

Pietermaritzburg :

In Search of a Local Economic

Development Strategy

by

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### **Abstract**

The thesis examines the formation of a local economic development strategy in Pietermaritzburg. This process concerns the formation and machinations of urban coalitions and regimes, which are examined in the context of local politics.

International developments in urban development highlight the changing role of cities within national economies. This literature of the new urban politics and coalition processes is reviewed and the approaches to local economic development are considered. The South African environment is briefly reviewed.

The thesis investigates the need to consider urban regimes and coalitions within the historical context of the local political economy. The study makes use of the realist framework and insights offered by the locality studies approach to investigate local political processes and the context of local economic policy decision making. It argues that in Pietermaritzburg the local progrowth regimes have challenged the dominant caretaker controlled City Council in an effort to develop a more private sector oriented economic development strategy. The apartheid context of local politics has offered both space for challenges to the dominant regime, and has been the source of illegitimacy for such attempts. The illegitimacy afforded the local state by the apartheid context was at the same time a potential source of advantage to progrowth challenges. The current changing national political environment and a strengthening of the private sector position locally offers the opportunity for a more broad based economic development coalition to take control and initiate the process of local economic development strategy development.

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## Preface

**"... geographers may ask whose interests their own discourses serve, who benefits and who loses from their actions, whose explanations they legitimate and whose they discredit"**

Barney Warf (1991, 568)

The resolution of issues concerning the South African urban future is based on the ability to include and meet the demands of various urban 'publics'. Geographers can play an integral role in this process. In our attempts to eradicate poverty, create employment and reduce inequality we need to carefully unpack and understand the power structures within our cities. This understanding must lead to the ability to mobilise resources and make use of innovative and creative leadership. Part of our project as Geographers must include the pursuit of an understanding of how our cities function.

## Declaration of originality

Except where explicitly indicated to the contrary, this study is the original work of the author. This thesis has not previously been submitted in any form to any other University.

### Abbreviations

ANC - African National Congress	
CCA - Concerned Citizens Association	
CCDPR - Co-Ordinating Committee for the Development of the Pietermaritzburg Region	
CED - City Engineers Department of the Pietermaritzburg Municipality	
COC - Chamber of Commerce	
COCI - Chamber of Commerce and Industry	
COI - Chamber of Industry	
IPS - Industrial Promotions Section	
GPLGF - Greater Pietermaritzburg Local Government Forum	
GPEF - Greater Pietermaritzburg Economic Forum	
KMI - KwaZulu-Natal Marketing Initiative	
LED - local economic development	
LEF - local economic forum	
NEF - National Economic Forum	
NUP - New urban politics	
PMA - Pietermaritzburg Metropolitan Area	
PMB 2000 - Pietermaritzburg 2000	
RDP - Reconstruction and Development Programme	
REF - Regional Economic Forum	
SANCO - South African National Civic Organisation	

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## **Chapter One**

### **Research Outline and methodology**

#### **1.1 Introduction**

The thesis traces the development of the Pietermaritzburg political economy and the historical progress of local economic development thinking within the city. The methodological basis focuses on decision making (political and economic) as a key area of research, rather than on the technocratic development of an economic plan. It is argued that political processes are critical to the development of a local economic development strategy. Historically the development of Pietermaritzburg's urban economy has been tied to the visions of various key groups, most notably interest blocs within the City Council and the Chamber of Commerce and Industry. The local state thereby becomes an arena of conflict between various urban coalitions (Cox & Mair, 1991, 209).

#### **1.2 Research questions**

The study of local economic development (LED) in South Africa is poorly developed. This lack of research on LED and how it could influence the development of the post-apartheid economy is becoming of critical importance. There is a weak understanding of South African urban economies and the processes that shape them, especially the role of coalitions in economic restructuring and partnerships with the public sector (see Tomlinson, 1994). Critically, we have little idea about how LED initiatives are launched and what factors are important to their success (except see Robinson & Boldogh, 1994). If cities are to become more active in attempting to direct their own economic futures then this process of LED initiative development must be tackled. This thesis attempts to deal with some of these issues.

#### **1.3 The argument**

The thesis seeks to develop an understanding of the process of local economic development policy formation in Pietermaritzburg. It is argued that this process is mainly political in nature and takes place through the conflict between competing urban coalitions which attempt to dominate the urban agenda. The conflict is thus tied to the local political process and in the case of Pietermaritzburg is articulated in various attempts to draw in popular political support. The machinations of this process include various attempts to further progrowth

coalition formation and influence the process of local economic strategy development.

The case study follows the development of such a process through two 'windows': firstly, local urban coalitions and regimes; and secondly, local political processes. The main focuses are on the local political environment and locally based attempts to intervene in the local economy. In this way LED can be seen as part of the development process, which Keating (1991, 168) describes as:

"a complex phenomenon, with multiple objectives and a range of winners and losers.

These objectives impinge on decision-makers in ways which reflect the prevailing political culture and value system, and the institutional arrangements".

The need for urgent measures to aid the development process in South African cities is clear, and thus the study of LED and how conflict around the setting of a development agenda occurs must become the focus of study as we enter the post-apartheid period.

### 1.3 Research context

The study can be seen as a part of broader interest in economic and political issues that will affect the manner in which the future urban agenda develops (see Tomlinson, 1992; 1994). These research questions will influence the way in which urban development challenges are understood and the context in which practitioners and politicians develop policy for promoting local economic development. The South African political environment of the 1990s is one dominated by new political structures. In particular, the most notable characteristic has been the emergence of local and national forums and committees. The devolution of the forum concept to local levels has brought together major stakeholders from within the localities. Typically these include various power blocs, with representation from labour, business, local politicians (from the old order and the emerging one), civic associations and other community representatives. These local stakeholders exhibit degrees of local dependency and represent various aspects of the local social structure. The forums thus form an environment for coalitions to meet and represent an attempt to develop a new sense of community and locality. Political change has made the local political power base vulnerable to challenges for control and locked into this is a battle to shape the future vision of the local economy. These emerging forums have not developed within an historical vacuum and it is within this historical context of power relationships and experiences that the new structures are emerging.

The process of coalition development itself is of primary interest to this process.

### 1.5 Methodology

The case-study methodology was selected in response to the need to develop comparative examples of this type of research and the lack of empirical information on local economic development in South Africa. The case-study area is the city of Pietermaritzburg in the region of KwaZulu-Natal. (Fig. 1). The methodologies selected were based on the need to understand how the political economy of Pietermaritzburg had developed historically and what processes were influencing the development of a local economic development strategy. An eclectic array of sources were thus used to gather the data and information required:

- 1) Primary data sources included:
  - a) Participant-as-observer in forum environments (Johnston, 1986). These forums included the Central Area Study (Chapter Eight) and the forums organised by the consultants (Chapter Ten). In effect the researcher became involved as participant-and-observer, choosing to not only attend meetings, but be an active member of the forums. The general theoretical model of realism used (see Cloke *et al*, 1991, Chapter Five) supports this methodology as "knowledge can come from *participation* as well as from observation, through working for change, [and] interaction with others involved with common resources and language" (ibid, 136). Information was gained through access to presentations, informal discussions and formal interviews. The involvement in the process itself allowed greater access to information and opinions than would have been otherwise possible, allowing for a "reporting of activities 'from the inside'" (Johnston, 1986, 61). It also made possible the identification of key actors within the process.
  - b) Minutes, reports and internal documentation.
  - c) Key informant interviews. These were conducted with key actors in the development of the local economic strategy. The selection of interviewees was either through their direct involvement in the process or through their reputation as key decision makers.
  - d) Newspaper reports and press announcements. The problematic nature of this form of research is outlined by Pillay (1990). The lack of context, bias and selective reporting can be overcome by: firstly, the verification of wider processes over time;

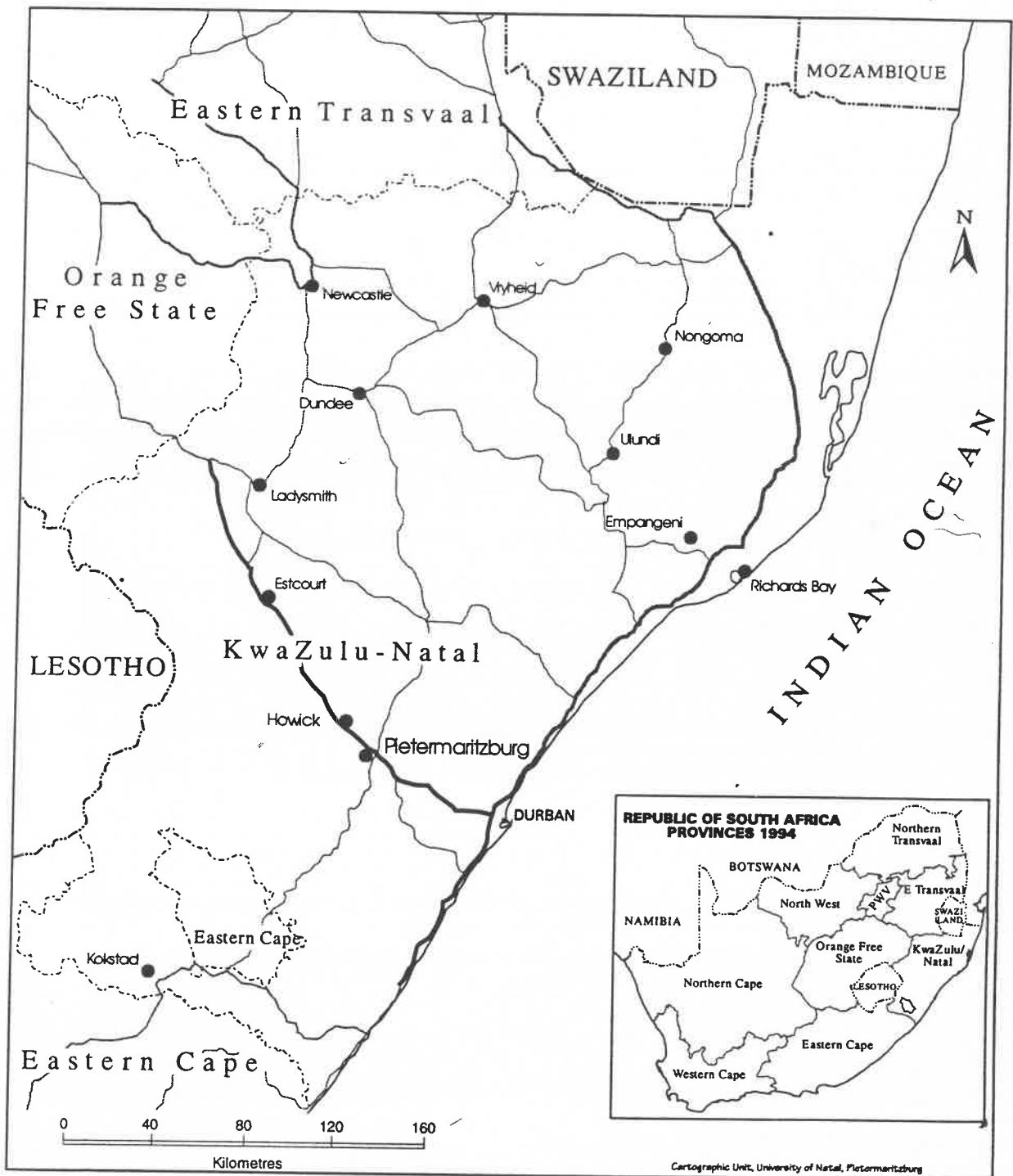


Figure 1 : Location map of Pietermaritzburg ✕  
 (Cartographic unit, University of Natal, Pietermaritzburg)

and secondly, verification by key actors in interviews.

- 2) Secondary sources concerning the development of the political economy of Pietermaritzburg.

### 1.6 Locality studies

The study falls within the broad field of 'locality studies' (see Cox & Mair, 1989, 1991; Harloe *et al*, 1990 ; Cloke *et al*, 1991). The thesis is a contribution to the study of Pietermaritzburg as a locality.

The so-called 'locality debate' (see Cloke *et al*, 1991) which has emerged in especially the United Kingdom has influenced the way in which social scientists approach both spatial and social changes. The debate concerns the study of the restructuring of economies and the resultant effect that this has had on spatial and social processes. This attempt to understand restructuring has lead to the development of various responses, usually in the form of a local economic development strategy. In terms of this study it is relevant as it involves the study of localities in terms of their 'uniqueness' and individual social and political processes. The individual city is now considered an acceptable object of research. Cox & Mair (1989, 127) call for an expansion of this approach to include the study of the production of localities and of city's as agents as "earlier [locality study] approaches seemed concerned with the locality as a relatively passive 'recipient' of global or large-scale restructuring, where such restructuring was concretely 'realised' in its particular forms". This idea of a 'locality as agent' is described by Cox & Mair (1991, 211 - 212) as being based on the need for "locally dependent actors with interests in the same locality forming an alliance, acting together to develop and implement strategies to further their interests". In particular it requires that local political environments and especially the local state are the focus of attention (*ibid*).

This study thus attempts to unpack the dominant agents and structures that lead Pietermaritzburg into developing a certain development agenda, and therefore a dominant social and spatial character.

Cox and Mair (1991, 204) explain:

"For locality to become an agent it does not require every single local actor to act in unison; like most social structures the locality contains many points of internal conflict. Rather, first, mobilisation must be defined locally (that is, it must involve members of the local social structure) and, second, it must result in the creation of emergent powers (that is, some entity is produced with powers different from those of the sum of individual local actors)".

The methodology thus needed to focus on the behaviour of groups that are both locally dependent and influential (such as local chambers of commerce, local bureaucrats and local political groups). It also focuses on bureaucratic and political structures that have emerged to deal with local economic decision making, such as the Industrial Promotions Department, the Greater Pietermaritzburg Local Government Forum and the Greater Pietermaritzburg Economic Forum.

### **1.7 Outline of the study**

Chapter Two outlines the change that has taken place within the dominant ideology of city growth and the management of urban environments, focusing on the rise of the market as the central organising factor. A definition of local economic development and an explanation of some of the concepts associated with the study of it are provided. International experience is also summarised. The third Chapter contextualises the literature of LED and explains the debates within the new urban politics (NUP). This centres around the issues of globalisation and the distribution of resources within cities. The development of city strategies to deal with economic growth are also described. Chapter Four explains the role and dynamics of urban coalitions and regimes within urban development and within the context of local politics. Chapters Two, Three and Four form the theoretical basis and contextualisation for the case study that follows. Chapter Five orientates the reader in terms of LED research in South Africa. The poorly developed state of this topic in South Africa requires that a broad contextualisation is achieved. The Chapter also provides a framework for current thinking within the wider political processes and in particular possible directions for LED.

Chapter Six is the first chapter of the case study section and outlines the historical development of Pietermaritzburg's political economy and in particular the role of urban

coalitions in the development of the Pietermaritzburg economy. Chapters Seven and Eight describe the first extensive attempts to develop a new planning strategy in the city. Chapter Seven describes an attempt to form a broad based urban development coalition. The connection between political change and coalition challenges is clarified here. Chapter Eight outlines a further attempt to shape popular concepts of urban development within Pietermaritzburg and Chapter Nine deals with the political changes that occurred within the city leading to the formation of the first inclusive government structure. Chapter Ten deals with the most successful attempt to date by the progrowth coalition to gain the advantage. This chapter explains how political developments allowed a broad urban development coalition to crystallise and set up a local economic forum.

Chapter Eleven concludes the thesis by illustrating the connections between political analyses and LED theory, and the case study. It illustrates the value of the case-study methodology and the theoretical basis of LED studies.

## Chapter Two

### **The rise of local economic development thinking**

#### **2.1 Introduction**

The urban agenda has shifted to a greater focus on market mechanisms over the past two decades. This shift towards local economic development has necessitated new urban management forms and technologies for the maintenance of cities. Internationally, cities are having to adopt these new approaches, such as urban entrepreneurialism, strategic intervention and privatisation, while attempting to deal with increased levels of intra-urban competition and increasing social pathologies.

#### **2.2 The local economy**

The local economy has not been a major focus for research as it was previously considered to be influenced by economic policy making at a central level. The 1970s brought about a period in which national economies failed to grow as expected, and uneven growth was not being adequately addressed through regional planning (Todes, 1993). The local began to be considered a focus for research. Local actors in the economy attracted the attention of researchers and it would now be considered naive to see the local bureaucrats and political leaders as merely managers or service providers. The (changing) roles of the public and private sectors in the local economy have become major foci. The public sector is now having to take on responsibilities in the economy in a more formal and flexible manner.

#### **2.3 What is local economic development?**

There is much debate about what constitutes local economic development. The practitioners and politicians prefer a wide definition that allows for political positioning and the relabelling of other projects as public sector involvement. Researchers attempt to narrow it down to fit in with various research and political agendas.

A broad definition of LED would include six elements:

- 1) An initiative that has identifiable economic goals, usually including job creation, wealth creation and poverty reduction.
- 2) The initiative attempts to change and influence investment patterns on an



international, national and/or internal level.

- 3) The initiative is driven by a group within the locality or elements within it who identify a need to focus specifically on the economic position of the locality.
- 4) The initiative originates within the locality, and could include various actors from the public, private and community based sectors.
- 5) The initiative has an identifiable administrative vehicle that carries it forward.
- 6) This progrowth group within the locality conceptualises the locality as part of a competitive space economy and identifies a need to influence that position.

It is useful to distinguish between various degrees and types of intervention. There are three distinctions: the degree of intervention (boosterism/strategic), the urban growth vehicle involved and the degree of urban entrepreneurialism.

#### **2.4 From boosterism to strategic intervention**

The degree and type of intervention can vary considerably as the public sector has a variety of technologies at their disposal. These technologies vary in their intensity of intervention into the local economy. Boosterism is advertising and promotional material aimed at gaining a locational advantage by making the area known to potential investors. It is often used on its own but can be a first step in a LED strategy, and implies a first step in local state support for business development. These attempts at boosterism are not new. Kirby (1985, 208) refers to Lawrence, Massachusetts encouraging industrialists to move there in 1903. Collinge (1992, 63) notes that areas in the United Kingdom engaged in industrial promotions exercises as early as 1899, "extolling the virtues of their areas for investment purposes".

With the present focus on LED internationally, boosterism is still used extensively, but usually only as part of an overall strategy. In the United States for example Rubin (1988, 244) found that many practitioners did not advocate boosterism as part of a proper strategy and resented its use. They felt it was an ineffective technique and only used it because local political leadership favoured it and because it was a defensive mechanism in response to the advertising of other centres. Thompson (1987, 204) asserts that "[l]ocal development managers have also become intellectually lazy and have come to depend too much on adroitly marketing a poorly crafted product".

A more direct form of intervention is that of direct public purchasing of assets in the local economy, for example through public-private partnerships. Strategic intervention can include a sectoral focus and indigenous business support programmes. LED therefore covers a wide spectrum of possible interventions, mostly, but not necessarily, including the public sector. These are discussed further in Chapter Three.

### **2.5 Urban growth vehicles**

Economic growth initiatives or strategies exhibit certain class and group interests that are expressed through complex relationships. These are then articulated in associations of urban regimes, coalitions and/or growth machines (see Chapter Four). The initiative is usually housed within a particular institution; and driven by various individuals and interests. The group of individuals and interests that drive the initiative are crucial. The political environment and conditions within the locality, along with the interests of the actors, help in determining the type of vehicle selected. The relationships between the actors, their particular economic interests, class allegiances and political affiliations also all serve to influence the type of vehicle chosen. The institution that houses the initiative usually reflects the balance of power within the driving group. It could be a public sector department, a group of private consultants, a business association such as the local chamber; or a community or non-profit organisation. All these factors are crucial to understand when distinguishing between local economic development initiatives.

### **2.6 Urban entrepreneurialism**

This is a distinct move from boosterism, where the focus is on marketing, to actual intervention in the local economy. The original term 'state entrepreneurialism' was used by Eisinger (1988) to refer to the rise of demand-side led initiatives (see Chapter Three). However it has now come to refer to any initiative that implies a more active role for the local state. It is especially evident where the state takes on a business like attitude, and in particular when it accepts a speculative role, for example in public-private partnerships. Leitner & Garner (1993, 59) quote the following description of urban entrepreneurialism:

"Cities are acting as risk - takers and active competitors in the urban economic game, and the key to each city's success is its ability to invest wisely and to market shrewdly. Urban entrepreneurship entails a new breed of municipal

official, transcending the traditional local government roles of delivering services and enforcing regulations. The city entrepreneurial role includes characteristics traditionally viewed as distinctive to the private sector, such as risk-taking, inventiveness, self-reliance, profit motivation, and promotion. The bottom line for the public balance sheet is the enhanced competitiveness of the city which is critical to urban rebuilding and economic revitalisation." (Duckworth, Simmons & McNulty, 1993)

In defining a LED initiative it is useful to thus examine the role of the public sector, including its level of risk taking and approach. The traditional approach (boosterism) and the pure public entrepreneurialism models are the extremes. There are other positions, The World Bank for example supports an 'urban efficiency model', in which the local state is responsible for limiting its direct involvement in the local economy to providing essential infrastructure and an appropriate regulatory environment.

## **2.7 The rise of local economic development thinking**

The combined effects of the changing processes globally (see Chapter Three) have required that development practitioners and city administrators adjust their approaches and their attitudes. Scott Fosler (1992) outlines three broad changes:

- 1) A dominant economic paradigm centred around the market and the need for states to begin to work within this structure.
- 2) A new set of responsibilities for the state that are associated with the rise of the private sector within this new paradigm. The state is now learning to deal with its role in creating a regulatory framework, understand private sector needs and achieve a balance between cooperation and competition in the use of resources. Scott Fosler (1992, 7) also argues that the state must create a 'culture of performance'. These are "the intangible qualities of motivation, drive, desire, effort, resourcefulness - in essence, the expectation of high performance and the will and wherewithal to achieve it".
- 3) There are new institutions needed to carry these new responsibilities out, in terms of leadership, information processing, strategising and accountability. The state concerns itself less with the degree of regulation and more with the

appropriateness of it to promote economic growth and aid the private sector to create growth.

Leitner (1990, 147) agrees that

"the current phase of growth-oriented urban policies represents a form of public entrepreneurialism that is characterised by a distinctive set of institutional arrangements and practices, and which attempts to apply the outlook and techniques of private-sector management".

Harvey (1989) notes this as a change from a 'managerial' approach by city administrators to a more 'entrepreneurial' one. There is, in addition, some ideological confusion as many critics have heralded LED thinking as a triumph of the free market when in fact it usually refers to higher levels of public sector intervention in the local economy, albeit in line with private sector needs and on a more selective basis. The free market is in fact 'turned on its head', where the public sector learns to be competitive and the private sector becomes more of a welfare recipient than ever before (Barnekov & Rich, 1989).

## **2.8 Privatism and LED**

The focus on the market has been linked to the expansion of 'privatism' as a feature of the urban development landscape. Barnekov & Rich (1989, 213) define this term as the

"tradition that historically has tied the fortunes of cities to the vitality of their private sectors and encouraged a reliance on private institutions for urban development ... [therefore] ... urban development is essentially a problem of economic growth, and the source of that problem lies in the constraints that have been placed on private investment".

The focus on private sector resolution of urban problems has the effect of prioritising their needs and emphasising the demand for more private investment opportunities. Within this emerging political and administrative landscape the private sector has thus emerged as an integral part, drawing in new roles for the public sector.

## 2.9 International experience

There has been a pervasive international trend towards taking on the new model of urban development. Harvey (1989, 5) comments that:

"deindustrialization, widespread and seemingly 'structural' unemployment, fiscal austerity at both the national and local levels, all coupled with a rising tide of neoconservatism and much stronger appeal ... to market rationality and privatization, provide a backdrop to understanding why so many urban governments, often of quite different political persuasions and armed with very different legal and political powers, have all taken a broadly similar direction ... the rise of urban entrepreneurialism may have had an important part to play in a general transition in the dynamics of capitalism from a Fordist-Keynesian regime of capital accumulation to a regime of 'flexible accumulation'".

The international experiences of LED do differ, primarily because of the political structures found within each country, but also because of the space economy (in terms of production factors and labour), structure of the business organisations, social structure and types of social movements found there.

The Thatcher and Reagan administrations of the 1980s sought the same goal, this goal was "a reduction of the role of the public sector in economic development, a reduction in local government spending, and a shift away from the welfare state" (Wiewel & Hall, 1992, 400). Thatcher sought it by means of a greater degree of centralisation and Reagan through decentralisation. The political right supported LED because it apparently was congruent with free market rhetoric and espoused an increased role for the private sector in city development. Central government policies have influenced LED thinking through various means. In the United States for example the decline of federal funding required localities to face economic restructuring without additional support. Central funding on the other hand occurs in the form of block grants that reinforce dominant local interests (Keating, 1993). There has been a general change in emphasis in central government towards spending on economic projects rather than social projects (ibid). In France the ability of local government to extract central government funding has been greater, leading to less developed LED strategies, but meaning that better 'connected' cities have garnered more funding (ibid). The United Kingdom differs from the United States in a number of important ways. The use of central government

funding in the United Kingdom has resulted in a less competitive space economy, where local authorities are not encouraged to make concessions to developers and local tax bases are less important (Cox, 1993). Further, business organisations have been less well developed than those in the United States. The result of the process has been similar though, as Keating notes (1993, 390) that "in all three countries ethnic minorities are marginalised within the new politics of development".

Coalition formation has also differed between the United Kingdom and the United States. Keating (1991) believes that the United Kingdom has experienced less activity in urban coalitions because restructuring has been centrally dominated and local private sector organisations are weaker this is despite the central governments support for coalitions and the market in general. Wolman & Stoker (1992, 409) comment "the institutional structure of British local government finance provides few fiscal incentives for local governments to engage in economic development activity". Central government steps have included mechanisms to control local government spending, a block grant to make up local financial short falls and a nationalised business rate which meant that local government did not receive direct tax benefits from local businesses (in fact costs were increased as new firms needed to be serviced). A problem facing redevelopment in the United Kingdom has been the absentee landowner, which makes redevelopment proposals difficult to implement, and thus coalition formation has centred around bringing these actors in. In the United States the business community has been much more influential in local politics (Keating, 1991, 189; Wolman & Stoker, 1992). Wolman & Stoker (1992) partially attribute the higher degree of coalition formation in the United States to the greater degree of economic decentralisation found there. The fragmented local government structure in the United States has also resulted in higher levels of inter city competition (*ibid*). The different political processes have also influenced LED, where British LED is more concerned with party politics and the United States more with spatial/territorial issues (*ibid*).

### Chapter Three

#### **Becoming the only game in town**

#### **The literature of local economic development**

##### **3.1 Introduction**

The issue of economic growth has attracted the attention of a wide number of researchers from various disciplines and backgrounds. The focus has shifted between the role of the local within the global environment (the globalisation debate), the resulting effects of this on resource distribution within cities; and the responses of cities themselves (individual strategies). The globalisation and distribution debates have become fused into what is now known as the 'new urban politics' (NUP) (Cox, 1993a). This literature mostly originates within the academic realm and from local economic activists. The strategy approach originates mainly from local economic practitioners and some academic sectors.

The chapter outlines the manner in which the urban debate is being conceptualised within LED literature. It begins with the NUP view, which includes the globalisation and distributional debates. The basis of this view is that the persistence of uneven development results in: firstly, some localities remaining outside of flows of investment; and secondly, a further pressure on localities to thus attempt to move into the dominant pattern of investment. This pressure results in a new, mostly regressive, distribution of resources within cities. This process is linked to a depoliticising of urban development. The second approach, goes beyond this (mostly) pessimistic framework, as cities are taking on these challenges and developing strategies to deal with the issues of poor growth and the poor redistribution of resources.

The literature can thus be dealt with in two ways:

- 1)     **The 'New Urban Politics'**  
         Victims of geography: global processes, uneven development and regional restructuring.  
         Repoliticising development: the new urban politics of distribution.
- 2)     **Conceptualising interventions: the strategies approach.**

### **3.2 The new urban politics**

The emerging politics of urban development has two central themes. On one level the debate centres around the spatial changes that are emerging from new production and investment patterns. In this regard the mobility of capital is seen as an important influence on communities and the fate of local economies. On another level the literature deals with the effect that this has had on local communities, in particular the distribution of growth and the local administration of growth.

#### **3.2.1 Globalisation : global processes, uneven development and regional restructuring**

Although not central to this thesis, the concept of globalisation is important in terms of understanding the literature. A heated debate has arisen within LED thinking around the nature of development, and in particular of uneven development.

This literature approaches LED from the point of an uneven spatial distribution of investment and labour. This is because of four processes:

- 1) New global investment patterns through the 'hypermobility' of capital and the decline of the national state's ability to influence these patterns (Friedman, 1993). Transnational corporations are able to play locations off against each other as they search for lower input costs on a wider geographical scale and as the reach of capital becomes global. The result is that cities themselves are becoming new independent actors within the global market, as the nation state declines in terms of borders and boundaries (Wiewel & Hall, 1992, 398; Behrman & Rondinelli, 1992).
- 2) New spatial patterns of investment due to new production systems (especially new technologies), as elaborated within the post-fordist thesis, and the new international division of labour (Kaplinsky, 1989; Kaplinsky, 1993).
- 3) The deindustrialization of economies and the rise of the post-industrial or service economy (Rodwin & Sazanami, 1989).
- 4) The belief that uneven development may be a permanent feature of the capitalist space economy (see Cox, 1993; Harvey, 1989).



### 3.2.1.1 Uneven development

The global and regional changes in investment patterns have resulted in a new capitalist space economy in which there has been a decline of the traditional manufacturing areas (see for example Rodwin & Sazanami, 1989; Anderson *et al*, 1983). Some researchers have made connections between the capital accumulation process itself and the perpetuation of regional inequalities (Clark, 1980). These processes have led to a new spatial distribution of employment and localities have had to deal with plant closures, declining tax bases, declining infrastructures and services, and rising structural unemployment (Rodwin & Sazanami, 1989, 15). Within the United States and Europe the economic restructuring and changing patterns of production have resulted in a mismatch between workers/skills and employment opportunities, in terms of regions and cities (Wiewel & Hall, 1992). This has placed new stress on cities to attempt to control investment within their boundaries. Some localities have little to offer mobile capital and struggle to attract investment without incentives. The city is thus required to consider its position within the regional, national and international economy with new urgency. It is in regard to the rise of new investment patterns, production systems and new forms of global competition that LED strategies become relevant.

The decline of traditional regional planning and the new problems facing localities is being met by a renewed interest in spatial issues, mostly generated by Massey's book *Spatial Divisions of Labour* (1984). This thesis linked investment patterns (spatially and temporally) with structures of production and the spatial division of labour. The link between locality, region and 'layers' of investment became the new research agenda as uneven development became a localized problem. This enabled researchers to reconsider the role of the local and predicted much of the current interest in locality studies (see Jonas, 1988; Thrift, 1991; Harloe *et al*, 1990).

Cities, especially those facing declining economies are more and more looking at the global market for indicators of competitive advantage. Keating (1993, 392) notes that the new politics associated with this has led to the 'deconstruction of place', where a locality is itself a product or commodity in the global market. Behrman & Rondinelli (1992, 116) refer to the globalisation of culture and the economy, and the rise of an 'international urban network'. The forces responsible for this are increasing levels of economic integration, new technologies

(especially in production techniques), the disintegration of nations and the spread of similar consumer patterns. The impact of this new global market is that small countries, with limited internal markets have to rely on exports to a greater extent, and there is therefore a greater level of reliance on the health of external economies (ibid). Sassen (1990, 237) argues that "notwithstanding the diversity of forms that economic restructuring has assumed in specific localities and the diversity of policy responses, ... larger translocal economic forces have far more weight than local policies in shaping urban economies". Within this new global market cities themselves have become the unit of competition rather than nation states (Behrman & Rondinelli, 119).

### 3.2.1.2 Victims of geography

Are residents of localities victims of a changing geography? LED planning within this framework is conceptualised to occur within an environment where cities and local governments have limited powers, politically, within a regional & national structure and, economically, within a global economy. City responses are perceived as being limited and it is debatable whether localities have much power to influence these patterns of investment, while policies to affect this process can have negative results for local inhabitants. Cox (1993, 1) explains that this approach results in conceptualising cities as "trying to improve the business climate and, in the process, dismantling the local component in the welfare state and opening up the local environment to degradation".

Researchers note that this is perceived within the community of LED practitioners themselves. Rubin (1988) observes that, on a local level several LED practitioners felt that many decisions affecting their local community were beyond their sphere of influence, even to the point where success or failure in a project are not perceived to be the result of anything that they do. The local state, in this view, has little effect, and success or failure is attributed to factors outside the localities powers. For example Bassett (1990) asserts that in the high growth period of Swindon, in the United Kingdom, a number of features were evident:

- 1) the efforts of the local authority were a factor in attracting firms, but this was part of a regional economic growth wave that had started.
- 2) Swindon has good locational characteristics, which were more important than the local authority administrative policies.

- 3) The Council's LED policies helped when a firm had decided to locate somewhere within the general area, then the policies helped to clinch the deal.
- 4) The local authority's attitude only helped as far as firms commented on their "positive and helpful role" (ibid, 74).

A growing economy is no relief from this pervasive competitive space economy, the rapid rate of change means that cities with expanding economies have to work hard to maintain their position. For example Rubin & Rubin (1987, 38) note that the faster the rate of economic growth is, the more likely the city will be to offer incentives to maintain it.

### 3.2.1.3 Critique of the globalisation thesis

Cox argues that for several reasons the NUP thesis cannot be seen to be entirely accurate. Capital cannot seek out any locality as only certain localities offer opportunities for 'super-profits'. Firms also have a local dependency, whether from inter-firm relationships, local skills or knowledge, or on a local social structure, such as a local labour regime (1993, 11 - 12). Cox (1993a) therefore rejects the idea of an unsophisticated conceptualisation of the new international and regional spatial division of labour. While regional change occurs, it may do so over a long period of time, with relatively long periods of prosperity. Cox (1993, 14) notes that "the distributional issue is not nearly as bleak as the NUP makes out. Clearly redistribution is possible within at least some 'local' arenas. There are local super-profits or quasi-rents which can be divided up to labour's advantage though it is not necessary that they be so". If uneven development is not going to disappear, then growth will remain spatially localised, and within these localities, redistributional projects are possible. This growth occurs at various geographic scales, from the regional to the global. Clavel & Kleniewski (1990) also reject this narrow conceptualisation of local options and the globalisation thesis that few local opportunities for action exist. In fact they believe that there is now more space not less for local responses. They state that this is especially true in terms of political options for restructuring local political structures and for interventions into both the service and production sectors.

The problem of poor economic growth is also not insurmountable. Although the globalisation thesis is not very optimistic about centres of poor growth, there are other research agendas that take on growth issues. These responses attempt to locate local options within the global changes debate described above. For example Anderson *et al* (1983) and Murray (1991) contextualise the possibilities for local action within the notions of regional restructuring. Thus planning can draw on knowledge of changing global patterns and attempt to create innovative ways of dealing with this change, including altering local institutions to do so.

Kaplinsky (1989, 3) comments:

"The experience of successfully industrialising countries suggests the need for new forms of state-industry collaboration, since market forces alone appear to be unable to generate the thoroughgoing restructuring which is now required. In part this requires the generation of a sectorally-based industrial policy involving close collaboration between the state and the private sector. But it also appears that there is an important role for the district level state, and this has especially significant implications for larger LDCs".

Clearly there are more options than accepting the idea that localities are weak and helpless in a market dominated space economy. It is not clear however what extent new production systems and post-fordism are applicable throughout the world, the newly industrialising countries are exhibiting varying degrees of adoption (see Sidaway, 1990). The globalisation thesis has led to the unnecessary belief that successful cities of the future are those that either adopt a post-fordist manufacturing base, a post-modern / post-industrial consumer economy or "make it appear as if the city of the future is going to be a city of pure command and control functions, an informational city, a post-industrial city in which the export of services (financial, informational, knowledge-producing) becomes the economic basis for urban survival" (Harvey, 1989, 10).

The purpose of this section has been to contextualise some of the forces shaping LED thinking internationally. The globalisation debate has to a large extent shaped the types of issues being discussed. There is no doubt that cities must take cognizance of the vagaries of economic restructuring, the pervasiveness of international competition and mobile capital.

### 3.2.2 The new politics of distribution

Clearly the debate around the specific characteristics of the new international division of labour is of importance to the LED framework. However, a separate aspect of the new urban politics (NUP) thesis holds that these global processes result in, among other features, new patterns of redistribution within cities. These new patterns are not only a new spatial redistribution of investment and production, but also a new social redistribution of benefits. The pressures on a city's administration to attract investment has implications for the welfare or social benefits that communities accrue. The state is changing in its central function and this is most clearly exhibited in the decline of the welfare / Keynesian state, with a concomitant rise of the market as the organising factor.

There is a broad group of researchers who are critical of this new urban development form and believe that it has particularly negative effects on the urban poor (see Leitner, 1990; Leitner & Garner, 1993; Harvey, 1989; Robinson, 1989). This literature is critical of the developing political environment associated with LED initiatives, the new roles of the public and private sectors, the claims made by progrowth advocates and the effect that this new politics is having on the poor and disadvantaged (Leitner & Garner, 1993, 57 - 58). Some critics have noted a change within the social structure, in particular the class structure (Wiewel & Hall, 1992, 398).

Harvey (1989, 12) has no doubt that the new politics are responsible:

"Much of the vaunted 'public-private partnership' in the United States, for example, amounts to a subsidy for affluent consumers, corporations, and powerful command functions to stay in town at the expense of local collective consumption for the working class and poor".

Logan & Molotch (1987, 93 -95) argue that growth is not only **not** a solution for urban poverty and social problems, but in itself can have a negative effect on local communities as it pushes up exchange values, making the city a more expensive place to live.

### 3.2.2.1 The concept of the city

One of the first books to outline a position on LED was *City Limits* (1981) by Paul Peterson. The book evoked a passionate response from the political left as it argued that cities seek to behave like businesses. They try to maximise investment and economic return, and compete with other cities as firms do with each other. The criticisms of this view usually centre on the fact that it treats the city as a unified entity, without divisions or competing interests, especially class divisions (see for example Berkowitz, 1988). Peterson (1981) has conceptualised the city as one in which economic growth is led by an elite and is a public good. This is perceived as being by definition desirable and the ultimate aim of the strategy would be the efficient economic use of resources. A city thus needs to **reduce** social expenditure, this has the effect of attracting capital as it reduces local taxes (see Logan & Swanstrom, 1990).

The response from the NUP has been to argue that the city cannot be conceptualised as exhibiting a unified interest. Proponents of a pluralist model suggest that the city is rather an environment of competing interests (see Stone, 1987, 5-6). This view is by no means accepted by the NUP researchers as a whole. Logan & Molotch (1987) have responded by conceptualising the city as a growth machine. They (1987, 50) define the city as representing secular and particular interests, essentially a place "that can increase aggregate rents and trap related wealth for those in the right position to benefit". Elite groups control access to political and economic power and the city serves to enrich this small group. Clearly there are dominant interests within a city, but the openness of the growth debate can be manipulated, as can the ability of local actors to oppose certain types of development. The concept of a unitary city and that of Logan & Molotch's 'manipulated' city merely serves to remove politics further from urban development (see Chapter Four).

The view by Peterson (1981) is thus not only apolitical, but it disregards the heterogeneity of the built environment and the spatial context in which urban development is played out. Harvey (1989, 5) refers to this in his definition of urbanisation as "a spatially grounded social process in which a wide range of different actors with quite different objectives and agendas interact through a particular configuration of interlocking spatial practices". The built environment has a number of interested parties involved in its development, and although

access to power by these various groups is not equal, neither is the status quo cast in stone.

### 3.2.2.2 Depoliticising development

Central to the criticism of the new politics of urban development is the attempt to remove politics itself from the debate and project development as 'value free', technical and in everyone's interest. If we accept that there are benefits from urban development and that cities have (some) opportunities for economic development within them, then these benefits are obviously distributed according to certain criteria. However, if urban development itself is the priority, then the concept of growth itself becomes pervasive. Keating (1991, 169) notes that "it is hard, except in the most prosperous and congested cities, to appear 'anti-growth'". Growth becomes a public good, the argument is self advancing. Keating (ibid) goes on to describe this process,

"development is presented as a consensual policy area, requiring wide social cooperation and long term stability of objectives and instruments, reducing the scope for partisan, class, ethnic and ideological conflict. Along with this depoliticization comes an enhancement of the influence of private business".

As growth itself becomes a goal, resistance is difficult to articulate. Logan & Molotch (1987) argue that although elite groups may differ over strategy development, strong consensus exists about the desirability of growth itself and the need to dominate the conceptualisation of local government and community. The local state (who need to 'do something' about unemployment) and local progrowth business interests may be the major proponents of growth, but they require broader public support. Cox & Mair (1988, 320) comment that:

"Likewise, careers must be protected, so if the local economy is depressed and upward mobility in the workplace is endangered, people are likely to accede to the blandishments of the business coalition. Local business coalitions promise all manner of concrete rewards for supporting their projects".

These positions also bring into question some central concepts of the limits of the state, and in particular the local state. Leitner & Garner (1993) believe that this emerging pattern is an ideological one, surrounding state intervention and state action. These urban researchers wish to put the local politics back into urban development.

### 3.2.2.3 The effect on administrations

The emphasis of the NUP has resulted in an emerging set of administrative features that focus more on growth and less on redistribution. The new administrative structures associated with urban development allow growth dominated agendas to predominate, while social redistribution issues are pushed back. Warf (1991, 565) comments that the city administrations have moved from issues "of social redistribution, compensation for negative externalities, or the provision of public services, to questions of economic competitiveness, attracting investment capital, and the production of a favourable 'business climate'... planning is hence concerned more with promoting development and less with regulating its aftermath" (see also Harvey, 1989).

The rise of LED and the new politics associated with it have led to a restructuring of local government where economic planning departments are insulated from public scrutiny. Leitner & Garner (1993) comment that officials are often drawn in from the private sector, and that LED organisations have become more private sector oriented. Harvey (1989, 11) describes this approach:

"[The public sector] has thus become much more oriented to the provision of a 'good business climate' and to the construction of all sorts of lures to bring capital into town ... to lure highly mobile and flexible production, financial, and consumption flows into its space. The speculative qualities of urban investments simply derive from the inability to predict exactly which package will succeed and which will not, in a world of considerable economic instability and volatility".

The public sector is assumed to have less skill and experience within this role and especially in partnerships with the private sector. Harvey (1989) argues that in the new role the public sector can end up assuming the risk, while private sector accumulates the benefits (see Leitner & Garner, 1993). In localities experiencing fiscal distress or a high level of social problems this can lead to 'Faustian bargains' in which the public sector has little power (Barnekov & Rich, 1989, 218). There is in particular an emerging culture of privatism & corporatism. This refers to a culture in which "municipalities are drawn into the world of business, governed by secrecy, competition and the ethics of the market place, rather than the political



and bureaucratic worlds of open debate, equity and professional standards" (Keating, 1991, 169).

This new structure buys into the depoliticisation of growth and there is a need to reduce public debate concerning the value and form of growth. This results in a diminishing of democracy. Keating (1991) has found that special agencies are started to deal with growth issues and these are generally screened from public scrutiny. Special funds are formed and there is a general attitude of secrecy. The closer ties between the public and private has also led to questions concerning the spread of benefits from local economic development projects (Rubin & Rubin, 1987).

Administrations can become desperate and in their search for enhancing attractiveness, tend to reduce resources for social goals, ironically this is particularly in cash-strapped localities. Rubin & Rubin (1983, 55) assert that "cities that are poorest - that have the poorest citizens and the highest unemployment rates - are the ones that are spending the most money on expensive and possibly ineffective economic development incentives".

#### **3.2.2.4 The effect on the space economy**

The impact of perceived competition has resulted in a space economy that reduces the locality to a commodity and acts as a self servicing argument for increased incentives. Logan & Molotch (1987, 290) note "[t]he growth dynamic in the system of cities informally puts into practice the philosophy of the enterprise zone: to reduce to a bare minimum the place constraints on the organisation of capital". Harvey (1989) argues that the new attitudes of the public sector fuel this competitive space economy by reducing mobility costs of multinational capital. This occurs as the public sector takes over more and more infrastructural and other locational costs. Harvey (1989, 10) notes that this competition in turn feeds itself and the entrepreneurial needs of a city:

"Indeed, to the degree that inter-urban competition becomes more potent, it will almost certainly operate as an 'external coercive power' over individual cities to bring them closer into line with the discipline and logic of capitalist development. It may even force repetitive and serial reproduction of certain patterns of development (such as the serial reproduction of 'world trade

centres' or of new cultural and entertainment centres, of waterfront development, of post-modern shopping malls, and the like). The evidence for serial reproduction of similar forms of urban redevelopment is quite strong and the reasons behind worthy of note".

### 3.2.2.5 Urban social movements and resistance to the NUP

What can be done to alter the inter and intra-urban competition that this form of development creates? The negative distributional effects of the NUP has sparked a number of critics to suggest resistance. Harvey (1989, 12) for example conceptualises the problem as existing within the capitalist system itself, and suggests that is where it should be approached:

"... it is by no means clear that even the most progressive urban government can resist such an outcome [increasing polarisation of the distribution of real income] when embedded in the logic of capitalist spatial development in which competition seems to operate not as a beneficial hidden hand, but as an external coercive law forcing the lowest common denominator of social responsibility and welfare provision within a competitively organised urban system".

Single city resistance to it is difficult, (as the British attempts illustrate, see below) but Harvey (1989, 16) suggests a "geopolitical strategy of inter-urban linkage that mitigates inter-urban competition and shifts political horizons away from the locality and into a more generalisable challenge to capitalist uneven development". This sounds appealing but he makes no suggestions as to how this would be brought about.

An alternative is to strengthen the political process within the city and to attempt to create a more open political system. Coalitions offer one means of achieving this. Institutions, such as the local government can offer some hope. Robinson (1989) envisages a stronger and broader coalition and with a more even bargaining balance as a possible path of resistance. This is made difficult as previously distributive centred organisations, such as trade unions, become increasingly overwhelmed by the emerging power structure of the market associated with the NUP. The emphasis on employment benefits allows movements such as trade unions to be co-opted into the structure (Cox & Mair, 1988). A negative theoretical framework of

co-optation is not entirely justified as the conditions for joining a coalition may differ widely between localities and environments. There are also institutional mechanisms by which capacity building and greater inclusion are possible.

Opposition groups within a coalition which resist an overly corporate centred distribution pattern could influence these outcomes. However the uneven distribution of power within the city and the pervasiveness of the growth argument are serious obstacles. These movements now unite in an attempt to capture central state funds and snare mobile capital (Keating, 1991). Logan & Molotch (1987, 82) support this view:

"Labour cannot serve the needs of its most vulnerable and best organised geographical constituency because it won't inhibit investment at any given place. The inability of labour to influence the distribution of development within the United States (much less across world regions) makes organised labour helpless in influencing the political economy of places. Labour becomes little more than one more instrument to be used by elites in competing growth machines".

This does not appear to be entirely accurate, however, as opposition groups have been active in alternative forms of growth, such as supporting human resource development, and trying to influence resource allocation. There is a growing resistance to accepting the ideas and policies of progrowth entrepreneurs in some localities. Local resistance and positive participation in decision making are possible.

Other critics believe that there should be a return to more centralized government control (Keating, 1991). In the case of Leitner & Garner (1993) this is seen as a return to a centrally controlled urban relief system. Cox (1993) on the other hand believes that the central state may be a more appropriate vehicle for economic policy.

### 3.2.3 Criticisms of the NUP

There are a number of criticisms concerning the conceptualization of urban development by the NUP theorists, in particular their concept of urban politics.

It is revealing that the politics of the NUP are sterile for two reasons. Firstly, they do not attempt to take on the social distribution of the forces of production. The NUP concerns itself with issues of distribution rather than analyzing the ownership of the economic growth. It is notable that in the United States research has had this distribution focus. Cox (1993) argues that this is for various reasons, including the legal and political structure of local and state administrations and the resulting form of urban development in the United States. The literature exhibits an implicit acceptance of urban development as a 'zero-sum game' and therefore at least a partial acceptance of Peterson's model (1981). Without any focus on production, it misses the potential opportunities within the new urban politics. The British literature explores these issues to a greater degree (see below).

Secondly, it focuses on the external environment of the city and on the negative effects of the global market. The conceptualisation of the global environment by NUP theorists focuses on **verifying** increased global competition without developing alternative strategies for cities, the LED technologies that they result in are the very ones they criticise (except see Cox, 1993, 1993a; Clavel & Kleniewski, 1990). It would appear that if the outside investment market is the reason why cities are struggling to grow their economies, then the only responses are incentives, tax breaks and so on. The focus on globalisation leads to an implicit support for supply-side solutions (see below). The internal political and power structure of the city is not seen as a launch pad for demand-side solutions and other proactive mechanisms to strengthen the local economy. The local government is seen as responding to private sector pressure, rather than planning for their own proposals (Clavel & Kleniewski, 1990). The NUP has ended by characterising urban poverty as inevitable, with few constructive ideas on how to deal with opposition. There are mechanisms to do this. Harvey (1989, 5) for example notes that "given the right circumstances, urban entrepreneurialism and even inter-urban competition may open the way to a non zero-sum pattern development".

The focus on production and demand-side initiatives is usually cast aside by a belief that localities cannot influence job creation, rather only job distribution. Logan & Molotch (1987, 89) assert "aggregate employment is unaffected by the outcome of this competition among localities to 'make' jobs". There is the possibility that new industrial investment in a city can eliminate jobs in another city and in the country overall. This can occur when a company uses the relocation as an opportunity to restructure and become more capital intensive. The argument avoids the fact that there are a number of programmes and interventions open to a city administration and ruling coalitions. For example re-skilling and training programmes can strengthen a city's economic base and support for the small business sector can help to diversify the local economy. The local state can effect policies concerning education, the tender systems and contract arrangements; this serves to broaden the social benefits from growth. Logan & Molotch (1987) do accept that the type of jobs can be influenced as well as using growth to bring marginalised sectors of the population into the economy.

Lastly, it can be argued that the NUP neglects cities that are responding to the challenge of strengthening their economies and are developing mechanisms to deal with regressive distribution tendencies. It can also be argued that the weak conceptualisation of political action within the city and particularly of urban development has closed off the possibility of action oriented critiques from emerging within the literature of the NUP. The 'victimisation' of city residents and the reliance on the 'hypermobility' argument has limited the degree to which NUP theorists can look for demand-side, positive inter and intra-city initiatives to improve local economies. It is within this space that the strategies approach outlined below and in Chapter Four is developed.

### **3.3 Urban development strategies**

The above thesis paints a pessimistic future for poorly placed local communities. The challenge has resulted in two general focuses for LED strategies. The first focus is on improving economic growth within the economy. The second on ways of effecting redistribution decisions and ameliorating negative effects. The trickle down promises of market related models have not been forthcoming and thus the problem of how to constructively engage with this form of urban development is being taken up.

Conceptually there are six ways of distinguishing LED types:

- 1) The supply/ demand model
- 2) the alternative/ corporate model
- 3) the civic mercantilism/ development control/ partnership model
- 4) the consumption/ production approaches
- 5) the progressive approach
- 6) urban efficiency approach

### 3.3.1 The supply / demand model

This argument is taken from Eisinger, in his influential book *The Rise of the Entrepreneurial State* (1988) which investigates state economic policy in the United States. Eisinger argues that states and cities are moving from a reliance on supply-side initiatives to more extensive use of demand-side initiatives. Supply-side refers to initiatives based on attracting investment by lowering the costs of the private sector, in particular production costs, and is based on a model which postulates that capital is mobile and needs to be 'snared'. Investment capital is brought in by encouraging relocation. This is achieved by offering incentives, tax abatements, infrastructure investment, enterprise zones and so on. The problem is that this type of policy has impact on the 'margins' and encourages inter city competition. It focuses investment on a 'zero sum' model (Reese, 1992). The benefits of supply-side approaches are expected to trickle down to local residents.

Demand-side initiatives refer to the encouragement of growth within a locality by creating investment, typically this refers to encouraging indigenous entrepreneurs and creating local demand. Demand-side technology centres around business incubators, venture capital, R&D support, small business support programmes, human resource development and so on. The public sector often intervenes directly in the economy by targeting growth and identifying market niches. It encourages a 'positive sum game' (Reese, 1992). This type of intervention requires a capable and active public sector with access to reliable information and a will to be entrepreneurial.

Eisinger (1988, 228) argues that cities are turning towards a more entrepreneurial role because demand-side thinking

"permits earlier and more decisive intervention in private investment decisions, it helps to avoid the head-to-head competition inherent in competitive location inducements, and it promises to promote real capital formation more consistently than supply-side inducements than run a higher risk of simply relocating existing resources".

The other reasons are that federal funding cuts and the search for comparative advantage has meant that a more inward looking strategy has emerged (Reese, 1992).

This theoretical model has advantages as it seems to indicate a way out of the destructive zero-sum investment game that cities are locked into. The demand-side argument refers to a more acceptable concept of equity and points to the poor results of diffusing growth that the supply-side model has. This implies planning strategically, starting retraining programmes if necessary, and generally being future oriented and building on community strengths (Grant, 1990). Local governments tend to struggle with this approach because of:

- 1) the relative strength of the private sector,
- 2) the erratic behaviour of higher forms of government and
- 3) a lack of skills to deal with economic complexities.

Cox (1993, 19) implies that a move into this type of sophisticated thinking by localities may be optimistic, he states that

"local government and/or urban growth coalitions may be able to attract in branch plants, often by the sort of inducements pilloried by the NUP. [As in supply-side initiatives]. But the vehicles of strong competition are not easily subject to state control and manipulation. Effective competition in the strong sense - the development of new technologies, new products, new modes of organisation - is inherently unpredictable in its location and hence not easily controllable".

In South Africa the civic associations have focused on service and tax issues which refer to the consumption of services. It is likely that they will continue to take on these issues as LED

becomes more popular and battles occur over service costs and provision; and property taxes to pay for LED programmes continue. The trade unions are concerned with these issues and broad production issues and restructuring.

### **3.3.2 Alternative and corporate centred approaches**

This distinction refers to focuses of the local government, but needs to be seen within the context of local power relations and management of that power. It is within coalitions that this occurs. Robinson (1989) contrasts two policy approaches by local government. The corporate approach is a supply-side approach which focuses on real estate as the main growth sector, emphasising the need to create a good business climate. The emphasis is on tax base expansion and job creation is thus trickle down. Robinson (1989, 285) comments that "even public officials who stress the importance of job creation as a means of addressing the needs of the chronically unemployed tend to believe that these needs can be met only by a strategy that focuses on increased investment".

The alternative approach attempts to spread the benefits of growth to a wider number of local residents. The policies also use real estate developments, but with considerations for human resource development. The main aim is to focus on ensuring that the benefits are distributed to those in need. The public sector takes on two new roles: firstly, it is more interventionist; and secondly, it acts as an activist when dealing with the private sector. It needs to address policy making in a more specific fashion and make the alternative goals of any development clearer. The public sector designs technologies that influence private sector investment, these are "efforts to relate economic development outcomes to public policy objectives designed to address specific economic development problems" (Robinson, 1989, 286).

The problems with this approach centre around its' inability to adequately deal with power differences between the public and private sectors. Various studies have noted the problems that the public sector has in sanctioning the private sector. In this regard Barnekov & Rich (1989, 218) comment that "[e]xperience suggests that it has been relatively easy to induce the private sector to participate in local economic development efforts but far more difficult to channel that participation toward publicly defined community objectives". The same authors note that when strict guidelines for social investment are attached then private capital becomes



hesitant (*ibid*). It also takes for granted that the public sector will be able to determine what the socially desirable goals are, especially in projects that the private sector is involved in. The administrative effort required will be intense as each project will have different dynamics, different goals and different power relations. The local dependency of the local administration requires that a dilemma arises concerning the need to enforce distributive clauses and get the project going (Barnekov & Rich, 1989).

### 3.3.3 Civic mercantilism, development control and partnerships

Keating (1991, 164 - 170) outlines these three policy models. Civic mercantilism conceptualises local economic growth as a problem of capital accumulation, "maintaining that the other objectives will be fulfilled if only capital can be attracted." (*ibid*, 164 - 165). The model closely resembles that of the supply-side model of Eisinger. Keating argues that it is not a market model, as a market model would include lowering local taxes, and in urban development that would mean lower local revenues for infrastructure and services, which in themselves are an attraction. It does include the need to selectively reduce planning restrictions, particularly those associated with economic growth. The policies seek to measure growth in fixed capital investment terms, as it is easily measurable and is spatially immobile (as opposed to human resources, which are not. Also see Cox & Mair, 1988). The main thrust of the argument is that the model requires that this type of development occurs at the expense of the wider urban system, in particular distributive demands. As Keating (1991, 169) notes, "where development is seen in terms of mobilizing the maximum of investment capital, the result is increasing social inequality within the city". Resistance to this type of policy development is muted through co-optation or local political restructuring in which public funds are rerouted through special funds or agencies. The benefits are trickle down. Keating (1991, 166-167) notes that civic mercantilism policies are still widespread, especially in the United States,

"since it appears to unite the city electorate behind a common interest, is rather simple to operate and offers tangible results. Social discontent is managed by small-scale side-payments to individual groups or the argument that only the capital accumulation strategy will provide the resources to assuage it."

The 'development control' model seeks to take on the urban development process as a whole through the planning power of the public sector and the ability to engage social resistance through political and popular support. It has been practised in the United Kingdom and France. The political left in the United Kingdom attempted to use it to push for a form of local socialism. It included a central role for the public sector and attempted to draw in previously unrepresented groups (see for example Sills *et al*, 1988; Goodwin & Duncan, 1986; Cochrane, 1986). This power can be used to influence investment patterns towards employment and other local needs, rather than speculative, inappropriate projects and accumulation needs. There have also been attempts to influence the social ownership of the means of production. There is an emphasis on use values, rather than exchange values (see production models below).

Keating (1991) notes three serious problems with this approach due to local governments' lack of:

- 1) the actual legal power,
- 2) the resources to engage in this form of control and
- 3) the information required to engage in LED.

In the United States there has been very little of this form of policy development, due to ideological barriers (*ibid*). Keating (1991, 167) views this approach as unrealistic as "even on the left, the hegemony of market ideology has removed local economic planning from the political agenda. Even if social control of capital were a reality, multiple objectives would still compete in framing development policy". He notes that it has not been very successful in the United Kingdom (see also Pickvance, 1990).

The partnership approach emphasises the mutual needs relationship that exists between business and local government. In particular it focuses on the need for business to maintain political support through employment, investment and a growing tax base. Local government on the other hand provides a regulatory framework and land and services for economic accumulation.

Keating (1991, 167 - 168) however observes that this

"assumes an identity or compatibility of goals which may not always be present, given the divergent logics of spatially - specific need and global corporate competitiveness. Formulating goals and strategies is thus a matter of political negotiation".

The policy approach thus gives the public sector an active role in LED but does not deal with the need for depressed cities to compete with larger incentives and supply-side mechanisms to attract capital and are weaker when dealing with mobile capital. The power of the market has meant that the public sector has leant towards privatism in its attitude in an attempt to work with the private sector (Wiewel & Hall, 1992).

A critique of Keating's partnership model is that it does not differentiate between the concepts of coalitions and that of development partnerships. A coalition can exist without inferring any joint development ventures between the public and private sectors, in which case it acts as a forum to discuss economic needs and policies. Also a joint development venture can occur without a coalition existing and without open public approval, in which case an urban growth machine or regime will exist. (This is discussed further in Chapter Four).

### **3.3.4 The consumption and production approaches**

Broadly there is a distinction within debates that focus on consumption and production oriented problems and solutions. No theoretical work has been done to model this approach, but some theoretical roots can be found in the dual state thesis. Pickvance (1990, 4) describes the dual state theory as reasoning that:

"Government functions are classified as 'production' and 'consumption', and it is argued that the former will be placed at central level and the latter at local level. The assumption here is that production-related functions ... are too important to be left to local government and are best dealt with at national level through discussion between management, unions and the government. ... The argument is that functions such as education, housing, social services and leisure are less important and can be opened up to the wider range of pressure groups found at the local level".

Some criticisms of this model prefer to refer to 'accumulation' functions at central level and 'legitimation' functions at a local level (*ibid*). The basic argument here though is that local governments have had a tendency to be involved in consumption issues and have little experience in intervening in production areas. The following section outlines the basic differences in this regard.

As noted in the NUP, in terms of the consumption of services the new politics have a negative effect on the social distribution of services and benefits of growth. Cox (1993, 1993a), and Logan & Molotch (1987) have for example referred to the fact that collective services are reduced for certain classes. In the past the most apparent and visible point of local government intervention in the locality was in the sphere of consumption. The city provided services to business and individuals and maintained a public group of facilities and infrastructure that had use values for a reasonable portion of the general public. Referred to here are services and infrastructure such as garbage collection, sewerage and even leisure facilities. Although this sphere of consumption has a direct bearing on economic activity, it is not as direct as policies that are now appearing. The new city administrations have a great deal to spend their resources on, from incentives to infrastructure to human resource development to everyday services. These changes have impacted the ability of the local authority to deal with consumption issues, in terms of resources and priorities. In this way resistance to some LED projects has been around their impact on the consumption of services in the city, in particular the loss of services to the local inhabitants, which are offered to outside investors (see Logan & Molotch, 1987). Resources are also lost to local inhabitants in the consumption environments created, especially the post-industrial solutions favoured, often in the form of recreational waterfronts and shopping malls. Harvey recognises that cities are now more interested in affecting the spatial division of consumption. This affects the form of local development as the local state in particular intervenes in the built environment to improve its attractiveness. Harvey (1989, 9) notes that:

"Gentrification, cultural innovation, and physical up-grading of the urban environment (including the turn to post-modernist styles of architecture and urban design), consumer attractions (sports stadia, convention and shopping centres, marinas, exotic eating places) and entertainment (the organisation of urban spectacles on a temporary or permanent basis), have all become much

more prominent facets of strategies for urban regeneration. Above all, the city has to appear as an innovative, exciting, creative, and safe place to live or visit, to play and consume in ... [where] ... spectacle and display become symbols of the dynamic community".

British thinkers have attempted to include and influence the social distribution of the forces of production into the debate to a greater extent. Initial British thinking on LED focused on 'restructuring for labour', rather than 'servicing capital' (Sills *et al*, 1988). Most production issues are still hardly ever directly referred to in terms of progrowth strategies or resistance to such strategies, especially in the literature from the United States. The demand-led model of Eisinger (1988) and the entrepreneurial approach in general does offer opportunities though for local government becoming more involved in production issues on a much more visible level. The British experience of LED has focused to a greater degree on production, in particular The Greater London Council policies, including the London Industrial Strategy (see for example Cochrane, 1986; Cochrane *et al*, 1987). Cochrane (1986, 189) explains the emphasis on production using the London Industrial Strategy:

"Keynesianism is inadequate, says the LIS, because it ignores the importance of production, concentrating instead on a narrow range of symptoms and tinkering with the level of demand. ... It is decisions about production - what is produced, in what quantities and by whom, which determine the extent to which an economy meets the needs of its people".

Clark & Cochrane (1987, 10) place this within a specifically left wing political framework,

"The informed intervention by the state on the side of the workers (or the community) at the level of the firm or sector rather than the level of the economy (on the Keynesian model) or on the basis of nationalisation (on a bureaucratic socialist model) might allow a more fine grained but ultimately more effective process of change, which challenged the market, not by ignoring it (Keynes) nor by trying to substitute for it (old nationalisation) but by playing it at its own game. Processes of production, it was argued, could only be changed by intervening directly at the level of production, in a sort of socialist microeconomics".

The projects themselves often focused on social, as well as economic criteria. They tried to take on issues such as racism, small firm ownership and the development of socially useful products. The production debate has also been linked to the planning of small firm industrial districts. These are related to the success of various such districts around the world, including Emilia-Romagna in Italy (the so-called 'Third Italy') and Baden-Wurttemberg in Germany. These are districts of small firms which operate in similar (often niche) markets with close networks to each other. The firms share resources in information, such as design and production techniques. Their relationships are characterised by both competition and cooperation. The districts usually have an historical basis and a distinct cultural environment. Discussions around industrial districts often include elements of post-fordism and flexible specialisation (See Urban Foundation, 1994; Pyke & Sengenberger, 1992). The specificity of the environments and relationships found in industrial districts has called their use as a planning tool into question. There is evidence that these examples are historically bound to some extent in that they developed from very specific backgrounds with high levels of trust, skills bases, exchange of information, and that the upshot is that they may not be very transportable in the same form to other parts of the world. The empirical basis of the 'hype' surrounding them has also been called into question. For example the often cited models of flexible-specialisation found in Emilia-Romagna may be 'utopian' or "lack real empirical support beyond a few, much cited, illustrations" (Curran, 1991, 169).

It is arguable that the local authorities have shied away from even unpoliticised intervention in production issues because of their lack of expertise and experience in these areas. Although political positions have obviously been important, the political right have been ambivalent about production solutions as this implies more government intervention in what are regarded as private sector matters, although retraining programmes are common. The political left have shown more interest, usually with the focus on economic restructuring, international competition, comparative advantage, job protection and targeting of specific communities. The weakness of this approach is that it often refers to broad concepts such as post-fordism that are not always well defined and are not spread in a spatially even manner. It also tends to focus on manufacturing while the increasingly dominant sectors of the economy are service oriented (Preteceille, 1990). The actual results of these efforts are also not convincing (ibid; Pickvance, 1990).

### 3.3.5 The Progressive approach

Clavel & Kleniewski (1990) have developed a progressive approach that serves to combine the productive concerns of the British thinkers and the distributive and pluralist aspects of the alternative approach. The restructuring process has resulted in far reaching changes in communities, and therefore Clavel & Kleniewski (1990) believe that the community response to this process is important. There is space for community control of restructuring and it need not be left up to the market alone. The same approach is applicable to the change from manufacturing to service based economies. Clavel & Kleniewski (1990, 203) state:

"Places vary in the degree to which they wish or can intervene in the speed of this sectoral shift. It can at least be an orderly retreat, with consolidation in some sectors. This issue also evokes the usefulness of social control: the more sophisticated and equitable the social control, the more likely a long-run adjustment that minimizes human and other resource waste."

Building on the typology developed by Markusen in which cities either go for 'bidding down, bailing out or building on the basics', the progressive approach develops responses by cities (Clavel & Kleniewski, 1990). 'Bidding down' refers to the reduction of production costs of a firm by reducing for example taxes, labour costs and unionisation. These are the supply-side solutions described above. The effect is that local residents lose access to revenue usually used for local services. The logic is that of the enterprise zone or export processing zone, that lowering production costs by reducing benefits to local residents leads to greater investment. 'Bailing out' refers to the deliberate move to a service economy, usually from manufacturing, and usually into leisure facilities, office space or gentrification projects. 'Building on the basics' requires studying the local economy for capacity, to examine what skills exist in the local division of labour, what physical infrastructure is available, and how manufacturing can be restructured to focus on new products and opportunities. It is the public sector, together with community organisations, that must determine socially desirable goals, and programmes to expand markets and organise opportunities for restructuring. This takes the role of the public sector far beyond that of the 'traditional liberal' emphasis on consumption and redistribution (ibid). Thus it is the community and the public sector who play major roles. The model attempts to work with the market and the private sector, but with a balanced distribution of power.

Clavel & Kleniewski (1990, 221 - 225) describe two conditions required for the development of an alternative or progressive approach. These are:

- 1) analytical capacity within the public sector, especially in a non-traditional sense to analyze economic trends and to generate innovative and creative solutions to problems.
- 2) The existence of a strong civic or community based sector, which also has strong analytical and administrative capacity.

Ideally these would form a progressive coalition which draws in a broad range of civic talents to allow structured responses to problems. These approaches rely heavily on the ability to form a strong coalition of interested parties. It requires a high level of capacity from all members, which can be problematic for community organisations and the public sector. Clavel & Kleniewski (1990) comment that in the case of efforts in the United Kingdom, the lack of models to follow and the need for competent personnel to develop strategy has been a problem. It will be argued later that this approach offers some opportunities to South African cities, but also offers challenges.

### 3.3.6 The Urban Efficiency approach<sup>1</sup>

A programme favoured by sections of the political right is the urban efficiency model. The approach focuses on the market, but without the public spending favoured in the urban entrepreneurial model. The World Bank is the major supporter of this approach. It has a neoliberal focus, where local government plays an enabling, but generally passive economic role. The focus is on private entrepreneurship and market forces.<sup>1</sup> In this case the public sector provides technical and infrastructure capacity, while it privatises much of its activities and deregulates the local market. The private sector, community groups and individuals themselves are encouraged to provide the services and shelter required. Urban environments are seen to be over regulated, thus inhibiting economic growth and the efficient functioning of market mechanisms. The local authorities are perceived as having insufficient influence on the local economy, it is thus up to macro-economic policy (possibly through structural adjustment programmes) and large scale intervention to ensure that needs are met. The local authority therefore has very little role in development, although The World Bank has conceded

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<sup>1</sup> This section is taken mostly from Tomlinson, 1994.



that in South Africa, unified local authorities will have the technical capacity to provide services. There is therefore support for such a model being appropriate to developing countries.

Tomlinson (1992, 1994) is very critical of this model. The model has very little space for local initiatives and local delivery mechanisms, and this serves to reduce the ability of locally based organisations to influence development frameworks. This model though makes "no mention of the proactive economic role for local initiatives, ... and also that community organisations are only considered in relation to the social dimensions of the relief of poverty" (Tomlinson, 1992, 97). This centre focused approach would remove power from organisations such as civics, which have fought to protect their constituents and influence policy. Tomlinson also believes that the strength of The World Bank in terms of resources and access to information will mean that the debate over the form of urban development will be decided on a central level. The approach is technically focused and advocates locally based technical committees, although these deal with research and policy development. There is some support for aspects of this approach.

### **3.4 Theoretical frameworks and their uses**

The theoretical framework of the NUP is mostly pessimistic, but as the strategies show, cities are attempting to come to terms with these forces. Some academic researchers are however generally falling into the trap of accepting that nothing can be done to respond to this challenge. Some feel this is a result of the lack of encouraging empirical results. Wiewel & Hall (1992, 397) cynically comment that most academic literature does not deal with possible routes for cities to follow when chasing economic growth because "no one has identified a city that has experienced local economic problems and successfully bounced back in aggregate terms and in terms of a more equitable distribution of benefits". However Cox (1993, 15) comments that the reason is that LED success stories do not receive as much media attention as the problems do. There are also some who are looking at means to deal with the problems, Peter Hall (1989, 281) comments "the fact is that ... this is the only game in town ... Do you join in meeting it, or catcall from the sidelines?".

### **3.5 Conclusion : Local possibilities**

Do the forces of the NUP thesis outlined in section one above negate the potential for manoeuvring by local economic groups and is there space for effective LED initiatives to arise? The strategy approach asserts that there is a context within which cities can respond to this challenge and there are vehicles which can draw this energy and planning together. Cities can combine social forces within them to draw up strategies which would confront these fluctuating conditions. These are coalitions and will be examined in Chapter Four.

## Chapter Four

### Coalitions and the politics of local economic development

#### 4.1 Introduction

It is increasingly clear that fundamental shifts are occurring within urban planning and urban politics. The emphasis and responsibility for economic planning on a local level has challenged our knowledge and understanding of local dynamics. It is apparent from the discussion in Chapter Three that although the general theoretical prognoses are pessimistic, on a pragmatic level cities are actively formulating their own responses. Central to these efforts are often coalitions which seek to create legitimate and co-ordinated local action.

What is it however, that determines the character of the local action? Central to the answer to this question is the political environment in which policy formulation takes place. The creation of a decision making 'vehicle' and the study of it thus needs to become a major focus in LED studies. The most common vehicle is a coalition and thus the study of coalitions within LED is important to broadening our understanding of the local.

#### 4.2 Urban coalitions

Keating (1991, 188) describes a coalition as :

"a place-based, interclass development effort, aimed at enhancing the economic competitiveness of a city. It will comprise the local political leadership together with local business interests. Class conflict is attenuated in favour of business and trade union collaboration to promote inward investment. Partisan divisions are attenuated similarly in the defence of place. Intra-urban political competition and conflict is partially displaced by inter-urban competition for growth."

The emphasis in the definition focuses on the competitive dangers that threaten the locality from outside, while internal differences are suppressed. Jonas (1992) notes that conflict minimization is one of the roles of a coalition and is a necessary step if they are to gain control of the LED process. The main function of a coalition is thus consensus building, and

only once that is achieved can policy be developed. Thereafter, the coalition must develop a strategy to position the city within the wider division of labour (Jonas, 1992). Coalitions can have a diverse membership, can be reasonably open and even rely on public support. The coalition will agree on rules for LED initiatives and members could take part in public-private partnerships. Coalitions should provide continuity, stability and a long term vision for the locality, these three prerequisites being crucial for sustained growth. The coalition does not merely drum up support for a project, it is not a fundraising drive, rather local politics requires that interests are served, opposition isolated and a dominant vision presented (Stone, 1987). One way of suppressing divisions is to present development as 'value free' as noted in Chapter Three.

A coalition differs from an urban growth machine as described by Logan and Molotch (1987). The growth machine must generate support for growth as 'good' and muster public support for this goal, as a coalition does, but these are elite centred. Support needs to be garnered from political and social players within the city, especially the media. The growth machine focuses **only** on rents and the property market for private profits. (The growth machine represents a type of urban regime, and may form an interest bloc within a coalition, so they are a much narrower as a field of focus). The growth machine concept has strong relevance to the United States environment due to a number of reasons. It is important to remember that the complex and fragmented jurisdictional system in the United States, coupled with a speculative urban land market, have been major influences on urban development in the United States and thus on LED thinking there (Jonas, 1991).

A coalition is also not identical to an urban regime, although a coalition may have regimes represented on it. Coalitions are generally more open to public scrutiny, more socially inclusive, have broader aims and can be formalised. Stone describes a regime as "the informal arrangements by which public bodies and private interests function together in order to be able to make and carry out governing decisions" (cited by Vogel, 1990, 111). The term urban regime is sometimes used disparagingly to infer secrecy and hegemony, and imply that the city is somehow 'manipulated' by this group (for examples of this see Leitner, 1990; Logan & Molotch, 1987). This conceptualisation of urban development is unsophisticated and does not take into account the complex nature of urban development (Cox & Jonas, 1993).

Urban regimes and coalitions have similarities in that they are an ongoing 'accommodation' between state and market and there may be overlaps between the economic and political regimes (Jonas, 1992). The urban regime, according to Stone (1987, 273), does not necessarily control political power, but is able to "guide and reshape various forms of interaction, to modify goals, and to alter rules of decision making ... to recast the terms on which key social transactions occur". Cox & Mair (1988, 317) make a similar point in that local coalitions "attempt to recast concepts of local community in a form that better suits their needs". Bassett (1990, 69) argues

"that any local growth or 'accumulation strategy' depends upon a 'social base' of support in the local community, appropriate local 'state structures' and strategies of intervention, and the construction of a local 'power bloc' and 'hegemonic project'. At the local level, the power bloc may take the form of a 'spatial coalition' or 'territorial alliance' of forces drawn from different social classes, which seeks to promote the interests of the area in competition with other areas".

Thus when considering urban development within the new political environment where the state has reduced control, a broad definition of urban development such as the following by Harvey (1989, 6) is required:

"when the real power to reorganise urban life so often lies elsewhere or at least within a broader coalition of forces within which urban government and administration have only a facilitative and coordinating role to play. The power to organise space derives from a whole complex of forces mobilised by diverse social agents. It is a conflictual process, the more so in the ecological spaces of highly variegated social density".

The coalition is the environment in which these alliances occur, but the dominant 'spatial coalition' needs to be able to convince the other members that growth is necessary and desirable. Coalitions form part of a way of dealing with market variations as they reduce uncertainty and risk. Coalition politics is thus about market stability and continuity. For the private sector it reduces risk in terms of profit maximisation and in terms of the public sector it helps to form another entry point into the local economy. There is often pressure on local

government to be seen to be 'doing something' and local politicians look around for allies to draw into this process, the private sector being one of them. The coalition not only looks for private sector investment, but can also be used to attract or qualify for central government funds. Private sector inward investment should not necessarily be seen as a substitute for government funds.

There are various reasons why coalitions arise. Jonas (1991) argues that explanations for progrowth coalitions are either state centred (political) or economic in origin. The state centred explanations hold that local politicians have some power and autonomy to develop LED strategies independent of business, higher levels of government and the local electorate. The economic (or society centred) explanations hold that local actors are constrained by the mobility of capital (*ibid*) (see for example Harvey, 1989, Cox & Mair, 1988). These arguments follow the structure of debates within LED thinking itself. The reality is that different localities face different problems and factors such as the structure of the local economy will influence what explanations would be more applicable. For example the political and institutional structure of local government will determine how much room there is for progrowth manoeuvring. The main economic sectors present and the division of labour within the local economy will determine the type and extent of international influence, for example through the presence of a highly competitive, international export sector. Leitner (1990) argues that the private sector seeks out profits and will be attracted to public sector programmes because they act as a subsidy for profits and reduce risk.

The formation of a coalition is not guaranteed, but rather dependent on local factors. Whereas a local business regime can exhibit stability over a long period, the development of a broader coalition will be dependent on the ability to co-opt various other actors. A weak coalition could occur, this could be due to lack of consensus or to weak members who are unable to take their constituency with them.

#### 4.3 Why study coalitions?

The partial shift of responsibility from national/central government to local government has renewed thinking about local politics. Any concern for local economic development cannot ignore the context in which that policy making takes place. Economic growth is a highly

politicised topic which takes place within a specific framework of local interests. Coalitions act as mediating environments for competing agendas, economic goals and often as a vehicle for a particular policy. The regime or coalition itself becomes a target for political manoeuvring (Stone, 1987). As this is the domain of political conflict, there is no technical answer as how to resolve the conflict between capital accumulation and community needs. Conflict is heightened by the fact that there is no model or technical answer as to how to promote economic growth. Once again the external environment cannot hold the answer to why the city pursues one economic growth path and not another, and whose interests that growth path serves, how the path was chosen and who chose it (Stone, 1987). Stone (1987, 273) comments that "[d]ifferent policy orientations, ... do not reflect different technical calculations about utility maximisation; instead, they reflect differences in politics" (see Berkowitz, 1988; Barnekov & Rich, 1989). Rubin goes further to point out that municipalities are uncertain as to what LED technologies promote local economic development (1990). This results in policies being chosen for political reasons rather than on technical evidence. This tendency goes further, Barnekov & Rich (1989, 231) present a scenario where "local economic development policies that use public resources to stimulate and subsidize private investment are presented and rationalised as economic necessities rather than policy choices".

Vogel (1990) argues that coalitions are becoming a permanent and official part of the urban environment. The urban actors are now formally recognising the interrelationship between public and private sector. The study of urban coalitions has much in common with locality studies as it is the different conditions in each locality that bring variation to the local coalition (although see Cox & Mair, 1988). It is argued here that knowledge about coalitions is crucial when thinking about economic development strategies, and that as Stone (1987) argues, economic development policy is not a technical issue. Kirby (1985, 213) notes that a "progrowth coalition may be a prerequisite for economic development: It is not, however, any form of guarantee of such development".

#### 4.4 Internal dynamics

How the coalition comes together, its internal political structure is part of the character of the coalition, not just the external environment to which it is responding (Stone, 1987). Stone (1987) also argues that a regime or coalition is not reducible to either the members (and their sectarian interests, for example Logan & Molotch) or the structural system (capitalism, for example Harvey and the globalisation thesis) in which it operates. Rather it needs to be explained within a framework of local politics. This framework rejects the idea of a unitary city, that exhibits an obvious unitary interest, as argued by Peterson (1981) (see Chapter Three). This is because unitary models avoid the issues of equity and the complex relationship between the state and market which is played out in local politics. Schneider & Teske (1993, 316) note that in the United States the "local businesses form a natural core for the coalitions necessary to enact and implement a broad range of local policies ... these factors attract politicians, who in turn propose and enact progrowth policies". Local newspapers and other media are important members of a coalition. One role is as an outlet for public displays of solidarity, as these help encourage public support. Keating (1991) believes that the effect of a coalition is more on local politics and public sector priorities, than the local economy. Berkowitz (1988, 355) counters the assertion that business interests dominate by arguing that

"the business power structure is the only interest group that devotes continuing consistent interest to overall city economic development policies. Labour and community groups are rarely interested in the formulation of citywide strategies such as business retention and target industries".

This refers to the United States, although the experience in South Africa is at present possibly different because trade unions are a central part of economic restructuring and in the case of Pietermaritzburg, have been central to the formation of the local economic forum. However it is apparent that few non-governmental organisations and community organisations have the capacity to deal with LED issues, and that business organisations and interests are strong because they are well organised and clear in their demands.

A crucial element in the formation of coalitions and regimes is the presence of a progrowth entrepreneur. The progrowth entrepreneur forms a link between the business community and the political structure (Schneider & Teske, 1993). The progrowth entrepreneur could thus



form the kernel around which a coalition develops. The progrowth entrepreneurs usually come from a private sector background, and although they are housed within a local government department, such as an office of economic development, this department is less open to public scrutiny. Their position is however a political one, relying on their ability 'to turn economic tricks' and convince the political leadership to install policies and tools from other localities, and encourage the local business community to support these initiatives. Schneider & Teske (1993) also found that the existence of a strong local business organisation was associated with a higher potential for a local progrowth entrepreneur to emerge.

Clark has argued that interest groups interact within two types of structured environments within a city, the pluralist or the corporatist model. The pluralist model is one in which negotiations take place openly with other actors and interest groups within the city. This could occur within a forum or coalition environment. The other environment is a corporatist one, where local government structures the type of environment within which consultation occurs, and interest groups consult directly with government. The corporatist model is more often used when the project is specific and only the affected interest groups are included, however when city wide strategy development occurs, the pluralist model is more useful (Berkowitz, 1988). In Pietermaritzburg the corporatist structure was dominant until the formation of the Greater Pietermaritzburg Local Government Forum, wherein the pluralist structure dominates. The pluralist model is therefore closer to the coalition model outlined above.

#### **4.5 Coalition / Regime types**

Stone (1987) has characterised three coalition / regime types in the United States. These are the corporate, the progressive and the caretaker regimes. The corporate regime in the United States serves to promote the major downtown corporations. The objective is to spread development costs and often to target the support to sectors of the economy or to specific geographic areas (for example the support of the construction sector or a downtown district). These regimes support incentives and subsidies to the private sector as a legitimate LED technology. The progressive coalition corresponds to the alternative approach described in Chapter Three and attempts to focus on both accumulation and distribution issues. These initiatives resemble coalitions to a greater extent as a diverse set of views and publics are

present. It concentrates on shielding lower and middle income groups against the more destructive aspects of economic growth policies. Progressive coalitions are not necessarily only concerned with impacted communities, but can also focus on projects that reinforce the broader community through social amenities and improving the quality of community life. This is itself an attempt at improving the long term attractiveness of the locality. Stone notes that these regimes are more open to challenge and thus prove to be more unstable (ibid). The caretaker regime attempts to maintain the status quo, with support often coming from small business and home owners. These regimes do not support incentives of any kind and encourage a less intrusive government. The initiatives are clearly structured around market forces. The progressive coalition regards market forces as being insufficient to distribute benefits adequately throughout the locality. This requires public intervention. The corporate regime considers public intervention due to the markets failure to make certain localities, such as downtown areas, attractive to investment. This is achieved through incentives and subsidies. The caretaker regime believes the market is sufficient, and public spending is wasted on LED projects. They may accept small amounts of public spending on traditional LED techniques, such as marketing and advertising. This is often through publicity associations.

It is important not to simplify these types or to see them as rigid, Stone (1987) comments that regimes and coalitions are complex and should be seen to be based on a number of principles. A city elite will probably exhibit characteristics of various regime types. Jonas (1991) argues that the type of coalition will depend on the extent of local dependence experienced by local firms within the local economy.

#### **4.6 Local progrowth entrepreneurs and coalitions**

The rise of LED thinking has led to the emergence of professional members of the local state or coalition whose responsibility it is to encourage economic growth. Wolman & Stoker (1992) refer to local governments in the United Kingdom more often making use of staff from within the local bureaucracy, although partnerships with the private sector do exist. In the United States the tendency is towards using members of the private sector (usually from the business sector involved in the local coalition, such as the chamber of commerce) or from nonprofit development organisations. The business sector is thus more involved in the

determination of economic goals in the United States.

In South Africa both examples are arising, Durban and Cape Town local authorities have economic development units within the bureaucracy, while Pietermaritzburg is making use of a local group of consultants, with the local Chamber of Commerce and Industries being key players in the local economic coalition (see Chapter Ten).

#### **4.7 Public-private partnerships**

Generally the term is taken to infer an agreement of cooperation between the private sector, public sector and non-profit / civic organisations.

The goal being

"that through cooperation public and private sector organisations can, in many instances, serve their own needs and those of the community more effectively than by working alone. As such, public-private partnership grows out of shared needs and common goals" (quoted in Jacobs, 1992, 198).

It is a recognition of a common 'local dependence'. A distinction can be made between those as decision making environments (for example a coalition or forum) and public-private partnerships as joint ventures (for example a public investment in the built environment jointly with private sector funding). The two are exclusive as a joint decision making environment might never lead to an actual joint investment.

Distinctions can also be made according to how open the partnership is to outside influence. This is characterised as pluralist or exclusivist. Pluralist projects exhibit an openness towards public involvement and it is possible that it even encourage it by helping to develop skills through community capacity building. The goal is informed decision making and professionalism. The local authority can set criteria for aid, this can include the public sector taking some of the profit and/or setting social criteria that the private sector must fulfil (Jacobs, 1992).

#### 4.8 The logic of coalitions

Support for coalitions has been broad, from both sides of the political spectrum. In South Africa the forum environments have been widely supported and can be seen as embryonic coalitions. The apparent logic and undisputable benefit of economic growth has made resistance to coalitions difficult. Political figures need to be seen to support economic development (usually phrased as 'jobs') and to look for opportunities to pass support onto specific communities (pork barrelling). Patronage can become an end itself (as in machine politics), but it is useful as it achieves co-operation. Cox & Mair (1988) argue that the emphasis on employment opportunities resulting from a strategy are a way for the business coalition to pull the unemployed and other groups into the growth agenda.

The Labour Party and the Conservative Party in England both supported coalitions, albeit for very different reasons, as with LED in general. Labour saw it as one of the best environments to extract concessions for the broader social good, especially if the overall strategy for the city embraces community needs as a priority. The Conservative Party saw it as a way of strengthening the private sector.

#### 4.9 Local dependence

A strong internal dynamic for supporting coalition formation is found in the concept of 'local dependence' as formulated by Cox & Mair (1988). In the case of firms, local dependence requires that "for reasons ranging from the immobility of their built environment facilities to the non-substitutable character of their exchange relations, is difficult to reconstitute elsewhere." (ibid, 310). This exists for local people, local business and the local administration (the dependence will differ over space). Cox & Mair (1988) argue that this local dependence requires that a potential for conflict exists as well as the need to suspend those differences so that a united LED strategy can arise. The result is that competition is moved to a higher level, as coalitions then begin to compete with coalitions from other localities. The need to create a 'good business climate' and the need to maintain political support requires that these conflicts are played out within the local administration. This administration is bound to the locality and thus must enter the coalition with its' own set of needs. These needs are not 'neutral' and the state needs to be seen to 'be getting things done'. This is acute when the local economy is undergoing restructuring. The business

community and the administration need each other, but their needs are not the same and thus a symbiotic relationship of mutual exploitation arises. Individuals within the locality are also locally dependent on relationships of regularity, such as employment and so on. Thus people have relationships that are difficult to replicate elsewhere. (Although new forms of dependence - 'modern' - are less so than 'traditional' forms (ibid)). Inter-urban competition places pressure on the identity of the locality and thus a cycle of redefinition occurs, in which the local inhabitants buy into strategies for competition. This increases local cohesion but at the same time weakens the distributive power of local communities. Class conflict is subsumed under the need to create an 'attractive business climate' in which the progrowth coalition has an important role. The progrowth coalition has a powerful position to redefine local identity. Cox & Mair (1988, 319) define a situation where

"[u]nder the aegis of the business coalition order can be brought out of the chaos and the reassurances of the particularly-local somehow re-created. The appeal of this type of local ideology is primarily redemptive, but it allows the business coalition to construct a sense of identity with a locality in which our place is pitted against other places in an ongoing struggle, precisely the business coalition's own vision".

This vision is not without resistance though and conflict occurs. Conflict occurs when the form of local economic development is discussed. Cox & Mair (1988) note that a new class politics of local economic restructuring is appearing around these issues, especially in centres where there is a declining manufacturing base. The business regime reinforces coalition commitment by reinforcing the idea of inter locality competition (ibid).

#### **4.10 A theoretical point of entry**

Analysis of urban development has challenged the liberal consensus view that within (depoliticised) coalitions, there is the possibility of a win-win solution. Urban environments offer winners and losers, and the best that can happen is that there are compensations for losers (see for example Warf, 1991; Stone, 1987). The alternative and progressive strategies described in Chapter Three are to some extent due to this realisation. Warf maintains that planning has had to admit to the existence of various publics, and that these publics win or lose due (partially) to the behaviour of the public sector and growth coalitions. This research

has challenged the idea of businesses privileged position being characterised as a neo-classical market model, rather Keating (1991, 189) maintains we should remember that "[u]rban restructuring takes the form of planned interventions by public-private partnerships aimed at maximising investment". Along with the apparent rationality of economic growth, is the concept of common good. Markets are not responsible for determining or able to work for the common good. This is the result of a political process, to co-ordinate resources for the common good. Stone (1987, 10 - 11) notes though that the 'common good'

"can be used to routinise the domination of one element of society over its other elements ... common good is not a fixed program to which all agree. It changes over time and may be perceived differently by different constituencies".

#### 4.11 Conflict

Clearly though there is conflict both within localities, around use value and services, and between localities, on a level that involves broad processes, such as regional and national political conflicts. It is also clear that broad conflicts, such as inter-urban competition can be used to unite a city, while specific interest groups can form around religion, ethnicity, gender and so on, and can divide a city. Fainstein *et al* have conceptualised the city as an arena for class and racial conflict, rather than the unitary system that Peterson (1981) proposed (in Grant, 1990). However, Keating (1991) argues that development politics in general, and coalitions in particular, blur class divisions and mute ideology. As noted earlier, this is a goal of coalitions, but whether they actually achieve this, is dependent on local conditions (See Cox & Mair, 1988; Leitner, 1990). This means that to have yourself heard, you need to belong to a constituency and have representation on a coalition. In this regard Keating (1991) notes that coalitions usually leave an underclass unrepresented within the society and therefore unprotected from other sectarian interests in local politics. Stone (1987) argues that 'local politics matters' and is central to understanding LED within a locality and how those LED decisions are made, given the politics of the local division of labour between state and market. Within any coalition there are also different needs, and conflict within the coalition can occur between community needs and growth goals and within blocs, as different business sectors have different needs. Cox & Mair (1988, 310) comment that "[d]eveloping a coherent strategy may be a conflictual process given the disparate individual needs of firms dependent on the same locality". Logan & Molotch (1987, 65) assert that issues around

conflict within growth machines occur, but do not ever question growth itself, as "even then, because of the hegemony of the growth machine, *its* disagreements are allowable and do not challenge the belief in growth itself".

There is opposition to ruling coalitions, both locally and nationally, and as such coalitions should not be seen as hegemonic. Competing regimes can take on other regimes for control of coalitions and attempt to take control of the development agenda. Also, competing regimes and coalitions can block developments that a growth regime may wish to push through. A recent example in the United States shows a counter coalition forming and overturning a development proposal. In this case the Disney corporation wished to develop an American history theme park covering a total of 3 000 acres and costing \$650 million in Prince William County, Virginia. The project would cost the public sector a substantial amount, with infrastructure requirements of up to \$300 million, and a total investment of \$2.5 billion over the next thirty years, paid for by Virginian taxpayers, to cover schools and other services. Concerns were raised over the impact that it would have on the local area, which does not suffer from any serious social problems such as unemployment. A coalition of 'environmentalists, historians and locals' have defeated the proposal (The Weekly Mail & Guardian, 4/3/1994 - 10/3/1994; The Weekly Mail & Guardian, 7/10/1994 - 10/13/1994).

It is thus clear that urban coalitions and regimes are temporal. The same city may experience different types of coalitions as they can be challenged and overturned, and thus a city may experience different types of growth and be attractive to certain types of investment at different times in its history.

#### **4.12 The context of local politics**

The importance of global economic processes cannot be seen to dominate local processes, as the global processes are filtered through these local political arrangements (Jonas, 1992). Ultimately, as Grant (1990) explains, LED involves prioritising expenditure in terms of immediate and long term costs and benefits, and in economic and social terms.

It can be assumed though that the LED strategy will reflect the local urban coalition, the representativeness and relative strengths of the members, the degree of local capacity to deal

with issues, to act collectively and influence policy. Jonas (1992, 286) states that coalitions are "related to changing wider divisions of labour and modes of regulation". Hence coalition changes will reflect wider processes within the society. It will also reflect changes on national and regional levels. In South Africa the changing urban coalitions have been related to larger political changes which are challenging almost every aspect of the society.

#### **4.13 Crises and coalitions**

Stone (1987, 14-15) comments on crises, "because coalitions and the arrangements on which they rest are not easily changed, political crises and realignments can be expected periodically, as incumbent coalitions prove incapable of devising satisfactory responses to changing conditions". It is the context in which the coalition works that is important, as coalitions can be relatively stable, but tension exists between popular control and business interests. Resistance to business coalition strategies may arise from work-place related resistance and/or social movements that have their grounding in communities or around issues such as environmentalism (Cox & Mair, 1988; Logan & Molotch, 1987). Also, various members of the coalition may choose to leave, setting up a crisis of legitimacy and representation.

#### **4.14 Negotiation styles in coalitions**

Coalitions and members of coalitions can be involved in various types of processes or styles of negotiation. A study by Grant (1990) describes three styles used in a negotiation between General Motors and Fort Wayne. These are used as a basis for discussion. All three types have been used in negotiations in Pietermaritzburg.

- 1) Secret negotiations between private and public elites. (This has been extended to include bilateral and private meetings).
- 2) The cost-benefit approach and the use of experts / consultants to provide information to both parties.
- 3) Public hearings.

##### **4.14.1 Secret / private negotiations**

Grant (1990) notes that this approach has various advantages. It allows each participant to explore and suggest possible solutions without too much pressure and with less fear of image, position or information loss. Grant (1990) also claims that certain issues require negotiation



in secret as the topic may be controversial and incite conflict. It thus follows that public approval may not be sought for every decision that affects them. It allows participants to discuss issues openly without controversy, to build up trust and allows the elites to prepare for later public questioning.

It also means that the decision making process is narrower, in terms of perspectives and options. The public sector has no protection for a poor decision if made in secret, and the decision would have less legitimacy. The public sector is at a disadvantage because it lacks power in these situations, secret meetings are the domain of the private sector. The public sector cannot bring with it the weight of the public, as Grant (1990, 156) states "[s]ecrecy thus exacerbates the already-weak posture that public officials traditionally have brought to these discussions". Accountability also becomes difficult to impose if the department responsible is shielded from public scrutiny.

#### **4.14.2 The cost-benefit approach / expert advice**

This approach attempts to define projects in a way to make comparison possible. The costs and benefits are measured through a technical process and then a rational choice is made. It allows various options and combinations to be examined. It is useful in levelling the playing field between the various actors, including the public. The provision of a common information base has proved useful in South African negotiating forums where it provides a useful starting point, the studies usually carried out by private consultants.

The problem with this approach is that its methodology is not always clear. Objects that are difficult to quantify are prejudiced, especially those of uncertain economic value, such as environmental costs. It is a technical approach, which promotes the use of experts, and can be negative to public involvement. Technical reports are open to manipulation and can be pushed through as the only solution or as a clear reflection of reality. Consultants themselves are members of the coalition and represent part of the development regime.

#### **4.14.3 Public participation**

Grant (1990) lists the dissemination of information, to receive responses / feedback and make decisions as the rationale for public hearings. More importantly it is to legitimate the public sector behaviour. Once the various views have been heard, the charge of undemocratic decision making is negated. The public sector can also use it to garner support for various options or possibilities.

Experience in the United States indicates that public hearings have little actual impact on policy decisions (Grant, 1990). The problems involve information sharing, the structure of hearings themselves and the types of issues discussed there. The information that is released at public hearings has usually been filtered by other members of the coalition, and besides most members of the public do not have access to alternative expertise or the necessary knowledge themselves to verify statements. Long term issues are difficult to discuss and alternatives are usually not mentioned. The hearings become feedback meetings rather than discussions. In South African forums, issues such as language and technical terminology have been used to keep communities passive or even out of negotiations. Both private negotiations and cost-benefit analysis can have a negative effect on long term planning. Grant (1990) recommends that public involvement be brought forward to strengthen the public sector and make the process more responsive to the public.

#### **4.15 Criticisms of coalitions**

Problems with coalitions relate to the structure and the balance of power. Local conditions reflect the relative strength of each sector and the various actors. However, in general various trends are noticeable. Coalitions place pressure on the already present tendency for the public sector to lean towards a more corporatist and privatist approach. The balance of power between the two parties is not evenly spread and is usually skewed towards the private sector as they generally have more resources and knowledge at their disposal.

There is a trend towards decision making which is less democratic and more in line with private sector confidentiality, although not always, as community organisations could be part of the coalition (see Leitner & Garner, 1993). The public sector lacks power due to the fact that secret meetings mean that the weight of public sanction cannot be brought to bear, and

the public sector has to represent a number of publics, while the private sector represents its own self interest, and is expected to only do so. Leitner & Garner (1993) refer to the existence of reverse leverage, where developers structure a proposal in such way that maximum public subsidy is obtained, often beyond that which is actually required. When there is uncertainty over what to do, there is a shift towards the private sector. In this way development proposals by the private sector have a stronger advantage. Rubin (1988, 250) goes as far as to comment that,

"it seems that public-private cooperation is likely to occur when there is uncertainty about the task to be performed and there is ambivalence on the part of the public sector in terms of either the effectiveness of the technology to perform the task or the values reflected by the use of the technology. When such circumstances exist, and business people and government people are asked to work together, the bias toward business values is reinforced".

The NUP has led to a fundamental shift in the spatial distribution of costs and benefits within the city. Although this cannot be laid at the foot of coalitions, it is felt that coalitions could do more to counteract the negative effects of growth. Coalitions offer opportunities for wider support bases for strategies, better distribution patterns of the benefits and (with some structural changes) an extension of local democracy. Coalitions also offer the opportunity for less democratic decision making and could turn into growth machines if structures are not set up to maintain public involvement. There are also political dangers to coalitions as Preteceille (1990, 45) comments, "[t]he hegemonic obligation to pursue local economic development can result in frustration and political failure."

The representativeness of the coalition in respect to the wider community is crucial. This is usually difficult to achieve even if it is a political goal in its own right. Logan & Molotch (1987, 68) may overstate the case somewhat, but essentially

"growth coalition activists and campaign contributors are not a culturally, racially, or economically diverse cross section of the urban population. They tend to give a reactionary texture to local government, in which the cultural crusades, like the material ones, are chosen for their acceptability to the rentier groups".

## 4.2 Conclusion

The chapter has emphasised the need to understand the politics of local economic development. Coalitions offer an environment for forming co-ordinated responses to local problems. The declining ability of central government to intervene in the economy and increasing inter-city competition are strong coercive forces in promoting coalition formation. Coalitions are thus an important tool for urban developers. An understanding and their limitations is also important. Although they offer these opportunities as a possible vehicle for dealing with development problems on a local level, they will often contain the wider political problems evident in the locality. Thus undemocratic and opaque local government or the existence of a closed local economy will lead to closed and undemocratic coalition structures. Coalitions have limitations in overcoming local political problems, but in favourable conditions offer many possibilities for local economic planning. Chapter Five will look at LED in South Africa and in part at these possibilities for local cities.

## Chapter Five

### Local economic development research in South Africa

#### 5.1 Introduction

South African cities have little experience in thinking about LED in any structured manner. Most incentives that cities offered were through central government level and focused on an outmoded model of regional development which was politically motivated (see Todes, 1993; Rogerson, 1994). These regional incentives were especially important for centres such as Pietermaritzburg who relied on them when developing their own LED systems and incentives. It is only in the recent past that the local economy has become a priority in terms of more structured responses to poor growth. This has proved difficult as the central government allocation of regional industrial incentives had an effect on the way local government conceptualised their local economy. Local initiative therefore usually fell on lobbying central government to make these regional incentives available and/or to expand their benefits. The present emphasis on the RDP has led to a flurry of activity by local authorities to find ways to tap into these funds. (For example the Krugersdorp Transitional Local Authority has been advertising a post in the national press for an RDP Coordinator). The local authorities are thus expected to continue trying to make use of the central government to a large extent, but it is also arguable that localities will need to make more use of local resources. One of the first initiatives to attempt to do this was Durban's Operation Jumpstart, launched in 1991. It aims at being a broad based coalition made up of the public, private and community sectors (see Robinson & Boldogh, 1994). Up until this point however the public sector had had little experience in LED thinking.

#### 5.2 Competition, boosterism and the 'good business climate'

South African cities have also not been able to compete extensively as regional government has controlled the ability of cities to provide incentives and generate their own revenue. There are signs that a more competitive space economy is emerging as cities become more intense with boosterism as they join regional and sub-regional marketing associations and in some cases are considering more sophisticated strategies. The use of the media in re-imaging has become extensive in attempting to propel localities into the 'New' South Africa. Cities such as Pretoria and Springs have been advertising extensively on national television, and have

taken on significant advertising budgets. Pretoria, for example, is investing R1.2 million in a new image (Weekly Mail & Guardian, 19/11/1993 - 25/11/1993) (see also Tomlinson, 1994).

The need for a 'good business climate' is becoming more important as political leaders attempt to attract investment. President Mandela has said: "We would like to create a climate conducive to foreign investment through stable, consistent and predictable policies" (The Natal Witness, 17/2/1994). Labour and political leadership are at odds over this policy and PWV premier Tokyo Sexwale has, for example, intervened in several labour disputes in his region. He plans to make the PWV the most "investment-friendly environment" in South Africa (Weekly Mail & Guardian, 4/11/1994 -10/11/1994). Trade unions are correctly concerned that this may take the form of 'bidding down' production costs, in particular through lower wages. This race for investment has support from various political persuasions. The IFP believe that the Natal-KwaZulu region needs to attract foreign and local investment through 'business friendly gestures', including mechanisms such as free port status. Mr Gavin Woods of the IFP notes that "We are looking at attracting foreign as well as local investors. We believe that after a year there will be a relocation from the PWV to KwaZulu-Natal. It might not necessarily be so much a case of companies being scared out of the PWV but rather being attracted here by the incentives being offered. We certainly intend being business friendly" (Sunday Tribune, 15/5/1994).

Many cities are thus rushing into the field, often with disputable expertise. The belief seems to be that competition is high and speed is of the essence, the result being that imitation becomes rife. There is a noted trend world wide for cities to monotonously reproduce urban development projects (see Keating, 1991; Harvey, 1989). Competition escalates for the same development initiatives, and planning becomes imitation. For example, the Durban waterfront developers have been alarmed by the prospect of a public-private initiative in the bay waterfront area of Port Elizabeth overtaking Durban's plans to develop a similar venue (Sunday Tribune, 5/9/1993). The implication is that all coastal cities need a waterfront as a prerequisite for economic growth and that those who get them first are somehow economically better off. This is also in part a result of the infatuation with the post-industrial city and the rise of the service economy (usually expressed in South Africa as an interest in the tourism

industry). So far the tendency for South African cities is towards more formula responses, such as the "limited and derivative strategies" of Operation Jumpstart (Robinson & Boldogh, 1994, 212) and the indistinguishable boosterist and incentive strategies of other centres (Urban Foundation, 1994).

The desire for quick solutions to economic problems could delay the development of more long term sustainable and effective strategies. When there is a high level of confusion as to what works, the result is that jobless growth occurs, jobs are displaced, public monies are used for inappropriate projects and politicians chase quick, high visibility projects. In terms of South African cities it is arguable that incentives in the past have been simple and direct, and that more complex LED systems have not been implemented partly because of a lack of technical skill on the part of local bureaucracies. Supply-side systems such as locational incentives are more routine and much simpler to administer than demand-side systems such as incubator projects, and entrepreneurial and skills development programmes. The result is that these more sustainable programmes may receive less policy attention due to their complex nature.

### **5.3 A rising tide of privatism**

There is a rising tide of privatism in South Africa. The weakened capacity of the central state to provide the extensive welfare services required to deal with apartheid's gross inequalities has pushed more of the responsibility onto the private sector and urban environments themselves. Clearly, local governments and the private sector are having to compete for investment in an entirely new way. There appears to be a rising level of local independence to go about LED (Rogerson, 1994). If this process centres around advertising and incentives it leads to greater levels of competition, rather than sustained development. Barnekov & Rich (1989, 217) warn that a "dilemma for local public officials is that once the game of economic development begins, it is difficult to avoid playing".

### **5.4 The new politics**

There has been a substantial development of forums on the local and national levels. These deal mostly with distributive issues, such as single tax bases for cities, service extension to previously neglected areas and single city administrations. The existence of locally based

civic associations has maintained a steady focus on distribution arrangements. The existence of the National Economic Forum and regionally based economic forums has in places led to the formation of local economic forums. The appropriateness of the popular boosterism activities and the general lack of skills to implement LED strategies appears to be receiving very little attention. An interest in production issues is coming from trade unions, coupled with a concern for international competition, productivity levels and the ownership of production among other concerns. The transition period has opened windows of opportunity for various actors to become involved in development planning, but a lack of skills and appropriate local structures is posing a problem. The lack of clear policy is related to the central state undergoing transition, and in many cases a weak local state (for example in Pietermaritzburg, see Chapter Eight). However, it is predicted by Rogerson (1994) that the new local initiatives will remain a feature of the emerging post-apartheid space economy and that these initiatives will resist a move to another 'top-down' regional policy.

### 5.5 Whose urban policy?

This is the title of a section in Tomlinson (1992) and underscores the fact that the new urban policy environment is still fluid. Tomlinson (1992) notes that organisations such as The World Bank with their emphasis on urban efficiency may make local efforts redundant by emphasising the need for central government macro economic reforms and the reliance on the market on a local level. However there has been a substantial 'localising' of wider economic debates, especially around service consumption and there could possibly be mass based resistance to such programmes (ibid). The form of the new urban economic development has not been finalised and various models of LED are being tested on local levels. It is crucial that these emerging LED programmes are examined to ensure that appropriate use is made of scarce local resources. One possible reason for the lack of coherent policy is that the local authorities are expecting the Reconstruction and Development Programme to dominate this agenda.

### 5.6 The Reconstruction and Development Programme

The African National Congress have released a document, *The Reconstruction and Development Programme* (1994), framing their vision of future policy in South Africa. It has influenced many of the debates concerning future urban policy. The problem of poverty and



uneven development in South Africa is acute (see Tomlinson, 1994, Chapter Two). The central level of government cannot be expected to resolve all the problems and it is becoming clear that although macro-economic policies can provide a framework for growth, it is at the local level where intervention will be essential. This local level restructuring is being profoundly affected by the pervasiveness of the RDP. Through the new found legitimacy of leftwing organisations and national negotiations, the new politics of urban development is pushing previously antagonistic actors together in forum environments to forge alliances that will promote economic growth. A twofold strategy approach is appearing in which local governments seek to reorganise their structures to make more use of local competitiveness and at the same time a race is developing to capture central resources.

### **5.7 The structure of the national economy**

An important factor in LED is the level of competition within the country and the degree of capital mobility. South Africa has a highly centralised economy which is dominated by monopolies with a reliance on primary sectors and heavy industry (see Joffe *et al*, 1994; Gelb, 1991). This may limit the ability of local governments to manoeuvre and attract growth to their locality. The implication is that incentive and boosterist strategies to attract South African capital will result in a high level of inter-city competition and the shifting of jobs from place to place. An important issue is also the skewed ownership of the forces of production. This pattern goes far beyond the nationalisation debate into the ownership and existence of small business. It is therefore argued that local government needs to look towards demand-side strategies that enhance local economic diversity and broaden the economic base for growth.

### **5.8 Global competition and South Africa**

The new global market requires new competitive advantages. These rely less on low wages and more on new production techniques and on product quality, niche markets and a well developed skills base (see Kaplinsky, 1993). South Africa has experienced a poorly competitive economy, particularly in terms of manufacturing (see Black, 1991; Kaplan, 1991). In this light the local economic forums will also need to look at restructuring of the local economy to ascertain the impact that GATT (General Agreement on Tariffs and Trade) will have on local industry (Sunday Tribune, 14/11/1993). For example this is especially relevant

to the clothing and textile industries (ibid). The emerging global economic order is not reliant on low wages as a competitive edge and therefore South Africa will need to develop new bases for competition (Cox, 1993a; Kaplinsky, 1993). The ANC is aware of these problems of global economic integration and of international competitive pressures and states "[t]he recent GATT agreement has necessitated painful adjustment in certain quarters, and policy should aim to reduce and share out the impact of that adjustment while at the same time promoting efficiency" (ANC, 1994, 88).

### **5.9 Thinking about policy options for South African cities**

A local economic debate is beginning to emerge amongst South African academics and policy makers. This is closely tied to some of the choices that city officials and urban managers are facing. There are examples of various types of models being pursued. Different organisations are advocating different 'bundles' of technologies to influence local economic development. Most groups favour an eclectic variety of technologies, which vary from highly interventionist local state approaches (see for example Planact, 1992) to more market related analysis (see for example Wesgro, 1992). The Urban Foundation (1994) and Smit (1992) have come out in favour of an eclectic policy framework that incorporates various aspects of the different approaches.

In a scoping exercise for the City of Durban, Smit (1992) makes the following points concerning a LED framework:

- ☐ There is potential for creating capacity on a local level to deal with economic change and restructuring.
- ☐ Related to this is the current imprecise understanding of the local implications of macro economic policy.
- ☐ Smit (1992, 3) refers to Harris (1991) who recommends "local intelligence units to monitor world and national trends, consider their implications for localities, and feed information into the decision-making and planning of local enterprises".
- ☐ The local authority must be a facilitator and a leader for appropriate action. It must work within a broad framework that includes other members of a coalition such as the private sector, the universities, development agencies and so on.
- ☐ For Durban to lobby central government in terms of a favourable macro-economic

policy.

- ☐ Smit believes that the urban efficiency approach is not without merit, and in the case of Durban states that in particular the focuses on removing constraints to improved urban productivity (spatial and regulatory) and infrastructure (maintenance and development) are useful. This is particularly relevant because of the economic inefficiencies of South African cities (ibid).
- ☐ Institutions involved in urban management are weak in many areas and a change in attitude towards a facilitative role is required. Thus a part of a LED strategy would be capacity development.
- ☐ Investigate the adequacy of the financial sector servicing urban development.
- ☐ Smit recommends that ultimately some form of local state entrepreneurialism should occur, possibly in some form of public-private partnerships. High levels of local state intervention have been effective in some countries such as Japan and Italy (ibid).
- ☐ In particular the local state can assist in research into specific economic sectors which are relevant to the local economy. A well staffed and competent public sector can play an important role in this regard.
- ☐ The local authority can emphasise labour intensive operations and a better spread of resources to encourage 'growth through redistribution' (ibid).

Local government is going to have to decide whether to develop a role as facilitator and catalyst in the local economy or one of more direct intervention (ibid). Whatever policy option emerges two factors will have a crucial effect on development. One is the need to tackle past inequalities and the other the spirit of negotiation embodied in national and local forums.

### 5.10 Towards a progressive strategy in South Africa

The poor track record of trickle down approaches is leading to more direct interventionist strategies being suggested which facilitate the distribution of growth benefits (Smit, 1992). Tomlinson (1994) favours a more progressive approach and emphasises the role urban coalitions can play in this regard. The aims of the RDP and the occurrence of local government and local economic forums offer widespread opportunities for this type of approach. The spirit of the RDP attempts to combine the goals of growth and redistribution

within a single framework (ANC, 1994). The stated goals including an elimination of poverty and inequality, addressing imbalances and structural problems in various sectors, and the addressing of spatial inequalities between regions (ANC, 1994). Government intervention in the economy will be selective and in line with other actors in the society. The idea of public - private partnerships and the new economic order is inherent to the policy programme. A stated aim is to "foster a new and constructive relationship between the people, their organisations in civil society, key constituencies such as the trade unions and organised business, the democratic government, and the workings of the market" (ANC, 1994, 81). The programme commits itself to sustainable, local development strategies which focus on institutions for development and demand-side solutions:

"In order to foster the growth of local economies, broadly representative institutions must be established to address local economic development needs. Their purpose would be to formulate strategies to address job creation and community development (for example leveraging private sector funds for community development, investment strategies, training, small business and agricultural development etc.). If necessary, the democratic government must provide some subsidies as a catalyst for job creation programmes controlled by communities and/or workers, and target appropriate job creation and development programmes in the most neglected and impoverished areas of our country. Ultimately, all such projects should sustain themselves" (ANC, 1994, 81).

The document goes on state that the previous national incentive scheme will not be simply removed, but rather where applicable it will maintained. The RDP supports open local authorities where "administrations should be structured in such a way as to ensure maximum participation of civil society and communities in decision-making and developmental initiatives of local authorities" (ANC, 1994, 131). It also recognises the need for capacity building in many communities. It supports multiparty policy forums as the means for democratic and inclusive decision making, at all levels of government. This approach closely resembles that of the progressive approach outlined in Chapter Three.

### 5.11 Problems with the progressive approach

Two problems emerge with the progressive approach. One refers to the legitimacy of emerging structures and the other to the capacity of community based organisations to effectively function within them.

Tomlinson (1992) comments that the new coalition style of local planning is still untested and warns civics to establish the viability of such structures before committing themselves to them and to ascertain what their role would be within them. Another major concern is whether the community based organisations will be able to deliver the sophisticated organisation required to deal with local government, labour and the private sector (see for example Tomlinson, 1992). It is also unknown how long these local forums will last and to what extent the local urban policy agenda will remain open to public scrutiny.

A warning is made by Schreiner (1993, 70), who, although supporting the institutionalisation of forums, comments that:

"In all honesty and with the notable exception of business and labour organisations, the institutions of civil society are indeed very weak. The years of struggle against 'apartheid' have brought much creativity and determination but not the experience of building and managing more permanent, open and mass based structures".

### 5.12 Conclusion

The movement towards LED strategies by South African cities has important implications for the future functions of local government. The need to address post-apartheid inequalities could however be undermined by the increasingly corporatist approach emerging in the local state. The existence of local forums could lead to the formation of progressive urban coalitions in certain areas, these forums could provide frameworks in which both accumulation and consumption/production issues are discussed. The present political environment provides such an opportunity. However, as a basis for understanding the possible prospects for such strategies, it is important that we have an understanding of the processes that influence LED policy making.

## Chapter Six

### The Pietermaritzburg political economy

#### Early regime politics

#### 6.1 Pietermaritzburg : local economy and society

Pietermaritzburg is situated in the Natal-KwaZulu region of South Africa and is the regional capital (Fig. 1). The city has suffered severe development problems including ongoing political violence and a growing unemployment problem. It has an estimated population of 256 000, with the adjacent (mostly African) rural-periphery of Vulindlela having an estimated population of 235 000 (DBSA, 1991, 21) (Fig. 2). The unemployment rate for the Pietermaritzburg borough is given by the Development Bank of Southern Africa (DBSA) (1991, 23) as 14.9 percent and for Vulindlela as 34 percent, however more recent estimates for the greater Pietermaritzburg area range from 40 to 50 percent (estimate by the City Council and the Chamber of Commerce and Industry (COCI)) (see The Natal Witness, 29/7/1993). A major obstacle in the development of local policy has been the fragmented administrative structure, as there have been ten administrative agencies responsible for planning within what is a relatively small area (Wills, 1991) (Fig. 2).

In terms of sectorial strengths (given in percentage of regional gross geographic product) the economy of Pietermaritzburg has finance (12.6), services (12.1), commerce (10.8), transport (7.8) and manufacturing (6.4) as its major contributors. The city contributes 8.3 percent of the total regional gross geographic product (DBSA, 1991, 27). The manufacturing sector employs some 25 000 people (Hickson & Oldham, 1992). In 1986 a PMB 2000 document stated that 41 percent "of all employees in Pietermaritzburg are employed in some State department" (PMB 2000, 1986, 30). There were only 21 percent employed in industry (ibid). The relative size of the manufacturing sector belies its importance in the local political economy. The successful representation of manufacturing interests in the COCI has led to them being important progrowth activists. This has been aided by the manufacturing focus of the Central Government incentives.

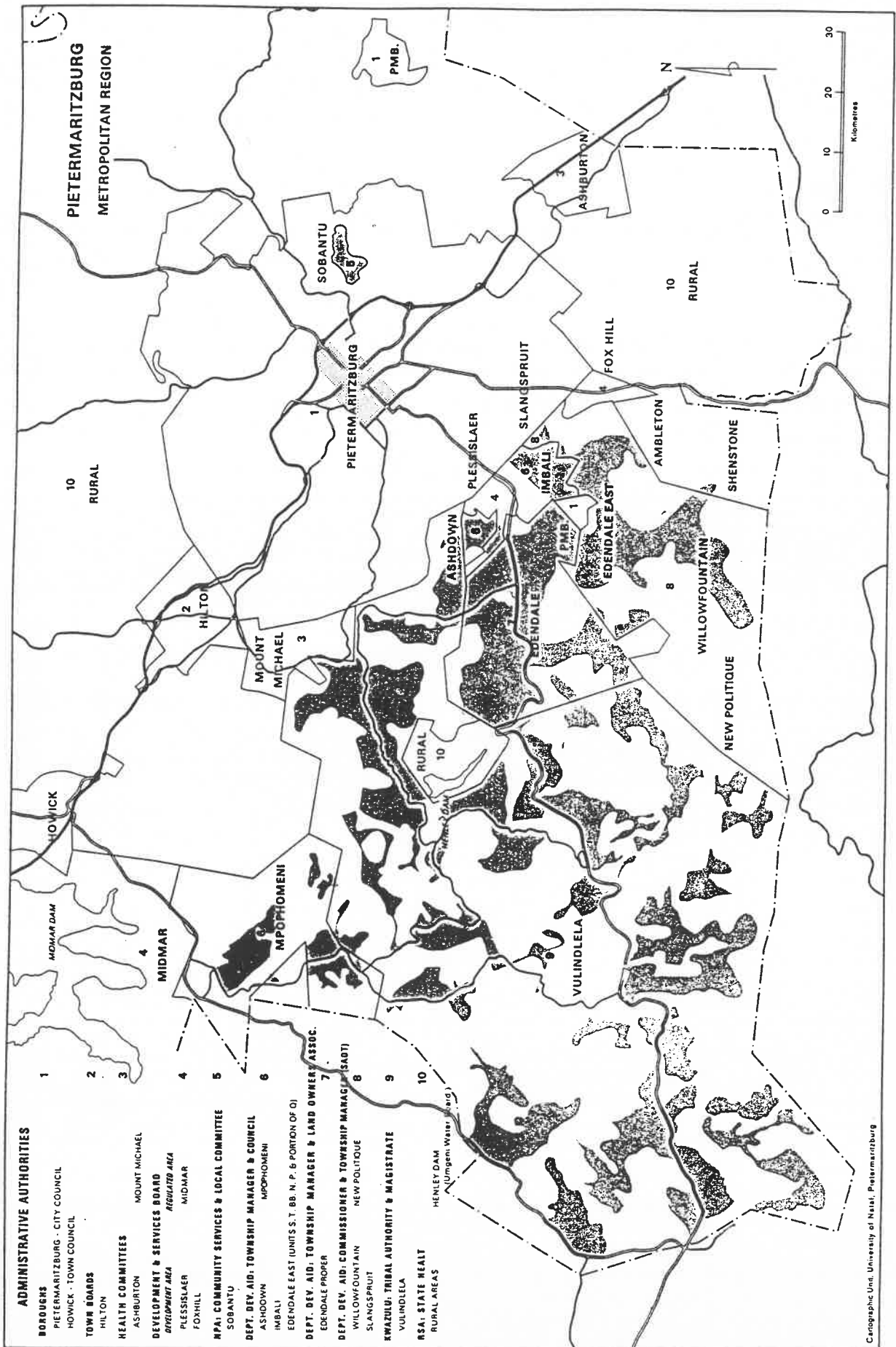


Figure 2 : Pietermaritzburg and environs areas and administrative structure  
(Cartographic unit, University of Natal, Pietermaritzburg)

## **6.2 The development of the political economy**

In the period after the Anglo-Boer war the economy suffered a business depression, and in 1909 the City Council set up a Commission to investigate the possible promotion of industry in the city. The Commission was made up of councillors and businessmen from the local Chamber of Commerce (COC). One request was for the Council to investigate the possibility of attracting overseas industrialists. Although nothing came of this Commission, Torino (1988, 144) notes that this effort was important because "it did establish a precedent for future political intervention in the local economy". The Council was already following an international trend at this stage as boosterism programmes emerged in the United Kingdom and the United States at this time.

It was in this period that the dual personality of Pietermaritzburg became apparent. The city has an important role as an agricultural service centre, an educational and administrative centre, and certain interest groups wish[ed] to maintain this focii. The struggle between these views became apparent as early as 1909 when the City Council, although "not averse to further industrial growth, ... was apparently more orientated to maintaining Pietermaritzburg as an educational and administrative centre" (Torino, 1988, 144). This set up a struggle between an emerging industrial growth bloc and a caretaker regime that was to become a permanent feature on the local economic agenda. By this stage "[t]he City's businessmen, however, were keen to consolidate their power as an interest group" (Torino, 1988, 144).

In the period after the First World War a sub-committee was set up to investigate industrial development in Pietermaritzburg, and an electricity and water concession was offered to new industrialists for their first five years. The Council continued its role in this regard, while the Chamber of Industry on the other hand restricted their role to becoming involved through representing their members and their interests (Seethal, 1993).

### **6.2.1 Selling the city**

According to Torino (1988) a turning point was reached by 1933, when the City Council decided that a separate Industries' Committee be formed to specifically look at encouraging new businesses in the city. The committee was made up of three members from the City Council, one from the Chamber of Industries, Commerce and one from the Publicity



Association. This group released a brochure called *A City of Industrial Opportunity*, but "[d]espite these efforts, there was no marked upsurge in industrialization" (Torino, 1988, 145). The view of the city as an agricultural, administrative and education centre was still widely held, although it has waned substantially in later years. According to Torino (1988) the earlier resentment of industrialisation on the part of the Council was partially because of the high costs involved with planning, laying out and advertising the industrial sites. Under the Mayoral guidance of Mrs Russell, the City Council during the early 1940s was seen as anti-industrial. This attitude coupled with a desire to limit city growth leads to the City Council being characterised as a caretaker regime. Caretaker regimes typically resent spending public resources on development as growth benefits are not clear to the members. The use of boosterism is more acceptable as the city as a whole is usually promoted and the money seems better spent. In this case the historical character of the city and the non-industrial sectors were well represented. (Seethal (1993, 35) notes that by this stage the industrial base of Pietermaritzburg was "fairly well diversified" anyway). This period up to the mid 1940s had been important in setting the basis for "a harmonious working relationship between the Council and the COI [Chamber of Industry] with regard to industrial promotion, [although] there were no moves towards the formation of a progrowth ruling coalition amongst the city's elites" (Seethal, 1993, 36).

During what Seethal (1993) calls the second wave of industrial development between 1945 and 1964, Pietermaritzburg went through some growth in the period of 1950 to 1954, but generally, this growth was not sustained. The period was however marked by the Chamber of Industry "exert[ing] tremendous pressure on the local state to pursue a vigorous industrial growth policy ... a role strikingly different from that adopted by the COI during the first half of the twentieth century" (Seethal, 1993, 37). Torino (1988) and Seethal (1993) give the following reasons for the change of approach:

- 1) industrial growth occurring in other areas of the country was not being experienced in Pietermaritzburg and that there were fears that the local economy could stagnate.
- 2) The peri-urban areas around the city were experiencing a wave of black population growth (especially the Edendale - Vulindlela area), and Torino (1988, 147) claims that in these areas the "Council was forced to acknowledge

that genuine grievances such as unemployment and overcrowding did exist".

- 3) The city did not have much serviced industrial land available.
- 4) The City Council was still being particular about the type of industry it wished to see come to Pietermaritzburg.
- 5) The city was also unattractive to industry because of high electricity costs,
- 6) There was a shortage of housing.
- 7) The city struggled to retain young people who left to work elsewhere in the country.

The local Chamber of Industry then became involved in trying to get the Council to make Pietermaritzburg more active. Mr D.G. Sutherland, a past COI president, is quoted in Seethal (1993, 38) as saying "[i]f Maritzburg wants industrial development it must accept the fact that as a city it is in competition with others having greater industrial advantages, so that only an active and progressive policy will achieve success" (original in Natal Mercury, October 15, 1957). These are typical progrowth arguments emphasising the competitive nature of the space economy and the need for cities to offer benefits to attract growth. Also, the growing unemployment would have provided an ideal basis to promote growth as it would be in the public interest. The COC recommended that the city advertise nationally and internationally (Seethal, 1993). It appears that the Council were not responsive to the call and it took the entire period up to 1963, with the Chamber of Industry pulling in the Chamber of Commerce, the Pietermaritzburg Junior Chamber of Commerce, the local media, and the Ward 1 Ratepayers' Association, to try to achieve a more active boosterist strategy (Seethal, 1993). A progrowth coalition spearheaded by the COI, using community boosterism as a base, had failed to pull the City Council in with it, "[t]he City Council had yet to be transformed from its preoccupation with managerialism to a focus on entrepreneurialism" (Seethal, 1993, 43).

The Council in the interim was not entirely ignoring industrial development. It believed that it was providing adequate support for inquiring industrialists, publicizing the industrial opportunities and promoting growth for Pietermaritzburg. The City Council had appointed a group of consultants to publicise their industrial potential nationally and internationally. These efforts were partially due to pressures from the COI noted above (ibid). The measures

adopted by the City Council were typical of a caretaker regime not willing to engage in growth regime politics. Caretaker regimes typically have minimal spending patterns and can only justify broad progrowth strategies such as the advertising and marketing of the city.

### **6.2.2 Border Area concessions**

A way of achieving a competitive advantage for a city is to engage resources from the central government. This allows the local state and the progrowth regime to avoid conflict over fiscal local dependence (Cox & Mair, 1988). In 1963 Pietermaritzburg was declared a Border Area, allowing it to offer concessions (through the central state) to industries that wanted to settle in the city. These initiatives were the result of "prolonged negotiations with the central Government" (Torino, 1988, 147). The prime motivator was that other centres, such as Hammarsdale, which enjoyed incentives at the time, had a distinct advantage. The Council had by 1963 embraced more of a progrowth strategy, but then discovered that the required funding was not available locally, so that projects could not proceed (Seethal, 1993). Central government funding is obviously more acceptable to a caretaker regime. The Central State's support, garnered through the Industrial Development Corporation, would be used for offering incentives to establishing industrialists and for the development of land and buildings (ibid). Seethal (1993) also notes that the Council started to think about developing land itself at this stage, for letting to industrialists. It became the first local authority to plan for the development of commercial and industrial space for letting to the private sector. The achieving of Border Industry status was important as it allowed the local government to become more active, and a brochure was published to improve its advertising campaign. The City went on to advertise throughout South Africa. An official who was overseas at the time attempted to promote the city there, and importantly discovered that "Pietermaritzburg was lagging behind other South African centres (eg. Durban, East London, Germiston, Springs and Brakpan) in actively promoting itself in Europe as an industrial centre" (Seethal, 1993, 50). This period of industrial development was characterised by the establishment of a number of industrial areas and new projects, mainly through the City Council being able to attract outside funding, and influencing the central state to extend the concessions to include Indian and coloured entrepreneurs (for setting up factories near their own group areas) and for the employment of Indians and coloureds in 1965 (Seethal, 1993).

The phase of Border Industry incentives provided a strong basis for development. This phase was very successful, and between 1969 and 1970 some 33 industrial sites were sold (Torino, 1988). The City Engineer complained, in 1966, that the focus on industrial sites "was becoming potentially detrimental to the maintenance of other essential services in the City" (Torino, 1988, 147). However, these Border Area incentives were withdrawn in 1970, and by 1972 the Pietermaritzburg economy was starting to lose momentum, added to by a recession (*ibid*).

### 6.2.3 The progrowth agenda

The nature of local politics between 1965 and 1979, in what Seethal (1993) describes as the third wave of industrial development, changed in fundamental ways. During this period the COI and the COC had become involved in local politics to the point where they were actively supporting candidates who were "most likely to promote the interests of the economic elites in the city" (Seethal, 1993, 51). Seethal (1993) also sees this as a sign of emerging regime politics, between the business elites, the Council and the bureaucracy, and argues that the Council now became clearly progrowth. A disagreement that did come out during this period, and has continued, was the COI objecting to the sale of industrial land by the Council at below market rates. Seethal (1993, 55) sees this as an admittance that "the city's ordinary property taxpayers were [being] called upon to subsidize the costs of the development of land and other services in the interests of industrial capital". The use of City finances for servicing industry through selling cheap sites and providing serviced sites certainly suggests this (*ibid*). The justification for the progrowth emphasis was that it would result in the escalation of employment opportunities, with particular reference to the growth in the population in the Edendale and Vulindlela areas. Seethal (1993, 57), however, sees this involvement in the physical infrastructure as a necessary part of the development of a "spatial fix" required for capital accumulation by business.

The local economic development technology used was clearly traditional and supply-side, with 'business friendly' gestures by Council. For example in 1969 Mayor Woods stated "[t]o future industrial undertakings, let me say that the firm hand of friendship and opportunity awaits you in Pietermaritzburg" (Quoted in Seethal, 1993, 54). It also included advertising at the Permanent South African Industrial Exhibition and allowing a Councillor and the Mayor

to visit other centres.

#### 6.2.4 The CCDPR coalition

The period of 1979 to 1993 is seen by Seethal as the fourth wave of industrial development. In 1979 a group was formed to make use of an apparent upswing in the economy, made up of representatives from City Council, the Afrikaanse Sakekamer, Chambers of Commerce and Industry, the Development Boards, and Members of Parliament. This group, known as the Co-ordinating Committee for the Development of the Pietermaritzburg Region (CCDPR), was the first real example of a broad based business regime thinking about economic development. The prime motivator was the Chamber of Industries and meetings were held on their premises (Findlay, pers. comm., 1994). The reinstatement of central government concessions were an important goal and it achieved this in 1982. The local newspaper, The Natal Witness commented in 1980 "[f]requent representations to the authorities to have these concessions reinstated must remain the vital factor in the industrial sphere over the next decade" (Supplement to The Natal Witness, 29/8/1980). The reinstatement was achieved by lobbying senior Cabinet Ministers, "by inviting them to address dinners, banquets or special lunches. The moment the Minister concerned arrived in Pietermaritzburg he was popped into an aeroplane and flown over the greater Edendale valley" (Findlay, 1988, 2). The fear of mounting unemployment and the possible resulting urban unrest that were used as arguments. Government officials included O Horwood, S P Botha, P Koornhof and D de Villiers (Findlay, 1988, 2).

The central state again became an important player in the industrial development of the city in the 1980s. Torino (1988, 147) notes that "[t]he concessions were the means by which the City Council planned to attract numerous additional industrial enterprises to Pietermaritzburg". The decentralisation incentives were launched at the Good Hope Conference in 1982 (Findlay, 1988, 3). Pietermaritzburg was declared a deconcentration point in terms of the new policy. The deconcentration points were those centres "close to metropolitan areas towards which industrial growth could be channelled to lessen the pressure of over-concentration in metropolitan areas" (Findlay, 1982, 3). The Edendale / Imbali / Swartkop area was also included in the package (Industrial Supplement to The Natal Witness, 12/10/1982). The short term benefits for Pietermaritzburg included a monthly worker subsidy, an interest and housing

subsidy and relocation allowances of up to half a million Rand. The long term incentives included a transport rebate, tender preferences and an additional training rebate (above the normal rebate). There was also a further subsidy on wages (Seethal, 1993; Findlay, 1988). The economic motivation for the incentives were to alleviate initial financial problems and balance the "scarcity of capital relative to that of labour" (The City of Pietermaritzburg, 1988, 18). The government also referred to lack of agglomeration advantages and other long term disadvantages that occur outside of the existing metropolitan areas (ibid).

#### 6.2.5 Boosterism continues

Prior to industrialisation concessions being instituted, the Council had not been expecting central government to come the rescue. The Council had applied to the Natal Provincial Administration for powers to allow them to install their own set of incentives, but this application had been turned down. Mayor Pamela Reid was quick to add that the Council did still offer preferential rates for electricity and water to bulk consumers (Industrial Supplement to The Natal Witness, 26/10/1981). In 1981 the City Council sent a group on a promotional tour of Europe. After the tour was criticised, Councillor Harwood, Chairman of the Industrial Promotion Committee, justified it by appealing to boosterist sentiments and stating "Council's underlying motive is to attempt to create job opportunities for Blacks living in the Pietermaritzburg region ... If they are not created, the consequences are too horrible to contemplate" (The Natal Witness, 9/1/1981). There was support from various local organisations and the central state, in the form of the Industrial Development Corporation. Two local economists questioned the logic of attracting overseas investors when foreign firms were usually capital intensive and brought their own technicians. Mr Hickson added "[i]n trying to solve the unemployment problem of the Pietermaritzburg area, the City Council would do better to concentrate on attracting South African firms" (The Natal Witness, 12/2/1981). The Mayor however expressed her full support for this venture, and noted that this level of effort in attracting industrialists be continued (The Natal Witness, 12/3/1981). The caretaker regime had thus been reduced in their influence as the Council took on more and more types of LED technology. The Council offered their own service incentives as well as the central government subsidies, in their boosterist campaigns.

### **6.2.6 Regime conflict**

The CCDPR was obviously very happy with its success in securing central government concessions. However, it did run afoul of the Council over a development in the Hollingwood area. The problem was the natural environment there that Mayor Reid believed was worth saving. The CCDPR had a plan to deal with some maturation ponds which provided a sanctuary for birds (Findlay, pers. comm., 1994). The issue exploded into a conflict between environmental versus industrial development coalitions, and the Mayor eventually stated that the Council were "becoming increasingly demented about our role as industrial developers" (quoted in Seethal, 1993, 72). This was an indication that the caretaker regime were resenting the strength of the industrial development regime. The use of central government incentives, however, strengthened the hand of the progrowth coalition as the caretaker regime found it difficult to argue that these incentives cost the city ratepayers money.

### **6.3 Summary**

Despite the above conflicts, a broad agreement between the private sector and the City Council had emerged by the early 1980s. There are, however, some important distinctions to be made. The progrowth regime only concerned itself with industrial development, and not commercial issues at this stage. The interest in commercial development would only come about in the mid 1980s (Seethal, 1993; see Chapter Seven). There was also a dynamic tension between the two competing power centres within the city. The ability of the progrowth coalition to influence growth was clearly limited by the caretaker regime. This earlier phase also did not include any overt public - private partnerships. The industrial regime only relied on the local state to deal with industrial promotion, the promotion of Pietermaritzburg and the timely release of serviced land. The relationship was fairly clearly defined. An attempt to expand this relationship took place during the so-called Pietermaritzburg 2000 campaign, and is described in Chapter Seven.

### **6.4 The Industrial Promotion Section**

A substantial proportion of the open industrial land in Pietermaritzburg was owned by Council and was originally marketed by the City Estates Department. Indeed in 1984 about 37 percent of zoned industrial land was owned by Council (From Seethal, 1993). The Council also

controlled the release of new privately owned industrial land through its power in terms of zoning.

The CCDPR asked the Council to form "a small and dynamic committee and to appoint a senior official to concentrate on the marketing of the land by attracting industry to our city" (Findlay, 1988, 2). In 1981 the Industrial Promotions Committee was formed, and the relationship was formalised with the appointment of an Industrial Promotion Officer. In doing so Pietermaritzburg became the first municipality in Africa to set up an industrial promotions section (Industrial Supplement to The Natal Witness, 12/10/1984). The Industrial Promotions Committee's beginnings were not welcomed by members of the caretaker regime, apparently there was a "great deal of cynicism by the local newspaper and ratepayers" (Findlay, 1988, 4). The new section was under the Estates Managers control and the section met monthly with other municipal officials, such as the Mayor, the Town Clerk, City Engineer and City Treasurer; and members of the CCDPR. Findlay (1988, 2) states that "this high-powered Committee pledged itself to be of as much assistance as possible to prospective industrialists and to slash red tape wherever possible". The phrase 'red tape' is a very popular in LED thinking, and business often focuses on bureaucratic procedure as a cause for slow growth. It was to come up again in PMB 2000 and the Central Area Study. A questionnaire was introduced to help inform other departments what the particular industries needs would be (ibid).

The CCDPR made continued conducting both overseas trips and seminars in South African cities. The City employed an advertising agent to advertise the city in different publications, an audio visual promotion was commissioned, a twenty minute video made and the City Council was represented at industrial trade exhibitions (Findlay, 1988). These efforts were supported by the various other members of the local progrowth coalition, such as the COC, COI and the CCDPR, as well as inviting the Pietermaritzburg Publicity Association and the Afrikaanse Sakekamer to join an industrial promotion tour overseas (Seethal, 1993). The local state thus continued to make use of known traditional LED technology associated with city promotion, at various stages. In 1988 for example the Council had a stand at 'Interbou 88' in Johannesburg and the 'Natal Industrial Show' (Mayor's Minute, City of Pietermaritzburg, Year ended 1989). Most of this technology had, as noted, been used in the



past by Pietermaritzburg City Council. In terms of relative expenditure, it was claimed that the overseas visits had been worthwhile. Mr Terry Thompson claimed that within the first two years of the overseas campaign, foreign investors had: invested R17 million, purchased R500 000 worth of serviced industrial land, and created some 500 - 600 jobs (Seethal, 1993).

The City slowed its campaign between 1986 - 1987, but by 1989 was stepping up the overseas effort. The City was clearly thinking about itself as part of a competitive space economy as the motivation to become more involved overseas was that it had "become necessary as a result of the homelands establishing full-time offices in Taiwan, Hong Kong, Israel and Britain" (Mayor's Minute, City of Pietermaritzburg, Year ended 1989, 41). Seethal (1993) notes, however, that the attempts to sell Pietermaritzburg in Taiwan in 1988 were unsuccessful.

#### **6.4.1 The effect of the Industrial Promotion Section**

The Council saw the City's attendance of trade shows as favourable for the City's image, "[b]esides selling this City's industrial land, participation at these shows does a considerable amount for the City's image, so much so that a number of other municipalities are adopting this Council's approach by participating at these shows" (Mayor's Minute, City of Pietermaritzburg, Year ended 1989, 41). The Council had tried over this period to be more professional in its approach, by providing a Liaison and Co-ordinating department and general policy environment that enabled the bureaucracy to deal more constructively with the potential industrialist.

#### **6.4.2 Evaluation**

In terms of cost effectiveness, Findlay (1988, 6) believes that the Industrial Promotion Section "cost the city less than R1 million over a period of six years [up to 1988], we probably created 19 500 jobs and we have sold land totalling R9 million". The overall effect of the department was positive in terms of potential developers, especially due to the high level of media exposure it received. It also served to give the City Council a progressive image. In concrete terms, even prior to the Industrial Promotions Section (IPS) being formed, the City Council's focus on serviced land for development was seemingly effective. The 1973 report, Pietermaritzburg 1990, had already noted the constant availability of reasonably priced land

as a locational advantage for Pietermaritzburg, a problem that Durban and Pinetown for example have not always been able to overcome (Morgan, 1980). Another system that has been used for advertising the merits of the IPS is to compare Pietermaritzburg to other centres in terms of regional development applications. For example, in 1984 Mr Terry Thompson noted that although Pietermaritzburg qualified for the lowest level of decentralisation incentives, in the first year of incentives they had the third highest level of approved applications in the country (Industrial Supplement to The Natal Witness, 12/10/1984).

Using statistics from PMB 2000 Findlay notes that the Pietermaritzburg industrial and commercial bases grew by about 40 percent during the 1981 to 1985 period (Findlay, 1988). The level of employment involved in industry in Pietermaritzburg has, however, remained static between 1985 and 1991 (Hickson & Oldham, 1992). This means that although new firms have opened, there has been little real growth in industrial employment. The discrepancy is obviously the result of plant closures, retrenchments and capital intensification. In Mayor's Minutes this is laid at the door of a nationwide recession (see for example Mayor's Minute, City of Pietermaritzburg, Year Ended 1991, 31 and Year Ended 1992, 39).

### 6.5 Other approaches to LED

There has been some interest in other approaches to LED by the Council, besides boosterism and supply-side incentives. The attempt to encourage and develop local businesses, as opposed to attracting them, was investigated in the 1980s. According to Seethal, the problems with finding foreign capital became acute at this stage. For example, during 1979 and 1980 only 4 new industries were attracted (Industrial Supplement to The Natal Witness, 29/8/1980). The Council also set out to ascertain why existing small established businesses were not expanding (ibid). A committee was formed, consisting of representatives from COC, COI, Afrikaanse Sakekamer and a local technical college. The idea was to contact the Small Business Development Corporation and get a scheme going to promote the development of small manufacturing businesses (Seethal, 1993).

Distribution issues were isolated from the public agenda. This was due to a number of factors. Firstly, the caretaker regime buffered the progrowth regime from exacting too high cost from the local (mainly white) taxpayers, for example by limiting the expansion of the

local government's role in industrial development. Secondly, the subsidies for industrial development were from central government and little resistance could be raised by the caretaker regime. Thirdly, the political and institutional structure of local government isolated black resistance from access to the progrowth regime. The progrowth regime survived and made their next bid to launch a progrowth agenda through Pietermaritzburg 2000, thus after 1985 most suggestions for local economic development were part of PMB 2000.

## Chapter Seven

### **Attempting to broaden the coalition base through Pietermaritzburg 2000**

#### **7.1 Introduction**

The progrowth regime that had developed was not gaining any ground in developing a dominant progrowth agenda. At the same time more general concerns were emerging around the fate of the Pietermaritzburg metropolitan area (Fig. 2). An urban planning project, later termed Pietermaritzburg 2000, began to develop with clear economic implications for the development of the metropolitan area and had the potential to become a vehicle for expanding progrowth sentiments.

#### **7.2 Pietermaritzburg 2000**

This was a project that originated in the City Engineers Department (CED). The CED were attempting to draw up the Central Area Master Plan when they realised that they required a long term view of the metropolitan area (McCormack, 1989). It was suggested to Council in 1984 that a new planning process be considered, one that included various specific actors from the community. Atkinson & Heymans (1988) do not believe that the project was initially seen as a populist one, noting the important role that consultants played and the structure of the process. It was an exercise in strategic planning, in developing a shared vision, but essentially a vision with the private sector as key players (ibid). The broadened coalition would include the main decision makers in the city. The initial members of the 1984 technical committee clearly show this. They were the City Engineers Department, private consultants, the Pietermaritzburg Society, The Pietermaritzburg Sakekamer, The COC, The South African Property Owners Association, the Natal Provincial Town and Regional Planning Commission, the Institute of Architects, and various representatives from the University of Natal (Pietermaritzburg) (ibid). In 1985 it became clear that the original budget would not be sufficient to cover the necessary costs, and that the project may need to be broadened. Therefore in that year the CED introduced the idea of the public planning aspect. PMB 2000 as a public initiative was launched on May 20, 1986 (Seethal, 1993).

The bureaucracy now began to couch the project in more appropriate terminology, referring to a more participatory approach to planning, "planning with the people and not for them" (John Robbins quoted by Pistorius, 1988, 35). The process was termed Community Strategic Planning (PMB 2000, 1988, 2.1). One time director of the project, Bruce McCormack (1989, 10), described it as "provid[ing] a structured opportunity for the people of the greater Pietermaritzburg area to become involved in identifying the main problems and opportunities facing the area, and to then sum up means for addressing these issues". According to PMB 2000 documents the focus on Community Strategic Planning

"avoids the classic planning area of determining what ought to be, and concentrates instead on the do-able. Goals and Objectives are in the initial outcome of a Strategic Plan. The process is not complete without strategies for achieving the Goals and Objectives, within the available resources" (PMB 2000, 1988b, 2.2). "It concentrates community attention on long term issues and on to the city's relationship with the external world" (PMB 2000, 1988b, 2.2).

This period was important for developing new ideas in many respects. The focus of the project was still essentially strategic planning, rather than community involvement. It was allegedly the first of its kind in Africa. The project was conceived as being long term, continuing for 20 to 30 years (Pistorius, 1988). It attracted interest from other centres in South Africa, such as East London, Port Elizabeth, Cape Town, Secunda and Vryheid (ibid). The local State was very proud of this exercise, and member Ron Pistorius (1988, 32) stated: "[w]e are now considered a leader in community strategic planning and a progressive city". The idea of itself being perceived as 'progressive' is one that seemed important to sections of the Pietermaritzburg Council and bureaucracy. The exercise required that members of the public join Action Groups, organised around critical issues, including residential accommodation, employment, city finances, the quality of life, and human relations (political change) (Atkinson & Heymans, 1988).

### 7.3 Strategic planning ✓

The Strategic Planning exercise is a process involving four phases. Phase one is an environmental scan, where the public and private sectors sort out the partnership and do a

scan of the problems and opportunities that exist and could arise. Phase two is the identification of key issues and the setting of priorities. These key issues are then analyzed in the third stage, which itself consists of three stages. Here the current situation is reviewed, with internal and external factors being examined. The external factors are those that cannot be directly controlled by the Council. The third phase also involves setting objectives and plans to achieve those objectives. In the fourth phase the plans are implemented and the progress monitored (The Natal Witness, 30/7/1986).

#### **7.4 A public-private partnership**

By the late 1980s the City planners had become aware of a trend that had become popular overseas: that of a public-private partnership (Harrison, 1993). The City had brought in a consulting firm, Arthur Andersen and Associates, from the United States. The exercise had an overt base in the attempt to create a public-private partnership. This relationship subsequently turned sour when the public sector refused to deliver and the private sector no longer saw a future for itself there, but the initial planning was enthusiastically received. The comments from the local bureaucracy emphasised the way the public and private sectors would move closer in thinking, for example Mr Rob Findlay, who was head of the employment group, and the City's Industrial Promotions Manager, and Chairman of the Publicity Association, said "the project has brought the private sector, councillors and officials a lot closer in the discussion of common problems" (Quoted in Pistorius, 1988, 36). The City's Chief Executive Officer, Mr Des White, said that "PMB 2000 has blended the thinking of the city council and the private sector on projects and needs" (quoted in Pistorius, 1988, 36). An obvious objective was thus to broaden the base of the urban coalition, from the base of the industrial growth regime, to include more members of the bureaucracy and other private sector interests. It achieved this for a while, but did not engage the general public in an ongoing manner. The involvement of the general public was not actually necessary, besides that of tacit support. The public sector progrowth support was centred around the City Engineers Department, rather than the Council itself. This was to become extremely important later.

Another motivation for supporting the initiative was that the public sector had found itself in a financial bind, and was asking the private sector for help. Pistorius (1988, 32) explains,

"[a]lready the government and the municipality no longer have the resources to satisfy the needs of communities. Through PMB 2000 they are able to use private sector expertise to help mobilise and allocate resources on a planned basis to achieve the best possible future for the whole community".

The private sector dutifully responded by adding,

"the project has produced greater understanding by the private sector of the complexities of local government. For example, a rates increase would find more ready acceptance in the private sector ... they realise there is a need for higher rates if the level of sophisticated services in the city is to continue" (Mr James Radford, of the Housing Action Group, quoted in Pistorius, 1988, 36).

The idea of using private sector resources had been raised in a planning report, Pietermaritzburg 1990 released in 1973, which realised that the City Council, in light of the development needs, was impotent in terms of resources and thus the City Engineer's Department motivated the City Council to draw the private sector in (Bhamjee & Hickson, 1988). The private sector had an obvious benefit for being there. Besides the social and economic stability, there was the benefit of expanding the LED support to other economic sectors. Access to political power and the distribution of resources were also obviously attractive. A report from the PMB 2000 project manager explains, "it allows the private and public sectors to develop a common idea of what their future is going to be, not in terms of what will happen but in terms of trying to influence what is going to happen" (PMB 2000, 1986, 5). Bhamjee & Hickson (1988, 4) state that the "emphasis is placed on the distribution of resources according to need and the mutual benefit of the private sector and the City".

PMB 2000 was thus initially very successful at developing an urban development coalition with the private sector. The enthusiasm that the participants expressed was very encouraging. The local press supported the initiative and a collection of press releases shows the detailed coverage that the project enjoyed (PMB 2000, 1987c). The project now had two goals: to encourage the formation of a long term urban development coalition and to engage public

support. A third goal was attached later, that of political reform. Ultimately, however, the urban coalition was not sustainable and political reform unattainable.

### **7.5 The political environment of PMB 2000**

The process unfortunately came about in a period of rising political expectation for change at a local level and at the same time rising illegitimacy on the side of the local State. Bhamjee and Hickson (1988, 1) note "the exercise was initiated at a time when the prospects of a devolution of power from Pretoria to the regions appeared good". This belief was not to prove correct, and local government restructuring was in fact leading to more centralised powers (ibid). PMB 2000 itself was a structure administratively below the City Council, it reported to the Council, was funded by the Council and was formed through the Council. The issue of structure and power quickly became central to it, since the legitimacy problem required that disenfranchised communities be brought into the process somehow. The local government political structure was such that the City Council was only white, the Indian community were represented to Council through (disputed) Indian Local Area Committees (ILACs) and the coloured community likewise through (also disputed) Coloured Local Area Committees (CLACS). As the African communities did not fall within the borough, they had no representation at all. (Areas like Sobantu, which fell within the borders of the borough, had administrators from other bodies, such as the Natal Provincial Administration). The Local Area Committees held very little credibility in their own communities and had no real power over the City Council. The LACs were seen as part of the apartheid system. There was thus a general recognition that apartheid legislation and the lack of representation was "the single most important problem impeding improved human relations" (Quoted in Bhamjee & Hickson, 1988, 7). Thus a new structure needed to be found to get around this problem. Bhamjee & Hickson (1988) note that there were three models or options mooted:

1. An alternative Council-this would act as a Non Statutory Body.
2. A Greater Pietermaritzburg Conference (GPC)-this option was non prescriptive as the conference would decide on the form the non racial metropolitan structure should take.
3. A Greater Pietermaritzburg Citizens Association (GPCA)- this organisation would only have a consultative role to City Council.



This inclusive style of local government was not to materialise. There were various reasons for this. The definition that many white City Councillors had of a non-racial Council was one that gave the LACs full voting rights, excluding African people completely. It is nevertheless worth noting that a Council at least partially rejecting a racially divided city was quite revolutionary for South Africa at the time, however misguided the ideas for implementation seemed (See the Natal Mercury, 13/10/1986).

The image of PMB 2000 in the black communities was badly affected by the Council insisting on recognizing the LACs. The lack of credibility that these bodies had even in their own communities meant that the entire process was tainted. The Council had shown a complete misunderstanding of democratic process by not including legitimate representatives of communities from the beginning. The situation was complicated by the ongoing violent clashes between the United Democratic Front, the state and Inkhata. A state of emergency existed, which cancelled out any hope for free political activity or public gatherings for consultation within black communities.

The LACs were never really taken seriously, and although they were promised equal status on Council they were never accorded it. The City Council certainly wanted to appear progressive over the years, but it is apparent in retrospect that they could not actually institute real change within a national system of apartheid. It required national events to allow the local level to eventually change. The fact that Council could not actually move ahead politically meant that the process lost momentum. PMB 2000 was ultimately seen as an extension of the City Council (Bhamjee & Hickson, 1988).

In fairness, the Council had tried to think about other innovative ways to take on political reform in the past, usually through zoning legislation (see Seethal, 1993). PMB 2000 was not strong enough and eventually the wider political reforms noted above (in models 1, 2 and 3) were separated from PMB 2000, and collapsed under pressure from internal mishandling and national change. This separation of the initiative for political change and PMB 2000 merely served to reinforce the idea that the Council were looking for 'planning without politics' in PMB 2000. The participation thrust thus lost its popular appeal, certainly to any of the black communities (Bhamjee, & Hickson, 1988).

### 7.6 The public / private relationship

Although the process failed bring a new form of local government or representation into being, PMB 2000 did have an effect on relations between business and the local state. Bhamjee & Hickson (1988, 14) quote the international consultant that had been brought in to initiate the process and what the consultant saw as important advances achieved in PMB 2000:

1. Strengthening of contact between public sector and private sector,
2. strengthening of contact between elements of the private sector,
3. strong support from COI, COC and Afrikaanse Sakekamer, and
4. better informed group of decision makers.

The consultants did see the problem of community representation as important, the groups "are not representative of all the communities and there has been an effort and will continue to be an effort, to involve not only others within the White community but in the non-White communities either actively in the Action Groups or at least on a consultative and information basis" (PMB 2000, 1986, 66). To view the 'lack of community-wide participation' as a weakness, however, does not prevent Hickson & Bhamjee (1988, 14) commenting that this "does not compensate for the fact that half of the alleged 'strengths' of the exercise serve only to strengthen the white ruling bloc". Atkinson & Heymans (1988, 13) also note that "PMB 2000 developed an unfortunate business-oriented approach". In 1987 the City Engineer reinforced this trend towards the private sector by requesting the transferring of the Chairmanship of the Convenors Committee to the private sector (PMB 2000, 1988b, 7.1). However, this strengthening of the relationship between the public and private sectors was not to be permanent. Mr Von Klemperer (vice convenor and also ex-president of the COI) reflected the anxiety of the participants to get implementation going, at the end of the first annual general meeting which was presented to City Council. He addressed the Mayor:

"The combined Action Groups have given thought to the mechanisms necessary to achieve the implementation of Pietermaritzburg 2000 strategies. We have prepared a plan-of-action which we believe is feasible and which will achieve the objective" (PMB 2000, 1987, 41).

Mr Von Klemperer then expressed his desire to meet the Mayor "within the next two or three weeks for further discussion" (PMB 2000, 1987, 41). In the Community Strategic Planning

Report for 1988 Action Group 2: Economic Development, a year later, it is stated that they believe that

"there is a groundswell of opinion developing throughout the various Action Groups that certain initiatives require a strategic decision and commitment from the Local Authorities and organised Commerce and Industry for any effective employment creation to evolve" (PMB 2000, 1988b, 4.20).

The relationship began to sour as the City Council did not move beyond looking at the comments and suggestions made by the working groups. In terms of the Strategic Planning outline that was given above it meant that the City Council would not move into the fourth phase, that of implementation of the objectives, although the private sector clearly had a plan to do this. The implications of this are that the industrial regime could not develop into a broad urban coalition as the public sector failed to join, and relations began to sour. The process now began to become more sophisticated and the City Council would not extend their role. The objectives appear to have been too broad, coalition building, public participation and political reform were too many fronts. Political reform had failed to occur and therefore failed to deliver the public support required to legitimate the coalition. The private sector were eager to get on with economic development, but the caretaker bloc within the Council refused to allow the process to continue.

### **7.7 The economic aspects of PMB 2000**

The Action Groups exhibited some of the tension that existed between the two blocs. Some aspects of PMB 2000 seem clearly progrowth, while others do not encourage public spending. There was general support for the Industrial Promotion Section and its vision. However industry was not seen to be sufficient to ensure job security in the future, and thus the agricultural and informal sectors were also to be targeted. Other issues included education and the lack of especially technical education in the city (PMB 2000, 1987).

The support for attracting overseas industrialists was based on the fact that South Africa requires the technology, and research and development skills that overseas companies can offer (PMB 2000, 1987b). The existing heavy focus on industrial development would be extended into commercial development through the creation of a Commercial Development

Officer as a new post. This never occurred, but the idea was for the incumbent to manage and sell the Council's commercial property interests (PMB 2000, 1987b). The Council had been encouraged by the apparent success of the industrial development approach, and decided that the commercial sector would also be promoted (Seethal, 1993). There was also a focus on developing entrepreneurs, especially from the black community. In 1986 the Council also started to focus on bylaws that inhibited economic growth, as deregulation was a singularly unifying issue. This focus of deregulation was, however, also highly selective. The overall lack of action on the part of the Council however had the implication that very few of these recommendations were implemented, besides what the Industrial Promotion Section were doing.

The Economic Development Group also considered some highly interventionist programmes, despite the free market rhetoric that they tried to foster. One suggestion concerned helping 'floundering' firms. The suggestion was that a 'confidential advisory committee' be set up to assist firms in the Pietermaritzburg metropolitan area that find themselves in trouble. The reason for this was that job losses were high because of firms closing or retrenching workers. The committee would assist these firms to stay afloat through business advice and experience (The Natal Witness, 13/8/1986). The CED and the City Council were already highly interventionist in their approach to spatial planning. The pedestrianisation of the main shopping precinct in Pietermaritzburg took place while the CED and the City Council actively discouraged decentralised shopping areas (Puttick, pers. comm., 1992). A report from the time comments "in what amounted to the kiss of death for decentralised shopping centres, the planners took the decision actively to discourage the development of out-of-town centres and concentrate commercial activity at the core" (Financial Mail, 28/11/1986).

Many of the ideas noted above were innovative and creative, and can be seen to be reasonable responses to the situation. Some of the other ideas tended to represent the rhetoric of fashionable and popular LED thinking at the time. Pistorius hoped that "through a strategic planning vision ... it should be possible to concentrate on high growth industries such as electronics, and also to encourage the expected proliferation of small businesses and the growth of the informal sector" (this included the development of a high-tech industrial park) (Pistorius, 1988). Seethal (1993) notes that in 1989 the Vice - Principal of the University of

Natal (Pietermaritzburg), the President of the Chamber of Commerce and Industry, and the Industrial Promotion Officer met some central Government officials to discuss the possible establishment of a techno-park or chem-park for Pietermaritzburg. Other ideas included an education park. The group also focused on the promotion of tourism and, related to this, the promotion of the conference industry (Pistorius, 1988; PMB 2000, 1988b).

### 7.8 City finances

It is ironic that the seeds of PMB 2000's downfall may have been sown by its own research. Action Group 3: City Finances discovered through the use of a financial strategic model that the City had shifted from a surplus of R1.5 million in 1980 to a deficit of R1.6 million in 1984 (PMB 2000, 1988b). Making up a significant loss was the transport sector, a deficit of up to R1 million because of overspending by the City's Transport Department (The Natal Witness, 9/2/1984).

The City Finances Group believed that the "commercial growth within the City was being compromised by the electricity tariff, which was established to be among the highest in Natal. The surplus from the electricity tariffs has allowed or compensated for a softer rates option" (PMB 2000, 1988b, 3.7 - 3.8). The group expressed the opinion that the ratepayers would perhaps be expected to make up this difference and make up past transport losses. The idea that Pietermaritzburg is an expensive place in which to do business has persisted, and the stigma of high electricity has stuck to the Council until as recently as 1993. The result was that the Council took on a policy to cut capital expenditure (Bassett, pers. comm., 1994). The results gave credence to the caretaker arguments that any more public spending was undesirable. This encouraged the conservative attitude of the Council towards PMB 2000 and effectively strangled the PMB 2000 initiative. In 1989 the Mayor, Mr Mark Cornell, suggested a five year austerity plan to cut capital expenditure and try to maintain the City's assets. This included the proposal that no new major schemes would be embarked upon (The Natal Witness, 29/9/1989).

There were signs on this caretaker attitude towards spending evident in the bureaucracy even before the project started. Importantly, it was the City Treasurer in 1984 who criticised the Central Area Master Plan by referring to it as a 'prestige project' and countered that

ratepayer's funds should be spent on more essential services. He questioned the logic of the City being involved in redeveloping the central area using ratepayers money. He also noted that the estimated expenditure of R10 million on the Central Area Master Plan was better spent on more essential City services and questioned whether the city as whole would benefit from this expense (Seethal, 1993). The need to consider Council spending carefully, such as deregulation, has been somewhat selectively applied. In 1987 the management and finance committee approved the purchase of a new luxury German sedan as the new mayoral car, at a total cost of almost R130 000 (The Natal Witness, 8/4/1987). The comments by the City Treasurer are classically those of a caretaker regime member, and the 'austerity plan' to cut spending is the decision of a caretaker regime. PMB 2000 was being effectively blocked from developing into a urban growth coalition.

### 7.9 Privatisation

One of the few ideas that the Council did act upon was that of privatisation, since the Council had in fact already begun such a process. The idea of privatisation had become extremely fashionable, especially through the efforts of Thatcher's Conservative Government in Britain. The privatisation sub-group of PMB 2000 seemed hopeful that privatisation would occur in spite of citing many necessary conditions and the need for further research. The ideology of the free market was certainly dominant:

"[t]here is sufficient evidence of a strong correlation between market freedom and the prosperity of communities to suggest that the sooner and more comprehensively privatisation and deregulation are achieved, the better" (PMB 2000, 1988, 17).

It was also considered in terms of a competitive edge for the City,

"[a] particular benefit of rapid privatisation could be the net gain in local wealth and employment opportunities resulting from the relocation of industry and business from elsewhere in South Africa. This would depend, of course, on how far ahead Pietermaritzburg can keep of competing centres of metropolitan investment in this respect" (PMB 2000, 1988, 17).

Hence privatisation was part of a strategy to keep the city ahead of other South African cities in attracting business and was part of the argument that local government restructuring

continue to occur.

Some programmes went ahead. For example the Darvill Purification Works was privatised to Umgeni Water in 1992, however it cannot be considered to be pure privatisation as Umgeni Water is a parastatal organisation. The initial eagerness of the progrowth coalition was soon lost. Some plans were later abandoned, initially because of difficulties with the process itself and later because the GPLGF decided that all privatisation programmes should be frozen. This report appeared in the Annual Report of the City Engineer (Planning): "During 1991/92 an attempt to privatise the City's Cleansing Service was finally decided against by the City Council on the grounds of cost. The exercise resulted in a reduction in morale in the Branch, and a loss of some of middle management" (City of Pietermaritzburg, 1991 - 1992, 3). In 1989 the City's sanitation services were also involved in a process to privatise the refuse collection, the landfill site, a recycling plant, street sweeping and the public toilets. However, the department itself was not privatised, since difficulties included the lack of staff experience in drawing up tender documents necessary for filling the position (The Natal Witness, 15/11/1989).

### **7.10 Global processes and economic planning**

It is clear that Action Group 2: Economic Development (general economic growth including employment) felt a sense of frustration in trying to address the issues. It is apparent from their reflections that the complexity of the local economy and the difficulty of attempts to affect its growth had become more concrete. "The Group has struggled to identify concepts and schemes which will provide for the creation of employment opportunities in the Pietermaritzburg region" (PMB 2000, 1988b, 4.19). The local bureaucracy was clearly ill-equipped to consider economic planning on the level that was required. The Action Group noted that this was not necessarily a failure on their part, but that this problem is a 'worldwide phenomenon'. The group sensed "that employment opportunities are interlinked with many other facets within the region itself. As such employment opportunities could better be created by interlinking initiatives in a number of areas and in this way create opportunities for employment" (PMB 2000, 1988b, 4.19).

Ultimately they realised that "[i]t is a complex problem that will require an innovative and creative co-ordination of resources for effective and meaningful employment opportunities to be created" (PMB 2000, 1988b, 4.19). The group sensed the magnitude of the problem that the public sector had been contemplating, and this was partially the goal of PMB 2000.

### 7.11 Problems within PMB 2000

There were a number of external reasons for PMB 2000's problems, including the State of Emergency and the ongoing violence, but within the process itself several issues emerged:

1. Lack of political will and leadership. Mr Graham Atkinson, the Chief City Engineer at the time of PMB 2000 attributes the failure of the project partially to a lack of political will and leadership. He (pers. comm., 1994) recalled that the consultants had indicated that political leadership was required, to have a "standard bearer, somebody who took the ball and ran with it ... the Council ceased to really have a great interest in the whole exercise, they thought that this was interference by the private sector".
2. The inability of Council to move into Phase Four. The revitalisation of the central business district proceeded, but clearly from above discussion this was not to the full extent of the proposal and the CBD project was not the only initiative recommended by PMB 2000. Mr Brian Bassett, acting Chief City Engineer, notes that the Council did not agree with many of the suggestions made and were unwilling to commit funds (pers. comm., 1994). There has been a reluctance to spend venture capital by the Council.
3. Disillusionment by players. The interest of the community was not sustained within the white community and by 1988 involvement in action groups had dropped from 400 members in 1986 to 25, however in 1989 levels were briefly up again (McCormack, 1989). In the 1988 progress report it is noted that "[i]n many instances expectations of solutions to problems were perceived not to be occurring. This lead to frustration with the process, disillusionment with the project and eventual withdrawal from the action group by a large number of individuals" (PMB 2000, 1988b, 6.1). Mr Brian



Bassett comments that "business was actually very disappointed in the results, well there were not any results; and business was angry about that" (pers. comm., 1994).

4. No political credibility, and suspicion from black communities. The African People's Democratic Union of South Africa (UPDUSA) felt little sympathy for the Council's attempts to restructure, "[t]he midwives hope to buy friendship just with words and intention, ie. at a discount. They hope that when they are unable to deliver the goods, the people will remember the GOOD INTENTIONS and will be satisfied with that" (cited in Bhamjee & Hickson, 1988, 12).

5. Lack of political change on a meaningful level. Many of the problems experienced in Pietermaritzburg and its metropolitan area had their origin in the national political system, and PMB 2000 failed to take on these problems in any direct way. Moreover, there was little attempt to tackle the power inequalities in the borough.

6. The democratic process was ignored. The process to be followed had been decided before any members of the public were invited to participate. The process had been set in motion and the parameters identified (Bhamjee & Hickson, 1988; Atkinson & Heymans, 1988). The project was also undemocratic in that many priorities had been decided before hand, and these could not be taken to represent black interests or priorities: "They [the priorities] were determined mainly by White business interests. The vast majority of the participants were businessmen. The revitalisation of the Central Business District, for example, was initially one of its main thrusts" (Bhamjee & Hickson, 1988, 13).

7. Planning as a technical exercise. The attitude of Council was that this was to be a technical process. Bhamjee & Hickson (1988, 16) make important criticisms when they comment that:

"[a]s much as the Project 2000 initiators speak of planning **with** people, they have structured the project in such a way that does not provide for the active participation of ordinary people. The action groups would draw people of a

certain level of technical expertise. The way issues are discussed and meetings co-ordinated, and the sophisticated language used in the reports make the action groups very remote from ordinary Black people".

The same authors also note that the power would ultimately rest in the hands of the technocrats, especially in the City Engineers department.

8. Politically naive. The organisers of PMB 2000 and the political leaders within the formal structures could not understand the complexities of the political environment when extra parliamentary organisations were going to be included.

Atkinson & Heymans comment (1988, 13):

"[y]et they [the organisers] did not realise that the extreme polarisation between and within communities would require careful prior negotiations with organisational leaders, as well as possibly lengthy intra-organisational discussion".

9. Planning as politically neutral. This attitude was tied to the idea of planning as a technical exercise. The convenors tried to keep the exercise above politics and therefore were unable to bring in political actors outside of the status quo (Bhamjee, & Hickson, 1988).

10. After raising support from the private sector the public sector members of the progrowth regime were unable to keep them within the coalition. The initial disappointments led to an increased dissatisfaction with the conservative public sector attitude.

### 7.12 Success of the project

Although the project was not very successful in bringing outside actors into the process, it was pioneering and set a trend for the City Engineers Department. Harrison (1993, 35) is even more complimentary concerning the effect it had on planning policy:

"PMB 2000 was the first attempt at a community - based corporate or strategic planning initiative in Natal and represented an important move away from the physically-oriented masterplan or town planning scheme to a concern with urban development and problem solving in a much broader sense".

Harrison also believes it did increase the level of involvement by the community and the private sector in urban management (ibid). Reports from the initiative also comment on how PMB 2000 broadened many members of the public's perspective on how the public sector worked (PMB 2000, 1986). The initiative also led to the production of a number of research reports that will provide an important base for the future development of the city.

### 7.13 Physical implementation

In terms of actual development the only real implementation was in the form of the partial revitalisation of the CBD. (A smaller project to turn a former school building into a training centre has also been completed (The Natal Witness, 1/10/1986)). The most important part of the CBD revitalisation was the pedestrianisation of Upper Church Street, an idea suggested in 1973 by Thorrington - Smith *et al* in their planning document 'Pietermaritzburg 1990'. The idea of focusing development on the central CBD area had, however, been around since at least the 1960s when suggestions for the administration centres for local and provincial government were that they be around the town square (Seethal, 1993). The Central Area Master Plan was fairly elaborate and many aspects of the original proposal were also not implemented, such as the construction of the subway in the central city area, the underground parking area, the linking of the CBD to Alexander Park and the construction of gates at the entrance to the city. Other aspects, such as the pedestrianisation, the upgrading of the lanes area, the Tatham Art Gallery and the rerouting of traffic around the central precinct did go ahead (The Natal Witness, 7/11/1986).

The private sector supported this CBD redevelopment. For example the following report appeared in The Natal Witness (12/12/1986): "The Chamber of Commerce, the Afrikaanse Sakekamer and the Central Business District (CBD) Association agreed that initiatives such as the plan [to revitalise the city centre] were vital for economic growth in the city." One of the conditions that concerned the COC and which they attached as a precondition to their support for pedestrianisation was the adequate provision of accessible parking in the central area, prior to the pedestrianisation (Seethal, 1993). This issue still has not been fully resolved by the City Council, as parking in various parts of the central area is still problematical (for example see the Summary Report for Focus Group 5: Movement, in Central Area Study 2005 Scenarios, 1992, as referred to in Chapter Eight).

The Symons Street Project (SSP) was a public-private project that took the form of a joint commercial and civic building in the CBD (See also Seethal, 1993). The building was opened in 1988, after planning first began in 1979. The project cost R40 million and consisted of: a ten storey building with commercial space of 14 000 square metres (including a major retail outlet as anchor store and eight other shops), an underground bus station, ten floors of offices for municipal departments and two floors for parking (The Natal Witness, 28/3/1988). The project was criticised by various parties. The various problems included:

- 1) The bus station cost R10 million and turned out to be unusable because of the rise of the taxi commuter industry and the cancellation of various bus routes (Seethal, 1993).
  
- 2) Members of the caretaker regime reacted strongly to the process and commitment of public funds to speculative projects. The Chairperson of Pietermaritzburg branch of The Housewives' League of South Africa, Mrs Mercia Watkins, wrote to The Administrator of Natal that:  
 "[r]atepayers are extremely angry that the Council has committed the City to the extent of some R40-million in what they consider to be a 'secretive' and hasty manner, and not involving residents to any degree whatever - the project being based only on preliminary documentation, a provisional Bill of Quantities and lack of elevation drawings" (Letter to the Provincial Administrator, 23/1/1985, also see Daily News, 25/1/1985). (For a response by the City Engineer, see The Natal Witness, 29/1/1985).
  
- 3) No other organisations or institutions besides the actual developer were consulted by the City Council (The Natal Witness, 8/2/1990).
  
- 4) There were allegations of corruption within the public sector and an incomplete squash court was discovered in the centre in 1990, which was intended for recreational use by City officials. This led to a prolonged 'witch hunt' within the bureaucracy for who was responsible, but the damage to Council credibility was done. (See for example The Natal Witness, 10/7/1990, 13/7/1990, 18/7/1990 and 27/9/1990).

The SSP was acceptable to the City Council because the public sector felt justified for intervening in the local economy, and the City Council exonerated their involvement in the project through typical growth regime arguments, i.e. because it provided local employment and stimulated the local economy through sub contracting arrangements (The Natal Witness, 29/1/1985). Seethal (1993, 89) argues that "what is important is that the SSP was the largest municipal project ever undertaken in the city; it represented a joint local state - business elite progrowth initiative to facilitate local economic development and job creation; and it cost the city's ratepayers a sum of R40 million". Seethal sees it as successful as a joint progrowth venture. However, it is argued here that the problems and negative exposure of the project do seem to have overwhelmed any other benefits that could have come to a progrowth coalition, and failed as a growth regime effort to engage popular support or provide a basis for further ventures. The underground terminus has remained a thorn in the side of Council as pressure is constantly placed on them to find an alternative use for it (see for example The Natal Witness, 26/2/1991). The whole process is also constantly raised as an example of maladministration, for example during the Provincial Commission of Inquiry into Council affairs initiated in 1993. The bureaucracy had little experience in public - private partnerships and economic development, and failed to prevent political problems from arising around it.

Seethal (1993) places much emphasis on the private sector support for the CBD revitalisation and subsequent pedestrianisation. He sees the implementation of this as a clear indication of the power of the formation of the local progrowth coalition branching into commercial development, to supplement the industrial promotion. Seethal (1993, 86) claims that "[a]lthough Pietermaritzburg's commercial development progressed steadily over the years, it was only in the post-1980 period that the city's political and business elites (i.e., the governing coalition) actively pursued joint efforts aimed at facilitating this process". Thus Seethal (1993, 87) notes that several local developments now pointed "towards a progrowth commercial boosterism strategy". However, despite the agreement between the private and public sector's over the CBD redevelopment, only the pedestrianisation (as part of PMB 2000) and the SSP took place, and it is clear that PMB 2000 needs to be seen as a wider project than just the pedestrianisation, and must include the many proposals that were not implemented. The progrowth coalition (clearly including members of the bureaucracy) could not overcome the caretaker regime, which included ratepayers groups and the local press, and

thereby commit more funds to progrowth projects.

It is thus argued here that a clear governing coalition did not emerge between the City Council and the wider business community, at least not by the end of the process. In addition, the criticisms of the Symons Street Project did much to taint the Council in the public's eye. The Council was battling to overcome negative exposure in the local press, and any progrowth coalition it was part of, was going to be tarred with the same brush. The relationship between the bureaucracy, that had actually initiated and implemented PMB 2000, and the wider business community obviously also became strained. This argument does not suggest that all contact between the COCI and the City Council ceased, as future contact still clearly occurred. It does suggest that the nature of this relationship was negatively affected by the criticisms that were aimed at the Council as a result PMB 2000 and the SSP. For example in 1989 the president of the COC, Mr Kay Makan reacted to Council policy by stating "[t]he City Council should stop harassing entrepreneurs and instead encourage them in their business efforts" (The Natal Witness, 3/2/1989).

#### **7.14 The overall effect on the business community**

It is argued that in spite of becoming more understanding towards the complexity of governing the locality, the business community were unimpressed with the lack of results that came out of their efforts in PMB 2000. The City Council had failed to fulfil their side of the partnership after the private sector had dedicated a large number of hours to attending meetings and organising resources, free of charge. Once they removed their participation the initiative lost momentum. The City Council had now lost credibility within the business community. It seems that it was during 1989 that the business involvement finally began to fizzled out, essentially because of lack of interest. The Planning, Development and Estates Committee decided in 1990 to dissolve the PMB 2000 Central Area Master Plan Committee (Seethal, 1993). The Council however decided not to end PMB 2000, but rather to try and keep it within the bureaucracy (ibid).

### 7.15 Conclusion

It is interesting to note that the first real attempt at developing a broader progrowth coalition was accompanied by an attempt at political reform. The progrowth regime needed the support of a broad political base to push their aspirations further onto the agenda. The failure to achieve this allowed the caretaker regime to remain dominant. The complex local and national political environment overwhelmed local level attempts to introduce meaningful reform. Pietermaritzburg 2000 could not raise enough political support and there was insufficient leadership to carry the process forward. PMB 2000 was a corporatist attempt at local economic development, the fact that it lay within the local state (CED) was the main source of illegitimacy and therefore undermined it. Clearly the 'planning with the people' approach, the ideas generated within the project and the attempt at a public-private partnership held the seeds of a potentially positive development for Pietermaritzburg.

The conservative attitude of the caretaker regime and lack of adventurous leadership evident were the two major structural stumbling blocks within the local political structure. A major problem in the coalition development process was the fact that it was centred in a municipal department, the City Engineers Department. The overall political illegitimacy of the Council was added to by the fact that the department could not generate enough political leadership within the Council itself and were not able to muster enough political power to get projects implemented. The business community became frustrated in this process and felt that the project had been disappointing because the City Council still maintained the caretaker attitude.

## Chapter Eight

### **Participatory planning and the development of a vision - The Central Area Study**

#### **8.1 Introduction**

The City Engineers Department retained its interest in the central area and in April 1992 another project to look at the future of the area was launched. This was the Central Area Study (CAS). Before the CAS is discussed in detail, the political environment, locally and nationally needs to be outlined. A discussion of the actual process of the CAS will follow. This chapter will argue that national political change overtook the local level, and local politics took on an ambivalent tone. Local reform was still projected as desirable while Council policy was in effect a knee jerk reaction to outside stimulus. The national process empowered local extra parliamentary groups and further undermined City Council credibility. Progrowth elements within the Council made a further attempt at expanding the planning process. The CAS centred around public perception of problems facing the city, a fundamental part of coalition politics.

#### **8.2 Political mood**

There were several fundamental changes in the political environment that had occurred since 1989, within the city and the country. Political change had remained on the local agenda. The now ongoing debate concerning local restructuring, described in preceding chapters, ended in the City Council declaring that in January 1990 a public referendum was to be held to determine whether the city would be declared 'open' (Irvine, 1990). The central state had passed a Free Settlement Areas Bill in 1988, which allowed parts of a city to be declared 'open', but the City Council had rejected a piecemeal reform process. It was thus decided that the entire city should be declared 'open' (Wills, 1991) (The Natal Witness, 20/4/1989). The referendum would include all municipal voters within the borough boundaries, white, Indian and coloured (Seethal, 1993).

The proposed referendum was however called off at the last moment at an emergency meeting of the City Council (Irvine, 1990). This comment by Irvine (1990, 7), captures the mood that had by now clearly developed: "Pietermaritzburg is by now quite accomplished at achieving



an anti-climax". The political mood nationally was changing quickly, so that a week before the referendum the local National Party announced that they supported a no vote, and this being immediately before the reform process announced in February 1990 (Irvine, 1990). National and local politics were then to be permanently altered by the announcements concerning political reform made by then President F.W. de Klerk on the 2nd February 1990. National political events began to dominate the news and political bargaining was occurring at a national level in the form of CODESA I and II, casting a shadow over local politics.

### 8.3 Political setting during CAS

In terms of a local political setting for the City Engineers Department to launch the CAS, conditions were not promising. The Council was now actively engaged in trying to destabilise black communities within the borough. A settlement of squatters on a small piece of Council land, the so called 'Happy Valley' squatter settlement, was resisting being forcibly removed by the Council (see for example The Natal Witness of 10/6/1992, 19/6/1992, 9/7/1992 and 10/7/1992). The City Council, through Mayor Pat Cornell and Manfin chairman Ron Robbins, employed a security firm, Combat Force, to demolish the squatters homes in Happy Valley (The Natal Witness Echo, 19/5/1994). This attitude meant that the Council-linked organisers of the CAS were unlikely to get representation from now unbanned organisations or civic associations. The credibility and legitimacy of the Council had now sunk to a new low, as national political events overtook it. Later in 1992 when the multi-party style forum began, the ANC were initially very hesitant about joining; only once it appeared that there was commitment from other organisations and the City Council, did participation increase. The ANC had in fact withdrawn from early discussions around this forum, it was argued, when the Council was showing bad faith by destroying homes (see The Natal Witness, 10/6/1992 and 11/9/1992). This multi-party forum later turned into the Greater Pietermaritzburg Local Government Forum.

### 8.4 The Central Area Study

The Central Area Study was an initiative based on the belief that a planning exercise for the central area was again necessary. This followed the 1986 Central Area Master Plan, which was central to PMB 2000. The political changes described above implied that the central area

(and the city as a whole) were now about to undergo new processes. In many respects the project was an attempt to come to grips with these new processes. Research for the project included a survey and rating of the quality of structures in the central area, a survey of street traders and a socio-economic profile of the inhabitants. The overall goal was "to make the central area a better place environmentally to live and to do business" (Summary Report: Focus Group 1: Business Promotion, CAS 2005 Scenarios, 1992, 1). The process included the generation of various scenarios for the city up until the year 2005. It emphasised the different possibilities that faced the city, and tried to garner public opinion on these futures.

#### **8.4.1 The process**

The Central Area Study was conceptualised with some similarities to the PMB 2000 initiative. The link to PMB 2000 is acknowledged in the methodology and philosophy that the City Engineers Department has adopted in the last decade. In one very important respect this exercise differed from PMB 2000. The CAS was seen as a more populist exercise from the beginning. It was designed to give the communities of Pietermaritzburg a chance of giving their views on the changes in the central area. It was, in effect, a popular planning exercise, designed to ascertain (and shape) public opinion.

Unlike PMB 2000, the focus was not on an overt public-private partnership and did not have strategic planning implications. It did not include the development of action plans. It also lacked the overt coalition building rhetoric that PMB 2000 had. The CAS was, however, more concerned with public opinion or the public's 'vision' on the character of the central area. In many respects this was a way of dealing with the public's conceptualisation of issues and the need to "recast concepts of local community" as referred to in Chapter Three (Cox and Mair, 1987, 273). For example in the Residential Focus Group, issues centred around public opinion on zoning mix (residential or business / industry), residential densification and environmental standards, among others. The Business Promotion Group did however read the project as more of a strategic planning exercise, and did expect some results from their efforts.

#### 8.4.2 The structure

Public committees were drawn up, with secretariat duties being supplied by the local government. These focus groups ran from July 1992 until November 1992. The focus groups included the following:

- 1) Focus Group One: Business Promotion
- 2) Focus Group Two: Residential
- 3) Focus Group Three: Facilities
- 4) Focus Group Four: Environmental
- 5) Focus Group Five: Movement
- 6) Focus Group Six: Administration and Management

The focus groups met approximately twice a month to hear presentations by members of the bureaucracy or the public on topics relevant to the issues being discussed at the time. For example presentations on the informal sector in Pietermaritzburg and the Industrial Promotion Section occurred. The effort culminated in a document being drawn up by the City Engineers, consultants and each focus group and this was presented at a public workshop on Saturday 21 November 1992. The recommendations from the focus groups were included in the document referred to above, Central Area Study : 2005 Scenarios. The workshop also included a questionnaire that was filled in by all participants. It was structured to gauge the respondents attitude to various 'visions' or functions that the central area could play in the future. For example the central area's role as far as business activities are concerned could be "dominant retail centre in the metropolitan area vs one of a number of strong retail centres located within the metropolitan area" (Visions for the Future, 1992, 10, in CAS Scenarios 2005). The respondents then decided which character they thought the central area should exhibit or the role it should play within the metropolitan area. There were 28 such questions, ranging from the business activities, residential and social to environmental quality. Besides the methodological problems with such an exercise (which are discussed later), the exercise was designed to give the planners a guide to what the respondents there thought of the future of the central area. The groups accepted that the focus on the central area alone was insufficient when considering the needs of the city and while some of the recommendations specifically referred to the central area, the groups felt that most of the recommendations should be applied to the whole of the metropolitan area.

### **8.4.3 Focus Group 1 : Business Promotion**

The dynamics within the group were one of consensus more than of conflict. Racially the majority of members were white business people involved in the local economy. The group shared a common socio-economic and cultural environment, members were of similar age, their experience of the central area was specific and similar. The discussions were action oriented.

As in PMB 2000 the group were ambivalent about public sector spending although it was suggested that the "Council needs to be pro-active in formulating attractive business promotions strategies" (Summary Report: Focus Group 1: Business Promotion, CAS 2005 Scenarios, 1992, 7). The group supported the work done by the Industrial Promotion Section, which focused on the supply-side incentives, such as those described in Chapter Six. The group was not unanimous in their support for these types of incentives, and the debate revolved around whether incentives and concessions cost the City too much in the final analysis. It was recommended that these benefits should also include small business: clearly a compromise to caretaker interests. Caretaker politics rejects public sector spending unless it has clear benefits for its constituency, such as ratepayers and small business owners. The conservative nature of this type of regime leads to very few new projects being undertaken, especially if it requires increased public support, and incentives are preferably used locally to support small business rather than to attract outside capital.

A Business Development Forum was suggested, it was not clear what this would be tasked with doing. Organised jointly with the Pietermaritzburg Chamber of Commerce and Industry and the Council, a 'Business Development Advice Bureau' with "adequate staffing" was also recommended (Summary Report: Focus Group 1: Business Promotion, 1992, 8, in CAS 2005 Scenarios). The report indicates that, as with other issues, business felt that Council resources were not being used to adequately promote the city and support business efforts to develop the commercial and industrial sector.

### **8.4.4 Town planning and deregulation**

The Focus Group saw both a reduced and expanded role for the local state. It was recommended that the Council reduce its regulatory role and expand its pro-business efforts.

This did not correspond to a free and open market as some suggestions were clearly coercive, for example the taxing of vacant land after a given period to make it more productive. The concept of a 'one-stop shop' for processing applications and enquiries had wide support. The time for applications to be processed was seen as unacceptably long. It was suggested that rezoning and change of use applications should be devolved to senior official level. The City Council thus still had an interventionist role, merely a more pro-business one.

Town planning itself was defined as follows: it "should be a major feature of the City, not a major hinderance and should be actively marketed on what it has to offer, ie. business incentives, quick and efficient processing of requirements pertaining to town planning, sport, road transport, and airlinks. Victorian heritage and particularly employment which, after all is said and done, speedy and efficient town planning or the lack of it makes or breaks every job opportunity in the city ..." (Summary Report: Focus Group 1: Business Promotion, CAS 2005 Scenarios, 1992, 8). This is an unusual interpretation of what town planning is, compared to the regulatory definition that has persisted in the past. The approach shows that the business community represented on the Focus Group wanted the market to be regulated in a more business friendly manner. It was recommended that the Council should form a Deregulation Sub-Committee with both public and private sector representation. The Focus Group felt that the

"Council should give serious consideration to the services of an independent local town planner with a view to streamlining decisions and departments concerning town planning and deregulation, and thus create some sort of vision we would all like to have of Pietermaritzburg in the future" (Summary Report: Focus Group 1: Business Promotion, CAS 2005 Scenarios, 1992, 9).

The problems expressed in the group represented issues that the white private sector faced. If the City Council, for example, decided to support the development of a black entrepreneurial class, the issues would more than likely revolve around other topics, such as official forms being in indigenous languages. The private sector view that the Council was overly bureaucratic was probably not unreasonable. The lack of leadership and unwillingness by the Council to be innovative in the later period is recognised.

### 8.5 Problems experienced

There were various similarities between the CAS and PMB 2000 in the problems experienced. Both projects involved the central area as the initial geographic area, and were forced to grow to include the metropolitan area. The CAS also experienced public participation or community involvement as an integral problem. It also suffered from the same credibility problems.

The Business Promotion Focus Group had a problem, as noted earlier, in that there was very little diversity in its membership. It was mainly made up of local business males, and some interest groups and members of the local governing bureaucracy. All the main members of the group were white. On a few occasions some Indian LAC members attended and some African delegates attended, although rarely. Councillor Alva Wright attended one meeting, but that was the only Council interest in the Focus Group. The group started with about 30 members, but gradually shrunk in size over the period and only a small core of participants remained. There were several attempts by the City Engineers Department to include other community leaders in the study, and the members of the Focus Group itself were concerned that it was non-representative of the Pietermaritzburg community. It suffered from the same legitimacy problems as PMB 2000, with the presence of the LAC members being a problem once again.

It was recognised that the planning of the central area would require inputs from communities not necessarily living there, as the area obviously plays an important part in the life of metropolitan Pietermaritzburg. It is the centre of commercial, administrative and political life.

In terms of process, the questionnaire circulated at the workshop was methodologically unsound. The respondent was faced with closed questions, with two alternatives, often on either end of a highly polarised scale, using very general concepts and terminology. For example, "uncontrolled informal trading (vs) controlled informal trading" (Visions for the Future, 1992, 10, in CAS Scenarios 2005). It is hardly surprising that only one respondent voted for 'uncontrolled trading'. The options were not realistic. Another example of an unpopular option being placed with another option, though not necessarily the respondents

desired one, is: "streamlined and simplified regulatory procedures (vs) the status quo" (ibid, 11). Clearly the status quo was unpopular, although surely the only other option is not just 'streamlining and simplification'. The terminology hardly describes what is intended. In this case, no respondent opted for the status quo. Below these closed questions was a section for comments on the topic being discussed, but on the whole the questionnaire was an exercise in posing loaded questions in order to justify an *a priori* outlook.

### 8.5.1 The problems of implementation

There were no real options for immediate implementation as the structure of the exercise was not operationally oriented. It is clear that the Business Promotion group, however, wished to see some action. There were expectations that the efforts of the groups would have some concrete implications. The Focus Group members were all aware of the way in which PMB 2000 fizzled out and some had been involved in PMB 2000. There were comments in the CAS meetings that reflected this disillusion, such as the hope that this would 'not be another PMB 2000'. The last comment in the recommendations from the Business Promotion group reads as follows:

"It is a known fact that Rome was not built within a day, but it would be pleasing to know that these recommendations are being implemented as we, the business community of this City, gave a lot of our private time. Therefore, progress on the part of the City Council is required, not only with this group but with all the other five focus groups" (Summary Report: Focus Group 1, CAS 2005 Scenarios, 1992, 10).

The problem was that the Council by that stage was already losing the will to govern, except in knee-jerk reactions, as with the attempted forced removal of squatters. The City was aware that major political changes were coming. There would not have been anybody in Council to take the initiative in allowing new projects to go ahead. With a caretaker Council and no real representation on the Focus Group, it was not going to have much effect. No implementation actually took place as a direct result of the workshop, and soon political priorities took over the City's agenda as The Greater Pietermaritzburg Local Government Forum was proposed.

### **8.6 Coalition formation**

There was little indication that the formation of a formal coalition was a goal. In terms of formal business interest, the COCI representatives only attended some of the meetings. The COCI interest in the study was very low, for example when the representatives had to miss a number of meetings due to overseas travel commitments, the Chamber did not deem it necessary to replace them. The attitude implied that although they recognised the effort being put into the exercise by the CED, the COCI saw it as having little formal effect on the way the City operated. It was noted in various meetings that the local press were paying very little attention to the project, and it was recommended that someone in the group try to encourage more press participation (see for example the minutes of 1/7/1992). The COCI would now begin looking for new coalition partners in the emerging political environment.

The proposals represent a clear desire to see the public sector reduce its regulatory influence on the local economy. In many respects this was a way to weaken the already dying caretaker coalition. It also supports the 'urban efficiency model' of development in which the public sector withdraws to allow market forces to determine the urban development agenda to a greater degree. This issue would come up again when dealt with by the consultants (see Chapter Ten). The business regime in Pietermaritzburg would begin looking for ways to side step the caretaker Council if they were unwilling to become involved in a more economically aggressive agenda.

### **8.7 Conclusion**

The CAS was an attempt to adapt to the new urban environment that was emerging in the city. The structure of the project represents an attempt to come to terms with conceptualising the City within a broader framework. The project failed to generate support from outside the (mainly) white borough residents. The lack of clear goal formation and coalition building frustrated the business community. The Business Promotion Focus Group wished to see the Council either become more proactive or at least withdraw their regulatory influence. The CAS proved to be the last major project launched through the CED under the auspices of the white City Council. Like PMB 2000, business interests within the Focus Group were clearly frustrated by the lack of leadership and commitment by the City Council.



## Chapter Nine

### New politics, old regime

#### 9.1 Introduction

The South African political environment was changing in fundamental ways and new players and opportunities began to challenge the established order. The process would provide opportunities for new urban development goals to be set and new coalitions to emerge. This process of change allowed new challenges to be made on the City Council.

#### 9.2 Political representation, LACS and local politics

The new political environment had profound effects on the balance of power within the city and this provided an environment for a new coalition to form. The local state was being weakened by the legitimacy being accorded to other political and community groups. Most planning was reactive. While PMB 2000 debacle had run its course, the private sector and caretaker elements had not forgotten it. National political changes had overtaken any liberal tokenism that the Council may have had. The private sector and the COCI in particular could see the political field was changing, that the power of the caretaker dominated local state was being eroded and new potential political allies would soon arise. Four sets of actors began to emerge as central to the new environment. These were the GPLGF, the trade unions, COCI and a group of consultants employed by the City Council. The GPLGF had taken over *de facto* running of the city but soon ran into problems of its own. The other previous coalition members showed little initiative and soon the COCI realised that a new grouping of coalition partners were needed. The political changes will be dealt with first.

#### 9.3 Piecemeal reform

Some members of the City Council felt that the LAC members should be included into the official Council with full voting rights. This was for some, naively, the conception of a non-racial city. The politics of Pietermaritzburg has been characterised by a lack of credibility on the part of 'elected' officials. The Local Area Committees held very little credibility within their own communities and were not mandated on a wide scale to represent them on Council or in any negotiations. Organisations outside of the local government system felt that apartheid constructions such as the LACs should not be part of the negotiation process or be

part of a non-racial Council. Yusuf Bhamjee, spokesman for the Pietermaritzburg Combined Residents' and Ratepayers' Association, commented that the LACs were being opportunistic and that "the LAC's did not enjoy the full support of the people they claimed to represent, ... polls during their elections were very low" (The Natal Witness, 9/8/1991). Some members of the Council, such as councillor Rob Haswell, also felt that LACs could not be mandated to be members of the full Council as they had not been elected as such (The Natal Witness, 20/8/1991).

The City Council had an artificially construed relationship with the LACs. A system of 'consensus votes' had been devised. In effect, it meant that the white councillors would allow LAC members to vote on certain issues, but the final vote still lay with the white councillors, as only white members had legal status. There was an ongoing debate within each successive Council concerning whether the LAC members should be treated as full members. For example the LACs were offended in 1988 when they were excluded from the process of electing the (white) mayor (The Natal Witness, 1/11/1988 and 6/11/1988). This debate continued without resolution and in 1991, the Mayor Pat Rainier commented that "[d]isappointment on the part of the Local Affairs Committees, that full Councillorship was not awarded 'forthwith' by the Council, should not be seen as a stumbling block, but rather a block on which to build a strong and reliable Council of the future" (Mayor's Minute, City of Pietermaritzburg, Year ended 1991).

In 1991 the LACs were part of another proposal to restructure the local state. Again it included a system of bringing only the LACs in, without any African representation. The proposed structure would give the 15 white councillors 4 votes each, while the 20 LAC members would have 2 each, effectively still entrenching white control. The idea was rejected by some 17 organisations in the city. Yunus Carrim, spokesman for the Pietermaritzburg Combined Ratepayers and Residents Association, responded that while recognising that this was the beginning of process towards a non-racial council, these proposals by the present City Council were not very useful (The Natal Witness, 9/10/1991). Again in April 1992 eight LAC members walked out of a council meeting because the white councillors would not recognise them as full members. The 'consensus vote' had been 19 to 11 in favour of giving LAC members full status. However the 11 votes carried more weight

because they were white councillors (The Natal Witness, 1/4/1992). These examples showed the sham that the 'consensus vote' concept was. Clearly a broader and more legitimate process of local government needed to be considered. The political climate had changed and the spirit of negotiations at the national and local levels was one that allowed progress to be made.

#### **9.4 The Greater Pietermaritzburg Local Government Forum**

The next attempt at transforming local government took place in May 1992. Clearly influenced by events at a national level, and the failure of ad-hoc LAC arrangements on a local level, the new initiative was dubbed a 'mini-Codesa'. In May 1992 the City Council issued a statement of intent, "recognising that only a process of local negotiations, which are in accordance with national negotiations, can produce an acceptable solution to the problems facing Pietermaritzburg and its surrounding areas" (City of Pietermaritzburg, 12/5/1992). The Council also once again committed itself to the process of participation for the Greater Pietermaritzburg Local Government Forum (GPLGF). The Mayor, Mr Pat Cornell, stated that the City Council would not be "prescriptive nor act unilaterally ... [i]t is proposed that separate meetings involving all major participants in the region should be held to explore and exchange ideas and proposals" (The Natal Witness, 25/5/1992). This was the City Council's first real experience of post-1990 politics. In light of the Council's previous attempts at local government reform, many organisations were hesitant. The ANC local government spokesman, Yunus Carrim responded that "the Council has to be judged not only by its statement but what it does in practice" (The Natal Witness, 13/5/1992).

The first joint meeting (described later as an informal discussion) took place on the 27 October 1992. Although the ANC were not present, other interest groups and political parties from the broad left did attend. The ANC clearly saw their involvement as dependent on the City Council acting in good faith and on their own ability to achieve real change within the structure, and until that was clear their participation was conditional (problems did arise, see for example The Natal Witness, 10/6/1992, 18/6/1992 and 11/9/1992). By December 1992, the number of participants had increased from 11 to 27, including the ANC, and a steering committee was set up (The Natal Witness, 2/12/1992). ANC spokesman Blade Nzimande stated "... although the ANC regards all of the existing local authorities in the greater

Pietermaritzburg area as illegitimate, we are quite prepared to participate fully in a process which will result in rapid progress towards the election of a non-racial form of local government for our area" (The Natal Witness, 2/12/1992). The Forum aimed at the "establishment of one non-racial, non-sexist, democratic structure of local government acceptable to all people of the Greater Pietermaritzburg area which include transitional arrangements" (Statement of Intent of the GPLGF, undated). The working groups of the forum included Constitutional and Legal, Finance, Institutional, Housing, Planning and Development, and Health.

The GPLGF held the potential to open local government up to more redistributive forces. The political and administrative structure had in the past been able to shield the Council from questions concerning reform of the distribution systems. The GPLGF would first have to overcome structural power bases and prejudices.

#### **9.4.1 The strength of the GPLGF**

In early 1993 an issue arose that tested the impact of the Forum on local politics. A by-election became necessary in Ward 9 and the Council wanted to proceed with the election. The problem it posed was that if the Council was going to proceed with a whites only election (a non-racial voters role did not exist) it would have meant reinstating apartheid, but at the same time there was no enabling legislation from Local Government Minister, Tertius Delpont, to circumvent the problem. The GPLGF wanted the by-election postponed by 3 months. The Forum was by this stage beginning to take over important decisions and the "the Council chose the path of cooperation rather than confrontation with the representative forum and this may well lead to Council living with other decisions made by the forum" (The Natal Witness, 24/2/1993). The Ward 9 position was never filled, and the Forum seemed to making an impact. The City Council was aware that it was becoming less of a force in the city, one observer noting an 'end of term mood' developing within the Council.

There were still reactionary elements within the Council, who believed that they had complete control over the process of transition. It reacted haphazardly to change and in August 1993, for example, the Council's advisory committee on squatters blamed 'unknown forces' for derailing Council policy, and Mr R.S. Kennedy stated that "[w]e are no longer masters of

our city and must accept that the people in the shadows must become part of the decision-making process" (Daily News, 26/8/1993). He stated further that there were forces working against the squatters moving to sites identified for them on land owned by the Natal Provincial Administration, adding "[t]here must be a political agenda to keep them within our boundaries" (Daily News, 26/8/1993). This type of analysis reflects a Council that believed it had the absolute right to govern within its boundaries, without any question of legitimacy or responsibility to the world outside the borough.

In July 1993 it was decided that during the pre-interim phase a Pre-Interim Metropolitan Council (PIMC) would be put into place. (The pre-interim phase was that period up until local government elections took place). The PIMC would be a nominated body, but should not exist for more than eighteen months (The Natal Witness, 13/7/1993). The GPLGF applied for recognition of the Forum in terms of the Local Government Transition Act during March 1994 (The Natal Witness, 1/2/1994). This was granted in April 1994 (GPLGF Notice, 3/5/1994). The recognition of the GPLGF by the Provincial authority gave the Forum several formal legal powers. In June 1994 the Forum had some 67 members, 25 of these being observers (GPLGF, 16/6/1994).

### 9.5 The pace of reform

The pace at which political change was expected, and hoped, to occur, was not forthcoming. The democratic process was slower than expected and elections for a new central government only took place in 1994, rather than 1993. The deadline for local government elections was shifted from an original date of October 1993 to October 1995 (The Natal Witness, 11/12/1991). Pietermaritzburg was optimistic and made claims that it was going to be the first city to have an interim, non-racial local government. The press release described a metropolitan area that was to make up this new city, including all immediately surrounding areas. With a population of 640 000, it was described as a functioning economic entity (Sunday Tribune, 24/10/1993).

This did not occur, since it was not the first city in South Africa to have a new local government (Port Elizabeth was), nor were the boundaries described in the article undisputed. A Commission of Enquiry into the running of the city was started in 1993 under Commission

Chairman Cecil Rees for the Natal Provincial Administration. The objective was to investigate the general state of municipal affairs in the city, taking into account the borough's finances, competence of public servants, and to investigate any cases of irregularity and maladministration (The Natal Witness, 27/7/1993). Accusations included a charge from the Concerned Citizens (CCA) that the City Council of misdirecting some R70 million of City funds in the period from 1983 to 1993. The specific topics that the CCA felt were worthy of investigation included, among other issues, the Symons Centre (see Chapter Seven). The probe was yet another blow to the Council's poor public image. Concerning the Symons Street Project the CCA described Council as a "bad administrator which wastes public funds" (The Natal Witness, 16/11/1993).

## **9.6 The GPLGF and the economy**

The Statement of Intent of the GPLGF included the goal, "[t]o strive for improved quality of life for all inhabitants in the Greater Pietermaritzburg and to facilitate a process of economic reconstruction to underpin a new democratic system of local government, with priority being accorded to disadvantaged communities" (GPLGF, undated). It soon became clear however that although the Forum was moving ahead in developing the future political structure of the city, dealing with issues involving local government structures, boundaries, administrative structures, financial arrangements and service / operational functions, it was struggling to deal with other immediate and increasingly pressing issues facing Pietermaritzburg. The GPLGF was not able to cope with restructuring distributive and economic issues.

### **9.6.1 Crises of delivery**

The housing crises, and especially the issue of informal housing, became critical. Old power blocs were not easily overcome and conservative elements within the forum were hindering new policy from arising. The Greater Pietermaritzburg Local Government Forum was failing to deliver, even in terms of a broad policy. Redistribution issues were clearly expected to be a role of the new structure. In May 1993 the Built Environment Support Group (BESG) made a recommendation to the Development and Planning Working Group that a structure resembling that of the PWV Economic and Development Forum be considered. The three focus areas would include crises/priority interventions, a short term development programme and planning review, and a long term comprehensive policy programme (submission from

BESG, 13/5/1993).

A policy on land reform was critical as finance was becoming available for projects and the possibility of land invasions was growing. The terms of reference developed for the Planning and Development Working Group (10/8/1993) recognised this need: "[o]ur area needs more co-ordinated planning and development just as much, and just as urgently, as it needs a new local or metropolitan authority". The GPLGF was unable to adequately develop a delivery process and two housing initiatives in two new settlement areas of Pietermaritzburg, Cinderella Park and Haniville, were held back by a lack of consensus and confusion regarding policy. In April 1994 the Planning and Development Working Group was notified that "the [Low-Income Settlement] Task Team as presently constituted seemed unable to adequately implement the Low-Income Settlement Policy as agreed by the Forum and the Council" (Minutes of 21/4/1994). The reason for this was that the Task Team were having 'complex problems'. It was suggested that a 'reconstituted Task Team' be formed (ibid).

While confusion was growing around redistribution issues, the City Council had contracted a group of consultants to advise them on economic policy (see Chapter Ten). The process of consultation, which included the GPLGF, led to another project being launched. This was an urban reconstruction proposal which would end in a study being done to determine the development needs of the greater Pietermaritzburg area. This project was partially funded by the Development Bank of Southern Africa, and was the only real developmental project which the GPLGF was involved in. A group of consultants were appointed to do the research. The GPLGF's focus was thus primarily a political vehicle dealing with future local government structures. The forum was eventually unable to resolve the future political structure of the city and attempted to disband (see The Natal Witness, 13/10/1994 and 14/10/1994).

### **9.7 The importance of a political solution**

The economic import of finding a political solution was not lost on the participants. New structures needed to be formed to offer the system legitimacy, and the GPLGF was not itself delivering it. Practically, a political solution was required so that authorities could begin planning. Rob Haswell, an important actor in the negotiation process, stressed the importance of political change being required before the city could gain Reconstruction and Development funds, adding that "every delay in the process is weakening the city" (The Natal Witness,

16/8/1994). The new political regime was not arising very clearly and the old regime was able to muster support from old enemies such as the LACs, and this blocked new policy. The ILACs and CLACs have been problematical in attempts to reach a political solution (see The Natal Witness, 7/10/1994). It is thus argued that although the decisions being made by the GPLGF were of fundamental economic consequence and could be seen to be crucial for the development of an economic policy, it did not actually begin to focus on such a policy. No new service and tax bases could be drawn upon until the new boundaries and administrative structures were resolved. In terms of a LED framework the new political environment allowed consumption issues to become public. However, the crises that developed blocked both a new distributive framework from appearing and a LED strategy being developed, which the progrowth bloc wished to see.

### **9.8 The role of the COCI**

The COCI has a Civic Affairs Committee which has previously been used to participate in local government affairs. However when the GPLGF was formed it decided that this was an opportunity to become further involved. Their Annual Report notes "the Chamber insisted that it be involved in these issues ... to ensure that the interests of Business are promoted and that economic issues of any new dispensation are not disregarded" (COCI, 1993, 2). The COCI was heeded as a major player in the city as they have one of the 12 seats on the steering committee. The COCI has been a prime mover, with many of their members being involved in various sub-committees. It is argued that later the COCI saw the role of the GPLGF as becoming increasingly limited in terms of economic policy. Another vehicle was required to pull economic development forward. This led to the formation of the local economic forum (LEF), which was being discussed at the end of 1993 and is seen as an important development in LED in Pietermaritzburg. Before the LEF is discussed, we shall return to the role of the Industrial Promotions Section.

### **9.9 The Industrial Promotions Section**

During period of political restructuring the Industrial Promotions Department continued in its traditional role, that is, to answer queries and to sell Council owned industrial land. If an industrialist wished to rent or purchase an existing building site then they would be referred to a local estate agent (Mayor's Minute, City of Pietermaritzburg, Year ended 1989, 41). No



real restructuring process had affected the Industrial Promotion Section, although there was some agreement with the private sector on possible areas of intervention. The most important area of agreement was that of deregulation. There were some attempts to cut the problems associated with official applications, as far back as 1988.

The City also focused on the activities that had worked in the past and continued to investigate the external investment market. In terms of the incentives that remained, Pietermaritzburg had been successful at attracting industry. Growth figures for centres in KwaZulu-Natal from May 1991 to January 1993 indicated that Pietermaritzburg had applied for 29 industrial expansions and new projects, beaten only by Isithebe which had 31 (Daily News, 9/2/1993). These figures from the Regional Industrial Development Board indicated that by being the second most successful centre out of 23, including Pinetown, Pietermaritzburg was still showing significant growth. Mr Rob Findlay stated that "these figures show that Pietermaritzburg is still one of the fastest growing industrial areas [and] our recessions have not been as severe as in the big metropolitan areas" (Daily News, 9/2/1993). This scheme was considered to be successful as the industrial promotions officer, Mr Rob Findlay, attributes growth in Pietermaritzburg to the city's incentive scheme (The Natal Witness, 3/1/1994).

These incentives applied to firms moving to the city, but the Mayor Pat Cornell commented "existing industries have not been forgotten and a similar scheme of incentives for expanding industries is awaiting approval" (The Natal Witness, 22/2/1993). The Mayor was optimistic, "[t]hese are indeed generous incentives and we are expecting interest from all over South Africa as well as overseas" (The Natal Witness, 22/2/1993). The incentives included a 20 percent discount on standard electricity for the first five years with no charge for basic electricity connection, there would be no charge for sewerage and refuse removal for the first five years, free water and sewerage connection, and no charge for approving building plans (The Natal Witness, 22/2/1993). These incentives are set by Council and agreed to by the Provincial Authority, which means that the Industrial Promotion Officer does not have the liberty to bargain with an industrialist or alter the package to suit different needs. As each industrialist is different, different conditions will apply from within the package.

### 9.10 Regional efforts

The City also belonged to the KwaZulu-Natal Marketing Initiative, at a cost of R9 000 a month. The Kwa-Natal Marketing Initiative is a regional organisation that markets KwaZulu-Natal overseas. Members include Umgeni Water, Eskom, NPA, PortNet and other city councils (The Natal Witness, 24\3\1993). It did not include Durban originally as it appeared Durban was going to market itself through the Greater Durban Marketing Authority (GDMA). This was perceived as a major drawback for the KMI as Durban is the major centre in the region. The GDMA and the KMI has since decided to amalgamate and form a new organisation. It was also becoming apparent that regional marketing efforts were most effective when dealing with the international market. Mr Rob Findlay (pers. comm., 1994) believes that regional structures are more suitable for smaller city councils to belong to as they can afford more offices overseas and the KMI has found that the region needs to be advertised first, then the various localities are introduced when an investor shows interest. A small municipality cannot raise the resources to effectively market themselves overseas.

### 9.11 Conclusion

This chapter follows the development of the first attempt at meaningful change within the local political structure. The Greater Pietermaritzburg Local Government Forum (GPLGF) was the first structure to overcome the problem of legitimacy, but could not overcome the still strong conservative elements of the previous structure. The GPLGF failed to deliver a new urban policy environment and could not negotiate a new administrative structure. After an initial flurry of activity and broad support, especially from the business community, it became clear that although the GPLGF had achieved a degree of legitimacy, it was not going to be an effective vehicle for local economic policy development. The business community began to look for a new initiative. The City Council continued to support its limited role in industrial development through the use of the Central Government incentive scheme and a sophisticated boosterism strategy.

## Chapter Ten

### The consultants : the connecting element

#### 10.1 Introduction

The City Council had begun to make some small concessions to the progrowth regime. A changing political environment and the associated potential investment opportunities had captured the national imagination. It was agreed by Council to expand their traditional role in marketing the city and create a position within the bureaucracy. This position would be that of Development Manager. No suitable applicants could be found to fill the post because the salary offered was insufficient to attract someone with the necessary experience. The City Council thus decided to appoint consultants to fulfil the brief and the appointment was made in favour of J.H. Isaacs. Mr Terry Thompson was appointed the chief consultant. The brief was to "formulate and implement an economic development strategy for the city and the greater metropolitan area of Pietermaritzburg to promote the growth and retention of industrial and commercial development and investment" (The Natal Witness, 17/2/1993).

##### 10.1.1 The appointment

The process of appointment by Council did not go by without incident. The Council was accused of secrecy because the matter was not made public, the item was marked "confidential not for publication" on the agenda. The local newspaper stirred up caretaker sentiments by running an article under the title, "Council's 'secret' plans", which appeared in The Natal Witness (17/2/1993). The memory of PMB 2000 not far away, The Natal Witness commented: "Similar studies concentrating on economic development, most notably the PMB 2000 plan which had a similar brief, have been virtually ignored by the Council although they have cost thousands" (17/2/1993). The CCA responded that they were concerned "that once again the council is passing a secret decision without consulting ratepayers. The bottom line is that we have not been consulted although we will have to foot the bill" (The Natal Witness, 17/2/1993). It must be remembered that it was at this stage that the Commission of Enquiry began, further weakening the local state (see 9.5). It also served to strengthen the consultants position.

The Mayor, Councillor P.C. Cornell, decided to respond by taking out an advertisement entitled "Statement on the appointment of an Economic Development Consultant" (The Natal Witness, 20/2/1993). The Mayor felt that the decision was broadly acceptable because the private sector was already represented on the Council's Strategic Planning Project Group. It includes representatives from the Chamber of Commerce and Industries, and the Institute of Estate Agents. (The representatives are described as 'members of the public with special skills'). This group had recommended that the services of an

"innovative person with entrepreneurial and negotiating skills to take charge of proposals put forward by developers, and to work out a well structured deal that would encourage developers, overcome the municipal bureaucracy and red tape to a large degree (encourage flexible standards) and benefit both the city and the organisation. This function could greatly facilitate attracting investment to the city" (The Natal Witness, 20/2/1993).

The terminology implied that the private sector representatives wanted someone new to revolutionise the way the Council conducted its LED policies. The Mayor also implied that private sector representation on a committee means public representation. This reveals the manner in which LED issues and decisions are generally shielded from public scrutiny. The Industrial Promotions Section and the new position were intended as bureaucratic sections that would be directly responsible to Council and thus be shielded by the general lack of transparency that has persisted within local government. The employment of the consultant was seen as separate from the brief allocated to the Industrial Promotion Section, which was essentially to market the City's industrial land.

Mr Thompson's first indication of possible LED policy was that he believed that the City should broaden its approach. He believed that the private sector was better equipped to deal with the sale, leasing and development of land (The Natal Witness, 24/3/1993). The consultants took over the profile of the City's Industrial and Promotions Department. This department, headed by Mr Rob Findlay, would now have a new profile. This would be the role of assisting new entrepreneurs through the City's bureaucracy, as part of a newly formed 'Development Team'. Mr Thompson felt that the appointment of the consultants was a "step towards the City Council being more pro-active in attracting business to the city". He did not

feel that the city has suffered from lack of investment because of a poor image with potential investors. Rather, he suggested that the prolonged recession and political instability had affected Pietermaritzburg as much as other centres (The Natal Witness, 24\3\1993).

The appointment of consultants rather than a bureaucrat was a major step towards strengthening the hand of the private sector in developing LED policy. The progrowth lobby had finally gained real power. The attempt by the caretaker regime to curb public spending on this position ended up being a Trojan horse as it opened the way for the consultants to step in. The consultants, J.H. Isaacs are a property based development company that has obvious interests in local economic development strategy development.

#### **10.1.2 The approach**

Mr Terry Thompson described the City Council approach 'unstructured and shotgun' and understood his brief to be to strategise and formulate a coherent economic policy. This would require a study of the local economy to find linkages, comparative advantages, and strengths and weaknesses (pers. comm., 1994). The approach that Mr Thompson envisioned included a strong consultation element. There was also a leaning towards bureaucratic simplification. He did not foresee a 'pie-in-the-sky document', rather "a hands-on workable approach which will create an environment in which business can flourish" (The Natal Witness, 24\3\1993). The environment envisioned would be one with less bureaucracy and red tape. But he realised he would require real Council support, a delicate subject after PMB 2000. He commented, "[t]his means Council must be willing to alter its procedures. Promoting the City will achieve little if development is to get bogged down in a bureaucratic jungle" (The Natal Witness, 24/3/1993).

#### **10.1.3 Methodology**

The methodology included a one day workshop. It was not directly open to the public, but the most important players in the city would be invited; namely: from the City, commerce and industry, political organisations, ratepayers, the NPA and other public interest groups, such as the Concerned Citizens Association (The Natal Witness, 24\3\1993). The result of this workshop was to be the drawing up of a strategy for the City to follow. Overall Mr Terry Thompson felt that "[t]here is absolutely no doubt in my mind that this will be a very

cost effective exercise for the City" (The Natal Witness, 24\3\1993).

## **10.2 The first meeting**

The consultants, J.H. Isaacs, set the first meeting for 1 July 1993. A problem developed in that the ANC had called a national stayaway for that day (because of unrelated national events) and very few of the political, business and community leaders from the black communities turned up. Most delegates were local small business owners and members of public organisations; there was a distinct lack of progrowth coalition partners. The first private sector stab at this type of approach was suffering a similar fate to PMB 2000 and the CAS. This was a trend that had become all too familiar by this stage. The meeting proceeded as best it could. The private sector was now really starting to experience how difficult it was to form a broad urban development coalition.

### **10.2.1 Deliberations from the meeting**

A discussion document was prepared for the meeting by the consultants. The document attempted to set out the most important issues (J.H. Isaacs, 1993a). A starting point was that the local government would need to create "a policy and institutional environment which promotes the creation of employment and income opportunities through new and expanding industrial and commercial ventures in both the formal and informal" (J.H. Isaacs, 1993a).

The structure of the proceedings and the document tried to focus and initiate discussion:

- ☐ The issue of boundaries. What is the Pietermaritzburg Metropolitan Area (PMA) and what are its boundaries. This issue was also central to the GPLGF.
- ☐ The idea that a commercial and industrial growth strategy was essentially part of a broader framework for the whole PMA.
- ☐ That economic growth was going to be important to the success of the new local government.
- ☐ The LED strategy must take cognisance of the regional efforts, including the Regional Economic Forum and the KwaNatal Marketing Association.
- ☐ That the Durban Metropolitan Area not necessarily be seen as a competitor to investment for Pietermaritzburg, and that a more co-operative relationship should develop.

- ☐ That there should be short term ("attraction and retention strategies which focus on immediate competitive advantage reinforced by incentives") and long term ("developing human and physical capital") focuses (ibid).
- ☐ Domestic firms, particularly small business, should be an important component of the strategy.
- ☐ A focus on the informal sector.
- ☐ It was also noted that the PMA suffered from an image problem.

### 10.2.2 The arrival of a LED strategy

The document has the rhetoric associated with broader LED concepts and this showed a substantial shift in thinking about economic development in Pietermaritzburg. The focus was on all possible geographic levels, notably a priority shift to the metropolitan and sub-regional level. The terminology used referred to a 'favourable business climate' and moving away from 'regulation, control and prevention'. The focus on small and medium sized enterprises was often mentioned as one of the pillars of a new policy. The emphasis was clearly on economic policy and was not focused on developmental issues. It was also in the majority progrowth. Firms in Pietermaritzburg exhibit a high degree of local dependence. The Hickson & Oldham (1992, 5) study found that only 14 percent of firms are subsidiaries of national or international firms. The drive to create an improved local economy is therefore high and a source of support for the local progrowth group, while the size of the firms linked it to caretaker sentiments. Firm size indicates that 55 percent of firms employ under 20 employees and 86 percent have under 100 employees (ibid, 7). This gives the coalition a slightly reactionary and caretaker flavour as small business is often in support of caretaker regimes to maintain the status quo.

The document itself did not attempt to draw up the policy, but did indicate the possible scope and tensions that could exist. The competitive advantages and strategic focuses still needed to be set out. Issues like the relative importance of commerce and industry, tourism, infrastructure and facilities, informal sector and geographic scale required careful consideration. Significantly, when considering a SWOT (strengths, weaknesses, opportunities and threats) analysis of the locality it was clear that the City had learned from previous attempts at LED. The city was conceived of as a competitive entity that needed to use

whatever sources were available to improve that competitive edge.

The city was also essentially seen as a metropolitan area. In terms of the SWOT analysis the weaknesses included the high cost of municipal services, City Council red tape and the poor fiscal condition of the local government. Importantly, the consultants were aware that the locality had been dependent on outside institutions for funding of incentives. Many sources of funding came via central government, for example through the Industrial Development Corporation, KwaZulu Finance Corporation and the Small Business Development Corporation. This was seen as a weakness since the future of such incentives were uncertain and it was not as desirable as an internal dynamic of sustainability. The consultants did not wish to see any more research being conducted as there were already a number of studies on the economic base of the city. Rather they wished to be action oriented. For example they referred to some of the findings of the Oldham & Hickson (1992) study which indicated that certain industrial sectors and small and medium enterprises were a source of potential growth. The private sector also focused on the need for an entrepreneurial culture to be developed. The document represented a vision of the city that emphasised the commercial and industrial sectors. It also recognised the role of Pietermaritzburg as a service centre for the farming communities in the Midlands as well as the educational and institutional/administration role.

The document represented the fears of a private sector schooled in the logic of competition and the market. The document saw potential competition from the establishment of export processing zones in nearby centres. Another major threat for the city is the possibility of losing its Capital status. A portion of the city's economic base is dependent on the retention of this status. The administrative functions mean that it receives a large amount of disposable income from salaries that originate outside of the city. The impact that this could have on the city would be very severe, especially in terms of the property and commercial markets. Generally the emphasis was on allowing private sector agents and developers to take over the process.

### **10.2.3 The role of the City Council**

This was the most emotive issue in the development of a strategy. One aspect included the draft Town Planning Scheme, which was seen to be far too narrow and inflexible. The private sector felt very strongly about the planning regulations existing in the City. The



COCI has a Town Planning Committee whose sole objective is "to ensure that the Local Building Regulations are completely re-written" (COCI, 1993, 7).

The discussion questioned the possibility of an expanded entrepreneurial role for the City Council. Some ideas that had come up in the past, such as public-private partnerships and loan funds for private firms, were questioned as some previous interventions by the City Council in the economy were not that effective.

The document states,

"[r]ecent experience, such as involvement in public transport and the development of Symons Centre, and current philosophy which emphasizes privatisation, suggest the City Council would not wish to take on a risk absorbing role and will be content to provide certain incentives as part of a broader strategy to create a suitable atmosphere and setting in which businesses of all kinds can flourish" (J.H. Isaacs, 1993a).

The role of the public sector is rather seen as cutting administration with speedy processing of inquiries and plans, and the subsidisation of public services to make Pietermaritzburg competitive as a locality. The focus on deregulation and red tape falls squarely within the urban efficiency model. This focus has been a major issue in discussions within the business community and has been mentioned on numerous occasions since PMB 2000. The representatives of commerce and industry felt that the organisational structure of the bureaucracy needed investigation and an overhaul. There were also questions about city planning and zoning. The document referred to Urban Foundation thinking, where the local government takes on urban and economic management rather than traditional roles of prevention and control. In connection with this the establishment of a Development Team, headed by Mr Rob Findlay, previously the Industrial Promotion Officer and now known as Development Co-ordination, was welcomed as part of a more accessible strategy. The result is that although a more progrowth regime was developing and taking control, it was not entrepreneurial. This focus was not fixed as the City attempted to become involved in the Durban bid for the Olympic Games of 2004 by pledging R1 million in principle (see The Natal Witness, 17/1/1994 and 19/1/1994)

#### 10.2.4 General trends

The general trend of the document was to convince the public sector that the private sector can do it all better. The deregulation and privatisation of the public sector was strongly encouraged. It was suggested that the marketing of the city be placed in the hands of a private firm, but that the policy be long term and involve various means of information dissemination. The City had only marketed Pietermaritzburg in terms of selling Council land, now the private sector wanted to see the consultants take some of the responsibility for marketing the city as a whole.

A new, important step in the process was the strategic approach of targeting sectors through identifying existing or potential comparative advantages. It was felt that the private sector exhibited a higher degree of professionalism and had more resources to call up. Implicit in the discussion was the idea that the level of competition between cities required a level of professionalism that the public sector was not structured to provide. The document did support provision of incentives by the Council for new and expanding firms. It was concerned with the impact that the development of an export processing zone (EPZ) in a coastal locality would have on export industries either located in, or considering locating in, Pietermaritzburg. It thus supported investigating the Camps Drift site as a potential site for an EPZ. In terms of small business the need was more for co-ordination, and access to markets and government assistance. Support for the informal sector not only needed to focus on the street traders, but also on job creating sectors such as manufacturing. The envisioned tourism strategy did not only centre on increasing the number of tourists (for example through the publicity association), but also the infrastructure such as public transport. The lack of tourist facilities in Pietermaritzburg was noted during the CAS and the document refers in particular to conference facilities and hotels. There was also a complaint concerning the lack of co-ordination between planning authorities and the tourist industry. Here the conceptualisation of local economic development was clearly where the public sector is seen as a service and infrastructure provider, as conceptualised in World Bank thinking.

### **10.2.5 Implementation**

The document saw an action plan evolving out of the meeting. The experience of the business community with local government and local economic planning was clearly in the minds of the organiser's and the delegates. The document stated "a strategic plan which is not supported by sufficient budgeted funds becomes a meaningless exercise" (J.H. Isaacs, 1993a). The group were also aware though, that within the emerging political climate no implementation could place without proper consultation with other political and community organisations.

### **10.2.6 Attempts to solve the problem of participation**

Mr Thompson decided to proceed with the process of consultation. The problem of participation was solved by the holding of bilateral meetings with people who had been absent from the process. It was decided that the GPLGF, as the legitimate political vehicle in the city, be used to address the process. Through them another date was set for a second meeting, and members of the GPLGF were invited. This was the 20 November 1993.

### **10.3 The second meeting**

The turnout in terms of numbers was lower, especially from business, but now Cosatu, the African National Congress, the Inkhata Freedom Party, the GPLGF and various other organisations did attend. A discussion document outlining some ideas from the first meeting was circulated to bring the delegates up to date. This meeting resulted in fewer extravagant suggestions, but was fruitful in that now the economy was set firmly on the agenda. There was clear legitimate political support for the initiative. The first meeting had resulted in a mission statement that read: "To establish a policy and institutional environment which promotes the creation of investment, employment and income opportunities within the Pietermaritzburg Metropolitan Area" (J.H. Isaacs, 1993b, 3). The second meeting raised the possibility of a "Reconstruction and Development Plan" being devised for Pietermaritzburg. The mission statement was now linked to this aspect and committed the economic progrowth group to a more redistributive approach. The mission statement was informally amended to continue, "as part of the comprehensive urban reconstruction programme". It was decided that a research project be instituted to begin coming to grips with the needs of the PMA. The GPLGF would require this information to smooth the process into the new local government.

The budget was to be made up mostly by the Development Bank of Southern Africa. The resulting project, titled the GPLGF Urban Reconstruction Study, has a budget of R470 000. This initiative now had two focuses, the original economic planning focus that J.H. Isaacs received and the new developmental aspects. These developmental aspects were the problems, such as with informal housing, on which the GPLGF had been able to reach agreement. There was thus the danger that the politicians had brought in a Trojan horse, one that could undermine the process of policy development within the LED initiative.

#### **10.3.1 Policy**

The consultants put forward another discussion document. In it they outlined four issues that could not be resolved immediately:

- 1) the informal sector,
- 2) small business promotion,
- 3) the role of the City Council and
- 4) tourism.

These were considered medium term issues, although they were also considered urgent. The consultants recommended that committees be set up to deal with the issues. With respect to short term the consultants recommended that an advertising campaign begin as soon as possible. The campaign would achieve three goals:

- 1) to project a positive image of Pietermaritzburg as a industrial and commercial centre,
- 2) to aim at attracting investment from within South Africa and
- 3) to also aim at institutional decision makers as another target market. The initial estimate of costs was a budget of approximately R500 000 for promotional expenses.

#### **10.3.2 Discussion from the second meeting**

The discussion during the second meeting focused on the social development aspects of the strategy. The delegates discussed the need for education and training to be an important part of the urban reconstruction process, of which job creation was crucial. Other issues included the lack of community consultation in the mission statement. The delegates felt that a broader

framework was required for this to be part of a broad development strategy, an economic reconstruction of the city. The delegates did not see the problem as only needing to create jobs, but also that a holistic approach be sought to develop a post-apartheid vision. This was clearly beyond the mandate the City Council had given to J.H. Isaacs, but two factors influenced the process. The first was that the political environment nationally had changed, making consultation imperative. The second was the GPLGF, which made consultation possible and legitimate. This meant that the consultants in taking cognisance of the changed political environment were able to deal within the larger developmental framework, and sidestep conservative interests within the City Council. The private sector were aware that the emerging national agenda included economic and social goals. If the private sector wished to get new partners in a growth coalition that would be successful, then they would have to accept these national goals as well. The possibility of central funding for local communities also would appeal to the private sector as this lowers the reproduction of labour costs to the private sector and the local state. The new elements ended up closely resembling those of a progressive coalition that attempts to tie socially desirable goals to that of economic growth.

### **10.3.3 The Second Interim Report**

The second interim report to the City Council that emerged from the second meeting (J.H. Isaacs, 1994), clearly saw the commercial and industrial strategy as part of a programme for urban reconstruction and development. The programme aimed at the "economic upliftment and empowerment of all the people living in the Metropolitan area" (J.H. Isaacs, 1994, 2). The brief included various aspects that were negotiated through the process, which had lasted from March 1993 to March 1994. The report referred to making use of two broad types of strategies. The first would focus on advertising: using promotional media and face to face contact (such as tours) to market the centre. This would include using other organisations such as the KMI and the Pietermaritzburg Publicity Association. The second would be to keep the strategy current with the identification of market opportunities and comparative advantage. Besides what had been discussed above, the consultants noted that skills training be a priority and that technikon and university links be strengthened to consider attracting hi-tech industries.

The mission statement in this document thus now represented the aims of a broader constituency:

"To establish, as part of a comprehensive urban reconstruction and development programme, a policy and institutional environment which promotes the creation of growing investment, employment and income opportunities within the Pietermaritzburg metropolitan [area]" (J.H. Isaacs, 1994, 5).

The consultants were still only responsible for the commercial and industrial aspects, but it was now clearly part of a much larger project. The objectives still focused on the business climate, deregulation, marketing, small business and the informal sector, and the provision of infrastructure and services (J.H. Isaacs, 1994, 6). The medium and longer term strategies remained the future role of the (new) City Council and small and medium size enterprise support.

The policy resembles a hybrid between supply and demand-side interventions and the urban efficiency model. The traditional aspects of the policy are blatantly boosterist through marketing and small scale incentives. The private sector also clearly wish to see the public sector not engaging in any expensive market interventions. Growing the economy was envisioned as occurring through expanding human resource potential and in particular small business support. The union movement would support these demand-side interventions as they have a focus on productivity, international competitiveness and human resource development. The private sector also wish to see the public sector create an appropriate urban environment for accumulation, as is perceived by The World Bank in the urban efficiency model.

#### **10.4 An evaluation of the consultants' initiative**

There was a new sophistication in the way LED was being discussed. Although the City Council were the original clients, the GPLGF were a critical factor that allowed the process to broaden and receive input from various sources. The progrowth sector had eventually moved into a position where they could drive the process and now had the potential power to get things done. Clearly they were happy with this situation, as the initiative was slipping away from the caretaker Council. The consultants were aware that they had to fulfil their contractual agreements to the City Council and at the same time had to work within the

broad political environment. The private sector were also desperate to get at least part of the policy implemented, without it appearing that the discredited City Council were trying to force the policy through. They considered the traditional LED technology of advertising and marketing campaign as crucial. The City Council accepted the report, with the focus on forming four working groups (to look at the role of the City Council, small and medium enterprise promotion, the informal sector and tourism) and decided to refer it to the GPLGF.

In the end the GPLGF handed over control of the process to the (yet to be formed) Local Economic Forum. It was in late 1993 that the idea of a local economic forum had started to arise. Although the J.H. Isaacs initiative had originally experienced very similar problems with participation, the political environment in the city was by now quite different to that of the mid-1980s. The private sector had less of the credibility problems that the local state had experienced.

#### **10.4.1 The effects of the initiative**

The consultants, members of the Development Team and other members of the bureaucracy perceived a high level of competition among cities. This resulted in a move towards higher levels of sophistication in the technology required to sell the city, as reflected in the urgency placed on advertising by the consultants.

#### **10.5 The coalition building process**

The initiative by J.H. Isaacs was successful in putting the private sector in the drivers seat of the process. A problem was developing in that it was also becoming increasingly clear that the GPLGF was not going to be the vehicle to carry an economic policy into the future and the formation of the LEF was an imperative. The initiative was, however, successful in introducing the private sector to many of the emerging policy makers and decision makers within the new political dispensation. The opportunities in terms of international interest and central government Reconstruction and Development projects were becoming clear to the private sector while the local government was showing itself to be unable to deliver. As consultants however, J.H. Isaacs were able to easily make the transition to the newly developing coalition around the local economic forum. Interestingly, the process as initiated and dominated by business interests (the consultants) was less open than the attempts by the

City Engineers Department (PMB 2000 and the Central Area Study), but was more successful in coalition building. This cannot only be attributed to the new political environment. The use of bilateral meetings and the manageable size at which the project was maintained clearly had an effect on the outcome.

### **10.6 New players and new processes**

The initiative by the consultants had introduced the emerging players to each other, but neither the old City Council nor the GPLGF were showing themselves to be appropriate vehicles for further economic policy development. The proximity of the project to the old City Council and the narrowness of the brief were insufficient to meet the needs of the business community. At the same time forums were becoming the legitimate political environment to launch initiatives in the 'New' South Africa. At a meeting at which the COCI and Cosatu were represented an idea to launch a local economic forum was raised. The Regional Economic Forum was already in progress and the COCI suggested a local economic forum for Pietermaritzburg. The GPLGF had become a political vehicle battling to provide a solution to the problem of the future local government structure of Pietermaritzburg. It was unable to deal with the more immediate issues facing the city and held very little hope of taking on long term economic planning.

#### **10.6.1 Economic forums**

The National Economic Forum (NEF) was a body set up as an arena in which business, labour and government could meet to discuss economic issues and policy. The NEF had led to other regional forums being set up, for example in the Witwatersrand and Western Cape (Harrison, 1993).

A forum was also set up in KwaZulu-Natal, known as the Regional Economic Forum (REF). The first plenary session was held during July 1993. A convening committee was formed to set up a regional forum. Harrison (1993, 48) comments that "the political complexities of this region has made the creation of an economic forum a more arduous task than within other regions". The KwaZulu administration and the Natal Provincial Administration were included in the deal. The forum grew to include the business sector, political parties, government and community organisations, such as civics. The REF had a developmental role besides the issue



of economic policy. The forum was to deal with "problems of an immediate and urgent nature such as job creation, the drought, and the housing crises" (Harrison, 1993, 48). The REF would also act as an allocation structure in terms of funds from other bodies, in particular the NEF. The REF has also examined the possibility of setting up sub-regional structures to augment the process of development, possibly using the RDAC structures, the Joint Services Boards and other local fora.

#### **10.6.2 The local economic forum**

Support for the formation of a local economic forum centred around Cosatu and COCI. There were a number of issues of local import that the REF would not deal with. This became suddenly apparent as before the forum had its first plenary session the possibility of moving the regional Capital from Pietermaritzburg to Ulundi became apparent. The first meeting of the LEF was held during February 1994 at which Cosatu, COCI, local government, parastatals and The Development Bank of South Africa were present (The Natal Witness, 17/2/1994). The first Plenary Committee meeting was set for the 13 June 1994 and the forum titled the Greater Pietermaritzburg Economic Forum. An aim of the forum would be to overcome the need for a legitimate structure to bring together the major stakeholders in order for economic and developmental needs of the area to be addressed through the joint development of strategies (constitution of the GPEF, undated). This is a direct reference to the limits of the GPLGF, as the Forum had been unable to address any of the pressing developmental issues. Mr Graham MacKenzie of the COCI commented that Pietermaritzburg has the potential to be the engine of growth for the Natal Midlands (pers. comm., 1994).

The constitution of the forum describes as its principal aim the need "to develop strategies to advance the economic and development potential of the Pietermaritzburg region, to the benefit of the inhabitants of the region, and in an environmentally sustainable manner" (GPEF, 1994). The forum would not only deal with long term economic planning but would also address immediate issues of critical importance. The forum would have a co-ordinating role, between local and regional bodies with similar aims, and "co-operate with and complement national development initiatives" (Constitution of the GPEF, 1994). The proposed structure of the GPEF consisted of 40 members, these being made up of representatives from business, labour, local government and observers (at a ratio of ten persons per sector).

The forum would be made up of three working committees. These would be:

- 1) Policy and Priorities. This committee would set these by using the J.H. Isaacs study, the GPLGF Urban Reconstruction Study and the Reconstruction and Development Programme of the new government as reference points.
- 2) Human Resources Development. This policy section had not been developed at the time of writing (July 1994).
- 3) Project Co-ordination Committee. This committee would be required to establish sources of funding, public works programmes and business support programmes.

The forum thus started with an emphasis on business and labour. Part of the motivation for this was experiences in the DFR Development Forum. The DFR forum had become very involved in redistributive issues brought in by politicians and civic leaders. The GPLGF, as the broad forum of political legitimisation, should ideally have dealt with some of these developmental issues. The main priority of the labour movement was to see an economic strategy appear, an issue that was shared by the consultants and the business community. At the same time, the GPEF would have to develop mechanisms to prevent the process stalling due to problems associated with political division, as had occurred in the GPLGF. Although there are attractive elements in having the redistributive and growth issues within the same forum, it presented possible problems as redistribution policy (such as informal housing policy) still had not been resolved. The GPEF wished to move ahead in the development of policy. The GPEF is also not able to deal with some redistributive issues such as land allocation, which it does have the expertise or mandate for.

### **10.6.3 Developmental funds and central government**

It became increasingly clear to the local business community that the RDP would be co-ordinated on a local level and that an organisation was required to deal with this. The better the local organisations are able to organise themselves in a legitimate structure, that can be accountable for funds and are able to reach agreement on spending priorities, the better the chance of receiving development aid. The GPEF was thus seeing itself as an environment in which the labour movement and business could speed up RDP delivery. Mr Terry Thompson was very aware that funding was dependent on the local level being able to develop a structure

that can identify projects, supply effective motivation, show the viability and social benefits of it, and effectively control the expenditure and administration of the project (pers. comm., 1994). The GPEF was thus going to have to be such a forum. To achieve this it required input from various groups with interest in the urban development process. While business and labour offered substantial organisational acumen, the local state and civic associations were weak.

#### **10.6.4 Civic associations**

Civic associations in predominantly African areas have been weakly developed around Pietermaritzburg. Seethal (1993) notes that in 1990 there were fifteen civic associations in the black areas of Pietermaritzburg. Of these fourteen existed in either coloured or Indian residential areas, with only one in a African area (that being Sobantu). In the Indian and coloured residential areas the civics have focused on service consumption issues, centring around discriminatory residential property rates and electricity charges (Seethal, 1993). There has been no SANCO office present until recently and African areas have had very weak representation. Rivalries between mass based political parties has further undermined political resistance and political mobilisation. Civic input into the economic restructuring debate has thus been poor. It is expected that civics will enter the economic debate around consumption issues, concentrating on the impact that public spending will have on service delivery to previously neglected areas.

#### **10.6.5 The COCI**

The COCI supported the GPEF and the GPLGF because the Forums act as an environment for the resolution of conflicts, in effect to cushion the local level from national events (MacKenzie, pers. comm., 1994). During 1993 and 1994 Pietermaritzburg was the site of a number of mass based protests and of industrial action, as was the rest of the country. The COCI felt that this was negatively impacting the business environment (MacKenzie, pers. comm., 1994). A mechanism was required that would help the local level be less vulnerable. The GPLGF was perceived by the COCI as being a successful process, but also one that was limited and coming to an end. It had brought the various parties together, had provided a cathartic release as an environment for discussion and debating the future structure of the city, but was not a vehicle for development delivery. Local business leaders supported a vehicle

that could focus on economic issues, tap into the RDP and had broad political support.

### 10.7 Conclusion

The political changes that swept through the country and the weakening of the local state offered the opportunity for the progrowth bloc to move urban economic growth onto the agenda. The old City Council inadvertently provided the impetus for this process as it contracted a group of consultants to investigate LED options for Pietermaritzburg. The flexibility of the consultants position allowed them to move to the emerging political coalition in the GPLGF. The role of the consultant in this position is important, as Robinson & Boldogh (1994, 195) comment: "[i]n the case of urban development initiatives in South Africa at the moment, it is the management consultant who is shaping the politics of the future from this off-stage position." The consultant is able to project a vaguely politically neutral and technocratic position, which enables them to form alliances on a more fluid basis. The consultants also represented a means for the progrowth coalition to find new coalition partners. The failure of the GPLGF to form the basis or vehicle to satisfactorily fulfil the needs of the now broader progrowth coalition led to the development of the LEF.

The failure to find a political solution and develop a new political regime was a major stumbling block in the formation of a new urban development coalition. The lack of clear political leadership within the GPLGF was a serious problem. The issue of economic recovery was being moved down the agenda as political parties tried to find common ground, and the redistribution / consumption issues were not being resolved. It is thus argued here that the business community saw the GPEF as this new vehicle to carry the emerging economic development coalition process forward. The GPEF therefore offered a new opportunity for the progrowth coalition to control the development agenda and attempt to reduce disruptive political disputes between the old and new political regimes.

## Chapter Eleven

### **Conclusion : towards an understanding of growth coalitions in Pietermaritzburg**

#### **11.1 Conclusion**

The thesis illustrates that the processes of growth coalition development and local economic policy making must be considered within the broader political environment. The emerging urban agenda in South Africa clearly contains elements of the international move towards cities using LED strategies to maintain and strengthen their economies. The character of these strategies will be dependent on two factors: firstly, the legal framework referring to the powers and administrative boundaries of regions and localities and the character of the emergent space economy that develops, and secondly, the formation of growth coalitions to formulate and implement policies for local economic development. The transparency, representativeness and political acceptability of these coalitions will be critical to their success in being able to formulate and implement such policies. This process of coalition formation is little understood in South Africa in spite of its relative importance in the political process and urban development. The move to greater use of local economic development strategies offers both opportunities and challenges. The concomitant emergence of a new political dispensation and essentially the forum environments on a local level, together with massive urban challenges, requires new modes of thinking and negotiating urban development.

The thesis found that urban regimes and coalitions are, and have been, a feature of the Pietermaritzburg political economy. The historical development of the Pietermaritzburg political economy shows that these coalitions and regimes are open to change and challenge over time. The thesis also reveals the integrated nature of local economic policy making and local political regimes, as local progrowth challenges have been related to local political struggles.

The formation of a local state department to deal with local industrial development initially satisfied progrowth sentiments, but the unwillingness to expand this role became a source of local business frustration. Coalition formation has been economic in origin, rather than state centred as the City Council has been reluctant to become involved. The arguments by

progrowth lobbyists were insufficient to draw in wider support or attract political leadership. The caretaker regime in the City Council remained dominant. Although allied to local political reform challenges, the formation of a broader urban development coalition was hindered by political divisions created by apartheid and the problems associated with this local reform process. Local political support for coalition formation is critical to local economic policy development.

In the case of Pietermaritzburg the dominant caretaker urban management style of the City Council has consistently been challenged by more progrowth sentiments within an alternative economic oriented coalition. The conservative economic attitudes of City Council blocked the interests of the progrowth coalition from achieving control of the urban development agenda. The challenges by the progrowth bloc have coincided with broader attempts at political restructuring. The illegitimacy afforded the local state by its apartheid context was a potential source of advantage to progrowth challenges. The lack of broad and credible local political support for economic growth issues, such as seen in Pietermaritzburg 2000, hampered the formation of a wider local urban development coalition and thus delayed the devising of a broad local economic development strategy. Pietermaritzburg 2000 and other initiatives at coalition formation show that broader political problems are integral to coalition development.

Only when nationally led reform dominated the local political restructuring process was the progrowth bloc able to successfully place their demands on the agenda. The legitimacy offered by the Greater Pietermaritzburg Local Government Forum (GPLGF) in turn became problematical when it failed to provide a new administrative or urban policy framework. The broad coalition that was developing around economic growth issues was able to create an alternative structure in the Greater Pietermaritzburg Economic Forum (GPEF). A group of consultants employed by the City Council in effect became progrowth entrepreneurs as they were able move freely in consultation with various progrowth groups. Previous attempts at coalition building, which centred around the bureaucracy (the City Engineers Department) had been hampered by political illegitimacy. It was only when the private sector were able to provide the driving force, and link itself to a legitimate political structure (the GPLGF and the GPEF) was a powerful coalition able to develop. The GPEF has attempted to create a new kernel around which urban economic policy could be developed. This emerging urban

agenda holds various threats and opportunities for Pietermaritzburg. It was only once the private sector gained control of the process and could form a broader urban coalition did a strategy begin to emerge. Coalitions have thus proved vital to the development of policy.

### **11.2 Threats and opportunities : A progressive strategy?**

There are dangers in this emerging structure. The experience of the GPLGF made it glaringly obvious that on many levels there is a lack of capacity within both the communities and local state to deal with problems of redistribution. The trade unions and the business community were eager to see economic development become a priority. The business community has a strong organisational structure in the Pietermaritzburg Chamber of Commerce and Industry and have vast experience in dealing with the local economy and political structure. The trade unions also have considerable experience and expertise to call upon in this restructuring process. The weak capacity in community structures and the local state, especially in terms of conceptualising economic problems, could result in business interests dominating. The local state is clearly too weak to take on the interventionist and activist roles outlined in the alternative approach outlined in Chapter Three. The move towards privatisation and corporatism is reinforced as the private sector dominates the urban development discourse. The strengthening of the private sector through the consultants has an ambiguous result: it has enabled a much needed LED policy and strategy to develop, and at the same time places the private sector in an inordinately powerful position. The paucity of vision evident in the local state and community groups has and could allow the private sector to become very powerful as they have a vision and clear demands as to how to achieve it.

Realistically, as within all coalitions, relative power will exist and at certain stages different interests will dominate. It is however desirable to create a structure where interests cannot become hegemonic through organisational and administrative structures, and through the lack of community capacity. The lack of community capacity to deal with economic issues and the tendency for LED coalitions to be screened from public scrutiny are dangers to local democracy. The progressive approach outlined in Chapter Three will require stronger community and public sector structures and stronger analytical capacity than currently exists, as attempts at redistributive policy would be undermined. The racial and gender tone of the emerging coalition in Pietermaritzburg also reinforces the existing interests and power bases.

In the case of Durban, Robinson and Boldogh (1994, 207) found similar problems:

"It would seem that a more sustained and proactive contribution on future economic strategy should be seen as a crucial goal of more radical forces: or else the business coalition will continue to dominate policy formulation and growth coalitions in the region - albeit with a caveat suggesting that consultation or participation is necessary."

The development of the LEF offers opportunities to deal with the spectrum of LED concerns within one structure. The distribution, growth bloc needs, and restructuring/production goals can be maintained simultaneously. The twinning of a distribution and a growth focus allows the two to be debated within the same environment and with the same players. This allows the two goals to be considered simultaneously when developing strategies and when considering projects. The distribution aspects then cannot be easily separated from the policy making and 'tacked on' at the end. The problem of democratic inclusion is overcome as all parties have an opportunity to share information and be in on all decisions. The use of consultants to implement parts of the policy requires that evaluation mechanisms be implemented to ensure all the goals are met. If the city can achieve and sustain a representative local economic forum, then its competitive capacity in terms of central funding and clear policy making will be greatly enhanced. The possibility exists though for the economic forum to be separated from political accountability, and clearly more equitable distribution outcomes are related to the ability of political processes to ensure these. If the process is successful and community capacity can ensure consumption issues are articulated, then the chances for equitable outcomes are enhanced.

In particular the progressive coalition offers a way to avoid some of the criticisms that the new urban politics has laid at the door of urban development. Pietermaritzburg has the opportunity to become a city that balances its need to be competitive with a just social distribution of spoils from that growth.



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