Urban Development Strategy proposes a public/private sector partnership to establish and manage **service delivery companies** and to finance infrastructure:

*"The GNU [Government of National Unity] believes that the possibilities offered through innovative arrangements which could bring the private sector into these functions, should be explored. The government is firmly committed to a partnership approach to development. Public-private sector partnerships represent an important union for more effective service delivery."* (Urban Development Strategy 1995:44)

The vision is that:

- These partnerships should not be confined to representation on forums, committees and commissions,
- Partnerships can be formed to manage and administer certain services on behalf of the local authority.
- Partnership arrangements could vary between corporatisation of local government departments into independent business units, service contracts, lease arrangements, build-operate-own arrangements through to full-scale privatisation.

*"There can be no uniform model for such partnerships; local role-players will have to develop their own means to secure a partnership culture of local development which would be sustainable in their communities."* (Urban Development Strategy 1995:45)

This is not an entirely new proposal as there are numerous examples of private sector developments on land provided by the local government, e.g.:

- the Strand municipal office extensions which was funded by a commercial development erected on a portion of its property, and
- in Brackenfell, where offices were funded in exchange for development rights on municipal land.
- In Gordon's Bay the council considered an exchange agreement, swapping its present high priced sea view site for a new building on cheaper land. The Harbour Island was developed by the private sector on land previously partially owned by the state, and partially by the local authority. Part of the deal was that the developer had to 'move' certain existing facilities to less expensive ground and to ground owned by the

developer. The newly created harbour, which was built by the developer, is administered by the local authority and is available for public use.

- The Strand is contemplating a similar deal with the development of a small boat harbour, having successfully concluded a transaction on its old pavilion site, where development rights were exchanged for the development of a municipal swimming pool.

It is important to note the difference between market related transactions between public and private sector enterprises and special (development) levies imposed by local authorities for funding municipal expenses. A number of Court cases in the late 70's ruled against compulsory levies in exchange for higher bulk and re-zoning permission in exchange for road widening. (Belletuin vs. Cape Town Municipality 1978 (1) SA 346 C)

Parastatals like Transnet have and are achieving substantial success with the development of unused and vacant land - and even air-space. This option is limited to those authorities that own such land, but this is not yet universal. Also, the Department of Trade and Industry has introduced a spatial development programme, identifying 10 regions that could accommodate over 800 projects valued at more than R170bn. These developments are to be public sector/private sector partnerships while the local communities are to be closely involved. (Financial Mail 17 December 1999:26)

#### **4.3.3 The role of planners**

Harrison (1996a:27) feels that there are planners who are well positioned to play a role as strategic thinkers and problem solvers, as well as broker and mediators who can assist in forging the partnerships and growth coalitions and developing the strategies that are necessary to pursue long-term development on a sustained basis. He believes that planning can assist in positioning a locality more appropriately within the context of the global economy. The Department of Provincial and Local Government (2000:1/21) encourages Public/private sector partnerships for Local Economic Development projects.

The question arises as to who must engineer development initiatives and who should control these actions? There have been, and still are, some government departments who initiate certain development actions. In the past this was done directly by the departments but more recently there has been some deregulation. (E.g. Transnet who now runs a private sector like department known as Intersite)

Fainstein (1991:25) shows that planners have become increasingly involved in the active promotion of economic development and have related ever more closely to the activities of investors, industrialists and property speculators. She refers to the change in the discourse of planning from comprehensives and public interest to competitiveness and the private



interest. It is submitted that this tendency should be endorsed, but that it can be achieved with much greater success if planners understand and research economic trends and financial feasibilities. This submission is more fully illustrated throughout the contents of this work and more specifically in the case study.

Robinson (1995:158) very aptly points out that planners and other professionals involved in decisions involving public assets need to be experienced in finance, the property market and the complexities of deal-making. With their multi-disciplined skills, technical understanding, urban-design and political aptitude, negotiation rather than plan making has become the planner's most important activity. She concludes that the new **local entrepreneurialism** is an important area for future urban research.

Robinson (1995:157) argues that public/private partnerships and negotiated agreements should involve utilising these resources in a more entrepreneurial manner. She sees a leading role for planners in this exercise, having pointed out that planners historically concentrated on reducing negative externalities, i.e. preventing development from harming the environment around it.

She believes that public/private development presents an opportunity for local planners to influence the projects that are built and strategically guide the growth and character of the community. Planners have important new roles as public sector entrepreneurs to ensure that public objectives are satisfied in redevelopment. She believes that planners have only recently embraced the role as the project-managers of local government development which, was previously the domain of the city engineer. (Robinson 1995:158)

It may be noted that, at the Cape Town Waterfront, David Jack, previously employed in the City Planners department, has played the leading role in the establishment of the Victoria & Alfred Waterfront development (and was honoured with the Cape Businessman of the year award in 1996).

#### **4.3.4 Collaborative planning**

Healey (1997) proposes a new framework for planning which is rooted in the institutional realities of the emerging world of the twenty-first century. She suggests communicative and collaborative planning as the solution for achieving common purposes in the shared spaces of our fragmented societies. She says that we must construct our ways of validating claims, identifying priorities, and developing strategies for collective action through interaction, through debate.

Collaborative planning is grounded in the theory of relation-building processes whereby we build relational bonds with each other, creating relational webs. The concept 'webs of

relations' is captured in the metaphor of 'networks'. Planning is an interactive process, involving communicative work among participant, during which issues, problems, strategies and policy ideas are given form and meaning. It involves interpretative work.

Healey (1997:91) says that the challenge today is to assess critically these structuring processes inherited from the past, and to re-mould them to be more sensitive to the diversity of ways we live and do business these days, and how we now perceive our relations with the natural world. She believes that with collaborative planning the formal institutions of government have a role in providing a hard infrastructure of a structure of challenges, to constrain and modify dominant centres of power, and a soft infrastructure of relation-building through which sufficient consensus building and mutual learning can occur to develop social, intellectual and political capital to promote co-ordination and the flow of knowledge and competence among the various social relations co-existing within places.

#### **4.3.5 The Postmodernist paradigm**

The postmodernist paradigm brings almost everything under scrutiny and subject to question. Planning is not immune.

*"The Town and Regional Planning profession was constructed within the social, economic and ideological framework of a bygone era and, although it has adapted to some degree to changed realities, it must continually respond to the changes that are sweeping South Africa and the world."* (Harrison 1996a:19)

Much concern has been expressed by various writers about a postmodernist approach to planning - a move away from the modernist formal approach. Dewar (1996:51) feels that planning in South Africa potentially sits on the threshold of one of the most important and exciting moments in its history, but:

*"Ironically, however, it will pass us by if we cannot restore credibility and show indispensable value."* (Dewar 1996: 51)

He believes that the future of the profession will depend on how successful it is in demonstrating its own unique contribution to societal development. This in turn, requires it to demonstrate mastery in terms of its substantive focus and to exercise its independent professional position within a complex, changing, political climate.

It is submitted that a more flexible and decentralised postmodernist approach to planning is more applicable to a largely plural society such as South Africa, than to an old established Westernised civilisation. It is acknowledged that new communications technology has and is creating major changes in global economics, but it is submitted that much of the past modernist economic approaches are still well imbedded and will continue to influence

global, regional and local economies. Property is a long term investment thus cities are slow to react to change. This, sometimes too slow reaction, has led to urban decline which may have been prevented by timeous forward planning.

#### **4.4 SUMMARY**

This chapter has highlighted some of the past problems faced by planning during its relatively short history as a fully-fledged profession. It is submitted that planning has entered a new era in which the forces of economics and technology will play a predominant role. It is proposed that planners should take much more heed of economic trends and influences on the urban form and that planners be prepared to play a more leading and entrepreneurial role in urban development planning.

Economic and spatial planning is not a recent innovation. Governments have used various types of planning since the dawn of history. Private and public planning plays an essential role in the modern society. The present economy and high material standards of life have not just happened; they have come about as the end product of the plans of millions of individuals, groups, and government bodies.

It is universally accepted that the last two decades of the second millennium brought major and irreversible changes to society, particularly in the field of socio-economic structure. These changes have started to impact on the urban form of cities and will continue to do so for the foreseeable future. Having accepted the advent of these changes, it is necessary to decide how they will be dealt with and what planning will be required to cope with the problems that have and are likely to occur.

It is the objective of this work to concentrate this thought process on the importance of economic issues in urban planning. Urban planning can become a major ally to the government and the community in the promotion of economic growth and prosperity by the optimisation of land use and the creation of economic growth.

**Planning has a definite role in the pursuit of global competitiveness.** This is consistent with the recommendations of the highly influential Industrial Strategy Project that found inspiration in Japan's 'plan-oriented market economy'. It is also consistent with South Africa's GEAR economic policy that commits the government to economic growth and job creation. (See Chapter 7)

Tomlinson (1994:244), an ardent supporter of development planning, believes that it has the potential to bring the major players together in South Africa to create a common perception of development problems and opportunities, and of the resources available to

deal with them and how they should be approached. He believes that this could build trust and help repair the damage caused by the racial segregation policies of the past.

Urban planning has a profound effect upon the values of land and plays a major part in the physical development of cities. Even government attitudes towards planning have a significant influence on land use. Consideration has been given to new planning theories and thoughts, but implementation has been slow. Planners need 'teeth' to enforce control. Without legal enforcement of planning regulations, planning would be meaningless. Therefore this aspect is dealt with in the following chapter.

# CHAPTER 5

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# CHAPTER 5

## THE LEGAL STRUCTURE OF PROPERTY



The object of this chapter is to consider the legal parameters within which planning operates. Planning in South Africa is governed by three forces:

1. Legal prescriptions which include:
  - Statutes (laws) at central government level
  - Ordinances at Provincial level
  - By-laws at local level, and
  - Common law
2. Economic forces, i.e. the forces of demand and supply as basis, and
3. The actions and decisions of planners and the authorities. These activities could be initiated either by the private sector with reactions by the authorities, or initiated by the authorities themselves.

The latter two groups of forces are considered elsewhere in this thesis. This chapter concentrates on the first. Urban planning should be regarded as an integral part of the legal control of land use and development.

### 5.1 THE LAW OF PROPERTY

*"Where the rule of law is in force, laws are applied fairly, transparently, and even-handedly to all; individuals can assert and defend their rights; and the state's powers are defined and limited by law."* (World Bank 1996:87)

The legal parameters can be equated to the 'rules' of urban economics and planning. Just as no game can be played without rules, economic co-existence and urban life will become chaotic without properly defined rules or legal provisions. The law of property, often referred to as the law of things, covers those principles and rules that govern the control and use of the economic resources of society. It seeks to provide a secure foundation for the acquisition, enjoyment and disposal of wealth. (Oosthuizen 1981:27)

In the 'new' South Africa, subsequent to the transition to majority rule, the right of the individual has come under the spotlight and has been entrenched in the new South African

constitution. With this, the restitution to those who had 'lost' property rights has also become a major aspect of consideration. This has caused a review of the rule of law concerning property rights.

The World Bank (1996:87) says that under central planning, law was first and foremost an instrument of state control, but in market economies it is fundamentally different. It defines the rules of the game and gives individuals the rights and tools to enforce them.

According to the World Bank (1996:88) economic laws in market economies must have at least four functions to create a suitable legal framework for private sector development:

- defining and protecting property rights;
- setting rules for exchanging those rights;
- establishing rules for entry into and exit out of productive activities; and
- promoting competition by overseeing market structure and behaviour and correcting market failures.

### 5.1.1 Ownership

In South Africa proof of ownership of land can be found in the **Deeds Office** where each parcel of real estate is registered. Each registered property includes a surveyed diagram as an efficient system of registration of title to land is impossible unless each registered unit of land is surveyed and represented on a diagram or general plan. (Jones 1985:1)

Special attention has been given to ownership of land as it is an issue of no small importance. **Land, land rights** and **immovable property** are concepts that should be clearly identified because urban planning is one of the control mechanisms of land rights.

The use and acquisition of fixed property is different from that of movable goods. In legal terms fixed property is regarded as being immovable and as such it is governed by a particular set of legal rules. The legalities of **land use** and **ownership** has a long history and the legalities thereof, as far as South Africa is concerned, may be traced to the Roman Empire.(van der Walt & Pienaar 1996:32)

Land is a basis of material and psychological security and the way in which the law determines a system of tenure is a matter of immediate consequence to everyone. In Roman times land ownership was often referred to as being '**absolute ownership**' which implied that the Roman owner was free from restrictions in relation to the things that he owned. It should however, be immediately obvious that no community could tolerate an entirely unrestricted form of ownership.

*"Ownership is undoubtedly the most important of all real rights and confers on the holder the most comprehensive legal control over a thing. For this reason ownership*

*has been defined as 'the sum total of all the real rights which a person can possibly have to and over corporeal property' and as 'a composite right consisting of a conglomerate of rights, powers and liberties'. The elements it embodies are summarized by the Roman-Dutch writers as the right to possess a thing, to use it and enjoy its fruits, and to consume, alienate or destroy it. But, notwithstanding its absolute character, the right of ownership is subject to a wide variety of restrictions in practice."* Oosthuizen (1981: 27)

The right to have exclusive physical control of the property is the basis of the entire superstructure of ownership. (Lewis 1979:11). There are two aspects to this right: in the **first** place, the right to be placed in control, and **secondly** the right to remain in control. This incident of ownership is indeed the very one which has changed the least since time of classical Roman law. Restrictions on the owner's right to control the property may be self-created, as in the case where he has granted someone else the right to control the property by virtue of a lease, and so forth.

Most legal systems experience tension between the **sanctity of ownership** and the security of transactions. South Africa has one of the best systems of land registration in the world. It is however not the intention of this work to elaborate fully on this system as it would entail a very comprehensive study on its own.

### 5.1.2 Possession

Possession has been described as a "*compound of a physical situation and of a mental state.*" Although 'possession' and 'ownership' are often used as synonyms in everyday speech, they are two quite distinct concepts to the jurist. Possession denotes the factual control of a thing, irrespective of whether the person concerned has any legal right to that thing, whereas ownership implies the legal basis for control of something. (Oosthuizen 1981:12).

### 5.1.3 Restrictions

The (Roman) '*Twelve Tables*' contained restrictions in respect of buildings, for example as to the spaces between buildings, and prohibited the demolition of buildings without official permission. Numerous limitations existed at private law, imposed mainly in the interests of neighbours. In contemporary society most of these kinds of restrictions and controls are enacted by legislation and controlled by local and central authorities. These right limitations are **zonings**. This often poses problems to lawyers as the legal fraternity basically sees property ownership in the context of the registration of rights in the Deeds Office.



Similarly, legislation dealing with various aspects of property, some of which were peculiar to South Africa (for example, The Group Areas Act) has had a profound effect on the development of cities, notwithstanding the fact that racial legislation has been repealed. It is deemed unnecessary to consider this legislation in detail, although mention of some of these laws are made where necessary in dealing with particular aspects of land economics, or where this and similar legislation have left lasting imprints.

## 5.2 PROPERTY RIGHTS

*"Property rights in successful market economies are complex things. They form a rich, intricately defined array extending from full ownership through partial use rights (such as leaseholds and easements) to rights contingent on specific events (such as inheritance rights and collateral rights to debtor's property). (World Bank 1996:88)*

Countless types of property rights are defined and protected, from real estate and moveable property to new ideas and inventions.

*"Property rights include the right to use an asset, to permit or exclude its use by others, to collect the income generated by the asset, and to sell or otherwise dispose of the asset. In market economies these rights are defined in law." (World Bank 1996:49)*

Yet many of these rights are limited by restrictions on use, pledge, and even ownership. Land use is often subject to strict controls, with prohibitions or high costs of change or transfer. These restrictions affect the demand of the property and hence its value.

The US valuations handbook, *Appraisal of Real Estate* (1983:8) notes that:

*"Real property includes the 'bundle of rights' that is inherent in the ownership of real estate. In the bundle of rights theory, ownership of real property is compared to a bundle of sticks. Each stick represents a distinct and separate right, which may be the right to use real estate, to sell it, to leave it, to enter it, to give it away, or to choose to exercise more than one or none of these rights."*

It is therefore correct to regard one **right** as consisting of various other rights or duties. The mere fact that one of the rights comprising ownership may be transferred to another person, for example the right to possess the property pursuant to a lease, certainly indicates that the possession of the owner is a substantive right in itself. Merely because the owner has the right to possess something should not deprive possession of its character as a right. Possession does not change its nature simply because it is transferred for a limited period to someone else.

*"In short, the real property market deals in the rights relating to real property rather than the land and buildings themselves." (Harvey 1987:21)*

The view that **ownership is a bundle of various rights**, duties, and liberties may well give rise to the argument that ownership has no content, or meaning, in itself that it is but a shell housing various rights, duties and so forth. To adopt this approach would, however, be tantamount to ignoring the incident of residuary for one may part with all the incidents or rights of ownership and still remain the owner. van der Walt & Pienaar (1996:65) refer to property rights as 'entitlements':

*"Ownership is a real right that is often defined on the basis of entitlements. Although entitlements determine the extent of the owner's ownership and although ownership without entitlements is empty and impossible, ownership is more than the sum of entitlements." (van der Walt & Pienaar 1996:65)*

In mature market economies the distribution of property rights across the population and the legal forms through which they are exercised is relatively stable, having evolved over centuries. (World Bank 1996:49) This is not so in many developing countries.

### **5.2.1 Traditional land rights in Southern Africa**

Gutto (1995:35-48) sketches some of the historical approaches of land rights as exercised by African nations in southern Africa, concentrating mainly on the transformations brought about by colonialism. He argues that when colonialism came to the sub-continent, land ownership was taken from the African by virtue of the argument that, "*... in Africa, there is no clear definition of ownership.*" (Gutto 1995:13)

Summing up the main characteristics of indigenous systems of land-holding, Gutto feels that, generally these are devised to meet the needs of subsistence agriculture and depend on a sufficiency of land to allow a rotation which includes a long period of fallow and that:

- Land is held on kinship, and/or a local group basis.
- Individuals have definite rights, but these are qualified by membership of a family, kindred and ward or small village.
- Similarly, the individual claims of families exist concurrently with the wider claims of the clan or local group.
- The chief is the custodian of land, but not its owner.
- The normal unit of land ownership is the extended family, or kindred.
- Land once granted to a family remains the property of that family, and the chief has no right to any say in its disposal. This constitutes a definite limitation on the conception of land as the collective property of the tribe or local group.

- The kinship basis of land-holding ensures social stability, but the absence of individual proprietary rights prevents the raising of money on land.
- Land may be pledged and redeemed at any time.
- The principle of redeemability ensures that land shall not be permanently lost.

It is submitted that the technical definition of 'ownership' is irrelevant in this regard. The important issue is 'land rights' or 'rights in land'. It is submitted that the historical tribal system relating to land, constituted a definite recognition of 'land rights' comparable to that of the Colonialists themselves, but merely in a different way. This is quite different to the approaches of the original Indian tribes in America where land rights were not allocated to individuals or in communist countries where land belongs to the State. However, although on different grounds, it must be accepted the Colonialists unjustly took tribal lands away with the argument that the land did not 'belong' to the African tribes, as pointed out by Gutto (1995:13)

Harrison (1995:33) aptly argued that planners, with their emphasis on 'rational' ordering and decision-making, are poorly equipped in dealing with non-modernist or traditional forms of land tenure, traditional authorities, complex cultural practices and traditional resource management systems. With their modernist mindsets planners often relegate these to 'irrational' beliefs and practices that retard progress. This contention could be equally applicable to lawyers. One of the bastions of property in South Africa is its first world approach to the law of property.

Regarding the legal theory of land ownership there are three aspects that merit special emphasis:

- It must be recognised that ownership of land constitutes a 'bundle of rights' in which the permitted land use constitutes a major value influencing factor, and,
- The importance of ownership is dissipated if the owner cannot retain security of tenure.
- The use to which land may be put is usually the most important value determining right. These rights are conferred by planning regulation.

### **5.2.2 The South African situation**

From a practical point of view it must be noted that:

- South Africa has a sophisticated and excellent system of Deeds Registry, which must not only be retained, but also expanded by the use of modern technology.
- South Africa has large numbers of poor urban residents who do not enjoy the privilege of land ownership. One of the certainties of the future is that urbanisation will continue at a high rate for the foreseeable future.

- Cities are where the majority of the population will reside. They constitute a mixture of sophisticated first world suburbs and centres and third world suburbs.

Gutto (1995:xiii) aptly points out that constitutional dispensation concerning property and land rights provide only the legal framework upon which land tenure is developed. Such provisions are not by themselves the core of what a land tenure system may look like. The Development Facilitation Act urges that land development should result in security of tenure and should provide for the widest possible range of tenure alternatives, including individual and communal tenure, and where land development takes the form of upgrading an existing settlement, it should not deprive beneficial occupiers of homes or land. (Development Facilitation Act No. 67 of 1995; sec. 3(k))

It is submitted that such legal framework should not only be facilitative, but also protective of these rights.

*"... law and legal forms are very important as they play either a facilitative or restrictive role in economic and other social processes, but they are certainly not the sole and only explanation of social action. (Gutto 1995:42)*

It is recognised that the registration of land in the Deeds Office and the diagrams in the Office of the Surveyor General are of great importance in the protection of property rights. It must however be noted that the retention of the values of these rights is also of great importance to an owner, and must be protected. The importance of non-registered property rights should not be underestimated. These non registered rights may be noted where zoning and planning provisions have a substantial effect on property values and in the informal settlements where occupational use is the prime factor of rights to which land value may be attached.

Land values are not only affected by rights on each particular piece of land, but also the land use and rights of adjacent and neighbouring properties. It is therefore important that overall and wider planning is properly executed to be able to retain land values.

It is submitted that property rights are as important as ownership and should therefore be protected on a similar basis. The right of use, which is usually governed by zoning, should be seen as a right in land and should be protected as such. Compensation must be paid for any loss of value to a property or right in property caused by any planning action of the authorities.

Thus if an adjacent or nearby re-zoning causes a decrease in value to a property then the owner should be compensated for this diminution of value on the basis of the difference between the market value of the property prior to the re-zoning and the market value after

re-zoning. This is not a novel concept as it was provided for in the previous Cape Townships Ordinance (Sec. 35 of Ordinance 33 of 1934) and in our Appellate division:

*"Grond word onteien wanneer die regte van die eienaar daarvan onteien word."*

(Minister van Waterwese vs Mostert 1964:666) [Land is expropriated when the rights of the owner are expropriated.]

This reference was made to a farm that was expropriated shortly after the water rights thereon had been taken away and the State wanted to pay dry land value to the owner.

Planning regulation represents a fundamental effect on the rights of property owners.

(Healey 1997:146) They can deprive the landowner the freedom to utilise the land as he wishes and they can confer rights that have a materially beneficial value on the land. The premise that the social obligations of land ownership create and justify a measure of government regulation of the exercise of the rights of ownership in land is vital to this the concept.

### **5.2.3 Transferable Development Rights**

The practice of transferring development rights from one site and owner to another site and developer first appeared in the US in the late 1960's. The concept is based on the premise that title to property has, attached to it, a bundle of rights, each of which may be detached from others and transferred to someone else.

Bindon (1992:1) explains the term transferable development right (TDR) as a generic name commonly used to describe a planning tool that compensates owners of land on which development rights have been restricted by regulation. The compensation is achieved by allocating to those owners an amount of development that may be transferred from the restricted site to another site.

Bindon explains further that transferable floor space is floor space awarded by a consent authority for a restricted site, usually known as the donor site. This space can be transferred to another development site, known as the recipient site, subject to the recipient development being granted approval in the usual manner. For example, the right to exclusive use of land can be separated from the right to transfer ownership of the land, by granting a lease. Similarly the right to mine can be separated and transferred.

Under the American premise one of the components of this bundle of rights is the right to develop land. Private development rights can be bought by a public authority and extinguished (say for a park), or separated from the land and transferred elsewhere. (Bindon 1992:5) The fundamental principle behind the American concept was recognised and adopted by several local authorities in Australia. Daines (1992:2) feels that there is room for improvement to the system.

This concept is not unknown in South Africa. Although authorities have seldom used it, mining rights can be registered and transferred officially. During the seventies it was quite common to transfer industrial rights from one property to another. In the then Transvaal, some smaller local authorities zoned large tracts of land for industrial purposes to attract industrialists to their area. The provincial authority stepped in and ruled that, to alleviate shortages of industrial land uses in high demand areas, while curbing overall new zonings, industrial rights could be transferred from lower demand areas to high demand areas. This caused substantial speculative transactions where cheap industrially zoned land was bought up in developing local authority areas and transferred to higher demand areas. This transferability was then later stopped.

A further practice evolved where a land owner procured township development rights, but was not equipped to engage in the development, transferred these rights to a township developer.

In some local authority areas it is permissible to transfer bulk (floor space rights) from one property to another. In practice these transfers usually take place within a development node, and not from one area to a far removed site. The National Development & Planning Commission (1999:53) proposes that transfer of development rights could be used as an instrument to rectify historic inappropriate allocation of development rights.

It is submitted that, although the concept of transferability has merits, it is not a practice that could be universally acceptable as it has substantial planning implications. In effect it is a method to change zonings - removing zoning rights from one property and adding to another. The desire or need for transfer of rights originates from market forces where the demand for rights is greater in one locality (vis a vis the availability) than in another. Transferability of rights should be carefully considered by planning authorities and used only where it is appropriate to diminish rights in a certain area and to relocate those rights to another appropriate area. It has a limited usefulness.

### **5.3 PLANNING LEGISLATION IN SOUTH AFRICA**

#### **5.3.1 Background**

Very little evidence of legal planning enactments can be found before the turn of this century. Most town planning practice was a physical exercise initiated by owners and conducted by land surveyors. When the **Union of South Africa** was formed in 1910 the power to regulate the establishment of townships and the control of town planning was delegated to the various Provincial Councils.

After 1910 the first reference to legal prescriptions of town planning was found in the Financial Regulations Act (1913) where section 12 refers to "*The establishment and Administration of Townships*". Most of the town planning legislation and practice was based on British law at that stage.

However it was not until 1927 that a model for the South African legislation was introduced, by promulgation of the Town Planning Act. In the same year Provincial Ordinances on township establishment was passed in the various Provinces. These Ordinances introduced town-planning schemes. It is outside the scope of this work to consider the development of these and later ordinances individually, yet some specific reference has been made to the events and legislation in the Cape Province.

The objective of a town-planning scheme is to guide the natural development of a town or city along the lines of a preconceived plan whilst ensuring that no land shall be used for a purpose detrimental to the neighbourhood. By planning ahead it is endeavoured to create an overall pattern that will promote the health, safety, happiness and general welfare of the human being. Numerous problems are avoided (and sometimes created) by reserving land for future roads and open spaces well in advance of the actual need, and as a rule it can be done at a much lower cost.

In South Africa planning can be viewed as follows at three different tiers of government:

#### **5.3.1.1 National Level**

Internationally, the initiative for development planning has shifted decisively from national to the regional and local levels, constituting a full circle, as that is where it started. Regional policy has evolved from formal regulation at national level to a series of territorial policies at lower levels. This tendency is also prevalent in South Africa, coming from a history of national planning regulations and practice. (Harrison 1995a:4)

On a national level the Physical Planning Act (1967) became the main legal vehicle providing for future physical planning by the central government. The purpose of the Act was:

- to promote co-ordinated environment planning and the utilisation of the Republic's resources,
- to provide for control of the zoning and subdivision of land for industrial purposes;
- for the reservation of land for use for specific purposes; for the establishment of controlled areas;
- for restrictions upon the subdivision and use of land in controlled areas;
- for the compilation and approval of guide plans; and

- for restrictions upon the use of land for certain purposes unless reserved for use for such purposes.(Physical Planning Act 1967)

As a part of its general function the former Department of Planning and the Environment prepared a **National Physical Development Plan (N.P.D.P.)**, which was published in 1975. The aim of the N.P.D.P. was to indicate what the basic physical development pattern for the future will be and to rationalise the infrastructure. It is clear that the promotion or facilitation of market forces were not considered.

This was the **era of 'grand' bureaucracy in urban planning.** The similar era in England was terminated by the Thatcher government in 1980. The era of 'grand apartheid' ensured that bureaucratic planning control continued for at least a further decade in South Africa facilitating the introduction of the Physical Planning Act (1991), which repealed the bulk of the previous segmented legislation.

The purpose of the 1991 Act was:

*"To promote the orderly physical development of the Republic, and for that purpose to provide for the division of the Republic into regions, for the preparation of national development plans, regional development plans, regional structure plans and urban structure plans by the various authorities responsible for physical planning, and for matters connected therewith."*(Act 125 of 1991)

The main objective of the act was to ensure the drafting and control of a national development plan, regional development plans, regional structure plans and urban structure plans. Although mention is made of the economic characteristics and economic development potential of areas, emphasis was clearly placed on infrastructure and the environment. The contents of this act were clearly designed to perpetuate the era of 'grand' bureaucracy for some further years.

Harrison (1995a:36) correctly argued that many (most) of the planning instruments were far too rigid and inflexible to deal with an ephemeral and rapidly shifting post-modern landscape. He saw the Physical Planning Act 1991 is a clear example and that the failure to implement the provisions of this Act in any significant way indicated its inability to respond to the current context. He believed that there was too much emphasis on orderliness and consistency and too little on responsiveness and flexibility. The lengthy formal procedures for the amendment of a plan and sub-division approvals were illustrative of the cumbersome nature of this planning system. Writers such as Dewar, Mabin, Bernstein and others endorsed these sentiments for many years.



*"Now we find the problems of having a means to handle the system politically, waking up in a post-modern era while equipped only with the politics and planning practices of a modernist past."*(Mabin 1995:27)

It may be pointed out that the above description of structure plans is essentially a historic review as they have been replaced by LDOs (Land Development Objectives), IDPs (Integrated Development Plans) etc. as per the Development Facilitation Act which is considered hereunder.

### **5.3.1.2 Provincial Level**

The 1927 **Cape Townships Ordinance** constituted the first attempt at regulating the activities of physical development in the Cape Province presumably resulting from the British legislation (starting with the 1909 Housing, Town Planning, etc. Bill). It was repealed in 1934 by the Township Ordinance (No. 33 of 1934), which served as the main body of legislation that regulated physical planning administration for 51 years until it was repealed by the Land Use Planning Ordinance of 1985.

The 1985 Ordinance consisted of five chapters dealing with Structure Plans, Zoning Schemes, the Subdivision of Land, a Planning Advisory Board, and General Provisions. Under the provisions of this Ordinance:

- The general purpose of a **structure plan** was to lay down guide-lines for the future spatial development of the area to which it relates (including urban renewal, urban design or the preparation of development plans) in such a way as would most effectively promote the order of the area as well as the general welfare of the community concerned.
- Land use rights were conferred by **zoning schemes** that were prepared by local authorities.
- The general purpose of a zoning scheme was to determine **use rights** and to provide for control over use rights and over the utilisation of land in the area of jurisdiction of a local authority.
- **Subdivisions** could only take place on land that had been zoned for subdivision purpose. The local authority might grant the rights to subdivision if the necessary authorisation had been given by the Provincial authority to the local authority.
- The Ordinance further made provision for the establishment of a Planning Advisory Board and other administrative provisions.

In the former **Transvaal** (now Gauteng) physical planning was controlled by the Town Planning and Townships Ordinance. This Ordinance made provision for the establishment of

a Townships Board and a Compensation Court. It also regulated the preparation of town planning schemes for the various local authorities.

It is noteworthy that this description included a reference to the economy, albeit rather a brief one. The Ordinance contained lengthy provisions regarding zoning and subdivisions. While the Cape Province discarded the principle of compensation for loss caused by changes in the town planning schemes, specific provision was made therefore in the Transvaal Ordinance (Sec. 44). The Transvaal Ordinance was much longer and more detailed than the Cape Ordinance.

Subject to overall planning guidance from central government, particularly regarding substantial new growth points, most urban planning and specifically township development was under the control of the Provincial governments.

#### **5.3.1.3 Local Level**

Historically, local authorities found themselves with only minor planning roles, regulating minor subdivisions and zoning provisions, much of which was subjected to appeals to provincial levels.

#### **5.3.2 Need for a new system**

Harrison (1995a:13) quite correctly points out that the shift from authoritarianism to democracy implies that it is increasingly difficult for the state to impose solutions. Large-scale spatial engineering was possible during the era of authoritarian high apartheid. Millions of people could be moved, massive new townships and industrial estates could be developed. Today, it is inevitable that virtually every planning proposal will encounter resistance from one or more interest group.

Behrens & Watson (1996:37) were critical about that the approach to layout planning in South Africa. They felt that urban settlement formation in the developing urban areas of South Africa tends to be of poor quality and that site and service developments in particular, have little chance of developing into vibrant, enriching and efficient urban environments. They argued that planning legislation in South Africa was part of the reasons for the poor environmental quality.

*"...concern for making places, as opposed to simply serviced land, has been, with a limited number of exceptions, almost entirely lacking in South African layout planning over recent decades. The guidelines provide little indication of how a layout plan should respond to a specific natural and cultural landscape, and of the role of public spaces like public market and squares play in urban living."* Behrens & Watson (1996:38)

They aptly point out that layout planning in South Africa has, with a few exceptions, become a highly sectoral exercise and that development opportunities which arose from the organisation of infrastructure and land uses in space, tended to be overlooked.

Castells (1992:73) argues that, in an economy where the space is continually being formed and reformed in response to global forces, the effectiveness of zoning and other land-use regulations is increasingly in question. He feels that the crisis of authoritarianism and the shift towards a plural democracy poses serious challenge to a style of planning that is prescriptive and imposed.

Harrison (1995a:39) aptly pointed out that increasingly, the effectiveness of planners depends on their skills in the arts of communication, negotiation, mediation and strategising. He believes that changes in South Africa are so far-reaching that an overhaul of the planning system would seem well justified. He believes that the success of planning depends on the ability of the planner to understand the local power structure and to assume a role compatible with it.

Healey (1992:3,4) for example, argued that the central procedural challenge of planning legislation is to convert the system from a hierarchical techno-bureaucratic practice to one, which expresses local choices in the context of potential challenges by all interested parties to both the context of plan and specific decisions. He believes that this approach stands in stark contrast to the Physical Planning Act and to some of the underlying principles of the Development Facilitation (then) Bill. These sentiments are endorsed.

Thus, like the Thatcher government in Britain in the 1980s, the 'new' South African government of the mid 1990s was disillusioned with the country's planning system. It was found to be extraordinarily complex, internally contradictory and incoherent and based on a large number of racially-based laws and ordinances inherited at national and provincial level, as well as from former homelands. (Urban Development Strategy 1995) It was felt that this system held back - rather than facilitated - urban land development. In general, this consideration is endorsed.

Historically, town and regional planning was over-regulated in "white" South Africa but, when new immigrants from rural areas were forced into squatting in urban areas in the 1980's, the authorities ignored their planning plight. In the 1990's the authorities were forced to seek solutions to rectify these problems and to set suitable and acceptable guide-lines for the future:

*"Urban integration and the management of urban growth depend on effective land use planning incorporating the principles of Integrated Environmental Management (IEM) and a well-functioning urban and regional planning system. This requires*

*drastic reform of the current planning system.*" (Urban Development Strategy 1995:25)

The suggested drastic reform was initiated by the Development Facilitation Act and furthered by various influential acts such as the Local Government Transition Act, the National Environmental and Management Act, the Housing Act, the Water Services Act and the regulations passed in terms of the Environmental Conservation Act.

### 5.3.3 The new system

According to the Department of Constitutional Development (1999:2) the Constitution of the Republic of South Africa provides the primary, over-arching framework within which local government planning must be contextualised. This is primarily a socio-political mandate to local authorities to reduce poverty, supply services to the underprivileged and to uplift the lowest strata of the population. Support for this policy may be gleaned from the Reconstruction and Development Programme (RDP) and the Growth, Employment and Redistribution (GEAR) strategy, as well as numerous other related policy documents.

These policy documents and legislation include:

- The Housing Act;
  - ◊ promote efficient and integrated land development that, *inter alia*, corrects historically distorted spatial patterns by making optimum use of existing infrastructure to meet current and future needs;
  - ◊ develop the community's skills and capacity to actively participate in land development;
  - ◊ promote the infilling and densification of established centres with security of tenure;
  - ◊ provide for a diverse range of land uses at all levels
  - ◊ local authorities should
    - \* initiate, plan, co-ordinate, facilitate, promote and enable appropriate housing development;
    - \* plan and manage land-use and development
    - \* assist with the identification of informal settlement needs and with the identification of land available for housing by local authorities
- National Land Transport Interim Arrangements Bill
  - ◊ support rail corridors by the promotion of appropriate land use development at stations
  - ◊ integrate transport functions with other functions such as land-use and economic development

- ◊ use transport planning to create employment opportunities, avoid decentralisation, advocate densification, infilling and mixed land-use.
- Tourism principles
  - ◊ local authorities should provide an enabling environment for tourism to flourish.
- White Paper on Local Government:
  - ◊ ensure and promote the competitiveness of local commerce and industry.
- Local Government Transition Act
  - ◊ Municipalities must draw up Integrated Development Plans

### 5.3.3.1 *The Development Facilitation Act (1995)*

The Department of Constitutional Development (1999:12) contends that the new dispensation ushers in an era of principle-led planning and development. The transition to democracy has seen the unfolding of a new legislative and policy framework, aimed at redressing the imbalances of the past. Chapter one of the Development Facilitation Act sets out principles, which will guide all decisions relating to the development of land. Land development will be considered with reference to these principles that constitute a nationally binding set of norms.

The objective of the Development Facilitation Act (DFA) is:

*“To introduce extraordinary measures to facilitate and speed up the implementation of reconstruction and development programmes and projects in relation to land; and in so doing to lay down general principles governing land development throughout the Republic; ....”* (Development Facilitation Act 1995:1)

This act is aimed at addressing urgent land delivery needs and is at the core of the government's stabilisation initiative in this regard. In the longer term, other fundamental reforms of the planning system are envisaged.

The departments of National Housing, Regional Affairs, Agriculture and the RDP Ministry have collaborated on the Development Facilitation Act. This legislation intends to further the process of the restructuring of urban and regional planning in South Africa.

The major immediate purpose of the DFA is to **expedite land development** projects. It was designed to bypass bottlenecks in existing regulations, especially those impeding the delivery of serviced land for low-cost housing. The Act provides a nationally uniform point of reference to assist land development. Promulgated at the national level, provinces may use it until the introduction of their own land use legislation.

The Act seeks to promote **efficient and integrated land development** through a set of general principles as the basis for future land developments. These principles include the

location of residential and employment opportunities in close proximity or integrated with each other; a diverse combination of land uses; countering urban sprawl; optimising the use of existing resources, notably under-utilised infrastructure; and promoting environmentally sustainable land development in terms of the Environment Conservation Act (1989).

It was not envisaged that the DFA should replace all comprehensive and integrated development planning. It anticipates a restructured development planning process and is aimed at reinforcing a strategic approach to development - requiring objectives to be set against the backdrop of socio-economic analysis and consultation and strategies to be formulated accordingly.

The DFA provides for the setting of **development performance measures**, such as housing targets, as a fast track alternative to time-consuming current procedures. On this basis, the development performance of local governments can be assessed by provincial governments. It also defines land development procedures for the subdivision, servicing and zoning of urban and rural development, and schedules for the amendment of legislation previously in force.

The Act introduces **Land Development Objectives (LDOs)**, which are to be set by each local government in respect of its area of jurisdiction. Although the LDOs are not the old structure plans, the basic requirements are similar and the planning principles applicable to structure plans can be used together with the DFA principles to compile LDOs.

LDOs must deal with how people will gain access to basic services and the standard of those services. They must contain objectives relating to urban and rural space and form, particularly how poorer areas will be integrated into the area as a whole; how the environment will be used in a sustainable manner; how transportation will be planned; how bulk infrastructure for the purpose of land development will be provided; what densities there should be in settlements; how land development should be co-ordinated with other authorities; how land use should be controlled; and how natural resources should be optimally used.

The Department of Constitutional Planning (1999:8) says that LDOs must contain strategies in relation to how to optimise the involvement of sectors of the economy, particularly financial institutions and developers in land development; how to obtain finance for land development; and how to build adequate administrative and institutional capacity to deal with land development in the area.

The LDOs are powerful documents. They override plans made in terms of the Physical Planning Act, 1991 and form the basis of decision-making by tribunals. The Development

Tribunal or any other competent planning body shall not approve any land development application if it is inconsistent with any objective in the Land Development Objectives.

The 'new' planning system is to be implemented by **Integrated Development Planning (IDP)**, which must be compiled by local authorities. IDP is defined as 'a plan aimed at the integrated development and management of the area of jurisdiction of the municipality concerned in terms of its powers and duties, and which has been compiled having regard to the general principles contained in Chapter 1 of the Development Facilitation Act, and where applicable, having regard to the subject matter of a land development objective contemplated in Chapter 4 of that Act.'

The Department of Constitutional Development (1999:3) sees Integrated Development Planning as central to realising the developmental local government vision. It is seen as a mechanism to enable prioritisation and integration in municipal planning processes and to strengthen the links between the developmental (external) and institutional (internal) planning processes. The IDP is regarded as a tool to ensure that social, economic, environmental, infrastructural and spatial aspects of development are planned in an integrated way.

According to the Manual compiled by the Department of Constitutional Development the process of formulating Integrated Development Plans (IDPs) will involve:

- a close assessment of the current reality of the total municipal area;
- a determination of community needs; an audit of available resources;
- the prioritisation of needs;
- the development of frameworks and goals to meet these needs;
- the formulation of strategies to achieve goals within specific time frames;
- the implementation of projects and time frames to achieve key objectives; and
- the use of performance monitoring tools to measure impact and performance

IDPs enable municipalities to align and direct their financial and institutional resources toward agreed policy objectives and programmes. They are vital tools to ensure the integration of local government activities with other spheres of development planning at provincial, national and international levels, by serving as a basis for communication and interaction. They serve as a basis for engagement between local government and citizens at local level, and with various stakeholders and interest groups. They enable municipalities to weigh up their obligations and systematically prioritise programmes and resource allocations. IDPs serve as a framework for municipalities to prioritise their actions around meeting urgent needs, while maintaining the overall economic, municipal and social infrastructure already in place. (Integrated Development Planning Manual 1999:9)

The Department of Constitutional Planning (1999:12) says that integrated development planning presents a range of challenges and opportunities to the new system of local government. The Department believes that IDPs will assist municipalities to find a focus within an increasingly complex and diverse set of demands, and help them to direct resource allocations and manage institutional systems around a new set of developmental priorities.

Stapelberg (1999:198) considers the IDP and LDOs to be intertwined and incapable of being compiled and implemented in isolation. He contends that the bottom line of this is that strategic management will be the answer to the results of these planning instruments.

Stapelberg (1999:193) points out that the Development Facilitation Act (1995) is exactly what the name suggests; a 'facilitation' act. It is an act that operates alongside the other existing legislation although the principles are applicable to the whole country and all land development applications have to conform to these principles. He argues that a complete paradigm shift away from land use control to land management has taken place.

*"The focus of the new approach is on the facilitation of development rather than rigid planning."* (Stapelberg 1999:195)

An inter-government forum has been established to reappraise and reform the urban and regional planning system in South Africa. **The Forum for Effective Planning and Development** includes the provincial Members of the Executive Council responsible for development planning, the RDP co-ordinators from each province, the Ministers of Land Affairs, Housing and the RDP and their representatives as well as technical advisors. The forum has been focusing on:

- The suitability of current legislation (such as the Physical Planning, Urban Transport and Town and Regional Planning Acts)
- Formulating a proposal for new legislation for development planning
- Options for the establishment of new or the redefinition of current consultative structures for planning
- Patterns of industrial and commercial land ownership amongst historically-disadvantaged communities.

Stapelberg (1999:198) urges that, having taken all the aspects of structure plans, development plans, IDPs and LDOs as well as the existing legislation into consideration each province should have its own legislation as it has its own unique circumstances. Some provinces have drawn up their own legislation. The National Development & Planning Commission (1999:13) feels that the Development Facilitation Act fails to provide a clear



framework within which provinces can draw up legislation, which is provincially specific, conforming to national principles.

The Constitution of the Republic of South Africa (1996), the GEAR policy (1996), the Development Facilitation Act (1995), the Local Government Transition Act (1994), the Housing Act (1997) and various other government policy documents and white papers concerning urban planning are all directed at the improvement of the quality of life of the 'ordinary' urban citizen. Unfortunately the legislation on planning is unco-ordinated. (National Development & Planning Commission 1999:13)

### **5.3.3.2 Provincial Legislation**

Some of the provinces have compiled their own planning legislation to supplement the Development Facilitation Act. The Western Cape legislation provides for municipalities to prepare development frameworks for land in their area. A development framework means a plan or written strategy to attain the objectives of development planning and may be either an integrated development framework (laying down strategies, proposals and guidelines including development objectives and implementation plans) or a specific development framework (laying down detailed strategies, proposals and guidelines for a specific sector, elements or subjects and including a spatial development framework.) The provisions of development frameworks override previous frameworks and structure plans.

The main thrust of the recommendations by the National Development & Planning Commissions' Green Paper (1999) revolves around creating ten acts that deal with planning and development. These should be the Development Facilitation Act and nine provincial laws. The Commission recommends that the Development Facilitation Act should essentially set national norms and standards, policies and frameworks, while the provincial laws should deal with the details.

### **5.3.4 Infrastructure**

Guidelines for layout planning and infrastructure design in South Africa have been combined in single documents, where the emphasis has been on the provision of services. As services standards varied (sometimes quite substantially) from one Province to the other, a national guideline was produced in the late 70's, referred to as the 'Blue Book.' This, in essence, combined the (first world) services provisions found in the Transvaal, with the less restrictive policies followed in the Cape Province.

As the *Blue Book* only catered for first world standards, the Department of Development Aid produced a document entitled "*Guidelines for Services and Amenities in Developing Communities*" in 1986. This was followed by "*Towards Guidelines for Services and Amenities in Developing Communities*" in 1988 (known as the '*Green Book*'). This again,

was followed by the '**Red Book**' entitled "*Guidelines for the Provision of Engineering Services and Amenities in Residential Township Development*" which combined the provisions of the previous two books, producing a set of diversified guidelines from which appropriate standards can be selected. The guidelines deal with every level of service from the most basic to the most sophisticated, and provides discussion on possible routes for upgrading as funds become available to do so. (Behrens & Watson 1996:29-32)

With national and local governments unable to meet both social and infrastructure needs on their own, many cities are turning to the private sector to manage and/or finance their infrastructure investments and infrastructure companies. For instance, some Latin American cities like Buenos Aires and Mexico City have managed to privatise their water companies by attracting financing in the form of concessionaire equity and syndicated bank loans from foreign and local banks. The available evidence is that cities like Buenos Aires, Caracas, and Sao Paulo that have allowed competitive private operation of solid waste services, have been able to provide this service at half the cost of public sector companies and to operate it with lower subsidies. (World Bank 1996:41)

The World Bank (1996:41) argues that the shift to greater private sector participation brings several benefits in service delivery, not the least of which is the efficiency in managing investments and the reliability of services, lower costs, and more discipline in assuring cost recovery.

#### **5.4 LOCAL AUTHORITY ADMINISTRATION**

*"Industry and business regard 'liveability' as an important locational factor, and local government is in the best position to improve the local quality of life."* (Blakely 1994:67)

The Department of Constitutional Development (1999:2) confirms that the South African Constitution establishes local government as a sphere of government in its own right. This means that local government is no longer a function of national or provincial government, but an integral part of the democratic state.

*"Under the new constitution, local government has a new, expanded role to play. In addition to providing many of the traditional municipal services, municipalities must now lead, manage and plan for development."* (Department of Constitutional Development 1999:11)

Broadly speaking local governments pursue two kinds of public policies: those affecting consumption and those affecting production. The politics of consumption concern the allocation of public goods and services to citizens and the redistribution of income through

taxing and spending. The basic issues of urban deprivation, the distribution of services, and the provision of collective goods fall within the domain of the politics of consumption. The politics of production centre on the construction of the infrastructure that is essential to profitable private investment. These include the provision of transportation networks, water and sewerage reticulation and the provision of locational incentives for capital investments. (Bingham & Blair 1984:245)

The management of the common affairs of communities is known as **governance**. The systems of governance of a society or community refer to the processes through which collective affairs are managed. This involves much more than the formal institutions of government. It may occur in informal arenas in which power and influence is mobilised. This less visible, informal power is not just behind-the-scenes manipulation. It is also embedded in the thought worlds of the powerful. Spatial planning efforts, as an example of governance activity, are inherently drawn into such processes. (Healey 1997:59)

A field of local authority governance is therefore an aggregation of formal organisations and informal relationships through which collective action with respect to a set of concerns is accomplished. Spatial planning practices may be considered as such a field. It involves two levels of governance, that of systems of law (the design and operation of planning systems) and the operation of planning practices. Spatial and environmental planning systems and practices are thus a part of the governance relations of a country, a region and a place. (Healey 1997:83)

*"Planning, understood in the general sense of the policy analysis tradition, is a style of governance within a policy-driven approach."* (Healey 1997:218)

A positive approach to the problems of large cities is a necessity if governments are to meet the challenges posed by city growth. (Mohan 1994:2) Efficient city growth requires management and administration that is oriented as much to economic issues as it is to physical 'bricks and mortar' issues of infrastructure. (Mohan 1994:15)

To meet the service responsibilities being shifted to cities, as well as the demands for capital investments generated by the pace of urbanisation, city governments need to position themselves to get better and more access to credit. As sophisticated as the world of international capital finance may seem, becoming creditworthy in the eyes of the investors is a matter of hard work on the nuts and bolts that form the basic foundations of city management. Fundamentally what is entailed are effective institutions at the city level with credible and intelligible accounting and management systems, independent auditing procedures, multi-year capital and operating budgets, transparent procurement systems, adequate financial reporting mechanisms, appropriate administrative reforms to control

personnel expenditures, and accountable local officials backed by reasonably satisfied tax and rate payers. (World Bank 1996:43)

The Department of Constitutional Development (1999:5) has given local government a distinct status and role in building democracy and promoting socio-economic development. It requires local authorities to determine a 'vision' of where it wants to go.

*"A vision is an ambitious, credible, attention grabbing and inspiring statement about the future of the area."* (DCD 1999:5)

It is submitted that this is an essential ingredient of urban planning.

#### **5.4.1 Decentralisation**

The question may be posed: at what level of government should the various planning decisions be made?

There is a global tendency for central governments to become less involved in economic and planning control, (National Development & Planning Commission 1999:20) while at the same time local government is being compelled to follow the demands of its constituents. (See chapter 8) Angotti (1993:188) believes that the problems of metropolitan governance stem in part from the fact that we live in an epoch in which nations are still the dominant form of political organisation and in which national states dominate local government, while power and resources are centralised in national governments, and the local state is almost universally subject to national control.

Usually, when state employees intervene in local processes to administer, regulate or to mobilise, they are seen as outsiders with little understanding of local customs or of local social or economic processes. (Roberts 1977:193) The decentralisation urge reaches down to neighbourhood and community level as a reaction against the bureaucratisation, rigidity and remoteness of the state. Community capacity building has become the natural focus of new social movement efforts, reflecting anti-statistic sympathies and decentralisation trends of the post-industrial political economy. (Fisher & Kling 1993:7)

Notwithstanding the basically centrist policies of the South African government, the Urban Development Strategy (1995:42) proposes *that "Government is wholly committed to the creation of a culture of local governance"* and that the value of local government must come to be better appreciated. The emphasis is placed on the political transition that was boosted by the provisions of the 1993 Local Government Transition Act (209 of 1993) and the resultant democratisation of local authorities.

It is in cities and metros where global forces impact on key economic activities. This has brought about increasing openness due to national and international pressures. Local

government needs to respond so as to ensure that the economic environment meets the standards of the best investment locations in the world. In addition, local government has explicit economic development responsibilities, which have been allocated to it by national and provincial government. (Urban Development Strategy 1995)

Coyle (1997:208) argues that decentralisation can improve efficiency when it is informed by better knowledge of local conditions and preferences, and it can be more democratic because citizens have more leverage over local politicians - they know them better and their votes will matter more in local elections.

Coyle (1997:208) contends that in general, various decisions will be best taken at different levels of government. If there is an economic case for devolution, it will be for devolution of power to the most local level at which the superiority of better information is combined with minimum economies of scale in taxation and public infrastructure - that means the big urban agglomerations. Thus the creation of megacities should require a greater level of devolution of power and economic decision making from the first and second tier of government.

Coyle (1997:209) contends that the devolution of power only makes sense if it is applied locally enough both to gain all the benefits of superior local knowledge and to meet local preferences adequately. She believes that there is no sense in devolving political decisions to a region - it is still too big and too distant to deliver these advantages. She argues that cities ought to enjoy a much greater degree of self-government than they do now. *"What business does a centralised national bureaucracy have running any of them?"* (Coyle 1997:218) She feels that all middling to large cities ought to have many of the economic powers that national governments reserve for themselves. *"Cities ought to be able to issue bonds to finance investment projects."*

Tomlinson (1994:39) believes that there is compelling evidence for the growth of sub-national government and adds that this has also strengthened community or neighbourhood level government. For example, with the advent of the European Economic Community, there has been a progressive shift of responsibility from national governments to the community, while the community is increasingly liaising directly with regional and local governments.

Angotti (1993:217) contends that, due to the size and complexity, governing the metropolis through a single centralised administration produces inefficiencies, if not inequalities. He believes that one of the strategies for enhancing neighbourhood power is decentralised governance within the metropolis, but says that surprisingly, few examples of decentralised metro governments exist. The Chinese, Cuban and Nicaraguan revolutions established active citizen committees at the block and district levels that perform a variety of functions

including provision of social services, discussion of national legislation, public security and cultural activities. Unofficial civic organisations perform these functions in numerous other countries. (Angotti 1993:219)

The legal and administrative forms of South African local authorities have been in a process of change since the introduction of the democratic government in the early 1990s. In some Metropolitan areas (like Cape Town and Durban) local governments were fragmented. The Local Government Transition Act (1993) was one of the early steps to procure full democratically elected local governments. This was followed by the Local Government: Municipal Structures Act (1999), which introduced metropolitan local government or "megacity" structures. At the turn of the millennium, Cape Town, Durban and Johannesburg had opted for megacity status. The Act argues that, whereas past policies have bequeathed a legacy of massive poverty, gross inequalities in municipal services, and disrupted spatial, social and economic environments, the Act is seen as the final phase in the local government transition.

It is quite clear that the combination of planning related legislation and policy documents directs the major planning decisions to the local authority level in circumstances where even the local communities can play a significant role in the decision making process. This trend is supported because the process will allow the market forces to play a greater role.

#### **5.4.2 Local Economic Development**

Current trends in policy thinking strongly endorse an enhanced role for local government in local economic development. In 1997 the Department of Constitutional Development produced "*Local Government and Economic Development: A Guide for municipalities in South Africa.*" Chapter 7 of the report urges "*A new approach for local government: Economic development strategies and approaches*":

##### *"(a) Integrated development planning*

*The land development objectives (in terms of the Development Facilitation Act) and integrated development plans (in terms of the Local Government Transition Act Second Amendment Act) provide municipalities with powerful statutory instruments through which to define local priorities. In combination they can form the basis of a participatory planning process to establish clear objectives, targets and strategies for the local area, ranging from economic growth, investment, and employment creation to training, poverty reduction and service and tariff levels. If these plans are realistic - that is, based on a thorough assessment of current realities and available resources - they can provide important signals to local and external stakeholders."*

The Local Government Transition Act Second Amendment Act (Sec. 10G) provides *inter alia* that every municipality shall prepare a financial plan in accordance with the integrated development plan in respect of all its powers, duties and objectives. It shall also structure and manage its administration and budgeting and planning processes to give priority to the basic needs of its community, and promote social and economic development within its area of jurisdiction.

The Durban Corporation (1996:3) acknowledges that, in some cases economic development was hindered rather than promoted by local government. Local government has in general been excessively bureaucratic, and has operated in an uncoordinated manner. There has been little capacity developed to undertake effective economic development functions. Their activities had an impact on economic development in the past, through planning regulations. However, these activities were not undertaken within an explicit economic development framework and tended to be undermined by institutional separation within the Metropolitan areas.

It is submitted that the role of local authorities should extend much further than merely controlling the urban order. Local governments should also strive to promote economic prosperity on a competitive international and national basis.

The Urban Development Strategy believes that local government is the key delivery and co-ordinating agent for the implementation of the government's urban strategy;

*"... in close partnership with the private sector and community interests. ...New local governments must strive to improve administrative, planning and implementation functions through the more efficient utilisation of resources."* (Urban Development Strategy 1995:42)

The Durban Corporation (1996:28) argues that, if local government's approach to economic development is going to shift from a bureaucratic approach to an entrepreneurial approach, senior officials and councillors will need to be kept constantly informed of strategic opportunities. Economic development projects range from local community initiatives to complex, resource intensive development. Local government officials need to be able to contribute towards economic development planning in relation to the full scope of possible projects. This includes local government planners.

Land development principles from Chapter One of the Development Facilitation Act, which are important for local economic development, include that municipalities should:

- Proactively promote new development
- Ensure efficient and integrated development
- Involve communities in land development

- Develop skills of disadvantaged persons
- Encourage the contributions of all sectors of the economy.

*"These principles mean that municipalities should actively promote land development, rather than merely seeking to control it. In other words, local government should identify land with potential, prepare it for development, and make clear its willingness to issue certain rights."* (Department of Constitutional Development 1997:13)

It is submitted that these guidelines clearly indicate a new role for municipal town planners.

The 1998 Municipal Structures Bill compels executive mayors and executive committees to identify and develop criteria in terms of which progress in the implementation of the strategies, programmes and services should be evaluated, including key performance indicators. These committees are further compelled to review the performance of the municipality in order to improve the economy, efficiency and effectiveness of the municipality.

Internationally, many local governments are involved in training and education. This is an aspect that is sadly lacking in South Africa. To achieve national world-class governance the process must be instituted at the lowest level. Education, training, productivity and all other basic requirements for world-class status must start at the bottom - in the communities - and spread to the top. It is submitted that local government administration stands at the fulcrum of national government. Without sound, honest and positively progressive local administration no national government policies can succeed.

### **5.5 SUMMARY**

Planning as a control system has no substance without effective applicable legal enforcement. Planning and land use must be governed by efficient rules. This chapter has conveyed most of the more important or relative "rules" of the process of urban land economics. Obviously these rules change continuously and it is necessary to keep abreast of these changes. There are services that provide an excellent update to property laws.

Ownership of property, either fixed or moveable, and the protection thereof is the cornerstone of a capitalist society. Land has no value if ownership is not identifiable and secure. This must also be exercised through effective and enforceable legal provisions. The more valuable the property is, the more important the protection thereof becomes. Most real estate is a valuable asset. The security of our Deeds Office system serves as an excellent factor of protection. This security of ownership is supported by Expropriation legislation which prevents the loss thereof to the State without due compensation based on the market



value thereof. Thus it is essential that the value of the property, created by legally permissible use thereof, be protected. Property rights are the most significant value influencing factors on land. These rights should be entrenched. Consideration should be given to the registration of these rights.

The land values created by legal use thereof are largely governed by planning. If planning is executed judiciously then existing values can be retained while additional values can be created.

It was found that the old rigid first world planning provisions could not be enforced in informal settlements because the market could not afford them. New approaches are less restrictive, but the enforcement thereof is still questionable. Yet the local authorities exercise strict control in the formal sector where they can prohibit sub-divisions effectively and police land use. It is questionable how long such selective controls can continue.

Internationally, planning legislation changed substantially in the early 1980s, but in South Africa the old bureaucratic control approach persisted for more than a further decade. The new democracy called for a new more facilitative and participative approach to planning. The process of considerable change originated in the mid 1990s and by the end of the century the legislative provisions had been comprehensively put in place. The physical results of this change should become evident in the early part of the twenty-first century.

Under the new system, central government has laid down certain principles and delegated the 'nuts and bolts' of urban planning to the level of local authorities. The entire system has been drastically revised with definite responsibilities placed on local authorities, particularly in the sphere of local economic development. The latter is considered further in chapter 8. Integrated Development Planning and Local Economic Development offers excellent opportunities for a much greater influence by market forces on urban planning. Unfortunately the current legal and procedural situation is still characterised by a high degree of complexity, which has generated considerable and confusing procedural uncertainty.

Having considered some of the property and planning legislation and legal provisions, the following chapter will consider their application, and the influence of market forces on the South African urban form.

# CHAPTER 6

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# CHAPTER 6

## SOUTH AFRICAN URBANISATION

### 6.1 THE SOUTH AFRICAN URBAN FORM

*"Black and white South Africans do have converging common interests in the urbanization process and in particular the economic future of the city, the provision of amenities, services and facilities, and the maintenance of reasonable standards. All urban dwellers have a common interest in security of tenure and person and permanence in their city and neighbourhood."* (Bernstein 1991:384)

This chapter concentrates on the uniqueness of the urban form of South African cities. It starts with a review of historical developments till the end of the twentieth century. Comparisons are made with other global cities, particularly in the developing world. The influence of market forces on the evolution of the urban form is accentuated. Then government policy on various aspects of urban economics and planning is considered. Various suggestions are made, particularly regarding mixed use developments. The latter is graphically illustrated in the case study that is annexed to this thesis. The chapter closes with some thoughts on the effects of postmodernism on the South African urban form.

#### 6.1.1 The Pre-modernist period

Gilbert & Gugler (1992:22) emphasise that developed and the underdeveloped countries did not emerge independently; the development of the one was integrally related to that of the other. The dominant social formations and productive systems of the Third World have emerged in response to colonial and capitalist development. The present forms of urban development in the Third World can be understood only as an outcome of the historical process of expansion by capitalist powers. The influence by the developed colonial powers on the developing countries was primarily of an economic nature - colonialism was driven by economic greed.

For three centuries, which included the industrial/mining phase caused by the discovery of diamonds and gold towards the end of the 19<sup>th</sup> century, South African cities followed the general global pattern found in new developing colonised countries. The city centres were predominantly colonialist First World cities with 'temporary' adjacent 'black' residential areas - most of which emanated after the discovery of gold and diamonds. Most of the inhabitants of the latter were migrant workers. (Gelderblom & Kok 1994:68) These cities

were formed entirely for economic reasons - the exploitation of minerals. At the initial stages planning of these mining towns was left entirely to the forces of the market.

At the end of the nineteenth century, and particularly during the depression in the early 1930s, agriculture experienced a period of crisis, which led to thousands of farmers (mainly white Afrikaans speaking) migrating to the towns and cities. Their political access ensured many job opportunities in government employment. Most of the following generation of Afrikaans speaking whites obtained sufficient education to participate in the main-stream economics in the 'modernist' period.

(Black) 'Africans' were subjected to influx control, preventing permanent settlement in towns to the large majority. 'Black' towns adjacent to the so-called white cities suffered from various shortcomings as was pointed out by Beukes & Langley (1987) and Gelderblom & Kok (1994:88). There was a noteworthy lack of integration between black towns and the rest of the urban establishment. The long commuting distance between their residences and places of employment was in contrast to the situation in most other countries where the poorer groups tend to live close to employment opportunities. These towns suffered from a shortage of retail facilities as well as employment opportunities within the towns.

Urban planning in the British settlement cities (e.g. Cape Town, Durban, Port Elizabeth and East London) followed the tradition of British idealism, both before and after independence. This tradition rests on formalistic anti-urban notions of the ideal urban environment, and complex administrative mechanisms to achieve it. Angotti (1993:180) suggests that the potential for realising such visions is minimal in developing nations with limited resources. However, during much of the twentieth century South Africa was well endowed with mineral riches, enabling it to substantially conform to and achieve such ideals - as far as the predominantly white cities were concerned.

### **6.1.2 The Modernist Period**

The South African urban form became further distorted in the early 1950's due to the introduction of '*apartheid*'. Historical records indicate that socio-economic class segregation originated from the predominantly British colonial period. This tendency was exacerbated by the *apartheid* policy and particularly the Group Areas legislation and planning policies. However, it is submitted that *apartheid* had a greater influence on the socio-economic structuring of races than on the physical environment. Notwithstanding the influx control and the *apartheid* legislation the urban African population grew by 47% from 1951 to 1960. Ironically, this growth rate declined subsequently. (Gelderblom & Kok 1994:87)

During the seventies it became increasingly clear that the attempt to do away with a permanently settled African population in urban areas was, and could never succeed, but influx control was only scrapped in 1986. The main subsequent difference has been that families moved to cities as opposed to the breadwinner alone as was previously experienced. (Mabin 1990)

Vast, dense, rural settlements, close to the borders of former homelands had large populations with minimal access to services and little or no economic base. Most urban areas were racially fragmented with great spatial separations and disparities between towns and townships, resulting in inefficient and costly urban sprawl. (Department of Constitutional Development 1999:1) The changes during this period must be viewed in the context of the global (and South African) economic prosperity of the post world war II period.

### **6.1.3 Towards Postmodernism**

At a symposium on "*Urbanization in Developing Countries*" in 1985 it was concluded that, instead of looking at urbanisation as a process of urban growth causing a number of problems that need to be solved, an alternative approach came to the fore which focuses on how the process of urbanisation might be influenced to benefit people. The concept of "*urbanization as a problem*" has largely been replaced by "*urbanization as a process or instrument*" of social change and development. (Harvey 1987:244) This approach was also adopted in South Africa. (Botha 1990:135)

The Urban Development Strategy report points out that, in facing the new challenges incurred by urban scale and spread, South Africans are not alone.

*"All over the world, city dwellers are struggling to find new terminologies, planning techniques, and delivery mechanisms for the expanded new city. As compared to the confidence of only a few years ago, it is now acknowledged that successful urban management is not assured in the current global situation of rapid urbanisation and massive urban growth. Extra and renewed commitment and effort is required from both urban inhabitants and planners."* (Urban Development Strategy (1995:21).

But, the Urban Development Strategy report (1995:19) acknowledges that, meeting the goals of the Urban Strategy clearly demands an understanding of the full complexities of the urban landscape.

In 1991 the World Bank mission to South Africa found numerous urban problems including 'deficient service provision, deteriorating infrastructure and distorted spatial settlement

patterns and distribution of economic functions within the urban areas. This situation constrained the productivity of the urban economy and its ability to generate increasing incomes, employment and services for the growing number of urban poor. The Bank also bemoaned South Africa's over-regulated urban markets, and called for regulatory reform at both the national and local levels to increase the supply and lower the cost of housing, finance, infrastructure and developable land, and to increase business opportunities. On the positive side the Bank was impressed by the administrative and financial capacity of the local authorities and believed that most urban areas were in a position to establish self-sufficient, self-financing local government on a sustainable basis. (Tomlinson 1994:113) Nine years later little had improved and much had deteriorated.

When the World Bank examined what could be done to alleviate poverty in urban areas, it pointed to the obstacles faced by small-scale entrepreneurs in gaining access to capital, infrastructure and markets. (Tomlinson 1994:114) This is one aspect that has enjoyed some improvement in subsequent years due mainly to the alleviation of restrictions on the informal sector.

Yet, in 1991 some were optimistic about the future of South African cities:

*"There is a broad-based spectrum of South Africans potentially ready to mobilize around a strategy that focuses on the cities and their future."* (Bernstein 1991:384)

The advent of the 'political miracle' culminating in the 1994 first fully democratic elections and the election of Nelson Mandela as president enhanced optimism to such extent that it a great deal thereof continued till the new millennium. A brief glance at future expectations is made in the final chapter.

#### **6.1.4 The Urban Spatial Form**

Cities world-wide, are economically segregated. It is submitted that, since the demise of *apartheid* only minor changes have occurred to the physical structure of South African cities, most of which has been driven by economic changes rather than the legislative relaxation of barriers. Only the aspatial form has changed slightly with some migration of 'black' higher income earners to previously 'white' affluent suburbs.

van der Merwe (1996:17) aptly describes South African cities as follows:

*"When evaluated according to its politico-economic base, its national urbanisation tendencies and its internal urban patterns the South African city reveals fundamentally a complex and diverse structure, reflecting facets of all three types of international city form, namely a Western city in the First World, a Socialist city in the Second World and a Colonial city in the Third World."* (van der Merwe 1996:17)

Harrison (1996a:8) sees the dominant impression of the post-1970 city as the juxtapositioning of glamour and decay. On the one hand we have the (old and new) elite fully integrated into the global economy, living a cosmopolitan lifestyle. On the other hand we have an increasingly marginalized, excluded populace who are alienated and threatened by powerful forces of global change, and who are struggling to defend their local spaces.

Unlike most other third world countries, South Africa does not have one major city that dominates all others (the so-called *urban primacy*). (Gilbert & Gugler 1992:50) The Metropolitan Regions and the larger cities containing a population of over 500 000 people, are multicentric, while the medium sized cities of between 100 000 and 500 000 tend to be monocentric - like the smaller towns with populations of under 100 000. Many medium sized cities in South Africa tend to be dependent on a narrow, often natural resource-based sectoral economic base. This makes them particularly vulnerable to economic change - e.g. gold and coal mining towns.

The Urban Development Strategy report (1995:19) points out that the monocentric (or centralised) city, with its wedges or rings of distinct and detached land uses radiating out from a dominant centre, is being displaced. In South Africa, the forces causing the demise of the *apartheid* city have operated alongside - and strengthened - the movement away from the monocentric city. The result is a recast urban form and a new style of urban life, spread across the city and spanning its social and economic dimensions. These currents have led to the emergence of a widely dispersed polycentric city form with several employment cores and various peripheral settlements, detracting from the importance of the central business district. This trend is primarily a phenomenon caused by market forces.

Mallows (1988:126) sees the 50% urbanisation level as the point of no return when rural values and habits give way to urban equivalents for a growing majority, so that the whole economy and philosophy of a country begins to take a new direction.

#### **6.1.5 Central Business Districts**

The fortunes of the major urban areas in South Africa vary.

Somewhat unlike other South African cities, **Cape Town's** central business district (CBD) is seen as the focus point of the metropolitan area. Clearly, the Victoria & Alfred Waterfront is becoming the centre of the new character of the CBD. This is being supplemented by the Granger Bay and other surrounding developments. Residential developments, which are largely aimed at tourism, are now beginning to supplement the commercial nodes. In Cape Town the price difference between top A grade office rentals in the CBD and the

decentralised office nodes is small, in contrast to Johannesburg where the decentralised A grade rentals are virtually double anything found in the CBD. (Rode 2000)

The **Johannesburg** CBD has been subjected to deterioration during the 1980s and 1990s while most new office and retail developments are being decentralised.

The **Durban** CBD finds itself in a better situation than Johannesburg and through it's tourism component, akin to the relative survival and growth of Cape Town.

Office rentals in the **Pretoria** CBD are under pressure due mainly to the stagnation of demand for office space by its main tenant - the State.

Lawless (1981:34) feels that, because twentieth century civilisation has been based upon cities, if in the process of change the inner areas are simply allowed to decay - and their inhabitants to languish, the country as a whole will be the poorer. However, there can be little doubt that the market forces have played the most significant role in the formation of the inner city spatial and aspatial conditions as found today.

#### **6.1.6 The Divided City**

Due to historic political planning concepts, the pre-apartheid colonial policies and racial economic constraints, South African cities and towns of all sizes, but especially the larger ones, are marked by stark contrasts. On one side the formerly white suburban neighbourhoods are typically well-maintained and well-serviced upmarket, low-density neighbourhoods with attractive public and private amenities. Shopping centres, office parks and high-rise office buildings are usually close by and are often clustered into larger concentrations of economic activity. On the other side vast poverty stricken suburbs of informal self-built shacks engender endless sprawl. This phenomenon is not unique to South Africa.

The division of cities between rich and poor is certainly nothing new; Plato described it and took it as an inescapable part of urban life more than two millennia ago. (Marcuse 1995:245)

*"The city of unskilled work and the informal economy, small-scale manufacturing, warehousing, sweatshops, technically unskilled consumer services, immigrant industries, is closely intertwined with the cities of production and advanced services and thus located near them, but separately and in scattered clusters, locations often determined in part by economic relations, in part by the patterns of the residential city."* (Marcuse 1995:247)



The concentration of poor and rich in urban areas is a common global phenomenon. There is a particular feature of the postmodern city that is widely reported across the globe: namely increasing levels of spatial segregation, captured in the notion of the '*dual city*'. Beauregard (1995:245) says that dual cities are characterised by sharp and deep socio-economic divisions among residents that become expressed in the spatial structure of the city. Short (1996:78) views the city as the site for the reproduction as well as the production of class and class relationships. Referring to Lima and Caracas, Short points out that these cities are highly bifurcated between the small minority of the very rich and the vast majority of the poor.

Guatemala City and Mexico City could also be cited as further examples. In Guatemala City there is also a racial difference between the wealthy (mainly of Spanish decent) and the poor (mainly of West Indian decent). The wealthy are housed in secured fortress type homes while the poor fill every available unwanted space. This trend is also similar, (with racial differences) to Costa Rica and other Central American countries.<sup>1</sup>

The difference in South Africa is the fact that residential areas were officially zoned on a colour basis. Initially the rich were all white and the poor non-white, but as economic progress was made the small numbers of wealthier non-whites were prohibited from moving into more affluent neighbourhoods. After some post-democratisation spatial readjustments, pockets of Third World settlements have become dispersed over wider areas of the cities, resulting in the situation that the term "*dual city*" may be more apt than the previously clearly '*divided city*'. Even this is not unique to South Africa. Feagin (1998:19) contends that "*understanding class oppression and racism is central to an accurate comprehension of how cities have developed ...*"

Supporting these views, Cheru (1997) contends that the South African city corresponds to a multi-faced international profile with a blend of First World prosperity, Second World central intervention and Third World deprivation, but it has obtained some unique characteristic as a result of the legal enforcement of apartheid policy. It is submitted that the major problem relating to the urban form is that there is a distinct lack of growth of a middle class order.

In the South African context the neo-rationalism coincided with the transformation to democracy. This was meant to be a reversal of apartheid legislation but the result on the spatial form was merely a dispersal or scatteration of pockets of poor people and a similar dispersal of elite enclaves. The few 'black' elite have not changed the basic spatial trends.

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<sup>1</sup> Personal observation

The Urban Development Strategy Report (1995:20) emphasises that this spatial mismatch is deepened as long as townships, under-served with economic and fiscal bases, remain dormitories despite their obvious potential.

The necessity then, for spatially and socially integrating a polycentric city is already on the urban agenda in South Africa. Given *apartheid's* legacy, this is arguably more the case than virtually anywhere else in the world.

*"Planning for integration must incorporate city cores and peripheries as currently defined - and must have the longer-term aim of destroying the periphery as both reality and idea."* Urban Development Strategy (1995:20)

This is particularly relevant to the larger Metropolitan Areas, but the tendency in the medium size cities and towns is already similar, even where they still have monocentric centres. The legacy of decentralisation and deconcentration policies has left these cities and towns with industrial zones and townships far away from town centres.

The Urban Development Strategy report (1995:20) urges that urban policy must therefore address the integration of these smaller urban complexes against the backdrop of growing demands for space and the need to correct the artificial racial and functional divisions imposed by apartheid and decentralisation in the past.

Bernstein (1997:18) considers it necessary to view the reformation of the previously segregated South African cities in the light of the changing global trends and the world economy. She says that:

- cities are the new arena of **economic competition** in the global market - there will be winners and losers - the new global era has emphasised urban differentiation and has established multi-networks which perform different economic functions
- the policy makers in the cities and at national level must make the broader **economic context** of cities, their priority
- the **liberalisation of global trade**, influenced by national co-operation and information technology, will make cities the arena for competition instead of nations.
- the turnaround Atlanta is a good example of a city, divided on racial basis and by conflict, that became a world class competitor through successful **partnerships between private and public sectors**
- as cities are integrated in the global economy, they are forced to become disciplined by the interests of their **overseas markets** and the activities of competing cities
- cities in the global economy must co-ordinate the flow of **products, people, information, capital** to and from often distant sources

- cities should be placed high on the priority list of the business world - **world class firms wish to operate in world class cities**
- each city must have a **vision of its future**, acceptable to all its inhabitants
- the city administrators must understand the modern global and regional economic demands, but should not try to become entrepreneurs themselves. They should **operate like a business enterprise** in the marketing and promotion of local firms and look for processes, which will enable their inhabitants to improve productivity.

These sentiments, and more are fully endorsed while it is submitted that more specific goals and proposed actions should be spelt out. These more specific actions are considered in the case study.

### 6.1.7 Informal Settlements

*"With the surge of population from the rural lands to the cities, a new type of conquest has been manifesting itself in the cities of the developing world. Its form is squatting, and it is evidencing itself in the forcible pre-emption of land by landless and homeless people in search of a haven."* (Abrams 1977:293)

Shack settlements, a consequence of population growth, migration of people from rural to urban areas, inadequate housing and government policy, are a common feature of the South African urban areas. Because the majority of urban Africans are too poor to afford 'conventional' houses and, in consequence, have to erect wood and tin shacks, Mashabela (1990:9) believes that these 'shantytowns' are likely to become the African cities of tomorrow. This is the reality of market forces.

The greatest part of the growth of metropolitan areas during the past ten years has been in the form of informal settlements. Tomlinson (1994:10) reports that about seven million people live in informal settlements, including more than half of the population of the Durban Functional Region. He believes that the number of people living in informal settlements is expected to increase to 12 million by 2010.

*"In effect, South Africa is experiencing the urbanisation of low-income African population which is unable to afford housing and services."* (Tomlinson 1994:17)

An analysis of these settlements reveals that they have their own forms and economic bases. (Turner 1988) The most important part of this analysis is centred on the determination of the quantity of 'exported' labour and internal revenue producing economic base activities. These dormitory housing areas with very little commercial or industrial economic bases cause desperately poor living environments. For many inhabitants the

average day is dominated by survival activities such as the search for fuel and water and desperate attempts to generate a meagre income. (Tomlinson (1994:233)

Informal settlements are common in developing countries. Estimates of the percentage of city population in informal settlements:

Table 6: PERCENTAGE INFORMAL SETTLEMENTS

<u>City</u>	<u>Percentage</u>
Mexico City	40%
Sao Paulo	32%
Manila	47%
Bogota	59%
Karachi	37%
Ankara	51%

Source: International Monetary Fund 1998a

Badshah (1996:11) points out that for a long time governments in the developing countries saw squatter settlements as a problem that had to be eradicated - they were viewed as the physical manifestations of social ills. Turner's (1988) study revealed that people had produced 50 000 dwellings in a seven-year period in Lima, Peru, however modest, they were still housing. In the same period the government had developed one tenth of this number, none of which was affordable by the low-income group. Seeing squatter settlements as part of the solution rather than as part of the problem led to the approach that came to be known as 'self-help'. It turned the focus of mass housing from 'central provision' to what Turner called 'local enablement', whereby the financial and other resources of the future dwellers were channelled into housing construction. (Badshah 1996:11)

Living conditions in these settlements, particularly the unplanned so-called 'squatter camps' are, in many cases, akin to the worst conditions found in third world countries. Comments made about New York at the turn of the century are relevant:

*"They are centres of disease, poverty, vice, and crime, where it is a marvel, not that some children grow up to be thieves, drunkards and prostitutes, but that so many should ever grow up to be decent and self-respecting."* (deForest & Veiler 1903:112)

Angotti (1993:79) says that shantytowns are just one step from homelessness and the dividing line between the two is often not clear. "... a shack made of cardboard with no water, electricity or plumbing is little more protection than street sleepers have." Yet people

are attracted to these conditions, as they were a century ago. Hall (1988:45) pointed out that the Victorian slum city was in many ways a horrific place; but it offered economic and social opportunities, lights and crowds.

The informal settlements, which have sprung up during the nineties, vary in size and form. Some of the smaller ones are "*land locked*" and have no further growth potential, while others are not restricted in their growth and appear to continue growing. Commercial and home industrial activities tend to become firmly established in the smaller areas where growth of the settlement is limited. They are regulated mainly by the community and it is often found that a business "*leader*" will exercise substantial control over these commercial activities. Although these settlements do not have formal zoning plans, the residents do certainly not ignore internal planning. Even the locality of the individual "*shacks*" is usually carefully considered by the community or their leaders, and the locality of manufacturing or vending activities is likewise a matter of importance. (Mashabela 1990:49)

On a secondary sectoral level, a large informal settlement like Kayelitsha in the Cape will consist of a large number of smaller primary level sectors, each with an economic base, which will include home industries, vending, and transport. It has been found that, with the growth of the informal commercial sector, some friction has broken out from time to time between groups who could be classified as being in opposition to primary level sectors. This has been well publicised regarding the transport sector, where taxi operators compete for business on a local level.

Botha (1990:188) points out that existing town planning schemes are much too rigid for the promotion of the informal sector, and it is difficult to amend them due to entrenched interests of property owners, particularly in the higher income areas. This is not the case in existing black residential areas where new schemes are regularly being considered. He emphasises the importance of multiple use rights of land. Tager (1990:48) feels that scheme restrictions should be converse, i.e. that the planning scheme should have little or no restrictions, and where they are necessary the restrictions should be seen as 'waivers.' Thus the scheme would become a positive control mechanism rather than a negative.

Much argument has been put forward that the control of town planning schemes should be delegated to the lowest level, sometimes postulating a 'sectoral' approach. This appears to be the *de facto* position in the new, large, growing informal settlements. This does not mean that there should be no planning in these settlements, but rather that planning should be done in conjunction with the residents, and at a lower administrative level.

Botha(1990:269) refers to an *ex ante* and an *ex post* approach. Under the *ex ante* approach, which is presently found in white areas, a person who wishes to enter into a business, must first conform to a number of rules. Under the *ex post* approach a person can procure entry to a business, subject to very limited control. Control mechanisms can be brought in at a later stage if the activities created by the business causes need therefore. This process has been taking place in the informal settlements and clearly 'town planning' is a result of economic demand and supply, as opposed to the process of business establishment that has taken place in first world areas.

Botha (1990:136) confirms that the growth of urbanisation amongst poor blacks is irreversible, thus the planners must not only consider the changes which are necessary to re-adjust past inequities, but must also plan for the impoverished masses who are and will continue to flock into the cities.

A study of the economic base in informal settlements at a first tier level reveals the 'natural planning process'. It is submitted that the *de facto* zonings (which have been created by market forces) in the informal settlements should be documented. At the same time the first tier sectoral levels, in accordance with the economic base activities of these sectors can be defined and given their own identity through naming them on the same basis as the established areas have suburban or local neighbourhood names.

#### **6.1.8 The Informal Economy**

The informal sector refers to unaccountable and unregistered activities that are found in most countries of the world. (Potter & Lloyd-Evans 1998:172) It is heterogeneous, with respect to both its activity and its workforce. It is ambiguous, in that it encompasses wealth and poverty, productivity and inefficiency, exploitation and liberation.

In Europe, this sector is sometimes referred to as the 'shadow economy'. Others call it the 'underground economy'. This sector is just as complex as the formal sector. The informal sector can also be seen as a sophisticated response to the lack of formal employment opportunities. (Short 1996:114) It is important that planners should understand this sector as it performs a substantial role in the economic functioning of cities. It may be seen as one of the most distinctive examples of conflict between formal planning and the needs and wants of the free market.

An earlier, and for some, still current view is that the existence of an informal sector is a symptom of economic dysfunction. Angotti (1993:78) contends that the informal sector is nothing more than the poorest stratum of the working class. They usually work in poorly paid services, which, he acknowledges, make up an essential part of the metropolitan

economy. He also acknowledges that, in relative terms the people in this stratum usually enjoy a higher standard of living than rural workers.

Webster & Fidler (1996:6) argue that the presence of street vendors and home workshops signals that the structure and growth rate of the formal economy are inadequate to absorb the national labour force. Accordingly, the formal economy should be managed better so that it can integrate low-income and unemployed people and, in essence, absorb the informal sector. This seems to be an impractical proposal. Another view is that the informal sector - particularly micro businesses - should be formalised. Yet both views recognise the significant role that is played by the 'informal' sector in the economic activities of cities. Feagin (1998:55) says that the combination of formal sector jobs and informal sector support activities has been a spur to economic development in many Third World cities. Healey (1997:143) concurs, urging western societies to take a more positive attitude towards the *"informal dimensions of our local economies."*

The informal sector has continued to grow in many developing countries, notwithstanding the higher level of macroeconomic management. Estimates for cities in six Latin American and two Asian countries suggest that between two-fifths and two-thirds of the urban labour-force work in the informal sector. (Gilbert & Gugler 1992:97) Development specialists have emphasised the informal sector's importance as a creator of jobs and an incubator of small and medium enterprises. Yet, a growing body of research shows that few micro-enterprises become small and medium businesses, discrediting somewhat the notion of the informal sector as an incubator of the formal sector. (Webster & Fidler 1996:7) However, there are strong linkages between the formal and the informal sectors. (Gilbert & Gugler 1992:100)

*"the increasing physical presence of informal activities in African cities is having a major effect on the organisation of space, as African cities distance themselves from their original colonial planning models."* (United Nations 1996:91)

Cheema (1994:423) confirms the importance of the informal sector in the economies of developing countries. According to Cheema about 50 per cent of the labour force in the third world cities are engaged in the informal sector, which has strong backward linkages with commercial and government enterprises. He believes that the main strength of the urban informal sector is its ability to generate employment opportunities. He bemoans the dearth of accurate statistics about the informal sector and proposes research on:

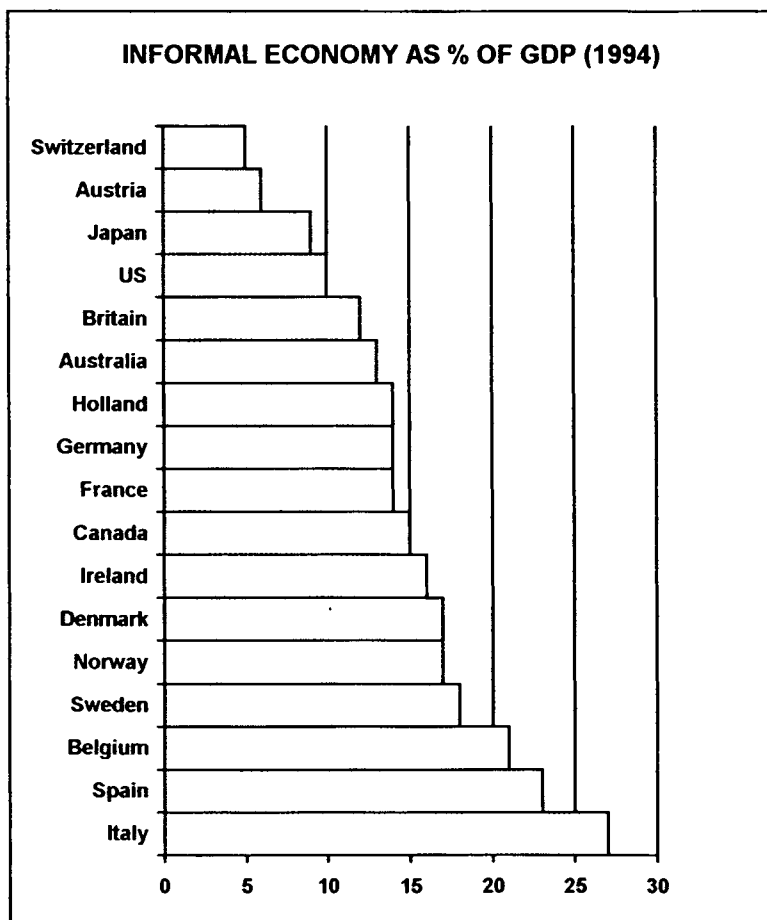
⇒ assessment of the effects of direct policies and programmes on the informal sector, including credit and self-employment, spatial coverage, institutional mechanisms to

implement policies, and impact of such policies on the productivity of the informal sector;

- ⇒ analysis of the effects of indirect policies and programmes on the informal sector, including liberalisation, pricing, tariffs, and recession;
- ⇒ examination of the management structures and functioning of the informal sector organisation to determine the extent to which these organisations are able to utilise the developmental infrastructure such as loans, marketing, training, and skill development;
- ⇒ productivity of different branches of the urban informal sector.

Short (1996:115) points out that there is a basic mismatch in many Third World cities between the number of employable people and the number of jobs in the formal economy. The low level of jobs in the formal sector means that people have to make a living as best they can and they find money in the informal economy. Many cities throughout the world are highly bifurcated between the small minority of the very rich and the vast majority of the poor, most of whom are not employable in the formal sector.

If Schneider (1997:75) is correct, the shadow economy in wealthy countries has grown three times as fast as the official one since the 1960s.



graph 3



Source: The Economist 3/5/97

Coyle (1997:xii) believes that the informal economy is actually larger than as set out above, being some 20% in France and Germany and as much as 50% in Italy. She argues that economic policies in many countries still discourage the creation of work in the likely areas of employment growth, being the informal sector or, as she calls it, the 'shadow economy'. This is because tax and red tape make it too expensive to create 'official' jobs.

*"Top-down control of the economy has to go. This is where the free market comes into its own."* (Coyle 1997:xii)

It is now quite clear that there are a large number of people who are active in the informal sector inside the informal settlements, and that it is not only those who travel out of the informal settlements to seek and procure employment, who have an income. (Donaldson 1999:259-272) With the relaxation of certain legal prohibitions, the commercial informal sector has grown in the established city areas in the commercial sector, but the growth of the industrial informal sector has taken place almost exclusively in the informal settlement areas.

A study carried out by Wilkins (1996) challenges the prevailing orthodoxy that informal sector entrepreneurs are poorly educated "*survivalist*" who would rather be in formal sector employment. Less than 2% of the 645 black small and micro enterprises surveyed in KwaZulu-Natal said they intended seeking wage employment and most saw potential for growth in their current businesses. The bulk of the handwork and home industries activities are located in the informal settlements, while a large percentage of the vending activities takes place in the residential areas. This means that, excluding the transport activities, some 50% of the activities of the informal sector takes place in the informal settlements. (Wilkins 1996:5) Legal prohibitions hinder the growth of this sector in the more established city areas, while there is much less legal control over informal business activities in the informal settlements. This acts as an additional stimulus to the growth of the informal business and manufacturing sector in the informal settlement areas. In most developing countries of the world it has been found that small businesses and the so-called informal sector play a large and important role in the economies of those countries. (Botha 1990:302)

The informal sector is particularly dependent upon money earned in the formal sector, therefore many flock to areas where they can deal with those who earn high incomes. The proliferation of informal traders in central business districts has created various problems particularly health and sanitation problems. This is most evident in Johannesburg where it is estimated that there are as many as 25,000 street traders. (Financial Mail 25/7/97:54)

The authorities plan to introduce bylaws obliging street traders to register. Consideration has also been given to restricting street trading to designated areas while helping traders 'up the economic ladder' by providing new city markets. The well-known Baltimore informal market is cited as an example of possible future trends. It seems that informal street traders will have to pay the local authorities for their space in future. This has already been recognised in 'favoured' areas particularly where business can be transacted with tourists. (E.g. the Cape Town Victoria & Alfred Waterfront.)

It is submitted that informal retail trading serves to spread economic activity from concentrations in the hands of the wealthy to the lower income groups. Very few of these traders upgrade to the formal sector mainly because they prefer not to pay direct income tax (which is easily avoided), even when their businesses grow. Manufacturing in the informal sector adds to economic growth as most of these activities do not detract from the formal sector - they tend to produce additional goods.

Sunter(1997) believes that Government should concentrate less on the creation of jobs and more on the creation of new businesses.

*"Government must create a climate in which new businesses will want to do business."* (Sunter 1997:23)

Potter & Lloyd-Evans (1998:186) and others argue that the informal sector, if encouraged through governmental assistance, can be a highly productive engine for growth. Others are more sceptical over whether the informal sector can ever provide more than a 'safety net' or refuge for the urban poor. What is clear, is the fact that millions of innovative workers are able to utilise their skills in the informal sector in order to sustain their households, despite pressure from recession and structural economic change. At the same time, processes of globalisation are extending practices of deregulation and free trade across the globe. Increasingly, developing countries are locations for free trade and export processing industries, which take advantage of cheap female and child labour in an increasingly competitive market. Donaldson (1999:270) proposes an effective overall urban strategy plan that incorporates home-based businesses as part of the informal economy.

It could be argued that the government has taken some initiative in supporting small, medium and micro enterprises (SMMEs) by its support of financing operations like the Small Business Development Corporation (SBDC) and Khulu Finance. While this may be seen as a step in the right direction it is clear that these enterprises are falling far short of their goals, as may be evidenced by the substantial increase of the 'grey market' operations funding small businesses, as well as the findings of Wilkins (1996) that the bulk of finance

to the informal sector is done by own or family funds. The private sector - through the market forces - has started to play the leading role in financing SMMEs (the ABSA Bank take-over of the Unibank small business banking business in Jan. 2000 was significant) while the government could use its muscle to enhance small business education and planners can provide the much needed spatial requirements.

### 6.1.9 Demography

The influence of population on land values is caused primarily by human activities and behaviour than by mere population numbers. Mere numbers, therefore are not so meaningful if viewed in isolation. Thus it is necessary to analyse demographic patterns in particular areas and to consider human behaviour and economic activities in these areas. The Urban Foundation(1995:1) points out that South Africa's demographic realities have been changing rapidly, and will continue to do so in future. The shifting size, characteristics and distribution of the South African population are clearly key considerations for effective national development planning.

The greatest concentrations of urban populations are in the three main metropolitan areas of Witwatersrand/Pretoria, Durban and Cape Town which together account for some 70% of the total urban population. (Urban Foundation 1995:2)

From 1960 to 1988 the percentage of urbanisation amongst black people more than doubled to approximately 60. Since the government relinquished influx control and the publication of the White Paper on Urbanisation on 23 April 1986, the process of urbanisation accelerated tremendously in South Africa. However, the Urban Development Strategy (1995:13) reports that this urbanisation rate has subsequently slowed down slightly, rising to approximately 65% in 1995.

van der Merwe (1996:5) argues that South Africa's pattern of urbanisation acquires a different perspective when ethnic sub-groups of the population are compared to different world regions. He points out that whites have already attained a 92% level of urbanisation, with a decreasing growth rate of 1.1%. In contrast to these figures, the relatively low urbanisation level of 65% and high growth rate of 4.0% among urban Blacks indicate a phase of acceleration.

In virtually all developing countries there is a pattern which demographers term "*the demographic transition.*" During this period the economic development initially affects the death rate insofar as both the infant mortality is reduced and the average age is increased. It takes several decades before the birth rate is sufficiently reduced to reduce the rate of population growth. South Africa's current position, in respect of the rate of natural increase

in its population (or the difference between the death rate and the birth rate) is such that it tends to compare closely with countries such as Brazil (2.8%) and Bangladesh (2.9%). (Urban Foundation 1995:14)

The Urban Foundation (1995) points out that South African cities are still relatively small by international standards. The United Nations figures reveal the following in 1988:

Table 7: INTERNATIONAL URBAN POPULATIONS

CITY	1950 SIZE	1985 SIZE	2000 SIZE
Mexico City	3.1m	18.1m	26.3m
Sao Paulo	2.8	15.9	24.0
Calcutta	4.4	11.0	16.6
New York	12.4	15.5	15.5
Seoul	1.1	10.2	13.5
Rio de Janeiro	3.5	10.4	13.5
Cairo	2.5	8.5	13.2
<b>The PWV (Gauteng)</b>	2.1	7.0	12.3
Los Angeles	4.1	10.0	11.2
London	10.4	9.8	9.1
Lagos	0.4	3.6	8.3

Source: United Nations (1996)

The greater Johannesburg Metropolis is speeding towards a population size that will place it amongst the large cities in the world. While South African cities are relatively small in population size, their geographical areas are relatively large and expansive, creating a relatively low density per hectare, compared to many other comparable international cities. This density is however increasing. The growth rate of the PWV (Pretoria, Witwatersrand, Vereniging) from 1970 to 1980 was 44% and from 1980 to 1990 it was 42%. Los Angeles grew by 61.2% between 1950 and 1960, and Toronto by 64% during the same period. From 1970 to 1980 Mexico City grew by 58.7%, Delhi by 61.2%, Karachi by 64.6%, Kinshasa by 78.8% and Lagos by 93.7%. (United Nations 1996:4)

Table 8: SOUTH AFRICAN CITY DEMOGRAPHIC FIGURES

	Johannesburg	Pretoria	Durban	Cape Town	Port Elizabeth
Total	3.8m	1.1m	2.6m	2m	1.03m
White	26%	47%	29%	13%	15%
Black	63%	48%	15%	32.5%	66%
Coloured	7%	3%	6%	52.5%	18%

Indian	4%	2%	50%	2%	1%
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Source: Census 1996

It may be pointed out that the trends of growth rates of South African cities place them in the developing country context as opposed to that of the advanced industrialised nations. A number of large cities like Toronto and Los Angeles, which grew at rapid rates in the 1950's slowed down to rates of 16% and 13% respectively in the 1970's, although according to the Urban Foundation (1995:14) there is no simple correlation between the rate of urbanisation or the size of cities and the quality of urban outcomes.

In 1980 the total population of South Africa was 29.1 million and in 1985 it had grown to 33.1m, reaching 40.6m in 1996. (Census 1996) Based on the Urban Foundation's Demographic model's projections the total population will be 48m in 2000 and 60m by 2010. Distribution by race is projected as follows:

Table 9: POPULATION FIGURES AND ESTIMATES PER RACE GROUP

	1985 no.	percent	2000 no.	percent	2010 no.	percent
Blacks	24.5m	73%	37.3m	79%	48.5	81%
Whites	4.9m	15%	5.4m	11%	5.8m	10%
Coloureds	3m	8%	3.8m	8%	4.2m	7%
Asians	0.9m	3%	1.1m	2%	1.2m	2%

Source: Census 1996

It is not the task of an economist to decide on the quantum or affect of Aids projections, but it is necessary to consider the alternatives and to weigh them up against the projections that are geared towards a substantial population increase. It is believed that, due to the resilience and resourcefulness of human beings, the 'tidal wave' will be fought off but that the past rate of increase in population, particularly in the lower income group, will be lower.

## 6.2 GOVERNMENT POLICY

### 6.2.1 Historical

Unofficially race segregation existed from the first Western settlements were formed in the 17th century. Officially race segregation began in 1923 with the passage of the Native Urban Areas Act, which empowered local authorities to set aside land for African occupation in segregated townships. Then the Group Areas Act of 1950 became the cornerstone of the apartheid policy, producing legally enforced segregation in South African towns and cities. (van der Merwe 1996:9)

For many years, particularly since the implementation of a deliberate policy in 1956 (Government White Paper on Decentralisation 1956 following the Tomlinson Commission

Report 1954) regional development had been aimed at the decentralisation of industries. This had been an important component of economic and political policy in South Africa when compared with experiences elsewhere in the world. This policy was initially developed to give the policy of apartheid an economic content. The primary objective was to create job opportunities for black workers outside the 'white' urban areas and not for economic efficiency. In 1960 a system of incentives, which encouraged industries to establish themselves in selected growth points, was introduced. The concept 'border industries' was conceived as centres to supply work opportunities on the borders of black homelands. (Swanevelder 1997:449)

After extensive research, including work done by the Development Bank of Southern Africa, this system was deemed a failure and a new programme came into operation in May 1991. (McCarthy, Archer 1997:138)

Some of the distinguishing characteristics included:

- Less favourable and simpler incentives, also accommodating small industries
- The growth centre approach of the previous system was no longer the basis for incentives
- The growth factor in regions was emphasised rather than mere industrial development
- Initiatives and development plans were to come from the region itself

During the three preceding decades prior to the nineties, the government followed a policy of influx control whereby black workers were permitted to come to the cities on a work contract basis - without their families, and were expected to return at the expiry of their particular contract. Consequently little or no thought was given to urban planning for the low income earners and large (then deemed illegal) housing backlogs built up. In 1990 the urban housing backlog was conservatively estimated to be in the order of 1,3 million units. (McCarthy, Archer 1997:155)

Towards the end of the modernist period South Africa's policy on urbanisation, was set out in the White Paper of 1986. Botha (1990:130) summarised by the most important guidelines under the heading of "*Economic and Spatial control of urbanisation*" as follows:

- Recognition is given to the potential of the creation of employment opportunities in metropolitan areas and that the availability of light industrial and service industrial land should be ensured.
- The government recognises the role of commerce in the creation of job opportunities.

- Special attention should be given to the orderly expansion of the metropolitan areas. It is acknowledged that some areas in 'homelands' are functionally part of some metropolitan areas.
- In the development of new towns for respective population groups they must strive for the creation of viable communities.
- Residential and employment areas should be as close to each other as possible to reduce travelling distances.

Botha (1990:265) took a positive view on urbanisation and emphasised the potential of job creation in the informal sector. Regarding the planning of cities he felt that;

- There should be a clear understanding of the South African economy and its spatial tendencies in urbanisation and migration.
- The economic base of urban areas should be determined within the sub-regions.
- Less developed urban areas adjacent to the metropolis should be evaluated as a part of the broader urban system.
- The role of the private sector in urban development should be encouraged.

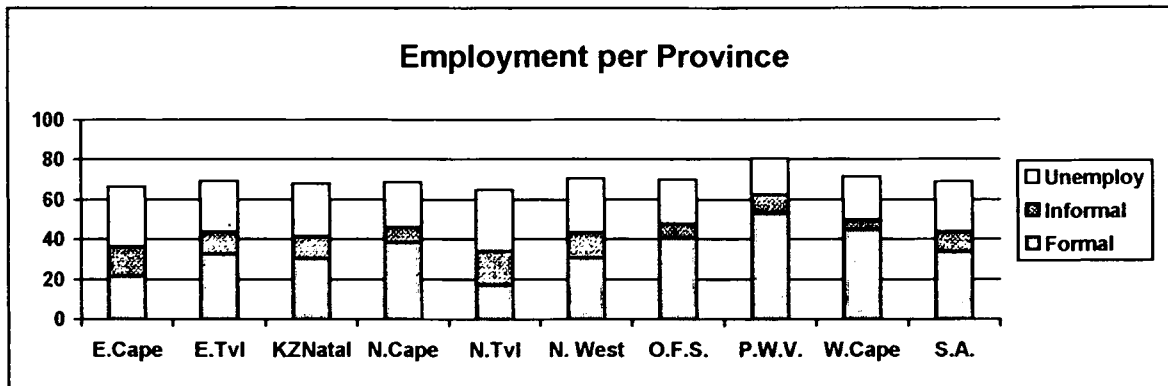
The government's Urban Development Strategy (UDS) was positive about urbanisation believing that, as people move to the cities, new opportunities emerge.

*"Urban growth therefore does not necessarily mean greater problems; it offers many opportunities."* (Urban Development Strategy 1995:9)

The South African government has recognised the need for a new urban development policy. It urges that the Urban Strategy - like the entire RDP - requires considerable change and transformation in the way South Africans have gone about their business. (Urban Development Strategy 1995:42)

### **6.2.2 On Employment and Labour**

Historically South Africa presented the extreme case of temporary migration imposed by law on a large part of the urban labour-force for over a century. (Gugler 1996:225) More recently urban migration and high population growth rates have made unemployment a critical problem for developing country governments. (Webster & Fidler 1996) Unemployment and job creation is one of the main aspects dealt with in the Government's GEAR economic policy document. Certain optimistic goals were set, but by the end of 1999 it became adequately clear that many of these goals could not be met.



**graph 4**

Source: Webster & Fidler 1996

The informal sector has become a growing source of job creation in South Africa and this fact is being recognised by government. According to Mead (1994:pp. 5-8)

- Net employment in small enterprises in Southern Africa grew by roughly 7% p.a. in the 1980s and early 1990s.
- Small enterprises absorbed more than 40% of total new jobs created in this region during the 1980s.
- 75% - 80% of all new jobs in small enterprises came from new businesses, with the remainder coming from growth in existing micro-enterprises
- 20% of sample enterprises added a worker or two, but only one per cent reached ten or more workers.
- Because the total number of micro-enterprises was so large, even small growth increments created a large number of jobs

### 6.2.3 On urban economic growth

Harrison (1995b:14) reports that recent work showed that much of the success of countries such as Japan, Taiwan and South Korea could be attributed to the strategic intervention of the state in directing and actively promoting economic development. In Japan, the powerful Ministry of Trade and Industry sequentially targeted economic sectors, which were then given direct support by the state.

The South African government believes that the design and implementation of an Urban Strategy is a precondition for the creation of better performing cities and towns. This strategy needs to be motivated by an Urban Vision - *"a realisable vision of the cities and towns we wish to live and work in 25 years from now in the year 2020."* (Urban Development Strategy 1995:13)

The Government has already taken steps to address the immediate and future needs of the urban population. The aim is to diminish the social inequities and economic inefficiencies



that impair the functioning of South Africa's cities and towns. These are first necessary steps towards realising this vision. It is acknowledged that the following 25 years will see significant urban growth. (Urban Development Strategy 1995:14)

The government believes that this growth, coupled with economic expansion, will provide opportunities to eradicate urban poverty and eliminate housing and service backlogs and that the benefits of this growth should be fairly distributed to all.

*"In this way we can meet the goals of providing shelter and affordable services and generating employment for all urban dwellers."* (Urban Development Strategy 1995:14)

Seven main goals set out in the Urban Development Strategy (1995:14) to attain the vision set by Government, are:

1. to create more efficient and productive cities and towns through the growth and development of local economies,
2. to rapidly reduce existing disparities in infrastructure and facilities,
3. to provide affordable housing and shelter and greater security of tenure for urban residents within fiscal and other constraints,
4. to tackle spatial inefficiencies, especially the mismatch between where people live and where they work,
5. to improve the overall quality of the urban environment by better integrating environmental concerns within development planning and urban management practices,
6. to transform local authorities into effective and accountable institutions, and
7. to establish secure living and working spaces, marked by social stability.

These are meritorious objectives, which can hardly be faulted, but the implementation thereof may not prove as easy as setting the goals. Subsequently further supporting policy documents have been produced by government, particularly centred around the Development Facilitation Act as discussed in the previous chapter as well as more locally directed policy directives as further considered in chapter 8 hereunder.

#### **6.2.4 On Infrastructure**

*"Infrastructure represents, if not the engine, then the 'wheels' of economic activity."*  
(Department of Constitutional Development 1997:14)

The Department of Constitutional Development (1997:14) also believes that investment in infrastructure can have important implications for economic growth, income distribution and poverty alleviation. Municipalities are urged to develop infrastructure investment plans

which aim to cater for homes and businesses, which combine consolidated municipal infrastructure programme funds with private investment and loans where possible, and which maximise the impact of new investments through densification and mixed-use developments.

The minimum prerequisite for municipal services in private township developments has gone full circle. In the Cape Province, prior to 1934 no prescriptions for infrastructure were required by developers to procure registration of a township. The only legal requirement for the establishment of a township was the compilation of a surveyor's diagram, which had to be registered in the Deeds Office. Thus a developer could sub-divide virtually any piece of land by having a diagram drawn, the surveyor's pegs placed and the diagrams registered. The installation of services was merely a market requirement, as buyers would naturally be reticent to acquire plots with no services.

The 1934 Cape Townships Ordinance prescribed a minimum service installation of 'vehicular access' and a water connection. In the 1960s some local authorities laid down minimum infrastructure requirements, but it was only in the 1980s that the Cape Province was compelled to conform to the onerous full services standards of the national regulations as set out in the so-called 'Blue Book'. (See previous chapter) This introduced full modernist standards. This book was followed by the subsequent 'Green Book' and the 1992 so-called 'Red Book'; *"Guidelines for the Provision of Engineering Services and Amenities in Residential Township Development."*

The government's Urban Development Strategy now proposes that

*"Levels of services have to be differentiated according to needs and affordability"*  
(Urban Development Strategy 1995:32)

These services will range from *"basic services"* through *"Intermediate services"* to *"full service"*. This conforms to postmodernist patterns and is fully endorsed.

## **6.3 MIXED USE DEVELOPMENTS**

### **6.3.1 The Modernist approach**

For many decades, urban planning and housing policies have been dominated by a belief in the need for the spatial separation of urban land uses. Housing programmes are implemented via mono-functional housing schemes: residential areas are viewed as needing protection from commercial and manufacturing activities and from heavier traffic movement. This attitude negatively impinges on the promotion of economic activity, particularly small-scale commercial and industrial activities. The separation of small

operators from residential areas also constrains their productive time severely, hence reducing efficiency, turnovers and profits. (Tomlinson 1994:237)

Angotti (1993:205) contends that the spatial organisation and development of the present metropolis revolves more and more around the location, dislocation and development of residential neighbourhoods, and less and less around production. Production and services are increasingly planned and oriented around residential communities, whereas in the past it was the other way around.

Historically the authorities have opposed home-based activities because of a concern that they will constitute a nuisance and thus impinge on the rights of surrounding residents. This objection cannot be uniformly applied. **First**, many productive activities which can be conducted from home do not cause a nuisance at all. **Second**, in many cases it is only one part of the process, which is nuisance-generating, and that part can be separated and accommodated elsewhere. **Third**, many activities have no nuisance effect until they reach a certain scale. **Fourth**, research shows that even home-based activity does not occur at the same intensity everywhere. (Tomlinson 1994:237)

Increasing densities and the creation of mixed-use developments have many benefits, including:

- reducing transportation costs
- improving security
- saving wasted travelling time
- reducing unit costs
- overall aesthetic planning and development control, and
- increasing land values

*"Conventional urban planning has been characterized by cities being divided into zones intended for specific activities, with houses, markets and factories in separate locations. Today, cities designed along these lines no longer conform to the reality of the lives of women and men."* (Beall 1997:41)

Donaldson (1999:259) believes that mixed land-use is characteristic of developed countries' postmodern planning principles. Beall (1997:41) says that the separation of home, work and leisure is being challenged in the cities of developed and developing countries. She argues that a look at any number of informal settlements in the cities of the Third World tells us that many different activities go on within them; and that with or without planners, people create and organise their surroundings in a variety of ways.

### 6.3.2 Definition

Mixed-use refers to a combination of residential units, offices, shops, restaurants and recreational facilities in the same neighbourhood, making it possible to work, live and play within walking distance. Mixed-use, which creates integrated neighbourhoods, has long been a feature of large international cities such as Paris, London and New York. (F&T Weekly; 4 July 1997) The concept was born from the growing need among city dwellers to work closer to home and recreational and shopping centres and so enables a safer and more convenient lifestyle.

*"Clearly there is a need to try to bring jobs to people rather than counting on people to move to jobs."* (Litvak and Daniels 1979:1)

### 6.3.3 International Examples

Much can be learnt from the Pacific Rim countries about the combination of residential and employment opportunities in one development project. To those people this has become a way of life. Most Pacific Rim countries find the optimum development concepts to include the place of work and residence in the same development, preferably even in the same building. These trends are also found in many European cities and towns.

Due to the lack of land for development in cities like Hong Kong many developments comprise high rise buildings where the ground and often the first floor is occupied by retail enterprises while the upper floors contain a mixture of residential and light industrial or home manufacturing industries. (Personal observation)

Even in other Pacific Rim countries like Thailand where land scarcity is less severe, many mixed-use developments are found in various circumstances. For example, it is often found that large upmarket tourist hotel developments attract mixed use developments near the entrance to the resorts where the entrepreneur has a small shop on the ground floor, a manufacturing industry on the first floor and the family's residence above. (E.g. at the entrance of the Meridienne Hotel, Puket, Thailand) This concept is not entirely different to many situations found in South Africa for many years where the shopkeeper's family lives above the shop. The only additional aspect, which needs to be introduced, is the home-industry type of manufacturing in the same building or complex. Proposals to this effect have been given in the case study.

Citra Niaga, Samarinda, Indonesia, is a good example of a successful mixed-use development. The project redeveloped a slum in the city centre and next to the port into a commercial and residential complex with kiosks and stalls for the pavement traders who were living in the slum, new shop-houses, and a shopping complex. The owners of the shop-houses (who had legal rights) and the pavement traders (who did not) were both

accommodated in this project. The project has become the focal point of the city, where people gather in the evenings for shopping and entertainment, and provides a mix of commercial and residential activity in keeping with traditional Asian markets. (Badshah 1996:91)

#### **6.3.4 Small & Micro Enterprises**

Cuthbert (1995:138) acknowledges the significance of the small business sector in job creation. He believes that Hong Kong had proved one of the world's most successful examples of how to move rapidly into new entrepreneurial lines in response to the state of the world market, mainly through the extraordinary adaptability of its dominant small-business sector.

*"Jobs, housing, and urban amenities of all kinds must be furnished in more efficient and integrated urban and metropolitan settlements."* (Urban Development Strategy 1995:24)

Urban planning can facilitate job creation by planning for opportunities for the informal commercial and industrial sector. Examples are set out in the proposed attached layout plans for mixed-use developments in the case study. Tomlinson (1994:240) also proposes the creation of low-overhead opportunities for small entrepreneurs to manufacture and trade in the most viable locations within the city. He urges the conscious stimulation of periodic and permanent markets in public spaces and selected streets, creating markets - physical agglomerations of small traders and produces to stimulate informal-sector activity.

*"The principle of using public space to organise and structure economic activity and public facilities does not only apply to commercial centres: it should be entrenched in housing policy and should apply in all settlements, including informal ones."* (Tomlinson 1994:240)

The Department of Constitutional Development (1997:15) urges municipalities to support entrepreneurship and small business. The report says that small enterprises can exploit opportunities to add value to primary products such as wood, steel, leather, while opportunities for small entrepreneurs also exist in the expanding service sector. Municipalities are urged to help in identifying these opportunities and promoting them. In addition, the local business support centres proposed by the Department of Trade and Industry are an important focus for local government support by providing premises, research and guiding the development of such centres.

### 6.3.5 South African Policy

The Development Facilitation Act urges promotion of the availability of residential and employment opportunities in close proximity to, or integrated with each other, the optimisation of the use of existing resources and promotion of a diverse combination of land uses *"also at the level of individual erven or subdivisions of land."* (Development Facilitation Act, No. 67 of 1995 Chapter 1; Section 3)

Local authorities have also proposed the concept of mixed-use developments to address present South African urban problems. Thorne sees Midrand (Gauteng) as a *"place of private affluence and public poverty"*. (Financial Mail 21/11/97:96) and feels that the solution is to give people without private cars easy access to facilities, by placing these facilities in compact, mixed-use areas, reducing infrastructure costs and creating opportunities to develop a sense of community. The Durban Corporation (1996:26) urges that the possibility of flexible, mixed-use zoning should be considered where appropriate. The Urban Development Strategy (1995:24) believes that co-locating urban functions will make cities and towns more efficient in a number of ways.

South Africa has a relatively poor public transport system. The apartheid policy separated the lower income residential areas from the business and employment opportunity sectors creating a huge demand for long and expensive journeys from residential to work areas.

*"Any strategy aimed at the integration of South Africa's cities and towns has to address issues of transportation."* (Urban Development Strategy 1995:26) *"People need to be able to live near their places of employment - if they do not, it should be their choice ..."* (Urban Development Strategy 1995:30)

A number of informal settlements have been established closer to job opportunities, but this trend is not universal due to the lack of suitable land. It is submitted that mixed-use developments would also be suitable for development in these dormitories.

One aspect, which needs to be born in mind, is the accessibility of the markets. A substantial amount of informal sector trade is done in the CBDs, as that is where the purchasing power is. Thus the emphasis on job creation in the suburbs should be in the manufacturing sector as these areas contain less trading opportunities. Products will have to be transported to the major markets, but that is preferential to commuter transportation.

The main reason why mixed-use developments are so scarce is because the formal planning regulations in most local areas prohibit manufacturing and commercial activities in most residential areas. Historically a 'separatist' zoning policy has been followed, allowing

only one type of land use in a particular area. The new government policy has a very different view:

*“Proactive town planning and promotion of land development can also assist in reintegrating our towns and townships. Establishment of new low-income housing projects on the periphery of urban areas is likely to worsen South Africa’s spatial inequalities. Mixed-income and mixed-use developments, such as the metropolitan corridors in Johannesburg and Cape Town, can help to reunite the city and bring people closer to employment opportunities.”* (Department of Constitutional Development 1997:14)

One of the strategic goals of the government’s Urban Development Strategy is:

*“To tackle spatial inefficiencies, especially the mismatch between where people live and where they work”* (Urban Development Strategy 1995:14)

This is proposed to be resolved by transportation planning and *“by developing urban land more efficiently.”* These proposals are aimed at more economically efficient land planning, which will also relieve transportation costs and contain ‘urban sprawl’.

Behrens & Watson (1996:37) are critical of existing layout planning guidelines. They feel that the more collective functions of services, regarding street trading, small-scale manufacturing, social interaction and recreation tend to be ignored. Consequently the minimum level of services, necessary to support vibrant public life and embryonic local economies, are overlooked.

#### **6.3.6 Design criteria**

Behrens & Watson (1996:38) included the following meaningful and acceptable prescriptions:

- Layouts should be planned to a human, as opposed to a vehicular scale. The road layout and the location of facilities should be concerned with matching the circulation needs of end-user communities and ensuring that levels of access are maximised for the greatest number of people.
- In the context of low levels of private car ownership, the circulation network should enable easy pedestrian access to public transport stops and non-residential activities.
- In the context of high levels of unemployment, layout plans should be concerned with maximising the economic opportunities that are inherent in large agglomerations of people, by creating necessary pre-conditions for viable small commercial enterprises and informal street trading.

- Economic opportunity across space is closely related to the accessibility of various locations to consumers. In this regard, the design and location of inter alia intersections, public transport stops, public facilities which attract movement, and the treatment of public spaces, are of importance in creating these conditions.”

*“In short, layout planning should be guided by a concern to create urban environments that are enriching, sustainable and convenient, providing opportunities and choices to its inhabitants, in a way that makes efficient use of limited resources.”* Behrens & Watson (1996: 12)

Market forces tend to separate the rich and the poor through the operation of the land and housing markets. Mohan (1994:94) urges that care must be taken in land-use planning not to exacerbate such natural tendencies, but instead to promote more mixed land use.

The operation of the supply and demand for space in a city allocates different types of development to different parts of the city. The result is to produce a rich and socio-economic development mosaic with a variety of neighbourhoods. The residential mosaic fractures the city into distinct areas that are the basis for identifiable communities. The identification of these communities and their restructuring is one of the more important topics of a renewed postmodernist urban geography, combining the important issues of place, space, economy, accessibility, culture and their interrelationships. (Short 1996:198-200)

A mixed-use development could be either a relatively small precinct in a residential suburb, or it could comprise a development node, containing a group of precincts. The basis of layout planning should be along the US *‘Planned Unit Development’* (PUD) lines. Elements of the *‘Radburn Superblock’* concept, initiated by Clarence Stein and Henry Wright in 1928 in New Jersey, characterised by *cul-de-sacs*, a superblock free from through traffic, and the physical separation of pedestrian and vehicular movement, could be introduced.

Ronald Lee Fleming, who is president of the Townscape Institute in Cambridge, Massachusetts, called for urban policy which encourages urban designers to retrofit suburbia into energy-saving, mixed-use villages. This approach, which includes the concepts of TNDs and PPS are referred to by Ellin (1996:82) as *“neotraditional architecture and urbanism.”* Prince Charles is supportively cited by Ellin (1996:82) as saying that he always felt that people get on best if they can live in an area that is like a village community within a city. If things are on too vast a scale, the human dimension is lost.



*"Other efforts go even further by seeking to include the functions of traditional urbanism through the combination of shops, offices, and housing in a single building or on a larger scale.."* Ellin (1996:82)

Kelbaugh suggests the retro-fitting of existing suburbs along with some new growth to produce concentrated pockets which are situated around public transportation hubs, ideally light railroad stations. Adjacent to the stations should be mixed-use areas of medium-high density, including affordable housing and offices. (Ellin 1996:76)

### **6.3.7 Training Centres, Hives & Incubators**

Skill shortages are one obstacle that impedes growth and prevents the poor from sharing in the benefits of economic development. The Department of Constitutional Development (1997:16) believes that municipalities can make a significant contribution to ensuring that appropriate training and career information is available to impoverished communities.

It is found that, especially in middle and lower income areas, micro businesses are started and operated from home. When these industries grow they often tend to become a nuisance to neighbours, but more often neighbours complain to the authorities because they are resentful or jealous, and the authorities have to react because of local regulations.

In May 1992 the City Planner's Department at the Cape Town Municipality produced a report on proposals for the creation of job opportunities. Motivating the establishment of **training centres and hives** the report confirms that the informal sector has been identified as a growth sector. (Cape Town Municipality 1992:6)

According to a definition provided by the Small Business Development Corporation (SBDC), a **hive** offers the small businessman a transitional phase. It softens the blow for the beginner who would otherwise be faced with rent, minimum wages, levies and bills. A hive differs from an industrial park, where tenants occupy separate premises and are self-sufficient. In a hive tenants are provided with a cubicle, a work bench and certain tools but in addition have the use of communal machinery.

An **incubator** is similar in nature to that of a hive but the time period for which the small business remains in the building is limited. It mainly serves the business in its start-up phase. Once a business is past that initial phase, it should graduate to another larger or more market related premises.

Clark (1996) indicated various dimensions involved in the concept of an incubator. Because the concept incubators and hives are very similar in nature, except where pertaining to the

length of stay in the workspace, the same dimensions were used to illustrate both concepts:

- The **first** dimension is that of '*enterprise development*'. Hives and incubators are a method of increasing the efficient levels of businesses. Businesses are co-located in a single building with shared facilities and support systems. Such environments allow for creative stimulation and the sharing of ideas between the businesses in both managerial, operational, production and marketing methods.
- The **second** dimension is that of a *physical facility*, providing appropriate and affordable workspaces to small businesses. In order to allow for low rentals, building overheads must be kept to a minimum. This results in the provision of simple workspaces with the minimal requirements for lighting, ventilation, utilities and safety.
- The **third** dimension is that of an administrative and *managerial support* system for the small business. Many entrepreneurs start idea-driven businesses, but lack the managerial and production skills necessary to create a successful enterprise. Such support systems are indispensable for new entrepreneurs because they do not have the total range of knowledge and skills for running a business.
- The **fourth** dimension is that of *shared office services*. This allows the small businesses access to facilities that normally would be out of their financial reach. Common central services are also a means of lowering general administration costs, such as receptionists, typists/secretaries, bookkeepers and photocopies. (Clarke 1996:7)

Such spaces are supplied through a variety of means: Public and private business sectors, local authorities and development and community organisations. The costs of workspaces vary, depending upon the facilities available for the hive, conversion costs, supplying of infrastructure and other direct costs.

In Silicon Valley and Boston, some of these incubators are linked to universities that in turn stimulate the flow of ideas into reality via the incubator. It is submitted that, in South Africa they should rather be linked to Technikons. Hives and incubators can be used as instruments in targeting specific business groups, such as the arts and crafts, hi-tech industries, community groups and the unemployed. (Cape Town Municipality 1992:5)

It is submitted that mixed-use developments - particularly small pocket in neighbourhoods - will be substantially beneficial to the enhancement of the neighbourhood, as they would:

- alleviate transport problems
- enhance productive efficiency due to a reduction of travelling costs and time

- create new economic bases within neighbourhoods
- reduce the development costs of workspaces and residences
- encourage more efficient land uses and optimise space and infrastructure use
- enhance the diversity of the neighbourhood
- improve educational and training opportunities
- improve the economic standard of living in neighbourhoods
- afford more job opportunities for women with children

Angotti (1993:235) does not agree. He believes that neighbourhood planning that begins and ends with the objective of physically reuniting workplace and residence does not take into account the complexity of the metropolis and can lead to the isolation and segregation of neighbourhoods. He acknowledges that new technology has afforded opportunities for creating workplaces in homes, but believes that these opportunities are limited and still only available to a small upper-income stratum of the labour force. He contends that the physical union of workplace and residence has been historically associated with low-wage labour and poverty. He acknowledges that informal sector employment throughout the Third World is filled with examples of workplace/residence integration but believes that this is symptomatic of household survival strategies and labour paid below the average wage level. Angotti makes no mention of the numerous home-operated Internet businesses.

It has already been argued that the informal economy should be encouraged and improved through affordable education and training. Thus, it is submitted, the establishment of hives and incubators in less affluent neighbourhoods are essential to this concept. It is submitted that Angotti has taken a stoical modernistic American stance while ignoring many established and successful mixed-use developments in Europe and particularly in Asia, where Hong Kong offers the prime example.

#### **6.4 POSTMODERNISM IN SOUTHERN AFRICA**

The postmodernist paradigm has certainly spread to South Africa, where it coincides with the political transformation of the early and mid nineties. Some locals who have not studied international tendencies may believe that certain aspects of postmodernism is unique to South Africa., but it is submitted that this is not the case. On the other hand, Pieterse (1997:15) contends that a South African grounded theorisation of postmodernism is still a project in the waiting.

As artistic and cultural style, postmodernism affects the physical appearance of the urban form. As an **economic phenomenon**, postmodernism has the effect of 'doing things differently' - a movement away from the strict conformity to modernist rules and regulations.

The only practical economic influence that postmodernism has on the economic policy is one of lesser government interference and greater individualism in economic, financial and planning control, but:

***Modernity has never really triumphed in Africa.*** Traditional forms of land tenure, traditional authorities, complex and different cultural practices and traditional resource management systems remained a feature of Southern Africa despite their 'irrationality' in terms of the universalising modernity. *"Modernism has been shown to be oppressive"*. (Harrison 1996b:31) Yet, in South Africa, modernism featured prominently in the economic, fiscal and planning practice and controls during the modernist period.

One of the most beneficial consequences of the postmodern turn is the openness to recognise and explain multiplicity and heterogeneity in societies. Although it started off by capturing these features in Western contexts and cultures, it is now firmly established that the West does not hold a monopoly of such traits. In fact, in many senses third world contexts elaborate such multiplicities in even starker terms.

*"Thus a radical postmodern theoretical perspective effectively captures features described as multiplicity, plurality and syncretism in all their vibrancy in most third world urbanities; these emerge out of the coexistence of the pre-modern, modern, and postmodern in these societies."* (Pieterse 1997:8)

Harrison (1996b:30) feels that postmodern ***'urban entrepreneurialism'*** is associated with place marketing, glamour projects, image building, speculation and private sector led partnerships rather than rationally planned urban development. He believes that the urban poor help shape the city through squatting, informal settlement and informal economic activity without reference to any formal system of planning and regulation. He contends that, as the city changes, so the principles of modernist planning are becoming increasingly less appropriate.

It is arguable whether modernist planning was ever quite appropriate to African tribal life, and whether the system did not 'shoot itself in the foot' by trying to enforce first world Westernised planning regulations upon the new urbanites who had a completely different background, culture and even morality.

Mabin (1995:195) feels that new planning practices appropriate to the specific postmodern circumstances of Johannesburg and its surrounding are beginning to emerge. He says that the narrative of contemporary change in Johannesburg and other southern African cities is partly about the problems of finding a means to handle, politically, *"waking up in a*

*postmodern era while equipped only with the politics and planning practices of a modernist past."*

Yet in some sectors of the economy and planning, the 'emancipated' are showing a greater acceptance of the 'old' modernist city. This is evidenced in the Johannesburg CBD where much of the office space is being 'taken over' by the previously disadvantaged community. It is noted that some large white controlled institutions are eager to dispose of many of these buildings, and it may be expected that there will be a substantial shift of ownership of these modernist structures, while the informal trade continues to flourish in the city streets and market places. But there is a need to change from the modernist to the postmodernist to save the CBD.

Goodchild (1990) argued that in the eighties postmodernism was incorporated into planning through a new emphasis on deregulation, decentralisation, local context, social diversity, mixed land uses and that a more flexible and incrementalist planning style emerged during this decade.

This certainly was not the case in South Africa during the 1980's. It is submitted that, if it is the objective to "Westernise" these new urbanites, then it should be done by basic education and understanding rather than by enforced planning controls. This does not mean that there should be no planning at all, but to leave the new city dwellers no other choice as to squat illegally and haphazardly or to conform to first world residential standards, is unwise. Such a choice can only result in conflict - as in fact it did.

Although problematic, Harrison (1996b:33) feels that we could live with postmodernism because it is a profound challenge for planning. Yet he feels that planning is uncomfortable with the idea of postmodernism. However, it is possible to defend a pragmatic style of planning (concerned with 'the possible') that is still guided by a normative commitment to a 'better society'. Robins (1991:5) aptly points out that cities are now in a position to transform local economies and local democracy, to develop cultural industries, to revitalise public spaces and to sustain a politics of identity.

It is submitted that the *postmodernist* paradigm of thought suits South Africa. Although much of the urban structure is based on modernist planning, the 'African' theme can quite easily be introduced in urban areas on the basis of postmodernist creativity. In this way South African urban areas can assimilate with globalisation and become more competitive in the race to achieve the status of a leading emerging economy. It is submitted that postmodernism presents an exciting challenge to planners, architects, developers and city Administrators in South Africa.

## 6.5 SUMMARY

*"The three national demands - increased economic growth and massive job creation, rapid urbanization, and the challenge of building an inclusive democracy - all come together at the fulcrum of the nation, in the cities."* (Bernstein 1991:357)

The historical development of cities in South Africa has been reviewed in this chapter. Thereafter the government policy on various aspects, which influence the form of the cities, has been considered and certain comments made on these policies. Market forces have sent out one clear message: no amount of policies or legislation could prevent the influx of black people to the cities.

A strong recommendation has been made for the expansion of the use of mixed-use developments, particularly in the lower income areas. The advent of postmodernism has been welcomed as it suits the new South Africa.

Tomlinson (1994:18) contends that South Africa's cities are both extraordinarily inefficient and inequitable. He believes that South Africa will long be burdened by the form of its cities, inequalities in the supply of land, housing and services, and by disadvantages arising from impediments to economic advancement. Without proper planning the growing urban population will not be adequately accommodated physically, economically and socially. A *laissez faire* approach is doomed to chaos in view of the severity of South Africa's urbanisation problems. (Gelderblom & Kok 1994:193)

The major challenge to South African cities is how to become **globally competitive** - urban management must be fundamentally reconsidered. In comparing Gateway cities of North America to the European counterparts Kresl (1991:351) categorised them into Bridge cities and Point of access cities, where the latter seek to enhance their economic significance as a headquarters site and decision-making centre - usually on a continental basis, by serving as a point from which economic actors may gain access to cities in the other country. Using these categories, Johannesburg would be categorised as a Point of access city to the Southern African continent while Cape Town and Durban would be the leading Bridge cities of South Africa.

Much concern is often expressed about the present condition and the future of the **Central Business Districts** of the major cities. Yet it is mainly Johannesburg CBD that is experiencing a crisis. The other cities are aware of possible further decay and very conscious of the negative effects of crime. They are implementing preventative action and, in global terms, holding their own. It is submitted that Johannesburg is not beyond hope

and that it could improve in the foreseeable future. It will however be necessary to pay much attention to the problem areas.

**Employment** in the formal sector is decreasing as the gold mines, which traditionally provided a large share of employment opportunities in this sector, are in a decline phase. The main burden for **job creation** lies in the field of small business. It is necessary to create opportunities for these businesses and it is submitted that planners can play a leading role therein by creating the much needed spatial requirements.

The lack of sufficient and suitable **public transport** poses a problem to urban planning in South Africa. As it is deemed unlikely that this problem will be resolved in the foreseeable future, planners will have to concentrate on taking job opportunities, and more specifically the creation of small businesses, to the existing residential areas, or as close to them as possible. In the design of new developments in the lower income areas greater emphasis should be given to mixed-use developments thus reducing the need for commuter transportation.

The **government** owns vast tracts of unused land that could be developed to stimulate economic growth. Here too planners can play a leading role in the stimulation of growth. Planners will have to think like entrepreneurs and play the initiating role in these developments.

In the following chapter a more in depth look will be taken at those market forces which have the most significant influences on the urban form and spatial planning.

# CHAPTER 7

## MACRO ECONOMIC INFLUENCES ON URBAN PLANNING

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# CHAPTER 7

## MACRO ECONOMIC INFLUENCES ON URBAN PLANNING

### 7.1 ECONOMICS

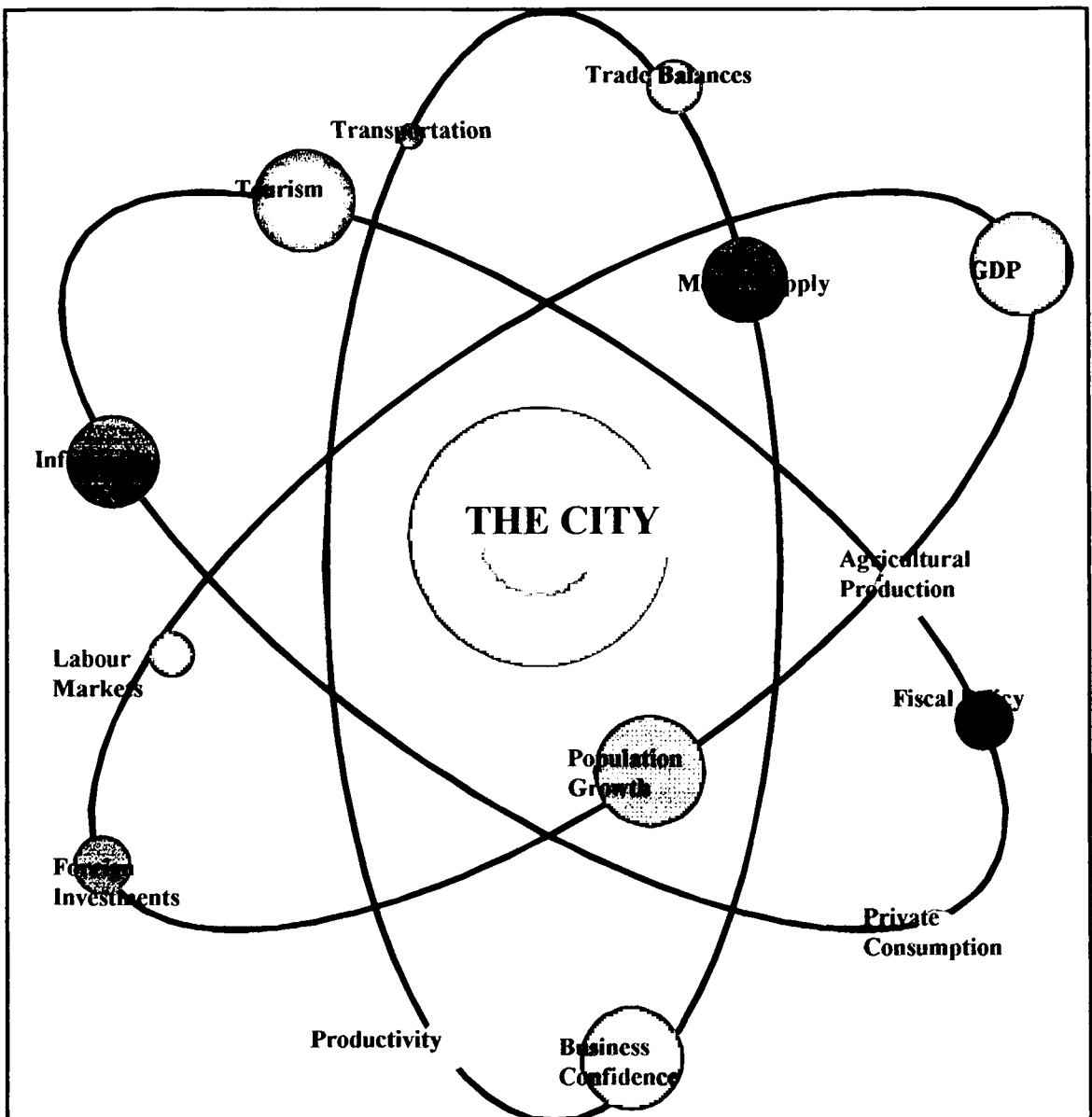


Figure 4 THE INFLUENCE OF MARKET AND ECONOMIC FORCES ON URBAN FORM

#### Economics is the most significant human activity

When considering the economic influences on the structure and order of cities, it can be likened to a galaxy where the various planets and stars drift in space - each separately, but its mass has an influence on the course or path of others in the galaxy. Some larger

planets may have less influence on the paths of more distant smaller ones while smaller, but closer ones are very directly affected by another - like the moon and the earth.

This likeness may be applied to the interrelationship of cities as well as the interrelationship of economic forces on any one particular city. The various economic influences may be viewed in the light of their influences on a particular city or a sector thereof (in which case we would be looking at the economic base of a city or a particular sector of the city). So the city itself could be seen to form its own economic galaxy. This is one aspatial component of the urban structure.

The objective of this chapter is to identify the macro economic factors that influence the urban form to indicate the extent that various influences of market forces will affect planning decisions and how urban planning and economics are inter-related. Particular reference has been made to more recent market trends, more specifically globalisation. To be able to make forecasts it is necessary to analyse previous and present patterns, to determine tendencies and to utilise these for future projections.

It is submitted that planning decisions must be based on future expectations and not be reactive. The influence of market forces on urban development must therefore be pre-empted by planners. This can be done by studying and analysing market expectations and certain leading economic indicators. It is important for urban planners to study the various market forces, which influence the urban form to determine the likely development trends that will be required by the market in future. It is these economic indicators, which are considered in this chapter.

Much attention and publicity has and is being given to the rapid changes that are taking place in the global economy. Sentiments are expressed that the new technological communications networks have brought about a new era, which renders all past economic experiences obsolete. Reference is made to globalisation:

- national economic systems are being subsumed into a system dominated by international processes and transactions
- multinational firms are being transformed into transnational corporations
- mass production into flexible specialisation and into mass customisation
- 'Japanisation of production'
- outsourcing and flexible labour practices
- the hyper-mobility of capital
- the entrepreneurial firm with continuous improvement, innovation, flexibility and superior product design

All this has an influence on the urban form and must therefore be considered by planners.

It is acknowledged that new communications technology has and is creating major changes in global economics, yet it is submitted that much of the modernist economic approaches are still well imbedded and will continue to influence global, regional and local economies. In South Africa changes are driven from two sides - at international level, which is affecting the whole world, and at national level where the political transformation of the early nineties has created expectations of economic improvement and upliftment.

For a broader understanding of economic and market influences on the urban form they have been viewed in three categories, being international influences, macro national influences and micro economic influences. The latter has been dealt with in the following chapter. As there are numerous factors that may influence the urban form, it is not possible to consider them all. The following table represents most of the more influential factors that have been set out in three categories of importance:

Table 10 MARKET AND ECONOMIC FORCES

MOST IMPORTANT	SECONDARY IMPORTANCE	TERTIARY IMPORTANCE
Foreign direct investments	Inflation rate	Money supply
National economic growth	Currency exchange rates	Share Prices
International tourism	Industrialisation	Balance of Payments
Fiscal stability	Decentralisation	Agricultural production
Foreign trade	Interest rates	Industrial development
Labour productivity	Technology development	Banking systems
Economic Inequality	Privatisation	International loans
Employment rate	Resource management	Regional economics
International competitiveness	Government intervention in macro economics	

## 7.2 ECONOMIC SYSTEMS

Market forces are controlled by economic systems usually imposed by nation states. These systems can vary from a virtually totally government controlled system (communism) to a virtually totally uncontrolled free market system with private ownership of property (capitalism). Today it has been universally accepted that a totally unregulated economy is impractical. At the other end of the spectrum most of the controlled economies have found that too much control inhibits economic growth and prosperity.

Many long discussions and considerations have been entered into on the subject of **capitalism versus socialism and communism**, and the economic affects thereof on

nations. These considerations all basically boil down to: '**what is the most desirable level of economic control of a national system?** Added to this is the discourse on justification of the level and form of preferred global economic control.

### 7.2.1 Capitalism

A brief historical overview of capitalism during the twentieth century reveals that, after the severe economic recessions before the Second World War, the post-war period began with interventionism, as a philosophy, in ascendancy. Against the background of the depression, and the publication in 1936 of J.M. Keynes's *General Theory*, it had become accepted doctrine that the state should intervene in the economy in order to achieve specified social objectives. In addition to government control, the power of the labour unions added to the demise of the free market system. (Potter & Lloyd-Evans 1998:40)

This however, began to evidence serious breakdowns in the 1970s which lead to the more free market approach adopted by Margaret Thatcher in England and Reagan in the US. This lead to a restructuring of the global economy, which had a profound affect on planning. Even the communist countries experienced a disillusionment with the role of government in the economy. (Bethlehem 1991:391-4) The period from the late 1970s till the mid 1990 may be seen as a revolution of global economics - the period of 'de-control' of the economy.

This free market approach has influenced the planning profession directly as the open market approach flies in the face of government (planning) intervention in property markets as was witnessed particularly in Britain. (As considered in Chapter 4)

It is common cause amongst economists that capitalism has proved to enhance prosperity more than socialism and communism, because:

- It is a lesson from history that **democracy means capitalism**. All advanced capitalist countries are democratic, whereas no socialist countries and few underdeveloped countries are democratic. In theory however, democracy can exist without capitalism, and capitalism without democracy, "*but probably not for very long.*" (Time 1998:31)
- Economic freedom facilitates **invention and innovation**, which is one of the reasons for capitalism being more dynamic than any other system and more successful in raising the material standard of living.
- **Socialism creates totalitarianism** through the massive concentration of power in the hands of government brought about by socialism.

- Too much **government intervention** in an economy is harmful as it opens the door to the pursuit of sectional interests that are destructive of the general public interest and especially harmful to the poor. (O'Dowd 1997:7)

Harrison (1996a:28) feels that ideological debates around planning versus the market or the state versus the private sector are essentially sterile and unproductive. He says that today, few would dispute the argument that the market does not always produce the most optimal outcome for society but acknowledges that there is a rationale for a level of planned intervention. Yet, when these systems are described it would be agreed that both have changed and varied over the years. Both have displayed their strengths and weaknesses. Both have had to try to remedy their faults. (Galbraith & Menshikov 1988:78) Even Lenin (1977:36) had to admit that in 1970 capitalism was growing far more rapidly than before.

### 7.2.2 State Intervention

Socialism sets in when capitalist markets become controlled for the social good. There are many critics of the free market system who point out that uncontrolled markets go wrong. Hutton (1996) is one: *"Markets turn out to be unstable, irrational and quite capable of producing perverse results - exactly what happens in real life."* But he acknowledges that: *"Yet they are also capable of producing great wealth, productivity and of sponsoring innovation."* Thus he believes it is necessary to *"...tease out why they go wrong and how they can be corrected. **The answer is not to let them do what they like.**"* [Own emphasis] (Hutton 1996:228)

Short (1996:116) also acknowledges that there is no such thing as a free, unfettered capitalist market. Capitalism has always been regulated for the benefit of the social good. He points out that capitalist economies are embedded in specific societies with different traditions, belief systems, histories, and geographies.

Keynes (1972) who may be seen as the leading proponent of market control by government, argued that, unless capitalism was managed as he proposed, it would lose the ideological and political competition with communism - and then all private property could disappear. Hutton (1996:226-256), like Galbraith, a great supporter of Keynes, believes that the capitalist economy prospered most in the three decades after the war because it was managed and regulated according to the theories of Keynes, even though what was practised fell far short of what he preached.

Socialists argue that the persistent tension between the central tenet of a liberal democracy and that of a competitive market economy cannot be resolved without some form of state intervention. Adam, Slabbert & Moodley (1999:189) point out that:

*"The core tenet of liberal democracy is that of an egalitarian rights culture, whereas the core tenet of a competitive market economy is that of inequality in the capacity to risk, generate wealth and to own the means of production."*

Thus it is accepted that all markets must be **regulated** in some form, but it is important to distinguish in whose interests they are regulated. Some are more regulated in favour of maximising private profits (like the United States) and others have distributional social programs based on a heavy and wide taxation load and a high degree of social consensus (like most Scandinavian countries).

Spatial planning is comparable to economic planning because both are concerned with the future. They are closely linked as they serve the same end result, which is to provide a better quality of life for all. Also, the aspect of control is directly comparable. The levels of control or intervention in market forces create comparable results. Too much intervention inhibits economic efficiency while too little control invites anarchy.

Twenty years ago capitalism was largely confined to Western Europe, North America and a handful of developing countries, mostly in East Asia. Together these nations constituted around 20% of the world's population. Another third of the world was under socialist rule while the balance, almost all in developing countries, was governed by various 'third way' systems between capitalism and socialism. All of that has changed suddenly and without time to digest the changes. Within 10 years the number of world citizens who lived under capitalist regimes have trebled.(Went 1996:10) By the 1980s most of the non-capitalist countries had bankrupted themselves and in response they jettisoned their failed economic strategies and began to emulate the advanced economies.

It is submitted that the more recent demise of many previously communist controlled economies have at last proved the point that an over controlled situation is detrimental to the efficiency of an economic system. People have 'voted with their feet' - those who lived in collectivist societies sought to flee to market-based economies while the tide was never in the other direction. People have fled from North Korea, East Germany, and Cuba and from China to Hong Kong, but very seldom in the other direction. (Mulholland 1998:1)

*"Free market capitalism has won; state planning and communism, of which social-market capitalism is alleged to be a subset, has lost."* Hutton (1996:16)

### 7.2.3 Transition

Communist governments are referred to as having **centrally planned economies**, as opposed to market-orientated economies. The World Bank (1996) is devoted to the transition of countries with centrally planned economies, in particular the ex-communist countries such as the newly independent states of the former Soviet Union, China and Vietnam, to a market orientation.

It is reported that this transition, affecting about one-third of the world's population, has been unavoidable. The World Bank (1996:iii) points out that with the rapidly changing world, massive increases in global trade and private investment in recent years have created enormous potential for growth in jobs, incomes, and living standards through free markets. Yet the state-dominated economic systems of these countries, weighed down by bureaucratic control and inefficiency, largely prevented markets from functioning properly and were therefore incapable of sustaining improvements in human welfare.

*"..... the system was far less stable than it seemed, for the intrinsic inefficiency of planning was overwhelming. Planners could not get enough information to substitute for that supplied by prices in the market economy. Planning became largely a personalised bargaining process, ..."* World Bank (1996:1)

In response, most of these economies have rejected all or much of central planning and have embarked on a passage - a transition - toward decentralised market mechanisms underpinned by widespread private ownership. (World Bank 1996:3) It is submitted that the global tendency away from central (state) planning towards a free market (liberalisation) will have a direct effect on urban planning, easing many of the restrictive approaches of the past.

Hutton (1996:169) contends that, since 1979, a uniquely powerful combination of forces has worked to promote the market as the sole organising principle of economy and society. The financial and employment systems have been deregulated, while the government has attempted to design the welfare and tax system so as to maximise the rewards for enterprise and the penalties for idleness. Wherever possible, market forces have been promoted and the state intervention rolled back. This sentiment has been evidenced in planning controls as well.

It is submitted that the capitalist system promotes urbanisation to a greater degree than socialism. Under socialist or communist systems, surplus material product is set aside to provide for improvements in human welfare over the wide spectrum of society. Under capitalism, surplus material product should be invested in the most economically efficient manner. Cities offer the highest efficiency of investment, mainly due to the scale and

agglomeration economies. This is epitomised by Lampard's (1955:92) statement that "*the modern city is a mode of social organisation which furthers efficiency in economic activity.*"

### 7.3 INTERNATIONAL ECONOMIC TRENDS

#### 7.3.1 Background

*"For centuries, the world economy has shaped the life of cities."* (Sassen 1991:3)

The **modernist world order** emanated from, and was largely sustained by the USA, which created multilateral institutions where peaceful bargaining could ensue. These institutions were consistent with the interests of the power blocs of other Western states. This is not to say that there were no important variations between the Western power blocs. They ranged from the relatively '*market oriented*', welfare states of the Anglo-Saxon world, to the '*dingiste*' models of state capitalism of France and Japan, the '*meso-corporist*' organised-capitalist German model, and to the labour inclusive '*institutional, Social Democratic*', welfare capitalism of Scandinavia. (Ryner 1997:20)

After World War II, the Bretton Woods system (based on US capability to provide international liquidity) ensured a fixed exchange rate regime and norms governing capital flows. (Hutton 1996:279) As a result, North-North trade could flourish and ensure validation of the intensive accumulation regimes in the capitalist core. The south was maintained in a peripheral role, supplying primary commodities to the core. In the late sixties, this hegemonic order was disintegrating. The US no longer had the material capabilities to act as an international central bank, as the size of its economy, relative to the world economy, declined. Thus, it faced the choice of either restoring the domestic economic recession, or supplying dollars for the world market and exacerbating domestic inflation and the balance of payment problems. As a consequence, the Bretton Woods system disintegrated in 1972. In 1973 the OPEC cartel succeeded in massively increasing the price of oil, a strategic commodity supplied by the periphery. These factors all contributed to the 'stagflation' problems of the seventies. (Ryner 1997:21)

Towards the late 1970s, business and economic policy elites took an antagonistic stance against unions, economic regulation, and the welfare state. The Thatcher government in Britain and Reagan in the USA changed the stagnating economic systems drastically with the introduction of a more free market policy. This has been subsumed into globalisation. (Ryner 1997:21)

The main effect of the international economy on South African property prices and the form of South African cities emanates from international trade, investments and the flow of money.



### 7.3.2 Economic Globalisation;

As more fully described in Chapter 2, globalisation has its origins in economic activities.

*"For the first time in history, almost all of the world's people are bound together in a global capitalist system."* (Sachs 1997:84)

In the broad sense the general international economic climate may be seen as a universal pattern relating to the economic welfare on a global basis. Although the economies of the various countries are technically separate and individualistic, they have become greatly interrelated. The pattern of inter-relationship is becoming more pronounced as a result of globalisation, which is enhanced by communication technology. The World Bank (1996:140) says that the rapid integration of the global economy in recent decades springs from the widespread recognition that economies invariably achieve more working with each other - exchanging goods, capital, and ideas - than acting alone.

### 7.3.3 Foreign Investments and Loans

It is necessary to distinguish between **long term** and **shorter-term** loans when viewing the influence of **loans** on South African property price trends. Short-term international loans are mainly used to prop up shortfalls on the balance of payments and tend to have little direct influence on property values. Short-term capital inflows are more easily reversed than long-term flows and equity inflows.

**Direct foreign investment** (DFIs) provides the least threat of reversibility. Moreover, DFIs tends to finance long-term investment projects that increase the capital stock of the country and tend to generate revenues required to repay the foreign debt in the future. Wachtel (1998:7) argues that, for DFIs to be a sustained source of financing, the economy must provide an investment climate with an ample supply of attractive new projects. The World Bank (1996:63) says although domestic firms drive growth in all market economies, foreign investment also makes a highly valuable contribution. Foreigners bring capital, technology, management expertise, and access to markets - all critical to enterprise restructuring in transition and developing economies.

Direct foreign investments (DFIs) are one of the driving forces of the process of globalisation and are a defining element of the modern-day world economy. DFIs promote the restructuring of industry at the regional and global levels and thus ensure the integration of a national economy into the world economy more effectively than trade. In addition, DFIs integrate production systems with one another. In this way, DFIs can play a key role in the development of transition or developing economies and in their rapid integration into the world community. (Isayev 1998:1)

The global flow of direct foreign investments has reached a record level in recent years, expanding at a faster rate than trade and serving as the most important form of capital inflow into economies in transition and developing countries. This is due mainly to the heightened integration of national economies brought about by economic liberalisation and reforms in all regions of the world.

*"As never before, more and more corporations and firms are broadening their geographical boundaries through direct investments abroad, and today virtually all countries compete for DFIs." (Isayev 1998:1)*

Sader (1995:viii) points out that **privatisation** has been one of the driving forces underlying the rapid increase in foreign direct investment in developing countries in recent years. Many countries actively sought participation by foreign investors in their privatisation programs in order to enhance the outcome of these sell-offs, both in terms of revenue generation as well as regarding the future viability of these enterprises. For many large enterprises, the involvement of reputable multinational corporations was deemed essential, providing the urgently needed management expertise, technical skills, and investment finance, which were not available domestically. These investments create new development opportunities.

Short-term international finance has become highly speculative and potentially dangerous to national economies - particularly to developing countries where risk perceptions can change virtually overnight. It is submitted that nations should concentrate their efforts on procuring longer term DFIs, particularly those invested directly into income generating developments. Privatisation offers many such opportunities.

International investments, particularly into industry, clearly influence industrial property prices and have an indirect effect on the other sectors of the property market through the creation of additional job opportunities, hence increasing the demand for housing. In South Africa, as in most developing countries, direct overseas investments into property have proven to be a substantial boost to property values, while conversely, the disinvestments, which were particularly prevalent in South Africa in the late seventies, and eighties caused a distinct downward trend in property prices, particularly in the industrial sector.

Planners need to be aware of the trends regarding DFIs as attractive infrastructure and development opportunities as is found for instance, in Capricorn Park near Muizenberg, Cape Town, serve to attract foreign investments. Planning authorities should encourage such developments.

#### **7.3.4 International Tourism**

Tourism is one of if not the largest, industry in the world. South Africa has only recently started to benefit more substantially from this booming industry. The significance of the influence of tourism varies widely from one region to another. International tourism has a direct impact on tourist-related properties such as hotels, resorts and shops, but it also affects other property prices indirectly mainly because of the indirect effects of tourism, for example, tourists may become property investors. Tourism is also a major source of creating jobs and attracts money to particular areas.

Since the political transformation in South Africa a substantial turn around in the tourism industry has been experienced. This improvement has brought about considerable spatial implications. There has been a significant turn around in the hotel industry in the nineties, from a struggling industry to the rather sudden development of thousands of new rooms in the major centres. There is a growing demand for conference centres and developments like the Cape V&A Waterfront has been substantially stimulated. The retail market, particularly in the luxury goods department has also benefited while a number of large golf resorts have been developed. These trends must be noted and accommodated by urban planners.

#### **7.3.5 Sport, Recreation and Entertainment**

Historically sport, recreation and entertainment centres were planned as necessary social needs. Towards the end of the twentieth century these industries have become largely commercialised and now form a substantial business sector. These growth industries have spatial implications, also affecting transportation and other aspects of urban development.

#### **7.3.6 Currency Exchange Rates and Regulations**

The buying and selling of the currencies, which are required for transactions in international goods and services, takes place in foreign exchange markets. (International Monetary Fund 1998b:62) When a country's currency depreciates against foreign currencies, property prices become more attractive to overseas investors, thus encouraging such investments. This in turn increases the value of property, but on the long run may have detrimental effects on economic growth. If a currency is continuously decreasing in value against major currencies, this will have a negative effect on international investments because the capital is dissipated. There must be a balance between income (return on capital) and long term capital growth as the two together constitute the real return on investment.

As long as any exchange control measures are in place, investment funds from abroad will be restricted. Controls on the free movement of funds between countries discourage off-shore investment. (Flint 1997:23)

### 7.3.7 Politics and Fiscal stability

South Africa managed a near miracle peaceful transition from minority to majority rule. The country was under virtual siege of economic sanctions during the period 1985 to 1990. This political transition has had a substantially positive effect on the economy, particularly in regards to trade and investments, although, it is submitted that the latter is more dependent upon economic progress than on politics. Yet, an unstable government causes economic decline.

Politics has played an important role in South Africa's economic history. However, Schrire (1997) argues that politics is not vital to the determination of the economic and social future of a normal society. He believes that political choices have been critical in shaping the socio-economic context and key decisions influenced the basic questions of stability and change for years and decades. From this perspective, he feels that South Africa is not a 'normal' society. Politics is still of vital importance in South Africa. He mentions some **positive** aspects including:

- the new **constitution** places parliamentary politics within the framework of a bill of rights
- the **balance of power** is stable and this in turn tends to lower the emotions and stakes of politics
- **political violence** has declined
- South Africa's economic incorporation into the **global community** has accelerated

On the **negative** side:

- **crime** continues unabated and the gap between government promises and actual performance has continued to grow
- in many areas the **administrative structure** of government appears to be disintegrating and many political elite is more concerned with self-enrichment than with the public interest

The new democratic government of the late nineties has adopted a sound economic and fiscal policy, which is considered more fully hereunder, but its successful implementation is still awaited.

### 7.3.8 Industrialisation and Deindustrialisation

Industrial development is a leading indicator of urban growth. During the twentieth century industry was the main provider of jobs in developed countries. Central to the globalisation of markets is the concept of deindustrialisation that is the term used to refer to the decrease of industrialisation in a particular country. During the last quarter of the twentieth

century, employment in manufacturing as a share of total employment fell dramatically in the world's most advanced economies. This decline is countered by a substantial rise in turnover and employment in the services sector in rich countries. (Coyle 1997:45) This phenomenon is the result of free market trends.

The relative decline in manufacturing jobs in rich countries has coincided with a rapid increase in manufactured exports from countries such as China, Brazil and other emerging economies. (The Economist 26/4/97:88) Almost all large cities in developing countries have more than 20% employment in manufacturing activities. (Mohan 1994:43) None of the 9,000 employees at the Nike headquarters in Beaverton Oregon work in production while Nike products are manufactured in Korea, Taiwan, Thailand, Indonesia and China. (Went 1996:16)

Rowthorn & Ramaswamy (1997:2) argue that deindustrialisation is primarily a feature of successful economic development and is generally associated with rising living standards. Rowthorn & Ramaswamy (1997:7,8) suggest that advances in the service sector, rather than in the manufacturing sector, are likely to encourage the growth of living standards in the advanced economies in the future. Hence, as deindustrialisation continues, the overall growth of productivity will depend more and more on growth of productivity in services.

As a country gets richer, it is inevitable that manufacturing will need a smaller proportion of workers. This trend, which began in America and then spread to Europe and Japan, is now visible in the Asian tigers. The share of manufacturing jobs has been falling in Hong Kong since the 1970s, and in Singapore, South Korea and Taiwan since the 1980s. (International Monetary Fund 1997b:22) It is essential for planners to be aware of this trend as it requires a great deal more office accommodation (zonings) than industrial.

Castells & Hall (1994:236) believe that technological innovation, the production of technologically advanced devices, and technological diffusion cannot be entirely disjointed processes. Hence the advents of another trend, the 'technological industrial parks' or "Technoparks" as Castells & Hall call them.

*"Technopoles - planned centres for the promotion of high-technology industry - have become a key feature of national economic development worldwide. Created out of technological revolution, the formation of the global economy and the emergence of a new form of economic production and management, they constitute the mines and foundries of the informational age, redefining the conditions and processes of local and regional development."* (Castells & Hall 1994:cover)

Leading global technopoles include Silicon Valley (USA), Boston Highway 128 (USA), Akademgorokok (Siberia), Taedok (South Korea) Tsukuba, Kansai Science City, Shinanogawa, Oita, & Kumamoto (Japan), Sophia-Antipolis (Nice, France) Cite Scientifique Ile-de-France Sud (Paris, France), Cambridge (UK), and Hsinchu (Taiwan). Examples of emerging and planned spatial implications may be found at Cartuja, Seville (Spain), Adelaide Multifunction Polis, (Australia) and in Malaysia, who wants to lead the way to the creation of the most modern 'Asia's Silicon Valley'. (Castells & Hall 1994:39-189)

In order for South Africa to benefit from globalisation and deindustrialisation it must become internationally competitive. Some existing problems will have to be remedied, the most important being the unacceptably high crime rate, poor educational and training levels and the lack of productivity in the poorer sector. (Cheru 1997:240) An important area for the improvement of international trade from Southern Africa is the need for improved infrastructure, including transport, but more particularly telecommunications.

### 7.3.9 Trade: Exports and Imports

*"Trade has always been the engine of growth. It is the fundamental economic activity."* (Coyle 1997:51)

Since the end of the Second World War international trade has increased from \$60,000m in 1948 to more than \$2,000,000m in the mid 1990s. International trade has grown more rapidly than global production and internal (national) trade. During the first half of the 1990s international trade grew at twice the rate of the growth of the combined international GNP. (Went 1996:4)

After South Africa's **democratic election** many new trade opportunities opened up - also in the East. In addition to national and regional wealth creation, trade growth requires spatial changes to transportation linkages including railway, harbour and airport facilities. It also creates greater demands for retail premises as evidenced in the rapid pro rata growth of retail space in most developing countries during the last quarter of the twentieth century. Increased trade also creates a greater demand for storage and warehousing facilities, particularly at or near trans-shipment points.

### 7.3.10 Economic Inequality

It is submitted that growing economic inequality between the rich and poor is the single biggest global social problem that manifests itself particularly in developing countries. Uneven distribution of wealth is more pronounced in Third World countries.

Brand (1985:41) referred to Robert McNamara's oft-quoted statement, which heralded a sense of urgency and warning to the South African situation in 1985:

*"If cities do not begin to deal more constructively with poverty, poverty may well begin to deal more destructively with cities."* Brand (1985:41)

This sentiment still holds good more than a decade later.

There is considerable and growing concern about the existence of 'excessive' poverty in rapidly growing cities. Hardoy (1993:30) says that the way Third World metropolitan areas are being built does not offer poor households the opportunities they expect.

*"The modern Third World city is being built by the poor but it is not organized to help the poor. The self-built city is the city of the poor. In such cities poverty articulates every activity."* (Hardoy 1993:30)

Much literature supports the belief that the quality of life for the poor has worsened in large cities in developing countries. In 1990 41.2% of the 8.5m population of Manila lived in squatter communities. (Hardoy 1993:33) Colombia, being one of the countries with the most unequal income spread of income in the world has the bottom 40% of the population earning around 10% of total income, whereas the share of the top 5% earns a third of total income. (Mohan 1994:75) This is comparable to the position in South Africa where the poorest 50% of the population (about 19m people) earn only 15% of total income whereas the richest 10% earn over 42%. (Heymans & Thorne-Erasmus 1998:2) According to Went (1996:100) Latin America (Brazil) has the largest inequality gap. In Mexico the wealthiest 20% of the population is 27 times wealthier than the poorest 20%. Galbraith warned about this problem in the 1980s:

*"I see as the central problem of present-day capitalism not the production of goods or the production of services - those can be accomplished. The central problem is the assurance of a secure flow of income to all the participants in the system."* (Galbraith & Menshikov 1988:110)

Bethlehem (1991:390) argued that income and wealth inequality between people is a result of a free market system hence the correction of inequality cannot be left to market forces. Those at the bottom end of the income scale suffer increasing despondency at their lot and soon become susceptible to crime and drug abuse. He stressed that inequality takes a terrible toll of the social grouping that represent the building blocks of our humanity.

Hutton (1996:24) believes that it is immoral to run a society founded on the exclusion of so many people from decent living standards and opportunities. He says that these exclusions, while beneficial in the short-term to those inside the circle of privilege, are in the long run inefficient and ultimately undermine the wealth-generating process. It appears that

Hutton is correct in stating that the freeing of the economy has widened the income gap between high and low-income groups.

The condition of inequality is re-created through the generations, and is not easily overcome by individual effort. Healey (1997:120) says that redressing inequality is a project in cultural transformation, changing how people think about themselves and other people. Freedman (1995:41) talks of a 'techno-apartheid for a global underclass and sees a potential "*disconnected and disintegrated wasteland that is home to seven out of every eight inhabitants on Earth*" as the Achilles' heel of global capitalism. He warns that, if we continue to ignore the social dynamics of an economic system that is unable to hold out the promise of a better life to the vast majority of the world's population, "*it will bring us face to face with unimaginable grief.*" (Freedman 1995:44)

It is submitted that the bulk of the remedial action should come from the community or neighbourhood level rather than from central government. The upliftment must come from the people who are the most severely affected. They need to be guided and supported by their own and the surrounding communities.

Economic inequality has a profound influence on the form of a city, particularly those of less affluent economies. It creates a huge divide between the luxurious first world type of developments and the squalor of the poorest informal settlements. While citizens meet in the CBDs they live totally different lives. The rich are content but the poor are continuously struggling to improve their situation and naturally must become frustrated if they make little headway. This situation cannot be sustainable as it usually leads to political and social unrest. In most of Africa, such unrest has generally lead to the destruction of the upper class rather than the upliftment of the poor, which also causes further suffering of the poor (as may be seen Mozambique, Angola and other African countries).

In South Africa the problem of economic inequality does not exist because the poor are mentally or physically handicapped - it is because they are not offered sufficient opportunities to enhance their latent capabilities. Now that the world needs to spend less on the military and South Africa needs to worry less about political democracy, it is time to concentrate on our greatest plight - economic inequality. Planners should play a leading role to reverse this potentially disastrous trend. More specific proposals in this regard have been made in chapters 8 & 11 and in the case study.

### **7.3.11 The Asian Tigers**

The East Asian experience offers some interesting lessons on how poor economies, dependent on natural resources can make an effective transition to labour-intensive



manufacturing, and then to more complex manufacturing industries essential for the attainment of high standards of living. Export orientation has played an important role in this process. (World Bank 1997b:12)

The economies of East Asia at the centre of the 1997/8 crisis had been some of the most successful emerging market countries in terms of growth and gains in living standards. With generally prudent fiscal policies and high private saving rates, these countries had become a model for many others. That this region might become embroiled in one of the worst financial crises in the post-war period was hardly ever considered a realistic possibility. (International Monetary Fund 1998a:v3)

Krugman (1998b:1) says one can learn a lot more about how the global economy works when something goes wrong than when everything hums along smoothly. He feels that the lessons learnt from the 1997/8 Asian crisis can help avoid, or at least cope better, with the next one.

The property markets in most of the Asian countries were particularly hard hit by the 1997 financial crises. Worst hit appears to be Indonesia, which has also weathered the worst of the financial storm. The rupiah lost up to 85% of its value against the US\$, inflation grew to 20% for the first two months of 1998 and the Jakarta stock market lost up to 54% of its share value. (Newell & Sartono 1998:157)

This caused a major impact on the property market in Jakarta. Where building materials increased in price by 300% and interest rates rose to 35%. As many loans were in US\$ it was expected that some 30% of Jakarta CBD office property would be sold to foreign investors at discounts of up to 50% of their 1997 values while some 70% of property developers went bankrupt by March 1998. (Newell & Sartono 1998:159)

Krugman. (1998a:2) believes that the Asian economies became overheated in 1997/8. However, two and a half years after the crises, most Asian 'Tigers' had made a remarkable recovery and had returned to economic growth. (International Monetary Fund 1999b:7)

#### **7.4 NATIONAL MACRO-ECONOMIC ASPECTS**

Macro-economics studies the major trends of the entire economy, thus macro urban markets studies the trends of the entire urban property market. It examines the overall pattern of the property market in general within the whole country. On a macro level, the property market forms an integral part of the economy of the country. The macro economic policy followed by the central government therefore has an important bearing upon the property market in general. Although the property market does fluctuate and respond to

macro economic trends, there are significant variations from this overall trend in many isolated areas or segments of the market.

Vickerman (1984:3) feels that there is a rather artificial distinction between what are usually called microeconomics and macroeconomics. Vickerman (1984:12) concentrated on the main economic linkages that are at work in an urban economy. He points out that the economic structure of the city involves examination not just of the degree of specialisation in city functions, but also of the amount of linkage between different activities. Hence, given that different industries grow at a different rate nationally, regions with a different balance of industries will have different overall growth rates. However, it is also true that any given industry may display different growth propensities in a different location, both because of spatial variations in demand and spatial variations in production costs.

*"We must conclude, therefore, that the observed economic structure of a city is usually the result of a unique combination of circumstances which apply to that city."*

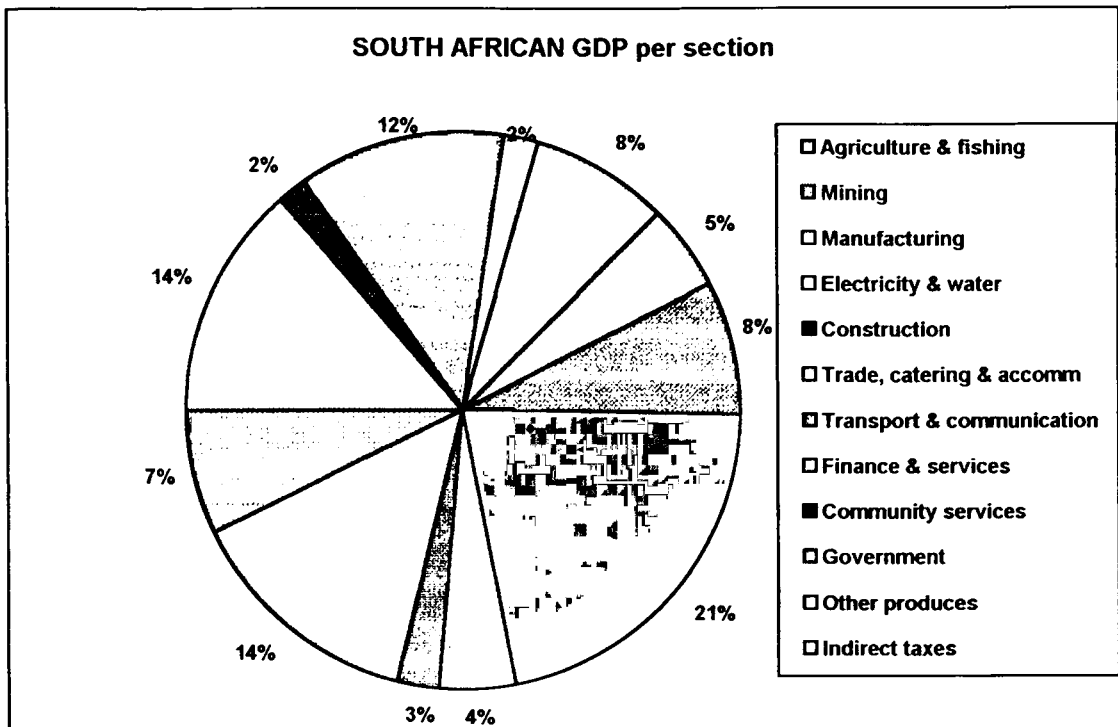
(Vickerman 1984:18)

It is submitted that while the above remains true, it could be analysed on both a local or regional basis, as well as on an international basis. The kind of locational and productivity analyses which were executed on regional bases in the 1970s became analysed on international bases in the 1990s. Thus urban economics has become a study of both macroeconomics as well as microeconomics.

#### **7.4.1 National Economic Growth**

*"The international economy remains accident-prone, but it has also yielded unprecedented economic growth and will continue to yield benefits for those countries that follow the right policies. There is no magic ingredient for growth. In addition to pursuing the right policies, it is a matter of hard work and many people doing many things right over many years."* (Fischer 1998a:147)

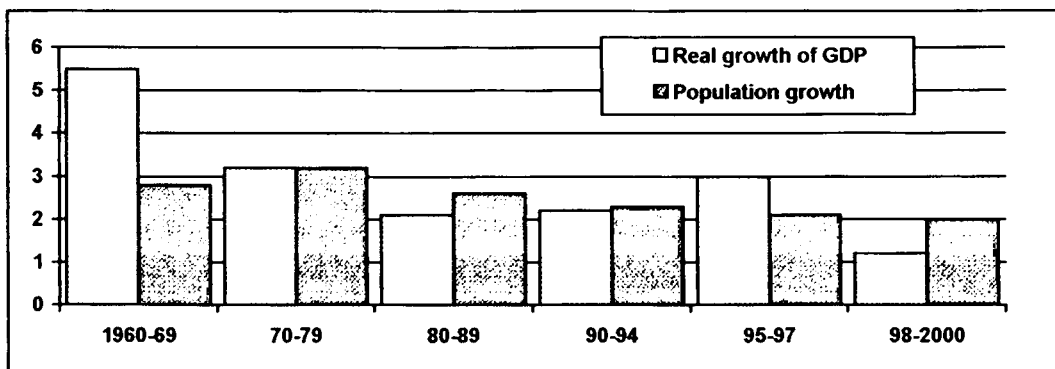
The **Gross National Product** generally referred to as the GNP may be defined as *"the sum of the Rand values of consumption, investment, government purchases of goods and services, and net exports."* It is the most comprehensive measure of a nation's total output of goods and services. (Samuelson & Nordhaus 1989:77) The nominal GNP represents the total money value of goods and services produced in a given period when the values are in terms of the market prices of the period. Real GNP corrects nominal GNP by the inflation rate to represent a constant value. On this basis it is possible to measure growth or decline of the GNP in realistic terms. The GNP serves as the basic measure of a country's economic health.



**graph 5**  
Source: SARB 1999

It is also important to measure the growth of the gross domestic product (GDP) in relation to population growth as the individual's per capita wealth will only be positively affected if the growth of the GDP exceeds the population growth. An overview of this comparison in South Africa reveals the following pattern:

**SOUTH AFRICAN REAL GDP GROWTH vs. POPULATION GROWTH**



**graph 6**  
Source SARB 2000

**7.4.2 Money Supply**

By buying or selling bonds, bills, and other financial instruments in the open market, a central bank can expand or contract the amount of reserves in the banking system and can ultimately influence the country's money supply. When the central bank sells such instruments it absorbs money from the system. Conversely, when it buys it injects money

into the system. This method of trading in the market to control the money supply is found in open market operations. These operations affect the money supply and related financial measures through their impact on the reserve base of the banking system (Axilrod 1996:1)

Hutton (1996:240) contends that money does not disturb the basic motion of the economy, although it determines the price level, with too large an increase in money supply causing inflation. Money and the real economy were not somehow independent of each other; they were interdependent, and that interdependence, when linked to uncertainty and changing expectations, changed everything.

Property developments place huge demands on money therefore during times when money supply is restricted property developments tend to slow down.

#### **7.4.3 Inflation (The Consumer Price Index)**

Like all other goods, the demand for property and thus their prices are generally affected by inflation. It must be borne in mind that the three major sectors of investment are **cash**, **equities** and **property**. The demand for property and equities increases *vis a vis* cash during periods of high inflation expectations, again creating a strain on domestic savings and the availability of property finance. Thus, seen in isolation, inflation is good for property investments.

The World Bank (1996b:142) reports that market economies perform very poorly when inflation rises above a moderate level. There is now nearly universal consensus that low single-digit inflation is a necessary condition for sustained and equitable economic growth. There is also wide agreement on the policies needed to achieve this objective - notably a disciplined fiscal policy that keeps government expenditure in line with government revenues, while providing for a satisfactory level of public investment in basic infrastructure and human capital and a well-targeted social safety net.(Camdessus 1998)

Much more emphasis was laid on the control of inflation by the South African Reserve Bank and the tough monetary policies adopted in the nineties was directly aimed at curbing inflation even at the cost of depressing growth (in the interim) and causing relatively high unemployment. Hutton (1996:11) (and others) believes that high real interest rates are the only acceptable means of lowering inflation.

There have been periods when the inflation rate has outstripped the interest rate, causing a strong demand for property. Such occasions must be viewed with great caution as it is clearly an unsustainable situation that will support a short-lived property boom. Planners must be wary to not believe that such booms will last more than a year or 18 months.

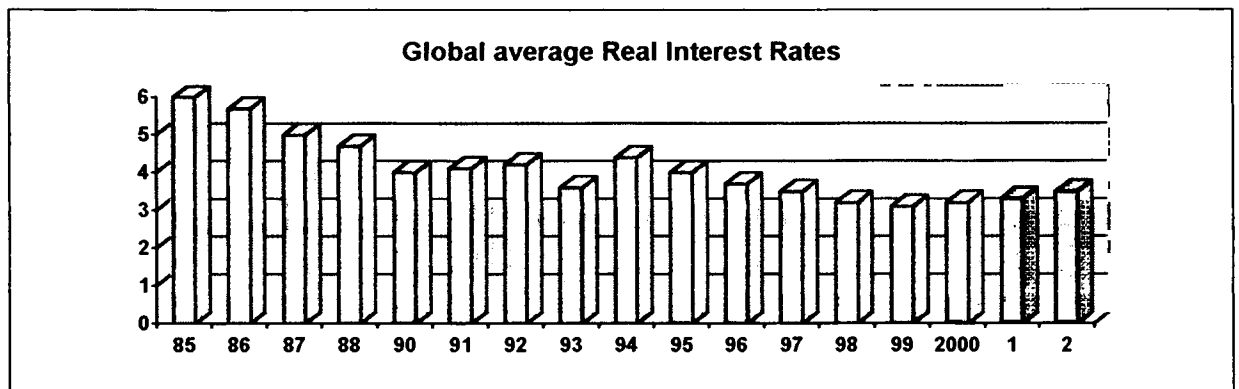
#### 7.4.4 Interest Rates

The affordability, thus the demand for non-investment properties such as housing, is detrimentally affected by high interest rates, while the demand for investment properties in relation to cash investments also diminishes during periods of high interest rates.

The level of interest rates reflects the '*price of loaned money*' while this price is a product of the demand and supply of money. On the one hand there are investors who wish to earn interest on their savings, while on the other, there are borrowers who wish to use the money and pay interest thereon during the period of the loan. In the middle the banks and financial institutions perform the role of matchmaker, receiving some reward for their work. (Samuelson & Nordhaus 1989:127)

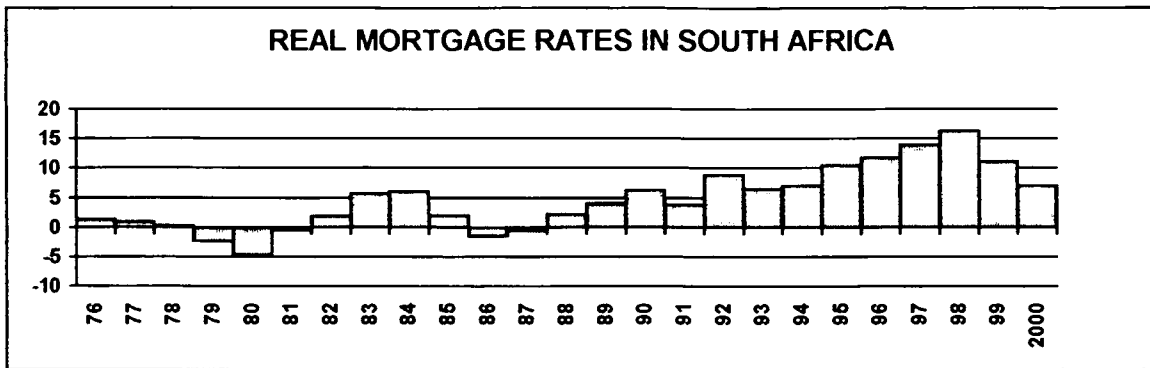
By and large, interest rates are the product of this demand and supply, but the rates are directly and indirectly affected by some control measures of the Central Bank and the government.

- **First**, the government can influence interest rate levels by its own actions in drawing money from the public in forms of *bonds* while it can influence the supply of money by additional government spending.
- **Second**, the central Bank can influence the interest rate levels by curbing money supply or,
- **Third**, by adjusting the bank rate, which is the rate at which it lends money to, registered banks and financial institutions.



**Graph 7**

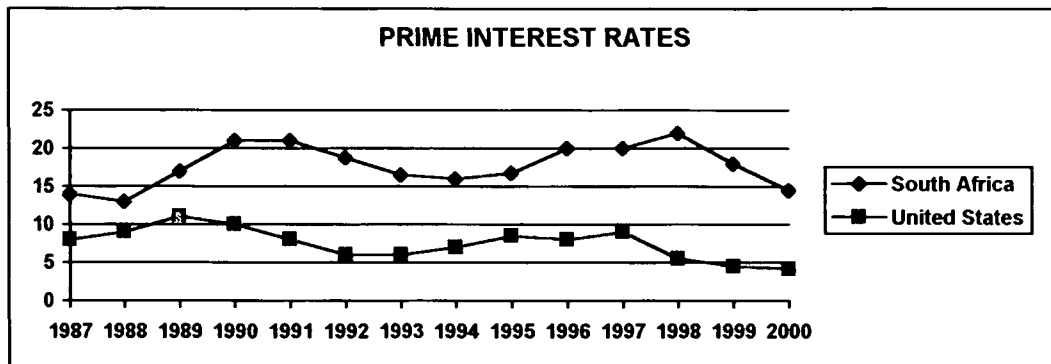
Source International Monetary Fund October 2000



graph 8

Source: Fleming Martin (1996) & B.E.R. Stellenbosch (1999) & Cape of Good Hope Bank 2000

Although South African interest rates are primarily controlled by the Reserve Bank, the determination of the level is done in consideration with numerous other internal and external factors. South Africa must compete for global finance with other countries and investors consider the risks versus the potential returns offered in the various countries. Thus the interest rates of major global players have a direct effect on the local rates. This may be illuminated by the following comparison of rates between South Africa and the USA:



graph 9

Source: International Monetary Fund (2000) & SA Reserve Bank (2000)

#### 7.4.5 Share Prices

As **equities** are one of the main competitors for investment opportunities, and the Johannesburg stock exchange (JSE) is the major trading platform of equities in South Africa, it is obvious that the level of prices and returns at this exchange must have a significant influence on investment property price.

It has been argued that the JSE is the most accurate barometer of economic and more particularly capital movement activities in the country. The theory is that an effective stock market channels savings as a result of competition amongst investors to the most productive investments thus allocating capital - a scarce commodity - in an optimal manner. As a result, the prices of shares will reveal all the relevant risk and return demands,

provided that full information is available, and the prices will be adjusted upwards and downwards on an on going basis as new information becomes available. This theory will then reflect the optimum or perfect market scenario. (Anderson 1993:4)

Unfortunately this theory is not fully found in practice, and even the JSE although having numerous benefits as far as the theory of perfect market is concerned, over the property market, it is also subjected to forces of monopolies and such distortions to reveal a not so perfect open market situation.

Yet the JSE corresponds closer to the definition of a perfect market than the property market because:

- There is a **central market place** where buyers and sellers can compete;
- sales are transacted by **informed registered brokers**, - share prices are fully publicised,
- there is a high level of **information** available about the investment opportunities.

Rode (1995:15) lists further differences between the JSE and the property market:

- The property market is **spread out** all over the country;
- There are **less transactions** in the property market
- The relative lack of **comparability** between various properties
- The importance of **financing** of properties
- The lack of widespread **statistics** and investment information on properties

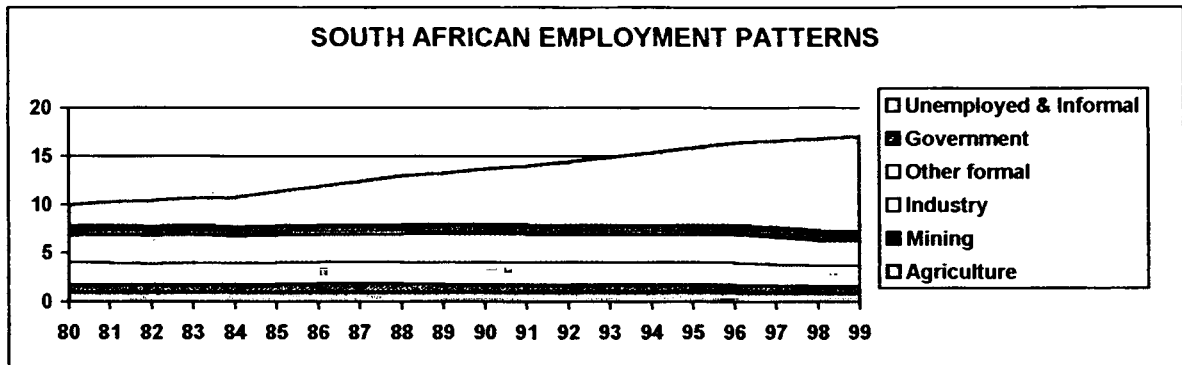
The JSE is a strong competitor of the property market for investment funds. It responds more rapidly to market changes and in fact the prices of the shares tend to reveal a more futuristic view of expectations. Share prices rise in anticipation of improved business conditions and returns. Therefore it is normally found that tendencies on the JSE precede those in the property market. Planners may therefore use the JSE trends as a leading indicator for future expectations of property price cycles.

#### 7.4.6 Employment and Labour

*"The absence of work or the lack of opportunity to work destroys the basic building block of the nation's socio-political system."* (Blakely 1994:2)

Employment patterns have a strong influence on urban development, both in respect of the accumulation and distribution of wealth, and in relation to the structure of the built environment. (Potter & Lloyd-Evans 1998:160) The lack of growth of employment in the (formal) private sector is one of the most pressing problems in South Africa. During the nineties there has been no growth of employment in the formal sector, to the contrary, the formal sector has seen a reduction in job opportunities, and is likely to continue this

decrease into the 21st century. The growth sector is the informal sector. This situation clearly has spatial implications. Statistics regarding unemployment figures as supplied by the authorities usually exclude the informal sector.



**graph 10**

Source: SA Reserve Bank 2000

The main force driving the pattern of employment within industry is productivity growth. Coyle (1997:47) says that computers tend to replace people with middling skills, such as machinists.

In a comprehensive study by Schlemmer and Levitz (1998) it was suggested that unemployment figures were not as high as indicated in the official figures. Owing to the employment provided by the informal sector, and other factors, they estimated the unemployment rate at between 20% and 24%, still placing South Africa among the highest unemployment rate in the world. The researchers believe that neither the economy nor official government policy will provide the solution. They believe an answer could be found in a co-ordinated effort to strengthen the informal sector and propose that a national campaign should be launched to expand its capacity. Planners can assist by creating spatial facilities for the informal sector.

Many developed and developing countries are under increasing pressure to deal innovatively with the problem of unemployment. In recent years, self-employment has been put forward as one of the ways of moving some of the unemployed back into employment. Rather than being afforded income support, the unemployed are encouraged to formulate a business idea and they receive financial assistance and counselling in order to create and enterprise. (Wilson & Adams 1994:v)

Human resources are pivotal to economic development. Certain individuals and groups in society are not able to compete in many of the newest growth sectors of the economy because of their lack of education and training. This places a heavy burden on job oriented education and training programmes. Blakely (1994:224) points out that, although



unemployed persons are often viewed as incapable, this is far from the truth. The unemployed are a resource. Education and training programmes can be a major component in the overall local, regional and national economic development strategy.

Shifts in technology and the organisation of production have had a profound impact on the role and organisation of labour and spatial requirements. During the first three quarters of the twentieth century 'Fordism' or mass production was associated with the organisation of labour, (initially devised by Frederick W. Taylor, often referred to as 'Taylorist labour management systems') causing the creation of trade unions. This was also the era of the large industrial building development.

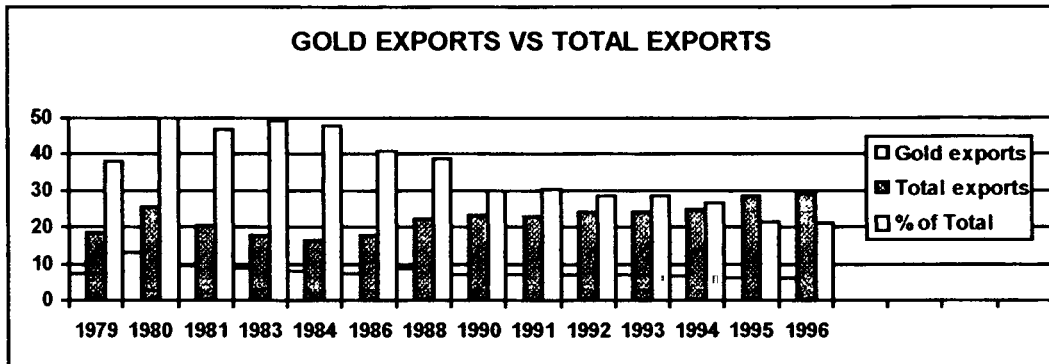
This 'virtuous cycle' was destroyed in the mid 1970s by the unexpected economic recession. Mass production reached its limits and growth in productivity declined, union demands were increasingly perceived as inflationary and economically damaging. Unemployment soared as traditionally unionised Fordist industries went into decline and lost much of their power, giving Thatcher and Reagan the opportunity to transfer state enterprises to market related organisations. Many large factories became vacant and obsolete. Bairoch (1988:466) aptly points out that in developed countries unemployment is cyclical, marked by economic cycles, but in the Third World unemployment is structural. In the nineteenth century young Europeans were drawn to cities by jobs, but to-day in the Third World young people migrate to cities because they cannot or do not want to live in rural areas.

More flexible labour practices have emerged with more sub-contracting, outsourcing, part-time work, temporary work, freelancing and flexitime. Labour markets have become more segmented between the securely employed core labour force and the growing number of temporarily employed workers and those in the informal sector. (Harrison 1994:79) The demand for smaller premises has increased. Many large factories have been sub-divided.

On the positive side, labour has become more competitive and more productive, creating the need for higher levels of education and training (and training and conference centres). The old forms of competition associated with low input costs and economies of scale are being replaced by a new and dynamic form of competition referred to as the 'entrepreneurial firm'. This requires continuous improvement, innovation, flexibility and superior product design where competition is not only based on achieving cost-advantages, but occurs along a range of dimensions. (Sunter 1996:80) In reaction, labour has become more mobile and numerous small flexible enterprises have been created. This has caused a trend away from large factory spaces to mini-factories and micro workshops near or even inside residential areas.

### 7.4.7 The Gold Price

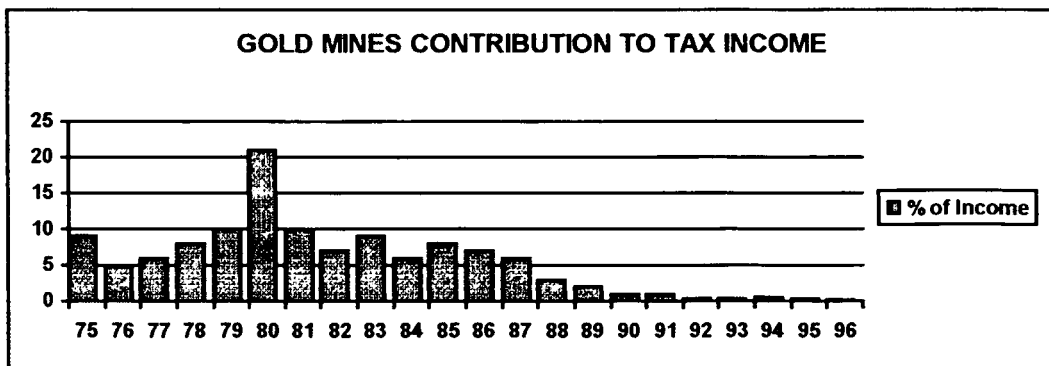
For many years the South African economy has been referred to as a '*gold economy*' because gold has been the major source for earning foreign exchange and supplying job opportunities. There were times when gold exports constituted as much as 50% of the total exports of South Africa, but, while gold exports have remained reasonably constant in Rand prices, other exports have increased substantially so that gold exports constitute just over 20% of total exports in the 1990s. This is illustrated by the following graph:



graph 11

Source: SA Reserve Bank(1997)

The decrease in the gold price and the changes in mining activities have led to many changes in areas where gold was previously mined and has effected property prices. This trend has become less prevalent and is likely to continue to do so in future. The role of gold in the South African economy is further illustrated by the percentage of income tax contribution by gold mines.



graph 12

Source SA Reserve Bank 1997

## 7.5 THE ECONOMIC ROLE OF GOVERNMENT

*"The British experience shows that while it may be true that markets are necessary conditions for efficiency and wealth generation, by themselves they are not sufficient."* Hutton (1996:20)

Hutton (1996:285) is critical of the fact that most economists do not acknowledge the important role that government has played in the economy. He supports this in analysing the economic success of Hong Kong, where the British bureaucracy certainly laid down a sound foundation and framework within which the free market could operate extremely successfully.

Some economists like Hutton (1996:20) believe that the more market-based the financial system is, the less effectively it mobilises resources for investment. There must be at least some truth in this argument if one looks at the government or central bank controls of most successful financial systems. Also, most of the blame of the Asian 1997/8 crisis has been blamed on poor bank control by governments. It is submitted that it is at the level of financial and fiscal policy where the governments exercise their largest role in the economic structure of a country.

More generally, the world-wide trend has been to attempt to introduce more 'business-like' approaches in public administration, with the neo-liberal governments of New Zealand in the 1980s and 1990s at the vanguard of the new thinking. (Gill 1997:55) Another who have taken a positive and active approach to the promotion of their country's economic improvement is Malaysia. They produced their 'Seventh Malaysia Plan, 1996 - 2000 in May 1996, having introduced the first in 1991.

*"The Plan continues to give serious attention to strategies for generating sustained rapid economic growth as well as to ensuring that the benefits of economic growth are equitably shared among Malaysians of all ethnic groups and among states as well as the rural and urban population."* (Malaysian Government 1996:v)

The market does not always behave in an ideal fashion mainly because of competitive imperfections. In response to these flaws in the market mechanism, society has chosen to introduce some government control into the economy. The three major functions of the government's role in the economy are:

- (a) their actions concerning **market efficiency**,
- (b) the promotion of **equity**, and
- (c) and a **stabilisation policy** to minimise the peaks and troughs of the business cycle, reducing unemployment and promoting economic growth.

Sunter (1997) set additional guidelines for government objectives for a winning nation:

- A smaller government - i.e. less government employees;
- A budget deficit of less than 3% of GDP;
- Government debt less than 60% of GDP;

- Unemployment rate of less than 5%
- Economic growth of 3% p.a. for advanced economies and 6% p.a. for developing economies;
- An increase in literacy and numeracy rate;
- Low rates of violent crime;
- Growing rates of business start-ups;
- Environmental protection; and
- A corruption free government.

The market fails to provide a completely efficient allocation of goods when there are imperfections such as **monopolies**, which then need to be controlled by government. A second government function arises when society alters the pattern of incomes generated by market wages, rents, interest, and demand/supply trends and government uses progressive taxation to raise revenues for transfers or income support systems that places a financial safety net under the poor and aged. Beyond these objectives the central government aims to raise the material welfare and physical well-being of the population, reduce social tensions and avert political instability.

The World Bank (1996) has set comprehensive guidelines for emerging economies to become integrated into the global economy. Most of these centre around the role of government in the economy. These guidelines have been drawn up for countries emerging from centralist (capitalist) economies as well as those countries with relatively unsophisticated or authoritarian economies. The main message concerns a reduction of government intervention in the economies. It is submitted that this message may be equally applicable to government intervention in urban planning.

### 7.5.1 The Central Bank

The core of any financial system is money; and legal tender can only be supplied by the government of the day. Thus how the Central Bank chooses the terms on which it issues notes and coins to the banking system and manages the day to day financing requirements of the government and its longer-term borrowing is the fulcrum upon which the financial system turns. When the Central Bank wants to change interest rates it merely changes the rate at which it lends money to clearing banks and changes the rate at which it will buy treasury bills - and the change cascades through the monetary system. (Axilrod 1996:1)

Axilrod (1996:5) emphasises the role of the central bank in guiding developing countries to effective and efficient open market systems. With more countries seeking to deregulate and unleash the potential of market forces, many policy makers and central bankers are

grappling with ways to realise the full benefits of open market operations. Deregulation and globalisation of markets make it virtually impossible to use direct controls without adverse side effects. Developing indirect controls is important to the process of economic development because, as a country's markets expand, direct controls tend to become less effective, and markets eventually find a way around them, especially in a global world economy. (Axilrod 1996:3) The same may be said about planning controls.

In South Africa the Reserve Bank has traditionally been the single most powerful player in the monetary system. It has worked closely with the government of the day, yet it has retained a substantial measure of independence and autonomy. By and large the broad policies initiated by the government have been *ad idem* with those of the Reserve Bank and *vice versa*.

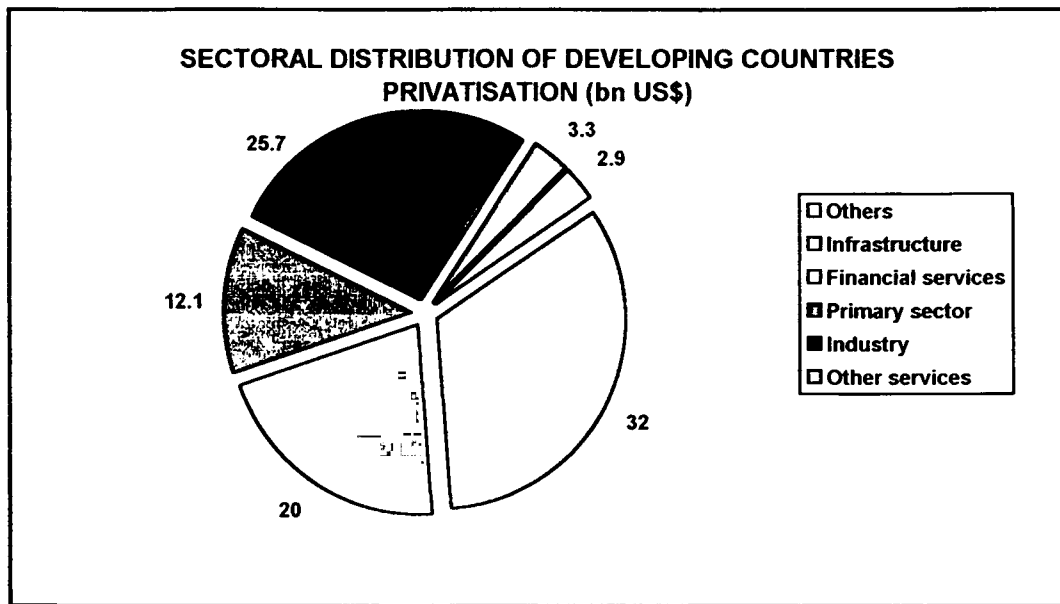
### 7.5.2 Government & Privatisation

Privatisation is a key factor in the process of globalisation of economies. The World Bank (1996:44) believes that, at the heart of transition lies a change in incentives, none more important than those for managers of enterprises. Managers in government-controlled economies faced distorted incentives that sooner or later lead to poor enterprise performance. Privatisation alone, without competitive deregulation and the introduction of free enterprise and private capital, achieves little. Transition requires changes that introduce financial discipline and increase entry of new firms, exit of unviable firms, and competition.

Privatisation impacts on planning as there is a huge amount of idle government land that needs economically efficient planning. Even within existing state enterprises there is much potential for more efficient and economically productive planning.

Sunter (1997:57) urges that if a government wishes to be world-class it should focus on only those things that the private sector cannot do and shed all the rest. Privatisation is essential if a government wants to end up with a small world-class civil service, which is highly motivated and properly remunerated - as shown by New Zealand.

This spurs needed restructuring, particularly in state enterprises. Ownership change, preferably to private ownership, is very important. The World Bank (1996:44) believes that once markets have been liberalised, governments cannot indefinitely control large parts of a dynamic, changing economy. Decentralising ownership is the best way to increase competition and improve performance.



**graph 13**

Source: World Bank Privatisation Database 1996

The State is by far the biggest single player in the South African economy. In terms of the country's 'capital stock' the total value of all productive assets which government directly or indirectly controls amounts to half the value of all assets. (Schlemmer 97:46) This clearly illustrates the necessity for privatisation of certain assets. The efficient usage of capital in the South African economy has deteriorated over the past three and a half decades, with the effect of suppressing both the level and the growth of aggregate real gross domestic output.

**Private-public partnerships** have a crucial role to play in ensuring that infrastructural development is both well managed and financially sustainable. Further progress is needed in bringing private equity and corporate expertise into state-owned enterprises and agencies. Public investments should enhance private sector growth. Devas and Rakodi (1996) point out that privatisation has a positive impact on private sector investment above and beyond the concurrent effects of a macro-economic stabilisation and other structural reforms. They believe that if their governments continue to embrace free market reforms and fiscal and monetary discipline, emerging economies should still grow much faster than today's rich ones.

Sader (1995:viii) argues that privatisations are not simply a one-shot exercise, with foreign investment inflows falling back to their original level on completion of the program. Rather, privatisations can give a strong and lasting impetus to investor interest abroad, and can help achieve a sustainable, higher level of capital inflows by providing international investors with an open and profitable investment environment.

The South African government owns 224 403 properties worth some R200 billion. The total land area registered in the South African Deeds Offices is some 123.7 million hectares of which 22.5 million hectares are registered in the name of the State. (Dept. Statistics 1999) Together with the unregistered State land the State directly owns some 20% of the total land area in South Africa. This does not include State controlled land owned by 96 corporations such as Transnet, ESCOM, Telkom, the Post Office and Safcol. The total area controlled by these corporations is unknown, but it may be expected that the total State owned and controlled land amounts to between a quarter and a third of the total South African land area. (Davie 1998:16) It is not known what percentage hereof is urban or rural, but it is common knowledge that urban areas also contain substantial state controlled land areas.

It is submitted that most of these assets will be better administered and developed by the private sector and should be considered for privatisation. Like most developing countries, South Africa suffers from a lack of capital, thus it is recommended that some State land be privatised for development ventures financed with overseas capital.

Blakely (1994:70) proposes that local governments can make greater use of the commercial potential of land and buildings under their control. Beaches, road verges, reserves, and civic centres may be used for a variety of activities that provide jobs. Local government planners should take an active approach to identifying and assessing the possible range of commercial opportunities and balancing them against other objectives.

All state owned houses in and around urban areas should be sold. The market mechanism will ensure that the price levels are such as to give the buyers the choice of either living 'on site' in government villages or in the nearby town. It is an accepted fact that an owner of a house will look after it better than a tenant. The returns on rental housing accommodation are comparatively low. Therefore it makes little economic sense for the government to invest in rental housing. The sale of these assets can free millions of rands, which could be more productively utilised by the government - even if it is merely used to repay a portion of the government debt.

Unfortunately the Green Paper on reforming procurement by the public sector does not stipulate how proposals by the private sector should be dealt with. There is no forum to which proposals can be presented. Pender (1997:42) suggests that South Africa should establish a property advisory group, as Britain did in the mid-seventies. He suggests that it should comprise senior figures from the property and construction industries. They should be appointed to advise government on how to manage public-sector properties and how to consider proposals from the private sector. This suggestion is supported.

### 7.5.3 The Reconstruction and Development Programme

Because the South African economy has a history of enforced racial division in virtually every sphere of its society and first world standards were selectively applied, the vast majority of the population have experienced severe poverty and third world conditions at all economic levels. Thus the new government initiated its Reconstruction and Development Programme (RDP) in 1994.

The RDP was proposed to be an integrated, coherent socio-economic policy framework. It sought to mobilise all the country's resources toward the final eradication of the results of apartheid and the building of a democratic, non-racial and non-sexist future. It sought to become a vision for the fundamental transformation of South Africa.

*"That integrated process of transformation must ensure that the country*

- *develops strong and stable democratic institutions and practices characterised by representativeness and participation*
- *becomes fully democratic and non-racial*
- *becomes a prosperous society, having embarked upon a sustainable and environmentally friendly growth and development path*
- *addresses the moral and ethical development of society."* (RDP 1995:4)

The aim was to achieve comprehensive changes to the lives of the previously deprived sector of the economy and to create a people-centred society which measures progress by the extent to which it succeeds in securing liberty, prosperity and happiness. The success of the RDP hinged on the acceptance thereof by all the citizens. As a broad principle, this acceptance has been achieved, but the practical implementation thereof has been intensely questioned.

**Employment creation** was seen as the central priority of the economic policy framework of the RDP. The RDP white paper, like the subsequent white paper on Economic Policy, sets an idealistic and utopian economy. All the normal niceties of a successful first world economy were set as goals, i.e.:

- financial and monetary discipline
- the establishment of an economic environment conducive to economic growth
- trade and industry policies designed to foster a greater outward orientation so as to sustain high employment levels and levels of participation in the economy
- modernisation of human resource programmes to meet the challenges of changing production processes. (RDP 1995)



#### **7.5.4 The G.E.A.R. policy (Growth, Employment and Redistribution)**

Following little practical success with the RDP, Trevor Manuel (Finance Week Feb.27 - March 5 1997) the South African Minister of Finance advised that, to give effect to the RDP in the context of a rapidly globalising and highly competitive international environment requires a significant change in the path of economic growth and development. The challenge to Government is to align economic policy in a way that will ensure an acceleration of economic growth and a substantial improvement in job creation by the turn of the century. He believed that the policies set out in the GEAR programme were designed to achieve these objectives.

The GEAR strategy is an economic reform programme aimed at achieving:

- a competitive fast growing economy which can create sufficient jobs for all job-seekers
- a redistribution of income and opportunities in favour of the poor;
- a society capable of ensuring that sound health, education and other services are available to all; and
- an environment in which home are safe and places of work are productive.(G.E.A.R. Department of Finance; RSA 1997)

Manuel (1997) said that the macroeconomic strategy for growth, employment and redistribution, in co-ordination with other policy programmes, sets the Government's approach to development and growth.

GEAR accords high priority to curbing inflation and a systematic reduction in the Budget deficit as a means to higher economic growth. This reflects the apparent conviction that the pent-up and growing demand for public services and job creation in South Africa can only be financed sustainably through higher economic growth. GEAR also places heavy emphasis on the redistributive role of the fiscus - a role that must be compatible with macroeconomic stability. In this regard the government has the full support of the business community. (Calitz 1997) There can be little doubt that the GEAR policy constitutes a sound financial and fiscal policy, which is in line with any major international economic policy. The burning question is to what extent these sound objectives can be achieved.

One of the main failures of the GEAR objectives for 1997 to 1999 was the lack of job creation. This is clearly a cause for concern by the government. Manuel (1997) said that investment and job creation is at the centre of the GEAR strategy. Growth without job creation does not address the challenges faced. Although figures for 2000 reveal some respite, job creation still lags behind the targets set by government.

## 7.6 SUMMARY

In this chapter the main global and national **economic influences**, which affect property investment and planning considerations, have been considered from a macro point of view. Although economic analysis by itself may not provide a comprehensive analysis of urban planning problems it can inform policy on a wide variety of urban planning issues.

The majority of economic development decisions are based on private costs and benefits. It is therefore important to understand how economists view economic processes.

During the twentieth century economic development has typically involved relative shifts of resources and output from agriculture to unskilled labour-intensive manufacturing, to high value-added manufacturing and services. Planners largely ignored the nature of the economic influences, which affected the urban form and urban planning in the past. These influences have and are changing rapidly making it more important for planners to be fully aware of them. If it was necessary for urban planners to be cognisant of economic influences in the past, then it is more so in the era of globalisation and postmodernism.

The entire argument around capitalism vs. communism centres on the degree of control of the economic system. At the one extremity it has been found that a totally free market system does not work, while at the other end of the scale it has been found that fully controlled or planned economic systems are not successful because they inhibit growth and productivity. The degree of control has fluctuated from one extremity to the other over time and is implemented differently in each country. At the end of the twentieth century the consensus is clearly towards the capitalist view - yet with some necessary controls, particularly in the field of monetary policy. The controls over the economy is comparable to planning controls as it has been found (e.g. in Britain) that the governments approach to the economy is similar to its approach to spatial planning.

It is submitted that the economic system of a society reflects its social values as well as the economic problems that it faces. Within virtually every society and more particularly within a society with mixed cultures, wants and desires, there will be different views concerning the appropriate type of economic (and planning) control and which system that should be adopted. If the decision-makers in the society are rational and good judges of the needs and desires of the society in general then the system has a greater chance of being efficient and fair.

Historically, South African cities have been formed on a two-tier basis - a first world component and a third world component. While South Africa followed most of the trends of planning and development of international first world cities in its first world component, little

was done to consider the economies of the third world component. The first world trends have been economically successful because of the leads by international cities, but economic upliftment in the third world sectors of South African cities has failed due to insufficient understanding of those economies.

It is submitted that South Africa now has new leads and trends which it can follow which should improve the economies of the third world sectors of its cities while maintaining or even improving the first world sectors. Although mistakes have been made, the leads given by the 'Asian Tigers' and other countries, which have entered the race to become successful 'emerging economies', should be taken note of. It is with those countries that South Africa must compete. To do so successfully, it must study the market forces thoroughly and be able to implement the recipes for success.

In some instances South Africa could become a leader rather than merely a follower. This applies particularly to its role in Africa where some similarities to the trends of the successful 'Asian Tigers' may be found, but also many differences. Some guidance may be taken from some Latin American countries and even a few from the emerging economies of Easter Europe, but in the end South Africa must design its own blueprint.

Economic success and growth goes hand in hand with urban planning and development. Urban planning is done by both the private and the public sector. Both sectors play an important role in guiding the urban form, thus both sectors need to be fully cognisant of the economic forces and the required steps to be taken to ensure economic progress.

This chapter has set out the more important aspects of economics which influence the urban form to convey a better understanding to those not fully versed in this subject. Some remedies and proposals to implement actions efficiently are set out in later chapters. This chapter has concentrated on the influences affection the so-called "top-down" approach to planning. The following chapter concentrates on the local - the neighbourhood - and endeavours to consider the philosophies of the "bottom-up" approach to planning.

# CHAPTER 8

## LOCAL URBAN ECONOMIES

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# CHAPTER 8

## LOCAL URBAN ECONOMIES

It is submitted that a study of the economics of the city must include an analysis of the various sectors that make up the whole of the city. This chapter studies the economies of urban areas on a sectoral basis. These sectors have two forms: first, a geographic or spatial form and second, an aspatial form. Regarding the latter, emphasis has been placed on economic activities. These activities have been related to the economic base of the urban area. This chapter concentrates on those micro economic aspects that influence local planning decisions.

The economic base concept may be employed for analysing either regions, cities or substructures of cities. (Richardson 1969:165) This may be seen as one of the more diverse postmodernistic philosophies of the "*bottom-up*" approach to planning and development, where it is argued that change and development should focus initially on the lower echelons of the settlement system and only subsequently be transmitted up the settlement hierarchy. (Potter & Lloyd-Evans 1998:27)

The golden thread behind the analysis of the economy of cities by Jacobs (1969) relates to the subject of import replacement - i.e. manufacturing goods which have previously been imported into the city. Jacobs believes that cities that do not do import replacement will stagnate while those who do will grow and prosper. It is submitted that this logic can also be followed at neighbourhood and community level.

Globalisation is generating a political reaction in favour of localism. Some people see new technology proving a vehicle for a revival of local and individual influence on politics as well as creating the need for it. Globalisation influences national governments in economic affairs, creating a greater need for good local governance. (Coyle 1997:17)

Marcuse (1995:246) looks at a segmented city and sees:

- a dominating city, with its enclaves of luxury housing
- a gentrified city, occupied by the professional-managerial-technical groups
- a suburban city, with its single-family houses
- a tenement city, with its cheaper single-family areas occupied by lower-paid workers
- an abandoned city, the end result of trickle-down, left for the poor and unemployed.

He refers to these areas as being "walled off" - not necessarily physically, but practically - each representing an almost totally different world:

*"Walls define the quarters of the city - define, not surround; since the ghettos of medieval Europe were built, it has been rare that physical walls in fact circumscribe a delimited and homogeneous quarter of the city. Yet walls existing within each quarter define the nature of that quarter and the position of its residents within the hierarchy of quarters, the hierarchy of cities within the city. Sometimes the walls are symbolic boundaries, often they enclose similar individual units within one quarter and define its character."* Marcuse (1995:248)

Badshah (1996:15) believes that the creation of communities through development is the key concept of sustainability. Therefore, participation of people throughout the development process is what will generate successful new development processes.

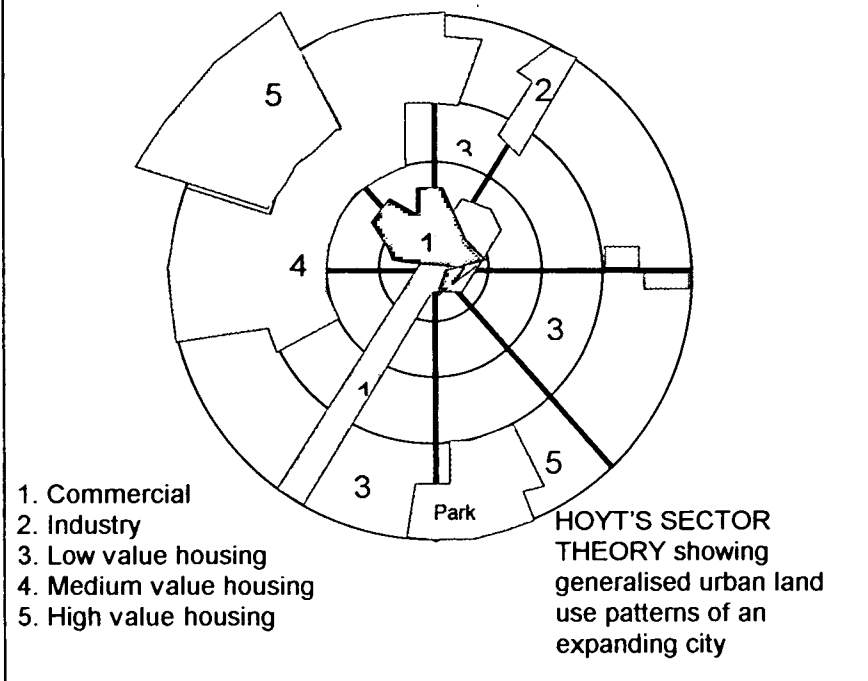
## **8.1 MICRO URBAN MARKETS**

### **8.1.1 Communities**

Micro urban markets constitute *communities* or *neighbourhoods*. These could be residential, commercial or industrial communities. Residential communities are usually homogeneous units in a particular area. It is their similarity in character and particularly in value, which creates the boundaries of the community. After the individual and household, the neighbourhood is the basic unit of consumption. Angotti (1993:206) contends that the neighbourhood was one of the most important institutions of civil society in the twentieth century.

The sector theory of urban growth originated in the late 1930s as an alternative to the concentric-zone hypothesis. The sector theory was developed by Homer Hoyt (1939) resulting from a comprehensive study of numerous blocks and American cities. Hoyt assumed a pie-shaped city with a central business district and numerous sectors or slices extending out from the central district to the city's outskirts. (Barlowe 1986:245)

Figure 5



Source: Barlowe (1986:246)

The Metropolitan areas and large cities in the developing world are rapidly growing much larger. These larger urban areas are made up of hundreds of neighbourhoods, which contain many communities' interests. While some of these communities can be defined spatially by neighbourhood boundaries, others cannot.

*"Neighbourhood and community are therefore no longer necessarily the same thing."* (Urban Development Strategy 1995:20)

It is submitted that the distinction between different micro-markets are important for investment and planning purposes. An investor and planner must be able to distinguish various **neighbourhood characteristics** for reasons of compatibility. An investor is actually making a long-term investment, paying a particular price for a future benefit. Thus it is important for him to ascertain the likely future of the property, as this will largely be dependent upon the future of the neighbourhood.

Although the fortunes of the neighbourhood will be affected by the macro market and central planning decisions, much of the future value changes are to be found in the realms of the micro-market. The actions and activities of the members of the particular community are vitally important to the future well-being of the neighbourhood. Many examples of improved neighbourhood security where the neighbourhood has actively, in co-operation with the police, set up systems of neighbourhood watch, have recently been seen. Other

activities by the members include petitioning for a new school, a higher level of street maintenance and cleaning, restrictions on certain types of buildings or building and fencing materials, and facilities like parks, libraries and other amenities.

It has always been the policy of local authorities to consult a neighbour when someone wants a change of zoning or with relaxation of some form of the present building control. Most re zonings are required as a result of the forces of the market. Original zonings are usually decided upon by planners based on future market expectations or on other decisions. In practice, where planners are sympathetic to market demands, these applications for rezoning are not unreasonably withheld unless they will have a detrimental effect on the neighbours or on that of the neighbourhood.

This kind of influence of the immediate members of the community on decision-making is to be encouraged. People like to protect their community and the value of the properties, and even improve them where possible. They tend to be sensible about this protection and enhancement because they have on the ground, first hand knowledge about the benefits and disadvantages of the particular community. By and large a house is the single largest investment made by the average individual, thus it is important that its value be protected.

Therefore we find that when some form of crisis threatens the value of properties in a community (for example the development of a major regional shopping centre close to an old existing ribbon development) the owners of the properties will get together and try to improve the quality of life in the neighbourhood to keep the area desirable.

Yet, there are many instances where the communities do not have the necessary knowledge and information to know whether a certain change will enhance or detract from the values of the community properties. It is submitted that planners, who have acquired the necessary planning and economic knowledge and skills, would be ideally suited to advise and lead the community in their decision-making process.

Within the complex environment in South Africa and the complexities created by post 'Apartheid' policies, combined with the needs and wants of the new democratic society, a logical approach to public policy must focus on altering incentives for individual choice so that an individual pursuing his/her own ends simultaneously achieves socially desired objectives. (The postmodernism approach) Again, the planner should be well equipped to give the needed guidance.



## 8.2 ECONOMIC BASE

### 8.2.1 The Theory

Large cities are composed of multiple economies operating within the same general space. (Fainstein, Gordon & Harloe 1992:73) O'Sullivan (1996:39) emphasises that cities originate from the establishment of firms which create employment opportunities. Once the city has become established it can be analysed in sectors of various sizes to determine the economic base of that particular sector.

According to the economic base theory, the export industries form the economic base of the urban economy. (O'Sullivan 1996:138)

*"Like a household, a city earns its livelihood by producing goods for others. Exports bring money into the local economy, increasing local income and employment through the multiplier process."* (O'Sullivan 1996:138)

An economic-base study predicts trends in urban income and employment. It is based on the notion that a city must earn its livelihood by exporting. O'Sullivan (1996:138) says that an economic-base study has three steps:

1. Estimate the amount of **export employment**. Location quotients provide inaccurate estimates of export employment.
2. Compute the **multiplier**. The multiplier equals the ratio of total employment to export employment.
3. Project **growth** in export sales or employment.

O'Sullivan (1996:141) believes that the ultimate purpose of an economic base study is to estimate the increase in total employment generated by an increase in export employment. Exports bring money into an economy, increasing local income and employment through the multiplier process. Thus when analysing the quantum of the economic base of a particular area, the quantum of 'exports', i.e. production or services that leave the area, must be quantified.

The basis of this theory is that the predicted change in total employment equals the employment multiplier times the change in export employment. Thus, to predict the change in total employment, the economic forecaster needs first, an estimate of the multiplier, and second, a projection of the change in export employment. To compute the employment multiplier, the economic forecaster estimates how much of the work force in the area which is being studied, is involved in export production.

Blakely (1994:55) contends that many of the current entrepreneurial and high-technology strategies aimed at attracting or generating new firms are based on economic base models.

The rationale is that non-export firms or service-providing businesses will develop automatically to supply export firms or the population that works in them. It is further argued that export industries have higher job multipliers than local service firms, thus every job created in an export firm will generate several jobs elsewhere in the economy.

It is submitted that an economic base analysis can produce a much wider range of results, like the per capita income of a specific sector and the consumption patterns in a specific sector, while such studies can be very usefully used by planners and urban economists to determine future trends in that particular area.

### **8.2.2 Input-output Analysis**

An alternative to the economic base analysis, is an **input-output** study. This studies the transactions between firms and households in the study area. The system records which local manufacturers and producers produce products for local consumption and which for export out of the area. An input-output study is a sophisticated version of the economic-base study. It is based on a complete accounting of the economy's transactions, so it more accurately measures export and local activities. Input coefficients, which summarise the interactions between different sectors of the economy, are used to derive income multipliers for each industry. (O'Sullivan 1996:142) Blair (1995:160) explains the method of quantification of these coefficients. This is illustrated in the Helderberg case study.

O'Sullivan (1996:157) points out that the input-output approach has two advantages over the economic base study: first, instead of assuming that every industry has the same multiplier, it derives a multiplier for each export industry. Second, instead of using the location-quotient approach to guess the volume of exports, it measures exports directly.

Input-output analysis can be used to determine the impact that an increase in the output of one sector will have on other sectors of the local economy. Further uses of the analysis includes assessing regional structure, estimating imports, assisting in targeting decisions, conducting impact studies and examining structural and growth pattern changes. (Blair 1995:167)

Although both systems do have limitations (O'Sullivan 1996:157), they are necessary tools to analyse and determine the quantum of economic activity in urban areas.

### **8.2.3 The Neighbourhood**

*"The search for an equitable, integrated approach to planning in the metropolis must be rooted in an understanding of the historic and cultural specificity of neighborhoods. A specific analysis of the livelihood and evolution of every*

*neighborhood is the foundation for an appreciation of metropolitan diversity.*"  
(Angotti 1993:204)

The idea of the place-based community has a long tradition in planning thought. It encapsulated an idea of village life, where the relations of living, working, raising children, relaxation and managing common affairs took place in a place-bounded world. (Healey 1997:133)

Short (1996:52) refers to the '**regional hierarchy**', citing individual dwellings as the base level of the urban hierarchy, hamlets (or neighbourhoods) and small villages as the next level of the settlement hierarchy, small towns at a higher level and metropolitan areas at the highest level. A neighbourhood is regarded as a **primary tier** sector. A number of these sectors could then be grouped together at the next level to form a **secondary tier** sector (e.g. a suburb), while a group of second tier sectors are referred to as a **tertiary tier** sector (a town or city).

There are distinct neighbourhoods in each city. (The Central Place Theory) The bigger the city the greater the variety of neighbourhoods. (Short 1996:53) In practice, for example, advertising companies have identified lifestyle communities that have particular patterns of consumption. Their identification and demarcation is an important element in targeting the selling of specific goods and services to the most appropriate groups of people.

Feagin (1998:49) describes the neighbourhood as:

*"...the bases of acculturation and thus of the creation of human and family identity."*

Angotti (1993:204-239) emphasises the important role that a neighbourhood does and should play in a large metropolis. He believes that the neighbourhood is the basic level for the planning and development of the social and physical infrastructure of the metropolis. Because national governments are by definition removed from neighbourhoods, metropolitan-level governments are usually weak and municipal jurisdictions often do not coincide with historically developed neighbourhoods, civil society has played an increasing role in shaping neighbourhoods, if not actually governing them. Angotti believes that the neighbourhood should play an even greater role in the metropolitan society by fulfilling certain of the functions performed by households - like food and local safety.

He points out that **women's** appreciation for the value of neighbourhoods reflects their collective experience with the problems of child-rearing, housework, shopping, local transportation, crime, leisure time and schools:

*"The considerable role played by women in housing and community movements, especially since the 1960s, follows from the objective tie between reproduction in the family and neighborhood welfare."* (Angotti 1993:212)

Jacobs (1960) approached planning as first and foremost a neighbourhood question, not a matter of physical design or rationalisation of metropolitan growth. She noted how a densely developed and integrated urban environment with a variety of architectural types and social groups, like her neighbourhood of residence, Greenwich Village, makes a vibrant community. That neighbourhood nurtures diversity and human interaction. She believes that different communities of people are going to be affected differently by different incentive systems and rules, and that these different groups may require the ability to make and enforce their own rules for members.

In a thorough analysis of one particular neighbourhood (Hillbrow, Johannesburg), Morris (1999) analyses the vast change in character and more specifically race that occurred in this neighbourhood in the last two decades of the twentieth century. The invasion and displacement that took place is not dissimilar to the process studied in the USA by Burgess (1928:pp.47-62) who concluded that this was a natural process. Morris believes that human ecologists underplay the roles of capital, the state, political organisations and culture.

*"The presentation of the free market as an unproblematic, natural entity which rationally distributes the urban population implies that the whole class basis and power structure of capitalist society is natural and benign."* (Morris 1999:65)

At the end of the transition of Hillbrow from a previously 'white' high-density residential and commercial area to a neighbourhood dominated by Africans and rife with crime, Morris (1999:338) calls for major government intervention to prevent the area from becoming "a neighbourhood populated mainly by a ghetto poor .... accompanied by ever increasing social and physical decline" similar to Harlem, New York. This is the result of market forces.

Robson (1969) studied the relationship between residential areas, social status, and attitudes to educational attainment and found that people of similar status but living in different areas had differing attitudes. In other words, the local area had an important role in influencing attitude - the local area provides the locale for a community of shared attitudes. There is also a politics of place in which residents get involved in issues and debates affecting their local area. The identification of these communities and their creation and restructuring is one of the more important topics of a renewed urban geography, combining as it does the important issues of place and space, economy and culture, global and local. (Robson 1969:14)

*"The national and local governments have steadfastly believed that the cure to any problem in spatial or human allocations of development will result from correcting imperfections in the existing market system. It is these imperfections, both large and small, to which localities must attend in order to build or rebuild their economic base to ensure long-term economic viability."* (Blakely 1994:82)

Angotti (1993:173) emphasises that planning which incorporates neighbourhoods is critical to the success of metropolitan planning because neighbourhoods are now the fundamental building blocks of cities.

#### **8.2.4 Sectoral Property Values**

When prices of various different kinds of zoned properties begin to become distorted *vis a vis* each other it is a clear indication that the planning authorities have not executed a proper economic analysis of the area. There are naturally exceptions why a certain property should be zoned for a specific land use, which zoning has a profound effect on its value, like a public open space in the middle of a large city, but by and large zonings should adhere to the forces of the market, thus the value of a small business site should not greatly exceed the value of a similarly located adjacent residential site. If there is a large discrepancy in values between two such properties then it is clear that the planners have provided insufficient land use zonings for the very high priced property.

An interesting method of measuring the **decline or growth of a sector**, particularly that of an inner city area is to follow the real (inflation excluded) land values or rental levels over a period of time. This exercise was done in Stockholm [own observation] where a series of inner city plans were prepared and compared on a bi-annual basis over a twenty-five year period. Rental levels were depicted in different shades, from light to dark, depending on the amount that was paid by tenants. This exercise clearly indicates patterns that were evident in either growth or decline and also shows shifts in the pattern of the heart or most expensive areas in the sector. It was found that the periphery declined in value over this period in Stockholm while there was a sharp rise in the heart of the inner core - a pattern of concentration towards the centre.

Some detailed studies done [by the author] on primary and secondary level sectors have revealed, *inter alia*; that property values in some areas such as Muizenberg (Cape) have showed a decline in real terms from the early sixties to the nineties, while property values in areas such as Constantia (Cape), Clifton and other 'upmarket' areas have shown a substantial increase during the same period. Some primary level sectors have undergone a substantial change as in the case of Rosebank and Sandton (Johannesburg), while others,

which have remained basically unchanged, have either grown in value or declined, or remained static. It is submitted that a careful analysis of the economic base of these sectors will reveal the reason for these patterns.

### **8.2.5 Inter sector competition**

The tendency for cities to compete with each other for economic gain (place marketing), has been discussed in Chapter 3 above. This approach may be extended to local authorities and even neighbourhoods. Neighbourhoods should not take a passive approach to the protection and enhancement of property values. It has been found that some isolated neighbourhoods have suffered economically while their neighbours have flourished. It is clear that property owners are now becoming very conscious of the role which a relatively small group or community can play in the protection and enhancement of their property values. Planners should play a leading role in guiding neighbourhoods in this regard.

This has been recognised by the Urban Development Strategy (1995):

*"Better functioning local government will in and of itself contribute to the heightened productivity of cities and towns. ... This is a precondition for South Africa's global competitiveness and will receive high priority."* (Urban Development Strategy: 41)

As set out more fully hereunder, (local economic development) It is not enough for local economies to rely on macroeconomic policy to generate work opportunities for people locally. The conditions for the survival of local economies have to be actively developed, to maintain existing firms and to attract what mobile investment there is. The perception that local economies need active development has been further fostered by the increasing mobility of economic activity. Even in the expanding sectors of economic activity, such as information technology and telematics, bioengineering, the financial services sector, and the leisure industries, urban economic interests find themselves in competition with those in other regions to capture and maintain companies. (Healey 1997:134)

Healey (1997:135) says that Massey (Massey & Meegan 1982) jolted thinking about local economies out of the economic base model within which the economy of a region was integrated with its core base industries, to a view of the urban economy as a complex collection of layers of economic relations linking companies to product inputs and markets with very different spatial ranges, and driven by different dynamics. Local economic development strategies in these diverse 'open systems' required a knowledge of the different competitive conditions in different economic sectors, and involved working out how to capture local benefits from companies during their sojourn in a region. They also

demanded a **proactive approach** to local policy, rather than merely the regulation of economic activities for social and environmental reasons.

Healey says that the sectoral approach to local economic development seemed initially to leave the management of local environments and the regulation of land use and development on the sidelines. She believes that such local environment management has come back into play for three reasons: **Firstly**, the provision of land, buildings and physical infrastructure remained important in keeping and attracting firms, and their supply was often one of the few tools which local governments could use to promote their local economies. **Second**, a good quality local environment has been increasingly emphasised as an important part of the 'assets', which constitute marketable urban qualities in the competition for investment. **Thirdly**, among the flows of inward investment to an urban region are those flowing into land and buildings. This brought land and property development activity into focus, as an important dimension of local economies.

Cities have different attractions and different objectives to draw the attention of people from other areas. During the modernist era growth, and particularly industrialisation, was the driving force, but in the postmodern era of de-industrialisation the emphasis is more on **entertainment and travel**. Many of these attractions can be promoted on a sectoral level.

Most substructures and even neighbourhoods tend to create some form of **representative body**, which looks after the interests of the particular sector. These bodies are becoming a stronger force in the quest for economic upliftment of the sector. Marketing an area involves improving its image as a favourable location for investment, generating investments directly, and providing services to prospective and current investors. (Tomlinson 1994:95)

Some of the major centres in South Africa have realised the necessity to be competitive as may be found in "*A Draft Vision for the Western Cape*." (Sept. 1993) and "*Economic Development*" (Durban):

*"The international trend is for competitive advantage to be created through organised local efforts, rather than based on unchanging natural assets."* (Durban Corporation 1996:24)

While the trend is shifting from international competition to inter city competitiveness it may be necessary to look at competition between sectors of a city *vis a vis* other local, national or even international competition. Any potential strengths of a community or local area must be enhanced and exploited for economic gain to the community.

### 8.3 VARIOUS KINDS OF ECONOMIC BASES.

There are a wide variety of economic activities that create economic bases. Some of the basic kinds of economic bases are:

#### 8.3.1 Tourism

Tourism is an economic activity that is regarded as an important economic base activity. According to various authors, including Keeling (1995:119) tourism is one of, if not the largest and fastest growing industry in the world. Various definitions of tourism exist, dependent upon the application thereof by the user. For the purpose of this study the definition accepted by Leibold, Taylor, van Rensburg van der Spuy & Visser (1994:11) is considered to be appropriate, describing tourism as:

*"The temporary movement to destinations outside the normal home and workplace, the activities undertaken during the stay and the facilities created to cater for the needs of tourists."*(Leibold et al 1994:11)

By the nature of the definition of tourism, tourist attractions of a sector may be seen as an 'export' product, thus bringing in external funds into the sector. The complexity of tourism is reflected in its multi-dimensional and multi-faceted nature, which has an impact upon many communities' resources, natural activities and various different economic activities. Tourism could be one of many economic base activities in a particular sector, for example a large hotel in a central business sector, or an entire sector could be seen as a tourist attraction, like for instance an entertainment centre. (Such as the Sun City complex)

Tourism is labour-intensive, having a low ratio of investment to job creation, meaning that more jobs can be created per unit of capital invested than most other economic base activities. Tourism activities are also within the reach of the small operator. It employs a multiplicity of skills, from accountants and hairdressers to tour guides and trackers, while the potential for on-the-job training is excellent, thus it creates entrepreneurial opportunities and encourages a thriving and dynamic informal sector. Well managed tourism is kind to the environment and encourages the protection of biodiversity on land used for its purpose.

The development of a detailed physical improvement plan for tourism is often an afterthought by local officials. Careful planning can avoid many conflicts between local inhabitants and tourists on aspects such as parking and the overcrowding of certain areas. (Blakely 1994:1611) In Europe much planning consideration has and is being done to alleviate conflicts and to promote the comfort and satisfaction of tourists. Sound forward planning enhances the tourist potential of potentially suitable tourism areas. The Cape Town Victoria & Alfred Waterfront may be cited as an example.



### 8.3.2 Industry

Industry is regarded as a separate economic base activity. A geographically contiguous industrial area could therefore be regarded as a primary sector. This is an important economic base because it produces goods, which is the lifeline of economic activity.

Industry has undergone a major shift in emphasis from the 'modernist' large mass production to a tendency towards more flexible, specialised smaller industries. The Silicon Valley developments south of San Francisco emphasises these changes. Its most important contribution may well be organisational, not technological. In the developed world, we see the gradual 'Siliconisation' of commerce. 'Gazelle' (smaller) firms now account for more than three-quarters of new jobs in America and probably much the same proportion in Europe and Japan. (The Economist 29/3/97)

International competition, and the removal of tariff barriers and government industry support, has resulted in a restructuring process in some key industries such as textiles, clothing and motor vehicle assembly, resulting in significant job losses and plant closures. (Durban Corporation 1996:3) Conversely, well planned and well located industrial areas attract new business. Planners need to be constantly updated regarding industrial demand and development trends.

### 8.3.3 Agriculture

Although agriculture is an economic base activity it is seldom found within the confines of an urban area. There are exceptions such as Paarl (Cape), but normally this economic base is a rural activity, which does not fall under the concept of urban economics. Many small and even medium sized towns owe their existence to agricultural activities. When farmers bring their products to town, they need to purchase goods there and the town then benefits from this "export" of goods. In some areas like the Cape, viticulture (wine tasting and sales) has become a substantial tourist attraction.

### 8.3.4 Retailing/ Commerce

Retailing is seen as a separate economic base activity. A single unit consisting of one shop can hardly be regarded as a sector. It would not be feasible to regard a small convenience centre as a sector thus, for the purpose of this study nothing less than a regional shopping centre could be regarded as a separate sector at a primary level. A regional shopping centre is reliant on a substantial percentage of 'export' business.

At a **second tier** level, the agglomeration of a number of primary tier levels, creating a commercial 'node', becomes a significant commercial centre. The size of such commercial nodes may range from a commercial centre of a small town or a commercial node in a

residential suburb, to a CBD of a large metropolitan area. Second tier nodes are referred to as "*sub-metropolitan nodes*:"

**Commercial nodes** are described by the Metropolitan Spatial Development Framework (1996) as follows:

*"An urban node is normally a place of high accessibility, usually at an important modal interchange or road intersection. Generally, the greater the amount of vehicular and pedestrian traffic through an interchange, the bigger the potential node or centre. This principle is used by traders wishing to locate businesses for maximum exposure to as many people as possible. (MSDF 1996:35)*

The report states that the development of nodes will play an important part in changing investment patterns and encouraging a sustainable urban economy to emerge and are catalysts for development. The MSDF (1996:36) believes that nodes, through proper location and development, can also act as triggers for the development of corridors.

Some characteristics of commercial nodes are:

- they are **located at modal interchanges**, providing maximum access - the larger the modal interchange, the greater the potential of the node;
- they are **locations for higher order**, health, recreational, educational, commercial and residential activities. Again, the larger the modal interchange the greater the potential of the node to generate activity;
- they can **create the conditions for sustained growth and development** through major public and private-sector investment and increased accessibility.
- urban nodes can give **social, economic and physical character** to a residential area or suburb.

At a **third tier level**, the MSDF refers to "*Metropolitan nodes*" as a node that is of such significance that it impacts on the metropolitan region as a whole, or it has the potential to do so. Existing (or potential) size alone, is not enough to warrant such a designation.

*"The node must also be in such a location that it has a critical role to play in relation to the region as a whole."* MSDF (1996:35)

The MSDF (1996:35) believes that there are many more areas that function as **mature sub-metropolitan nodes** and that most train stations and other modal interchanges, depending on their role and use, have the potential to be developed as such nodes. In particular, where interchanges are located within a corridor, there is potential for nodal development including health, educational, recreational, commercial and other facilities. Identification of these nodes must occur at local and sub-regional planning level.

Commercial zonings play a vitally important role in urban planning. Circumstances differ over time and demand shifts occur in old established residential areas. This ever changing pattern is particularly evident in the northern suburbs of Johannesburg where office and shopping nodes have replaced residences in areas like Parktown, Rosebank and Sandton.

### **8.3.5 Service Industries**

The services industry is a growing sector in global and local markets. Most offices may be seen as a service industry sector. Office sectors "import" labour and "export" services. An office sector usually contains some shopping or commercial activities, but there are sectors, which contain only an office component. Small service industries are also found in residential (particularly in low income areas) sectors.

**Government buildings** create an economic base activity, but they should be seen as offices, particularly buildings like the Houses of Parliament, which encompasses a substantial infrastructure. Although some other institutions like a university may be seen as a separate sector in a town or city it would be difficult to argue that such a sector can be seen to "export" or "import" economic activities, other than the import of labour relating to the staff. Such institutions do create other activities such as the demand for residential accommodation and shopping facilities. A large **transport centre** like an airport or harbour could be seen as a separate primary sector of economic base activity.

### **8.3.6 Small & Micro Business**

Although small and micro business may be included in the operations mentioned above, it is prudent to deal with this sector separately due to the fact that many of these businesses operate outside the formally zoned business and industrial areas. This sector is a fast growing source of employment and creator of economic activities.

The government predicts that some 90% of future new job opportunities will be created by the micro and small business sector. (du Plessis 1996:25) Many of the small business are operated in conventional premises and therefore form a part of the formal sector. Most of the micro businesses fall outside the formal sector. The operation of the informal sector has been dealt with in greater detail hereunder, yet the micro businesses themselves can be seen as a separate economic base.

The growth of this sector is largely due to existing unemployment and the growth thereof is fuelled by retrenchments.:

*"As a result, a discernible trend in many countries has been the importance being attached to support the growth of small businesses. Much of the emphasis by*

*governments on deregulation and privatisation has been as part of this policy to stimulate the growth of small businesses.."* (Cape Town CC. 1989:4)

The rapid growth of the small and micro business sector has a profound effect on urban planning, particularly in growing third world megacities. Planners need to study the trends thoroughly to be able to cater for both the informal and the formal sector in the urban form.

#### **8.4 DEVELOPMENT PLANNING**



Tomlinson (1994:38), arguing the case for development planning, says that its purpose is to facilitate economic growth and employment creation within an urban area, and contribute to the area's tax base. He believes that the origins of development planning lie in the ineffectiveness of regional planning and the structural transformation, which has created economic problems in many American and European cities. He suggests that development planning is replacing regional planning as the vehicle for determining where economic growth should occur. Clearly, development planning constitutes a **pro-active approach** to planning.

Tomlinson (1994:38) says that the nature of regional strategies has changed. Large metropolitan cities are more concerned with their own economic well-being than that of a region while the institutional location of responsibility for development planning has shifted downwards. There is now a shift to fostering indigenous enterprise within those locales and targeting benefits to run-down areas within those cities. Tomlinson (1994:90) believes that local authorities, which are presently keen to promote economic development will in future be encouraged by central government to engage in development planning.

Tomlinson (1994:61) believes that the origins of the entrepreneurial approach lie in the economic malaise of the 1970s. Instead of regulating development, primarily through designating land uses, many planners and other professionals became oriented towards promoting urban economic development. Tomlinson (1994:64) argues that this shift was also prompted by increasing recognition of the shortcomings of regional planning.

Most of the local development initiatives in the USA in the 1970s and 1980s were conceived by local development agencies like the Local Initiatives Support corporations

(LISC) as were founded in Boston, Chicago, Cleveland and Washington. (Bingham & Blair 1984:167) The objective of these LISCs was to:

- help forge a productive and continuing alliance between community organisations and the local and national private sector,
- strengthening local capacity by assisting organisations to increase and safeguard their assets
- encouraging and assisting local organisations in achieving the business discipline necessary to raise and invest their own funds optimally. (Bingham & Blair 1984:167)

**It is submitted that this should also be the concern of urban planners.**

Tomlinson (1994:56) believes that development planning should be undertaken in a collaborative manner with urban coalitions facilitating strategic responses to the overall process of structural change. He feels that community development corporations can expand the reach of local authorities and argues that, if there is broad representation on the coalition, the probability of a fair distribution of the benefits of growth is increased. Yet he admits that the urban efficiency approach favours free markets and the removal of state ownership. (Tomlinson 1994:58) It is submitted that developments created by committees can never be economically successful. Blakely (1994:70) correctly points out that, in the role of entrepreneur, the developer "*takes the full responsibility of operating a business enterprise.*" He urges that this should be done in co-operation with commercial enterprises.

Harrison (1996a:30) emphasises a "*new realism in planning*" which, he argues, ties planning very strongly to the implementation of plans. In this regard he sees two constraints being; **first**, the lack of sufficient data (information) about developments, and **second**, a general lack of efficient mechanisms for monitoring and evaluation of planning and development. He feels that there is insufficient feed-back from developers to planners.

While it has been stated that planners should be better versed in economic and development principles, it may equally be argued that developers should acquire a higher degree of knowledge about urban planning. This is usually done to some extent in practice by developers who engage planners to assist with development design.

It is submitted that large planned development projects where emphasis is given to mixed land use so as to contain residents in their work and living areas, should enjoy high priority from planners. These kinds of developments can cater for a variety of income levels, even in one development, although it would be preferable to ensure a certain amount of income group segregation in various precincts. A specific proposal in this regard is to be found in the case study (Helderberg) of the AECL site at Somerset West.

Tomlinson (1994:54) argues that the move to development planning was a reaction to the economic crises prompted by global restructuring and the inability of old-style regional planning to address the resultant problems.

*"The trend is apparent as cities throughout the world assume responsibility for attracting investment, supporting indigenous enterprise, and sustaining community efforts."* Tomlinson 1994:54)

Tomlinson (1994:92) says that the South African tradition manifests an extraordinary level of interference in spatial affairs: in shaping the form of the apartheid city; in trying to control population movement; and in trying to direct the location of employment creation. He believes that regional planning has proved ineffective and it is for good reason that the trend is towards development planning.

*"Progressive planning has links with entrepreneurial planning and community economic development, and there is not always a clear line dividing the various approaches."* (Tomlinson 1994:119)

Tomlinson's suggestions have been strongly supported by the South African government as set out in Department of Constitutional Development's 1997 *"Local Government and Economic Development: A Guide for Municipalities in South Africa"* and the *"Integrated Development Planning Manual."* These documents follow the provisions of sections 152 and 153 of the Constitution of the Republic of South Africa (Act 108 of 1996), which provides, *inter alia*:

*"The objects of local government are .... to promote social and economic development;"* (Sec 152(1)) and *"A municipality must - structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community,"*

*"This takes us well beyond the narrow service-provision role implicit in most local government ordinances."* (Department of Constitutional Development 1997:2)

#### **8.4.1 Local Development Initiative**

Local development initiative is a sub-national or sub-regional action, usually taking place within the context of a local labour market with the objective to create more job opportunities. It involves a process that will assist local institutions to reorient themselves to improving the economic potential of a given area. (Blakely 1994:64 and Blair 1995:15) It is usually promoted by local political and business leaders in the interests of their community.

The formation of partnership arrangements between public and private sector groupings often leads to employment strategies that tap local skills and resources.

The National Development & Planning Commission (1999:37) believes that the local scale represents the 'cutting edge' of the spatial planning system. Therefore elected representatives or those to whom they delegate authority appropriately should make most spatial planning decisions in this sphere. The Department of Constitutional Development (1999:13) points out that the content and the form of the development agenda for each locality is likely to be unique, reflecting the developmental needs, aspirations and resources of the local area and should be reflected in the results of the integrated development planning process.

A spatial planning system in local government has two broad dimensions: a proactive or forward planning system and a decision-making land management system. Thus the National Development & Planning Commission (1999:39) urge that all local authorities should be required to include a proactive spatial component in their integrated development plans. This should include a spatial logic that guides private sector investment. Unfortunately the Commission does little to allude to economic aspects in spatial planning.

Nel (1994:7) states that, from the experience of numerous countries it is apparent that local development initiatives have developed as an endogenous response to the reduced role of the welfare state and frequently in response to market failures in the local economy. They often restore lost employment opportunities. Local circumstances and individuals as well as the particular economic context determine the form of strategy adopted in local development initiatives. (Nel 1994:8) The major, and sometimes the sole, rationale for communities to engage in active development efforts is to boost local employment. Blakely (1994:27) firmly believes that economic development and employment generation is more likely to be successful if initiated at the community/local level rather than elsewhere.

Subnational policy makers who have little capacity to directly intervene in new economic structures or global marketplaces, have attempted to structure their own solutions to international forces. Human resources, natural resources and world market potentials have to be aligned, that is, if new jobs are to be created, the jobs need to 'fit both the people and the place.' Therefore, Blakely (1994:5) argues that regional (substate) planners must develop economic development strategies that utilise the local resource base (both human and physical) to compete. Neo-liberal theorisation involves a reassertion of instrumental rationality, but in a narrow form grounded in microeconomics. (Healey 1997:28) Planners

need to be mindful of the enormous importance that communities place on job creation and economic improvement of the area.

#### 8.4.2 Local Economic Development

*“Local Economic Development (LED) is an outcome based on local initiative and driven by local stakeholders. It involves identifying and using local resources, ideas and skills to stimulate economic growth and development. The aim of LED is to create employment opportunities for local residents, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents.”*

(Department of Provincial and Local Government 2000:4/1)

Planning for local economic development is an important part of municipal planning. Planning for local economic development is seen as a part of developing Integrated Development Plans as described in chapter 5. The Department of Provincial and Local Government (2000:4/5) says that each municipality’s Integrated Development Plan must include a spatial development framework for the municipal area, which will guide the way in which the physical area will be developed. The Department urges each municipality to set development objectives such as alleviating poverty, enhancing economic growth or increasing the local tax base. To realise these development objectives, municipalities will need to formulate strategies, which could consist of local economic development programmes and projects.

The Department of Constitutional Development (1997:8) says that a number of approaches to economic development have been taken by local authorities around the world. Each rests on particular assumptions about local economies and the impact of local authorities therein. The key approaches can be distinguished as follows:

**Traditional** approaches assert that the key to prosperity is attracting industrial development investments through concessions such as tax reductions, cheap land and reduced rates in return for locating in the area. **Entrepreneurial-competitive strategies** emphasise the importance of local comparative advantages and small businesses in job creation. Local authorities play a proactive role in identifying actual or potential growth sectors and in directly supporting local businesses through research, loans, grants, consultancy, premises, technical infrastructure and so on. Municipalities have engaged in research to identify the particular economic strengths of their locality and some have produced a local industrial strategy.

**Urban efficiency** proponents argue that local authorities should raise urban productivity, in part by lowering the costs of living and doing business in the locality. Improved local



governance and proactive forward planning and budgeting can achieve this. Blair (1995:66) points out that economic development officials need to understand the linkages between their communities and the surrounding areas.

Human resource development is also identified as a key focus for local economic development strategies. The argument is that low skill levels, especially among the poor, are a key constraint facing potential investors. Poor people are unlikely to benefit from whatever new jobs there are unless they have appropriate skills. Local authorities can either support the establishment of local training bodies or focus the activities of national training agencies in the local area.

The Development Facilitation Act (Act 67 of 1995) empowers municipalities to establish statutory land development objectives, which set out a clear approach to land development for each locality. Most provinces have passed regulations, which require that these land development objectives also cover economic development objectives.

**Local economic development creates the opportunity for a 'joint venture' between spatial and economic planning.**

Blakely (1994:43) contended that no true prototypes of local economic development exist, because the political-economic framework differs among the nations that practice it. He felt that, in every sense, local economic development is an emerging field, and the precise form that it will take - when and if it becomes fully developed - will depend on the long-term success of current ventures.

Tomlinson (1994:119) urged that, where possible, community organisations should be used as vehicles for implementing development strategies, citing job training and the supply of capital to neighbourhood businesses as examples. He urged that progressive planning should shift the emphasis from real estate ventures in downtown areas to focus on employment creation for defined target groups, balancing development between the CBDs and neighbourhoods. He believes that the market may need a nudge in order to serve the interests of the poor and felt that affirmative action does little to alleviate the plight of the poor.

*"The goal of progressives must be to articulate development issues in a different light, to change the conventional wisdom, and create a new development agenda. ... Production activities including the provision of services, saving schemes, co-operatives, and assistance to small entrepreneurs should all become part of the agenda."* (Tomlinson 1994:121)

The Department of Constitutional Development (1997:17) says that in many parts of the world governments provide considerable financial and technical support to community organisations, which are committed to local economic development. The report urges municipalities to support the developmental role of community groups in various ways, including: firstly, by providing technical support and training; secondly, by entering into partnerships which mobilise local government or private sector resources for projects jointly managed by community groups; and thirdly, by directly financing community groups as the implementers of local development projects.

Municipalities can play a crucial role in promoting, co-ordinating and supporting the involvement of a wide range of stakeholders in local economic development. The Department of Constitutional Development (1997:18) believes that involving local residents in establishing a local vision, through the integrated development plan, will help ensure that everyone brings their energy, commitment and resources to development programmes.

The following proposals regarding the role of municipalities in Local Economic Development are made:

<b>Municipal Role</b>	<b>Explanation of municipal role</b>
<b>Co-ordinator</b>	In this role the municipality acts as a co-ordination body. An important tool for co-ordination is the Integrated Development Plan (IDP), which draws together the developmental objectives, priorities, strategies and programmes of a municipality. The IDP can be used to ensure that LED initiatives are co-ordinated with other municipal programmes, and appropriately linked to national and provincial initiatives.
<b>Facilitator</b>	In this role the municipality improves the investment environment in the area. For example, the municipality may streamline the development process, or improve planning procedures and zoning regulations.
<b>Simulator</b>	In this role municipalities stimulate business creation or expansion. For example, the municipality may provide premises at low rentals to SMMEs, or compile brochures on local investment opportunities, or promote a particular tourism theme or activity in a key venue.
<b>Entrepreneur or Developer</b>	In this role the municipality takes on the full responsibility of operating a business enterprise. A municipality can also enter into a joint venture partnership with the private sector or an NGO.

Table 11

It is recommended that municipalities should not try to be entrepreneurs. They should leave this to the private sector, but partnerships are encouraged.

Although the above principles are supported by the National Development & Planning Commission in their 1999 Green Paper they make no new direction or practical proposals. It is feared that the Commission lends too little support for local **economic** initiatives.

Blakely (1994:81) contends that the goal of local economic development is to diversify the local economy in an effort to provide employment options and opportunities for the existing local human resource base. Locally based economic development projects require close co-operation between local government, community organisations and private sector developers. The 'enterprise approach' is a process by which local governments, along with local corporate firms join forces and resources to enter into new partnership arrangements with the private sector or each other, in order to create new jobs and stimulate economic activity in well-defined economic zones. (Blakely 1994:49)

Blakely (1994:70) believes that local governments or community-based groups can act as a co-ordination body to establish policy or propose strategies for an area's development. Plans developed and imposed by government alone are unlikely to have the same level of commitment or resource input that joint plans will have. He believes that local bodies that adequately represent all sectors, and that produce realistic analyses and approaches, are likely to have high credibility with government and thus considerable political influence. Some communities have formed non-profit organisations that assemble economic data for communities as well as provide a research capacity from which services can be shared.

Both community groups and city councils can stimulate business creation or expansion by taking specific action that induces firms to enter or remain in the community. Blakely (1994:72) says that stimulation may range from developing brochures to actually building industrial estates or small manufacturing workshops. In numerous examples, local governments have provided premises at reduced rents to community-based enterprises to help meet local employment objectives.

*"The issue is seldom whether the council should or should not act, but what action to take and how to take it."* (Blakely 1994:73)

The local organisations must determine what national or even global demand exists and how the local resources can meet this. The community must initiate activities to build or maintain its economic base in response to competitive conditions. Blakely (1994:76) urges that development organisations should be proactive rather than reactive. Reactive planning (sometimes referred to as *impact planning*) takes place when negative economic occurrences have decreased job opportunities in a certain area. He says that contingency planning is an emerging approach that grows out of the ineffectiveness of impact planning

in declining areas and from an awareness that planning must anticipate impacts rather than react to them. Because impact planning responds to episodes of economic distress only after they happen, actions taken seldom fit into an overall plan for the area. He believes that contingency planning anticipates the worst and best possible outcomes and assesses the strength of all economic sectors while anticipating prospects for potential economic cyclical or long-term trends.

**Proactive planning** (sometimes called *strategic planning*) is a future-oriented planning approach, which is clearly the most appropriate approach for all communities. Local areas need to adopt a long-range view of economic development and trends, which should be a long-term objective for all ongoing local community governance functions.

*"A strategic view of planning would put economic development specialists at the focal point of budgets, tax policies, public procurement, expenditure patterns, and public finance."* (Blakely 1994:78)

The Department of Provincial and Local Government (2000:1) urges Municipalities to view local economic development as an ongoing process. It should encompass all stakeholders in a local community, involved in a number of different initiatives aimed at addressing a variety of socio-economic needs in the community. The Department urges municipalities to ensure that the impact of each local economic development project is measured against the specific objectives set for that project. The local economic planning process is illustrated by the Department by the following diagram:

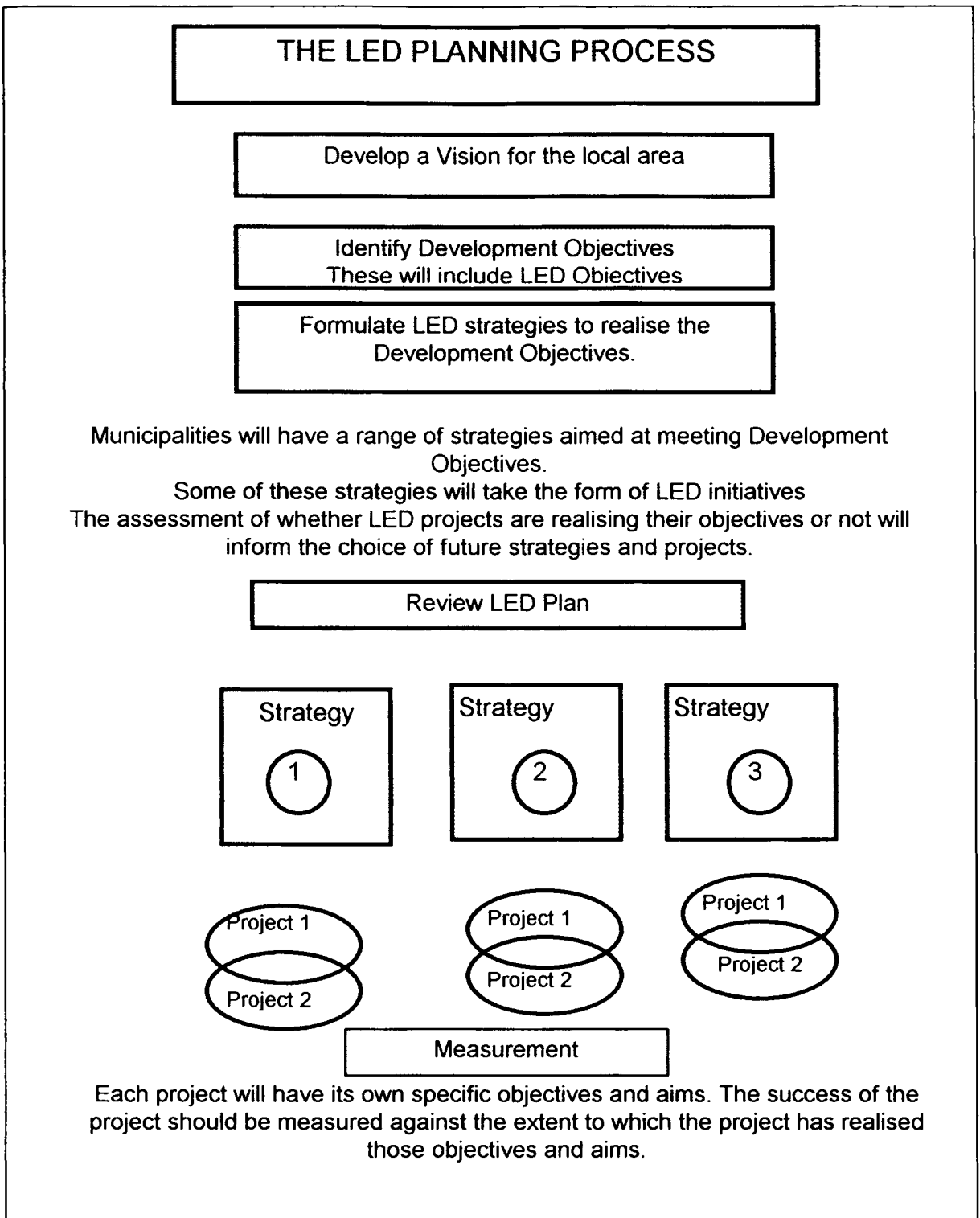


Figure 6

**Community Economic Development**, which is based on the concept of developing community self-reliance, is encouraged by the Department of Provincial and Local Government (2000:2/5). The central objective of this strategy is to alleviate poverty, by improving the capabilities of disadvantaged communities to create sustainable livelihoods for themselves. Community Economic Development focuses on combining employment

training, human services and enterprise development to enhance access to and creation of jobs, careers and self-sufficiency for disadvantaged communities.

### **Design Criteria**

Ellin (1996:74) believes that those who are dissatisfied with the conventional post-Second World War suburban tract development as well as the master-planned and gated communities which succeeded them, have proposed various types of 'neo-traditional urbanism' which draw inspiration from townscapes of the past in an effort to engage their surroundings rather than retreat from them. She urges, in order to achieve this, neo-traditional urbanism must seek to provide quality public spaces, which are semi-enclosed, legible, and connect places that people use, in contrast to the amorphous, illegible, isolated, and largely unused public spaces of the master-planned communities.

*"Rather than increase the fortress mentality and fear, it is hoped that these measures will alleviate the sources of insecurity themselves."* Ellin (1996:74)

The two most well-known American variations on this theme are the *"Traditional Neighborhood Development or District"* (TND) and the *"Pedestrian Pocket"* (PP). In contrast to the conventional suburban tract development and the MPC, the TND and PP developments are designed with people in mind rather than cars. South African examples may be found at the Club Mykonos development in Langebaan, Century City (Cape Town) and San Torini (Natal). Further, in South Africa secured private golf resorts became popular in the nineties. These are high priced securitised private development with superbly manicured golf courses offering large private open space.

Some TNDs, e.g. Seaside, an eighty-acre community along the coast of Florida, are based on grids of straight streets and boulevards (instead of highways), which are lined by buildings in order to generate clear and enclosed public spaces. Buildings are grouped by scale and classes, and age groups. These towns have a finite size and should be easily traversed on foot. In place of 'pods' of housing, 'clusters' of office 'parks' and shopping centres are assembled along 'collector' roads. Urban codes are laid down, aspiring harmonious diversity by including guidelines for proportions, dimensions, and materials and by designating features that are required, such as deep front porches, tall narrow windows, straight narrow streets which frame a view or have visual terminations such as a gazebo or community pool, on-street parking, separate garages situated toward the back of plots, galvanised steel roofs, screen porches which cover certain percentage of the facade, picket fences, underground utility cables, and colours which fall within a specified range of pastels. The codes may encourage other features such as outbuildings, small cottages

located beside or behind the houses which could be used for older children, elderly family members, or as a rental unit.(Ellin 1996:75)

Another example is the development of the 'Disney City' called "*Celebration*" in Orlando, Florida where strong emphasis is laid on building individuality - yet containing an overall harmonious feeling of 'nostalgia'.

The Pedestrian Packet (PP) seeks to incorporate elements from the European school of typology, critical regionalism, advocacy planning, and energy-conscious design in an effort to develop 'new' compelling typologies for our suburbs - ones that take the low-density, homogenous bet that has been thrown over the outskirts of cities and gather it into finite knots - bounded, contained, lively, and pedestrian communities. (Ellin 1996:76)

Behrens & Watson (1996:41) aptly emphasise that, very often minimal public intervention in layout planning results in maximisation of private choice. They acknowledge that

*" .. little consideration is given to the implications of layout planning for the creation of economic opportunities."* (Behrens & Watson 1996:41)

They recognise the necessity of economic feasibility under the provisions for creating opportunities. They realise that the maximisation of the economic opportunities inherent in large agglomerations of people through the arrangement of infrastructural investments in space has implications for inter alia small business support programmes, training programmes, retail management policies and development control systems. With regard to layout more specifically, a concern for the creation of economic opportunities and local economic development has implications for the planning and design of circulation amenity and utility systems.(Behrens & Watson 1996:80)

Behrens & Watson (1996:83) have however mainly emphasised the need for cost savings and cost efficiency as opposed to the creation of specific job creation. The importance of commercial activities such as hard public spaces where informal trade can occur and the accessibility thereof is considered.

It is submitted that urban planners who have a sound understanding of economic and feasibility studies are the best suited to initiate and co-ordinate local development initiatives.

#### **8.4.3 The Development Planning Process**

The Development Facilitation Act makes provision for Integrated Development Planning. According to the Department of Constitutional Development's Integrated Development Planning Manual, the process consists of six phases:

**Phase 1:** Preparing your workplan (The workplan is similar to a business plan and deals with the allocation of local government capacity and resources in support of the planning process.)

**Phase 2:** Vision - where do you want to go?

**Phase 3:** Development framework - what benefits do we want to deliver

**Phase 4:** Development strategies - how do we get there?

**Phase 5:** Operational planning - what do we need to do to make it happen?

**Phase 6:** Monitoring, evaluation and review - are we still on track?

Each phase consists of several steps:

**Step 1:** Workplan introduction

**Step 7:** Technical support

**Step 2:** Planning process

**Step 8:** Information management

**Step 3:** Institutional arrangements

**Step 9:** Political approval process

**Step 4:** Public participation

**Step 10:** Work programme

**Step 5:** Empowerment strategy

**Step 11:** Budget

**Step 6:** Communication plan

Blakely (1994:65) proposes six 'generally recognised' phases of the economic development process. They are set out as phases and tasks of the process as follows:

Table 12 PHASES OF ECONOMIC DEVELOPMENT PROCESS

<b>Phase 1</b>	Data gathering and analysis <ul style="list-style-type: none"> <li>• Determining the economic base</li> <li>• Assessing current employment structure</li> <li>• Evaluating employment needs</li> <li>• Examining opportunities for and constraints on economic development</li> <li>• Examining institutional capacity</li> </ul>
<b>Phase 2</b>	Selecting a local development strategy <ul style="list-style-type: none"> <li>• Establishing goals and criteria</li> <li>• Determining possible courses of action</li> <li>• Developing a targeted strategy</li> </ul>
<b>Phase 3</b>	Selecting local development projects <ul style="list-style-type: none"> <li>• Identifying possible projects</li> <li>• Assessing project viability - Community - Commercial - Location - Implementation</li> </ul>
<b>Phase 4</b>	Building action plans <ul style="list-style-type: none"> <li>• Pre-assessing project outcomes</li> <li>• Developing project inputs</li> <li>• Establishing financial alternatives</li> <li>• Identifying project structures</li> </ul>



<b>Phase 5</b>	Specifying project details <ul style="list-style-type: none"> <li>• Conducting detailed feasibility studies</li> <li>• Preparing a business plan</li> <li>• Developing, monitoring, and evaluating the program</li> </ul>
<b>Phase 6</b>	Overall development plan preparation and implementation <ul style="list-style-type: none"> <li>• Preparing project plan implementation schedule</li> <li>• Developing an overall development program</li> <li>• Targeting and marketing community assets</li> <li>• Marketing financial needs</li> </ul>

The **first** step is to establish a **development organisation**. As suggested in chapter 4 above, the preferred body would constitute a combination of the local authority, the leading community organisations and business - lead by an entrepreneur. The first planning step any organisation interested in local economic development must take is to decide on the role it wants to play in the development process. The stance that an organisation takes will shape the planning process in which it engages and the tools it can ultimately use to initiate economic development. (Blakely 1994:69) A strategic plan must be compiled. Once this has been done the above development planning process can get under way.

Before any planning can be done the decision makers must have sufficient relevant information on which to make decisions. Blakely (1994:83-110) proposes comprehensive 'analytical techniques' for local economic development. This comprises a wide spectrum of required information that is too comprehensive to deal with in this work.

The **second** step in the development planning process is to design appropriate **development strategies**. Strategies constitute an overarching set of principles that form concepts to guide general to specific actions (i.e. from goals to strategies to projects). Strategies are valuable in forcing clarity of thought and generating consensus during the local economic development process. Local communities must state explicitly its economic development goals so that various strategies may be determined. (Blakely 1994:134)

Mostly there are four strategic approaches offered to local areas, being: (1) locality or physical development strategy, (2) business development, (3) human resources development, and (4) community-based development. Each of these major components is part of the mixture of approaches the community develops to create a local economic development strategy. Local development strategies must include both short-term as well as long-term process objectives. (Blakely 1994:143)

Having developed a development strategy, the **next step** is to build an **action plan** for each of its viable projects. Action plans are document that describe the components of a proposed project that match the economic development strategy. The principal purpose of

the project action plan is to provide sufficient information to test the project's viability - that is, to determine whether the necessary economic, technical, management, and other support systems will indeed be adequate to support the proposed project. More detailed planning cannot commence without an examination of the project outputs, as one cannot specify exactly either project inputs or project management and institutional plan without knowing what the project is to produce. (Blakely 1994:143)

It is submitted that the approach as set out by Blakely, while incorporating essential elements of development, is not sufficiently comprehensive because the economic feasibility thereof is not fully dealt with. Therefore further considerations are necessary and the following overall planning, as a sequence to Blakely's proposals, are suggested:

#### **8.4.4 Overall Planning Approach**

**Development planning** is viewed at four different planning levels, being:

- **First**, the individual building development;
- **Second**, the precinct, containing a number of building developments within a precinct, or on the same site;
- **Third**, the node which is viewed as a node within the metropolitan context, and;
- **Fourth** is the metropolitan area.

The basic approach to the determination of the optimum feasibility of a large property development is carried from the individual building through the precinct level, the nodal level to the metropolitan level. Thus it is submitted that it is pointless to decide at a metropolitan level that e.g. a metropolitan commercial node should be established at Philippi (Cape Town) when it is uncertain whether the development thereof will be feasible. At the other end of the scale, a single building in a node may, on its own not be economically feasible but, supported by a number of other buildings and infrastructure, it could become financially feasible.

There is always some uncertainty about the future economic success of a large development. Studies must be done to determine how much of the node will need to be developed before the buildings become feasible. Thus it is advisable to consider the development of the node in stages. These stages are described as precincts. The economic feasibility of the node therefore consists of an agglomeration of the feasibilities of the precincts. The economic feasibility of each precinct constitutes an agglomeration of the feasibilities of the separate buildings. When the feasibility of a precinct is determined it should be carried out on the basis that an entire precinct would be developed as one stage

of development. As more precincts are added, it may transpire that the economic feasibility of the first precinct is improved by economies of scale.

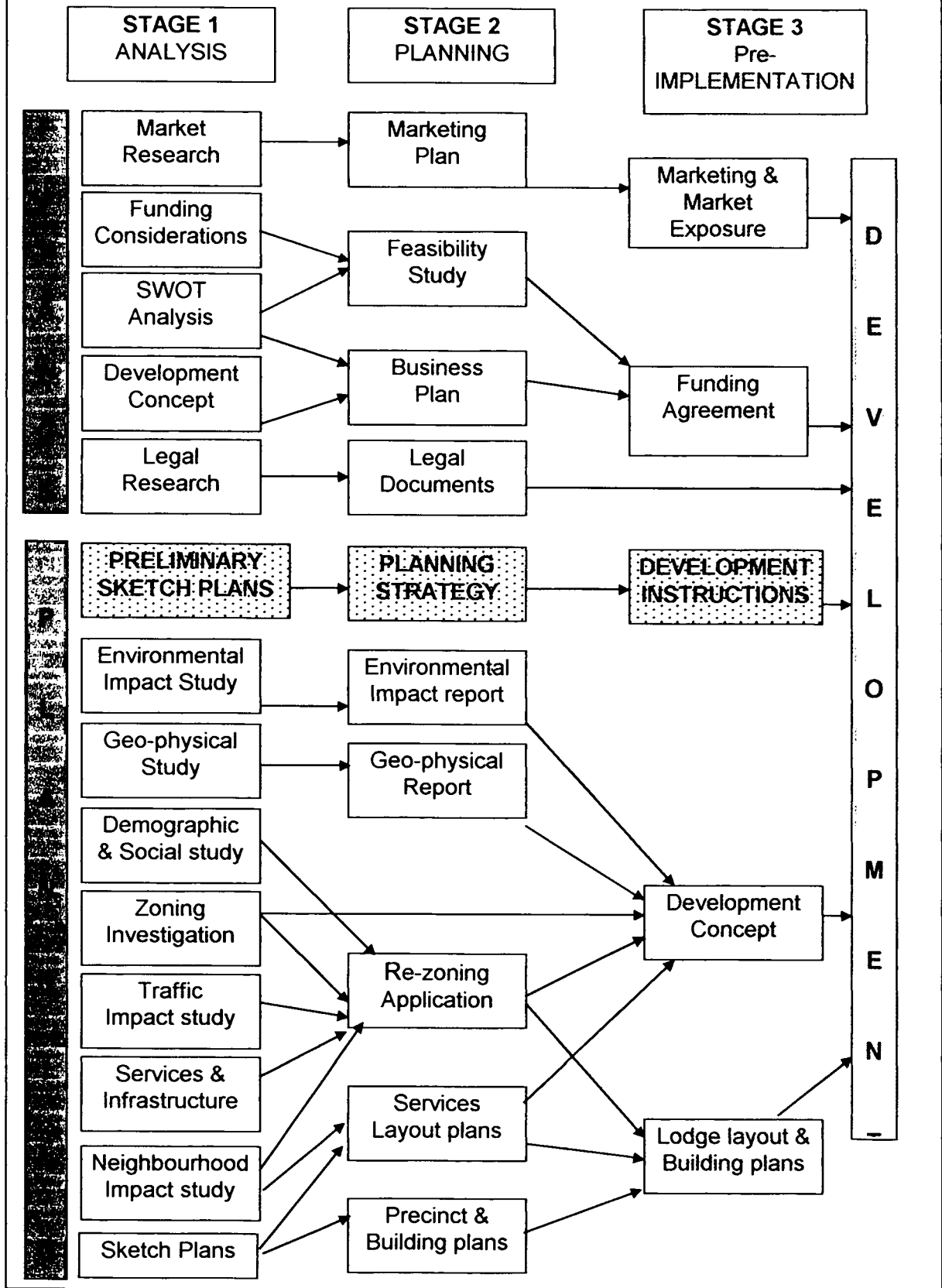
This is illustrated by the following examples:

- The **Tygerberg centre** (Cape Town) originally constituted one large regional shopping centre. The nearby decentralised Metropolitan Life office building originally also constituted a single building. Both were later supplemented by additional buildings to form two separate precincts that, with the development of further precincts, now constitute a metropolitan commercial node. The economic feasibility of all the original buildings has been enhanced by the overall development. It appears that the entire node was not originally planned as such - it came about by evolution.
- A large resort development, like **Sun City** (near Rustenburg) originally constituted one building development with an hotel and gaming operations. This was extended to a precinct. Later additional precincts have been added to create a resort that may be seen as a node. It is uncertain whether the developers envisaged the end result when embarking on the first stage. In this instance there was sufficient space and consolidated land ownership to merely continue with additional precincts.
- A large residential development like **Pinelands** (Cape) started as a suburban residential development and progressed to a separate municipal area, together with a substantial commercial centre. Due to large single land ownership much of the original planning was done on an overall basis, yet the commercial centre has grown far beyond the original expectations.

When determining the impact of economic forces the **highest and best land use** should be considered. Having done this the other relevant inputs such as social welfare, aesthetics and environmental impact studies can be weighed up against the benefits of economic feasibility. To achieve the highest and best economic land use (optimum commercial potential) the following overall planning approach has been diagrammatically illustrated:

# OVERALL PLANNING APPROACH

Figure 7 Source: Author



The above overall planning approach diagram envisages four stages of nodal development planning.

**Stage 1:**

This is the **research and analysis stage**. It is split into two sectors, being the financial or economic sector, and the planning and design sector. These two sectors combine in the centre to create preliminary site and sketch plans.

- The **market research** includes research relating to the needs, wants and potential quantity of individual tenants, occupants or buyers, as well as neighbourhood and regional market research.
- The **funding** considerations refer to the funding of individual buildings and the consideration of precinct funding.
- It is necessary to execute a **SWOT analysis** (strengths, weaknesses, opportunities and threats) of the entire node as well as of each precinct.
- The **costing analysis** includes quantity surveyors costing of the buildings, the land costs, all infrastructure costs, professional fees and the costs of finance and administration.
- The **development concept** entails the broad idea and the goals and objectives intended for the nodal development as well as for the different precincts.
- **Legal research** includes land title, zonings, required agreements and all matters relating to the title envisaged for the end users.
- An **environmental impact study** should refer to the impact to be created by the development of the node as well as the existing and expected future status of the precincts.
- The **geo-physical analysis** centres on ground structure and contours.
- The demographic and social study will have to include an analysis of the population structures of the Metropolis and the neighboured as well as the needs and wants of the people who might be affected by the proposed development. Inputs from the latter will have to be included.
- It would be highly unlikely that land is already correctly **zoned** for nodal development, thus present zoning, although not irrelevant, is unlikely to remain unchanged. Consideration will have to be given to central, provincial and local government policies.
- As nodes, and more particularly commercial nodes require a great deal of various kinds of **traffic** movement, consideration of existing linkages as well as alterations and additions thereto, is of significant importance.

- Consideration will be given to external and internal **services and infrastructure**.
- It will be necessary to compile rough **sketch plans** of individual buildings as well as precinct sketch plans and a nodal site layout plan. This basic document will serve as basis for consideration of all parties involved in the planning process.
- Consideration will have to be given to the impact that the development of a node will have on the **neighbourhood**, indicating benefits and disadvantages.

### Stage 2.

The main objective of stage 2 is to **collect and collate all the information acquired** by virtue of the work executed in stage 1, and then to execute planning decisions. All the role-players will be involved in all planning decisions. The information available to make these decisions will include:

- A preliminary **marketing plan** reporting on the findings of the market research.
- A detailed **feasibility study** and business plan for the nodal development, based on an agglomeration of the feasibility analyses of the precincts.
- **Heads of agreements** for proposed contracts to be entered into between all contracting parties, including the professional team, the developers and financiers.
- A detailed report on the **legal status** of the subject property.
- A detailed **environmental impact study**
- A **geo-physical** report
- The necessary documentation and approach to be taken to apply for **re-zoning** including details of the traffic impact study.
- A preliminary **services layout** plan indicating external services and infrastructure connections.
- The draft **sketch plans** from the first stage can be updated and refined.

### Stage 3

This is the **pre-implementation stage**, which will include:

- The appointment of the **sales force** and initial market exposure of the proposed precinct developments.
- Finalisation of the **funding agreement**
- The signing of the **legal documents** and giving instructions for the development.

- The appointment of the **developer** and signing development documentation including construction contracts.
- Lodging **building plans** for the first buildings and layout plans for the precincts and the overall nodal layout plan, together with services layout plans.

#### Stage 4

This is the **development stage**, which is not part of the planning process but includes:

- Commencement of construction
- Commencement of sales and/or letting
- Regular progress reports on construction, sales and finance
- Building supervision and site meetings
- Consideration of tenants or buyers' requirements, and
- Attending to necessary alterations and additions and applying for required waivers

The more modern approach, with due consideration given to the financial feasibility of the subject matter is illustrated in the redevelopment planning of District Six where the planners have used the "*Package of Plans*" approach:

*"Rather, a more flexible approach which can deal with the complexity of the area, the development context and the roles of the various stakeholders and authorities is needed. The 'package of plans' approach offers such flexibility. It offers an orderly approach to ensure District Six is developed to maximise its potential and is positively integrated into the surrounding environment."* (Cape Town Municipality: District 6 Redevelopment Plan 1996:2)

The 'package' represents a hierarchy of frameworks and plans which range from general principles and frameworks to specific plans - from broader city-wide concerns down to detailed building plans. At each level in the hierarchy, the development guidelines and criteria provided are more detailed and specific.

The proposed package of plans approach consists of two basic phases: the "**Frameworks for Planning**" and the "**Plans for Implementation**."

The "**Frameworks for Planning**" includes the Development Principles, which identify at a general level what development should take place in District Six.

- The "**Contextual framework**" analyses the planning area in its broader urban and policy context, sets guide-lines and criteria to inform the planning of the site and identifies key structuring elements of the area surrounding the site.
- The "**Development Framework**" consists of policies and plans which show the proposed development and must be consistent with the Contextual Framework. It includes a spatial design system, a land use, infrastructure and transportation framework and a procedural framework. The development framework is the most important level as it is the plan for the entire development area.
- The "**Plans for Implementation**" include the "**Precinct Plans**" which are distinct areas identified in the Development Framework which set guide-lines and criteria for the development of specific sites.
- The "**Site Development Plans**" which provide details of specific sites identified in each precinct. These establish the use and development rights which apply to each site and consist of a site plan; survey, services and emergency vehicle access plan; building development control plan and urban design directives plan, and
- The "**Building Plans**" which are standard building plans prepared in terms of the guide-lines set in the precinct and site plans and by the building regulations.

*"The principle of integrating the planning process with the financial approach is the basis of the overall method presented here." (Dist. 6 Redev. 1996:4)*

This approach is fully endorsed. It contains little new if viewed as a single project done by one developer, as the feasibility of a development is the single most important aspect thereof, and in practice, planning is done with the objective to enhance its feasibility.

The development proposers found that the redevelopment of an area as strategic as District Six cannot be planned site by site, in a piecemeal fashion. Neither can it be done in terms of a comprehensive plan that covers every last detail in one overall blueprint plan. It was proposed that **planning for the project and working out the finances be done simultaneously** in a way that each of these aspects of the development process informs and is dependent on the other.

*"This will ensure that the planning is rooted in what is financially feasible and practical and that the funding of the project reflects and seeks to achieve the development principles set in the planning process."(Dist.6 Redev 1996:1)*

It is essential that an overall planning approach be taken with development planning. The essence of the overall planning approach is that it establishes a combination of financial and planning considerations.



#### **8.4.5 Community Based Economic Development**

Community-based economic development (CBED) initiatives are activities inspired by or aimed at serving particular social groups in a locality. This differs somewhat from Local Economic Development (LED) initiatives in that LEDs concentrate on the entire local development where CBEDs concentrate on a particular group within the local area. CBEDs have proliferated due to the failure of the general economy to serve the needs of particularly disadvantaged sectors of the population. These development initiatives aim to generate socially useful, labour-intensive projects that meet their expenses or make a profit while improving the employability of the participants. Many have gradually made the sometimes subtle transition from anti-poverty agencies to economic development institutions. (Blakely 1994:228)

Angotti (1993:229) says that planning such developments is limited when a strictly localist outlook prevails. He contends that planning at three levels of government cannot be perfectly balanced and co-ordinated, but says that there are enough experiments and models around the world to suggest that it is possible to integrate neighbourhood and metropolitan planning and to achieve integrated diversity. Metropolitan-level planners must understand how neighbourhoods and communities with which they work function since they are not as closely tied to individual neighbourhoods. Such understanding needs to be induced at the street level through direct interaction with people and places in neighbourhoods. Angotti contends that when metropolitan planners use only the metropolitan-wide vantage point to plan, they either run up against intensive community opposition or, are able to implement community-destructive plans.

Planning at the metropolitan level can establish policies of equitable distribution of services and infrastructure throughout the region. Only planning at the neighbourhood level can establish inclusionary plans for neighbourhood preservation and development. Angotti (1993:230) aptly contends that the secret to metropolitan planning is the successful integration of the two.

According to Yeung (1985:168) the gradual realisation of the ineffectiveness of a service delivery model, i.e. government-provided services, has promoted experimental and innovative efforts to mobilise people's resources towards improving the urban living environment. The main rationale of the experimental community-centred approaches is to make use of community resources for the delivery of basic physical and social services. These attempts evidently require new organisations and mobilisation, usually taking the form of participatory, self-help, co-operative, self-sustaining, and community-based styles of management characterised by popular participation.

Nel (1994:10) contends that local development planning can be initiated in South Africa by relying on entrepreneurial, community and private endeavours to develop strategic planning, promote small and medium enterprises and an entrepreneurial culture, and assist African enterprise. An appropriate regulatory environment has been adopted to deal with the problems induced by past restrictive policies and to promote local initiative.

### **8.5 SUMMARY & RECOMMENDATIONS**

The importance of the local neighbourhood and the community for planning and economic upliftment and development has been stressed in this chapter. It is necessary to analyse and measure the local economic base, to consider the development thereof and to give guidance to local communities as to methods of improving the efficiency thereof. It is submitted that planners can play a leading role in this regard. The reason or benefit of an economic base analysis serves to enable planners to determine the future likely growth or decline of values of these properties. It forms an important and integral part of the 'neighbourhood analysis' study. It is also necessary to understand the natural market trends of a growing and/or changing city and to be able to understand which other forces create an economic demand in a particular geographic area. It is submitted that an economic base sectoral analysis of a Metropolitan area, or a substructure within a metropolis is a useful and almost essential tool in urban planning.

Tomlinson (1994:218) puts forward a number of reasons why the promotion of local (neighbourhood) economic strategies is important. **First**, there is little sense in relying on national economic policy alone to transform the tide of the shrinking formal sector. **Second**, national economic policies may operate to the detriment of particular local economies. **Third**, and most important, if local organisations (civics) do not support a particular economic incentive, little progress is likely to be made.

In general, local areas have obvious local needs and obvious unused local skills and resources that may be more efficiently combined at local level. There is greater prospect of drawing on local ideas and knowledge and local ownership of an initiative will generate commitment and enthusiasm which national strategies have little hope of achieving. Yet Tomlinson (1994:218) cautions that without national government's support in economic regeneration, local economic strategies are likely to have only minor success.

Thus a system of **decision making** at the lower levels of government becomes a high priority. This would imply that neighbourhood sized governments or bodies may be the proper forum for decision making on e.g. street lighting, housing densities and minor

zonings, while regional or mega-city governments would be the proper forum for e.g. environmental policies. Both should be concerned with the economic welfare of the area.

An important task of planning authorities is to ensure that re-zonings do not have a detrimental influence on neighbouring properties. It is clearly futile for a planner or architect to ignore the currents that are shaping the city. Planning authorities should allow and encourage the highest and best economic use of each property preferably on the basis of a sectoral approach. A good example hereof is when older houses around a business centre are converted to offices and where such conversion enhances the value of the property without detracting from neighbouring values.

It is submitted that much more research should be done on the economic demands of the informal sector so that the necessary planning may be done on the proposed lines of economic priority.

There is a growing realisation of the importance of economic competitiveness between countries, as well as cities. This competitiveness is fuelled by economic globalisation. Competitiveness breeds enhanced productivity. It is submitted that local authorities and even sectors within local areas should be encouraged to promote competitiveness. This can be achieved by measuring productivity in the various sectors, including the determination of the Gross Geographic Product (GGP) of each region, or merely by comparing per capita income. Once this has been determined, ways and means can be found to enhance these sectoral efficiencies to improve the sectoral GDP through higher productivity and economic efficiency. Productivity should become a leading norm of measurement. This kind of competitiveness will stimulate economic growth.

While community inputs are essential to the planning process, it is submitted that planners should not be reactionists. They should rather propose initiatives and proposals, which can be presented to the communities for comment and reaction.

Having considered some economic and development feasibilities of local development, it must be noted that the property market is not stable. It tends to pass through cyclical periods. These cycles have often caught developers and planners unawares. The next chapter will consider these cycles with the purpose to give the planner more insight to be able to pre-empt these cycles.

# CHAPTER 9

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# CHAPTER 9

## ECONOMIC CYCLES AND THE PROPERTY MARKET

### 9.1 ECONOMIC CYCLES

*"Cyclical fluctuations in economic activity are a feature of the behaviour of all economies, and an understanding of their patterns and causes is important to the decisions of both policy-makers and market participants."*(International Monetary Fund 1998a:55)

Urban planning concerns the future. It is also necessary to identify the timing of future expected occurrences concerning the urban form. For this reason planners must understand economic and property cycles in order to be able to make more meaningful projections, particularly concerning the timing thereof. Blair (1995:309) points out that:

*"Anyone can correctly forecast an economic expansion or recession, for eventually such an event will occur. Yet such forecasts do little good unless the forecast explains when the event will occur."*

The objective of this chapter is to illustrate the cyclical nature of the property market, to investigate the causes of these cycles and to determine which leading indicators may be used as a guide to enable planners and urban economists to forecast the cyclical movement of the urban property market. In order to achieve this objective it has been necessary to consider various aspects of economic cyclical activities and to link these to the property market trends.

There is a rhythm in economic life in which the promise of an improving economy leads to more investment, spending and optimism and so causes the economy to surge above its average growth rate. It approaches a peak in which there is so much pressure on capacity, which lags behind the rise in spending, that inflation or interest rates or the trade deficit rise either separately or in combination. This tends to slow down demand, which now starts to fall - the mirror image of the earlier improvement. Because expectation deteriorate, firms cancel or postpone their investments, consumers fearful of redundancy build up their savings and the whole economy slips below its average rate of growth - or even, into a recession. (Hutton 1996:176)

*“Een kapitalistische economie ontwikkelt zich niet gelijkmatig. Er is geen sprake van een continue voorwaartse beweging. Dat de ontwikkeling van de economie cyclisch verloopt is onder economen onomstreden.” (Went 1996:61)*

It is a well-known fact that world, national and even regional economies are cyclical in their manifestations because economic equilibrium is not a permanent phenomenon. It is also commonly accepted that various forces influence monetary exchange, inflation and interest rates, gross domestic product (GDP), property yields and other factors, which individually and collectively affect the major economic cycles. These cycles in turn have a direct influence on the property market are therefore relevant to planning considerations. The property market manifests cyclical movements in the short and long term.

Economic cycles reflect recurring phases of contractions and expansions of various economic activities over periods of time. Each individual economic activity could be analysed and the cycles - the wavelike undulations of these contractions and expansions - can be illustrated in graphic form. In practice, economists usually assemble statistics on a number of these activities to compile a general economic cycle. The leading norms usually used for such general economic cycle is the growth or decline of the gross domestic product (GDP) or the gross national product (GNP) of a nation.

It is necessary to study these cycles to facilitate an analysis of these influences on the property market and to enable more accurate short and medium term forecasts. To be able to make forecasts it is necessary to analyse previous patterns, to determine regular tendencies and to utilise these for future projections.

The **Neo-classical** view of urban growth suggests that there is a natural self-balancing correction mechanism at work to stabilise economies, not just internally in the sense of maintaining a balance between the various sectors of the economy, but also between economies. (Samuelson & Nordhaus 1989:855) Throughout the twentieth century a different account of the behaviour of markets and of wealth creation has established itself. In practice the twentieth century is littered with great inflation and violent oscillations of economic activity, which reinforce the criticisms of free-market economies. Keynes believed that it was the task of government to intervene in the economy so that the booms and slumps of the capitalist economy could be modified and evened out. (Short 1996:79)

Short (1996:71) states that production in the city is a function of where the city is and when the city is. Capitalist economies change over time just as much as they vary over space. Property is a long term investment thus cities are slow to react to change and cycles. It is

submitted that this, sometimes too slow reaction, has led to urban decline which may have been prevented by timely forward planning.

Short-term fluctuations of between seven and ten years are called business cycles. The longer, 50 year cycles have been named Kondratieff cycles after the Soviet economist who wrote about them in the 1920's.

### 9.1.1 Long term cycles

Economic cycles can hardly be discussed without reference to the Kuznets and Kondratieff cycles. Simon Kuznets, an American economist, showed in 1930 that production and price series, exhibited pronounced "wave-like undulations," Kaiser (1979:59)

Nicholas Kondratieff, a Russian economist, discovered a pattern of recurring 50-year megacycles in the economies of Germany, France, Great Britain, the United States and pre-socialist Russia.

Certain similarities were reflected:

- The **first** phase of each cycle lasted an average of 27 years, only to be followed by a one year stagnation.
- The **second** phase, a primary depression.
- The **third** plateau phase, lasting four to eight years, has typically failed to regain the levels of growth that preceded the primary depression.
- The **fourth** phase, economic stagnation, has averaged 19 years and been characterised by at least one major secondary depression.

	First 1787-1845	Second 1846-95	Third 1896-1947	Fourth 1948-1990
Key innovations	Early mechanisation, power looms	Steam engines and ships	Electricity and automobiles	Electronics and computers
Key industries	Cotton, & iron castings	Machine tools, & ships	Cars, electrical engineering	Electronics, computers & aerospace
Industrial organisation	Small factories	Capital & large factories	Giant factories & cartels	Mixture of large and small factories
Role of State	Minimal, army/police	Early imperialism	Advanced imperialism	Welfare State

Source; Short (1996:73)

Each Kondratieff cycle has been associated with a number of innovations and key industries. In the **first** cycle from 1787 to 1845 it was the steam engine while cotton manufacturing and iron- and steel-making created substantial urbanisation and the growth

of factory towns. Government was relatively small with little interference in the economy, and there was rapid expansion of retail and wholesale trade in new urban centres.

In the **second** Kondratieff wave from the 1840s to the 1890s railway and steam power were the dominant technologies. The extension of mechanisation and factory production provided the impetus for market growth. Modern urban centres in the major industrial countries emerged during this period interconnected by railways and seaports. (Lo 1994:120)

Around the turn of the century it was Fordism - the mass production industry (mainly motor cars) that boosted global economy. In the **third** wave from the 1890s to the 1940s, Germany and the US took over the lead from Britain in applying electrical and heavy engineering and steel technology in overcoming the limitations of iron as an engineering material. An important phenomenon was the rise of mega-cities such as London and New York as the world cities for the major commodity markets as well as for banking and capital/finance. The world cities became the headquarters of the newly emerging giant firms. As a consequence of developments in the tertiary sector, the major city was the driving force in the growth of department stores, chain stores, and the entertainment and tourism sectors.

*"The concept of the city was no longer limited to just meeting the needs of producers of goods and services, but rather, resources to perform its new role as the management centre of its diverse constituents and the gradual expansion of markets all over the world". (Lo 1994:120)*

In the **fourth** Kondratieff cycle the high technology industries were the newest industrial influence of the cycle. This was supported by a large increase of research, assisted by the growth of information technology. The economic boom period of this cycle commenced just after the second World War with the US, followed by Germany and later Japan taking the lead from Britain. (Kaiser 1979:56) The major cities began to assist in the process of globalisation and integration of national economies. (Lo 1994:121)

Some analysts argue that a **fifth** Kondratieff cycle emerged in the 1990s with clusters of new innovations in computers, electronics and telecommunications, new materials, biotechnology, and robotics entering as the leading growth sector in the world economy. The new paradigm is basically resource saving in nature and it also provides the capability of maximising the diseconomies of scale and flexibility in production permitted by micro-electronic "chip" technology, challenging the Fordist mass production paradigm of massive resource utilisation. (Lo 1994:123)



Brown (1985:9) points out that there are shorter-term real estate cycles within the long-term cycles. He refers to Riggelman and Wenzlick who produced their 18 and a half year rhythmic cycles in construction in the USA for the period 1830 to 1936. He believes that this pattern continued after World War Two.

An important observation made by Kaiser (1979:57-66) was that real estate booms are apparently initiated by the inflationary experience of peak years, but carry on into the plateau phase. Rental rates and real estate prices continue to rise during the early years of otherwise deflationary price experience. **Property cycles therefore lag economic cycles.** Kaiser points out that the final 'blow offs' of inflationary peaks result in real estate booms but warns that geographical areas where excessive speculation has occurred then suffer most in the subsequent phase.

The world has experienced long cycles regarding the forms and intensity of economic controls by government. Prior to the beginning of the nineteenth century there was little evidence of government control or intervention in national or global economies.

*"On the eve of the storm the world economy was, to an extent never seen before, truly global. It was linked together by new technologies that made it possible to ship products cheaply from one side of the globe to the other, to communicate virtually instantaneously over huge distances. But it was also, more importantly, linked together by the almost universal, if sometimes grudging, acceptance of a common economic ideology: the belief that free markets, with secure property rights, were the only way to achieve economic progress; and in particular that a nation hoping to make its way forward needed to welcome foreign trade and foreign investors with open arms. And this shared ideology did indeed lead to unprecedented transfers of Western capital and technology to emerging economies - transfers facilitated by the fact that everyone knew that any country that strayed from the path would be punished by financial crisis, and would soon be obliged to accept the harsh austerity prescribed by teams of Western technocrats.*

*The year, of course, was 1913 - the high-water mark of what economic historians sometimes call the First Global Economy - and over the decades that followed all of its certainties were lost."* (Krugman 1998a:1)

By the beginning of the 1950s long-distance world trade had shrunk to a shadow of its former self, as Third World economies, pursuing the goal of industrialisation through 'import substitution', began producing many of their own manufactured goods; private international movements of capital had virtually disappeared in the face of debt defaults, expropriations,

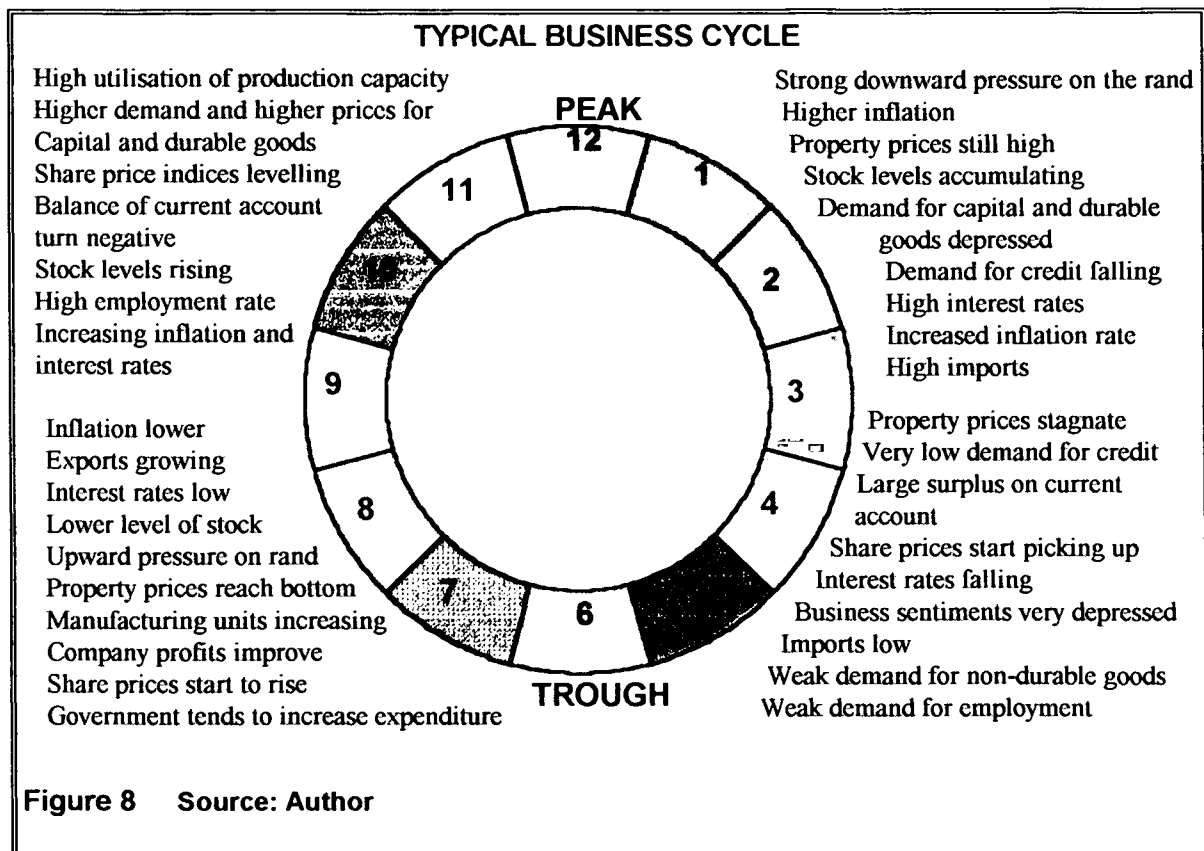
and administrative restrictions. And about a third of the world's population lived under regimes that had completely rejected the idea of private property, let alone free markets. (Krugman 1998a:1)

Following the global economic boom in capitalist countries after the second world war, it is therefore not an astonishing reversal of fortune that, as we reached the century's end, nearly all the world has returned to more or less the same ideology of free markets and sound money that prevailed at its beginning - another full circle.

### 9.1.2 Short Cycles

Some economists make a distinction between cycles (short term) and waves (long term). Short cycles occur more or less automatically due to the movements of capital and goods and are usually referred to as business cycles.

### 9.1.3 The business cycle



The various economic indicators may be combined to produce a general business cycle. Although these cycles all have different characteristics regarding their causes and intensity, it is possible to consider a "typical" business cycle. The above schematic illustration shows a "typical" business cycle for the South African economy:

From point 6, where the **trough** of the business cycle is reached, to point 9 economic activity starts to pick up. Depending on the severity of the recession this recovery may initially be slow, and may at that point, be hardly noticeable by the business community. It has been pointed out that the main measure of business activity is the growth of the gross domestic product (GDP). The measure is in real terms, i.e. the effect of inflation has been excluded.

During this phase there will be an increase in per capita income, starting in the higher income level, a decrease in unemployment while the cyclical low point of the inflation rate is reached. This period will also herald the cyclical low point of interest rates while the stock exchange index will climb strongly. Property prices should reach their lowest point towards the latter part of this period.

Towards points 8 and 9 the **recovery** will tend to gather momentum, particularly as business confidence grows and the public becomes aware of the fact that prices are increasing. At the later stage of this sector, wage levels start to increase creating a generally greater affordability for the purchase of durable goods. (It is now time to replace the old car and to buy that washing machine which is needed!) Inflation and interest rates remain relatively low and lending by banks commence their increase in volume. The business mood improves and indices of share prices continue to climb. Property prices will start to recover in this period, commencing with higher priced properties followed by middle price range properties.

From point 9 to point 12 economic activity is buoyant and still improving, but at a slower pace as it approaches the peak. Inflation and interest rates move upwards, but the government starts to step in to curb inflation and to limit the money supply. The utilisation of production capacity increases towards point 12 as industries run at what can be practically defined as full capacity. Stock levels are decreasing and productivity is high. Share price indices start levelling off and even losing momentum. Company profits are high and many new companies are formed and listings on the stock exchange increases. Business confidence reaches a peak towards the end of this period. Property prices continue to increase in virtually all sectors of the property market.

From point 12, which is the **peak** of the business cycle, to point 3 the level of economic activity is rapidly declining. Inflation and interest rates reaches a peak, and the exchange rate comes under pressure. The lower economic activity creates concern amongst businessman and the rate of employment reaches its peak and starts to decline in the latter part of this period. Immigration reaches its peak and starts to level off. Consumer

expenditure starts to decrease and possibly reaches its lowest point at point 3. Property prices reach their peak during this period, again preceded by high priced properties to be followed by medium priced properties towards the end of the period.

From point 3 to point 6, the business mood tends to be extremely depressed. This stage is often characterised by social and political unrests, and crime is at a high level. There is a downturn of immigration and an increase in emigration. The demand for credit by the private sector is low and interest rates continue to decrease throughout the period. The government starts to make moves to stimulate a recovery towards the end of the period, by increasing spending, thus reducing the reserves and reducing interest rates. Share prices reach a trough and start a moderate upturn towards the latter part of the period. Property prices are on a continuous downward trend.

This is a very condensed description to the business cycle, which embraces all the national economic activities, including property, and construction, which are aspects that need to be viewed separately to be able to make comparisons between those activities and the other economic activities, which influence the property market.

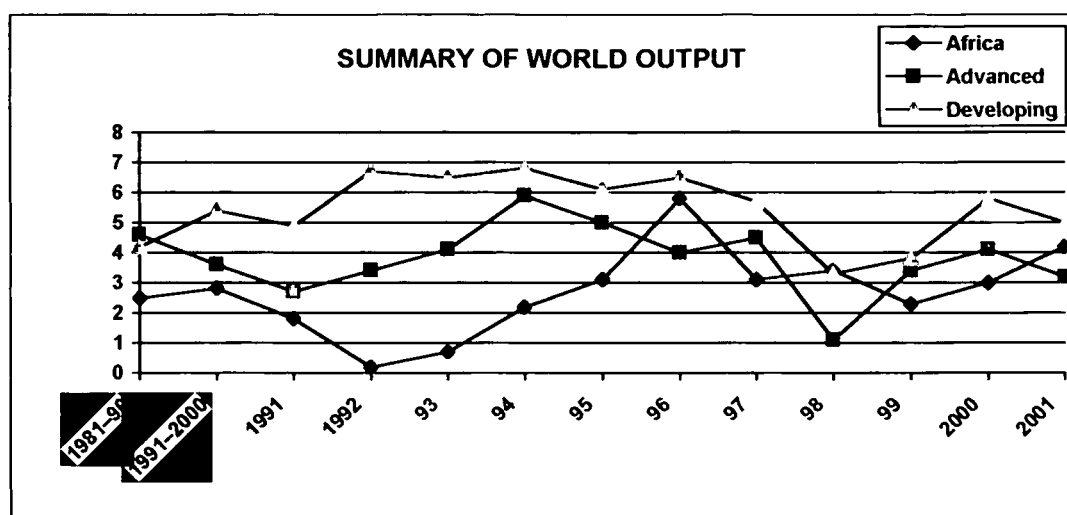
Notwithstanding these basic similarities, each business cycle is unique, and the behaviour of individual time series shows large variations during successive business cycles, therefore it is necessary to analyse the behaviour of economic variables over as many cycles as possible. The cyclical component of each time series must be analysed to be able to determine the role which each of these components or indicators have played in the particular time series. It needs to be determined which component or indicator shows a consistent relationship with that of the general business cycle or the various property market cycles. In order to do so the specific turning points of the chosen components or indicators have to be compared with the reference turning points of the general business cycle and the various property market cycles. In this way certain components or leading indicators can be linked to certain tendencies in the property market cycles.

The International Monetary Fund (1998a:57) says that, while fluctuations in economic activity are a recurrent feature of developments in the major industrial economies, they are not characterised by any clear regularity in terms of either duration or amplitude. Variations in the characteristics of economic fluctuations have implications for an understanding of the forces underlying them.

The cyclical component of GDP in all the major industrial countries is highly positively correlated with the cyclical components of both private consumption and fixed investment, but negatively correlated with the trade balance. The unemployment rate is counter-cyclical

and employment pro-cyclical in all the major industrial countries. (International Monetary Fund 1998a:58)

Changes in individual time series may lead, coincide with or lag behind changes in the general business cycle or property market cycles. Those components, which tend to lead the property market cycle, may therefore be regarded as leading indicators, while those, which tend to lag, can be seen as resultant components.



Graph 14  
Source: IMF (2001)

#### 9.1.4 Cyclical analysis techniques

The objectives of macroeconomic policy have long included the avoidance of protracted recessions in which resources go under-utilised, and of periods of unsustainable growth that jeopardise reasonable price stability. Similarly, market participants implicitly or explicitly assess current and prospective economic conditions when weighing risks and making choices about saving and investment plans and portfolio allocation. (International Monetary Fund 1998a:55) Yet, modern macroeconomic analyses and management techniques were unable to predict or prevent the serious financial crises, which commenced in the newly industrialised eastern economies in 1997/8.

Brown (1985:9) points out that many people ignore cyclical patterns because they believe that *"this time it is going to be different."* The credibility of some cycles has also suffered due to the irregularity of some rhythms.

*"A key to cycle credibility is the identification and removal of trend and seasonal components inherent in time series data and, if possible, random fluctuations. Then the cycle can be accurately measured."* Brown (1985:9)

Trend and seasonal components often work against each other, at least in terms of their directions of movement. The cyclical component may move with or against the trend and

seasonal components as well. Booms or bust occur when all time series components move in the same direction. Obviously, the greater the magnitude of movement up or down in the components, the greater the boom or more severe the recession will be. (Brown 1985:9) Cycle measurement techniques, which are most often used, are **econometric models** and **time series analyses**. It is not within the scope of this work to consider these techniques in any detail.

## **9.2 ECONOMIC CYCLES IN SOUTH AFRICA**

### **9.2.1 Historical background**

From its founding in 1652 the South African economy was primarily agricultural, but the discovery and exploitation of diamonds and gold in the 1860s saw the foundations of its modern economy. The fifty year period from 1865 to 1915 was a period in which there was a substantial change in the economic structure and one that saw the economy evolve from being almost solely dependent on agriculture, to become a capitalistic, modern economy that was based on a highly profitable mining industry, supported by an infant manufacturing sector and growing commercial and service sectors.

The period from 1915 to 1975 was one in which South African output levels increased considerably, yielding an average rate of growth, after adjustment for price changes, at marginally under 4% per annum during the entire period. (Natrass 1981:27)

Yet the post world war 1 period did not escape normal economic cycles. According to the SA Reserve Bank Annual Reports (1992-1999) there were **nine** recessionary periods:

The **first** taking place between 1920 and 1922. The **second** recessionary period occurred during the period 1928 to 1932, the years of the 'Great Depression.' The **third** recessionary period took place during 1952 and 1953 and the **fourth** in the early 1960s (largely the result of political disturbances in some Black townships, resulting in the Sharpeville shooting tragedy. The **fifth** recession commenced in 1975 and lasted till 1979. It was initially linked to a general world recession. The period from early 1979 till the end of 1981 saw one of the sharpest boom periods in our history. This was followed by a short lived **sixth** recessionary period during 1982. Then followed a short boom period till the middle of 1984 where after the **seventh** recessionary period set in until the second quarter of 1986. The ensuing upturn levelled off in the beginning of 1989 heralding the **eighth** recessionary phase, which continued till the second quarter of 1993. The **ninth** recessionary period commenced in the first quarter of 1997 and lasted till the third quarter of 1999.

It may be noted that during the sixty-year period from 1915 till 1975 there were only four recessionary periods, whereas the relatively short period of twenty-two years from 1975 to

1997 saw five recessionary periods. This indicates that the modern cycles follow each other more rapidly, yet the eighth recessionary period was longer than the great depression of the late 1920s/early 1930s.

The earlier post World War II period may be seen as South Africa's 'Golden Period' due, not only to the long sustained real growth rate, but also the substantial income earned from its gold mining operations. The gold price peaked in the early eighties and has slipped back to less than half of the peak dollar price, with little indication of ever reaching these previous heights in the foreseeable future.

Until the early 1970's South Africans had a comparative neglect for business and economic cycles, for various reasons.

- **One** was that South Africa shared the world-wide delusion that economic science had mastered the techniques of demand management.
- **Second** was that South Africa was relying on its past high rate of growth, while a recession meant nothing more than a slight reduction in the rate of growth while an actual decrease in the GDP was virtually unthinkable.
- A **third** reason was the stabilising influence of gold. With some 40% of all revenue from physical exports enjoying a ready market at a fixed price for that entire output, the impact of the volatility of many of the other components of exports was greatly dampened.

However, in 1975 the then Deputy Governor of the Reserve Bank warned:

*"I believe it is fair to say that in South Africa today in general there still exists inadequate awareness of the business cycle phenomenon. One has the impression that in taking their economic decisions, many businessmen, financiers, investors and others in the private sector at times tend to give insufficient weight to cyclical considerations. During cyclical upsurges, for example, they sometimes tend to act as if boom conditions, with all the accompanying stresses and strains, have come to stay, and during cyclical downswings as if recessionary conditions have become more or less permanent"* (SA Reserve Bank 1975:6)

To a large extent this still holds true today, particularly in the property sector, and more specifically in the urban planning sector.

### **9.2.2 Methodology**

The purpose of the study of the business cycle is to identify, on the basis of business cycle theory as well as empirical observation of business and property cycle developments, those economic time series which can be regarded as reliable indicators of business and property

cycle changes in South Africa and to use these time series for the determination of composite and sectoral property market cycles. In order to do so it was necessary to first analyse the cyclical behaviour of a number of time series, representative of the economic activity in various sectors of the South African economy.

For many years several individuals and institutions have been collecting and processing information about the business cycle for the purpose of analysing business and economic conditions. Two of the more important institutions are the Reserve Bank and the Bureau of Economic Research at the University of Stellenbosch. Although these sources have been comprehensively analysed, a large number of other sources have also been studied and used, including those of the Central Statistical Services.

van der Walt (1983:53) aptly proposes that, although most economic time series can readily be used, after seasonal adjustment, to study changes over time in the variables concerned, it is necessary to make certain adjustments in order to achieve greater comparability over time and to highlight the cyclical component of the time series. Some of these adjustments include:

1. Amounts, which are expressed in current prices, need to be adjusted for price changes; therefore appropriate deflators or price indices are used for meaningful comparisons.
2. Because some time series data reflects the results of periodic censuses, which are updated by means of sample surveys during those periods in which censuses are not connected, it has been necessary to link the data, which has been compiled from various censuses to sample surveys.
3. In certain cases the data relating to a number of similar activities has been consolidated.
4. Where it occurs that data from various sources relating to the same or similar activity differs, it has been necessary to utilise personal knowledge and experience to select the most correct and relevant data.

### 9.2.3 Findings

Turning points of composite business cycle indicators are seen in the following table:

Table 14 **SOUTH AFRICAN BUSINESS CYCLES**

Upward Phase		Months	Downward Phase		Months
Post war	July 1946	9	Aug. 1946	April 1947	8
May 1947	Nov. 1948	18	Dec. 1948	Feb. 1950	14
March 1950	Dec. 1951	20	Jan. 1952	March 1953	14
April 1953	April 1955	24	May 1955	Sept. 1956	16



Oct. 1956	Jan. 1958	15	Feb. 1958	March 1959	13
April 1959	April 1960	12	May 1950	Aug. 1961	15
Sept. 1961	April 1965	43	May 1965	Dec. 1965	7
Jan 1966	May 1967	16	June 1967	Dec. 1967	6
Jan 1968	Dec. 1970	33	Jan 1971	Aug. 1972	19
Sept. 1972	Aug. 1974	23	Sept. 1974	Dec. 1977	38
Jan 1978	Aug. 1981	43	Sept. 1981	March 1983	30
April 1983	June 1984	14	July 1984	March 1986	20
April 1986	Feb. 1989	34	March 1989	May 1993	38
June 1993	Nov. 1996	40	Dec. 1996	Sept. 1999	33
	Average	24.57344		Average	19.36271

Source: SA Reserve Bank Annual Reports

Separated into leading, coinciding and lagging indicators the cycles since the 1960s, appear as follows:

LEADING INDICATORS	COINCIDING INDICATORS	LAGGING INDICATORS
<b>PEAKS</b>		
March 1964	April 1965	September 1965
December 1966	May 1967	July 1967
April 1969	Feb. 1971	March 1971
August 1973	July 1974	June 1975
August 1980	August 1981	September 1981
March 1988	June 1988	October 1988
February 1995	September 1995	March 1996
August 1999	November 1999	
<b>TROUGHS</b>		
June 1961	September 1961	Sept. 1962
October 1965	Jan 1966	Oct. 1966
October 1967	Oct. 1967	Oct. 1968
October 1971	Aug. 1972	Oct. 1972
May 1977	Nov. 1977	Feb. 1978
February 1985	September 1985	November 1985
September 1992	February 1993	June 1993
June 1996	March 1997	October 1997

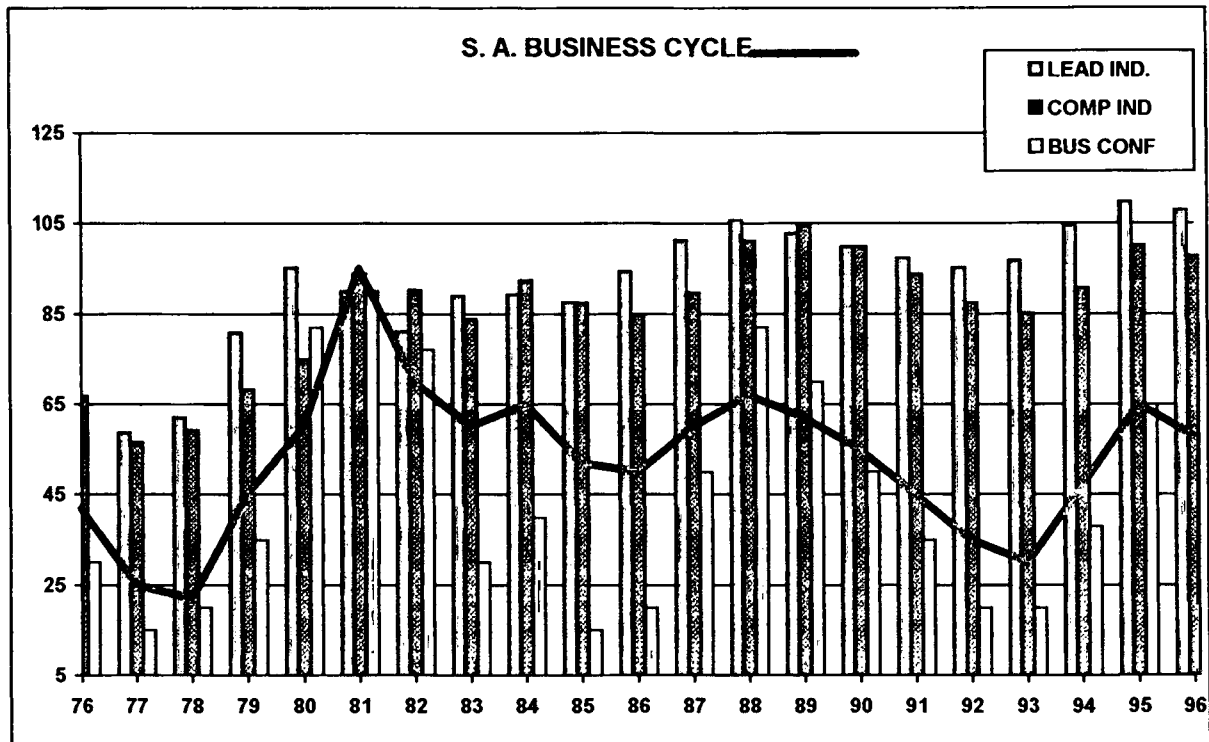
Table 15

Source: SA Reserve Bank Annual Report 1994 & 1999

On average the peaks of the leading indicators preceded the peaks of the coincidental indicators by 12.4 months and the troughs by 4.6 months. The average lag of the peaks of

the lagging indicators was 5.2 months behind the coincidental indicators and 7.4 months behind the troughs.

The business cycle composite index, leading indicators and business confidence compiled by the Bureau of Economic Research at the University of Stellenbosch reveals the following pattern:



Graph 15 Source: BER 1997

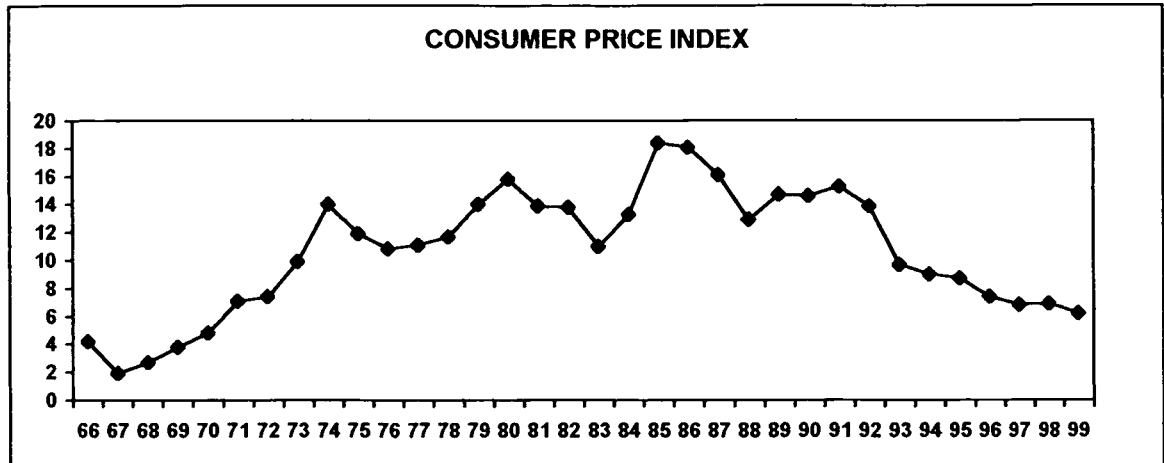
#### 9.2.4 The inflation rate

The inflation rate has played an important role in property cycles in South Africa, particularly in the 1980s when it rose to unusually high levels. Apart from three years (1948 @ 5.9%, 1951 @ 7.3% and 1952 @ 8.7%) the consumer price index did not exceed an increase of more than 4% p.a. in any other year, during the period 1946 to 1969. From 1973 to 1995 the inflation rate did not drop below double figures, reaching a peak of 18.6% in 1986. The major change in the previously stable and relatively low rate of inflation took place in the early seventies.

After the 1980/81 "boom" period it became clear that the inflation rate in South Africa had become much higher - some three times the rate - of its main trading partners (average 5.2% for South Africa's seven main trading partners - May 1983) (SARB Annual Report 1983)

The inflation rate continued its unacceptably high rate to reach a record peak in the beginning of 1986 at well over 20% on a quarterly basis. Although there was some degree

of improvement in the subsequent years, it was only in 1989 that the inflation rate was categorised as public enemy number one by the SA Reserve Bank. The curbing of inflation was stated by the Reserve bank to be the prime objective of the Bank's policies early in the 1898/90 review period. (SARB 1989)



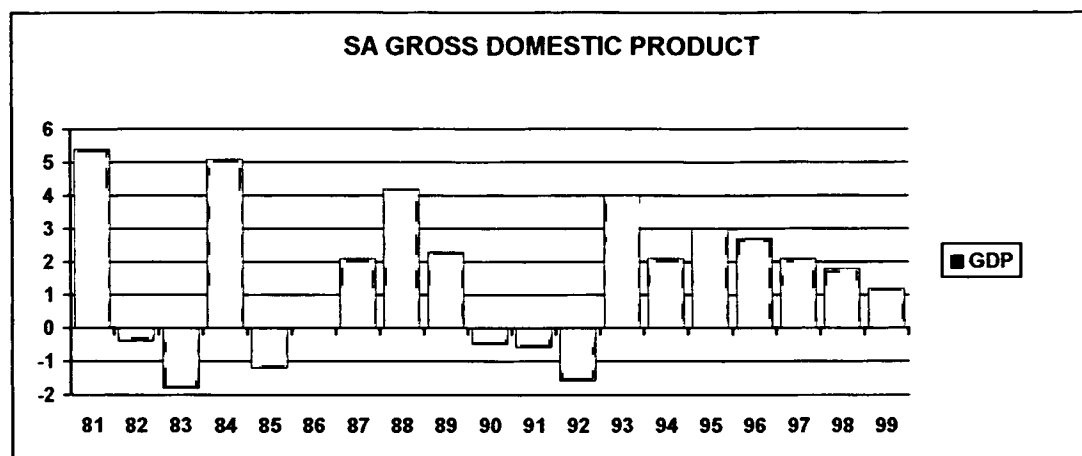
**Graph 16** Source: SA Reserve Bank (1983-2000)

The sharp increase in the inflation rate in the 1980s had a significant influence on many aspect of the **property market**. Previously inflation had not been a major investment consideration, but when the rate of inflation suddenly trebled, investment considerations such as *"a hedge against inflation"* became a marketing slogan.

It is clear that a high rate of inflation is detrimental to the economy as a whole, particularly on the long run, but in some respects high inflation is beneficial to the property market because property is a tangible asset, which will increase in rand values if the value of the rand depreciates. Buildings deteriorate physically, but not land. Thus, unless due financial provision is made for the continued upgrading of a building, its rand value will decrease in relation to its replacement cost, but if all other factors remain constant, land values will increase in direct relation to the inflation rate. This 'benefit' which property has is only applicable in comparison to money, as other forms of investment like shares and hard assets have the same 'hedge' against inflation.

### 9.2.5 Gross Domestic Product

The growth or decrease of the Gross Domestic Product is often seen as the **barometer** of our economic growth or decline. Thus we talk of the economic cycle. This cycle has a very real effect on property prices, as it has on almost all goods and services. When property price trends are analysed, this cycle may be seen as the major leading indicator.



Source: SA Reserve Bank 1999

Graph 17

### 9.3 GENERAL PROPERTY CYCLES

Like the economy, property markets tend to be cyclical, producing short bursts of activity in response to shortages, followed by stagnation as a result of overproduction. (Healey 1997:147) This cyclicity internal to the development process may then be magnified by the broader cycles in economic activity and by investment cycles. These cycles have become important as they have a direct influence on the value and feasibility of property investments and developments.

*"Property booms have very important effects, not only in terms of enabling labor to obtain benefits in the workplace but also in socializing the debate about the form and function of cities."* (Short 1996:137)

Certain components, which are believed to be the most important factors that will influence the property market, have been considered and their role analysed in past cycles. Certain trends of regular repetition and others, which do not necessarily follow, have been identified. The interrelationship between the property market and certain economic components has been illustrated and their influences on the aforementioned quantified.

Although it may be seen as a general pattern that the property price cycle follows the general economic cycle, it is necessary to point out that there are also certain specific factors, which influence the property cycle. These specific influences may alter the 'regular' pattern. It may also be pointed out that, although we may talk of a general property cycle, each cycle has different effects upon different types of properties, and properties in different geographical areas. Property prices have a direct influence on building activities, therefore it is averred that the property price cycle is followed by the building cycle.

Pritchett (1984:85-89), in analysing property cycles in the USA, studied the period 1967 to 1982, concentrating on the industrial, retail and office market. This period revealed a

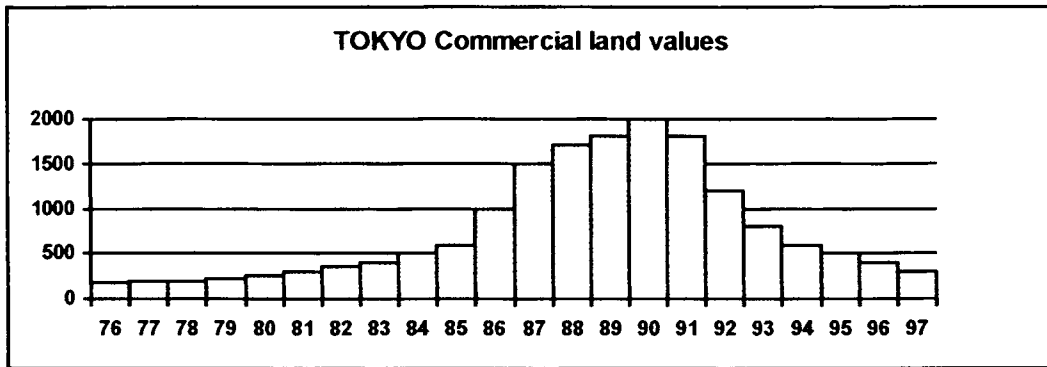
complete typical cycle, which reached a peak in 1969, a trough in 1976 and another peak in 1981. He found that:

- The cycles for the three types of real estate were not exactly coincident, reaching their peaks and troughs at different times.
- There was a dominance in office property developments as a portion of total investments in real estate.
- The office building cycle was of longer duration than either the retail or the industrial building cycles, experiencing a ten to eleven year cycle as compared to a six or seven year cycle for industrial and retail construction.

Usually when referring to a **general property cycle**, the entire property industry is viewed as a whole. This includes construction prices and volumes, house prices and turnover of sales, commercial and industrial prices and rentals, covering the entire country. It is obvious that the ups and downs of property values, turnovers and construction activities are not always equally applicable to all the sectors of the industry at any particular time, or in all locations in the country.

At the one extreme, reference may be made to the general property cycle, including all property and property related activities, but at the other extreme it is possible to analyse the value cycles of one particular property in isolation. In between there is a magnitude of possible combinations of analyses which could be studied, e.g. sectoral analyses based on geographical sectors, or types of properties, e.g. residential, industrial and commercial. It has been deemed advisable to study the building industry separately. Furthermore, various aspects of the property cycle have been analysed separately, although a general property cycle in South Africa as also been compiled.

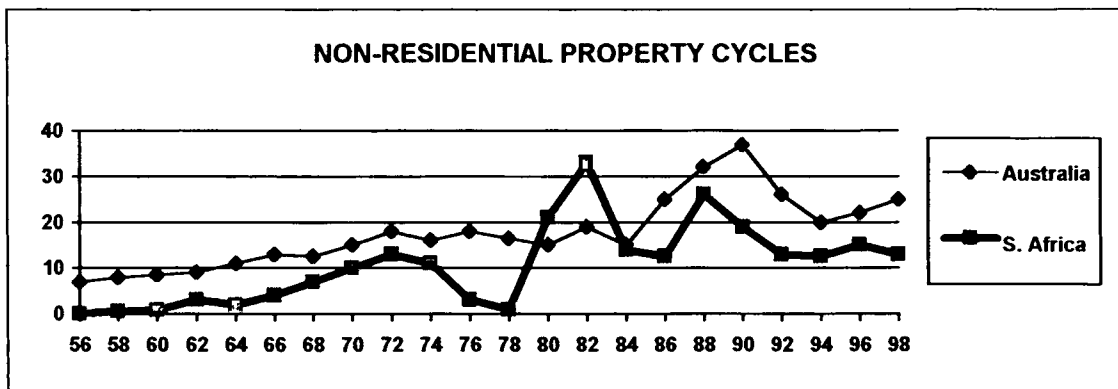
The **Japanese** property price cycle serves as an example of tremendous price variations over a relatively short period. By 1997 average land prices had returned to where they were in 1981 before they rocketed to 8 times the value to peak in 1990. The collapse caused severe problems to banks that had financed numerous developments in the expectation of a continued rise. (The Economist 22/3/97a)



Graph 18

Source: Economist 22/3/97

In a study of the **Australian** non-residential property market Higgins (1999:421) uses data over a 40-year period. The unparalleled real estate boom of the 1980s occurred across all real estate classes including the total non-residential supply cycle. This, he believes, can in part be attributed to the industrial, office and retail sector which then comprising approximately 70 per cent of the total supply at the peak, and reduced to approximately 50 per cent in the trough of the early 1990s. Higgins (1999:426) concludes that the application of simple models derived from business cycle theory has highlighted the irregular nature of the Australian commercial real estate market over the past 40 years. In comparison, the South African market seems more volatile:



Graph 19

Source: Higgins (1999) &amp; Jonker

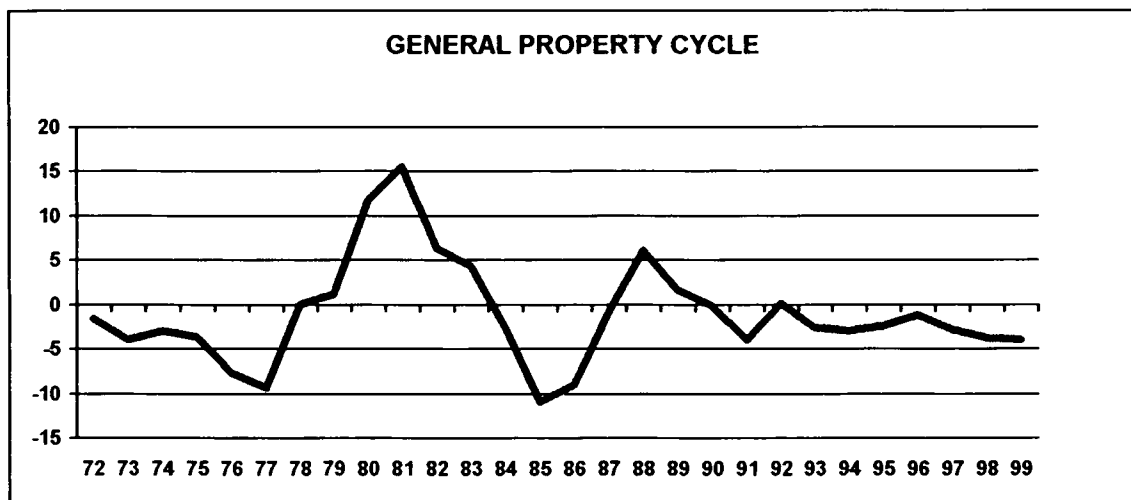
It is submitted that economic and property cycles largely dictate the urban form.

#### 9.4 PROPERTY CYCLES IN SOUTH AFRICA

After many years of strong growth the property market experienced a relatively mild downturn in 1971/72 where after it recovered till 1976 when it experienced its first major post world war recession. This recession lasted until the end of 1978 and caused havoc amongst many property development companies who had become used to the continuing upward cycle in the property market.

The boom period from the beginning of 1979 till the first quarter of 1982 was the strongest upward cycle experienced in the post second world war period, if not the history of the industry. Then came a three-year downturn reaching the trough in the third quarter of 1985 when, in general, real property prices reached an all time low.

The recovery period till the third quarter of 1988 was not as dramatic as the previous upward cycle, and the subsequent recessionary period, although longer than the 1976 - 78 recession was not as severe, actually levelling off somewhat in 1991, where after it continued its downward trend in line with the recession in the general economy until 1993.



**Graph 20**

Source: Jonker

#### 9.4.1 Residential cycle

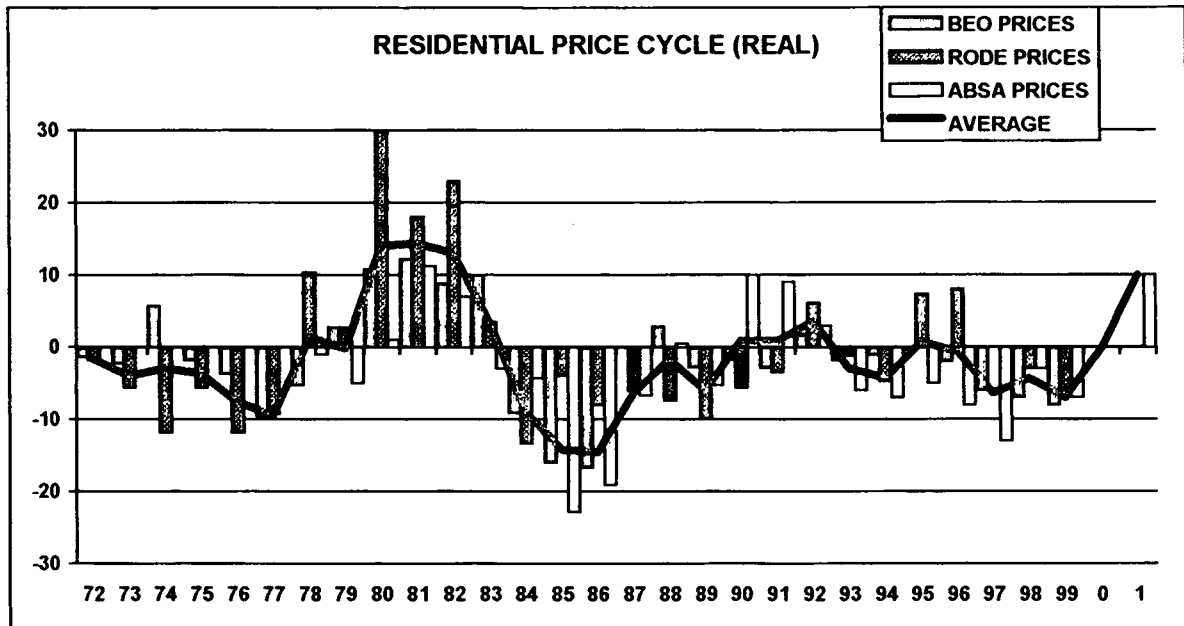
*"A house is more than a machine for living in"* Short (1996:198)

The residential market constitutes the hart of the urban form. In the past it has followed a variety of patterns, many of which have been repeated over time, and are likely to be repeated in future. Because houses are often the largest single investment made by a family, the value thereof is of great importance to the owner. Yet, it is submitted that houses are generally not purchased primarily for the potential investment growth. There are many other reasons why families purchase houses, mostly subjective in nature like the proximity to schools, work opportunities and social environments, while the price, size, quality and location is confined to personal affordability. Affordability is strongly related to economic cycles. Planning must be fully cognisant of the market demand for the various income levels of housing.

*"Land is an important precondition of housing production. This means that housing production is a function and reflection of the nature of real property rights and the nature of land-use legislation. ... Housing production is also a function and*

*embodiment of the changing nature of land-use planning legislation.*" (Short 1996:174)

Residential mobility in the private housing market can generally be described as a response to changes in the family life-cycle. The following graph illustrates the volatility of the residential market:



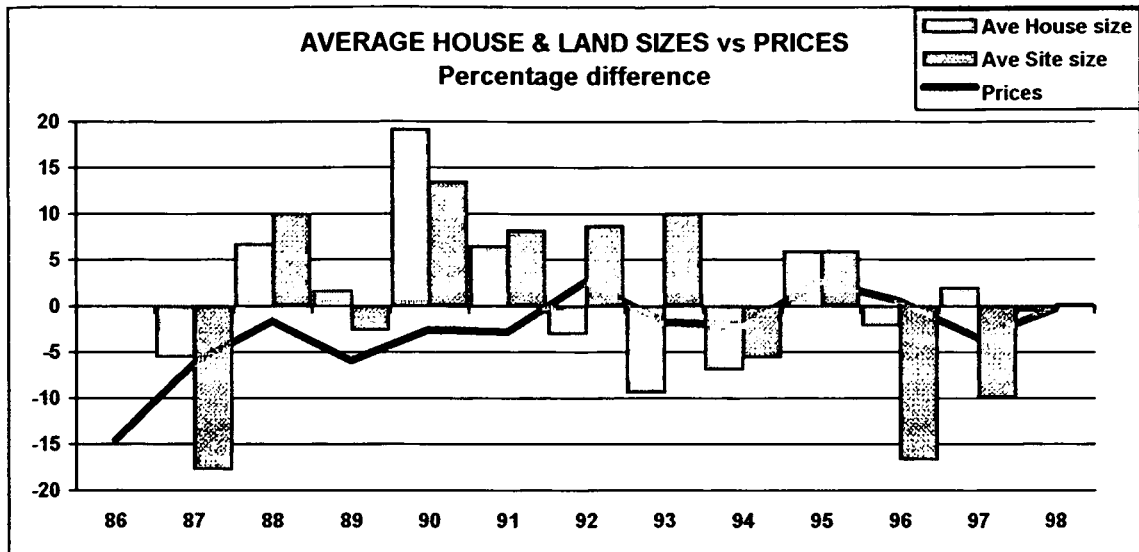
**Graph 21**

Source: Jonker 2001

The *residential price cycle* graph represents a combination of statistics of house prices obtained from various sources including those from The Property Economist, The Bureau for Economic Research at the University of Stellenbosch, the United Building Society, ABSA, Rode's Report and the South African Reserve Bank. In all instances the norm has been real (deflated) prices and the graph is based on a percentage difference compared to the previous period.

There is a tendency for average house and land sizes to decrease during recessionary periods. This affects density planning. Planners have often encouraged higher densities in most of the more affluent areas of cities. These encouragements will meet with much more acceptance by the public during times of economic recession, therefore it is recommended that, if planners are finding it difficult to promote higher density development in certain areas, they should promote these higher densities during periods of recession.





**Graph 22**  
Source ABSA 1999

It has been found that the cycles in the residential market may be split into price categories as well as geographical areas. When the economic cycle commences its upturn, high priced houses follow the tendency first, followed by the middle income category and then the lower price units. It often happens that the lower priced units lag so far behind the general economic cycle that, particularly during shorter cyclical periods, the lower priced houses have not been affected by the cycle, as a new cycle is already under way. There is also a tendency for properties in the larger centres to react sooner to the economic climate than properties in smaller centres.

It may thus be said that the cyclical patterns in the economy and the property market are just some of the factors, which influence the value patterns of property. Other changes like the tendency towards higher density and greater security are patterns, which ensure that the typical property cycle patterns are not identically repeated during future cycles.

#### 9.4.2 Industrial property cycle

Planners need to understand the industrial property market to ensure that sufficient land is zoned for the various types and sizes of industries in the areas required by the market. If this is not done distortions in land prices will take place as has occurred in numerous areas in the past due to lack of pre-emptive insight by planners. During the latter part of the nineteenth century, planners misread the trend from large heavy industry to more conveniently and centrally located high tech and smaller industries causing exorbitant prices in certain areas while large tracts of other industrial zoned land stood vacant.

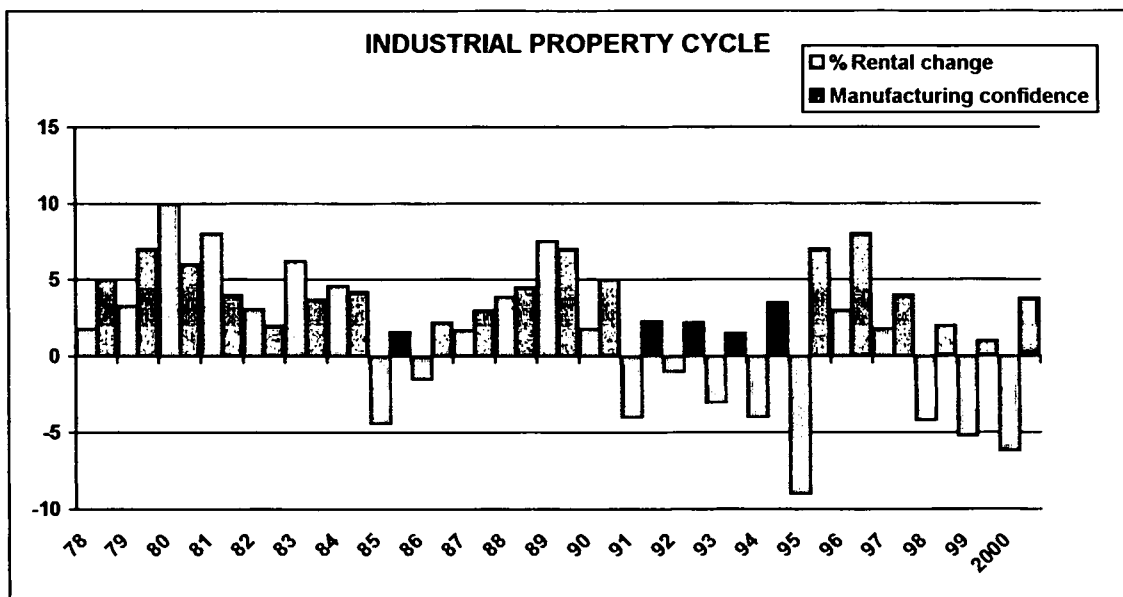
Examples of such distortions are the restrictions placed on new industrial township development in the 1970s, the practice of transferring industrial rights, the policies of

decentralisation and the border industries policy. The locations of industrial developments were further distorted by the 'apartheid' policy when industries were used as 'barriers' or divisions between race group residential areas. Such legislation and policies also cause temporary or cyclical tendencies. It may be expected that industrial rent and land value price cycles should conform more readily to the normal economic cycles in future.

Best (1990:235) describes the industrial district as a "dynamic constellation of mutually adjusting firms". He believes that the emergence of an industrial district is partly related to the vertical disintegration of corporate hierarchies within the context of an increasingly uncertain economic environment.

*"The high tech complex is a dynamic cluster of technologically-advanced industries - for example, the Silicon Valley in California, Toyota City in Japan and the Cambridge/Bristol axis in the UK. In South Africa, the Sandton-Midrand-Centurion corridor and, possibly, the Cape Town-Stellenbosch axis may be regarded as incipient high tech complexes."* (Harrison 1996b:7)

Large industrial developments are planned years in advance of the commencement of their production. Most of the large industrial developments tend to be somewhat specialised. It has happened that when a large industry has failed or left the country as occurred in South Africa during the eighties when disinvestments took place, the large factory buildings remained vacant for quite long periods. Many were divided into groups of smaller industries.



**Graph 23**

Source Rode's Report (1990-2001)

Throughout the twentieth century a pattern of 'clustering' or grouping of similar industries has taken place. In the US, Detroit served as a major motor manufacturing centre, attracting a great deal of 'sub' industries involved in the manufacturing of motor components. This pattern has been evidenced in Silicon Valley near San Francisco, as well as in Japan and Asia. The agglomeration of new postmodern industries often creates what is referred to as a 'milieu of innovation', a term used to describe

*"successful new industrial regions, where the presence of district economies and of wide synergies among local actors gives rise to fast innovation processes"*  
(Camaghi 1995:317)

Camaghi sees this as the set of relationships that occur within a given geographical area that bring unity to a production system, economic actors, and an industrial culture,

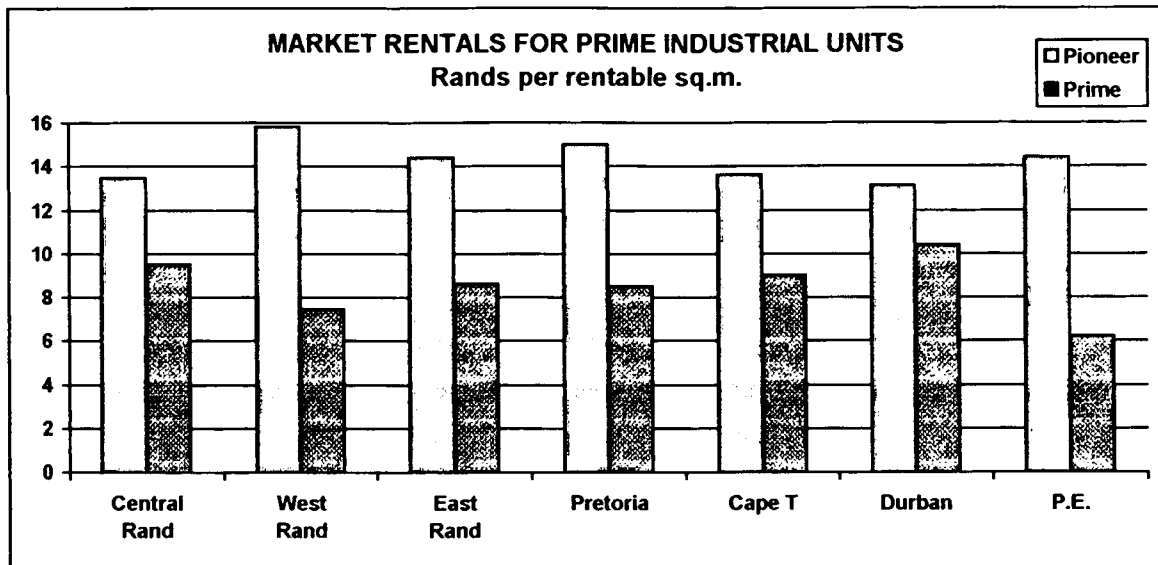
*"...that generates a localised dynamic process of collective learning and that acts as uncertainty-reducing mechanism in the innovation process."* (Camaghi 1995:317)

Characteristics of an innovative milieu include strong interactions, networks and synergies within an area and the linkup to external energy with strong integration into the wider economy. (Harrison 1996b:34)

Apart from Malaysia, South Africa is currently one of the countries most deeply involved in research on the development of cluster industries. Altogether 22 studies are being planned on industries, ranging from petrochemicals and mining equipment to wheat milling and wool & mohair clothing, involving the Department of Trade and Industries. (F&T Weekly 13/7/98)

F&T Weekly (13/7/1998) reported that cluster industries have already been successfully established in more than 30 countries, among others New Zealand, Poland, Colombia and Northern Ireland. The concept is in fact self-defining; it's based on the idea that competitive advantages are not achieved by a single firm. Every firm is a cluster made up of suppliers, support services, technology and consumers. Competitive advantages may be achieved through co-operation and partnerships in an industry.

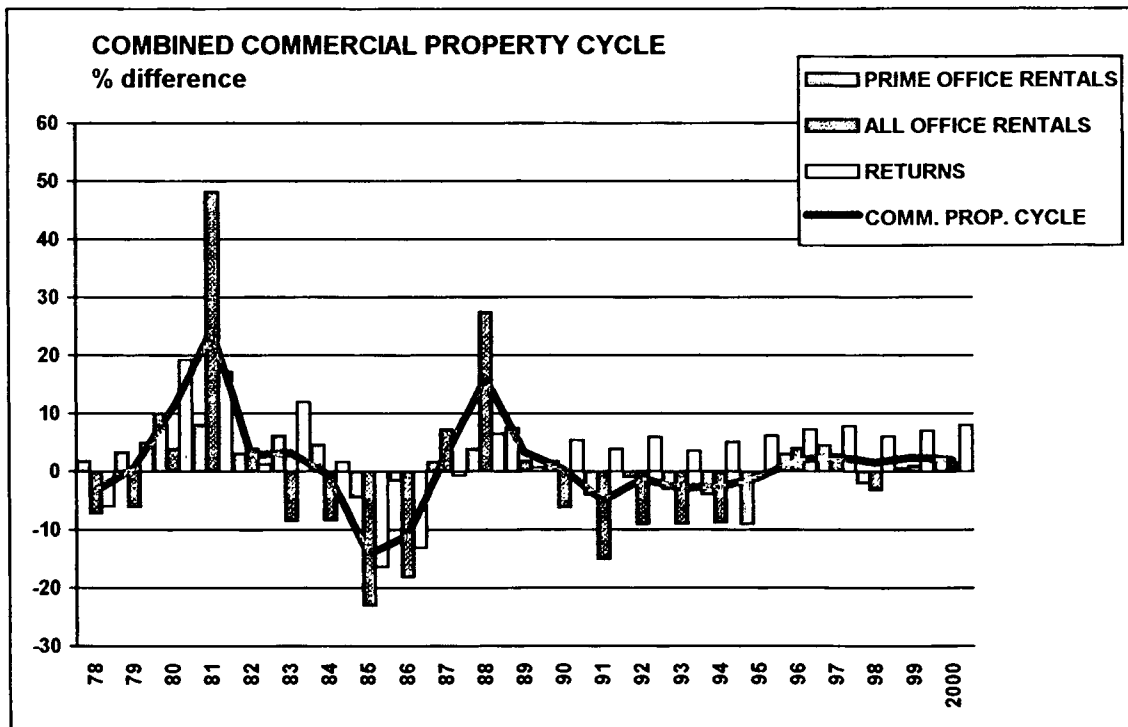
An analysis between prime rentals and 'pioneer' rentals serves to illustrate the demand for new developments - i.e. a demand for additional space. This indicator can serve as a guide for planners in making provision for future space requirements.



**Graph 24**  
Source: Rode 1996

**9.4.3 Commercial property cycle**

The commercial property cycle has been compiled on the basis of rentals of these premises. A combination of various statistics on rentals have produced the following:



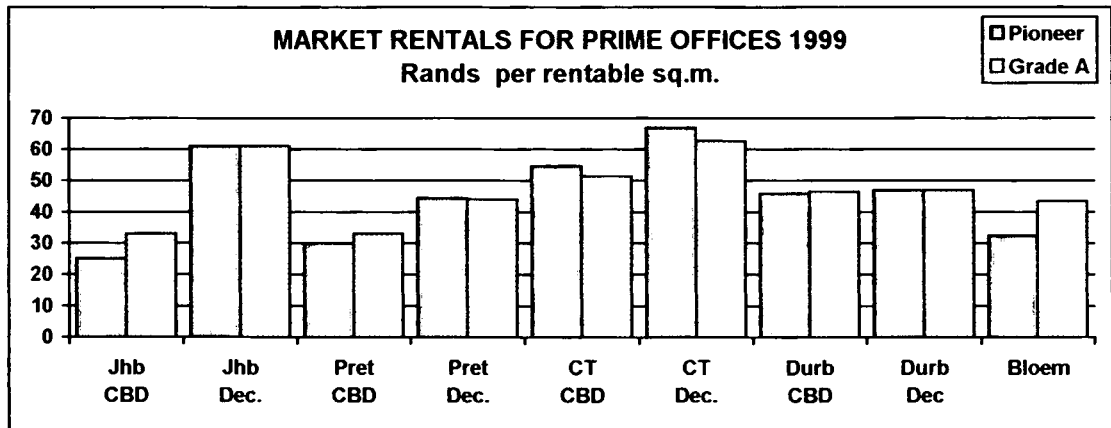
**Graph 25**  
Source: Rode's Reports (1990 - 2001)

It is clear that the commercial property market has been less volatile during the nineties than the eighties. This is partially due to more flexible forward planning policies adopted by most local authorities allowing rapid growth of decentralisation.

Commercial properties can generally be divided into office buildings and shopping centres. As discussed above, in the past most shopping and office building requirements were found in the central city area. More recently these patterns have changed, also causing some segregation between shopping and office buildings.

Since the eighties CBD land values commenced a decline phase mainly due to decentralisation. This decentralisation has seen a flight of much of the more expensive offices from the CBD to the upmarket suburban residential areas where commercial land values enjoyed huge value increases mainly due to re-zonings. Thus institutions moved their investment directives to decentralised CBDs. The outflow of upmarket offices from the CBDs created substantial decay in some of the cities, particularly Johannesburg.

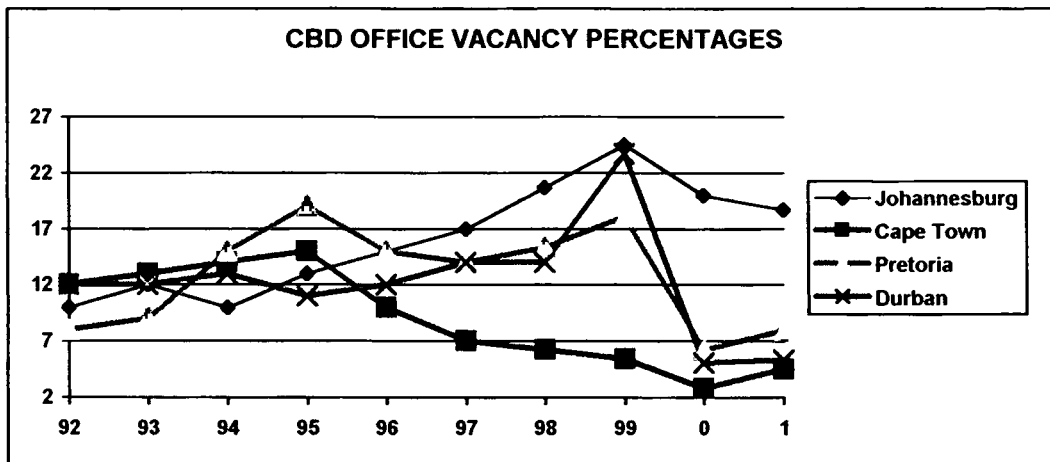
There is a substantial difference in average rental levels between most of the CBDs and the decentralised new offices. This is illustrated in the following graph:



**Graph 26**

Source: Rhode's Report (1999)

The above clearly indicates the differences between existing grade A rentals, and those obtained in new 'pioneer' developments. (Rode 1999) Cape Town was the only city where pioneer rentals were higher than those of existing A grade office buildings - indicating a demand for new office development. The difference between pioneer and existing buildings in the decentralised areas of Johannesburg and in Durban were virtually nil, indicating that new office buildings would be feasible in the immediate future.



Graph 27 Source: Rode's New Office Development 1997 & Rode's Report 2001

South Africa is moving away from the era of large institutional property investment to smaller and cheaper industrial developments.

#### 9.4.4 The construction cycle

Short (1996:365) says that building cycles create the fabric of the city. In many cities dominant growth occurred at particular times with their character linked to particular styles:

*"Each building cycle has a specific character, an individual "feel" and "look" which marks it out from all the others, whether it be the straight lines of modernism, the whims of postmodernism, or the elegance of the neo-classical."* (Short 1996:385)

Construction planning is an exercise in futurology because of the relatively long construction period. It takes up to five years from the initial planning of a large central city office building till the final completion thereof. During this period the economic cycle could change quite considerably, therefore it is essential that construction planning be fully coordinated with urban planning. The time of 'manufacture' of houses is not nearly as long, particularly if one looks at the construction of one house, but when considering a residential township, the period is much extended. The construction cycle can be divided into the planning period and the physical construction period. Thus we can study figures on plans passed, compared to buildings completed.

The construction industry is obviously directly related to the property cycle. A very basic approach to the demand for construction would be the argument that no new buildings should be built unless the existing stock is fully or nearly fully utilised. Alternatively this may be viewed on a cost basis, comparing the cost of construction of a new building to the cost of an existing building, i.e. the price of a house less the value of the land. In theory therefore, the difference between a shortage or over supply (of houses) would be two units. If there is one vacant house with no demand for it then it may be said that there is an over

supply, but if there is one family who cannot find a house it may be said that there is a shortage. In practice the construction industry does not follow this simple example.

- **First**, there may be a shortage in one particular area while there is an over supply in another, or a shortage in a particular price range and an over supply in another.
- **Second**, the industry reacts to expectations. Those projects, which take a long time to complete, must be commenced at such time that the completion thereof will coincide with the high point in the demand cycle.
- **Third**, the construction industry is not limited to the construction of new units. Buildings deteriorate physically and must be upgraded and repaired from time to time. This work is also a component of the construction industry.
- **Fourth**, construction is not limited to habitable buildings, but also includes the construction of infra structure such as dams, roads and bridges.

Short (1996:381) feels that long building cycles are associated with specific transport eras that gave shape, location, and size of the building cycle:

*"The predominant mode of transport in each era influences the size and orientation of the city. The most general trend is that the evolving transportation systems allow successive building cycles to be at increasing distances from the city centre. The net effect is of a stretching out of the city along the predominant transport corridors."*

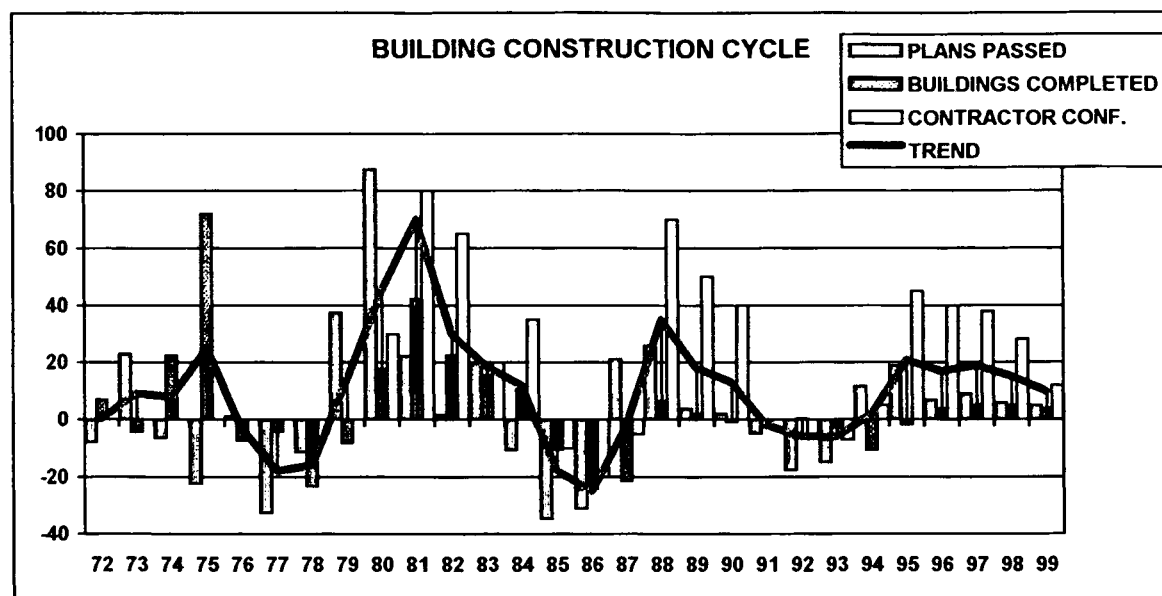
Short (1996:381)

Construction is a very large industry in South Africa and it is fortunate that much statistical information is available, affording meaningful analysis of cycles. It may be pointed out that the official figures do not include the construction of units in informal settlements.

The sequence of construction data is set out as follows:

- (a) Plans in the process of being drawn by Architects;
- (b) Building plans passed;
- (c) Investment in construction work;
- (d) Construction prices;
- (e) Buildings completed;

The above can be combined into a general building cycle:



Graph 28

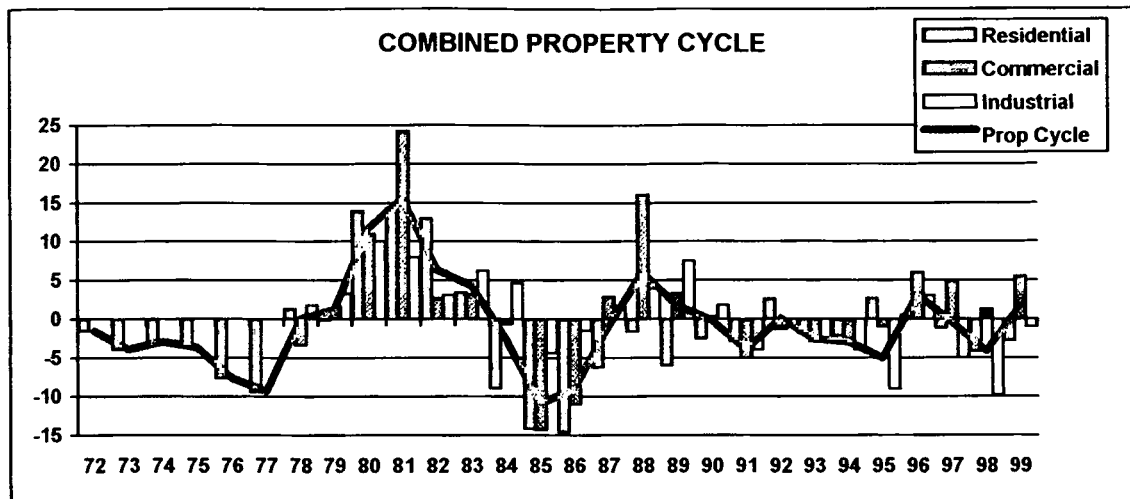
Source: ABSA Bank &amp; BER

It is clear that the building industry is highly volatile, and appears to suffer somewhat worse than many other sectors of the economy. During earlier decades some of the cyclical influence has been softened by the construction of public roads and infra structure during recessionary times, as was clearly evident in 1975. It is submitted that the high level of volatility of the construction industry can be minimised by more judicious forward planning.

At **national level** it has been deemed prudent to analyse some of the various types of properties separately under the categories of residential, industrial, and commercial, the latter comprising shops and offices. Numerous statistics have been produced over a number of years, relating to property prices, house prices, real estate transactions, and rentals of various types of properties. It has been deemed necessary to standardise statistics in such a way that a meaningful combination thereof can be used in such a manner as to compile a general property price cycle.

From the above analyses the following cycles of the various types of properties in South Africa can be compared:





Graph 29 Source: Rode's Reports & BER (1980 – 2000)

### 9.5 SUMMARY

Keynes started to write about economic theory in the second decade of the twentieth century but it seems that his call for greater economic control by government became heeded only after the great depression. That is when the occurrence of more severe economic cycles came to the fore. His advice was well taken to heart by most governments, which led to a period of more stable economic activity in the larger countries. During the seventies many countries considered the intensity of government control in the economy as overwhelming and stifling to the economy. Subsequent relaxations led to more volatile activities and more severe cyclical movements. Yet it was found that in many countries, which continued the Keynesian approach, cyclical movements increased without maximisation of economies. More severe cyclical movements commenced prior to the advent of greater economic freedom advocated by Reagan and Thatcher in the late 1970s and early eighties. (Hutton 1996:238)

#### **How do economic and property cycles influence urban planning and what reaction should planners adopt towards economic and property cycles?**

Cycles have a substantial effect on the implementation of planning decisions. Economic cycles will affect the timing of development trends. Cycles will also affect the nature, quality and quantity of developments as well as the optimum location thereof.

Planners should distinguish between short and long term cycles. Short cycles or business cycles are not difficult to understand and to predict. They are regular occurrences that are generally unavoidable. These cycles can only affect short term planning - i.e. one to three years. They primarily affect new developments or aspects of planning requiring substantial funding. The private sector is loath to invest funds during periods of high interest rates and low consumer demand.

If planners are involved in new developments they must realise that the funding thereof will be affected by the business cycle and some projects will have to be held back pending an improvement in the business cycle. If a project is not feasible at a particular time, it does not mean that it may not become more attractive during a later stage.

Conversely, planners should note that longer-term projects, which appear perfectly feasible during an economic boom period, may fail in two or three years when interest rates rise or consumer demand reduces.

### **Sectoral phases**

The various sectors of the property market are not equally affected by economic cycles. Certain types of properties and properties in different locations may be very differently affected by economic cycles. Some developments or trends have a 'once only' lifetime - e.g. sectional title conversions of rental apartments, which were a phase, which occurred during the late 1970s and early 1980s. The time-share industry also came in with a boom and levelled off after a few years. The 'condominium conversion' boom had little planning affect, but time-share made many resort developments more feasible.

There have been many cycles in certain market sectors, such as residential golf estate developments, office and industrial parks, secured 'gated communities' and various types of medium density developments, the development of which was affected by the permissible legal tenure of individual units.

There are longer-term cycles and trends such as office decentralisation from central business districts to the suburbs, industrial decentralisation and general changes in the demand for industrial and office accommodation. Housing density requirements change and transport routes and modes affect the development of suburbs.

Contemporary questions on the future cycles and of developments include:

- How will the rapid growth of information technology - particularly the Internet affect retail developments (as a result of on-line sales) and office location decisions?
- What affect will technology have on transportation demands and modes?
- How will cities develop in the third world - will megacities continue to grow, will poverty and inequality prevail and shack developments expand?
- Will job opportunities in the formal sector start to increase again or must planners provide for a great deal more accommodation for the informal sector?

Most of these questions will be easier to answer if the planner has a better understanding of longer-term cyclical movements. These aspects are considered in the final chapter.

# CHAPTER 10

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# CHAPTER 10

## SCENARIOS OF THE FUTURE

*"Historical milestones are occasions for reflection and speculation; for looking back and to the future". (Clark 1996:3)*

This was only the second arrival of a new millennium in recent history, the advent bringing thoughts of eschatology (the study of last things) and the beginning of a new era. There is always much, somewhat sentimental, philosophising during such periods. The opening decade of the third millennium is likely to bring with it similar technological changes as was seen at the turn of the previous century with the advent of the automobile heralding the beginning of the century and the personal computer with the global telecommunication networks- the Internet, the closing chapter. Cities themselves have reached a milestone as, for the first time, we enter a new century with the majority of the world's population living in urban areas.

The objective of this chapter is to convey an expectation of what South African cities may become under various scenarios and circumstances in the country, rather than to make predictions. With references, most of this chapter contains subjective views. Certain recommendations have been made.

*"Urban planners need reasonable estimates regarding the likely course of future events so as to anticipate needs and develop policy responses. (Blair 1995:304)*  
*Planners need to be able to understand future possibilities and the ability to describe the means of achieving desirable futures. Planners in both the public and the private sector frequently rely on economic paradigms." (Blair 1995:320)*

### **10.1 TOWARDS THE FUTURE**

It is submitted that the urban form is primarily influenced by socio-economic forces thus any futuristic view of the cities are substantially determined by economic events. Therefore it has been necessary to consider various global en local economic scenarios before looking at the future form of the cities. Recommendations are made with the object to influence decision makers.

predictions. It is submitted that he was an 'old guard' economist - a 'control' economist who endeavoured (admittedly with substantial initial success) to improve the future by 'fixing' things that went wrong in the past. Keynes felt that human decisions affecting the future, whether personal, political or economic, cannot depend upon strict mathematical expectation, since the bases for making such calculations do not exist. There are too many subjective actions and opinions, whims or motives, sentiments or chance to be able to make accurate forecasts. However, Appelbaum (1977:49) says, "*The future is made, not predicted.*" Economist and planners can participate in 'making' the future.

Sunter (1992) pointed out that:

*"The world is changed not by people who are right but by people who can convince others that they are right."* (Sunter 1992:2)

Economics, like planning, is essentially a futuristic science, thus expectations or likelihoods is an essential ingredient of the profession. The objective of the study of economics and planning is to use given past and present criteria and data to be able to make predictions.

Sunter points out that there is a difference between scenario planning and strategic planning in as much as strategic plans are intricate essays or steps to be taken to achieve certain goals, while scenarios are:

*"...shortish poems of possible futures to sway the listener to be flexible in outlook."*  
(Sunter 1992:2)

Scenario planning is a story of what can happen and not a forecast of what is going to happen. The purpose of scenario planning is to make decision makers aware of the possible implications of their decisions and plans.

*"One has to draw the conclusion that, by considering the world as a universe of possibilities, one is much more likely to pick the right path ahead than by rigidly planning for the future."* Sunter (1996: 16)

Sunter became a leading figure in scenario planning in South Africa during the 1990s. He sketched the "*High Road, Low Road*" scenario in a series of talks in 1986/7 and produced his first scenario planning video and booklet called "*The World and South Africa in the 1990's*". It is submitted that these scenarios played a very important role in convincing the majority of South Africans that a confrontational political view would lead to civil strife and the '*Low Road*'. Eight years later it became quite clear that the country chose the political '*High Road*' scenario. Now it is necessary to reflect once more on the road ahead. This time the choice concerns mainly economic policy and approach. Sunter believes that it is better

the 'Low Road'. Eight years later it became quite clear that the country chose the political 'High Road' scenario. Now it is necessary to reflect once more on the road ahead. This time the choice concerns mainly economic policy and approach. Sunter believes that it is better to examine the future with a broad beam of light than to try to pin-point the future with specific forecasts.

Sunter (1996) illustrates the wide range of potential future scenarios but feels that there are certain basic 'rules' according to which successful countries must abide. These global 'rules of the game' are classified into three categories:

- **Demography**; the world population and its impact on the environment, the growth of urban areas, particularly in poorer countries and the ageing of population. Elderly people crave greater security and save more money. Aids is a wild card in Africa that is slowly growing in significance.
- **Technology**; creating greater efficiency, particularly in the communications networks - high tech industries are in a state of 'perpetual transition.'
- **Values**; Sunter feels that in the realms of economic growth and public policy there really is something for everyone. *"There may be economic cycles, but there is not about to be a cycle in social values. ... it is surprising how much the Western world acts as a pathfinder to the rest of the nations on Earth."* (Sunter 1996: 71)

Expanding knowledge and information systems widens the scope for individual choice. It is submitted that, the greater the flow of information, the more likely it becomes that 'informed' choices will be made and that these choices will be more predictable. Active forward planning, facilitated by a greater flow of information, enhances the likelihood of more accurate predictions.

History has taught one definite lesson; economies are cyclical. With this in mind it may be expected that many present conditions will change in future. It is submitted that cycles are caused by conditions and events and not by fixed time periods.

### **10.2 GLOBAL TRENDS *The Dawn of the Third Millennium***

Analysing the (long term) Kondratieff cycles, Sunter (1996:57) feels that the world is in the fifth upswing, which is likely to continue through at least two decades after 1990. It has been initiated by a wide range of applications being discovered for microelectronics, particularly in the area of communication. This sentiment is supported by the International Monetary Fund (1999a:214) who has taken an optimistic view of world economic growth in the early part of the third millennium, particularly regarding developing countries. Their medium-term baseline scenario of average annual real GDP growth for Africa for the first

economic growth in the Pacific Rim, having 'subcontracted' much of the repetitive and somewhat more menial manufacturing tasks to countries such as South Korea and Taiwan.

The impressive economic expansion in the **United States**, entered its eighth year in 2000. In **Europe**, growth has perked up despite high unemployment. The International Monetary Fund (1999a:1) says that there are encouraging signs that the economic recovery has been gaining in breadth and strength and that domestic demand in the major EU countries is beginning to replace net exports as the principal engine of growth. This accords with Sunter's (1996:57) analysis of the Kondratieff cycle.

It is clear that, during the past decade, in the **second world countries** of Europe, some of the worst economic incompetence has ended. Central planning has given way to "*transitional economics*" and much of the former Soviet Union and developing countries have opened their economies to the outside world.

Nevertheless, despite these grounds for optimism, it should be recognised that there are a number of risks to this general scenario.

*"The [1987/8] Asian crisis demonstrated clearly that, in addition to problems in the countries themselves, the international system still lacks many of the standards and the transparency that characterize well-developed financial markets at the national level."* (Camdessus 1999a:3)

Most economists agree that the US demand growth must slow down in the first decade of the new millennium, but the question remains whether this will be a gradual or an abrupt slow down. It is uncertain whether the Japanese and Euro economies will show sufficient growth to compensate for the expected slow down of the US economy. (International Monetary Fund 1999b:1)

Gill (1997b:2) pointed out that it is increasingly clear that the benefits of a favourable global economic environment do not accrue automatically to any country. Remarkable differences persist in the degrees of success that countries have had in taking advantage of the opportunities for strengthening their economic performance.

- While economic conditions clearly improved in a growing number of low-income countries, many of the poorest countries continued to fall behind, facing the risk of marginalisation from the mainstream of global economic progress.
- Among the transition countries, the contrast in performance also widened between some of the early, relatively successful reformers and countries that started adjustment and reform later and with less determination and consistency.

- Among the transition countries, the contrast in performance also widened between some of the early, relatively successful reformers and countries that started adjustment and reform later and with less determination and consistency.

The 1997/8 financial crisis, which emanated in the East, and the Argentine crisis of 2001/2 in South America gave one clear message that a great deal of global capital is highly mobile, unstable and speculative. Banking systems and national economies are forced to conform to westernised standards to prevent sudden huge outflows. The euphoria of the 'Eastern Tigers' came to an abrupt end, but in the process rewards were gained for efficiency and productivity. At the end of the 'boom' most of the Eastern Tigers were left at a much higher level of economic prosperity than at the beginning. They have become fully entrenched in the global mainstream of commerce and industry.

Cheru & Gill (1997:166) believe that the forces that enjoy the great popular support in coming years will probably be those that can offer effective solutions to the sources of mass discontent while retaining a commitment to civil liberties and ideological pluralism and toleration of differences. While the 'local' is still the primary point of engagement for popular movements, the other main battlefield - where the rules and dynamics of the struggle are imposed - is the world economy. The latter is driven by forces, which in general seek to superimpose economic and cultural homogenisation and political hierarchy, principles associated with the attempt to create a global market society.

### 10.2.1 A better system?

All this said, the world needs to do better to lessen vulnerabilities. Ouattara (1998) believes that we need to modernise the system to catch up with the breathtaking developments in international capital markets. Such modernisation can not occur overnight, the issues being too complex. The task appears monumental. Financial leaders zeroed in on a mix of building blocks that embraced changes in the way countries monitor and discipline themselves, changes in the way banks and borrowers interact and changes in the way financial markets behave. The key elements include:

*"Should developing countries pull back and slow down liberalization efforts to reduce their vulnerability? Clearly, my answer is no. For that would condemn them to marginalization and create even wider income disparities between the North and the South."* (Ouattara 1998)

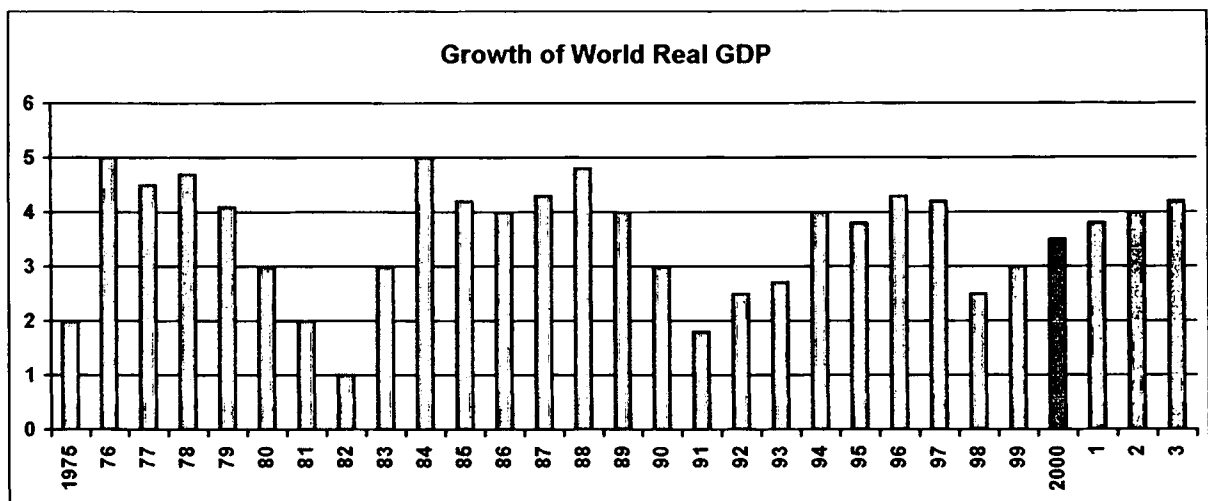
It is submitted that the world has entered a period that may be called '*neo-colonialism*'. During the period of colonialism, nations controlled the destinies of their colonies. Today,



### 10.2.2 Economic Cycles

Any glance at future expectations or scenarios must commence with an analysis of economic cycles, reviewing the cyclical trends and where the economy stands at present. This may be done by firstly considering long-term cycles, then the medium term and then the business (short) cycle. These cycles can also be considered on a global basis as well as nationally and even locally.

The indications are that the world is in a long-term upward cycle at the beginning of the third millennium. It is submitted that the lessons learnt from the financial crises in Asia and elsewhere will stabilise global financial policy to ensure the continuation of the medium term growth cycle during the first decade of the new millennium.



Graph 30

Source International Monetary Fund 1999b & 2000

## 10.3 THE SOUTH AFRICAN ECONOMY

### 10.3.1 Neo-liberalism and the triumph of Democracy

The political economy of the South African transition away from apartheid - comparable to events occurring in the former communist ruled nations - has taken place in the context of internal and external pressure to adopt neo-liberal reforms. Such reforms have integrated the nation more comprehensively into the structures of the global political economy, partly at the expense of a more co-operative and mutually constructive form of regionalism.

*"South Africa remains a land of extreme economic and social inequalities. Average black incomes are just one ninth of those of whites, while black unemployment exceeds 45%." (Cheru 1997:223)*

The South African economy should not be exaggerated. Although South Africa is a regional core power and is surrounded by weak states, in world-systems terminology it would still be classified as a 'semi-peripheral' state. In this sense the great transformation that President

The South African economy should not be exaggerated. Although South Africa is a regional core power and is surrounded by weak states, in world-systems terminology it would still be classified as a 'semi-peripheral' state. In this sense the great transformation that President Mandela spoke of is, as yet, far from complete, especially from the vantage point of the mass of the population in South Africa. Cheru (1997:219) correctly believed that the adoption of a neo-liberal economic strategy by the first multi-racial government of Nelson Mandela was unlikely to help eradicate the dualistic structure of South African society and the region for the foreseeable future. Adam Slabbert & Moodley (1997:174) confirms that the income gap between white and black is narrowing, but the internal economic discrepancies among blacks are widening. There is a fledgling black middle class, consisting of a number of independent entrepreneurs, managerial aristocracy in high demand, and a new political bourgeoisie eager to join in the consumerism of their former 'oppressors'.

Simon (1995:136) points out that Africa remains the only large and populous continent without a true newly industrialising county (NIC) which appears to be another reason for its marginality to global circuits of commercial, industrial, and financial capital. Simon feels that South Africa has many characteristics of a NIC and, but for the effects of international isolation in the eighties, could already have attained true NIC status before the end of the millennium.

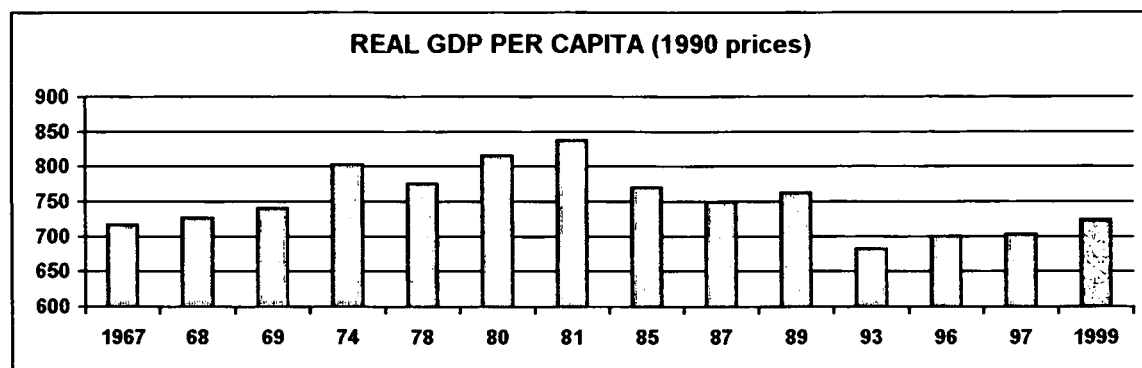
### **10.3.2 The RDP & GEAR**

The government believes that the major challenge facing all South Africans is the reconstruction and development of the country as set out in its economic policy document; GEAR - (Growth, Employment and Redistribution; A Macro-Economic Strategy; 1997) The government believes that, since the successful democratic transition, considerable progress has been made in removing constraints on growth while policy frameworks for the delivery of social services has been established. Inflation has been brought down and the budget deficit reduced, while the economy has been opened up to international competition. This makes it more vulnerable to currency fluctuations – i.e. the fall in the value of the rand in 2001.

Notwithstanding these achievements the government recognises that it has become evident that the growth rate of the economy and more specifically the unemployment crisis, has not achieved the projected targets as set down in the GEAR objectives.

According to Preece (1999:21) South Africa's average wealth per person - as measured by real GDP per capita - was about 3% less in 1999 than it was in 1989, while the figure for

citizens over a 30-year period. Preece contends that the real incomes of the top 10% have increased, indicating a lower standard of living for the poor.



Graph 31

Source Preece: F&T Weekly (17/10/99)

South Africa is widely regarded as the economic 'powerhouse' of Southern Africa, and in a sense, the gateway to Africa. While much is expected of South Africa there are immanent problems, as set out by Maasdorp (1997:4). He identifies a number of danger signals including:

- **Crime and violence**, which appears to be out of control. This impacts negatively on foreign investment and particularly tourism.
- **Affirmative action** is creating an exit of skilled employees at a high rate creating a severe skills shortage.
- There is a lack of commitment to maintain internationally comparable standards in government **schools and hospitals**. This problem has also increased emigration.
- There is a serious decline in **ethical standards**, reflected in a rampant gravy train syndrome in the public sector and growing corruption and irregularities.
- **Wage demands** by trade unions remain out of line with economic productivity creating and adverse affect in the investment climate, the cost of production and competitiveness.

But on a more positive note Maasdorp (1997:17) points out that one finds a technologically advanced First World economy co-existing with a low-cost developing economy. He believes that this provides an array of potential opportunities of combining know-how with low-cost labour and that, where these kinds of First World - Third World borders are found, one finds rapidly rising standards of living, productivity and economic growth.

Understandably, the government has come under severe criticism by opposition parties in parliament regarding its inability to produce the promised RDP and GEAR results.

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### **10.3.3 Socio-political trends**

The ANC has realised that long-term black (African) empowerment and enrichment rests not with socialist redistribution but in a free market system. Adam et al (1997:173) points out that the impact of economic globalisation and the domestic private sector on the ANC has exposed it to a core dilemma: how does it manage the inevitable political costs and pain of necessary economic reform? Notwithstanding its alliance with the SA Communist Party and the trade unions, the ANC, by force of circumstances has brought into the prevailing economic ideology the idea that a competitive market economy is the most efficient mechanism to generate wealth in society. It therefore has to introduce the reforms necessary to enhance the performance of the mechanism, e.g. get rid of exchange control, privatise state assets, create a flexible labour market and reduce government deficit.

A new fledgling middle-class bourgeoisie is succeeding in replacing democracy with liberal democracy while arguing that, as long as the South African Communist party is part of the ruling group, claims that a privileged elite neglects its poor constituency must be untrue.

For all the empowerment that has been achieved, it does not go deep enough. The black entrepreneurial class, though it has grown in numbers, will take long to become large enough, or powerful enough, to give a credible articulation to traditional business demands for lower taxes and more flexible labour markets. The market system needs the right incentives to produce socially desirable goods and services in partnership with the State.

## **10.4 THE SOUTHERN AFRICAN ECONOMIC OUTLOOK**

South Africa has the benefit of viewing neighbouring countries whose economies have all but collapsed, like Zimbabwe, Angola and Mozambique. These supply concrete evidence of the 'low road' scenario. Even at home the central business district of Johannesburg does not paint a rosy picture at the beginning of the third millennium.

The ANC must balance the consolidation of democracy, which will slow down the pace of economic reform or vice versa, speeding up the pace of economic reforms at the cost of slowing down the consolidation of democracy. Ginsberg (1998:1) is adamant that South Africa cannot continue on its present economic course. Looking back as South Africa's past, Bernstein (1999:22) says that while certain achievements of the first democratic government must be acknowledged, big hurdles must be overcome if South Africa is to

inappropriate desire to justify rather than to correct past and present failures. He believes that South Africa must harness the goodwill of its people by showing them what is in it for them and it must seek fairness in income distribution.

*"If it builds its economy until it is able to put all its people to work, it cannot fail."*

Lambert (1997:26)

#### **10.4.1 The National Economy**

The future of South African cities is inextricably linked to the future well being of the nation's economy. To be able to view scenarios of the future it is necessary to consider the situation of the economy at the beginning of the third millennium. Much of this has been done in the body of this work, thus it is only necessary to summarise some salient aspects.

On the **positive** side it is seen that:

- ◇ the country has a First World economic structure including roads, telecommunications, electricity and water and a stable democratic government
- ◇ it has a superior infrastructure and technology, relative to most of Africa
- ◇ it has a stable democratic government committed to first world economic policies
- ◇ there is a small but strong contingent of highly trained and skilled workforce
- ◇ the country is relatively well endowed with basic commodities and minerals
- ◇ the country has a first world banking and financial system
- ◇ South Africa has a substantial tourism potential

On the **negative** side:

- crime is rampant and at unacceptable levels
- unemployment is unacceptably high and is growing while the bulk of the labour force is poorly skilled with low productivity
- there is a growing gap between the rich and the poor
- physical infrastructure is deteriorating
- there is a steady flow of emigration of highly skilled people
- the relatively low mineral and basic commodity prices at international level
- insufficient petroleum products
- the economy is performing below the GEAR targets set in 1996 and the implementation of economic policies is poor.

While limited access to international capital markets has deprived most countries in sub-Saharan Africa of many of the benefits of international financial integration, it has also shielded them during periods of financial turbulence. During 1999, interest rates in South Africa declined, reflecting sound monetary and fiscal policies. Nevertheless, real interest

While limited access to international capital markets has deprived most countries in sub-Saharan Africa of many of the benefits of international financial integration, it has also shielded them during periods of financial turbulence. During 1999, interest rates in South Africa declined, reflecting sound monetary and fiscal policies. Nevertheless, real interest rates remained high, exacerbating the weakness of economic activity: although improving in 2000, growth was near zero in 1998 and below 1 percent in 1999. (SA Reserve Bank 2000)

### **Can South Africa replicate the (successful) experiences of the 'Asian Tigers'?**

Over the past three decades, the economies of East Asia made remarkable economic progress. Following on the heels of Japan's double-digit growth in the 1960s, Korea, Taiwan, Hong Kong, and Singapore grew at very rapid rates from the mid-1960s, with their per capita incomes rising to match those in a number of advanced economies in Western Europe. They were followed in the 1980s and the 1990s by the Southeast Asian economies (especially Indonesia, Malaysia, and Thailand), which then also grew exceptionally fast. All these countries experienced sustained economic growth at rates that exceeded those earlier thought achievable, with some attaining growth of 8–10 percent a year for a decade. (International Monetary Fund 1998b:82)

The rapid growth of the east Asian economies was accompanied by impressive advances in social development: poverty, infant mortality, and adult illiteracy all declined significantly, while life expectancy at birth rose considerably. Also, and again contrary to earlier conventional wisdom, rapid economic growth was achieved without increases in income inequality. (International Monetary Fund 1998b:82)

Notwithstanding the 1997/8 global financial crisis emanating from the East, it is submitted that much can be learnt from the Asian experience, in following the Asian Tigers on how to expedite growth. It is submitted that suitable fiscal and monetary structures of South Africa are in place, to achieve this objective.

Smith & Jafta (1995:46) concur that South Africa can learn much from the newly industrialised countries (NICs). They point out that the NICs relied on informal training (learning-by-doing and on-the-job training) to raise the skills level of their labour forces. These learning techniques were actively encouraged through foreign assistance.

Some optimists go further to believe that South Africa could become the next Taiwan or Korea in Africa. It has the best infrastructure in Africa, including ports and railways, telecommunications system and financial markets. Its industrial base is centred on mining of diamonds, gold, uranium and coal, as well as arms manufacturing and agricultural

import-substitution industrialisation, centralised state management of the economy, sheltered markets, guaranteed labour supplies and unequal income distribution. This is in contrast to the Asian NICs who based their success on the development of skills, indigenous technical capacity, land reform, the creation of an enabling environment for national and international competition for production, and innovation and quality through deregulation and de-concentration of ownership. (Cheru 1997:231)

- **Second**, the South African economy has consistently performed poorly since 1976 despite enormous government support and protection from outside competition. Only once in the 1980s has the GDP grown by more than 5 per cent, the minimum required to keep a ceiling on its dismally high unemployment figures. (Cheru 1997:231)
- **Third**, South Africa is still dependent on primary commodity exports. Until recently, favourable prices for gold, metals and agricultural goods contributed to higher levels of GDP growth. However, a slump in the world price for metals and gold, the main source of foreign exchange, is unlikely to be reversed in the near future. (Cheru 1997:231) The International Monetary Fund (1999b) is more optimistic about the medium term recovery of base minerals.

While South Africa wishes to follow first world economic policies it does not have the population profile and work ethic of America, Britain or even most countries on the continent. It has millions of poorly skilled and unskilled workers who will have great difficulty surviving in any First World economy. South Africa's immediate neighbours also pose a threat to its economy and the structure of its cities. Cheru aptly points out that:

*"If the whole region fails economically, these problems will grow to threaten social order and social services within the South African Republic. Electrified fences and panoptic surveillance techniques, which failed to halt mass movements of people to the Republic under apartheid, will not be the answer to poverty-induced migration from countries north of the Limpopo."* (Cheru 1997:241)

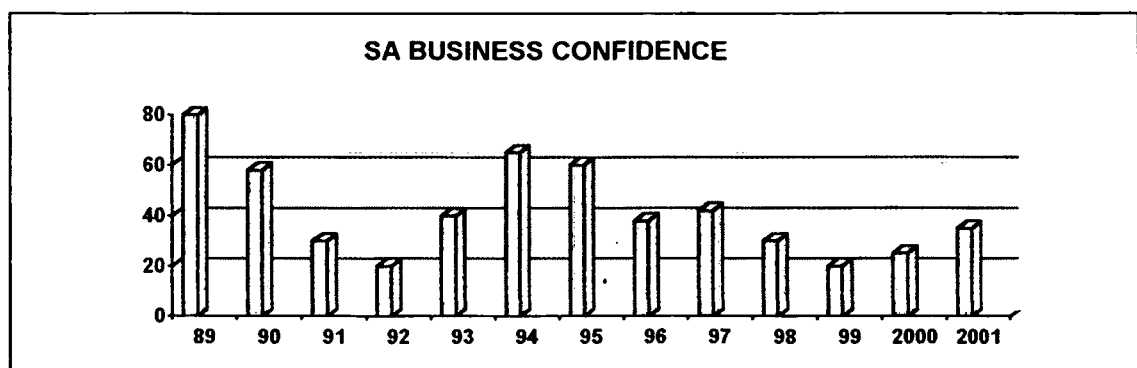
Schlemmer (1998:17) felt that South Africa could be relapsing into the Third World but if the government can accept that it is more important to get the system working effectively than merely producing policy documents, South Africa could 'turn the corner'.

The same message is repeated by most international supporters of South Africa: one area where most African countries need to do much more is in making the public administration a supportive factor in private economic development. **First** and foremost, the role of government must be redefined away from direct production toward the provision of essential public services. In keeping with this new role, governments need to rationalise the composition of expenditure to ensure that the greatest possible share of available

The same message is repeated by most international supporters of South Africa: one area where most African countries need to do much more is in making the public administration a supportive factor in private economic development. **First** and foremost, the role of government must be redefined away from direct production toward the provision of essential public services. In keeping with this new role, governments need to rationalise the composition of expenditure to ensure that the greatest possible share of available resources is indeed directed at providing key public services, above all education, health, and the necessary infrastructure. **Second**, no effort should be spared in building up an efficient civil service, with the competencies necessary to set the appropriate parameters for private economic activity and administer this framework equitably and impartially.

Adam, Slabbert & Moodley (1997) rightly point out that the ANC is engaged in a delicate balancing act. It must adhere to the broad dictates of the market unless it risks being heavily penalised. On the other hand, it cannot afford to be perceived as having abandoned its concern for the masses and the unions. They believe that the ANC resolves its dilemma by pursuing neo-conservative economic policies but obfuscating it with an occasional dose of socialist lip service to redistribution and the desires of the masses. A practical example is the problem of increasing losses at Transnet in 1999. While the government refuses management's pleas and concedes to Cosatu's wishes of not dismissing 25 000 non productive employees the losses continue to grow. Eventually the government must concede to economic realities.

At the turn of the century Quattara (1999) warns that the image of an Africa ready to take off economically is being undercut by the image of an Africa increasingly mired, once again, in political turmoil, civil unrest, and armed conflict. Yet the International Monetary Fund and the South African government are optimistic. They believe that those external powers who pressed for the new democracy and neo-liberal economic policies will now support the 'reborn' nation in its quest for economic upliftment.

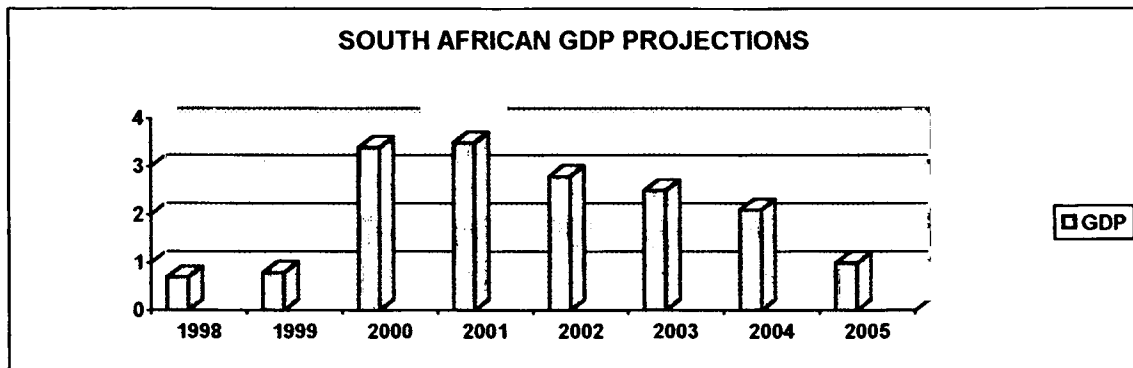


Graph 32

Source: Bureau of Economic Research 2001



prices of basic commodities such as agriculture and mining products are likely to persist while the state struggles to make ends meet. The lack of productivity and high crime rate makes international investment unattractive. Tourism is fickle and is easily affected by isolated acts of crime and violence. Interest rates will remain under pressure while government attempts to retain foreign investments.



Graph 33

Source: Rode (1999) and Jonker

It is submitted that the correct path for the development of the South African state remains one of building a democratic market economy with a strong anti-poverty programme. The way forward for South Africa must be an economic system, which includes widespread ownership of corporate equity and rapid entry of Africans into business. Only the black majority has the electoral power to really move policy and that will only become a real possibility when blacks have a real stake (something to lose) in the market economy. There are no short cuts to a free and functioning free market. There is no such thing as African capitalism. It is submitted that **home ownership** is the bastion of individual wealth and should be the starting point for the accumulation of assets for the poorer community.

#### 10.4.3 Community Power

It is imminently clear that globalisation has and is continuing to enhance economic inequality in the bulk of developing mega-cities. It is submitted that this problem will have to be resolved by socio-political means through community mobilisation efforts. Fisher & Kling (1993:319) alluded to the necessity of renegotiation and redefinition of the organisational dynamics of grass-roots efforts, the kinds of goals sought, the extent of the transformations achieved, and the concepts defining the relation between the person and the state.

It is in communities that postmodern cultural, ethnic and economic desires can be fulfilled. In societies subject to international global economic trends and the marginalisation of the poor, communities will have to be actively mobilised to promote economically beneficial local incentives. Fisher & Kling (1993:324) contend that community mobilisation is the

It is in communities that postmodern cultural, ethnic and economic desires can be fulfilled. In societies subject to international global economic trends and the marginalisation of the poor, communities will have to be actively mobilised to promote economically beneficial local incentives. Fisher & Kling (1993:324) contend that community mobilisation is the dominant form of resistance in a complex society. It is a basis for restoring public life, empowering individuals and communities, and challenging the state and capital, but they believe that the ability of social movements to empower people to challenge exploitative economic institutions remains problematic. Yet Fisher & Kling believe that people will continually find ways to construct new movement forms and to assert control over their lives - they seek innovative ways of resisting domination.

The Department of Constitutional Development (1997:10) proposes a local economic development charter for South Africa. The Department believes that the most important means by which to realise economic development objectives is by changing the way local authorities do their core business.

*"The economic vision and objectives we establish can be used to re-evaluate all our core policies and programmes and to make changes. .... municipal local economic development units might focus their attention on reorientating the whole municipality as well as on special interventions."* (DCD 1997:10)

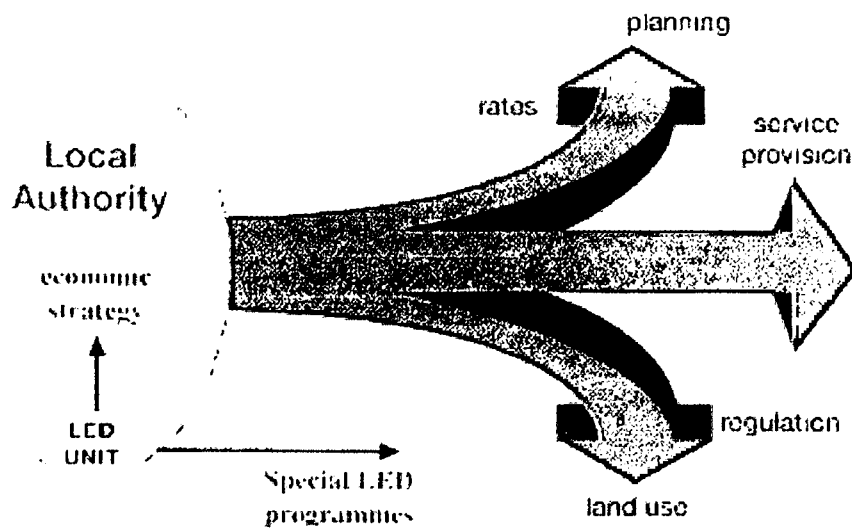


Figure 9: LOCAL ECONOMIC DEVELOPMENT CHARTER FOR SOUTH AFRICA

Source: Department of Constitutional Development (1997:11)

The proposals for the charter urge that local communities should establish a vision for local economic development, which should include promoting growth, reducing inequality, increasing participation and tackling poverty. The Department believes that the basic quality of life in the localities will be a key determinant of their success. **Everything the council**

The Department believes that the economic potential in impoverished communities is considerable and with the right support and encouragement, including concerted education and training, the poorest people in the communities can achieve a great deal. It is submitted that planners can play a leading role in pro-actively promoting economic improvement in local communities.

It is submitted that the creation of 'mega-city' administrations, while arguably being an instrument of centralisation is likely to enhance community building because the force of administration is moved away from ground level, forcing communities to more actively look after their own interests. Geographic communities or neighbourhoods will rally together to enhance their economic benefits and interest group communities will co-operate for group benefits.

It is imperative that, in the process of centralisation under mega-city administrations, planners do not distance themselves from the communities. Planners need to remember the importance of collaborative planning principles and maintain strong ties with the thought processes of the communities and neighbourhoods to ensure that their needs and desires are catered for in spatial and aspatial urban planning.

### **10.5 CITIES OF TOMORROW**

*"Cities will rise in power and the movement of people will become more fluid, ending the social contract that guarantees the welfare of a citizen within fixed borders."* (Coyle 1997:24)

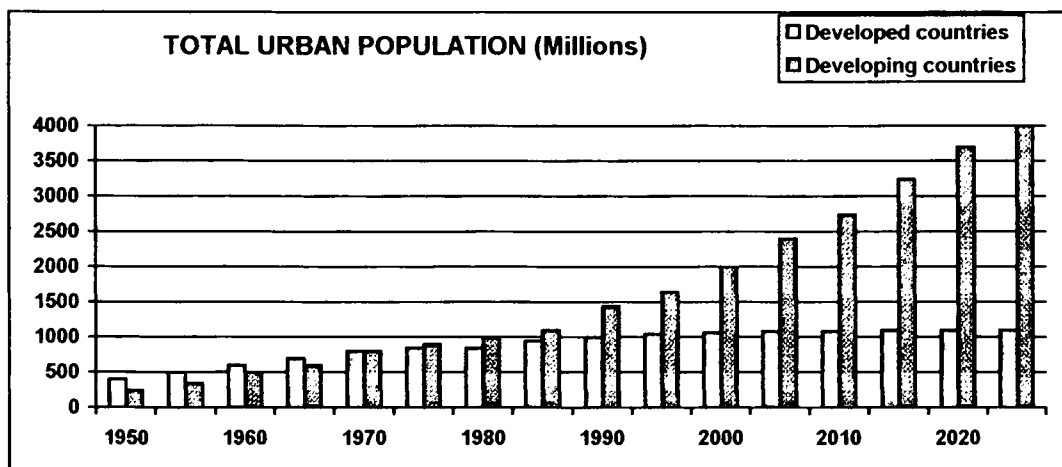
In economic geography, the key to the location of economic activity is concentration (agglomeration). *"London increasingly embodies the circularity of economic geography that companies want to be where the market is biggest and the market is biggest where the companies are."* (Coyle 1997:21) Many cities are specialised because of the economies of scale. Hollywood does movies, Seattle does aircraft, Paris does culture, London does finance, and Orlando does entertainment. Just as in the sixteenth-century Italy or nineteenth-century Britain, cities will become the focal points of the twenty-first century economy. (Coyle 1997:19)

The postmodern city is a product of technology, and the rapid evolution of today's city as a highly concentrated centre of services has been made possible by technology. Bugliarello (1994:145) believes that the postmodern city is at a cross-roads regarding its future. It can continue to operate as an extrapolation of its past, endeavouring, with increasing difficulty, to patch up its structures and operations so as to try to cope with a new dynamic it cannot control. Or the city can take bold steps to project itself into the future and be in command of

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Estimates of future urbanisation figures indicate that, while the overall level of world urbanisation increased from 29% to 50% during the last 50 years of the twentieth century, the first 25 years of the twenty-first century will see a further increase at roughly the same level to 61% in 2025. (Potter & Lloyd-Evans 1998:3) The growth of cities will be mainly in developing countries while cities in industrialised European countries will stagnate during this period.

Since the beginning of the nineteenth century there has been a steady gap between the birth rate and death rate in First World cities - both decreasing slowly. In developing countries the gap has widened substantially during the last 50 years of the twentieth century, with very little decrease in the birth rate and a substantial decrease in the death rate. (Potter & Lloyd-Evans 1998:10) The latter may change in Africa as a result of Aids.



Graph 34

Source: International Monetary Fund 1999b

City government will become more important than national government in the globalised world. Industries will choose cities, not countries, and will deal with urban and not national governments. (Coyle 1997:209) Cities will have to be managed and marketed like business enterprises or they will lag behind their international competitors.

### 10.5.1 Industrialised countries

Clark (1996:171) believes that the urban geography of the developed world is likely to be very different from that of developing countries. Rather than a concentration in a small number of large cities, which is the pattern in developing countries, he believes that the population is expected to become more evenly spread across many smaller centres.

*"Decentralisation of population at the local scale, and deconcentration at the national level will significantly reduce urban/rural differences, so producing a 'rurban' arrangement. ... A small-city and rural orientation will increasingly characterise the landscape in developed economies but strongly urban-centred mega-city societies will emerge and predominate in the developing world."* (Clark 1996:171)

It must be acknowledged that most cities in the developed world are cleaner today than they were twenty years ago, and their residents enjoy higher levels of health and amenity as a result. The air quality is one area in which improvements have been dramatic. These improvements hold some justification for believing that, with appropriate intervention and direction, a sustainable future for cities is a realistic possibility. (Clark 1996:182)

Coyle (1997:210) is optimistic about the future of (first world) cities:

*"We will be able to return to patterns of life common before the tyranny of the suburbs. People will live closer to their work. Affluent professionals and less affluent creative artists are already reviving the inner city in all the great capitals. Fewer people will commute. The delights of coffee house or cafe society will return. Children's voices will be heard again in the city centres as families move back in. Inhabitants will start to demand parks, clean streets and decent traffic management."*(Coyle 1997:210)

While this may be applicable to first world cities it is unlikely to be relevant to a great number of third world mega-cities. Sadly, this is unlikely to be the future of most large South African cities in the foreseeable future.

Short (1996:219) argues that class position rather than shared location will be the determining factor in quality of life:

*"The shared space of cities will become more segregated, increasingly a mosaic of impermeable boundaries as the shared space of community is replaced by the divisions of class and wealth."* (Short 1996:219)

For those emphasising the structural base of the international economy and the global restructuring of cities, urban forms and responses are increasingly converging, even as the particular urban form of the central city desegregates into the post-industrial metropolitan

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For those emphasising the structural base of the international economy and the global restructuring of cities, urban forms and responses are increasingly converging, even as the particular urban form of the central city desegregates into the post-industrial metropolitan complex. The transformation of megacentres like New York, London and Tokyo into leading world corporate headquarter cities reverberates in semi-peripheral cities like Sao Paulo, Mexico City and Johannesburg. Thus the central argument that structuralists make is about the ways in which grass-roots mobilisations world-wide are linked, despite their different histories, politics, and locations in the varied geographic and cultural spaces, in an overall world capitalist system. (Fisher & Kling 1993:vx)

### **10.5.2 The Service Industry**

Hutton (1996:xxiv) and others believe that service industries, not manufacturing will provide growth for the future of formerly industrial societies, and that their success is predicated upon a deregulated labour market, low welfare costs and access to global finance with all its attended disciplines. Hutton (1996:xxv) contends that, whatever technologies and sectors prosper in the years ahead, there are certain rules of the game that are preconditions for wealth creation.

*"Social inclusion, a well-functioning democracy and a high-investing business system supported by a long-termist financial sector are not optional extras; they are interdependent and fundamental necessities."* Hutton (1996:xxv)

Clearly the upper income echelon has moved into the growing services industry, but it is submitted that also the lower income groups will realise the benefits of this industry and will become more service conscious. There are numerous opportunities for small scale service delivery in the tourism market. This trend has implications for planning as the spatial requirements in the services industries tend towards offices and away from factories.

Sassen (1995:63) emphasises the growing importance of the role of the services sector in the leading cities of the world due to the growing service intensity in the organisation of industries.

*"Cities are the key sites for the production of services for firms. ... As a result we see in cities the formation of a new urban economic core of banking and service activities that comes to replace the older, typically manufacturing oriented, core."* (Sassen 1995:65)

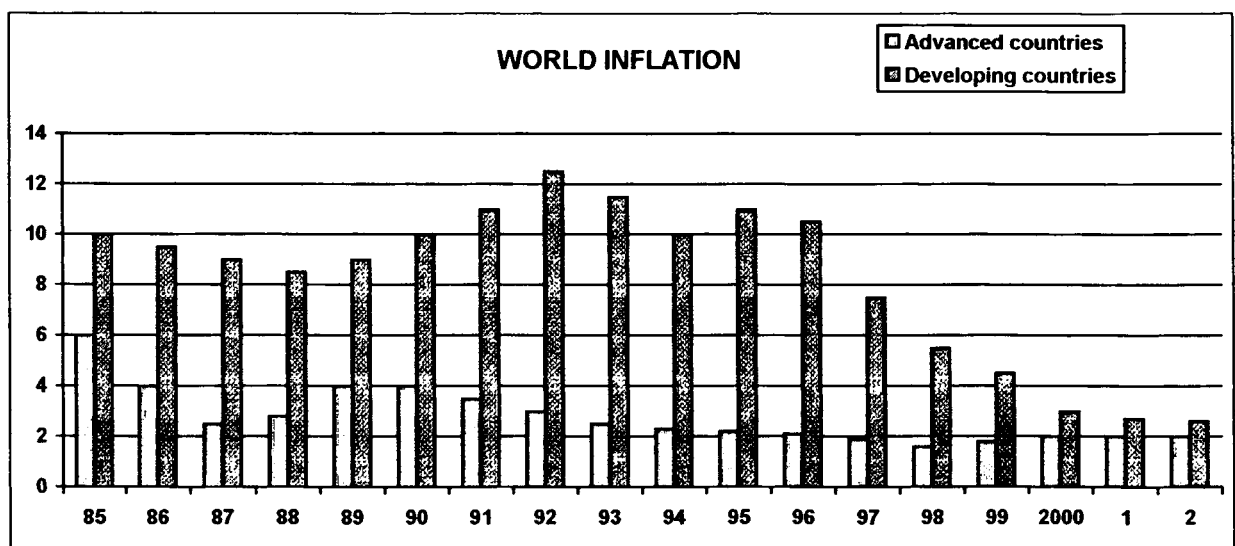
like mergers and acquisitions. The complexity and innovations of some of these transactions requires multiple highly specialised inputs from several service industries. This creates agglomeration in the leading global cities.

### 10.5.3 Developing Countries

*"The Third World city is essentially a set of perceived opportunities, so that perhaps they do no more than promise the hope for work and settlement; but to obtain even crumbs one must be near the table."* (Potter & Lloyd-Evans 1998:14)

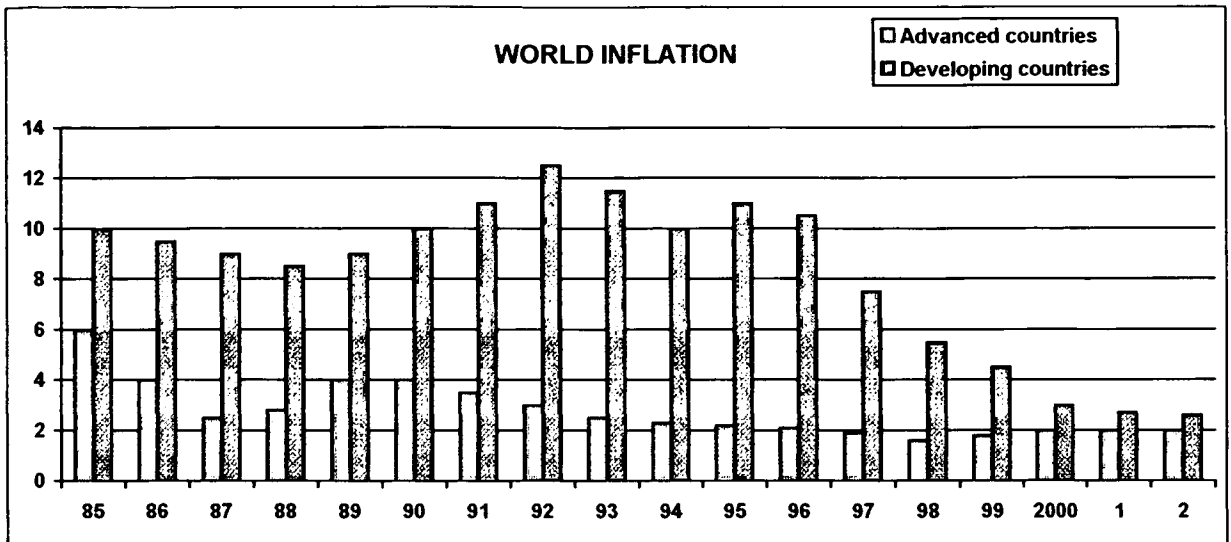
A central question about urbanisation processes in Third World countries is whether they will converge upon a general path travelled by Western industrialised countries or become increasingly divergent due to different historical and national conditions. If the answer is the latter, as suggested by recent cross-national evidence, (Gugler 1996, Mohan 1994, Findley 1993 Gilbert 1992 etc.) two additional questions need to be addressed: **First**, how is the distinctive pattern of urbanisation in each developing country shaped by a combination of historical, political, economic, and geographical factors unique to that country? **Second**, what does the change in the distinctive urbanisation experience in a developing country reveal about the dynamics underlying Third World urbanisation in general? These questions are dealt with in the South African context.

Yet there is also evidence that the urbanisation process could follow the trends of western industrialised countries. Most of the general economic patterns of the western trends are being followed by developing countries. The trend towards lower inflation is an important one, which is also likely to become more convergent in the near future:



Graph 35

Source: International Monetary Fund; World Economic Outlook; October 2000



Graph 35

Source: International Monetary Fund; World Economic Outlook; October 2000

At the turn of the twentieth century London was by far the largest city in the world followed by Paris New York and Beijing. (Angotti 1993:27) A century later the three largest cities, Mexico City, Sao Paulo and Shanghai which each had less than one million citizens at the turn of the century, have grown to over 23 million each. (Potter & Lloyd-Evans 1998:16)

Yet the three cities, London New York and Tokyo are regarded as standing at the apex of the global urban hierarchy. (Fainstein, Gordon & Harloe 1992:236) While these cities may have their problems, the general standard and quality of life exceeds that of most larger and more rapidly expanding cities in poorer countries. It is submitted that these leading global cities serve as examples for the poorer mega-cities to aspire to.

Sunter (1997:105) considers what it takes to make a 'world class' city. He believes that a world-class city must have a unique feature or characteristic - a distinctive character. They may have significant image creating architectural structures like the Arc de Triomphe in Paris, St Peter's in Rome, the Statue of Liberty in New York, Baltimore's Waterfront or Buckingham Palace in London, or they may have natural features like Cape Town's Table Mountain, Rio's Sugarloaf, or man made green spaces like Central Park in New York and Kensington Gardens in London. But "*nobody goes to the centre of town to see the skyscrapers and offices.*" Yet he regards Los Angeles as world class due to its entrepreneurial spirit.

Mohan (1994:273) is optimistic about the prospects of cities in developing countries. He does not believe that cities in general are growing out of control in these developing countries; or that the vastly expanding urban population in these countries is necessarily condemned to a shelterless existence; or that it is impossible to provide a modicum of necessary urban services that are affordable and manageable; or that cities are being



first century. It is submitted that this can be expected to be a period of consolidation in which the quality of life of the poor is likely to be enhanced.

*"Indeed, the level of social inequality and rapid growth of developing world cities are two factors which distinguish them from advanced capitalist cities."* (Potter & Lloyd-Evans 1998:116)

Angotti (1993:242) acknowledges that the restructuring of production, new communications technology and the revolution in information systems all make possible a drastically reordered metropolis, and ultimately a new international settlement order - perhaps highly decentralised and dispersed. However, he feels that these phenomena are still very limited. With *"over half the world living in poverty, a fourth living in housing unfit for human habitation, and millions still dying from starvation,"* he sees this future to be very far off.

Hamer (1994:175) contends that the size of a city - and particularly where mega-cities are considered - is not the major issue; instead, it is mismanagement at both the regional and local levels, and wrong-headed national urbanisation policies promoted by physical planners with visions of optimal geography and very little sense of economics. He points out that economic development and urbanisation are joint products of a wealth-creating process that generates large urban regions where per capita output exceeds the national average by a factor of 2 to 5 times. Maximising economic growth is a key objective for countries that are poor.

Potter & Lloyd-Evans (1998:116) puts forward a popular contention that much of the poverty and inequality of third world cities was caused by colonialism, which in any event played an important role in the formation of the form of most ex-colonial third world cities. The question may be posed whether globalisation could be regarded as a form of *'neo-colonialism'*, which is and will continue to influence the form of the growing developing cities.

*"The colonial city is the political, military, economic, religious, social and intellectual entrepôt between the colonisers and the colonised."* (Potter & Lloyd-Evans 1998:123)

It is submitted that it is now time for consolidation. The tide of rising economic inequality among urban inhabitants must be turned. Economist, planners, politicians and all decision-makers will have to apply their minds and efforts to the upliftment of the poor and the improvement of the quality of life in the presently neglected sectors of the urban areas. This exercise should be commenced at a community or neighbourhood level.

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### 10.6 THE FUTURE OF SOUTH AFRICAN CITIES

*"To look at our cities is to see into our future."* (World Bank 1996:v)

South African cities may be viewed under three scenarios: the **first** being that South Africa degenerates to become just another poor third world African nation; the **second** being that the country does not lapse into permanent recession but does not achieve the **third** scenario and that is that it becomes a newly industrialised country (NIC) - the leading economic engine of Sub-Saharan Africa.

At the beginning of the third millennium the South African economy was busy creating a new mixed colour elite and still seemed to be neglecting the plight of the poor while retaining or even widening the wage gap between the poor and the wealthy. It is submitted that this is a major source of concern that must be addressed. If this trend persists, the influence on urban planning will result in a larger proportion of low cost and informal housing settlements while the top end of the market will increase its luxury - as the wage gap increases. Little growth in the middle and upper middle income sector housing may be expected, although this is the sector which is needed to establish economic and political stability. This scenario will not achieve 'NIC' status for South Africa.

Mohan (1994:xi), in his study of Bogota and Cali, Colombia, reaches the conclusion that cities are not chaotic collections of unpredictable activities. His research revealed strong behavioural similarities of households, workers, and firms in developing countries to those contemporaneously observed in industrial countries. This has also been the finding of this work in comparing South African cities to those of many industrialised and developing countries.

It is submitted that while the distinction between rich and poor was primarily based on race in the past, race will not remain the distinguishing factor in future while the gap between the rich and the poor will persist. Fuelled by affirmative action, large numbers of blacks are attaining well paid positions and moving up to the wealthy elite.

*"The colonial dualism of the South African apartheid city is most discernible in its internal structure. The equivalent of the advanced White component is found in the North American version of the modern Western city. The relatively substandard Black component, on the other hand, is comparable to traditional Third World city characteristics. Segregated development and class differences dominate the social functioning of the South African city. In the future post-apartheid city segregation and dualism will continue but in a more spontaneous way without legal controls."*

(van der Merwe 1996:18) These sentiments are endorsed.

It is submitted that, whereas most South African cities of the past were clearly spatially divided into segregated sectors, these 'divided cities' have now become 'dual cities' with pockets of Third World conditions scattered in closer proximity to the elitist sectors.

Cheru (1997:219) believes that the restructuring of the post-apartheid city cannot take place without the acceptance of the reality that the South African city is intrinsically a deviant version of the Third World city with colonial traits and will become even more so in the future. This contention is not entirely acceptable. There is likely to be a typical post-colonial deterioration of some of the inner city areas (particularly Johannesburg) with some signs of upliftment of the Third World type informal settlements. But, it is submitted, that the three major Metropolitan areas (Gauteng, Cape & Durban) are intrinsically different.

Unlike many of its other developing country counterparts which have one dominant megacity, South Africa has three megacities being Johannesburg, Cape Town and Durban followed by a number of other cities; Pretoria, Bloemfontein, Port Elizabeth and East London.

Greater **Johannesburg** is a second tier world city - leading the South African globalisation trend. It is, and will remain the financial hart of the country and is likely to retain its vibrancy, but will suffer from the pressures of typical Third World tendencies. It may be compared to New York in many aspects. New York (Manhattan) has a history of cyclical decline and restoration - there have been, and still are, parts of New York which are totally unsafe, and there were times when the future solvency of the city was under strong suspicion - but in the end such a metropolis represents too great a force for it to die. The old CBD of Johannesburg may never recover its old glory while newer decentralised office and

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The economic bases of **Cape Town** and **Durban** are largely supported by tourism. Their socio-political structures differ from Johannesburg and from each other and these differences are and will become manifested in their urban forms. The Cape Town waterfront development is already an international symbol - comparable to San Francisco or Baltimore, and should remain an anchor for the enhancement of the CBD. Durban is trying to follow suit.

*"South Africa's economic performance will largely be determined in metropolitan areas, cities and towns. The policies and programmes that operationalise the other key priority areas of the Urban Strategy all play their part in this regard. Together, they should enhance the capacity of the urban sector to generate greater economic activity and opportunities."* (Urban Development Strategy 1995:40)

This rather unsurprising statement is fully endorsed. The government policy further argues that the provision of housing and infrastructure services, the easing of spatial mismatch and other inefficiencies, and the reduction of environmental hazards will help to make households more productive. The government believes that, as urban programmes are implemented, they will provide many direct employment opportunities, and in doing so, the capacity of the urban areas to create more economic opportunities - to achieve growth and competitiveness as well as to address the problem of urban poverty - will be improved.

survive in the 'concrete jungle'. Based on estimates by Potter & Lloyd-Evans (1998:21) the population of the three largest urban conglomerates will be:

Year	2000	2025	Growth
PWV	12.3 m	19.69 m	1.9%
Durban	2.6 m	4.16 m	1.9%
Cape Town	1.1 m	1.85 m	2.1%

The process of **deindustrialisation** entails an upliftment of workers from the manufacturing to the services sector. This trend has significant **spatial implications**. The rich countries will require more office space while the countries with emerging economies will need more industrial space. Planners must determine whether South African cities will follow the trends in rich countries regarding deindustrialisation and the increase of the services sector, or whether the patterns of the countries with emerging economies will be followed. It is submitted that the existing financial areas will enjoy an increasing demand for offices, while industries will decentralise.

But, it is submitted that between the modernist type of manufacturing and the services industry there is a grey area, being the world of 'high tech' development. Statistics on deindustrialisation offered above are not clear about the exact distinction between 'manufacturing' and 'services'. While it may be accepted that research and development is part of the services sector, and a worker manufacturing computer hardware is employed in manufacturing, it is less clear in what category the computer programmer writing software programmes is employed in. The latter can be said to be manufacturing 'intellectual property' but is generally accepted to be employed in the services sector. High tech industries, encompassing the spectrum from research and development to the production of electronic hardware, can therefore be seen to include both the services sector and the manufacturing sector.

South Africa remains a land of extreme economic and social inequalities. Just as the then ruling government of the apartheid era eventually realised that their own continued existence could only be established by abdicating political power to the majority - so too must the wealthy begin to realise that they will not be able to retain their wealth unless the plight of the poor is alleviated. The solution lies with education and training of the poor.

This realisation has direct planning implications. Planners can perform a leading role in this change. Planners must realise that there is an extremely strong need for economic upliftment in the metropolitan areas of developing nations, but that mega-cities cannot be left solely to the forces of economic demand. Pro-active planning must be done with the

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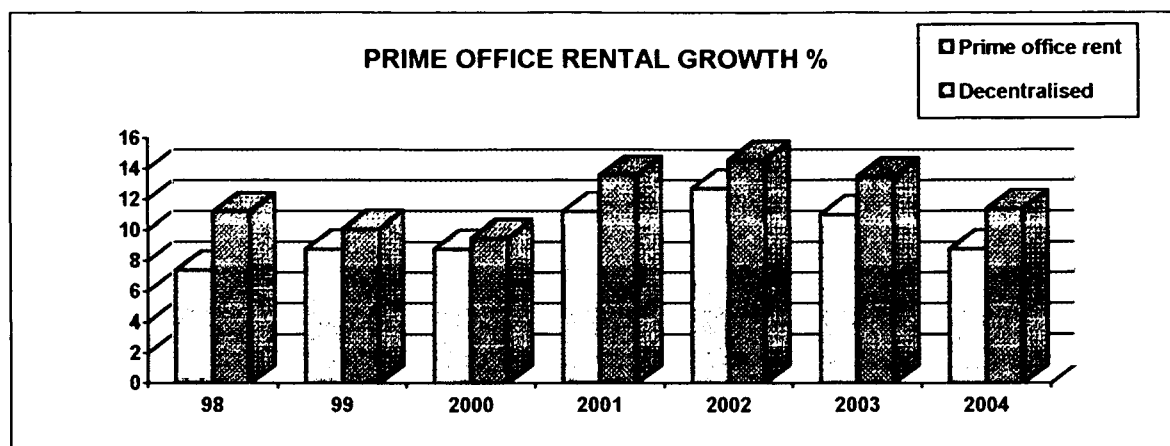
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To achieve this much, consideration must be given to a wide variety of aspects, many of which are not to be found in the planning policies of the modernist era. The new emerging influences of economic globalisation, deindustrialisation and the postmodernist paradigm, creating new and different spatial demands, gives planners and urban economists the opportunity to introduce a truly postmodern era of urban design.

Urban spaces, which are not only economically desirable and feasible, but environmentally acceptable and sustainable, catering for the needs and wants of society, while recognising individual requirements, should be created. To achieve this these spaces will have to comprise of a large variety of designs and layouts to accommodate the various sectors of the community.

#### **10.6.1 Central Business Districts**

Sassen (1995:73) found that firms in more routinised lines of activity, with predominantly regional or national markets, appear to be increasingly free to move or install their headquarters outside city centres, while firms in highly competitive and innovative lines of activity or with a strong world market orientation appear to benefit from being located at the centre of major international business centres, no matter how high the costs. She sees an emerging new geography of the centre, one that can involve a metropolitan grid of nodes connected through advanced telematics. They are not suburbs in the way that they were conceived in the 1970s, but a new form or space of centrality.



Graph 36

Source: Rode 1999

Sunter (1997:106) urges that, if we want to restore our CBDs they must be divided up into precincts. This proposal comes from Richard Bradley who proposed that problem CBDs like Baltimore and Denver be divided up into a grid of business improvement districts or precincts. The major corporate tenants in each precinct were required to produce additional money over and above their rates to remove the crime and grime. In addition, they were required to make their precincts exciting. The public had to be attracted back into town in the evening - particularly young people - like what is taking place at the Cape Town Waterfront. There must be a variety of different attractions - *"If Times Square in New York can do it, we can do it too."* (Sunter 1997:108) This proposal has merit.

**Johannesburg** is and has been for many years, the economic and financial capital of South Africa. The central business district slowly expanded to adjacent suburbs, Braamfontein and Parktown, but more recently most of the new office developments have been in and around Sandton while Midrand has become an additional competitor.

Much concern has been expressed about the degradation of Johannesburg CBD. It is submitted that the Johannesburg CBD is passing through a phase of neglect and decay from which it may slowly recover to some extent. It has not lost its vibrancy and is not likely to do so, but it will be seen as fulfilling the role of Soweto's CBD for the foreseeable future. It is unlikely to attract many (if any) new modern high-rise buildings thus, at best, the existing ones could be kept at a reasonable level of maintenance. The depressed property values become clear with the sale of the Carton centre for R35m in 1999.

Soweto is a large urban concentration close to the older established Johannesburg city, but does not have a proper urban CBD. The racial policies of the past attempted to divide this metropole (This is more fully dealt with by Mandy, 1984) but gradually the residents of

existing ones could be kept at a reasonable level of maintenance. The depressed property values become clear with the sale of the Carton centre for R35m in 1999.

Soweto is a large urban concentration close to the older established Johannesburg city, but does not have a proper urban CBD. The racial policies of the past attempted to divide this metropole (This is more fully dealt with by Mandy, 1984) but gradually the residents of Soweto began to regard the Johannesburg CBD as its downtown. This became more fully established after the demise of *apartheid* and the CBD has become 'Africanised'.

Many proposals have been made as to how this problem should be addressed, and some suggest that commercial and office development in decentralised suburban areas should be restricted. It is submitted that that kind of interference in the process of the market will merely create other problems. There is a large shortage of residential accommodation and little demand for secondary office space in most CBDs. It is proposed that some of the older office buildings should be converted to residential units. There is a need to change from the modernist to the postmodernist to save the CBD. Suggestions in this regard have come from many avenues, including Freedman (1995:161) who proposes the redevelopment of the north-western area (Newtown) with a mixed-use development centred around an arts and entertainment centre.

A thorough study of Hillbrow, a high-density residential area on the periphery of the CBD of Johannesburg was executed in a PhD. thesis by Morris (1999). This revealed some interesting findings, but it is submitted that Hillbrow is unique in a South African context and cannot be seen as a typical transformation suburb. Hillbrow was used as a political ball in breaking down the Group Areas legislation in the 1980s. In the process the transformation that took place from the early 1980s to the late 1990s was a racial change - from all white residents, to a mixture of white and coloured/Indian and now to a predominantly African race, which includes numerous new immigrants from other African countries. In this process Hillbrow has deteriorated physically, socially and economically.

Morris (1999:338) says that the situation in Hillbrow calls for a major initiative by the local, provincial and central governments to create a legal, physical and social context that will halt decline. He believes that without the intervention of outside agencies Hillbrow will invariably become a neighbourhood populated mainly by a ghetto poor, drawn overwhelmingly from the section of the population historically classified as African.

*"In the late 1990s it is apparent that unless innovative and meaningful government intervention intensifies, the increasing racial exclusivity in Hillbrow and adjacent*



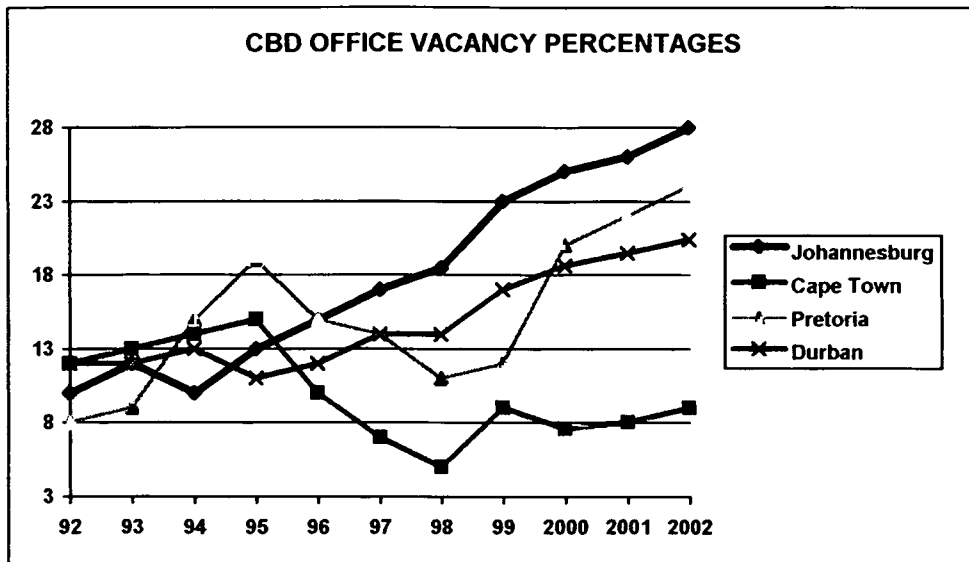
African central business districts, but in varying degrees in the different CBDs. The greater Johannesburg metropole is likely to become decentralised with multi-centric nodes like Sandton, Midrand, Randburg and the numerous smaller (older) commercial nodes. The revival of CBDs like Johannesburg will be dependent on an increase and improvement of residential facilities in and immediately around the CBD. This will take many years.

Over the years the **Cape Town** CBD has been subjected to numerous planning considerations and planning efforts, many of which have created benefits, none more so than the Victoria & Alfred Waterfront development. Cape Town has increased its tourism potential substantially during the 1990s. It may be expected that this tendency will continue well into the 21st century. Tourism is likely to have a substantial influence on the urban form as is already witnessed by the Victoria & Alfred Waterfront, Century City and the new casino in the north-western suburbs.

The CBD will be adversely affected if Parliament is to move away, but it is expected that the city's tourist attraction will ensure its survival. The longer term physical growth of Cape Town is likely to be towards the north (Blaauberg) where new commercial and office nodes will become established in due course.

The **Durban** Metro Area (DMA) is South Africa's largest industrial port area. The port has been the main economic base of the area mainly due to the fact that it is the closest port in South Africa to Gauteng. The other major economic base of the DMA is tourism which is boosted by its sub-tropical weather, affording a virtually year round season. Durban has an active and enlightened planning policy, which is likely to ensure the survival of the CBD. (As described in the Economic Development; Report prepared by the Urban Strategy Economic Unit and local council officials for the Joint Steering Committee; Durban; October 1996)

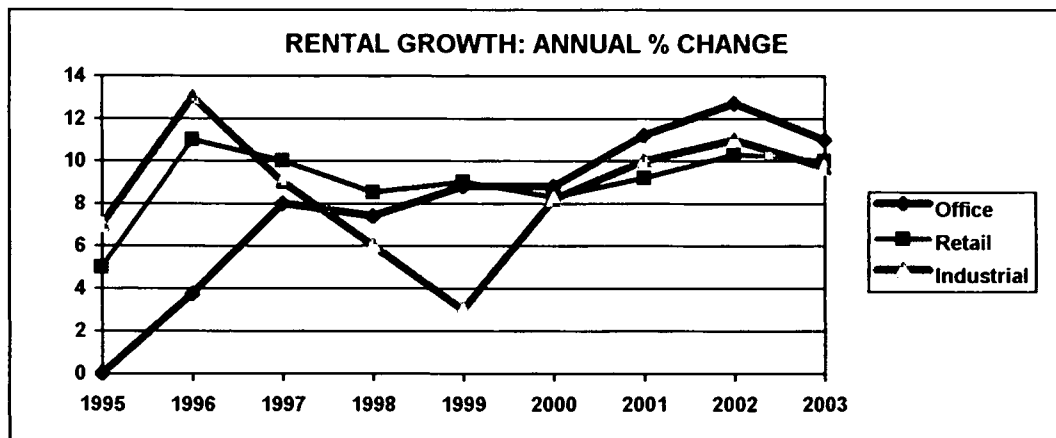
**Pretoria** is the administrative capital and the seat of government. This creates a major economic base for the CBD. In the long term Pretoria is likely to become a part of the greater Johannesburg metropole with a more 'Africanised' CBD.



Graph 37  
Source: Rode (2001)

### 10.6.2 Market Sectors

Cycles in the various sectors of the property market differ over time and in relation to locality. This has been more fully illustrated in Chapter 9 above.



Graph 38  
Source Rode (2000), JHI Prop. Services 1997 & Jonker 2000

#### 10.6.2.1 Residential

All large cities in the world have rich and poor neighbourhoods. People choose their place of residence according to their income, the location of their work, and their preferences regarding the amenities and other characteristics of the neighbourhood. Normally, income is the main factor in the choice of residential location. People also sort themselves out by ethnic origin and, to some extent, by occupation and class. (Mohan 1994:112) South Africa is no exception. South African cities, like that of Bogota and Cali are characterised by a high degree of spatial inequality.

It is easier to understand (and predict) the behaviour of households than that of firms mainly because the characteristics of households are more homogenous than the characteristics of firms. (Mohan 1994:121)

*"The poorer-quality housing does not last so long as the better-quality housing. This leads to an historical selectivity. In the city there is an historical weathering that tends to destroy the housing of the poor and marginal yet retains and to some extent celebrates the housing of the rich and powerful."* (Short 1996:173)

The prolonged 10 year negative real growth rate of residential properties from 1989 indicates a growing demand for an upward adjustment. (ABSA 1993 - 2000) The residential price cycle reached its trough at the beginning of 2000 with the upswing likely to continue for two or three years. The greatest amount of activity is likely to be in the lower priced houses.

It is clear that continued residential urban sprawl will only exacerbate existing problems of urban poverty and the lack of viable, efficient and suitably accessible public transportation systems. This calls for compaction of the city and the implosion of growth. Tomlinson (1994:234) proposes four types of implosion policies:

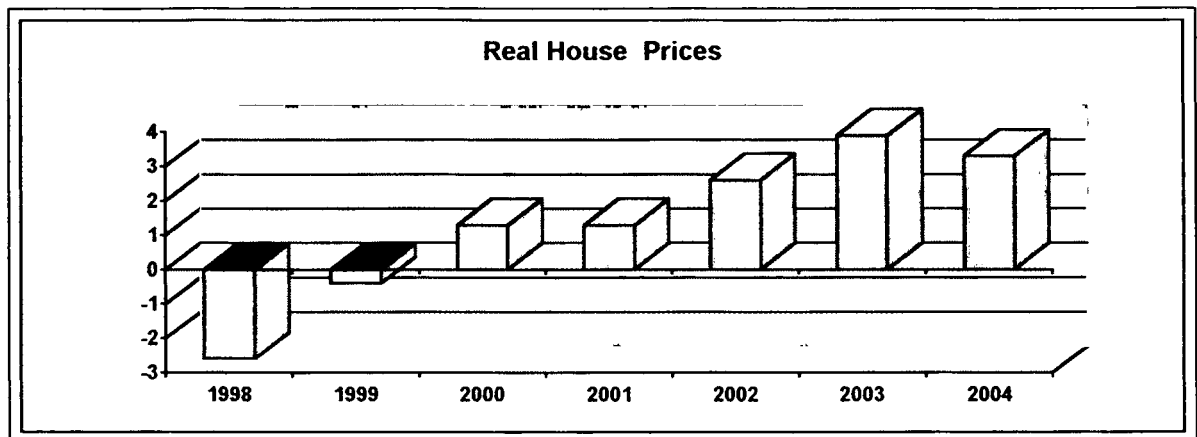
- **increasing unit densities** around strategically significant parts of the cities in order to maximise their potential
- **economic implosion**; facilitating an internal tightening by encouraging people, within certain performance constraints, to subdivide land parcels
- **social implosion**; encouraging existing communities to identify residual land in their areas which can be used to reduce the chronic overcrowding within housing units, while maintaining community ties
- **'surgical' implosion**; strategically inserting higher-density units into the fabric in order to give a sense of scale and enclosure to currently ill-formed and unsafe public spaces.

Most housing programs in developing countries are aimed at ownership housing. One interesting finding in the study of Bogota and Cali was that the poorest third of urban households had difficulty in achieving effective access to the ownership market and resorted to rental units - particularly in the private sector where rooms or outbuildings are rented from more established home owners. (Mohan 1994:181) This trend is found in most informal settlements and should not be discouraged.

As it is unlikely that inflation will run wild as in the mid-eighties and because it is important that interest rates be retained at a positive real level to encourage foreign investments, mortgage costs will maintain pressure on residential prices. The affordability of expensive

residential units will remain under pressure ensuring that the largest demand for houses will be in the middle and lower price ranges. A sharp upsurge in residential values, as occurred in the early and later eighties is unlikely to be repeated in the early part of the millennium.

The prices of large and expensive houses are likely to come under severe pressure. This will increase the demand for subdivision and increased densities in upmarket areas, while the bulk of new residential developments will be in the more affordable categories.



Graph 39  
Source: Rode 2000

#### Informal/low cost Housing

The South African government has acknowledged that its self-imposed target of a million new houses to be built between 1995 and 1999 could not be met. It tried to achieve this mainly through the provision of subsidies to people in low-income brackets, but the policy relied on cumbersome bureaucratic requirements more suitable to First-World conditions. By 1998 it estimated that South Africa had a backlog of 1.5m houses. (Davie 98:13)

The gap between the conventionally estimated housing supply and demand has been successfully filled in Bogota through the widespread system of *pirata* subdivisions. These *pirata* subdivisions did not result from land invasions: the land actually changed hands through legal purchases. It was the subdivision that was actually illegal, but these settlements can rather be described as 'extra-legal' than illegal. (Mohan 1994:151)

Low-, lower-middle-, and middle-income families, having been shut out of the formal housing market, buy lots from entrepreneurs who acquire tracts of undeveloped land and subdivide them without conforming to zoning laws, subdivision regulations, or service provision standards. The lots sold usually provide only a bare minimum of services, often nothing more than some streets and water standposts. Typically the rudimentary infrastructure is incrementally upgraded after initial settlement has taken place. It was found that the buyers would make down payments of about one-quarter to one-third of the land

price and then pay off the balance in monthly instalments over one to four years. The *pirata* developer himself usually financed these instalments. The buyers would then build a core house that would be extended over time. It was found that about 50% to 60% of Bogota's dwelling units were constructed in this fashion by 1978. Many of the originally illegal *pirata* developments were eventually legalised. (Mohan 1994:153)

The legal and economic obstacles to authorised development gave rise to widespread *pirata* development in Bogota. (Mohan 1994:155) Similar legal restrictions in South Africa led to illegal 'squatting' and the establishment of unplanned informal settlements. The significance of *pirata* development was recognised increasingly by the government of Colombia during the 1970s, who then followed suit by planning and approving 'site-and-service' projects. The realities and existence of large-scale informal settlements has led to the authorisation thereof in South Africa.

Certain areas of the Western Cape enjoyed a similar experience. Prior to the 1934 Townships Ordinance (1934) developers could subdivide land into residential plots without having to install infrastructure. In practice these lots were not saleable unless they had at least some rudimentary services and vehicular access. Due to the ease of subdivision, some townships, which had been subdivided prior to 1934, were left unserved as the demand did not justify the cost of even rudimentary services.

During the rapid urbanisation period of the 1960s and 1970s many of these historically established and subdivided townships became economically viable and were developed with basic vehicular access and water. The local authority under pressure from the residents later installed electricity and sewerage, and some roads tarred. Many still do not have storm water systems. Yet these developments afforded many lower- and middle-income earners an opportunity to purchase land and to start building operations. Some of these townships soon became quite desirable and most of the original purchasers enjoyed substantial capital profits.

By the end of the twentieth century the government had not been in a position to furnish sufficient housing for the needs of the poor and the lower-income groups. It is recommended that legislature should be substantially relaxed to allow developments similar to the *pirata* developments in Colombia in the 1970s and early 1980s.

Following recommendations by Mangin (1967) and Turner (1976 and 1982), Mohan (1994:182) urges that public policy must be able to harness household's own energy in providing shelter for themselves, yet public services must be provided to the households. The finding that *pirata* developers gained returns that were approximately comparable to

those from alternative investments in the economy should promote the idea that land and housing development equates to any other economic activity. Hence, like other activities, it should be promoted, particularly because substantial infrastructure investment is then made in a relatively cost-effective way.

Potter & Lloyd-Evans (1998:150) makes the valid point that self-help housing, involving the original building of homes, their improvement and the lobbying of local politicians, planners and other state functionaries, can all be seen as primary forms of public participation in the planning process in the cities of the developing world.

It is imperative to realise and accept that under almost no circumstances can the poor in developing countries afford a complete housing 'bundle' or 'package'. In practice, the earning pattern of the poor is such that financial institutions find it difficult to finance this complete bundle; moreover, low-income households are loath to become involved in long-term debt relationships in the face of other pressing consumption demands and uncertainties about their earnings.

Mohan (1994:284) recommended that the predominant solution in Bogota and Cali, and in many other cities, is to 'unbundle' the housing and infrastructure package and to invest in cash and kind in an incremental fashion. He believes that households solve their problem by buying relatively undeveloped land to begin with, building a core house, and then obtaining access to improved infrastructure over time, while augmenting the house for household expansion as needed and as increases in income permit.

During the 1970s and 80s and 90s, a large proportion of the so called 'coloured' community of the Cape Metropolitan area were rehoused in middle and lower middle class suburban residential areas. (E.g. Mitchell's Plain & Delft) Now it is the objective of the government to provide masses of middle and lower middle class houses to those presently housed in informal settlements, but the execution hereof is sadly lacking.

Essentially, this should be tackled on two bases: first, as there is already a substantial infrastructural base in many large informal settlements (like Kayhelitsha, Cape) the aim in these settlements should be the upgrading of the present wood and iron shacks. In most instances it will be possible to build a 'shell' over the existing shack. People who qualify for the State subsidy will go a long way towards upgrading their shack on this basis. Others could construct the shell over time while still in residence in the shack.

The second method is the 'life cycle' process whereby those who have procured good jobs and have managed some savings, can upgrade to new low cost housing developments. The main problem in both these instances is a lack of knowledge on the part of the

residents. The wide spread use of intermediaries and consultants (including planners) is necessary.

### **Retirement villages**

Retirement is a growth business world-wide. As the American and European 'baby-boomers' reach retirement age at the beginning of the new millennium the demand for retirement villages has increased. Improved medication is ensuring longevity amongst the population of developing countries. South Africa is no exception. Furthermore, South Africa already has some world-class retirement villages. (Freedman 1995:168) It may be expected that such accommodation, at various economic levels, will grow in numbers in the cities and also in the rural - particularly coastal - areas.

#### **10.6.2.2 Industrial**

Industrial development has become highly diversified. Industries in South Africa range in size, nature and quality. As was pointed out in chapter 9, there has been a trend away from mega-factories to smaller industries. There has also been a trend towards more sophisticated industries, particularly in the high-tech field. These industries tend to cluster (the so called 'technopoles - Castells & Hall 1994:1), while at the lower end of the market there is a growing demand for less expensive industrial accommodation for the informal sector.

Castells & Hall (1994:222) argue that we are witnessing, the emergence of a new industrial space, defined both by the location of the new industrial sectors and by the use of new technologies by all sectors. At the same time, such new industrial space is globally interdependent, both in inputs and markets, triggering a restructuring process of gigantic dimensions that is felt by cities and regions around the world. They believe that this drive to innovate and invest is thus producing a new and quite extraordinary wave of world-wide reindustrialisation "*that denies the myths of postindustrialism*". (Castells & Hall 1994:223)

Coyle (1997:204) argues that telecommunications may be complementary to face-to-face contact rather than a substitute for it. With reference to Edward Glaeser at Harvard, she writes that Silicon Valley - one of the most famous examples of modern agglomeration of industry - has occurred because that industry relies so heavily on human interactions and has so much knowledge to be transferred across firms and individuals.

The poor growth in manufacturing output and high real interest rates, coupled with fiercer international competition and lower tariffs, put a damper on activities in the industrial sector in the late 1990s. Less sought after nodes, often afflicted by crime, mismanagement by

local authorities and general decline, will continue to suffer, but certain new developments in favourable areas should continue to enjoy growing demand.

There is a general tendency away from the traditional old industrial areas to better localities, closer to residential areas and with more attractive physical settings. There is also a growing demand for smaller units in general terms, but figures during the first half of the nineties indicate that the demand for units between 100 square metres and 500 square metres remained lively. (Rode 1998)

The idea of the '*enterprise zone*' was proposed in 1982 by Hall, who had been impressed by the achievements of small and medium-sized enterprises in Singapore and Hong Kong in promoting the development of those territories. Enterprise zones claims they are intended to enhance the development of an entrepreneurial culture, to promote the creation and expansion of enterprises, and to create jobs. Enterprise zones, with the emphasis on industry, were subsequently created in the United Kingdom, by states in America and by a number of other countries. (Tomlinson 1994:97) It may be expected that '*mixed use*' zones will be created to accommodate office, retail, light industry and residential components.

After the decentralised office market, the industrial sector, and more specifically small industries, appear set to be the sector which is likely to enjoy the highest growth in the early part of the century.

Industry constitutes a major factor of economic growth and job creation, these being top priorities for economic and social progress in any nation - and particularly in South Africa. Just as South Africa needed to accept rapid urbanisation as a fact of life and needs to accept that economic inequality is a growing phenomenon, it is necessary to accept that first world standard industries will not be able to cater for the growing shortage of employment opportunities. It is therefore necessary to 'downgrade' industrial development standards and to encourage the less formal small and micro industries. This can be done by the development of 'bee-hive' industries and cheaper forms of construction.

#### **10.6.2.3 Commercial**

Short (1996:61) contends that a new geography of retailing has brought about dimensions of the social organisation of retailing. Emphasis is laid on consumption and consumerism. Shopping is seen, not only as a necessity, but also a social activity, a cultural pursuit. The modernist society encouraged huge stores in shopping malls. These malls are now catering for entertainment and more sociable and enjoyable shopping experiences, while there is a resurgence of the 'corner cafe' as part of the postmodern societal approach.

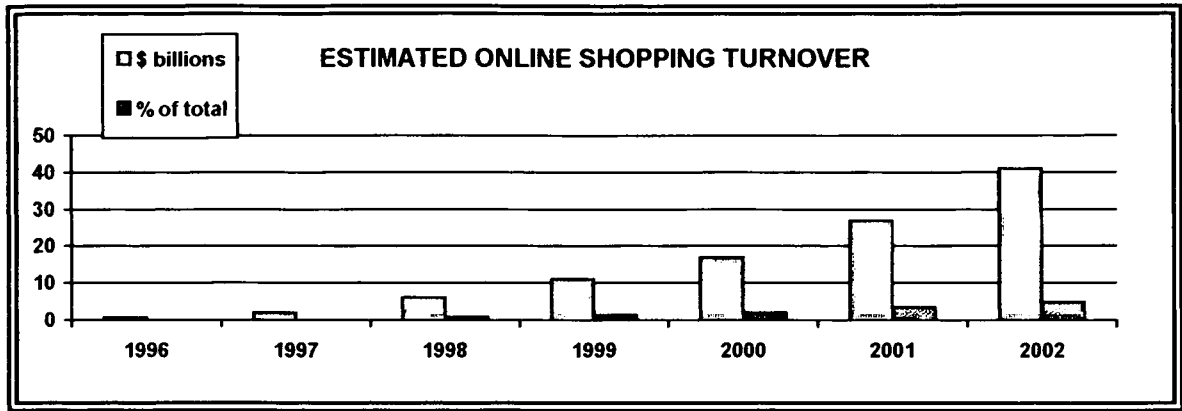


Because retail developers now face an almost saturated A-income shopping group, and have to grapple with rising B- and C-income groups, the principles of good retailing has become more pressing. (Rode 1997) Some may call them gimmicks, but a fresh wave of retail ideas from Europe and the US is not only encouraging more spending but also creating spin-offs for suppliers to the retail trade. Shopping at international level, has become almost synonymous with entertainment. In South Africa, the best examples are Cape Town's Victoria & Alfred Waterfront and, to a lesser extent because of its linked retail component, Johannesburg's Gold Reef City and Bruma Lake shopping centre.

The emphasis is on the 'big Es' - entertainment, education, employees looking after customers, and earnings on capital. The most striking new international retail trend is 'customer interaction' - getting consumers to test and use as much merchandise as possible, either passively (by using video screens in shop fronts showing the latest fashions) or actively (being able to throw a basketball through a hoop or sample a store's range of foods). (Financial Mail 9/8/96)

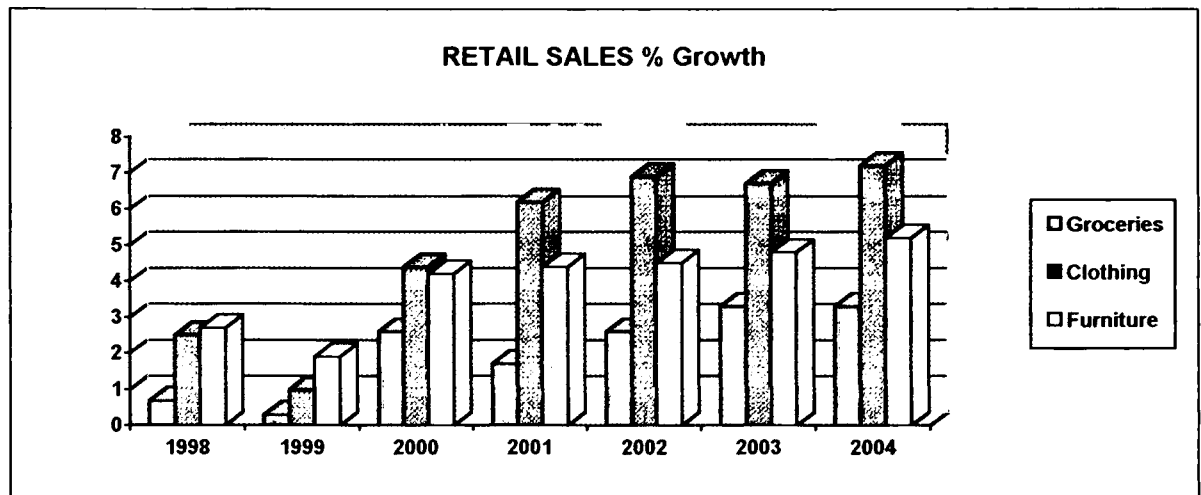
Much publicity has been given to the fact that most large financial institutions were decreasing their property investment stock in the late 1990s. While these institutions had, in the past, been the main investors in the commercial sector, their withdrawal will certainly have a negative effect on the supply of commercial premises. van der Walt says that large institutions own 80% of commercial buildings in South Africa. (F&T Weekly 13 Feb. 1998:35) Property trusts and consortiums will do future financing of large shopping centres. There will also be more smaller investments, which will be privately financed. This tendency will promote the postmodernist paradigm. On the medium term, commercial rentals are likely to rise.

Consideration has been given to the potential influence of the Internet on shopping malls. Some argue that Internet shopping will have a substantial effect on retail space requirement, but it is clear that, while there are some products like airline tickets, books and CDs which will enjoy substantial Internet sales, there are many other products like cars, certain foodstuffs, perfume, etc. that will not readily be purchased over the Internet. (Krantz 1998:43) The estimated percentage of total retail sales in the US still appears low indicating that retail space is not likely to be seriously affected by on-line shopping.



Graph 40  
Source: Kranz 1988

The demand and supply of retail space is the overriding factor influencing price levels. Food and consumables constitute the majority of retail space requirements. Economic cycles have less influence on these products than on many other aspects of the economy, thus rental levels of retail space is one of the factors which are least affected by economic cycles. Retail premises are coming under pressure from informal traders. Thus, although retail sales may be growing (as is indicated on the graph below) this does not necessitate a greater demand for formal retail space. The informal sector is seen as a challenge to the formal commercial sector. This challenge is likely to become more significant in future particularly in the light of the growing support being given to small and micro businesses by the government.



Graph 41  
Source: Rode 1999

### 10.6.3 Micro businesses and the Informal Sector

There has been a global decline in the number of jobs created by large manufacturing industries, with the result that municipalities have focused on promoting small businesses as a way of creating new job opportunities. This trend is supported by Local Economic Development objectives. (See chapter 8)

Planners should consider the influence of the informal commercial sector on the urban form. This sector is strongly influenced by informal street traders in most central business districts - particularly Johannesburg, yet it would appear that those street traders are primarily attracting lower income sector clients. In Cape Town CBD street vendors enjoy significant market share from the wealthy - particularly tourists. At the V&A waterfront and Greenmarket Square in Cape Town the informal sector is more organised and could be seen as semi-formal operations. Most street vendors in low-income residential suburbs are subsistence traders while the more sophisticated CBD vendors have become established and some do well, thus there is a drive by vendors towards upper market sector areas.

New upmarket commercial developers are reluctant to make provision for informal vendors but it has to be realised that there will always be a demand from these vendors to sell their products to the wealthy. Therefore, either the necessary provision must be made for small traders to operate in areas where the wealthy shop or the wealthy must be brought to areas, which are readily accessible to the small traders.

Behrens & Watson (1996:82) urge that public markets, in the form of agglomerated services and shelter, should be incorporated in local townships as an element of essential publicly provided infrastructure. They argue that markets enable many unemployed to generate income through small-scale manufacturing and retail activities. These markets can offer assistance to informal sector manufacturers and traders by providing central trading locations for small operators, and by creating agglomerations they can compete effectively with larger commercial establishments. They should be easily accessible to consumers.

Reynolds (1995), a proponent for 'people's markets', believes that such markets should have the following ingredients:

- ◇ a fenced area, water, toilets, electricity and public telephones
- ◇ various spaces for trade, either shaded or covered (e.g. thatch roofs on split poles)
- ◇ an area for traders to park their vehicles, from which they can sell
- ◇ workshops for grinding mills, knitters, cobblers, etc.
- ◇ Negotiated spaces for a bank, a pension service, a library and a clinic
- ◇ a safe store building and an office
- ◇ a crèche
- ◇ crop collection facilities, a livestock yard and an auction market
- ◇ places to cook and sell cooked food
- ◇ a place for laundry and a baker

◇ an open-air auditorium and a performing-arts shed.

Freedman (1995:50) urges that rural areas should have a ring of markets linked by travelling hawkers. He believes that seven markets can cover an area inhabited by half a million people, giving a market day to each community and full-time employment for the sellers as well as local makers, whose goods can now reach far more people. This would also create opportunities to establish centralised trade houses serving each market ring, acting as wholesalers. The biggest Spar supermarket in the world is in a town called Mandini in KwaZulu-Natal. (Freedman 1995:78) Provision has been made for 300 informal hawkers at the entrance and on Saturdays boxing tournaments are held.

Despite the importance of small businesses as employers and sources of entrepreneurial drive, research evidence suggests that the failure rate among new and small firms is substantial. (Blakely 1994:184) Poor management is the most frequently cited reason for this. An obvious, and arguably cost-effective, means of improving the economic performance of the small business sector is to establish small business development centres. These centres can provide management training, counselling, consulting and research services to small firms, with training as the dominant activity.

A small business development centre should support the training function in various ways, like providing the following:

- Encouraging a higher rate of new business starts with the potential to succeed.
- Reducing the level of business failures.
- Improving the general financial performance and growth rate of the small firm sector.
- Raising the potential of small firms to create new jobs and improve employment levels.
- Raising the general level of technological innovation and productivity.

Blakely (1994:185) suggests that unemployed workers could be turned into business owners and operators through such a business resource centre. These centres can also make use of group marketing actions to promote the sale of their products and can arrange micro business loan finance. Donaldson's (1999:336) suggestion of more mixed use land use in developing areas, is supported.

Blakely's (1994:91) proposal of the establishment of *Enterprise Zones* where planning controls are kept to a minimum and attractive financial incentives are offered to prospective developers and occupants, are supported. This concept was introduced in the United Kingdom in the late 1970s based on the Hong Kong experience and could beneficially incorporate mixed use developments.

#### 10.6.4 Summary

Urban life has passed through numerous cycles during history. The intensity and spatial effects of these cycles have been particularly visible during the last two centuries of the second millennium. The middle of the twentieth century witnessed tremendous economic growth and rapid urbanisation while the latter half of this century was marked by the evolution of new megacities in developing countries. The turning point where the majority of global citizens have become urbanised, was reached at the end of the second millennium.

In the latter half of the twentieth century the leading urban conglomerates are no longer cities, but metropoli. In first world countries these large metropoli have become a stable and acceptable way of life, but in most third world countries rapid development of the metropoli have caused substantial inequalities amongst the citizens. This has come about largely due to the lack of foresight and planning by authorities. Now that these metropoli with their accompanying inequalities, poverty and squalor have become an established feature of the urban form and way of life, it is the task of the planners and city administrators to remedy the *post facto* problems.

Dewar & Uytendogaardt (1991:13) point out that urban environments outlive any one generation of uses: they represent an historical legacy to succeeding generations, which, in reality, is extremely unlikely to be destroyed. In a real sense therefore, the options open to future generations will be profoundly affected by decisions made in the immediate future.

It is submitted that South Africa will not deteriorate to the level of some of the presently war torn African states, but neither will it attain the status of a newly industrialised country - comparable to the Asian Tigers. It is likely to be somewhere in-between and with some astute economic and physical planning the country could reach closer to the best scenario by the middle of the twenty-first century.

Hereunder a brief summary of the various scenarios:

LOW ROAD SCENARIO	MIDDLE PATH SCENARIO	HIGH ROAD SCENARIO
South Africa degenerates into a typical third world country, following the examples of some of its neighbours.	There is no significant economic progress but the country holds its own without total economic collapse.	South Africa becomes a Newly Industrialised country.
An increased earnings gap between rich and poor	The present earnings gap between rich & poor remains	The gap between rich and poor earnings decreases

Decaying central business districts	Stagnation of the CBD with sporadic attempts of revival	Revival and renewal of central business districts
Urban sprawl with increased informal settlements	Limited population growth due to AIDS & little renewal	Densification of urban areas with formal housing
Collapse of education system with high emigration of skilled people	No improvement in educational and skills training.	Improved schooling, technical education and skills training.
Increased socialism, stronger labour unions and increased communism	Strong large corporations controlling most private sector economic activities.	Growth of the entrepreneurial spirit with an expanding small business sector
Growth of public sector	The public sector remains as is	Privatisation of State assets

## PART THREE

# CHAPTER 11

## CONCLUSIONS

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# CHAPTER 11

## CONCLUSIONS

The object of this chapter is to convey the author's conclusions which have been reached having considered the hypothesis set out in Chapter 1 and studied a great deal of writings on the subjects as set out in the body of the thesis.

Having done so, the following conclusions have been reached:

### **11.1 THE LEADING HYPOTHESIS**

#### **11.1.1 The influence of market forces in urban planning**

Urban planning has historically enjoyed much consideration and studies regarding social, demographic, geographic, legal, transportation, and environmental aspects. It is submitted that the importance of economic inputs into urban planning has been under-estimated. There can be little doubt that market forces have a substantial influence on the urban form and are a factor that cannot be lightly dealt with by urban planners. It appears that globalisation has become a significant reason why market forces have begun to be recognised as an important factor in urban planning.

During the previous two centuries urban planning became important when problems occurred in the urban environment. This was particularly prevalent in the nineteenth century urban squalor and became important enough for the establishment of a fully fledged planning profession in the middle of the twentieth century. At the beginning of the twenty-first century globalisation has placed severe pressures on nations and cities to reconsider many planning philosophies and approaches. The most glaring contemporary urban problem is the economic disparity between the wealthy and poor particularly in third world countries.

The South African government, like many other governments, believe that economic growth coupled with the distribution of wealth can resolve this problem. According to the new planning legislation and policy statements of the government, a substantial part of the task of remedying this serious problem has been placed fairly and squarely on the shoulders of urban planners. Although the details regarding the implementation of principles and norms have been spelt out (inter alia in the Integrated Development Planning Manual) the financial feasibility of the proposed measures have not been fully considered. It is therefore uncertain that these laudable principles of economic upliftment of the poor can be



adequately realised in practice unless the market forces are harnessed in a practical proactive manner by urban strategists and planners. It has been submitted, (particularly as set out in chapter 8) that the solution to economic inequality and the economic upliftment of the poor should be commenced at community and neighbourhood level.

Urban economic planning and spatial planning are closely inter-related and cannot be entirely divorced from each other. There can be no doubt that the economic market forces influence the spatial form of the city, hence urban planning. Various more detailed aspects of these influences on urban planning and the urban form are considered in the conclusions of the 'secondary' hypotheses hereunder. These influences vary in nature and in depth and must be diligently noted by planners.

### **11.2 THE EFFECT OF GLOBALISATION**

The globalisation of capitalism is the most significant economic influence, which has affected the world in modern history. It has caused significant changes, or restructuring of, prevailing forms of society, of ethics and expectations, changes that often provoke severe social conflict. These changes are especially pronounced in those urbanised areas where the processes of commodification have only recently penetrated, for example in much of the Third World, and in the former communist states of Europe.

Gill (1997:7) points out that the process of globalisation involves the spread of the power of **internationally-mobile capital** involving, at its vanguard, primarily an Anglo-American, neo-liberal set of theories, principles and practices, as well as ideologies and policies that justify these trends and equate them with progress and civilisation.

#### **11.2.1 Global Market and Economic Trends**

The global market that developing and transition economies are entering is an increasingly integrated one. World trade has grown far faster than global output in the past fifteen years, while total inflows of foreign direct investment to developing countries have increased six-fold in just ten. (World Bank 1996:132) These factors affect the urban form.

As a result of globalisation, three dominant world cities have emerged. London, Tokyo and New York have become leaders in their control of the global markets, followed by other significant international cities. Although this occurrence may not have had a significant influence on the spatial forms of these cities, their financial strength has ensured their economic success, as may be witnessed by their enhanced cleanliness, neatness and property values. The substantial demand for office space in these cities has caused major rises in office rentals, allowing building owners to improve maintenance levels and the city to tax these owners to improve infrastructure and cleanliness. The increased per capita

income of the city dwellers in these cities has spread to the residential areas where upgrading and expansions have taken place. These cities are thriving.

A more significant and visible change in the urban form of cities, resulting from globalisation, is found in the emergence of megacities in developing countries. Following the then unexpected recession in the mid seventies the urban environment has become one of increasing complexity and diversity. Accompanying this, are conditions of technological change, rapidly expanding knowledge, and in South Africa, a vastly changed socio-political pattern. Within this changing and complex environment, a few crucial issues have and are emerging:

- Global capitalist structures have undergone a substantial restructuring process with much greater inter-dependence of national economies.
- The collapse of the bureaucratic regimes in Eastern Europe and parts of the previous Soviet Union after 1989 gave an additional impulse to this restructuring process.
- Keynesian economic theories are buried and exchanged for neo-liberalism where as much as possible should be left to the forces of the free market. (Went 1996:105)
- The 'explosion' of information and communications technology.
- The rapid growth of emerging economies and some subsequent economic crises.

It has become increasingly clear that the benefits of a favourable global economic environment do not accrue automatically to any country or to all individuals within countries. Remarkable differences persist in the degrees of success that countries, firms and individuals have had in taking advantage of the opportunities for strengthening their economic performance. These differences were also illustrated during the 1997/8 global economic turmoil.

### 11.2.2 The New World Order

*"Understanding why the seemingly inexorable trend toward growing state power has become instead a seemingly inexorable withering of that power is perhaps the most important question of contemporary history."* (Krugman 1998:2)

With the reducing effectiveness of national government's influence on global trade and finance, a new world order has emerged. Within the framework of an increasingly parochial or 'minimal' American hegemony, which implied that the United States used its unique structural power to pursue a narrow policy to sustain domestic growth at the expense of the world economy as a whole, capitalism has taken on a more transnational form.

*"The ability to transfer millions of dollars worth of funds at the touch of a key has transferred power from governments to financiers. Deregulation and technology have combined to change things utterly."* (Coyle 1997:172)

Went (1996:40) sees a vertical restructuring of the world economy around three poles - the Triad of; Europe, Japan and the US, with the exclusion of the greatest portion of the world. He calls this the "*Triadisation*" of globalisation. Gill (1997:11) views a '*new constitutionalism*' as a grouping of institutional investors in the financial market, and transnational corporations, especially those contemplating foreign direct investment or acquisitions in the Third World. These groups have a substantial effect on national economic behaviour.

If a country strays outside the limits set down by the markets, punishment by international agencies, leading national powers and large financial institutions and investors will be swift and harsh. International money will be invested in countries whose governments do not spend too much more than their income. If their budget deficits grow too big, however, the punishment - massive and sudden withdrawal of funds - will be merciless. Thus the wider framework for interpreting and explaining the new constitutionalism is the transnationalisation of capital and the growing dominance of such capital relative to labour. This means a shift away from the socialisation of risk by the state towards a more privatised and individualised risk framework with banks and other financial firms increasingly specialising in risk management.

If there was any doubt whether capitalism/communism affects the urban form, then this may be dispelled by looking at Berlin. This city was divided between capitalist and communist governance at the end of the Second World War. Fifty years later the result was clear for all to view. Capitalism has ousted communism and socialism in the global economic forum.

While the increased freedom of markets and capital has created substantial economic benefit to many parts of the world, this freedom has decreased national control over their economies. Now voices can be heard arguing for control mechanisms over international conglomerates and finance syndicates. It appears that the International Monetary Fund and the World Bank are playing a significant role in international monetary, fiscal and economic control and organisation, but not without some opposition.

These changes have a wide variety of affects on urban planning ranging from the form of the neighbourhoods in developing megacities (as considered in Chapter 8) to the long established central business centres of the oldest and largest cities in the world. National governments have accepted that they have much less control over urban planning or the

development of the urban form, thus the planning function is now decentralising to the urban and even local level.

### 11.2.3 Inter-city competition

Inter city competition is a further cause of planning decentralisation. Globalisation has increased competition between cities, moving economic competition from the national arena to that of cities. Coyle (1997:193) emphasises that nations are not discrete economic units; cities are the natural units, the milch-cows of the national economy, whose tax revenues fund subsidies to the rest, whose energy and creativity generate trade, innovation and economic growth.

*"Cities are therefore the new arenas for economic competition. Not all cities will share the same fate. There will be winners and losers. No city would therefore assume that the future will be like the past. No city can rest on its laurels."*  
(Bernstein 1996:34)

Now, in a world in which inter-urban competitiveness operates on a global scale, cities are propelled into a race to attract increasingly mobile investors (multinational corporations), consumers (tourists), and spectacles (sports and media events). Urban planners can play a leading role in this competitiveness by assisting the city to plan for and procure the necessary facilities to attract investors. These facilities include the basic infrastructure as well as 'added specialities' such as sports arenas, conference centres, entertainment centres and a host of tourist attractions. Each city has some unique attraction that needs to be accentuated and utilised to produce a unique market attraction. A city like Cape Town has the potential to become one of the leading international tourist destinations. Planners can assist to ensure that the natural attractions are illuminated and the necessary facilities to house and attract tourists are in place.

Cities have become economic enterprises and must therefore be 'sold' to investors and potential citizens. No enterprise can survive without a marketing strategy. The aim of this sales drive is to compete effectively as without a competitive drive the city will loose out to other international competitors - just like an enterprise without a marketing drive.

As cities increase their roles in global economic power, city planners must realise their role in the creation of the physical form, which is required to expedite these efforts. Cities have felt the impact of global restructuring differentially. Cities have different visions and objectives that have to be supported by urban planning. **Planners must therefore be fully cognisant of these objectives to guide the required urban form.**

It must be accepted that:

- Cities are the dominant locale of human habitat as, for the first time in history a century is entered where more than half the world's population reside in urban areas.
- There is no limit to the population size of major metropolitan areas. The creation of megacities has been a phenomenon of the second half of the twentieth century - particularly in developing countries.

#### 11.2.4 Deindustrialisation and Labour Markets

Internationally, an emerging theme in the 1990s is that of economic anxiety and social insecurity. In Europe and the USA employment opportunities in industry has shown a steady decline since the 1970s while employment in the services sector has increased steadily since the early sixties. This tendency has also been followed in Japan.

In the cities the former power of the trade unions has been dispersed to the community where they cannot exercise the same economic clout as trade unions therefore turning their efforts to the political arena - hence the formation of NGOs and community action committees. These have now become the 'voice of the masses'. Community based action groups are likely to become more dominant socio-political players who can influence the economy and the form of the postmodernist city in the dawn of the third millennium. These groups are the new 'clients' of the planning profession - less so, the government.

Global capital has become more mobile while investors search the world in search of the highest yield resulting in permanent cost reductions and staff retrenchment. Production is located where the most **cost effective labour** is found. This causes a downward spiral in wages, labour conditions, job opportunities and social security. Globalisation also causes **increased migration**, and according to Went (1996:26) any policy attempting to limit migration merely increases the illegal labour market sector. This is becoming increasingly more relevant to South Africa. Planners need to make provision for residential and working accommodation for these immigrants. This can be done by influencing political decision makers and making the necessary provisions when involved in planning action.

The World Competitiveness Report (1997:2) points out that cheap labour has nothing to do with competitiveness. Singapore and Hong Kong do not have cheap labour but they are highly competitive. A country such as Ireland attracts large foreign investments because it has one of the best education systems in Europe. The success formula of modern businesses world-wide is to reduce costs while at the same time improving quality and becoming more focused on the consumer in a niche market. It is far better to upgrade the skills of workers to compete in the information technology era than to put up new conventional manufacturing plants.

In the past, South Korea was seen as the country which did everything right. Not only did it succeed in lifting productivity by 8% a year from 1972 to 1996, but it also boosted jobs by 6% annually. (F&T Weekly 7/3/1997) But with labour unrests and substantial wage increases, South Korea became a less sought-after investment country. Its productivity remained high, but more and more investor countries prefer countries like Vietnam and Thailand as investment areas where labour remained cheap yet efficient.

The realisation that **small businesses** are an engine of economic growth makes self-employment programs an attractive policy to governments seeking to reduce high unemployment and stimulate sluggish economies. Small business is the 'growth' industry thus the necessary spatial provisions must be made by planners.

#### 11.2.5 Lessons from the Asian/Eastern Tigers experience

It is submitted that, while the Asian economies might not be a role model to the West (particularly the US) South Africa could learn much about the way in which they created the substantial economic turn-around. The two most important lessons are:

- on the positive side the extraordinary economic growth and the resulting prosperity brought about through investment in human capital (education and productivity) with the resulting inflow of foreign investments, and
- on the cautionary side, the things that can go wrong when proper governance is not executed. As in some instances, which occurred in Asia and in some transitional countries, South Africa must guard against the practice referred to as "*crony capitalism*" and nepotism (as found in some government departments).

#### 11.2.6 Economic Inequality

*"The urban poor, energetic and ingenious as they may be as individuals, too often find their way forward impeded by obstacles no individual can overcome or dismantle alone. The absence of basic support services saps their strength. It denies society the full contribution they could make."* (World Bank 1996:23)

Cities have always been closely associated with the generation of increasing inequalities. Developing countries are characterised by a dualistic structure. The dualism exists between a traditional, indigenous, underdeveloped sector on the one hand, and a modern, developed and westernised one on the other.

Has globalisation tended to increase or reduce inequality within countries? The debate over the impact of globalisation on income distribution has been vigorous. On the **negative** side, it is argued that globalisation has led to a growing income gap between skilled and less-skilled workers; limited the ability of governments to tax capital and thus led to an increased

need to tax labour; and limited the ability of union workers to achieve a union wage premium, changing the bargaining power of workers *vis-à-vis* capital.(Fischer 1998)

Uneven development is an inherent characteristic of the globalisation of capitalism, which stems from the propensity of capital to flow to locations, which offer the greatest potential return. *"The differential use of space by capital in pursuit of profit creates a mosaic of inequality at all geographical scales from global to local."* (Pacione 1997:1179) At any one time, certain countries, regions, cities and localities will be in the throes of decline as a result of the retreat of capital investment, while others will be experiencing the impact of capital inflows. (Pacione 1997:1179) Fischer (1998b) and others confirm that there is increasing evidence that internationally, inequality may be rising.

It seems that the most likely explanation for the growing inequality is a growing divergence in people's ability to create economic value - their productivity, or underlying ability to earn. The most obvious solution is to increase the level of human skills. Hutton (1996:176) says that in Britain *"to be born poor means to stay poor and ill-qualified; while to be born rich brings with it educational attainment and career achievement."*

On the **positive** side, globalisation has enabled the dispersion of specialised production processes to geographically distant locations, thereby spreading the benefits of trade and technology to all parts of the globe. Globalisation has also meant that many developing countries have been able to accelerate investment and growth by attracting capital flows to expand investment and increase growth.

There is a strong strand of idealism within planning culture, which has argued that the primary objective of planning efforts should be to even out material inequalities and to reduce 'disadvantage'. According to Healey (1997:27) various socialist planners, including Davidoff (1965) and Gans (1969), argued that planners had a moral responsibility of improving conditions for the disadvantaged. They saw planning as a tool, which citizens could use in extracting a more democratic pluralist polity from the clutches of dominant elites. While the process of planning may have pretended to allocate resources fairly between groups, in practice it did not operate that way. They contend that those who wielded political power influenced planning decisions against the interests of the powerless. *"Planning did not serve the public interest because there was no such interest."* (Healy 1997:27) While this may have been the case in the past, this attitude has changed in the new democratic South Africa.

It may be argued that urban inequalities are not created by urban planners, but they are often protected by them. Addressing the older genre of planners, Angotti (1993:43) argued

that planning does not have to be discriminatory. Physically separating land uses and social groups is not necessarily tantamount to segregation. However, he argued, planning often endorsed the existing state of segregation and unequal development.

Planners used zoning and subdivision regulations, growth control and historic preservation measures which, when coupled with local taxation and spending policies, effectively shut the door to low- and moderate- income housing in certain areas. Yet today, different income levels still articulate the metropolitan property market, which distributes households in spaces provided for the market by developers (and planners).

*"Inequality has a spatial dimension and the metropolis occupies that space."* (Angotti 1993:66) *"Urban inequalities are bound up with and inseparable from economic inequalities."* (Angotti 1993:76)

However, Angotti (1993:88) aptly summarises that, to accept inequalities as inevitable, or as only susceptible to minor adjustments, is to succumb to the logic of the unequal international economic order. He believes that, by maximising the returns to the nation's labour and capital, developing nations can come closer to the standard of living of the developed nations.

*"This, at least, is the hope, and the rationale behind the more aggressive and forward-looking planning efforts in developing nations that transcend the immediate economic possibilities of the urban marketplace."* (Angotti 1993:88)

One of the major challenges of the mega-city is incorporating the immigrant poor into the working economy. Most mega-cities have severe problems of unemployment. One of the major obstacles is access, how to circulate in search of work and to reach work daily. The solution is not so much creating special services for the poor as incorporating the poor into broader sectoral transportation improvements. Planners employed by government (all levels) can influence political decision-makers to:

- Ensure that sufficient land is available for low cost housing;
- Ensure that services, particularly transport, is readily available
- Ensure that space is reserved for employment creating zonings (i.e. industrial and commercial)

The World Bank and the International Monetary Fund are committed to the alleviation of severe poverty:

*"There is no single more important challenge than to humanize globalization, which means, first and foremost, to succeed in the fight against extreme poverty."* (Camdessus 1999b:2)



Camdessus (1999b:2) says that there are two dimensions to this fight: one national, the other international. Domestically, the poor will need to generate high-quality growth, and that must be the dominant concern. He believes that there is a vital relationship between economic growth and social development. Strong social policies that attack poverty at its roots lay the foundation for sustained economic growth.

It is clear that no poverty reduction can be achieved in a sustained way without sound monetary policy. But no sound monetary policy can be sustained if 'patent injustice' is left unaddressed. This is why the fight against poverty has gained centre stage in global programs. Every country confronts poverty to at least some extent. In the poorest countries, it is found that poverty can have macroeconomic consequences as it undermines social cohesion and saps the population's ability to participate in productive activity.

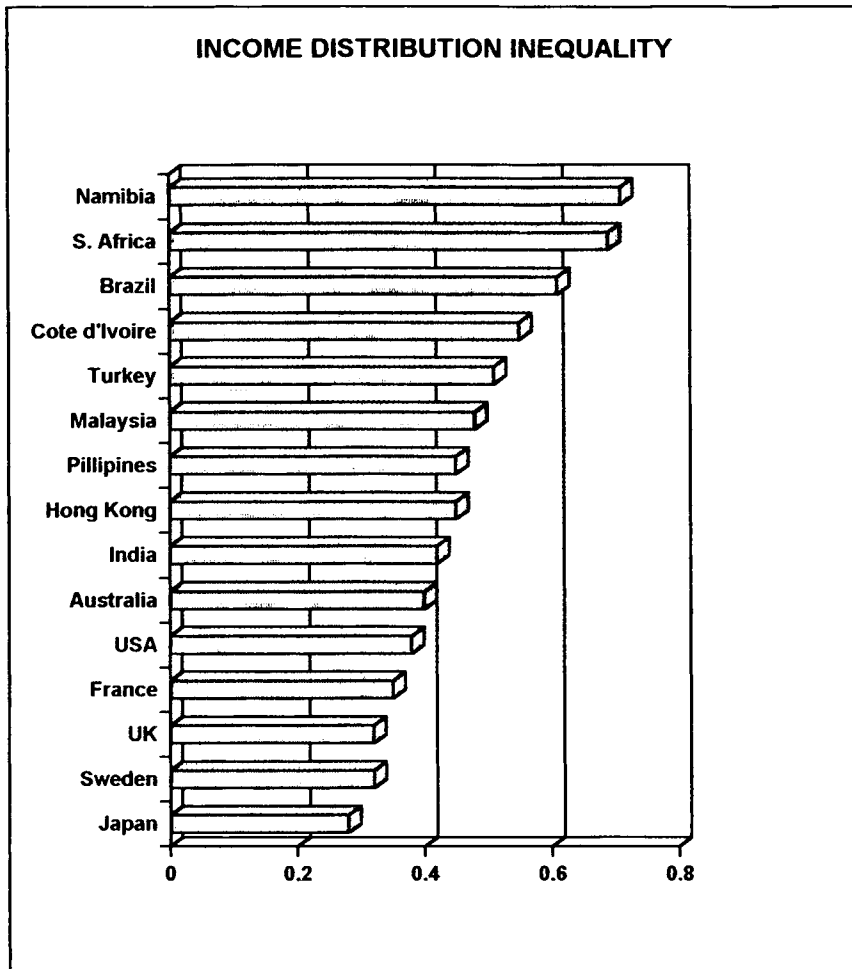
#### *11.2.6.1 Inequality in South Africa*

*"Comparative extreme inequality remains South Africa's ticking time bomb."* (Adam, Slabbert & Moodley 1997:205)

According to Whiteford (1999) South Africa ranks among countries with the most unequal distribution of income in the world. He says the poorest 40% of the population earn about 3.8% of all income while the richest 10% earn about 52% of the country's income. The average income of the poorest 20% of households is less than R1 000 p.a. while the richest 20% is some R62 000 p.a..

Historically class distinctions in South Africa were race based. Although the racial discrimination has now been formally scrapped and informally reversed, the gap between the poor and the wealthy remains. The only difference is that not all the wealthy are now white, while the poor remain unchanged.

Although this may be seen as mainly a political problem which is being addressed by 'Redistribution and Development' and 'Empowerment', the success whereof is fundamental to the future of the economy and society as a whole. Seven years after South Africa's democratic elections and the advent of majority rule, the gap between the rich and the poor had shown little trend towards narrowing. South Africa remains a country with vast economic inequality.



Graph 31

Source: Whiteford (1999)

Planners must devise ways and means to help combat this problem. Sunter (1997:84) believes that the problem of inequality in South Africa can only be resolved by the integration of the poorer society into the advantaged society through improved social mobility. He says that there is still a fallacious impression in South Africa that entrepreneurs running a small business do it only because they have to. Many do it because it is exciting, challenging and rewarding.

*"Developing a new class of entrepreneurs is therefore central to the goal of greater equality in South Africa." (Sunter 1997:84)*

Current thinking looks to micro-enterprise development as a major tool with which to reduce poverty. In this paradigm, graduating informal micro-enterprises to small businesses is less critical than generating income by creating jobs for the poor. Very small enterprises are seen as a vehicle with which the poor can increase their income; impact analysis of borrowers from several micro-finance programs confirms that recipients of micro-loans have been able to increase and stabilise their incomes.

Notwithstanding setbacks experienced by some larger financial institutions the small but growing number of micro-finance institutions that have proved capable of both reaching large numbers of poor people and attaining a high level of financial sustainability has fed hopes that micro-enterprise development can make a substantial difference in the fight against poverty.

**First**, as a matter of social justice, all members of society should share in the benefits of economic growth. And although there are many important arguments about precisely what constitutes a fair distribution of income, we accept the view that poverty in the midst of plenty is not socially acceptable. But, **second**, there is also an instrumental argument for equity: adjustment programs that are equitable and growth that is equitable are more likely to be sustainable. *"...the best way to reduce poverty on an enduring basis is to achieve sustained high rates of economic growth"* (Fischer 1998:1) it may equally be argued that by stimulating entrepreneurship amongst the poor and enhancing their skills, economic growth will become sustainable.

It is a truism that greater equity in the distribution of income and wealth requires wider participation of the people in the economic, social and political processes through which wealth is generated and distributed. If developing sustainable and equitable urban environments is the goal, then national planning has to change and an administrative structure devised that will permit managed decentralisation and local autonomy in planning, designing and implementing development programmes. Such a change requires, in particular, a shift in power from groups who dominate the centre to those who have local control. It is submitted that this is possible under the dispensation set out by the Development Facilitation Act and the accompanying policy statements concerning Land Development Objectives and Integrated Development Planning.

*"Local empowerment is not a solution in itself but it is critical for achieving economically sustainable and equitable development."* (Badshah 1996:141)

Potter & Lloyd-Evans (1998:37) refer to a number of authors who have considered whether or to what extent or how governments should intervene to resolve or improve the plight of the poor in urban areas. Some argue that, because of the natural 'trickle down' of growth to backward regions there should be no interference. Certainly the free market purists believe that this is a problem to be sorted out by the market.

It is submitted that the free market has proved that it widens the gap between the rich and the poor - it is not the solution to eradicate all poverty. It is submitted that planners can and should be involved in producing guidance to alleviation of poor areas through advanced

planning, ensuring the necessary infrastructure becomes available before the needs have been pressurised upon the authorities. Planners need to become involved at community level to give guidance to these groups to help them uplift their spatial surroundings. This accords with government policy, particularly the provisions of the Development Facilitation Act and the Integrated Planning Manual. In this way South Africa can become the leader of the 'African Renaissance' as aspired to in the new millennium by President Mbeki.

- ◇ There cannot be an equal participation in the democratic processes if there are glaring differences of wealth and status in society. As a matter of social justice, all members of society should share in the benefits of economic growth. Government alone cannot create economic growth and well being amongst the less privileged - this needs co-operation with the private sector, including planners.
- ◇ In South Africa the problem of economic inequality does not exist because the poor are mentally or physically handicapped - it is because they are not offered sufficient opportunities to enhance their latent capabilities. Now that the world needs to spend less on the military and South Africa needs to worry less about political democracy, it is time to concentrate on our greatest plight - economic inequality.
- ◇ Just as the white ruling government of the apartheid era eventually realised that their own continued existence could only be established by abdicating political power to the majority - so too must the wealthy realise that they will not be able to retain their wealth unless the plight of the poor is alleviated. This realisation has direct planning implications. It is submitted that planners would perform a leading role in this change, but that this initiative should be based on economically sound principles where the delicate balance between free enterprise and a controlled economy is not distorted.
- ◇ Land reform should concentrate on enhancing values rather than detracting from the wealthy to satisfy the poor. The urban environment is one of increasing complexity and diversity. Accompanying this complexity and diversity are conditions of technological change, rapidly expanding knowledge and in South Africa, the need to improve the plight of the poor.
- ◇ Planners should play a leading role to reverse this potentially disastrous trend. The bulk of the remedial action to resolve the poverty problem should come from the **community or neighbourhood level** rather than from central government. The upliftment must come from the people who are the most severely affected. They need to be guided and

supported by their own and the surrounding communities. Reducing poverty and unemployment is one of the purposes of local economic development.

- ◇ Government needs to set aside funds for planners to consult with poorer communities and neighbourhoods to assist in planning for improved economic efficiency and a better quality of life. Planners can become two-way communicators between the communities and government at various levels.

#### **11.2.6.2 Education & Training**

*"Education and training constitute the single greatest long-term leverage point available to all levels of government in upgrading industry."* (Porter 1990:682)

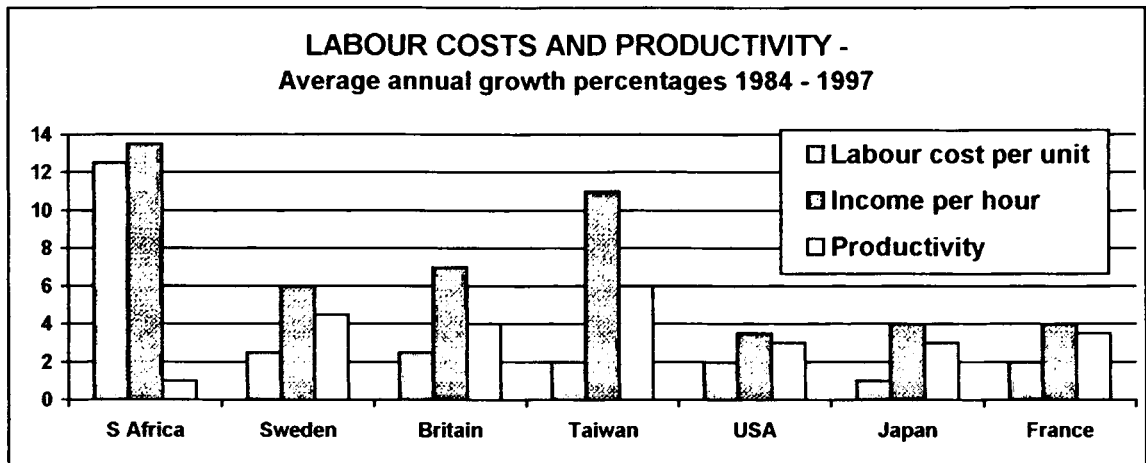
Clearly education and training of labour is the most significant method to uplift the large bulk of the poor, particularly in countries with emerging economies. Although education *per se* is not a direct economic influence, it has direct bearing on the economic success of a nation. The Economist (1997:34) expresses the view that all over the world it is taken for granted that educational achievement and economic success are closely linked - that the struggle to raise a nation's living standards is fought first and foremost in the classroom. This is emphasised by the new intensity of global economic rivalry. Low levels of education are characteristic of poverty.

The mix of jobs is changing rapidly, away from manufacturing and towards services, ancient and modern. But what many of the new activities have in common is that they are based to a greater extent than before on information. Computing is today's knowledge-based industry par excellence. Silicon Valley is one of the world's most conspicuously successful centres of enterprise, which requires workers that are literate, numerate, adaptable, and trainable - in a word, educated. (Economist 29/3/97)

*"The one thing politicians in the Western countries have learnt from rapidly industrialising countries like Korea is that an emphasis on education is an important ingredient in economic miracles."* (Coyle 1997:225)

Numerous surveys (National Productivity Institute (1997); World Economic Forum (1993); World Competitiveness Report (1997) have indicated that the cost of South African labour is higher in relation to its productivity or output than that of labour in many other competing countries. It is submitted that this is the single most serious economic problem that will have to be resolved if South Africa is to compete successfully in global markets. In comparison to global averages the annual growth of labour costs per unit and the income per hour

compared with productivity, South Africa has fallen far behind the rest of the world during the 13-year period 1984 to 1997.



Graph 32

Source: National Productivity Institute (1998)

In the process to make the transition the first step is to address the severe human resource constraint and ensure that the people within a locality are competitive in the regional, national and global labour markets. Planners must therefore ensure that the necessary educational facilities are located in the areas where they are most needed - i.e. in the poor communities, and that the necessary infrastructure is available to these facilities.

Also, the education and training of the 'new' planner needs to be addressed. As this aspect is in itself a substantial subject, it cannot be dealt with in this work, other than to emphasise the importance of economic and market teachings in such curricula.

#### **11.2.6.3 Small Business**

The realisation that small businesses are an engine of economic growth makes self-employment training programs an attractive policy to governments seeking to reduce high unemployment and stimulate sluggish economies. However, these policies account for only a small fraction of the total expenditures on labour market policies in most countries. In OECD countries public expenditures on labour market policies of all types vary from less than one percent of GDP to slightly over six percent. Self-employment schemes for the unemployed offered in a number of OECD countries in 1991 ranged from less than one percent up to nearly six percent of these expenditures. (Wilson & Adams 1994:2)

Observers who argue that technical assistance is critical feel that poorly developed business skills are a binding constraint to enterprise growth, even more than lack of access to credit in many cases. In this view, entrepreneurs' complaints about lack of access to credit mask technical and managerial inadequacies that, if remedied, would have a far

greater return than would access to loans. Specifically, better educated entrepreneurs enter into apprenticeships more frequently than entrepreneurs without formal education, thereby putting themselves on the quickest path to self-employment; they select the most attractive activities within the informal sector and they benefit more than their uneducated counterparts from subsequent training programs.

Planners should encourage local administrators and communities to promote small business training facilities such as hives and incubators and assist to ensure that the necessary physical developments (e.g. enterprise zones) are established.

### 11.2.7 The Urban Form

- ◇ The new millennium brings with it thoughts of change and innovation. Thousands of years ago cities like Athens, Carthage, Constantinople, Sparta and Rome were the centres of the universe of human activity at some stage of their existence. Then countries became the major international forces and the leading roles played by individual cities began to decrease. Now, as a result of the growing importance of global economics, cities are again becoming the focus of global attention. We seem to have come the full circle.

The spatial dimensions of the globalised city are complex and contradictory. Todd (1995:201) reports that evidence from a study of the service sector in Canada indicates that while computer and telecommunications equipment may have loosened restrictions on location, a high proportion of employment, especially in the areas of financial and business intermediary services, had remained concentrated in the central business districts of the largest urban areas.

Services growth has also led to decentralisation or 'multinucleation' of office nodes in most major North American cities. It was found that, while routine clerical tasks, such as data entry and payroll, are located in suburban office nodes, corporate decision-making and higher end legal and accounting services remain in the core CBD. This decentred nodal development pattern of office 'parks' and 'campuses' far outstripped the creation of new 'flex-spec' industrial districts in large urban centres. The market forces at work in spatial development are creating an entirely different post-Fordist, or post-modern landscape of tourist attractions, convention facilities, world trade centres, and a fragmented network of malls and office developments stretched out like a 'net of mixed beads' from the CBD. (Todd 1995:201) The planner must remain fully alert to the changes in the urban form, which are driven by market forces, caused by high-tech progress.

Developing countries have witnessed the establishment of rapidly growing mega-cities. The major phenomenon of their urban form is the existence of much poverty and degradation. There are enclaves of the wealthy, some middle class and vast suburbs of self-built shacks with insufficient infrastructure and abject poverty. Informal settlements may be seen as the physical expression of both problems and solutions. They show the power of individual action and the force of collective resolve in the face of difficult conditions.

*"With few resources and little official help, these shantytowns are also a symbol of hope."* Short 1996:115)

It seems that the world attention has been focused on the problem of poverty and that the alleviation thereof will start with the upliftment of the malaise of these 'shantytowns'. Here the planner can play a pro-active role.

#### ***11.2.7.1 The Postmodernist Paradigm***

Postmodernism has followed the modernist era in which conformity was a major force. Buildings had to conform to standard regulations, economic structures were clearly defined and countries had to conform to specific rules and regulations in all their actions. Even society was neatly classed and boxed. There was little room for personal preferences, needs and wants, which did not conform to the greater society.

Postmodernism has introduced individualism and a greater freedom of non-conformist practices. Many argue that this deregulation has created chaos in some spheres - like in international monetary transaction and even in the cultural lives of some - like the recognition of gay and lesbian societies. The rights of the individual have come to the forefront. In industry there has been a movement away from mass production (Fordism) to customised specialisation.

Fisher & Kling (1993:xiv) aptly point out that the shift from the modernist/industrial to post-industrial/postmodern society has profoundly affected the makeup and organisation of social movements. The central theoretical tensions in the literature cohere around competing models of structuralism, economic forces and the force of contingent and local political realities. Structuralists emphasise the existence of a global political economy that determines the nature and potential of grass-roots mobilisation world-wide.

**Postmodernism suits the new South Africa.** The many different cultures have coexisted for many years but the modernist nature of the cities and the political history has kept them apart. Now they have the opportunity to meet in the central business districts, the restaurants and the parks, to shape the postmodernist society. But at the end of the day



the cultures separate and return to their walled securitised luxury homes or the squalor of informal settlements or squatter camps.

Postmodernism can become a unifying paradigm.

But, it is submitted; **globalisation does not suit South Africa:**

- To succeed in a globalised economy a country must be internationally competitive. The opening up of trade borders enhances imports of cheaper goods from countries with more efficient and productive labour forces, taking jobs from the formal sector.
- Globalisation demands greater technological skills and a higher level of education and training - an aspect where South Africa is still far behind most emerging economies. There is no room for unskilled employees in global competitiveness.
- Globalisation widens the gap between the rich and the poor. South Africa is already suffering from severe income inequality.
- Labour migration causes an influx of unskilled work-seekers from poor neighbouring territories.

### 11.2.8 Economic Cycles

At the World Economic Forum Meeting in Davos, Switzerland in 1996 the question was posed, whether the US is leading a new paradigm of continual growth, banishing economic cycles. Robert Hormats (1997) voiced the opinion that the post 1982 US economy is substantially different from the pre- 1982 one, but that the business cycle has not been repealed - only the volatility has been grossly reduced. A major reason for the long surge of growth was the information revolution, which not only creates new jobs but also helps business managers to fine-tune the ups and downs of the past. Yet all this was not able to prevent the severe downturn in the economies of many countries during the 1997/98 Asian crisis.

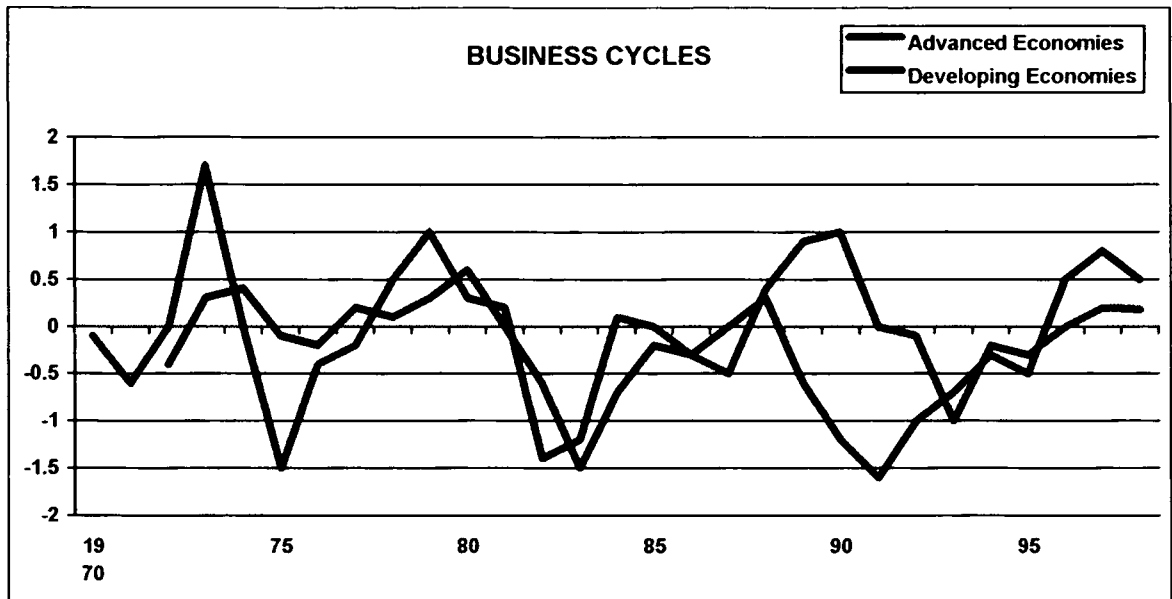
In 1998 the International Monetary Fund (1998:55) examined the main features of business cycles over the past 25 years and looked at some of the theories that seek to explain the stylised facts of economic fluctuations. It found that, while business cycles appear to have been relatively closely synchronised across the major industrial countries over most of this period, they were less so most recently.

Planners need to understand economic cycles in order to pre-empt the timing of development trends. There is not much point in planning developments and infrastructure when there may not be a demand for such facilities in the foreseeable future. There are numerous examples of developments and infrastructure, which were done long before their time while there have been occasions when dire needs and demands have been put on

existing infrastructure because the planners did not expect a market demand so soon. The correct timing of actions that follow planning is also closely linked with financial efficiency. Unused or under-utilised physical structures equals inefficiency, and the longer the time-span of underutilisation, the greater the inefficiency becomes.

It is true that there will always be long-term planning requirements, such as the general direction of future development of a growing city. This kind of planning is less sensitive to the effects of economic cycles, but long-term forward planning is usually done with a broad brush and not in any great detail.

It is also important that planners pre-empt the type of development required at the different stages of the economic cycle. While there is virtually always a demand for lower income housing in developing countries, the market for high priced houses is cyclical. The installation of services in an expensive residential development during a period of economic recession would lead to financial losses. While it may be argued that the planner merely needs to do the physical planning and the developer can decide when the physical development commences, it is still pointless that a planner should spend his time and energy planning something that will only be acted upon at a much later stage. The planner's time is also costly and should be devoted to planning matters, which will result in action within the foreseeable future.



**Graph 33**

(Source: IMF 1999:25 & 30)

The above graph indicates not only that business cycles have been evident in the developing countries over the past quarter century, but also that there has been relatively close synchronisation with business cycles in the industrial countries as a group through

much of this period. Between 1988 and 1990, however, the developing countries experienced an abrupt slowing of growth before the 1990–93 slowdown in the industrial countries; and during 1991–93, growth in the developing countries picked up despite the industrial country slowdown.

The Asian crises in 1997/8 clearly indicated that economic cycles are still an inherent facet of global and local economic cycles. These cycles will continue to play an important role in urban development and planners are urged to remain fully informed about economic expectations when doing forward planning.

It is further submitted that economic cycles transcend into social and political cycles. These cycles can be viewed on long and short term. Long cycles are evident in the evolution of the city over the past two hundred years as cities moved from agri-based to industrial, from industrial to modernist and from modernist to postmodernist. These major changes have socio-economic effects. With the advent of industrialism the capitalists initially exploited labour. Then labour rallied together and formed trade unions, which became a strong socialist force in Western Europe in the pre-Thatcherist era. Then the cycle changed again to an international free market system in which the world finds itself at the beginning of the third millennium.

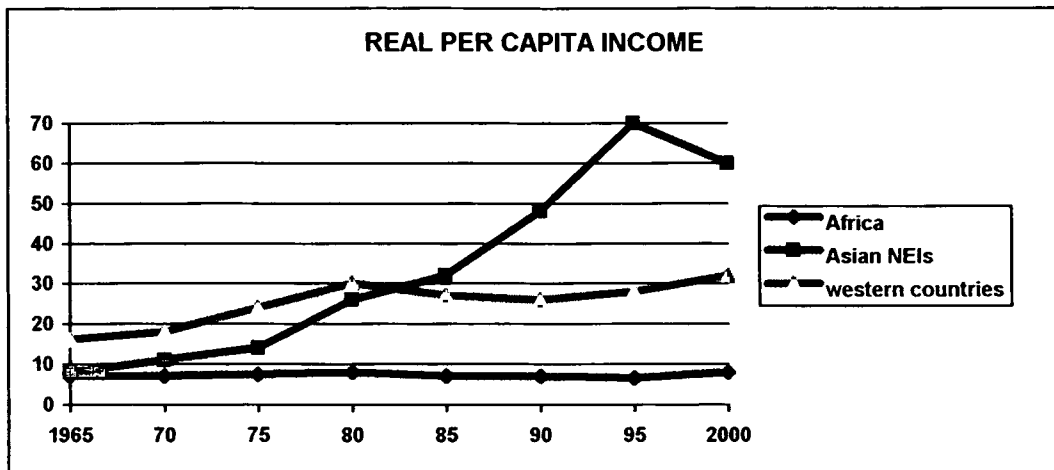
#### **11.2.9 Southern Africa**

Some of the poorest countries, especially in Africa, have fallen behind not only in relative but also in absolute terms. The International Monetary Fund (1999:24) feels that, to help them cope with the enormous challenges that they are facing, the international community needs to provide well-targeted assistance and to lessen external debt burdens as has been done in some cases.(e.g. Mozambique). It is submitted that technical know how will be more beneficial to these poor countries than money or gifts of food baskets. South African planners can infuse much needed technical knowledge to neighbouring states.

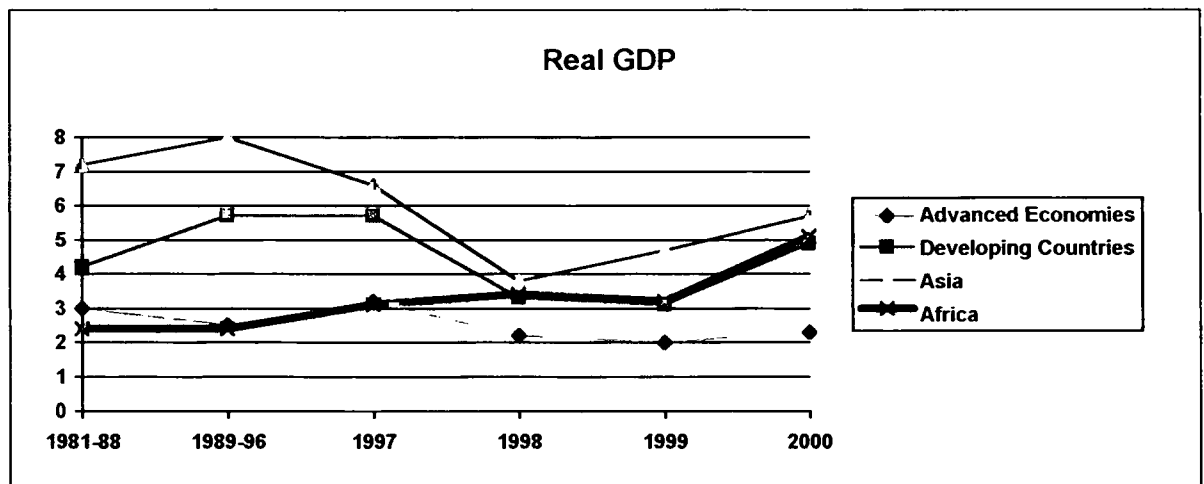
By the mid 1990s, most African countries had slid backwards amidst growing poverty, ecological degradation, and mounting debt. But, during the second half of the 1990s the economies of many African countries began to show substantial improvement, albeit from a low basis. (Sachs 1998:1)

Although seen as the poorest and most marginal continental region in the current world economy, (Simon 1995:135) sub-Saharan Africa has also awakened to the economic prosperity of capitalism and realises that it will have to become globally competitive to participate in the benefits of economic globalisation. *“Going global has ceased to be a matter of choice. It is a matter of survival.”* (Mbuende 1998:45) From 1995 to 1998 average

real growth of African economies exceeded 4% p.a.. This is more than three times the average of the preceding four years. (Quattara 1999)



Graph 34  
Source: IMF (2000)



Graph 35  
Source IMF 2000:213

The International Monetary Fund (1997:26 and in many other of their publications) repeatedly emphasises that a key lesson can be learnt, that the pressures of globalisation have served to accentuate the benefits of good economic policies. Countries that align themselves with the forces of globalisation and embrace the reforms needed to do so, liberalising markets and pursuing disciplined macroeconomic policies, are likely to put themselves on a path of convergence with the advanced economies. Countries that do not adopt such policies are likely to face declining shares of world trade and private capital flows, and to find themselves falling behind in relative terms.

Some authors like Cheru & Gill (1997:145) are less optimistic about the future of Africa than the IMF. They contend that the African case highlights the lack of success in restructuring the state apparatus and solving the continent's economic and social crisis on the part of the

World Bank and IMF. While benefiting local elites and some western interests in the short term, social inequalities have widened and could ultimately bankrupt many African economies. With their economies extremely vulnerable to external shocks such as oil price rises, coupled with declining prices for African export commodities, very little room is left for most governments to manoeuvre. Early in the twenty-first century some of this pessimism became reality in countries like Zimbabwe.

Simon (1995:151) is another who is not optimistic, viewing the Third World as becoming increasingly differentiated. On the one hand, the NICs are expanding the semi-periphery of the world economy while some key cities amongst them are becoming important continental and global financial and trade centres in their own right (e.g. Singapore, Hong Kong and Sao Paulo). On the other hand, he believes that with very few exceptions, the countries of sub-Saharan Africa seem destined to remain very largely in the new global periphery, suffering growing urbanisation and poverty together with economic stagnation, marginalisation, and environmental degeneration.

### **11.3 THE ROLE OF URBAN PLANNING**

Instead of merely considering the influence of market forces on urban planning it may be deemed that these two go hand in hand. Both are future-oriented sciences, both are dependent on human behaviour and more specifically their economic activities and both require an 'entrepreneurial spirit' to succeed. There are direct similarities regarding the level and nature of control of the economy and that of planning and there can be no doubt that the one influences the other. One could equally be considering the influence of planning on market forces.

**Urban planning should be an exercise in spatial economic planning.**

#### **11.3.1 Planning control**

Globalisation has re-opened the debate around the merits and disadvantages of the level and form of governmental control or interference in national economies. The proponents of an open market system have gained support from the United Nations and its agencies while writers like Hutton (1996) are raising their voices against the lack of national and global economic controls. This debate is equally applicable to urban planning as it is submitted that there is a direct link between the level and form of government control over the economy and government control over urban planning. (As was evidenced in Britain in the late 1970s and 1980s.)

The role of planners should contain a greater element of guidance and facilitation rather than controls. However, it is clear that planning controls, as in the case of the economy,

cannot be done away with. Controls must be transparent. Planners must give full reasons for their decisions. These reasons must be based on facts, supported by data. Guidance can only be given by people who are well informed.

A free market economic approach in urban development calls for reduced planning controls and advocate a more pro-active approach to planning. With the introduction of 'Thatcherism' in 1979, bringing with it a 'freer, more competitive, more open economy', urban planning in England experienced a downturn, which lead some to consider 'the death of planning' in the 1980s. The influence of a free market approach in Britain - the 'British New Right' - on urban planning was fully considered by Allmendinger & Thomas (1998).

The intention of the Thatcher government was *"to retain the bones of the planning system but give it new shape."* (Allmendinger & Thomas 1998:10) It was necessary to reduce excessive and unnecessary planning regulation, favouring economic mechanisms for resolving environmental problems. A further element in the Thatcherite agenda was the aim of removing or reducing the role of local government in planning decision-making and implementation. Thatcherism enthusiastically endorsed privatisation in almost all circumstances, and consequently proposed handing over significant parts of the planning function to the private sector.

In reviewing the influence of the 'New Right' on urban planning in the 1980s and 1990s Bramley & Lambert (1998:111) argue that, notwithstanding the uncertainties in the planning profession, an analysis of public policy during this period suggests more continuity than change. They argue that, while the government in the 1980s frequently expressed hostile sentiments about planning, it was neither feasible nor desirable to dismantle planning controls substantially. They contend that market processes had always dominated the land and development process, with planning having a complementary regulatory role - aiming for efficiency in the use and provision of infrastructure, protection of landscape and the countryside and balanced housing and employment development. This latter contention is not entirely acceptable particularly in the light of evidence of the severe bureaucratic control attitude of centralist British planners.

In summarising the influence of the market approach of the British 'New Right' Bramley & Lambert (1998:112) contend that detriment caused to planning by the reduction in planning regulation of the 1980s was negated by the 'plan-led' system of the 1990s. They aver that the reinforcement of planning regulation brought about by the Planning Compensation Act of 1991 was necessitated by 'faults' in the free market system caused by a neglect of environmental concerns and over-building at the end of the late-1980s property boom. This

view assumes that planning plays a market regulatory roll and that planning regulation can be used as a tool of the government to stabilise the usually uneven market forces.

In fact, Bramley & Lambert (1998:111) believe that planning has a substantial roll to play in the stabilisation and efficiency of the property market. It is submitted that this could be so provided planners combine urban planning skills with a sound knowledge of the market trends and of urban economics. This knowledge must be supported by sufficient relevant market data relating to demand and availability - as is usually manifested in prices. Planning should not be reactionary, thus future trend analyses must be thoroughly executed.

Planning in South Africa was spared the embarrassing 'power stripping' process that was experienced in Britain in the 1980s due to the fact that this was the era of 'grand apartheid' under the arrogant leadership of P.W. Botha. The state exercised full control and planning was one of its tools. Thus, by the time the government began to take a less arrogant standpoint, British planning had begun to recover from its market-oriented shocks. The South African government did not feel the need for great changes to be brought into planning as could be witnessed from the 1991 Physical Planning Act. The new government has significantly changed all this, and although the changes had not been implemented in practice by the end of the century, it is clear that the process of change is fully under way.

In South Africa it is clear that planning has been decentralised while the main 'engine-room' of planning will be found at local authority level. The new legislation and government policy documents clearly indicate a new approach to planning. This approach will be a pro-active economic development planning function in which the forces of the market are to be harnessed and guided to uplift the standard and quality of living of the majority of the population.

This approach must be lauded. It is submitted that South Africa is playing a leading global role in enhancing the image and role of planning by elevating its status to include economic development planning, with the emphasis on the alleviation of poverty and squalor.

### **11.3.2 Zoning**

Some of the more significant changes in the laws in South Africa have been the series of scrapping of racially based laws. Some people expected that the scrapping of these laws would create major changes in the nature of the urban market, but this has clearly not been the case. The more meaningful changes came about as a result of the scrapping of influx control laws and the subsequent legalisation of informal settlements. This has effectively brought much of the previous rural Third World into the urban areas, and the trend is

continuing, changing the form of cities and moving away from the strictly modernist planning principles.

Bramley & Lambert (1998:95) point out that the sharp reduction in public housing provision, which was replaced by private sector 'speculative', housing, held major implications for planning in Britain. The planning system was expected to facilitate such developments. Thus the moves to streamline planning procedures required more attention to land availability and market demand. Planning was required to pay more attention to 'market considerations' - of need and supply in determining the amount and location of new housing development.

Bramley & Lambert (1998:97) viewed the move towards a zoning type of system as radical, referring to what they termed 'planning-free' zones - Enterprise Zones and Simplified Planning Zones, which were introduced by the British 'the New Right'. They believe this to be characteristic of market-dominated systems like the USA.

Enterprise Zones and Simplified Planning Zones caused a great stir amongst British planners, fearing a 'bonfire of controls'. Although the concept of 'no or little planning' caused great alarm, the results of the developments have subsequently been downplayed as being of little concern. As private sector planners are usually heavily involved in such zones, it can only be the bureaucrats who are alarmed.

After Mrs. Thatcher, Mr. Major introduced the 'plan-led system' in 1991 allowing central government to dictate local policy through the explosion in policy guidance, similar to that of the 'new' South African government. Allmendinger & Thomas (1998:2) believe that this led the renaissance of planning, as planners were once more perceived as 'necessary'.

Planners must realise that they have a strong economic tool in their ability to allocate (zone) land for specific uses. The provision of ample land for a specific use increases its availability and hence reduces the price thereof. There is ample practical evidence of high priced land uses caused by insufficient zoning provision - it is submitted that the converse is also possible. Thus if planners project future demands and requirements timeously they can assist to produce such land and services at lower costs. This is particularly applicable to low cost housing.

Planners should be more sensitive to the 'consumers' of public policy rather than the government 'producers' of policy.

### **11.3.3 Free market threat to planning**

Does the free market concept threaten urban planning? It is submitted that the urban planning profession was shaken by the policies and events of the 1980s. Market forces, if



not seen as 'the enemy', had been largely ignored by British planners. Their first reaction to Thatcherism was to believe that planning had become obsolete, as 'the enemy' had taken over. Since 1990, with the introduction of the 'plan-led' system and a greater emphasis on sustainability and the environment, planning feels that 'it has survived'. Yet, it is submitted, that Allmendinger & Thomas (1998) failed to realise the lesson that planning should have learnt from Thatcherism, which is the vital importance of the market forces in the urban property market and consequently in planning decision-making. Since Thatcherism the economic world has changed radically but it appears that British planning would prefer to return to its stoic ways of the pre-1980s.

Allmendinger & Thomas (1998:237) downplay the influence of Thatcherism by believing that, while the Thatcher government may have had more radical objectives than previous governments, they were probably no better at achieving those objectives.

*"On the whole, the impacts of the New Right on planning are broadly consistent with their impacts on most other policy areas - there has been some change but not as radical as the rhetoric or dogma would have indicated."* (Allmendinger & Thomas 1998:241)

It is submitted that the trade unions may disagree with this view.

Allmendinger & Thomas (1998:240) also aver that another reason why much less was achieved by the New Right than they might have expected was the (purported) fact that planners had supported the market *"through creating certainty for investors"* by limiting supply through planning controls. It is submitted that such action constitutes a distortion of the market and benefits only the supply side (also creating a fertile ground for corruption). It is submitted that it is precisely this attitude that the 'New Right' set out to change. If the pre-1980 British (and South African) planners thought that they were supportive of the market, they clearly did not understand basic economics.

Spatial and land use planning is a key element of regulation of land and property markets. Planning can no longer be conceived as primarily 'against' the market, as a countervailing force. It is actively involved in the constitution of markets. Local planning moves from being much more than protecting the interests of 'people' versus the 'economy', of needs versus demands, or environmental quality versus the drive for profits. **Planning is actively drawn into the enterprise of managing local economies.** One arm of this may be investment programmes, focused typically on land supply and infrastructure provision, though often linked to other aspects of local economic development, such as training and business development. The second arm is the power to regulate the location, form and timing of development.

Planners are aware that local economies are dynamic, delicate and differentiated, and that the land and property sector, and particularly the development industry, is a significant local economic player.

*"Local economic and spatial planning policies can produce local economic assets, build supportive local economic institutional capacity and create local market opportunities. Spatial planning regimes, with respect of both the regulation and the promotion of development, have a key role in shaping the form of the development industry and the opportunities available to it."* (Healey 1997:150) This view is fully endorsed.

The realisation of the importance of economic forces in urban planning is not a recent phenomenon. It should be part of the planner's task to try to assess the economic effects of his actions. By making an estimate of the possible pressures from economic forces, which are likely to build up within his plan, he may be able to change those parts of the plan which could lead to inefficiency. It is probably much easier and cheaper to make alterations to a plan when it is in the earlier stages than to wait until the pressures from the economic forces have built up when fundamental alterations to the urban structure can only be made at great expense.

#### **11.3.4 Free market vs. conservation and the environment**

For Clark (1996:166) cities are elements in global economic and environmental systems, which are both vulnerable and fragile.

*"If urban life is to be sustained much beyond the present century, then steps must be taken now so as to prevent further damage to the environment and to bequeath adequate resources to succeeding generations."* (Clark 1996:167)

Allmendinger & Thomas (1998:240) argue that conservation has always been a contradiction for the conservative tenet, providing much tension with free-market liberalism. It is submitted that conservation is a priority to the free market as may be illustrated by the premium placed on the prices of historical properties. It is submitted that very little conflict exists between the free market and conservation.

#### **11.3.5 Strategic planning**

Strategic planning is the 'buzz word' in the planning profession. Selecting a strategy (which is a planned action for specific goals based on the options and opportunities available) and announcing it publicly has occupied much of the attention of planning bureaucracies in many cities. Most of this has been directed to economic planning, little to spatial planning, and even less to spatial economic planning. Feagin (1998:220) says that professional

planning can and does rationalise capital accumulation. He argues that planning can help rationalise the accumulation process in a society that goes through major business crises and cycles.

Strategic planning exercises seeks to transfer the locus of pluralist argumentation from the arena of project permits, to the construction of policy frameworks within which the principles for making project decisions could be articulated, that is through a plan. This involves a shift to developing policy reasoning in advance of a regulatory decision, rather than probing it in costly legal arenas after a decision has been made. This shifts the emphasis from pluralist competition and argument over projects to consensus-building practices. In such contexts, planning becomes a practice of mediating between competing interests.

### **11.3.6 Local government & planning**

In recent years the conversion of local governments to a proactive role in local economic development has been widespread in Europe, promoted vigorously by EU regional development policies. Previously the debate tended to be constructed in terms of planning versus the market, the economy and the forces of capital. Harrison (1995b:18) poses the question whether town and regional planners should intrude into the economic domain, as he feels they have been doing over the past decade, and concern themselves with matters such as local economic development, or should they refocus on matters spatial. It is submitted that planners cannot assist in the enhancement of the quality of life in urban areas unless they concern themselves with economic matters and global economic trends. Qualities of places within an urban region are important not just as assets, but also as part of the relational capacity of an urban region.

The Department of Constitutional Development (1999:14) says that it should be acknowledged that the new system of planning in South Africa aims to fundamentally transform the way in which local government operates. The new planning process is in its infancy and, over time, needs to develop into a mature, robust planning system suited to South African conditions. The Department urges that the planning process must be adaptable and flexible in order to benefit from 'learning by doing'.

Local government is one of the key agencies that shape the local investment environment. It needs to keep abreast of international trends to ensure that it delivers world-class service, incentives and marketing. Critical to all of this will not only be the development of new institutional mechanisms, but a total mind shift by all in local government from a bureaucratic, regulatory approach to a more facilitatory, entrepreneurial focus. Local government functions must be carried out more efficiently in order to use limited resources

more effectively, to maximise the benefits to the population serviced, and to deliberately promote economic activity.

It is submitted that local authority governments and the private sector should join hands to promote economic success. Planners have an important role in making such partnerships functional. Cisneros (1985:18) emphasised that when planning was successful, around the turn of the century, it was successful because planners understood that you have to link up the business community with the government sector, with public decision making to create a climate for investment.

### **11.3.7 The planning profession**

It seems that the planning profession flourishes when problems occur in the urban environment. In the nineteenth century it was the industrial revolution of the urban squalor that attracted attention to improved urban planning. In the twentieth century the ravages of the Second World War caused planning to look closely at restructuring many European cities while population growth and progressive affluence in the USA demanded the attention of planning in rapidly growing cities.

Hall (1988:326) referred to the "*systems revolution*" in urban planning in the 1950s that caught planners unawares. The question may be posed whether the 'technological revolution' of the 1990s will not also cause similar problems. Hall's 'systems revolution' was brought about by rapid economic changes. It is submitted that economic globalisation and its effects has brought equally severe changes and will require substantial paradigm changes.

The free market 'economic revolution' hit Britain in the late 1970s, causing a profound effect on urban planning - casting away the bureaucratic control approach which was replaced by a more facilitative, economic-friendly approach. For at least a full decade, planning was unsure of its role and grasped the 'sustainable environmental' guidance role for its justification of survival. In the later 1990s planning has begun to realise the importance of free market influences in the urban spatial structuring and is slowly beginning to realise its role in economic-spatial planning.

Watson & Gibson (1995:5) feel that, in South Africa, where the challenge is to overcome the fragmentation wrought by colonialism and modernist planning, the possibility of postmodern fragmentation poses less a threat than an opportunity for building new ways of administering a less oppressive, less polarised, but still heterogeneous community. They believe that, despite subtle or obvious differences of opinion, what all these theorists have in common is a collective desire to promote new forms of conceiving social space in an

attempt to account for an elective occupation and engagement with an increasingly segregated, oppressively functionalist and electronically monitored everyday reality.

In South Africa, the bureaucratic control approach lasted a further decade due to the powers of the apartheid regime. This approach was still clearly evident in the 1991 Physical Planning Act. It is only really with the advent of the new democratic government in 1994 that planning has started to change. The full intentions of the government regarding the change towards economic development is clearly evidenced by the 1997 Department of Constitutional Development's "*Local Government and Economic Development Guide for Municipalities in South Africa*" and the subsequent "*Integrated Development Planning Manual*." The expected economic approach towards urban planning is adequately spelt out in these documents, and planners need not hesitate to realise the approach that is needed.

Planning is faced with the problem of trying to 'buck the trend' of the growing gap between the wealthy and the poor. The government proposes to seek the assistance of the professions involved in the 'built environment' in this task, (but for some unknown reason, the planning profession is not included in the "*Council for the Build Environment Bill*" of 1999). This trend is an economic problem that is fanned by economic globalisation.

Hall (1988:361) contends that urban planning faces a new range of problems, with which its practitioners were never equipped by education and perhaps by inclination, to tackle. That is the problem of structural economic decline of whole urban communities and of rebuilding a new economy on the ruins of the old.

*"Exacerbated by that fact, it faces a nightmarish return of the oldest of urban problems, which more than any other originally brought it into being and gave it its legitimacy: the problem of the urban underclass, waiting as a sullen and disaffected mass outside the gates."* (Hall 1988:361)

A solution must be sought within the realms of urban planning. This calls for innovation.

*"In terms of urban development, traditional planning approaches sit uncomfortably in the context of the current round of urban restructuring."* (Harrison 1995b:47)

Harrison argues that new approaches and paradigms should be sought and believes it might be in partnerships and networking that a meaningful way forward can be found.

Angotti (1993:144) is more optimistic and believes that a new progressive approach to planning is evolving. He believes that it is based on a vision of metropolitan development as a necessary accompaniment to social development. He argues that neighbourhood-level political power and planning is central to progressive metro planning. While this argument is

acceptable in principle, it is submitted that the economic prosperity of the neighbourhood is a *sine qua non* of the social improvement thereof. Angotti would agree:

*"Theories of urbanization that see the economic basis of society as simply one among several determining factors try to avoid the pitfalls of economic determinism, but in the process obscure the determining role of economics."* (Angotti 1993:155)

Angotti (1993:240) aptly adds that metropolitan planning, particularly in the poorest countries of Africa and Asia, can achieve very little until the newly independent nations overcome economic dependency and underdevelopment, and establish a framework of national planning within which metropolitan areas and their neighbourhoods may plan. In South Africa this planning framework has been compiled; it merely needs to be implemented

Planning practice, technically skilled and politically sensitive, is an organising and democratising practice. In proposing a more positive approach, Harrison (1996a:23) argues that by recognising planning practice as a normatively role-structured communication action planners are well positioned to play a role as **strategic thinkers** and problem solvers who can assist in forging the partnerships and growth coalitions necessary to pursue long-term development on a sustained basis.

Ellin (1996:264) correctly argues that the role of the urban designer is to make **rational decisions** - relying heavily on quantitative data - and to implement these with expedience. It is submitted that the proposed quantitative data should be heavily weighted with **economic data**. She argues that architects and planners must heed their own call for contextualism through a more sophisticated understanding of their place in history, of cultural differences, and of the larger political economy than in which they currently work.

Harrison (1995a:41) aptly argues that **universities** have a key role to play in redefining the intellectual basis for planning, but is concerned whether they are performing this role adequately. He urges that postmodernism requires changes in education for planners and that there is a clear need for far more serious attention to the structure and content of planning education. He is concerned whether our institutions of higher learning are producing planners who are sufficiently creative, adaptable and flexible to respond adequately to rapid changes in the legal, administrative, economic, technological, social and political environments. It is submitted that the greatest changes are taking place in the technological and economic environments, with little in the political, social and administrative fields and less in the legal fields.

In 1968 Robert Weaver called for a new kind of urban generalist; a new kind of modern *Renaissance man*, leading to the development of interdisciplinary planning degree programs at the university level. (Ellin 1996:48) In contrast, and submittedly more aptly, Harrison (1995a:41) points out that there has, for example, been a trend towards flexibility in planning education with greater emphasis on increased specialisation and modularisation of courses. He agrees that there has also been a shift from training the 'generalist planner' towards training the 'specialist planner'.

It is submitted that this proposed 'specialist planner' should also include planning specialists trained in the economics of urban planning.

The proposals put forward by Healey (1997) on collaborative planning (Chapter 4) are laudable and need to be adhered to by planners. Her proposals are compatible with the planning principles of the 'new' planning dispensation in South Africa. Local communities, primarily through non-government organisations (NGOs) can become major 'new' clients of professional planners. Collaborative future-oriented economic enhancement planning should emerge from these 'partnerships'.

#### **11.3.8 Planners & economists**

Urban planners and economists have much in common, primarily because both are required to set goals for the future well being of human activity. Harrison (1996a:27) argues that planners should "*develop strong complementary linkages with a range of professionals in the broad field of development.*" It is submitted that while this should include economists, planners should go further and study economics.

It is submitted that the planner can make use of economists (who specialise in urban development planning) who can usefully assist planners in a number of ways:

- **First**, economists can provide information on global economic (demand, supply and financial) trends - particularly those that have spatial implications.
- **Second**, economists can provide a system of references reflecting the wants of consumers relative to the economic resources available - in this way s/he can act as a check on over-ambitious plans for which the resources or demand are simply not available.
- **Third**, economists have the tools and expertise to tackle specific planning problems, and may in some cases even be able to suggest more efficient economic solutions, which would otherwise be overlooked if only physical controls were considered.

- **Fourth**, economists can assist in the decision-making processes involved, by utilising specialised techniques of investment appraisal, they can help to ensure that the most suitable plan is finally accepted.
- **Fifth**, the economist can act as a link between those who develop and present the plans and those who are responsible for environmental and public controls as well as those who allocate public funds for infrastructure. By translating physical plans into financial terms, the economist acts as an intermediary between the parties.

The urban planning bureaucracy needs to reconsider its position as regulators of urban planning and development in a similar vein as the roles played by economists. No economic planning can be successfully implemented without the prior preparation of a 'business plan'. The bureaucratic roles are comparable, as are the effects and results. Planning implementation should be preceded by a thorough 'business plan'. More urban development planning should be left to the private sector. Planning should be a bottom-up process with continuous feed-back and guidance from the top.

#### **11.3.9 Should planners be entrepreneurs?**

Harrison (1995b:42) has expressed the concern that modern town planning, which has been so instrumental in shaping the twentieth century city, seems impotent in the face of the powerful forces that are currently reshaping our cities. These concerns must be addressed. It is submitted however, that this problem can be at least partially overcome if planners become more concerned and involved in the economic inputs of the urban form and play a more meaningful role in shaping the urban structure in accordance with the market forces, but to greater benefit of society.

Cities cannot be allowed to grow unabatedly and without proper prior planning. Many large metropolises like Santiago in Chile, Rio de Janeiro in Brazil, New Delhi, Calcutta and Mexico city are experiencing serious pollution and congestion.

The basic nature of planning has never changed. It is primarily a way of thinking about social and economic problems.

It is vital to consider carefully what will happen rather than what should happen. Yet, at the same time it must be borne in mind that, having considered these likelihoods, much guidance can be given by planners to try to influence the more positive directions and to steer away from the negative. It is necessary to investigate the positive aims, to evaluate the realities, and to weigh up the likelihood of success and failure while giving clear guidelines as to where and how the authorities and the community should co-operate to move



towards attaining as much of the good as possible. It is deemed to be important that all such guide-lines should be based on economic feasibility.

The world is changing rapidly, particularly in economic terms, thus it is important that planners should take note of the influences that these changes are likely to exert on future spatial requirements. As these changes are caused primarily through technological communications that have a strong influence on economic activity (globalisation) planners must consider the impact of these economic changes with diligence.

It is thus submitted that urban planning is not in a crisis mainly because it has achieved substantial success in attaining its objectives. Urban planning is under constant scrutiny and reconsideration and it enjoys the attention of sincere and prudent thinkers who are concerned with the future success of the urban form and the adaptive future of global cities.

The aims of economic planning should be incorporated into the national, regional and local land use plans, thereby ensuring that local plans are made, almost automatically, in accord with such aims. *"Land use planning at all levels is being viewed as a component part of economic planning helping achieve the desired aims set by society."* (Lean & Goodall 1966:280)

It is submitted that local authority planners can play a leading role in initiating public/private sector developments. They should concentrate on progressive, pro-active, positive planning and plan-making to initiate development ideas and proposals, which will attract developers to their area of jurisdiction. These developments should be so designed as to bring positive, income and job creating projects to the communities. They do not necessarily have to be large developments - numerous small ones are often more viable and profitable while affording more opportunities for participation to the small business sector.

The answer to the question whether planners should be entrepreneurs is no. Planners should continue to be professionals who give guidance to government and developers.

**What role can planning play in South Africa to assist in achieving the dreams of a winning nation in the context of the modern world?**

Tomlinson (1994), an ardent supporter of development planning, believes that it has the potential to bring the major players together in South Africa to create a common perception of development problems and opportunities, and of the resources available to deal with them and how they should be approached. He believes that this could build trust and help

repair the damage caused by the racial segregation policies of the past. (Tomlinson 1994:244)

These sentiments are endorsed in principle with emphasis on mixed use developments where sufficient commercial and industrial enterprise opportunities are afforded to small and micro entrepreneurs. Education and training should also be included wherever possible. His proposals about coalitions should be viewed with caution, as a too strong influence by non-economic views is likely to end in failure. Planners have a leading role in these incentives provided that the economic inputs are thoroughly researched and implemented. Planners can no longer afford to be ignorant of local, national and global economic trends and developments.

#### **11.4 SUMMARY**

This chapter has shown that globalisation has a profound effect on the economic systems of the world and the everyday life of virtually all citizens. It most certainly affects policy-makers and planners and is likely to play a leading role in the urban form in the early part of the third millennium. Increased knowledge of market forces opens new opportunities for planners.

- ❖ The substantial influence caused by globalisation gives sufficient reason to consider all the influences of the market forces on urban planning. Globalisation rewards those with responsible economic policies but carries risks for countries, which avoid or delay reforms and disregard basic requirements of macroeconomic discipline. A new and more uniform 'set of economic rules' is being established and nation states are pressed to conform to these rules or face exclusion and economic degradation. The economic unification of Western Europe is indicative of global national grouping under strict requirements.
- ❖ Economic cycles are inherent to capitalism and planning should take due note thereof. There are periods of higher and lower growth. Planners must anticipate this and adjust their planning accordingly.
- ❖ Whether it is contemporary East Asian capitalism or the German model of the social market economy, the behaviour of the economy can only be understood in terms of the whole of each country's social and political system and where it stands in the global order. It is submitted that the urban form is inextricably intertwined with the socio-economic system of a country. The urban form is the physical display of socio-economic life. Thus urban planning must be fully cognisant of socio-economic patterns, tendencies and trends.

- ❖ Economic globalisation expedites deindustrialisation and reindustrialisation, causing changes in spatial development patterns. The geographic dispersal of economic activity creates a redeployment of growth poles, thus comes the new era of thought and design - postmodernism.
- ❖ A coordinated approach to address the needs of those living in poverty in the Third World is required if the World Bank objective of reducing by 50 per cent the number of people living in absolute poverty. Government action alone is not sufficient - they will have to be supported by the private sector and more specifically by NGO's. Planners can play their role by encouraging and providing provision for employment creating and generating opportunities.
- ❖ **As high priority, South Africa must strive to attain the status and accompanying investment popularity to become a competitive emerging economy. This can only be achieved through diligent planning and higher productivity attained by improved education and training.**
- ❖ But, it is submitted that South Africa is struggling with globalisation. The greatest implementation failures of the South Africa economic policy, GEAR, are the inability to create jobs and the growing gap between rich and poor. This problem is likely to be exacerbated by economic globalisation.
- ❖ The South African government is torn between two poles: on the one hand it wants a free market system, but on the other hand it must repair inequalities and resolve poverty - something that does not automatically happen when left to the forces of the free market system. The government will have to coax the free market system in a direction to achieve its political goals.
- ❖ It is submitted that it will not be the role of government in urban policy that will create the engine of growth, but the private sector. Encouragement from government is vital - so too the removal of restrictions and impediments to economic growth, but to make idealistic policy statements without being able to execute them creates more frustration than success.
- ❖ It is submitted that insufficient attention has been given to the positive role that micro-enterprises plays in the South African economy; that insufficient effort has been made to educate would be entrepreneurs. The solution lies in enhancement of the supporting structures of SMMEs. (Small Micro and Medium Enterprises) This process can be aided by relevant urban planning. Planners should make sufficient

provision for the establishment of micro-enterprises and incubators with educational and training facilities.

Having considered the above, the following chapter summarises all the recommendations that have been made in each chapter of this thesis.

# CHAPTER 12

## SUMMARY OF RECOMMENDATIONS

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# CHAPTER 12

## SUMMARY OF RECOMMENDATIONS

### **12.1 CHAPTER 1 Introduction**

Globalisation has fuelled international economic change while South Africa experienced significant socio-political changes in the last decade of the twentieth century. The combination of these forces warrant a completely new look by planners at the future of South Africa. There are some essential areas of change that needs the full consideration of urban planners. Much of this 'new look' will have to concern economic aspects, particularly the consideration of the influence of market force on the form of the future South African cities.

### **12.2 CHAPTER 2 Urban Economics and Globalisation**

Urban economics as a subject has become too broad and diverse to be regarded as a single academic subject. It should be divided into various courses and could as such become an entire diploma or degree course. Urban economics is a subject that cannot be ignored by urban planners.

Globalisation is the most significant international economic occurrence that has and is continuing to influence the socio-economic lifestyles of virtually every urban citizen. It not only affects national and international trade and finance, but affects the lives of individuals through the impact on labour trends and job opportunities. The communications technology, particularly the Internet, has and is changing a wide spectrum of economic activities including shopping and finance. This technology is becoming so important that people who do not have access thereto are being left behind in the highly competitive arena of society.

There has been a shift of industries from rich developed countries to emerging economies while the former have experienced a growth of their services sector. One of the major negative influences is the growing inequality between rich and poor and the growth of the numbers of the poor in developing country cities.

### **12.3 CHAPTER 3 The Economic Role of Cities**

Cities form the crucible of human economic activity thus their spatial form becomes the centre of concern. The second half of the twentieth century witnessed the most rapid flow of people to cities in the history of the world. Larger and more numerous mega-cities have been and are being established at a growth rate never experienced before. This has caused a crisis in the urban form, which will have to be attended to by planners.

Decentralisation of industries to previously less developed countries has enhanced the economies of these countries while the developed first world countries have benefited through and expansion of their services industries. This trend has spatial implications in most global cities. A new world city hierarchy has emerged with London, New York and Tokyo becoming the leading global economic and financial control centres. Greater competitiveness has created higher productivity.

- ◇ The new millennium brings with it thoughts of change and innovation. Thousands of years ago **cities** like Athens, Carthage, Constantinople, Sparta and Rome were the centres of the universe of human activity at some stage of their existence. Then **countries** became the major international forces and the leading roles played by individual cities began to decrease. Now, as a result of the growing importance of global economics, **cities** are again becoming the focus of global attention. We seem to have come the full circle.
- ◇ The importance of cities should not be underestimated. Cities have stood the test of time, they form the core of our every-day life and are the basis of our economic activities. The urban form of the future must be thoroughly considered and planned as our decisions today will impact heavily on future generations.
- ◇ It seems that it is not within the power of urban planners or authorities to control urban growth, so we find larger and more mega-cities. If properly planned, managed and controlled these mega-cities can benefit all.
- ◇ Due to de-industrialisation rich countries will require more office space while the global decentralisation of industry will cause countries with emerging economies to need more industrial space. Planners must determine whether South African cities will follow the trends of rich countries regarding deindustrialisation and the increase of the services sector, or whether the patterns of the countries with emerging economies will be followed.
- ◇ As cities increase their roles in global economic power, city planners must realise their role in the evolution of the physical form which is required to expedite these efforts. Cities have felt the impact of global restructuring differentially. Cities have different visions and objectives, which have to be supported by urban planning. Planners must therefore be fully cognisant of these objectives to guide the required urban form.

#### **12.4 CHAPTER 4 The Economic Role of Urban and Regional Planning**

The planning profession has passed through many phases or cycles at international level. Historically planning became important as a result of urban crises.

The early post second world war period witnessed the era of 'grand bureaucratic' planning. This era was abruptly ended in Britain and the US at the end of the 1970s with the arrival of the 'Thatcherist' and 'Reaganist' free market economic principles which stripped a great deal of power from the authorities, passing it to forces of the free market.

Planning should now be looking at a new normative basis for its existence. This may be rooted in **planning for economic productivity**. Market forces cannot be left to regulate the entire economy thus controls are needed. It is submitted that planning should guide the market forces to achieve the highest and best potential from urban land. Planning should be a major ally to the government in the promotion of economic growth and prosperity. Planning can enhance public-private sector co-operation and partnerships

To achieve this, planners need to acquire knowledge of demand and supply trends and of economic forces. Planners have a definite role in the pursuit of global, national and local competitiveness.

- ◇ Planners should have their ears and eyes close to the community and be more sensitive to local needs and desires in order to be able to lead them in their quest for a better life-style.
- ◇ The planning profession in South Africa should be fully cognisant of the present global economic trends and full consideration should be given to the role that planning can play in achieving greater economic prosperity for its citizens. The subject of economics should be included in the curriculum of urban planners. Planners can no longer afford to be ignorant of local, national and global economic trends and developments. The planner can make use of economists (who specialise in urban development planning) to assist planners in a number of ways such as advising on:
  - International market trends, e.g. on retail, industrial and commercial patterns and economic growth expectations;
  - National economic trends (which affect planning) including market demand and supply shifts, sectoral growth projections economic forecasts, and
  - Local economic trends and analyses, including the determination of and the quantification of economic bases, local import and export figures and property price patterns.
- ◇ In order to fulfil the policy objectives of the Development Facilitation Act, the primary objectives of planning should be pro-active, positive, innovative and facilitative. Planning should not be executed only when there appears to be something wrong. Planners should play a greater role in guiding developments rather than merely controlling them.



Planners will also have to be fully cognisant of the feasibility of each development proposal and be informed about market needs and want.

- ◇ Planners will have to become directly involved in compiling Land Development Objectives workpapers in the form of business plans for local communities.
- ◇ While environmental issues became the central theme or normative basis of planning in the 1980s, economic issues have now become equally critical in developing countries. 'Sustainable development' which seeks to meet the needs of the existing generation in such a way that it does not compromise the ability of future generations to meet their needs, must be the key element. Sustainable economic upliftment constitutes the greatest single factor in the improvement of the quality of human life.
- ◇ If market forces are permitted to regulate the entire economy, the system will collapse, hence it is necessary for governments to intervene in economic activity. The same can be said about planning. If market forces were left to determine all land use, with no planning intervention, the result will be chaos. Planners must realise that there is an extremely strong demand for economic upliftment in the metropolitan areas of developing nations, but that these mega-cities cannot be left to the forces of economic demand. Pro-active planning must be done with the realisation of the demand of market forces, but with circumspection so that the overall quality of life can be improved. There must be a balance between the market forces and regulatory planning; like organised sport, there have to be rules which must not be so stringent as to suppress initiative and natural talent.
  - Planners must realise that they have a strong economic tool in their ability to allocate (zone) land for specific uses. The provision of ample land for a specific use increases its availability and hence reduces the price thereof. There is ample practical evidence of high priced land uses caused by insufficient zoning provision - the converse is also possible. Thus if planners project future demands and requirements timeously they can assist to produce such land and services at lower costs. This is particularly applicable to low-cost housing.
  - Yet, it is submitted that planners should not be overly concerned if a (temporary) over-supply of serviced erven should be created in a certain area. That is the operation of the free market and such developers will be duly punished financially. There should always be some zoned land available for servicing and some serviced land available for development for all sectors of the market.

- Obviously, planners cannot permit market forces to damage the environment or to cause unnecessary social conflict - that is where planners must enforce their 'rules'.
- ◇ Planners should co-operate to compile a central planning data base including a detailed bibliography on planning publications. This data base could be accessible on the Internet.
- ◇ Government/private sector partnerships should be encouraged while economic aspects should be of paramount importance. Local authority planners can play a leading role in initiating public/private sector developments. They should concentrate on progressive, pre-emptive, positive planning and plan-making to initiate development ideas and proposals which will attract developers to their area of jurisdiction. Planners can play a leading role in the thought process and conception of new developments.
- ◇ Privatisation offers ideal opportunities for government/private sector partnerships. Planners should become involved where such partnerships need to expand, requiring additional space and where the land component of government institutions that need to be privatised, needs more economically efficient consideration.
- ◇ Greater consideration should be given to the role of planners in emerging economies. This is an arena in which planners can play a strong positive and leading role to improve human conditions in major cities. Planners should co-operate closely with governments at all levels to guide them in spatial planning policies and decisions.
- ◇ **Urban planning should be an exercise in spatial economic planning.**

### ***12.5 CHAPTER 5 The Legal Structure of Property***

Planning and urban development must be subjected to well defined 'rules' in the form of legal provisions. Planning as a control system has no substance without effective relevant legal enforcement. For planning to be successful land ownership must be secure. Land owners need to know that their property rights are properly defined and protected by the state.

Planning legislation in South Africa has recently been changed to accommodate the wider spectrum of its citizens. The Development Facilitation Act has introduced the concept of Land Development Objectives (LDOs), which are to be set by local authorities, with the main purpose of enhancing the quality of living of the poorer citizens. The new system is to be implemented by Integrated Development Planning, which sets out the methodology that must be followed to achieve the land development objectives.

The new legislation brings two significant changes. The **first** is that planning must become decentralised - much more planning must be done at local level and the **second** is that economic considerations and the feasibility of developments have become essential - greater attention must be paid to local economic development.

- ◇ Planning legislation affects private decision making concerning immovable property and restricts the freedom of choice of landowners in relation to the use and development of their property. Although this principle has been adhered to for many centuries, it is urged that the primary objectives of planning should be pro-active, positive, innovative and facilitative.
- ◇ Regarding the legal theory of land ownership there are two aspects which merit special emphasis:
  - It must be recognised that ownership of land constitutes a 'bundle of rights' in which the permitted land use constitutes a major value influencing factor, and,
  - The importance of ownership is dissipated if the owner cannot retain security of tenure or security of land rights.
- ◇ South Africa has a superb system of land registry. Yet, one of the most important aspects that affect the value of land, being land use provisions (zoning) is not a registered right. Property rights are as important as ownership and should therefore be protected by registration in the Deeds Office. The right of use which is usually governed by zoning should be seen as a right in land and should be protected as such. Compensation must be paid for any loss of value to a property or right in property caused by any planning action of the authorities. Property rights are the most significant value influencing factors on land.
- ◇ Transferability of rights should be carefully considered by planning authorities and used only where it is appropriate to diminish rights in a certain area and to relocate those rights to another appropriate area. It has a limited usefulness.
- ◇ Land reform should concentrate on enhancing values rather than detracting from the wealthy to satisfy the poor. The urban environment is one of increasing complexity and diversity. Accompanying this complexity and diversity are conditions of technological change, rapidly expanding knowledge and in South Africa, the need to improve the plight of the poor. Any relocation of people or land redistribution must be very judiciously executed by planners.

## 12.6 CHAPTER 6 South African Urbanisation

The South African urban form has historically been substantially affected by racial political policies and legislation. Although cities world-wide are economically segregated, South Africa chose to enforce this segregation on a racial basis.

Past legislation and planning policies and actions forced new urban immigrants into informal (squatter) settlements. During the last three decades of the previous century these informal settlements have grown to constitute a substantial part of the urban form of South African cities. With this growth has come the establishment of a large informal economy. Yet this overall trend is not unique to South Africa as it is found in virtually all other developing countries. The historic unique legislation has been scrapped leaving South Africa with the same problem as most third world countries - that is the resolution of the plight of the poor.

A strong case has been forwarded for the zoning and development of a great deal more **mixed use developments**. Different land uses have historically been completely segregated with little or no consideration given to the needs of local communities. Examples of such mixed use developments are displayed in the case studies.

- ◇ Large portions of urban areas are economically inefficiently planned and developed. Higher density and improved locational planning aspects can be remedied by mixed-use developments.
- ◇ More mixed use developments should be created so that small business opportunities can be located closer to the places of residence and *vice versa*. This will alleviate transportation problems and costs.
- ◇ Education and training opportunities must be established. Planners can assist by providing spatial facilities for hives, incubators and training centres.
- ◇ Mixed-use developments require a high degree of professionalism and skilful planning and economic inputs. Successful mixed use developments need to be carefully planned to incorporate the community, the local and the urban needs while improving efficiency and the quality of life for the inhabitants and occupants of the mixed use development.
- ◇ Insufficient attention has been given to the positive role that micro-enterprises plays in the South African economy. Insufficient effort has been made to educate would be entrepreneurs. It is submitted that the growth of the so called 'informal' economic sector should be encouraged and directly supported by government in the form of legislation relaxation (much of which has already taken place) and financial support together with the establishment of educational facilities. Planners can assist in the growth of the

informal economic sector through the provision of infra structure and other necessary facilities.

- Informal retail trading serves to spread economic activity from concentrations in the hands of the wealthy to the lower income groups. Manufacturing in the informal sector adds to economic growth as most of these activities do not detract from the formal sector - they tend to produce additional goods.
- There is room for 'localised' industries aimed particularly at the tourist trade. The government should promote small business education and planners can provide the much needed spatial requirements. Planners should make sufficient provision for appropriate zonings for the establishment of micro-enterprises and incubators with educational and training facilities.

It is submitted that while globalisation may not entirely suit South Africa, the postmodernist paradigm of thought certainly does as it allows for diversity in a pluralist society.

- ◇ **Postmodernism** gives renewed opportunities to the diverse cultures of Africa which have not entirely succumbed to modernity. It is arguable whether modernist planning was ever quite appropriate to African tribal life. It is preferable to promote postmodernist planning rather than to enforce modernist principles on them. There is a need to change from the modernist to the postmodernist to save some central business districts.
- ◇ Much of the past modernist economic approaches are still imbedded and will continue to influence global, regional and local economies. A more flexible and decentralised postmodernist approach to planning is more applicable to a plural society like South Africa, than to an old established Westernised civilisation.
- ◇ The planning profession must recognise the paradigm shift from modernism to postmodernism. In the rapidly changing economic globalisation process, the planning profession must define its role and decide to what extent it will influence control mechanisms and to what extent it will play a guiding role in the enhancement of economic opportunities.

### ***12.7 CHAPTER 7: Macro-Economic Influences on Urban Planning***

It is argued that economics is the most significant human activity. Economics largely concerns the future - so does planning. The influence of market forces on urban development must therefore be pre-empted by planners. This can only be done by studying the market trends to plan for the future. Planners also need to be cognisant of the most important economic factors which influence the urban form, hence urban planning. These factors have been considered.

During the last quarter of the previous century capitalism has clearly triumphed over socialism and communism. Free market systems have and are still being widely introduced. The free market is exercising greater control over urban life, yet it is clear that totally unrestricted markets will create chaos. Some form of regulation of markets is essential.

- ◇ Land is one of the largest natural resources available for economic exploitation. It is a scarce resource that must be carefully planned for optimum economic use, therefore overall planning control and guidance is essential. Vacant or unused land within an urban environment, which does not constitute a planned and meaningful open space, is a wasted resource.
- ◇ It is essential that privatisation of government assets be expedited. The government and state controlled institutions owns some 40% of all land in South Africa. Vast tracts of unused or under-utilised land could be developed to stimulate economic growth. Planners can play a leading role in the stimulation of growth if they think like entrepreneurs and play the initiating role in these developments.
- ◇ One aspect of state properties, which has received little attention is the vast stock of housing owned by the state which is used for housing state employees. It is submitted that there is no need for the state to own housing unless they are in such remote areas where no alternative housing can be found for civil servants in those particular areas.

South Africa has a sound first-world economic and urban planning policy. The government knows what needs to be done to enhance economic growth and prosperity for all. The main problem lies with the implementation of these sound policies. Sound government and local authority administration is still lacking. A government that can institute such sound policies should be able to institute sound administration.

Economic success and growth goes hand in hand with urban planning and development. Urban planning is done by both the private and the public sector thus both sectors need to be fully cognisant of the economic forces and the required steps to be taken to ensure economic progress.

### **12.8 CHAPTER 8 Local Urban Economies**

It is submitted that a study of the economics of the city must include an analysis of the various sectors, which make up the whole of the city. The economic base concept may be employed to analyse the economic standing and progress of cities and more specifically, various sectors of the city. This entails a study of micro-economics.

- ◇ An economic base sectoral analysis of a metropolitan area, or a substructure within a metropole, is a useful and almost essential tool in urban planning. Such analysis can

serve to determine economic imbalances and serve as a guide to structure the future of the urban form. The strengths or weaknesses of a city may be sectoral while the sum of all the sectors constitutes the economic whole. The size and complexity of the metropolis are making the planning process more of a socialised process, and less the work of individual master planners.

- ◇ Planning needs to become closely involved with communities. Many communities do not have the necessary knowledge and information to know how to improve their economic plight. Planners can play a leading role in advising local communities to achieve greater economic prosperity.
- ◇ Competitiveness has become a major factor in economic efficiency. International competitiveness has shifted from nations to cities and is in the process of affecting local areas and communities. Communities therefore need to be able to enhance competitiveness and productivity. This can be assisted by economically beneficial urban planning.

Local level economic prosperity can be improved through **pro-active development planning**. This requires a greater level of local development initiative. The South African government has indicated its willingness to support **local economic development**. It is submitted that planners must follow development planning processes to achieve economically feasible local developments. Proposals for such processes have been set out. A system of decision making at the lower levels of government has become a high priority. Planning must promote the highest and best economic use of each property.

- ◇ A system of decision making at the lower levels of government is a high priority. Planners should allow and encourage the highest and best economic use of each property on the basis of a sectoral approach. More research should be done on the economic demands of the informal sector so that the necessary planning may be done on the lines of economic priority.
- ◇ **Community based action groups** are likely to become more dominant socio-political players who can influence the economy and the form of the postmodernist city in the dawn of the third millennium. Public participation in urban planning is often warped by vociferous (and sometimes malicious) individuals with ulterior private agendas. It is therefore necessary to balance authoritarian planning with public sentiment, but this can usually be more efficiently done by means of research and scientific opinion poles rather than by public gatherings of even advertising for objections. While community inputs are essential to the planning process, it is submitted that planners should not be reactionists - they should rather propose initiatives to be presented to communities.

- ◇ In order to provide a sound basis for optimal decision-making on land economics, it is essential for people to improve their techniques of measurement and prediction and to assess the implications of alternative plans by taking into consideration both quantitative and qualitative factors, including an analysis of the impact on the environment. They must also take market values and private costs, social values and community costs into consideration.
- ◇ Urban planning can become a very major ally to the government in the promotion of economic growth and prosperity if urban space is planned with the intention of optimisation of land. With increasing global economic competitiveness every sector of the economy is compelled to become economically productive and competitive. Planning has a definite role in the pursuit of global competitiveness.

### **12.9 CHAPTER 9 Economic Cycles and the Property Market**

Economic cycles are inherent to capitalism and planning should take due note thereof Urban planning needs to be able to identify the timing of future expected occurrences concerning the urban form. Thus planners must understand economic and property cycles in order to be able to make meaningful projections, particularly regarding the timing thereof. It is necessary for planners to study economic cycles to facilitate analyses on the property market.

- ◇ All economies and property markets are subjected to cycles of prosperity and recession. With the freeing of global markets these cycles are likely to become more severe in future. Cycles can be viewed on the basis of long term (30 to 50 year), medium term (10 to 30 years) and the shorter term business cycles.
- ◇ Generally, property cycles lag economic cycles. Each type of property reacts differently to economic cycles and are affected by different factors. Planners need to be aware of the influence of funding costs and availability, which affect the feasibility of developments at the various stages of property cycles.

### **12.10 CHAPTER 10: Scenarios of the Future**

Urban planning, like economics is essentially a futuristic science thus expectations of the future are equally important to both disciplines. Scenarios sketched by well informed people tend to act as an inspiration to others, thus the future can be influenced by futurologists.

The world has entered a period that may be referred to as 'neo-colonialism' where international conglomerates, financial syndicates and international agencies (like the World Bank and the International Monetary Fund) control the destinies of nations and cities. South Africa has recently experienced a substantial transition to neo-liberal democracy yet the



masses still suffer great poverty and squalor. The burning question is whether South Africa will aspire to the levels of a newly industrial country, remain as it is, or slide towards the degradation found in many of its neighbouring states.

### 12.10.1 Characteristics of a revitalised South Africa

Few analysts doubt that the South Africa has the potential to return to a growth path. To achieve lasting growth, action on many fronts is needed. These may be conveniently divided among policies that enhance the features that have served as basis of the economic growth of the past, and those that need to be given a higher profile in policy formulation.

#### 1. Enhancing "traditional features"

A South Africa that is **open and competitive**. Despite recessions, most countries in the region have eschewed protectionist policies. South Africa has recognised correctly, that the growth of the past had benefited from the progress toward open trade, investment, and payments regimes. This necessary, if not sufficient, condition for ensuring the growth of internationally competitive industries will need to remain at the heart of economic thinking.

A South Africa with **sound macroeconomic policies**. The sound policy stance, which was announced in the 'GEAR' policy document, will need to be reinforced with sound administration and market-based policy instruments.

A South Africa that **saves** judiciously and invests efficiently. The relatively low rates of domestic saving that were observed in the past restricted the financing of development. As recovery resumes, it will be essential to ensure that the macroeconomic conditions and institutional requirements conducive to continued strong saving are introduced.

#### 2. Policies for higher quality growth

A South Africa that promotes an **independent, competitive private sector**. Weak corporate governance has been identified as a central flaw in government and quasi-government institutions and must be addressed for long-term economic viability. The government needs to press ahead with strategies to bolster the private sector, through phasing out direct state ownership, encouraging foreign enterprises, establishing clear legal frameworks that promote competition, and retaining internationally accepted norms of accounting and auditing.

A South Africa with **high standards of public sector governance and transparency**. A crucial principle that will be needed to ensure sound public and corporate governance is that an "arm's length" relationship be maintained between the government and corporate sectors.

A South Africa with **open capital markets**.

A South Africa that **enhances social welfare and environmental protection**. Governments' policies and spending priorities should recognise the special needs of disadvantaged parts of the population and make adequate provisions for strong education and health systems.

Bernstein (1999:22) urges that South Africa needs to co-opt allies such as black business, provincial political leader, the administrators of cities and large towns, indigenous churches and big business to achieve an 'economic miracle' which is needed for sustainable growth and economic success.

Further recommendations are:

- ◇ The debate about whether mega-cities in developing countries will follow the form and pattern of mega-cities in developed countries continues. It is submitted that the third world mega-cities aspire to conform to the form of the developed world cities. The extremely rapid growth rate of developing country cities is likely to level off. This will afford a period of consolidation during which the standard of living of the poor in the developing world cities will be able to improve and move closer to the examples set by cities in rich countries.
- ◇ South Africa needs to consider its own unique development features and not attempt to follow Britain and the USA as it did in the past. South Africa can continue to follow international trends as far as the first world component is concerned, but it needs to be innovative in dealing with the third world components, as well as the merging of the two. The third world component cannot afford first world building standards. Cheaper construction methods do not have to look unattractive.
- ◇ Central business districts should be divided into precincts wherein groups of properties attend to joint safety and security measures and market their precinct. In the suburbs neighbourhood communities must be established on a similar basis.
- ◇ Free enterprise economics creates profitable developments like upmarket housing, secured decentralised office buildings, waterfront developments and luxurious golf estates where the developer's profits far exceed those of the low cost housing developments. The political pressure for increased control or at least guidance, of the economy and urban planning will grow, if the plight of the poor is to be improved - probably at some expense to the wealthy. Poor areas should be incorporated into neighbourhoods with wealthy areas so that the two can join hands to narrow the wealth gap.

The South African government has produced superb economic and urban planning policies. What is needed now is their implementation - particularly by local governments so that the plight of the poor can be alleviated.

### **12.11 CHAPTER 11 Conclusions**

Planners should co-operate closely with governments at all levels to guide them in spatial planning policies and decisions. Government/private sector partnerships should be encouraged while economic aspects should be of paramount importance. Planners can play a leading role in the thought process and conception of new developments.

Planners must realise that there is an extremely strong demand for economic upliftment in the metropolitan areas of developing nations, but that these mega-cities cannot be left to the forces of economic demand. Pro-active planning must be done with the realisation of demands by market forces, but with circumspection so that the overall quality of life can be improved. There must be a balance between the market forces and regulatory planning.

#### **12.11.1 Data base**

It is proposed that planners should jointly (perhaps through their Institute) compile a comprehensive data base which will include all relevant details regarding subjects and aspects which directly affect planning decisions. This will include demographics, geography, environmental data, economic data, weather patterns, infrastructure, social data, etc.

A bibliography should be kept of all relevant writings and publications on the subject of urban planning.

As this work concentrates on economic influences on urban planning, some more detailed proposals are made on this subject. The following economic data should be recorded and kept up to date:

#### **A. At International level:**

- Global economic trends
- Industrialisation and de-industrialisation trends

#### **B. At National level**

- Economic growth as reflected by the Gross Domestic Product;
- Privatisation opportunities
- Per capita income figures
- Details on government owned properties

#### **C. At Local level**

- Local authority property sales and municipal valuation details

- Commercial and industrial property rentals and vacancy figures
- Retail turnover figures
- Numbers of vacant erven and land price patterns
- Population and land demand growth figures
- Family income and expenditure patterns
- Local "exports" by local industries

The planning profession must define its role in the changing world to determine what role it can play in the immediate future. The profession must decide to what extent it will influence control mechanisms and to what extent it will play a guiding role in the enhancement of economic opportunities. The profession must recognise the paradigm shift from modernism to postmodernism.

Greater consideration should be given to the role of planners in emerging economies. It is submitted that this is an arena in which planners can play a strong positive and leading role to improve human conditions in major cities. More emphasis should be given to the creation of opportunities for small and less formal businesses.

# CHAPTER 12

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# CHAPTER 12

## SUMMARY OF RECOMMENDATIONS

### **12.1 CHAPTER 1 Introduction**

Globalisation has fuelled international economic change while South Africa experienced significant socio-political changes in the last decade of the twentieth century. The combination of these forces warrant a completely new look by planners at the future of South Africa. There are some essential areas of change that needs the full consideration of urban planners. Much of this 'new look' will have to concern economic aspects, particularly the consideration of the influence of market force on the form of the future South African cities.

### **12.2 CHAPTER 2 Urban Economics and Globalisation**

Urban economics as a subject has become too broad and diverse to be regarded as a single academic subject. It should be divided into various courses and could as such become an entire diploma or degree course. Urban economics is a subject that cannot be ignored by urban planners.

Globalisation is the most significant international economic occurrence that has and is continuing to influence the socio-economic lifestyles of virtually every urban citizen. It not only affects national and international trade and finance, but affects the lives of individuals through the impact on labour trends and job opportunities. The communications technology, particularly the Internet, has and is changing a wide spectrum of economic activities including shopping and finance. This technology is becoming so important that people who do not have access thereto are being left behind in the highly competitive arena of society.

There has been a shift of industries from rich developed countries to emerging economies while the former have experienced a growth of their services sector. One of the major negative influences is the growing inequality between rich and poor and the growth of the numbers of the poor in developing country cities.

### **12.3 CHAPTER 3 The Economic Role of Cities**

Cities form the crucible of human economic activity thus their spatial form becomes the centre of concern. The second half of the twentieth century witnessed the most rapid flow of people to cities in the history of the world. Larger and more numerous mega-cities have been and are being established at a growth rate never experienced before. This has caused a crisis in the urban form, which will have to be attended to by planners.

Decentralisation of industries to previously less developed countries has enhanced the economies of these countries while the developed first world countries have benefited through and expansion of their services industries. This trend has spatial implications in most global cities. A new world city hierarchy has emerged with London, New York and Tokyo becoming the leading global economic and financial control centres. Greater competitiveness has created higher productivity.

- ◇ The new millennium brings with it thoughts of change and innovation. Thousands of years ago **cities** like Athens, Carthage, Constantinople, Sparta and Rome were the centres of the universe of human activity at some stage of their existence. Then **countries** became the major international forces and the leading roles played by individual cities began to decrease. Now, as a result of the growing importance of global economics, **cities** are again becoming the focus of global attention. We seem to have come the full circle.
- ◇ The importance of cities should not be underestimated. Cities have stood the test of time, they form the core of our every-day life and are the basis of our economic activities. The urban form of the future must be thoroughly considered and planned as our decisions today will impact heavily on future generations.
- ◇ It seems that it is not within the power of urban planners or authorities to control urban growth, so we find larger and more mega-cities. If properly planned, managed and controlled these mega-cities can benefit all.
- ◇ Due to de-industrialisation rich countries will require more office space while the global decentralisation of industry will cause countries with emerging economies to need more industrial space. Planners must determine whether South African cities will follow the trends of rich countries regarding deindustrialisation and the increase of the services sector, or whether the patterns of the countries with emerging economies will be followed.
- ◇ As cities increase their roles in global economic power, city planners must realise their role in the evolution of the physical form which is required to expedite these efforts. Cities have felt the impact of global restructuring differentially. Cities have different visions and objectives, which have to be supported by urban planning. Planners must therefore be fully cognisant of these objectives to guide the required urban form.

#### **12.4 CHAPTER 4 The Economic Role of Urban and Regional Planning**

The planning profession has passed through many phases or cycles at international level. Historically planning became important as a result of urban crises.

The early post second world war period witnessed the era of 'grand bureaucratic' planning. This era was abruptly ended in Britain and the US at the end of the 1970s with the arrival of the 'Thatcherist' and 'Reaganist' free market economic principles which stripped a great deal of power from the authorities, passing it to forces of the free market.

Planning should now be looking at a new normative basis for its existence. This may be rooted in **planning for economic productivity**. Market forces cannot be left to regulate the entire economy thus controls are needed. It is submitted that planning should guide the market forces to achieve the highest and best potential from urban land. Planning should be a major ally to the government in the promotion of economic growth and prosperity.

Planning can enhance public-private sector co-operation and partnerships

To achieve this, planners need to acquire knowledge of demand and supply trends and of economic forces. Planners have a definite role in the pursuit of global, national and local competitiveness.

- ◇ Planners should have their ears and eyes close to the community and be more sensitive to local needs and desires in order to be able to lead them in their quest for a better life-style.
- ◇ The planning profession in South Africa should be fully cognisant of the present global economic trends and full consideration should be given to the role that planning can play in achieving greater economic prosperity for its citizens. The subject of economics should be included in the curriculum of urban planners. Planners can no longer afford to be ignorant of local, national and global economic trends and developments. The planner can make use of economists (who specialise in urban development planning) to assist planners in a number of ways such as advising on:
  - International market trends, e.g. on retail, industrial and commercial patterns and economic growth expectations;
  - National economic trends (which affect planning) including market demand and supply shifts, sectoral growth projections economic forecasts, and
  - Local economic trends and analyses, including the determination of and the quantification of economic bases, local import and export figures and property price patterns.
- ◇ In order to fulfil the policy objectives of the Development Facilitation Act, the primary objectives of planning should be pro-active, positive, innovative and facilitative. Planning should not be executed only when there appears to be something wrong. Planners should play a greater role in guiding developments rather than merely controlling them.



Planners will also have to be fully cognisant of the feasibility of each development proposal and be informed about market needs and want.

- ◇ Planners will have to become directly involved in compiling Land Development Objectives workpapers in the form of business plans for local communities.
- ◇ While environmental issues became the central theme or normative basis of planning in the 1980s, economic issues have now become equally critical in developing countries. 'Sustainable development' which seeks to meet the needs of the existing generation in such a way that it does not compromise the ability of future generations to meet their needs, must be the key element. Sustainable economic upliftment constitutes the greatest single factor in the improvement of the quality of human life.
- ◇ If market forces are permitted to regulate the entire economy, the system will collapse, hence it is necessary for governments to intervene in economic activity. The same can be said about planning. If market forces were left to determine all land use, with no planning intervention, the result will be chaos. Planners must realise that there is an extremely strong demand for economic upliftment in the metropolitan areas of developing nations, but that these mega-cities cannot be left to the forces of economic demand. Pro-active planning must be done with the realisation of the demand of market forces, but with circumspection so that the overall quality of life can be improved. There must be a balance between the market forces and regulatory planning; like organised sport, there have to be rules which must not be so stringent as to suppress initiative and natural talent.
  - Planners must realise that they have a strong economic tool in their ability to allocate (zone) land for specific uses. The provision of ample land for a specific use increases its availability and hence reduces the price thereof. There is ample practical evidence of high priced land uses caused by insufficient zoning provision - the converse is also possible. Thus if planners project future demands and requirements timeously they can assist to produce such land and services at lower costs. This is particularly applicable to low-cost housing.
  - Yet, it is submitted that planners should not be overly concerned if a (temporary) over-supply of serviced erven should be created in a certain area. That is the operation of the free market and such developers will be duly punished financially. There should always be some zoned land available for servicing and some serviced land available for development for all sectors of the market.

- Obviously, planners cannot permit market forces to damage the environment or to cause unnecessary social conflict - that is where planners must enforce their 'rules'.
- ◇ Planners should co-operate to compile a central planning data base including a detailed bibliography on planning publications. This data base could be accessible on the Internet.
- ◇ Government/private sector partnerships should be encouraged while economic aspects should be of paramount importance. Local authority planners can play a leading role in initiating public/private sector developments. They should concentrate on progressive, pre-emptive, positive planning and plan-making to initiate development ideas and proposals which will attract developers to their area of jurisdiction. Planners can play a leading role in the thought process and conception of new developments.
- ◇ Privatisation offers ideal opportunities for government/private sector partnerships. Planners should become involved where such partnerships need to expand, requiring additional space and where the land component of government institutions that need to be privatised, needs more economically efficient consideration.
- ◇ Greater consideration should be given to the role of planners in emerging economies. This is an arena in which planners can play a strong positive and leading role to improve human conditions in major cities. Planners should co-operate closely with governments at all levels to guide them in spatial planning policies and decisions.
- ◇ **Urban planning should be an exercise in spatial economic planning.**

### ***12.5 CHAPTER 5 The Legal Structure of Property***

Planning and urban development must be subjected to well defined 'rules' in the form of legal provisions. Planning as a control system has no substance without effective relevant legal enforcement. For planning to be successful land ownership must be secure. Land owners need to know that their property rights are properly defined and protected by the state.

Planning legislation in South Africa has recently been changed to accommodate the wider spectrum of its citizens. The Development Facilitation Act has introduced the concept of Land Development Objectives (LDOs), which are to be set by local authorities, with the main purpose of enhancing the quality of living of the poorer citizens. The new system is to be implemented by Integrated Development Planning, which sets out the methodology that must be followed to achieve the land development objectives.

The new legislation brings two significant changes. The **first** is that planning must become decentralised - much more planning must be done at local level and the **second** is that economic considerations and the feasibility of developments have become essential - greater attention must be paid to local economic development.

- ◇ Planning legislation affects private decision making concerning immovable property and restricts the freedom of choice of landowners in relation to the use and development of their property. Although this principle has been adhered to for many centuries, it is urged that the primary objectives of planning should be pro-active, positive, innovative and facilitative.
- ◇ Regarding the legal theory of land ownership there are two aspects which merit special emphasis:
  - It must be recognised that ownership of land constitutes a 'bundle of rights' in which the permitted land use constitutes a major value influencing factor, and,
  - The importance of ownership is dissipated if the owner cannot retain security of tenure or security of land rights.
- ◇ South Africa has a superb system of land registry. Yet, one of the most important aspects that affect the value of land, being land use provisions (zoning) is not a registered right. Property rights are as important as ownership and should therefore be protected by registration in the Deeds Office. The right of use which is usually governed by zoning should be seen as a right in land and should be protected as such. Compensation must be paid for any loss of value to a property or right in property caused by any planning action of the authorities. Property rights are the most significant value influencing factors on land.
- ◇ Transferability of rights should be carefully considered by planning authorities and used only where it is appropriate to diminish rights in a certain area and to relocate those rights to another appropriate area. It has a limited usefulness.
- ◇ Land reform should concentrate on enhancing values rather than detracting from the wealthy to satisfy the poor. The urban environment is one of increasing complexity and diversity. Accompanying this complexity and diversity are conditions of technological change, rapidly expanding knowledge and in South Africa, the need to improve the plight of the poor. Any relocation of people or land redistribution must be very judiciously executed by planners.

## 12.6 CHAPTER 6 South African Urbanisation

The South African urban form has historically been substantially affected by racial political policies and legislation. Although cities world-wide are economically segregated, South Africa chose to enforce this segregation on a racial basis.

Past legislation and planning policies and actions forced new urban immigrants into informal (squatter) settlements. During the last three decades of the previous century these informal settlements have grown to constitute a substantial part of the urban form of South African cities. With this growth has come the establishment of a large informal economy. Yet this overall trend is not unique to South Africa as it is found in virtually all other developing countries. The historic unique legislation has been scrapped leaving South Africa with the same problem as most third world countries - that is the resolution of the plight of the poor.

A strong case has been forwarded for the zoning and development of a great deal more **mixed use developments**. Different land uses have historically been completely segregated with little or no consideration given to the needs of local communities. Examples of such mixed use developments are displayed in the case studies.

- ◇ Large portions of urban areas are economically inefficiently planned and developed. Higher density and improved locational planning aspects can be remedied by mixed-use developments.
- ◇ More mixed use developments should be created so that small business opportunities can be located closer to the places of residence and *vice versa*. This will alleviate transportation problems and costs.
- ◇ Education and training opportunities must be established. Planners can assist by providing spatial facilities for hives, incubators and training centres.
- ◇ Mixed-use developments require a high degree of professionalism and skilful planning and economic inputs. Successful mixed use developments need to be carefully planned to incorporate the community, the local and the urban needs while improving efficiency and the quality of life for the inhabitants and occupants of the mixed use development.
- ◇ Insufficient attention has been given to the positive role that micro-enterprises plays in the South African economy. Insufficient effort has been made to educate would be entrepreneurs. It is submitted that the growth of the so called 'informal' economic sector should be encouraged and directly supported by government in the form of legislation relaxation (much of which has already taken place) and financial support together with the establishment of educational facilities. Planners can assist in the growth of the

informal economic sector through the provision of infra structure and other necessary facilities.

- Informal retail trading serves to spread economic activity from concentrations in the hands of the wealthy to the lower income groups. Manufacturing in the informal sector adds to economic growth as most of these activities do not detract from the formal sector - they tend to produce additional goods.
- There is room for 'localised' industries aimed particularly at the tourist trade. The government should promote small business education and planners can provide the much needed spatial requirements. Planners should make sufficient provision for appropriate zonings for the establishment of micro-enterprises and incubators with educational and training facilities.

It is submitted that while globalisation may not entirely suit South Africa, the postmodernist paradigm of thought certainly does as it allows for diversity in a pluralist society.

- ◇ **Postmodernism** gives renewed opportunities to the diverse cultures of Africa which have not entirely succumbed to modernity. It is arguable whether modernist planning was ever quite appropriate to African tribal life. It is preferable to promote postmodernist planning rather than to enforce modernist principles on them. There is a need to change from the modernist to the postmodernist to save some central business districts.
- ◇ Much of the past modernist economic approaches are still imbedded and will continue to influence global, regional and local economies. A more flexible and decentralised postmodernist approach to planning is more applicable to a plural society like South Africa, than to an old established Westernised civilisation.
- ◇ The planning profession must recognise the paradigm shift from modernism to postmodernism. In the rapidly changing economic globalisation process, the planning profession must define its role and decide to what extent it will influence control mechanisms and to what extent it will play a guiding role in the enhancement of economic opportunities.

### **12.7 CHAPTER 7: Macro-Economic Influences on Urban Planning**

It is argued that economics is the most significant human activity. Economics largely concerns the future - so does planning. The influence of market forces on urban development must therefore be pre-empted by planners. This can only be done by studying the market trends to plan for the future. Planners also need to be cognisant of the most important economic factors which influence the urban form, hence urban planning. These factors have been considered.

During the last quarter of the previous century capitalism has clearly triumphed over socialism and communism. Free market systems have and are still being widely introduced. The free market is exercising greater control over urban life, yet it is clear that totally unrestricted markets will create chaos. Some form of regulation of markets is essential.

- ◇ Land is one of the largest natural resources available for economic exploitation. It is a scarce resource that must be carefully planned for optimum economic use, therefore overall planning control and guidance is essential. Vacant or unused land within an urban environment, which does not constitute a planned and meaningful open space, is a wasted resource.
- ◇ It is essential that privatisation of government assets be expedited. The government and state controlled institutions owns some 40% of all land in South Africa. Vast tracts of unused or under-utilised land could be developed to stimulate economic growth. Planners can play a leading role in the stimulation of growth if they think like entrepreneurs and play the initiating role in these developments.
- ◇ One aspect of state properties, which has received little attention is the vast stock of housing owned by the state which is used for housing state employees. It is submitted that there is no need for the state to own housing unless they are in such remote areas where no alternative housing can be found for civil servants in those particular areas.

South Africa has a sound first-world economic and urban planning policy. The government knows what needs to be done to enhance economic growth and prosperity for all. The main problem lies with the implementation of these sound policies. Sound government and local authority administration is still lacking. A government that can institute such sound policies should be able to institute sound administration.

Economic success and growth goes hand in hand with urban planning and development. Urban planning is done by both the private and the public sector thus both sectors need to be fully cognisant of the economic forces and the required steps to be taken to ensure economic progress.

### **12.8 CHAPTER 8 Local Urban Economies**

It is submitted that a study of the economics of the city must include an analysis of the various sectors, which make up the whole of the city. The economic base concept may be employed to analyse the economic standing and progress of cities and more specifically, various sectors of the city. This entails a study of micro-economics.

- ◇ An economic base sectoral analysis of a metropolitan area, or a substructure within a metropole, is a useful and almost essential tool in urban planning. Such analysis can

serve to determine economic imbalances and serve as a guide to structure the future of the urban form. The strengths or weaknesses of a city may be sectoral while the sum of all the sectors constitutes the economic whole. The size and complexity of the metropolis are making the planning process more of a socialised process, and less the work of individual master planners.

- ◇ Planning needs to become closely involved with communities. Many communities do not have the necessary knowledge and information to know how to improve their economic plight. Planners can play a leading role in advising local communities to achieve greater economic prosperity.
- ◇ Competitiveness has become a major factor in economic efficiency. International competitiveness has shifted from nations to cities and is in the process of affecting local areas and communities. Communities therefore need to be able to enhance competitiveness and productivity. This can be assisted by economically beneficial urban planning.

Local level economic prosperity can be improved through **pro-active development planning**. This requires a greater level of local development initiative. The South African government has indicated its willingness to support **local economic development**. It is submitted that planners must follow development planning processes to achieve economically feasible local developments. Proposals for such processes have been set out. A system of decision making at the lower levels of government has become a high priority. Planning must promote the highest and best economic use of each property.

- ◇ A system of decision making at the lower levels of government is a high priority. Planners should allow and encourage the highest and best economic use of each property on the basis of a sectoral approach. More research should be done on the economic demands of the informal sector so that the necessary planning may be done on the lines of economic priority.
- ◇ **Community based action groups** are likely to become more dominant socio-political players who can influence the economy and the form of the postmodernist city in the dawn of the third millennium. Public participation in urban planning is often warped by vociferous (and sometimes malicious) individuals with ulterior private agendas. It is therefore necessary to balance authoritarian planning with public sentiment, but this can usually be more efficiently done by means of research and scientific opinion poles rather than by public gatherings or even advertising for objections. While community inputs are essential to the planning process, it is submitted that planners should not be reactionists - they should rather propose initiatives to be presented to communities.

- ◇ In order to provide a sound basis for optimal decision-making on land economics, it is essential for people to improve their techniques of measurement and prediction and to assess the implications of alternative plans by taking into consideration both quantitative and qualitative factors, including an analysis of the impact on the environment. They must also take market values and private costs, social values and community costs into consideration.
- ◇ Urban planning can become a very major ally to the government in the promotion of economic growth and prosperity if urban space is planned with the intention of optimisation of land. With increasing global economic competitiveness every sector of the economy is compelled to become economically productive and competitive. Planning has a definite role in the pursuit of global competitiveness.

### **12.9 CHAPTER 9 Economic Cycles and the Property Market**

Economic cycles are inherent to capitalism and planning should take due note thereof Urban planning needs to be able to identify the timing of future expected occurrences concerning the urban form. Thus planners must understand economic and property cycles in order to be able to make meaningful projections, particularly regarding the timing thereof. It is necessary for planners to study economic cycles to facilitate analyses on the property market.

- ◇ All economies and property markets are subjected to cycles of prosperity and recession. With the freeing of global markets these cycles are likely to become more severe in future. Cycles can be viewed on the basis of long term (30 to 50 year), medium term (10 to 30 years) and the shorter term business cycles.
- ◇ Generally, property cycles lag economic cycles. Each type of property reacts differently to economic cycles and are affected by different factors. Planners need to be aware of the influence of funding costs and availability, which affect the feasibility of developments at the various stages of property cycles.

### **12.10 CHAPTER 10: Scenarios of the Future**

Urban planning, like economics is essentially a futuristic science thus expectations of the future are equally important to both disciplines. Scenarios sketched by well informed people tend to act as an inspiration to others, thus the future can be influenced by futurologists.

The world has entered a period that may be referred to as 'neo-colonialism' where international conglomerates, financial syndicates and international agencies (like the World Bank and the International Monetary Fund) control the destinies of nations and cities. South Africa has recently experienced a substantial transition to neo-liberal democracy yet the



masses still suffer great poverty and squalor. The burning question is whether South Africa will aspire to the levels of a newly industrial country, remain as it is, or slide towards the degradation found in many of its neighbouring states.

### 12.10.1 Characteristics of a revitalised South Africa

Few analysts doubt that the South Africa has the potential to return to a growth path. To achieve lasting growth, action on many fronts is needed. These may be conveniently divided among policies that enhance the features that have served as basis of the economic growth of the past, and those that need to be given a higher profile in policy formulation.

#### 1. Enhancing "traditional features"

A South Africa that is **open and competitive**. Despite recessions, most countries in the region have eschewed protectionist policies. South Africa has recognised correctly, that the growth of the past had benefited from the progress toward open trade, investment, and payments regimes. This necessary, if not sufficient, condition for ensuring the growth of internationally competitive industries will need to remain at the heart of economic thinking.

A South Africa with **sound macroeconomic policies**. The sound policy stance, which was announced in the 'GEAR' policy document, will need to be reinforced with sound administration and market-based policy instruments.

A South Africa that **saves** judiciously and invests efficiently. The relatively low rates of domestic saving that were observed in the past restricted the financing of development. As recovery resumes, it will be essential to ensure that the macroeconomic conditions and institutional requirements conducive to continued strong saving are introduced.

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A South Africa with **high standards of public sector governance and transparency**. A crucial principle that will be needed to ensure sound public and corporate governance is that an "arm's length" relationship be maintained between the government and corporate sectors.

A South Africa with **open capital markets**.

A South Africa that **enhances social welfare and environmental protection**. Governments' policies and spending priorities should recognise the special needs of disadvantaged parts of the population and make adequate provisions for strong education and health systems.

Bernstein (1999:22) urges that South Africa needs to co-opt allies such as black business, provincial political leader, the administrators of cities and large towns, indigenous churches and big business to achieve an 'economic miracle' which is needed for sustainable growth and economic success.

Further recommendations are:

- ◇ The debate about whether mega-cities in developing countries will follow the form and pattern of mega-cities in developed countries continues. It is submitted that the third world mega-cities aspire to conform to the form of the developed world cities. The extremely rapid growth rate of developing country cities is likely to level off. This will afford a period of consolidation during which the standard of living of the poor in the developing world cities will be able to improve and move closer to the examples set by cities in rich countries.
- ◇ South Africa needs to consider its own unique development features and not attempt to follow Britain and the USA as it did in the past. South Africa can continue to follow international trends as far as the first world component is concerned, but it needs to be innovative in dealing with the third world components, as well as the merging of the two. The third world component cannot afford first world building standards. Cheaper construction methods do not have to look unattractive.
- ◇ Central business districts should be divided into precincts wherein groups of properties attend to joint safety and security measures and market their precinct. In the suburbs neighbourhood communities must be established on a similar basis.
- ◇ Free enterprise economics creates profitable developments like upmarket housing, secured decentralised office buildings, waterfront developments and luxurious golf estates where the developer's profits far exceed those of the low cost housing developments. The political pressure for increased control or at least guidance, of the economy and urban planning will grow, if the plight of the poor is to be improved - probably at some expense to the wealthy. Poor areas should be incorporated into neighbourhoods with wealthy areas so that the two can join hands to narrow the wealth gap.

The South African government has produced superb economic and urban planning policies. What is needed now is their implementation - particularly by local governments so that the plight of the poor can be alleviated.

### **12.11 CHAPTER 11 Conclusions**

Planners should co-operate closely with governments at all levels to guide them in spatial planning policies and decisions. Government/private sector partnerships should be encouraged while economic aspects should be of paramount importance. Planners can play a leading role in the thought process and conception of new developments.

Planners must realise that there is an extremely strong demand for economic upliftment in the metropolitan areas of developing nations, but that these mega-cities cannot be left to the forces of economic demand. Pro-active planning must be done with the realisation of demands by market forces, but with circumspection so that the overall quality of life can be improved. There must be a balance between the market forces and regulatory planning.

#### **12.11.1 Data base**

It is proposed that planners should jointly (perhaps through their Institute) compile a comprehensive data base which will include all relevant details regarding subjects and aspects which directly affect planning decisions. This will include demographics, geography, environmental data, economic data, weather patterns, infrastructure, social data, etc.

A bibliography should be kept of all relevant writings and publications on the subject of urban planning.

As this work concentrates on economic influences on urban planning, some more detailed proposals are made on this subject. The following economic data should be recorded and kept up to date:

#### **A. At International level:**

- Global economic trends
- Industrialisation and de-industrialisation trends

#### **B. At National level**

- Economic growth as reflected by the Gross Domestic Product;
- Privatisation opportunities
- Per capita income figures
- Details on government owned properties

#### **C. At Local level**

- Local authority property sales and municipal valuation details

- Commercial and industrial property rentals and vacancy figures
- Retail turnover figures
- Numbers of vacant erven and land price patterns
- Population and land demand growth figures
- Family income and expenditure patterns
- Local "exports" by local industries

The planning profession must define its role in the changing world to determine what role it can play in the immediate future. The profession must decide to what extent it will influence control mechanisms and to what extent it will play a guiding role in the enhancement of economic opportunities. The profession must recognise the paradigm shift from modernism to postmodernism.

Greater consideration should be given to the role of planners in emerging economies. It is submitted that this is an arena in which planners can play a strong positive and leading role to improve human conditions in major cities. More emphasis should be given to the creation of opportunities for small and less formal businesses.

CASE STUDY  
THE HELDERBERG BASIN

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## THE HELDERBERG BASIN

### 2.1 INTRODUCTION

The object of this case study is to illustrate the importance of the consideration of economic market forces in the planning process of a substructural sector. This case study serves as a practical illustration of the proposed local economic development and the overall planning approach.

The Helderberg Basin is passing through its own unique period of change. Until relatively recently the 'Basin' consisted of three separate municipal areas surrounded by a fourth local authority area (previously the Divisional Council/District Council area). These municipal areas were combined into the Helderberg Municipality, which has now been incorporated into the greater Cape Town Metropolitan Area (CMA). It is administered separately by the Helderberg Administration substructure.

The foundation of this case study is the 1995 Helderberg Structure Plan proposals. The objectives that have been set for the structure plan are:

- to provide guide-lines for the future management and necessary restructuring of the resources to serve the entire community
- to create an exiting and self sufficient urban environment
- to accommodate growth and change
- to further access and opportunities to the resources in the area
- to prevent urban sprawl
- to protect and preserve the natural, historic and built environment

The authorities have given much consideration to the environment, geological and agricultural issues, but little or no reference or consideration has been given to economic or financial aspects. This structure plan has been analysed and further investigations and research carried out in order to be able to make recommendations about certain more important economic issues relating to this study area.

One of the major objectives of this study is to illustrate planning inputs which can make the area more economically self sufficient and more productive. The objective is to illustrate the role that urban planning can play in the furthering of increased economic productivity in the study area and the enhancement of job creation. Therefore certain economic bases, which could be planned to stimulate economic growth, have been identified and recommendations have been made to enhance their effectiveness. Specific spatial and development proposals have been made.

The question may be posed whether the Helderberg Basin is and will remain an 'urban edge' development - similar to satellite conurbations found around other large cities - or will the 'Basin' be incorporated to become a suburb of the CMA?

## 2.2 THE URBAN EDGE -

*Strife between agriculture and urban development.*

The urban edge, sometimes referred to as the 'urban-agricultural-rural interface zone,' has been a subject of much planning consideration over the ages. Interest in this zone became more prominent since the 1950s due to the emergence of the era of rapid global urbanisation. It was in this era that the term 'urban sprawl' was born. This urban sprawl is usually seen as a major problem and is therefore regarded as the main reason why urban edge studies are required. The Metropolitan Spatial Development Framework (MSDF) adds the property market and land speculation as a major cause of concern. "*Integral to the urban sprawl problem is the property market and land speculation.*" (MSDF 1996:57)

Ellin (1996:147) argues that most of the more exemplary recent urban design initiatives are engaged in healing scars left by interventions of the modern era, and rather than direct its focus on the traditional centre, this tendency is more often concerned with the edge between the city, suburb, and countryside. She contends that, rather than preserve, renovate, or create a centre or a past, this urban design theory holds that we should focus attention on the edge/periphery/border with an eye towards the future. Consequently, many architects and planners began adapting these ideas to the building of satellite cities, industrial re-use, and the reorganisation of suburban sprawl.

Development trends in the United States since the early 1980s have favoured urbanisation on the outskirts of cities to form what have come to be known as 'outer cities', 'urban villages'. Rivalling traditional downtowns or central cities, these edge cities usually include business centres, with high-rise buildings often housing high-tech activities, an enclosed shopping mall surrounded by parking lots, and perhaps some designated outdoor public space. They are accessed by high-speed thoroughfares from new middle-class low-density residential areas. Ellin (1996) feels that, though closer to modern urbanism than to the contextualism of postmodern urbanism in their function, there is a concerted effort to render these developments user-friendlier than their modern predecessors.

Examples of such edge cities are quoted, *vis*, Las Colinas, located five minutes from the Dallas/Fort Worth Airport. The centrepiece of Las Colinas is the Canal Walk with its interconnecting waterways creating a 'Venice type' of atmosphere. Development commenced in the 1980s and has attracted 900 companies and a resident population of over 25,000 people, most of who are living within PUDs, which are gated and additionally

protected by surveillance cameras and other security devices. Ellin (1996:152) believes that Las Colinas became a model for edge cities elsewhere in the United States as well as abroad, particularly outside of Tokyo (Dillon)

Attitudes toward this trend vary. Some regard it as simply a physical expression of the service and information economy, just as the traditional city was an expression of the era of manufacturing. In *Edge City*, Garreau (1991:66) describes this urbanisation as an *"utopian quest to bring home, work and play together"*. Others regret this kind of urbanisation, pointing out that these job-generating places are located in affluent areas and that most of the workers live in central cities or poorer suburbs, thus accentuating the gap between rich and poor. Sandton, Johannesburg, serves as a South African example of a previously wealthy residential suburb which has become a decentralised job-generating urban hub.

Byram (1992:4) contends that the same process that creates 'edges' is also dividing us by race, income, and culture and *"may pose a threat to our future well-being that far outweighs the wonder of these places."*

Edge cities are inspired by attitudes conveyed by Gorman (1992:2):

*"We want to live somewhere where people care about their community, about their families, about each other and about their country. Somewhere where there's space for kids to run, to play, to grow. Somewhere where people greet one another on the street. Somewhere where we can get to know the local policeman, the grocer, the postman, the minister, the doctor, the vet and the mayor."*

An urban edge study is an important tool to guide the future growth of an urban area. The intention of the edges is to establish limits beyond which urban development would not be permitted.

*"The broad purpose of the edges would be to counter urban sprawl which has contributed significantly to the inefficient functioning of the metropolitan region, the consumption of quality rural land, and the loss of ecologically valuable land."* (MSDF 1996:57)

Typically, urban edge studies consider the following:

- ◆ Demography and Population Profiles: This would include an overview of housing and other land use demands in the urban area, urban density information and projections and the availability of vacant land within the urban area.
- ◆ Geophysical analysis: This includes the geomorphology and geology along the existing urban edge. Geomorphologic indicators will include the topography, slopes, contours and orientation, while the geological indicators will include soil conditions, possible minerals and construction materials.



- ◆ Biophysical/Ecological Systems: The fauna and flora and its impact on demarcating the urban edge will be identified. This will include rivers, flood plains, wetlands and estuaries that will have a direct or indirect impact on demarcating an urban edge. Areas with known drainage problems should also be identified.
- ◆ Agriculture and agricultural potential: This involves the identification of existing agricultural activities as well as agricultural potential (high-, medium- and low-value soils) and the identification of smallholding land use activities.
- ◆ Legal, Planning, Land Use and Land Ownership: This relates to the existing urban and agricultural land uses and planned urban developments. It will include identifying jurisdictional boundaries, nature reserve boundaries, other protected natural environment boundaries, planning boundaries, zoning and land use rights, approved and proposed structure plans and ownership of large vacant land parcels along the urban edge.
- ◆ Utility Service Infrastructure: This refers to the location, provision and capacity (in broad terms) of the bulk water, roads, sewerage and storm-water services which impact on the existing extension of urban areas along the existing urban edge.
- ◆ Socio-Cultural and Historical: This will include the identification of conservation-worthy sites, historical homesteads, precincts and buildings, archaeological sites etc., that could influence the identification and demarcation of the urban edge. This study includes consultation processes with local communities.
- ◆ Visual Resources Analyses: This criterion is a determining factor in areas with limited environmental constraints but significant natural assets, which influence views, the overall landscaped image and character of the area. Indicators in this regard include places of visual prominence and high aesthetic qualities.

Very little, if any consideration has been given to **land value patterns and economic activities**. The Helderberg Urban Edge Study (1998) serves as an example. The Basin is located on the eastern boundary of the Cape Metropolitan Area, thus the eastern boundary of the Basin also serves as the eastern boundary of the metropolitan area.

Concern is expressed about urban sprawl, and particularly low-density residential estates 'creeping' up the surrounding mountain slopes as well as low-density residential estates, 'camouflaged' as smallholdings. It is argued that the urban sprawl has a detrimental affect on the 'unique character' of the Helderberg, thus the form and pattern of growth should be redirected - higher densities and a more efficient use of vacant and undeveloped land within the boundaries of the existing urbanised areas should be achieved. It is submitted that the 'unique character' of the Helderberg constitutes low-density single residential development

on large plots - most with magnificent views as a result of their elevated positions along the mountainside.

The Urban Edge Study finds that there is sufficient land in the low-lying plains of the basin that can be developed and that the elevated areas should be retained for agricultural and other purposes. No consideration is given to the fact that elevated residential land with pleasant views demands high prices - indicating market demand. The basic principle of a free market system is completely ignored.

In practice, the Helderberg 'basin' has become a delicate, but well-balanced residential, commercial and light industrial home for the full spectrum of the typical South African Urban population, accommodating all from the very poor to the extremely rich.

It is not submitted that all controls should be abandoned and all development left to the forces of demand and supply. There must be planning and management, but the forces of the market should be at least one of the factors to be taken into consideration when determining an urban edge. This should be a very important consideration.

The study states that: "*A key premise of this research was that valuable agricultural land should not be used for urban development*" arguing that this principle is an important component of the Metropolitan Spatial Development Framework (MSDF). Why must agricultural land be deemed to be more valuable than residential land? Surely the forces of demand and supply will determine which land use is more valuable. Most of the land surrounding the urbanised part of the basin is used for viticulture. The market will decide which is the most valuable land. There is no reason why land should be 'protected' because it is used for viticulture - or for any other agricultural produce for that matter. If wine should become such a scarce and expensive resource then prices will dictate which land should be used for viticulture and which for residential. It is unnecessary to make this determination based solely on 'a combination of scientifically evaluated factors such as soil types, soil quality, climatic condition, slope analyses, etc.' All that can be left to the market who will make their own soil test analysis and weigh the financial benefits of viticulture, *vis a vis* the costs of infrastructure against the profits of urban development.

Certainly, there are environmentally sensitive areas, which must be preserved, but these areas must also be preserved against agricultural development, including alien forests. But there are vast areas of very marginal agricultural land that serves no purpose to 'protect' against urban growth. These areas include the entire basin below the 300m contour from Gordons Bay, around Sir Lowry's Pass village to the south eastern edge of Somerset West. Also to the north west of the basin urban development should be permitted and planned all the way to Eerste River - along the northern side of the 'N2.

Urban sprawl is defined as *"unplanned or haphazard urban growth and usually accompanies rapid population increase through immigration and/or natural growth and poor urban management."*(Helderberg Basin Urban Edge Draft Report 1998:24) This definition concentrates on the lack of planning and urban management in derogating urban sprawl and arguing its undesirability.

The report argues that sprawl feeds on relatively low land unit cost *"which by definition is found on the edge of urban areas and normally used for agricultural or other rural uses."* The report contends that high-income housing estates invade agricultural land, rural areas and mountain slopes. If the edge has cheap land, it is a clear indication that it is not valuable agricultural land. Surely it is better to use 'cheap' agricultural, rural or mountainside land for urban development. Again, it is all a matter of proper planning, guiding the market forces to obtain a desirable outcome.

The report lists numerous consequences of urban sprawl:

- An increase in the provision of infrastructure costs - but admits that developers are required to contribute towards the provision of bulk infrastructure. It may be pointed out that in practice, local authorities grow in wealth during periods of urban growth, where such growth is caused by higher income developments.
- It is argued that subsidisation of suburban development induces people to buy larger home than they would normally be able to afford. The kind of homes, which 'invade' agricultural and mountain-side land, are not usually subsidised.
- A discontinuous pattern of development resulting in inefficiencies in the operation, maintenance and management of services and facilities spread over an extensive area. This is a relevant comment but can be alleviated by sound planning.
- The underutilisation of or the unsustainable extension of public facilities and infrastructure. This is relevant to low-density development and can be offset by feasibility analyses and cost effective management.
- The poor use of vacant land and the poor definition of public open space. This is solely a planning deficiency.
- The attraction of regional shopping centres to low-density suburban areas and consequent demise of business along the historic main street and the central business district. It is submitted that it would be folly to 'protect' businesses in the Main Street or central business core from the development of regional shopping centres. This would be going against the tide of what the market wants and what they are prepared to pay for. It may be asked: what is wrong with the development of regional shopping centres - are they not the modern day desires of the market?

- Loss in the sense of community, as cohesiveness and identity tend to decline with decreasing densities and increasing privatisation of individual private spaces. It is submitted that private spaces, which are secure and protected, create a much better 'sense of community' than the hardly used unsafe public places of old. Many (it could be argued - most) of the postmodernist residential developments are in the form of securitised villages that are seldom low-density developments.
- Loss of visual character of an area, in particular where this is regarded as an essential element in defining an area. The visual character of the Strand has been created by man made coastal tower blocks of flats - the attraction of Gordons Bay is the man made harbours and the built environment along the mountain slopes - the real attraction of Somerset West stems from the upmarket leafy developments on the slopes of the mountains.
- Loss of productive farmland. It is submitted that there is a global oversupply of agri-products. There is therefore no need to 'protect' agricultural land from urbanisation. The need for housing and other urban facilities is much greater than the need for land to grow crops on - hence the fact that urban land or even agricultural land with the potential to become urban, has a much higher value.
- Urban spill-over effects, such as the regulation of farming activity deemed to be a nuisance by urban land uses and damage to crops. The report fears that this could result in farming operations being less profitable, causing farmers to disinvest and even abandon farming in anticipation of urban development. Nobody will have to subsidise the farmers any longer because they will receive many times more per hectare for the development potential than they would ever have been able to realise for farmland.
- An increase in urban run-off, with the associated risk of polluting river systems and coastlines. Most urban coastal rivers became silted up because of agricultural activities in the hinterland (e.g. the Milnerton lagoon) while urban rivers have remained through canalisation (e.g. Liesbeeck river).
- Increased rates to pay for additional public facilities to serve new residents. Upmarket developments usually have the converse effect on the rates of local authorities. It is the low-income schemes that need subsidisation by the local authorities.
- Increased air pollution due to an increase in car usage. In this regard the Cape is 'cleansed' by regular winds.

High-income residential developments on the fringes of the urban area cannot be seen to cause and increase in the cost of living and a decline in the overall quality of life, in particular for those with the least access to resources - quite the contrary. Most high income

earners are concerned about the ecology and have the means to maintain a high level of conservation. These residents are also substantial job-creators.

### **2.2.1 Smallholdings:**

Smallholdings are often found at urban edges. They are typically zoned for agricultural purposes with a minimum size restriction of one hectare. Normally agricultural zoning allows for the construction of one dwelling unit with an outbuilding and a setback of 33m from any boundary of the site. Uses of smallholdings usually includes farming related activities such as horticulture, riding schools and veterinary activity, as well as urban activity such as extensive residential development, light industrial and educational uses.

A study on smallholdings commissioned by the Cape Metropolitan Council and prepared by Messrs SetPlan found that the use of size criteria or dominant use to define a smallholding are both inadequate criteria. SetPlan made the following recommendations:

- That smallholdings not be established as an independent land use zoning but that the actual current land use activities rather be accommodated in the existing zoning categories. This will require a clearer definition of the major land-use zonings and the broadening of activities to be permitted within such land use zones.
- That a distinction be made between small farms and extensive residential units. Provision should be made in local zoning schemes for extensive (large) residential erven of 4000m<sup>2</sup> to 8000 m<sup>2</sup> and applied to areas where smallholdings are essential in character.
- Under no circumstances should extensive residential be established on soils suitable for agriculture.
- No extensive residential smallholdings should be established on land suitable for medium- to higher- density housing, given the priority of addressing metropolitan housing backlogs.
- Agricultural zoning categories should be introduced through a strategy of zoning combinations or linked zonings in order to integrate related facilities (e.g. houses). These related activities should only be located on land with no agricultural potential.
- Appropriate zoning categories should be applied in degraded smallholding areas.
- It should be the prerogative of local authorities to introduce land-use management mechanisms appropriate to their local smallholding area.

Although smallholdings were initially conceived as a permanent land use, they have been used as a means to facilitate land use change from agriculture to urban. Applications are submitted to the local authority to subdivide agricultural land to smallholdings of 1ha plots with an agricultural zoning. If these smallholdings are subsequently not used for agricultural

activity, but rather for extensive residential use then this use could be regarded as an urban activity. Smallholdings could, therefore, become exclusive enclaves of affluent estate holders who have no interest in farming. This is the reality of the market.

The Helderberg Urban Edge Study (Draft Report Sept. 1998) recommends in cases where smallholdings are used predominantly for extensive residential purposes and are contiguous to existing urbanised areas, then the urban edge boundary should be moved to include these smallholdings within the urban edge. Conversely, smallholdings used for farming activities should remain outside the urban edge boundary.

### **2.3 DESCRIPTION**

The locality of the study area is depicted on the locality sketch. It includes the residential areas of Somerset West, Strand, Gordon's Bay, Sir Lowry's Pass, Macassar, Faure, Llwandle, Temperance Town and Firgrove. The study area is located in the Cape Metropolitan Region.

The residential component of the Helderberg Basin serves mainly as a dormitory of the Cape Town Metropole, as some 55% of economically active residents commute to job opportunities outside the study area.

#### **2.3.1 Population**

YEAR	1960	1970	1980	1990	2000
Somerset West	8437	11828	18377	26433	41050
Strand	13389	24503	26716	33218	49171
Gordon's Bay	946	1131	1592	4318	6706
Macassar	1537	3433	15556	22149	34397
Llwandle			1346	5000	6500
Sir Lowry's Pass	1210	1723	1787	2352	4900
Rural				6065	6500
TOTAL	25519	42618	65374	99535	148224
GROWTH RATE p.a.		6.7%	5.3%	4.1%	4.06%

The structure of the economic activity and employment categories is set out in the following table:

Economic sector (1996)	Total	Percentage	% S.A.
Professional, semi-professional & technical	5573	12.7	3.8
Management, executive and administrative	2681	6.1	0.4
Clerical and sales	8399	19.2	6.9
Transport, deliveries and communication	1233	2.8	5.2

Services sector	6951	15.8	18.5
Farming and related	2843	6.5	12.4
Artisans and trainees	3771	8.6	5.1
Supervisors	7918	18.1	25.6
Not specified	4474	10.2	22.1
Economically active	43843	44.0	34.6
Not economically active	55814	56.0	65.4
<b>TOTAL</b>	<b>99657.00</b>	<b>100</b>	<b>100</b>

Certain growth projections are made in the structure plan, giving a total population of just over 200,000 inhabitants in the sector by the year 2015. It is estimated that there is sufficient developable land available to house these people. The main development areas are around the Somchem/AECI projects and in the area to the north east of the Strand.

#### **2.4 METHODOLOGY**

The economic well being of this sector is determined largely by external influences, being the national and regional economies, but internal tendencies play an important role in the future of the economy of the sector. It is therefore necessary to address national, and more particularly regional economic influences, to address linkages and their influences on the economy of the sector and then the internal economic bases. These economic bases are also considered with due regard to external influences and linkages.

While the proposed Helderberg Structure Plan has been used as the planning basis of the sector, due consideration has been given to local planning exercises including:

- The Somerset West Local Structure Plan proposals
- The Local Structure Plan for the Central Area of Somerset West
- The Bizweni Farm Local Structure Plan proposals
- The Strand Local Structure Plan proposals
- The policy plan for the future development of the Strand beachfront
- The Strand Central Business District Structure Plan
- The Llwandle Township Development plans
- The Gordon's Bay Local Structure Plan
- The art 4(10) Small Holding Development plan for Gustrouw
- The Sir Lowry's Pass Local Structure Plan
- The Macassar Local Structure Plan proposals
- The Somchem and AECI Local Structure Plan proposals
- The Gants site development proposals.

Each of these areas could be viewed as nodes within a sub-structure. The planning approach should be to consider the individual economic feasibility of each separate node while taking an overall planning approach to the sub-structure, bearing in mind the role of the sub-structure in the Cape Metropolitan area. This is essentially a 'bottom - up' planning approach. The principal idea is that basic needs must first be satisfied within areas and this is associated with selective regional-territorial closure in economic terms, and also with the communalisation of productive wealth. The approach as a whole is designed to build on strength from within and is premised on the skills and resources of the local population, and not external aid and capital, although judicious use of the latter is not ruled out. Potter & Lloyd-Evans (1998:83) also refer to this as a 'development from below' approach and quote eleven essential components of development from below:

1. Broad access to land.
2. A territorially organised structure for equitable communal decision-making.
3. Granting greater self-determination to rural areas.
4. Selecting regionally appropriate technology.
5. Giving priority to projects that serve basic needs.
6. Introduction to national price policies.
7. External resources only used where peripheral ones are inadequate.
8. The development of productive activities exceeding regional demands.
9. Restructuring urban and transport systems to include all internal regions.
10. Improvement of rural-to-urban and village communications.
11. Egalitarian societal structures and collective consciousness.

Due consideration has been given to the influences of the above on the economic and spatial development of the sector. Due consideration has also been given to land values, as they have a substantial influence on future development tendencies. Land values are an indication of demand and supply.

To be able to make meaningful economic projections it is also necessary to consider the income levels of the inhabitants. Tendencies vary quite considerably in different sectors of the study area. Income and wealth tendencies can be guided by the study of house prices.

Fox-Przeworski, Goddard & de Jong (1991:236) highlight four key factors for urban economic regeneration programmes:

- a) the recognition of problems and opportunities;
- b) the delineation of objectives and strategies;
- c) the identification of actors and institutions; and
- d) the development of appropriate methods and priorities.



## **2.5 ECONOMIC INFLUENCES**

### **2.5.1 External Influences**

National, and even international economic trends affect the area, but the sector is closely tied to the economy of the Western Cape, and more particularly that of the Cape Metropole. As pointed out in the thesis, this Metropole has a significantly different economic trend to that of the rest of the country. As this matter has been fully considered in the thesis, it is not deemed necessary to repeat it here.

The three economic bases, which have the most significant effect on this sector, are tourism, industry and agriculture.

Although agriculture has little direct influence within the sector, due to the limited agricultural production (it is mainly concentrated in the two large farms of Vergelegen and Lourensford with smaller surrounding farms and small holdings), the sector is influenced by other surrounding agricultural areas, including that of Grabouw, whose farmers frequent the sector for commercial purchases.

Tourism is also fully considered in the thesis, including the importance of this economic base on the Cape Metropolitan Area. The influence of the regional tourism is considered further in the following section.

### **2.5.2 Linkages**

Although a large sector of the local community rooted for administrative independence, the study area is now part of the Cape Metropolitan Region. The main overall linkage, which is of major concern to the substructure, is that it is economically linked to the rest of the Greater Cape Town Metropolitan area.

Of major importance are the **job opportunities**, as the area is largely dependent on jobs supplied in other parts of the Metropolitan area. This is one aspect that could and should be changed. A great amount of costly transport and time is wasted by this dependency. It is submitted that this should be the main consideration of the economic planning of the area.

Although the area has and is still becoming more self sufficient in terms of retail facilities, wholesale purchases are done in the rest of the Metropolitan area. Existing wholesale facilities are limited. More planning consideration should be given to the creation of more wholesale retail facilities in the area.

The availability of professional and medical services has improved substantially during the past 10 years. Previously the area was heavily dependent on these services from outside. It may be expected that, particularly with enhanced technological communication, these services will be furthered, on the road to greater self-sufficiency.

The Cape Metropolitan centre offers sport and entertainment facilities, which are frequented by the residents of the Helderberg basin. These linkages are not likely to diminish. The flow of visitors and tourists from the Greater Cape Town area is likely to increase particularly if more tourist facilities are created in the area.

The N2 serves as the major physical link between Cape Town and the Helderberg area. This is supplemented by the commuter railway service through Bellville to Cape Town. It would be preferable if commuter traffic could be decreased through greater local job creation.

The dual carriage freeway to Stellenbosch serves as an adequate link, ensuring easy vehicular access between Stellenbosch and Somerset West. Due to high property prices in Stellenbosch many people prefer to reside in Somerset West while working in Stellenbosch. As most of these commuters are linked to the university this commuting tendency will not be influenced by greater job creation in the area.

### **2.5.3 Internal Tendencies**

The most expensive residential areas are found in the areas that offer the most attractive views. These are located on the slopes of the Helderberg in Somerset West, the mountain-side at Gordon's Bay and along the Strand and Gordon's Bay beachfront. As a percentage of the total housing stock, these areas have been expanding at a greater rate than the rest during the period 1990 to 2000. This serves as an indicator of a relatively greater increase in per capita income than the national average. This is supported by the employment figures that indicate a substantially higher percentage in the higher income jobs like professions.

Leading employers like Somchem and AECI have been reducing their staff and are likely to continue doing so in the short term. The bulk of these retrenched employees prefer to remain in the area and turn to other sources of employment. This transition has an influence on the types of work distribution and increases self-employment tendencies.

Immigrants to the area include a large number of wealthy couples and families who are immigrating from overseas or from Gauteng and Natal. Some of them move to the area to retire, but most tend to remain economically active.

Due to the relative unavailability of suitable land there has been a slower growth of low-income residents into the area. Most of these are located at Llwandle, Nomzamo and Sir Lowry's Pass village'. The latter has suffered severely due to an influx of squatters since the early 1990s.

## 2.6 ECONOMIC BASE

The three previous municipalities of Somerset West, Strand and Gordon's Bay each had different establishment economic bases. The initial economic base of Somerset West was as an agricultural commercial centre, Strand was a holiday resort and Gordon's Bay's economic base was fishing and a holiday resort. Macassar was established on religious basis. This remained so for many years. By the 1970's Somerset West had become established as the commercial centre while Strand and Gordon's Bay were growing holiday resorts. At that stage Somerset West, and to a lesser extent, Gordon's Bay and Strand were becoming dormitory towns to residents working in other centres.

### 2.6.1 Export Labour

During the late sixties and the early seventies, Somerset West enjoyed substantial residential growth as a dormitory to Cape Town and Stellenbosch. Due to the shortage of residential land in Stellenbosch and the resultant high land prices, many Stellenbosch employees moved to Somerset West. This trend was enhanced by the improvement of the road linkage. From 1970 to 1973 Somerset West enjoyed a residential boom, but the sharp petrol cost increase at the end of 1973 and the accompanying restrictions ended this boom rather abruptly. This situation was exacerbated by the economic recession in the mid seventies, leaving large numbers of cheap unsold residential erven.

During this period Strand enjoyed a seaside residential holiday resort boom while little growth was experienced in Gordon's Bay. After the fuel crises subsided and the economy had recovered, the area experienced substantial residential growth during the early eighties.

The export of labour from the study area has continued to be the largest source of external income to the area. In 1991 55% of economically active residents worked outside the area. This tendency was exacerbated by the decrease in employment opportunities at some of the major employers, being Somchem, AECI and Gants. In the late nineties the trend towards export labour decreased as more industrial and business opportunities started to arise in the Helderberg Basin.

It is submitted that the export of labour is likely to decrease during the next decade. Traffic congestion on the N2 is growing and safety is a concern. Residents enjoy living in the area, thus creating a natural desire to seek employment locally. This tendency enhances the local industry as the competition for jobs places a downward pressure on wages.

#### South Africa Census 96 Statistics SA

##### Individual Income (Monthly) by Population group for Person weighted, Somerset West

Male	Black	Coloured	Indian	White	Unspecified	Total	Tot Income
None	727	7704	37	3104	308	11880	
R1 - R200	12	83	0	138	3	236	23600
R201 - R500	105	845	0	186	27	1163	407050

R501 - R1000	286	1942	1	238	50	2517	1887750
R1001 - R1500	309	1962	14	361	61	2707	3383750
R1501 - R2500	203	1708	13	731	70	2725	5450000
R2501 - R3500	46	625	7	813	35	1526	4578000
R3501 - R4500	21	268	0	850	29	1168	4672000
R4501 - R6000	11	160	1	1023	21	1216	6384000
R6001 - R8000	11	55	2	999	8	1075	7525000
R8001 - R11000	9	44	0	967	9	1029	9775500
R11001 - R16000	2	25	0	647	1	675	9112500
R16001 - R30000	1	14	1	391	1	408	9384000
R30001 or more	0	2	0	152	1	155	5425000
Unspecified	85	817	9	1010	80	2001	
NA: Institution	321	224	12	323	14	894	
"Row Grand Total"	2149	16478	97	11933	718	31375	68008150

Female	African/ Black	Coloured	Indian/Asia n	White	Unspecified	Total	
None	980	10006	61	5393	389	16829	
R1 - R200	22	192	0	319	24	557	55700
R201 - R500	188	1541	1	514	37	2281	798350
R501 - R1000	305	2157	7	678	68	3215	2411250
R1001 - R1500	122	1355	7	803	62	2349	2936250
R1501 - R2500	52	741	5	1356	28	2182	4364000
R2501 - R3500	31	298	3	1061	24	1417	4251000
R3501 - R4500	14	121	0	702	15	852	3408000
R4501 - R6000	6	74	0	618	6	704	3696000
R6001 - R8000	2	15	0	239	3	259	1813000
R8001 - R11000	0	3	0	144	0	147	1396500
R11001 - R16000	0	10	0	73	0	83	112050
R16001 - R30000	0	2	0	33	0	35	805000
R30001 or more	3	3	0	24	0	30	1050000
Unspecified	100	984	9	1056	100	2249	
NA: Institution	80	169	7	582	21	859	
"Row Grand Total"	1905	17671	100	13595	777	34048	27097100
Male & Female	4054	34149	197	25528	1495	65423	95105250

## 2.6.2 Industry & Manufacturing

The main industrial activity in the area has historically been the three major firms of Somchem, AECl and Gants. The latter has closed down, while the activities of the former has been substantially scaled down and is approaching a near total termination. The Gants site has been redeveloped and now offers more job opportunities than were available in the old Gants factory. Plans are afoot to redevelop the AECl site and at least portions of the Somchem site. The first sections of the AECl development project is under way.

There is an abundance of industrial zoned land, but much thereof is not serviced. This is particularly applicable to the Broadlands industrial area and the Somchem site. During the past few years two major industrial areas have experienced growth due to the installation of services. These areas are at Altena in the Strand, Somerset West business park and the Gants site, although the latter contains a mixture of commerce and industry, and is virtually fully developed.

### 2.6.3 Commerce

Historically, Strand contained the first, but very small commercial core in the Helderberg area, but during the early part of the century Somerset West Main Road became the major commercial centre. By the early eighties the Somerset West Main Road had become established as the leading commercial centre in the Helderberg Basin. Twenty years previously major shopping was done outside the area. By the early part of the century the Basin has become self sufficient in virtually all aspects of commercial activity while shoppers from neighbouring towns also flock to the major shopping facilities, particularly the Somerset Mall.

During the 1990s Strand expanded its commercial activity in the old commercial centre and along Strand Main Road. The Strand commercial node is restricted by parking availability and vehicular access and mainly serves only the local neighbourhood. A local structure plan has been drawn up to improve the retail functions of this node. Little additional retail facilities are proposed, except for two proposals, being a development proposal at the railway station and, more significantly, a waterfront development proposal. More recently a commercial centre structure plan has been compiled for the Strand central business area and the beachfront area. The purpose of this local structure plan is to make recommendations and give guide-lines for the upgrading and re-vitalising of the business core. Some of the main proposals of the local structure plan include:

- ◆ a proposed new waterfront development
- ◆ commercial expansion at the railway station
- ◆ the retention of historic cottages in the oldest portion of the business core
- ◆ beautification and improving the aesthetical attractions in the core, and
- ◆ a limited amount of infill commercial developments.

No feasibility studies have been found. The economic feasibilities of the proposed railway station development and the infill sites should prove viable, but the feasibility of the proposed waterfront development will require much attention.

The waterfront proposals constitute the most dramatic innovations. Three suggestions have been put forward ranging from a mere promenade development, a mooring basin to a small boat harbour. The latter will create the greatest impact, providing basement and open parking for some 500 cars, an amphitheatre, slipway, small boat harbour, hotel, boat club and six new waterfront buildings containing retail, offices, recreation/entertainment and holiday accommodation. It is clear that this proposed development is aimed at the tourist trade and will not compete directly with the existing retail facilities in Somerset West.

The Gordon's Bay structure plan provides for extended commercial zonings and the Somerset West town centre has expanded along Victoria Road to the N2 while the land on both sides of the Main Road has been demarcated for commercial activity.

The Main Road of Somerset West became the major commercial node for the area although Strand contained the first commercial node in the area. The Somerset West commercial centre still remains a substantial retail node, but has become augmented by growing office accommodation. It presently houses the bulk of professional and administrative offices in the area. Commercial and retail facilities have spread down Victoria Road down to the N2.

The Somerset Mall is the major single commercial centre in the study area. It operates as a regional shopping centre serving clients from the entire sub-structure as well as towns from the east (mainly along the N2) and Stellenbosch.

#### 2.6.4 Tourism & Recreation

*"Fun city is the conspicuous consumption of leisure, it is the beach, where only the beautiful can be seen. ... This is an image used not only by tourist places but also by cities eager to attract business. ... Then there are the green cities where nature safely controlled and manicured provides a close though comforting experience with the semi-wild, while also providing room service and fax. As in the fun city, water is an important icon, along with fresh air, mountain vistas, and lack of traffic."* (Short 1996:187)

Thorough consideration has been given to tourism in the Western Cape, thus it is deemed unnecessary to repeat this potential here. What needs to be addressed is the specific role in **tourism** that can be fulfilled in the study area.

- ◇ The area contains two small boat harbours concentrating mainly on pleasure craft, while a third one is planned at the Strand. These small craft harbours already attract numerous tourists, but are not extensively marketed to overseas and inland tourists. Both the Gordon's Bay and Harbour Island small craft harbours already provide restaurants and limited tourist facilities like sailing, diving and fishing. There is a lack of co-ordinated regional marketing of these facilities. With expansive marketing to enhance the demand, the facilities could be substantially expanded.
- ◇ The study area boasts some magnificent beaches, i.e. Strand, Gordon's Bay and Bikini beach. Facilities for day-tripper tourists, and more particularly for tourist busses, are extremely limited. It is submitted that special provision should be made for upmarket day trip tourists, particularly those making use of tourist coaches.

- ◇ The area is well endowed with three 18-hole championship golf courses and three 9-hole courses. These, and other sporting facilities are already attracting tourists.
- ◇ The mountains offer numerous very attractive hiking trails. These are not adequately marketed.
- ◇ There are a number of hotels and guest houses located throughout the sub-structure, although there are only two major hotels, being the Lord Charles at Somerset West and the van Riebeeck in Gordon's Bay. Most marketing is done individually and they tend to be occupied very seasonally.

## **2.7 TOWARDS THE FUTURE**

### **2.7.1 Residential**

The area presently contains the full spectrum of income level residential areas from informal 'squatter' camps to luxurious houses worth more than one million rands each.

The Basin is well endowed with suitable potential housing land for all categories and price ranges, as is more fully described in the structure plans.

### **2.7.2 Industrial Development**

While large portions of the Somchem and AECI sites are demarcated for industrial development, it is submitted that these areas are more favourably suited for commercial and residential development. It may be expected that a portion of the Somchem industrial area will remain, and that some extension will take place, while some light industrial development is likely to be done on the AECI site. It is argued hereunder that all proposed major industrial developments should be tempered by mixed use developments, which could contain two major nodes, one on the AECI/Somchem area and the other at the present Broadlands industrial area.

### **2.7.3 Commercial Development**

*"In the advanced capitalist countries the annihilation of space and time allows a more serious consideration of smaller towns and cities as places to do world and national business. One important selling point for places with good accessibility is that they are not big cities like London or Paris or Atlanta." (Short 1996:42)*

Consideration is given to existing commercial nodes and expansion potential:

The largest and most significant commercial development is Somerset Mall. The next most significant is the 'Gants' development. Further potential developments include:

- ◇ The Strand railway station proposal contains retail development around an over the station. This will create a substantial enhancement of an area that is presently rather

sterile. It will also create a direct pedestrian link directly to the eastern side of the station, thus enabling direct pedestrian access from the Altena developments to the station and the commercial area west of the station. An overhead pedestrian crossing over the Main Road would enhance this pedestrian flow and ease much of the present restrictions. There is little doubt that this development will be feasible because it creates new retail opportunities on presently unused land and air space.

- ◇ The Harbour Island project is still being expanded and already attracts a greater number of visitors, but the bulk of the harbour development is a secured private village. Public access is limited to a few small shops and restaurants with limited capacity. It can hardly be deemed a commercial node and is therefore not directly comparable to the Strand proposals.
- ◇ The Strand waterfront proposals are designed to attract the general public in a similar fashion as the Cape Town Waterfront. Emphasis is placed on retail activities. The creation of these facilities serves as the income source of the development. The proposal leads to the creation of 'new' (reclaimed) land on the beachfront measuring approximately 1.6 hectares. The proposal makes provision for parking for between 500 to 600 cars, of which the bulk will be accommodated in an underground parking garage. The illustrative plan contained in the proposals indicates the potential of an hotel on a 750 square metre site area and retail and commercial facilities on approximately 3,800 square metres.
  - ◆ The land created for parking is unlikely to yield a positive commercial value as the financial benefit thereof is unlikely to exceed the cost of construction.
  - ◆ The moorings could be sold at prices yielding a value which is likely to be a little more than the costs of their construction.
  - ◆ Therefore the added land value created by reclamation is likely to be less than the expected cost of reclamation. The proposed 300 metre harbour wall alone will cost some R4.5m and the installation of services is estimated at over R2m. Consideration will have to be given to a substantial contribution by the local authority, based on the argument that additional rates will be procured and that the development will enhance the tourist potential of the area, bringing in additional revenue.

It is submitted that the proposals could become a major benefit to the area, but detailed consideration will have to be given to the economic feasibility thereof while more



economically beneficial detailed planning will have to be done on the basis of the "overall planning approach" as set out in the thesis.

The economic feasibility of the Strand waterfront proposals will have to be researched in greater detail. There is little doubt that such development will attract a magnitude of clients. The main waterfront development competitors are Harbour Island and the Gordon's Bay harbour. The latter has virtually no tourist attraction other than for the boating fraternity because the only public attraction is the small restaurant. It is clear that an isolated retail facility is not viable as can be seen by the repeated failure of the solitary fish shop.

- ◇ The Gordon's Bay structure plan proposes an expansion of the existing commercial node in the direction of the N2 along Sir Lowry's Pass road. This commercial node has limited development potential due to high existing land values (for residential use) and a limited demand, as the commercial node is not large enough to constitute a viable shopping centre.
- ◇ In addition to these nodes Victoria Street, linking the Somerset West Central Business area with the N2 has grown to a commercial activity corridor. The Helderberg Structure Plan of 1994 proposed a commercial activity corridor along the Main road, all the way to Firgrove Station, but the proposals in the AECl. Conceptual Development Framework (1996) indicate that these proposals should rather be replaced by an activity corridor extending Victoria Road and stretching west through the AECl. site to the west.
- ◇ The approved Structure Plan contains proposals for the extension of the Somerset Mall commercial node to include hotels, offices and more shops, thus expanding this existing commercial node. In addition thereto a substantial commercial node is proposed around Paardevlei. The proposals contained in the AECl. Conceptual Development Framework include an expansion of the Somerset Mall and a larger new commercial node around Paardevlei.

It is submitted that a large scale innovative 'mini-city' could be developed on the AECl and Somchem sites, concentrating on tourism and commercial activities with mixed use developments and industrial areas to the west. The key attractions of this property are the beachfront and the Paardevlei lagoon.

There are numerous exceptional commercial developments surrounded by water. Many of these water features have had to be created, like Bruma Lake and Centurion City (formally Verwoerdburg) while numerous overseas examples stem from the redevelopment of marshlands, like Las Colinas in Texas, USA. Closer to home the new Century City at

Ysterplaat serves as an example of innovative development conception. The AECI site has the added advantage of its proximity to the sea.

It is submitted that the area from the coast, around Paardevlei to the N2 poses an ideal opportunity for a large commercial node. This could be supplemented by mixed use and industrial developments to the west, to include the Somchem site.

The MSDF has proposed a CBD commercial node at Philippi East. This proposal is deemed to be a non-starter. It is submitted that the concept of a decentralised CBD at Philippi should be transferred to the AECI site that is much better suited to this purpose because:

- ◆ it is in a much more attractive area
- ◆ it has the necessary vehicular and railway linkages
- ◆ it is situated between an upmarket residential suburban area and the lower income area
- ◆ the land holding situation favours an overall planning and development approach
- ◆ the site has attractive natural features.

A proposed revised land use plan is attached.

**Summarising**, it is submitted that the AECI site, and particularly the portion from the Somerset Mall to the area around Paardevlei could become a regional commercial node, equating that around the Tygervalley shopping centre. It may be recalled that the Tygervalley centre was initially very similar to the Somerset Mall. It has subsequently been extended and has become surrounded by other commercial developments, including substantial office park areas. The linkages and the surrounding residential areas are comparable to Somerset West. The AECI site has an added benefit of being located on the coast, affording substantial tourist development potential.

## **2.8 RECOMMENDATIONS**

It is submitted that the role of the Helderberg Structure Plan should be that of an overall co-ordinating proposal which concentrates on the overall economic development of the sector. To achieve this the objective should be to utilise the existing attributes and resources of the sector to be able to produce a harmonious and sustainable growth without detracting from the natural assets and beauty of the area.

Virtually the entire study area is subject to local structure plans. The individual implementation of these structure plans could create an uncoordinated mish-mash of development, which, in its totality, is unlikely to produce the optimum economic benefits, which could be achieved by co-ordinated planning strategies.

The main role of the Helderberg Structure plan should be that of a sub-structural economic development plan striving to achieve optimum economic self-sufficiency through co-ordinated economic planning and development. Its objectives should include:

- ◆ the determination of new job opportunities
- ◆ the determination of expansion opportunities of economic bases
- ◆ the harmonious co-ordination of industrial and commercial growth
- ◆ enhancing inflows of income from outside the area
- ◆ enhancing tourism income
- ◆ creating and co-ordinating educational facilities
- ◆ streamlining administrative management
- ◆ co-ordinating and promoting infrastructural developments, including an overall vehicular and pedestrian movement plan
- ◆ a more detailed environmental impact study and a protection and management plan
- ◆ establishing main commercial nodes
- ◆ determining specific development projects which will enhance the economy of the area

It is submitted that the sub-structure should become more economically self-sufficient and that more job opportunities should be created to reduce the "exported labour" component substantially.

It is recommended that a portion of the Broadlands Industrial area be demarcated as a mixed use development area.

The area should have a central tourist information and administration centre, concentrating on the co-ordinated marketing of the tourist attractions and endeavouring to establish additional facilities. This should be partially funded by the local authority, local business and the tourist enterprises. The successful hosting of the Golf World Cup in 1996 serves to illustrate what can be achieved by positive marketing endeavours. These endeavours should not be uncoordinated.

Consideration should be given to the establishment of more wholesale facilities in the area.

Consideration should be given to the establishment of a Regional Central Business node on the AECL site. A detailed study should be executed to determine the feasibility of this proposal.

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