

The Planning and the “Unplanning” of Urban Space 1913 to 2013: Privatised Urban Development and the Role of Municipal Governments

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1. Introduction:

There is much talk today in policy circles about “transforming urban space” to make our cities both more efficient and equitable, i.e. by giving access to a majority of people who remain currently marginalised from the services, amenities and varying economic opportunities of urban life. Would spatial reconfiguration bring about more efficiently functioning cities and would these interventions bring about material change in the well-being and livelihoods of the majority of people living in them? Does the changing nature of urban space efficiency bring about greater mobility and improved household opportunities?

In our paper we wish to contribute to the urban efficiencies/right to the city debate by reviewing past planning practices and recounting the history of the planning of South African urban areas. How these plans were implemented and the impact of spontaneous and unregulated development on urban land? We describe the changing urban form in South Africa over the past century, the uneven rhythms of urban investment (and its likely impact on economic accumulation) as well as the economic and environmental risks to vulnerable communities, mostly living in informal settlements and formal housing developments underlain by dolomite.¹

In examining the historically evolving urban form the paper notes the tensions between segregation and integration, sprawl and compaction, informal and formal developments, and public and private transportation, as well as the spread of amenities and services. Based on a classical definition of economic value, the paper analyses the factors that drive the development of high-value land: land prices, and proximity to work and income generating opportunities. The latter is critical in this analysis because in reality most South Africans live in remote informal settlements and what are still largely underserviced urban dormitories, because they simply cannot afford to live close to their places of work or better publically or privately serviced areas.

Both planned and spontaneous (or unregulated) development is implemented by conscious agents and the paper traces the changing roles of the dominant actors in the land development processes over the past century. The roles and functions of these actors are also illustrated in two case studies on the recent upgrading of informal settlements near Franschhoek in the Stellenbosch Municipality in the Western Cape and Kroondal near Rustenburg in the North West Province. The themes of changing urban form, uneven investment, uneven economic development and on-going disaster risk are important and require debate. This debate should not only be about **why** so many citizens remain marginalised from the productive use of rural or urban land from which they could benefit materially and spiritually, but also about **how** this process unfolds. How should South Africa address this when we currently seem to be confronted with out-of-control urban development processes that include persistent sprawl and fragmentation? There are alternative public policies and strategies but they often find little or no traction in current,

¹ E.g. – currently informal settlement dwellers are exposed to environmental risks that include fires and floods

market-driven urban realities. Based on the historical as well as the case study insights, the paper identifies some core principles that appear to have got lost in the historical and current urban development process. . These principles provide a compass with which to navigate the rocky path of compromise and trade-off that characterises current urban development programmes.

2. Historical overview of urban land use

2.1 Periodisation of Historical Area

In looking at the history of urban land use through the prism of segregation/integration, sprawl/compaction, informal/formal development, public/private transportation and the spread of amenities and services, a useful starting point for periodising these themes is Hendler (1986; 1993), which divides the political economy of urban land development into four periods:

- 1920 to 1948 – Legislating Urban Segregation and Funding Structures
- 1948 to 1962 – Channelling Accumulation in Urban Township Development
- 1962 to 1977 – Stimulating Accumulation in Bantustan Development
- 1977 to 1991 – Deregulating, Deracialising and Privatising Land Development

Similarly, the period from 1991 to 2013 – described as the Servicing of Fragmented Cities - will be described through the same lens, and the outcomes of each period will be distilled as a basis for exploring current and on-going challenges.

Segregation has been – and still is – a critical defining feature of South Africa’s urban landscape. Urban segregation has long roots and goes back to before the 1913 Land Act and the establishment of the Union of South Africa when local authorities, subject to the approval of the governors of each colony, administered segregated African residential areas. In the Transvaal, segregation was enforced through various curfew and pass law regulations by the local authorities, while in the Cape, local authorities ran the locations of Ndabeni and New Brighton (Davenport, 1971; LRC, 1980: 1).

The 1913 Land Act created a geopolitical segregation of land use across South Africa, with the vast proportion of the total land mass being reserved for use by people classified as ‘white’, and a paltry 13 per cent for people classified as African. Within white areas, the unskilled and semi-skilled workers employed in the mines and the later emerging secondary industries (the majority of whom were people of colour) had to be housed within reach of the industries which employed them. Provision was therefore made for segregated living places for people of colour within the 87 per cent of the land mass prescribed for use by whites.

Prior to the 1920s the government played no role in planning and providing funds for the development of African housing. Miners were the only sizeable group of African workers not obliged to organise their own accommodation. However, miners were housed not by the state but in compounds owned by mining companies. Of the remaining workers the vast majority were forced to provide for their own accommodation in areas adjoining the 'white' industrial and commercial centres (LRC, 1983a: 41; 42; Lewson, 1953; Maud, 1938).

2.2 1920 to 1948 - Legislating Urban Segregation and Funding Structures

Existing segregation was first formalised in the 1920 Housing Act and the 1923 Urban Areas Act. The 1945 Native Urban Areas Consolidation Act became a cornerstone in the edifice of segregation, pass law control and housing by defining Africans' urban residential rights in terms of section 10 (1) of the Act (Hendler, 1993: 73). The principle of economic self-sufficiency was applied to these areas through the establishment of Native Revenue Accounts (NRAs), funded through municipal monopolies of sorghum beer production and retailing, fines, house rentals and rentals for trading rights (LRC, 1980: 8), underlining the extreme limits of public investment in these areas. Simultaneously, areas outside of the 'native' locations were growing and expanding, in marked contrast to the situation in the 'locations'. Land outside of the 'locations' was being acquired and held by newly emerging entrepreneurs, and developed largely through private agents although the process was often on contract to public authorities. Architects and land surveyors considerably influenced the development of areas for the rising middle class and *nouveau riche* (cf Butt, 1984; Chipkin, 2008: 49-75).

The period also saw the birth of town planning as a discipline through the Garden Cities movement for social cohesion, development and social upliftment. Two initiatives in Cape Town (Garden Cities, 1972: 11-12; 17; Citizens Housing League, 1979; Die Stedelike Behuisingsbond, 1969) provided an early form of holistic living places (including social housing) for white workers and returning servicemen in planned urban spaces. However no such initiatives were taken for African employees as the authorities minimised their development interventions in areas where people were housing themselves (often in informal structures) within segregated 'locations' close to where they worked. However, after an influenza epidemic had claimed the lives of 500 000 Africans living under appalling conditions (Morris 1981: 15-16) the first moves towards what would become increasing state intervention took place.

In the segregated locations land was held by the local authorities. The 1920 Housing Act established the Central Housing Board – the first central state resource structure for feeding the capital being accumulated in the field of residential accommodation. The board was to control the housing developments of local authorities, and was viewed as an administrative organisation which would supervise the lending of government funds for building houses

(Calderwood, 1953). However, it appears that most of the shelter was erected by the occupants themselves; employers were responsible for the provision of accommodation – if they employed more than 25 ‘natives’ (Hendler, 1986: 67); and, between 1920 and 1939 the Housing Board loaned an average of R 1, 0 million annually for the construction of accommodation for black people (Hendler, 1986: 67-68). Only a small amount of money went towards African housing, then financed without central state assistance (Cf. Hellman, 1949; Hendler, *et al*, 1985: 197). During the 1940s the proportion of Union government housing funds accumulating in the construction of dwellings for Africans remained negligible, proportionally more being invested in the provision of accommodation for people classified as coloured (of mixed race) and Indian (Hendler, 1986: 67-68).

2.3 1948 to 1962 - Channelling Accumulation in Urban Township Development

The outbreak of World War II introduced a new phase of urban development in South Africa, a noticeable feature of which was the appearance of large, segregated housing estates for Africans. At the time the self-provision of shelter had resulted in large scale informal settlements. There were economic and political reasons underlying this phase of urban development. The state attempted to reduce economic dependence on migrant (or contract) labour, by requiring that Africans with permanent urban residential rights provided for the labour needs of secondary industry (Hindson, 1983; 1985; Posel, 1984; 1985).

The state also needed to exert control by preventing autonomous action by communities to secure shelter for their families (Wilkinson, 1981). This included the removal of integrated living spaces like Sophiatown, Martindale and Newclare (in Johannesburg) (Hendler, 1993: 220) and later District Six (Cape Town) and Cato Manor (Durban). The central government initiated land use planning for African residential development, identifying the appropriate tracts of land and funding the subsequent developments according to strictly defined parameters. Often this was done to the chagrin of the various local municipalities, which played a distinctly subordinate role in this planning process; merely as agents of the central authorities. As the result of the 1955 Mentz Committee some 21 segregated townships were established across the entire Pretoria-Witwatersrand-Vereeniging (PWV) area (now Gauteng), which was fast becoming the engine room of the country’s economic development.

Apartheid spatial planning was flexible to accommodate efficiencies through locating townships close to existing – or future planned – industrial areas. From a purely capital accumulation perspective, *apartheid* spatial planning allocated and housed urban labour, provided for its transportation according the needs of employers of industry, and got these employers to pay towards the (reproduction of labour power) costs through the Bantu Services Levy Act. According to statements made by the Minister of Native Affairs in 1956 the levy initially applied to 37 towns in the Union. Up to January 1956 a sum of over R14 million had been collected from employers (Morris, 1981: 47).

The land which was disposed for the purpose of township development and future expansion was either local authority, central state-owned, or privately owned. After the development of top-structures, the properties were not sold to the occupants but continued to be held by local or central government for a specific purpose and managed towards this end, namely the cost effective accommodation of workers in urban dormitories. Employer levies and beer and liquor monopoly sales contributed significantly to meeting the cost of infrastructure and services. Private developers and planning and design professionals were completely excluded from a process which concluded with the mass housing estates of seemingly endless row upon row of “matchbox” units (Hendler, 199: 218) – building contractors, were however, included in the construction process. While the central government provided the finance, it was the building departments of several of the larger municipalities which constructed the houses. In 1954 the Johannesburg City Council had established a separate housing division to undertake the building of houses for Africans under Mr AJ Archibald, its first director. A vocational training centre was set up to train African bricklayers, plumbers, and carpenters, who were to form the nucleus of the division’s staff (Hendler, 1986: 77).

Using a site-and-service approach, the local governments were able to increase the pace at which Africans living in informal settlements were rehoused in formal townships. The method, first mooted by Verwoerd (then Minister of Native Affairs) and Eiselen (then Secretary for Native Affairs) and tested in the development of the Daveyton township just outside Benoni, consisted of the municipality laying out sites with services (funded from the National Housing Commission). It also involved relocating squatters with their shanties to these sites with the promise of a formal unit and then using several large firms of contractors and teams of municipally-trained builders to erect the units. Some 23 225 people were moved in 55 days from the Apex squatter settlement to Daveyton and 6 000 houses were built in 20 months, an average of 12 houses per day.

The construction method included the use of precast walls and corners (Humphriss and Thomas, 1968: 123-125). This site-and-service method differs significantly from the current site-and-service, which is a process through which households are expected to build their own initial (or core) structures (effectively, controlled squatting). Between 1948 and 1960, 40 682 houses as well as many schools, administration blocks, clinics and beer halls were built in Soweto. During the 1950s and the 1960s, 5 115 houses and hostels for 1 576 people were erected in Kwa Mashu by the Durban Corporation. By 1958 the Pretoria local authority had built 12 438 dwellings and hostels for 6 400 people (Morris, 1981: 60-88).

In the dominant white areas of the cities the boom-bust speculation which characterised the stock exchange between 1945 and 1955 led to speculative property booms in places like Hillbrow (Chipkin, 2008: 104-108), reflecting, albeit for different reasons, the intensity of development activity in the native townships, which formed the basis for reproducing economic accumulation by ‘white’ capital. Chipkin (2008: 129) observes that “the more the miners worked the more they contributed, by a process of capital accumulation and localised expansion of markets, to the transformation of the bare veld into job-creating,

income-generating cities". (Alternatively) "white suburban property owners possessed easy access to house funding through Building Society bonds which translated urban betterment into steady capital appreciation..... our cities responded to developmental pressures as free-market cities in the United States did, with higher tower CBDs, elevated motorways with blue overhead signage, endless suburbia...."Beavon (2000: 3) notes that as early as 1959, there were signs that the small emergent suburban nodes could change the business pattern of the Johannesburg city – this would set the scene for decentralised shopping mall development across the country in the years ahead.....

2.4 1962 to 1977 - Stimulating Accumulation in Bantustan Development

The failure to reduce economic dependence on contract labour (Posel, 1984: 6; 15; 23) consequently changed government policy during the 1960s which then aimed to build the economy on contract labour only through decentralising industry to, and creating employment in, the areas bordering the Bantustans. Emphasis was thus placed on funding the provision of family housing in the homelands (Davenport and Hunt, 1975) and workers employed in urban towns, and living in municipal townships, were required to move to the new homeland townships situated within commuting distance. From the early 1960s until the late 1970s, increased state spending on the construction of shelter in Bantustans was accompanied by a cutback in investment in housing in the prescribed areas. The State's influence on the developments in both the prescribed areas as well as the homelands was instituted through extensive regulations (which micro-managed the movement and accommodation of the urban workforce) and redirected capital funding. This was made possible because these developments were on land owned and held by the state for precisely this purpose.

The first two homeland towns which were established adjacent to industrial areas were at Zwelitsha (in the Ciskei near East London) and Temba, built in Bophuthatswana to house squatters from the PWV area (SAIRR, 1970: 135). By 1970 new living environments had been built for Africans working in Eshowe, Mafeking, Taung, White River, Potgietersrus and Phalaborwa. State financed construction also took place in the homeland areas bordering on Nelspruit, Zeerust, Pietersburg, Brits, Newcastle, Ladysmith and Thaba Nchu (SAIRR, 1970: 135). Capital investment in the development of homeland towns continued in the 1970s. Proclaimed towns in Bantustans (Transkei excluded) increased from 66 in 1970 to 86 in 1976, at which juncture 129 had been delimited or partly delimited (Smit and Booyesen, 1977: 19). Between 1960 and 1969 the state invested R40,68 million in the construction of 76 843 houses in the homelands (Hendler, 1986: 80). By 1976 a further R158, 03 million had been invested by the state in the development of these towns. Some 83 905 units were completed between 1969 and 1977.

As mentioned earlier, the state curtailed developments and maintenance of infrastructure in prescribed area townships. First, in 1968 it ended the limited homeownership granted to residents with section 10 (1) rights through 30 year leaseholds. Between 1955 and 1968 an average of 8 681 homes had been acquired annually by Africans living near the cities. (Hendler, 1986: 81-85). Second, fewer new units were built in these townships as a result of

less government capital being invested in the prescribed areas. And, third, the administration of prescribed area townships was taken away from the local authorities and vested in central government-controlled administration boards with a re-emphasis of the principle of self-financing. In effect this meant the loss of local authority subsidies and due to less funding, the deterioration in the infrastructure of these townships.

Hendler (1986: 84) notes that residents contributed the main supply of funds for this purpose through site rents, service charges or tariffs, school levies and the consumption of sorghum beer and liquor (the latter two were municipal monopolies and the administration boards acquired 80 per cent of the profits of liquor sales). Residents' impoverishment put limits on what they could pay, further constraining any expansion of the quantity of capital circulating in the development of housing and township amenities, and leading inevitably to the long term decline and stagnation of these built environments. Government policy redirected the employers levy from funding infrastructure maintenance and new infrastructure development to making good the deficits on the administration boards' departments of manpower (Bekker and Humphries, 1985: 125), thus reinforcing stricter application of the pass laws and punishing pass law offenders. Squatting emerged as a popular response by migrants who despite the severity of the pass laws kept migrating to the cities as the rural economies and homeland industries proved inadequate for survival.

Greater inefficiencies crept in during this period with examples of commuters spending up to four hours a day traveling to and from employment as in the example of commuters housed in Ga-Rankuwa and Soshanguve, 37km north-west of Pretoria, being transported by train to work in the East Rand. Furthermore, there occurred the noticeable deterioration in the state of segregated townships – particularly 'black spots' like Alexandra which was earmarked for removal, but also parts of the larger established townships like Soweto.

At the other end of the spectrum, in South Africa's free market economy, the impact of economic growth on the property market was a long boom, leading to the purchase of more land in an ever-widening spiral, and the construction of new urban built environments. These property developments were driven by the investment of surplus cash in the growing economy, not unlike the phenomenon of shopping mall investments currently. Picking up on this theme Beavon (2000: 3) observed an ever increasing development of decentralised shopping and commercial nodes on the periphery of Johannesburg's northern areas. He argued that competition between municipalities for an expanded rates base was the driver of commercial decentralisation resulting in shopping malls – in the case of Sandton a 30 000m² shopping mall, known as Sandton City (1973), and by the late 1970s another three malls of more than 10 000m² in Sandton's suburbs. Others were built in the neighbouring municipalities of Bedfordview and Randburg and in three of Johannesburg's northern suburbs. The significance of the decentralised shopping malls is that they diverted trade – and thereby sucked money - from the CBD, and this is significant currently when malls are established relatively far from the CBDs of major centres.

In 1978, 70% of all shopping in the Johannesburg municipal area was made by white suburban shoppers, one third of whom made their purchases in suburban centres alone. In that year, the first of the megamalls (Eastgate) opened clearly targeting white suburban shoppers. Interestingly, white shoppers only accounted for 52% of the total sales in the Johannesburg CBD. The mid-1980s saw the loss of four of the largest and most prestigious department stores in the country from the Johannesburg CBD – three of the firms re-established premier stores in the new malls (Beavon, 2000: 3-4). In the longer term this would reinforce the segregation of the city between the relatively affluent north and the city centre and the south, a trend which was to be repeated in virtually every South African city.

In the broader society the leading role of architects in the planning and initiation of developments was being diluted by property developers who progressively began to have more influence in amending town planning schemes that enabled almost unlimited height for new skyscrapers (Chipkin, 2008: 136). At the same time financial institutions were leading the investment charge into the CBDs, including the new decentralised nodes where malls started appearing. The new shopping malls were funded by the surplus cash of large financial institutions and insurance companies (Hendler, 2013c) which earned interest on mortgage loans from this debt.²

2.5 1977 to 1991 - Deregulating, Deracialising and Privatising Urban Land Development

Accumulation patterns in African housing shifted during the late 1970s, in a climate of severe political and industrial conflict. Opposition to government and employers had occurred in the labour field as well as in the townships. Conflict reached a head with the Soweto education protests of 1976 and the mushrooming student-led rebellion brought into sharp focus the economic and legitimacy problems confronted by South African capitalism. Changes in the composition of financial investment in the provision of township housing between 1978 and 1985, resulted directly from the changing urban policies of the state, as it attempted to stem the tide of resistance to its hegemony. (Hendler, 1986: 86).

Faced with intensified township-based resistance, and with growing problems of economic accumulation, upper echelon government officials and top leadership from the private sector attempted to reform *apartheid* society. The introduction of a private housing market, together with reforms to the labour market and the removal of restrictions on the urban residential rights of residents with section 10 (1) status were the pivots of the overall strategy. The strategy entailed granting homeownership through the private market to urban “insiders”, but within a context of overall geopolitical segregation, as framed by the 1913 Land Act. Linked to this was the removal on trading restrictions for insiders and this

² Decentralised-reinforced segregation thus functioned as arenas for capital accumulation by financial institutions (which had a monetary interest in the decentralization process). The precise functional relationship between decentralised segregation and capital accumulation by financial interests need not detain us here. Suffice it to say that the economic function of apartheid segregation was the subject of much debate during the 1970s and 1980s between a liberal school of thought that perceived segregation and labour controls as contradictory to ‘free enterprise’ and a Marxist historiography in terms of which segregated housing in compounds and dormitory areas functioned to control and reproduce labour power, and the pass laws to allocate labour, for the accumulation of capital by the mining and industrial sectors during the pre-1994 period in South African history.

enabled the birth of the minibus taxi industry, which in the years ahead supplanted public buses and trains as the main means of commuter transport.

Amongst other effects these reforms were to increase the amount of capital accumulating in the African residential building industry. More government money was to be invested in the construction of dwellings. At the same time the legal ground was cleared for the re-establishment of the private market (Hendler, 1986: 87). This strategy failed because the forces pushing for a full blown non-racial democracy, where there could be no racial classification of land use, proved to be too resilient, and were able to capture the strategic initiative both locally and internationally (Hendler, 1993: 73-86).

From the late-1970s the state embarked on a conscious strategy to win the 'hearts and minds' of township residents in the aftermath of the Soweto uprising by upgrading the infrastructure of selective urban townships – Soweto was earmarked "as a test to develop a formula for use elsewhere" (SAIRR, 1983: 291). This involved improving street conditions, sewerage systems, storm water drainage, and electricity and water supply systems. Similar projects were undertaken in other Witwatersrand townships like Refilwe and Vosloorus, Daveyton, Kagiso, Tembisa, Katlehong and Thokoza, as well as in Alexandra (Hendler, 1986: 95). The upgrading of infrastructure was twinned with a security strategy to return stability to the townships and not directed at making the cities more efficient *per se*.

A private market in ownership was enabled through the introduction of 99 year leaseholds during the late-1970s, and in 1984 regulations were further amended to enable the acquisition of township stands by private developers and construction firms. In the same year a major government house selling programme made an additional 350 000 dwellings available for occupancy under the 99 year leasehold provisions (Hendler, 1986: 95-96; SAIRR, 1984: 270). During this period the functions of acquiring, holding and disposing of developed land in the segregated townships were split between the authorities on the one hand and the private developers on the other. The central government focused on upgrading of township infrastructure and at the same time the 'opening up' of the development process through legislating slightly more independent local authorities (i.e. the Black Local Authorities), dropping influx control regulations (in 1986) and changing township establishment regulations (in 1987) to facilitate the participation of private developers in the identification and initiation of land for development.

Hendler (1993: 214 – 279; 323-365), referring to the PWV area as a case study, demonstrates how the developers and Black Local Authorities were still constrained within the parameters of *apartheid* spatial planning as a result of the Mentz Committee allocations of land for African housing. In the first instance this meant that it was difficult for developers to market housing to Africans on land that they had acquired and improved but which lay outside the demarcated areas. Within the demarcated areas the BLAs held the power to dispose of land for development, regulate house design and process applications for provisional leasehold. Developers, in Ball *et al* (1990) were defined as 'speculative builders', constrained both by the limited affordability of their clients as well as limits on the extent of land in these areas which could be speculated. Accordingly, the 1980s saw the emergence of a hybrid between developers and contractors, as private companies found it made business

sense to undertake the entire process from planning and preparing the land to constructing and handing over the units (cf. Merrifield, undated). Within the building construction process these contractors hired labour-only sub-contractors from the townships (cf. Krafchik, 1990), popularly referred to as 'emerging contractors' or 'small black builders' but whose development into full main contractors was severely constrained by the absence of capital.

The changing forms of the development process in the segregated townships mirrored an intensified decentralisation and re-segregation in the middle and upper income areas of the white cities themselves. In the dominant political economy of South African cities the development of Malls had consolidated itself, together with the emergence of definite decentralised CBDs. Concomitant with the 'white flight' from the traditional CBDs was the renting by more and more people of colour, of residential accommodation within the CBDs of large cities like Johannesburg and Durban, in direct contravention of the Group Areas legislation. Beavon (2000: 4 – 5) observes that suburban office space followed a similar pattern to that of the malls (referred to earlier). For instance in Johannesburg, by 1982, there was about 350 000 m² of office space in the northern suburbs, equal to 9 per cent of the total office space in Johannesburg as a whole. Significantly between 1981 and 1984 some 431 000 m² of office space was under construction in the suburbs *vis-a-vis* only 205 000 m² in the CBD.

Chipkin (2008: 294) reflects on developments in the white metropolises during the same period. With the fall of the gold price in 1981, the country experienced economic stagnation with a shortfall in foreign investment, record inflation, higher unemployment rates and a massive drop in the value of the Rand. By the mid-1980s the severe economic recession was exacerbated by the campaign advocating economic sanctions against South Africa within the United States. The recession was uneven with a decline in production yet buoyancy in the financial and property sectors – “a factor which lends significance to the construction of new corporate headquarters both in the city [of Johannesburg] and in the migratory route to the north”. The decentralisation trend was accompanied by the flight from inner city areas of Durban, Johannesburg and Pretoria to the supposedly safe sanctuaries of established white suburbia. The pace of development in respect of the private housing market in the African townships was critical for the *apartheid* reform strategy: in a sense it was a race against time and against *the anti-apartheid* opposition's campaigns. Could the state construct a buffer class of homeowners with a stake in the reform project on a significant scale to defuse the protest movement? Class formation through homeownership and improved housing became a key component of the apartheid reform strategy. But it was inhibited by the retention of the racial land distribution policies.

In the PWV area between 1975 and 1991, only 26 per cent of the potential number of units that could have been provided was actually delivered (Hendler, 1993: 366-69). Furthermore, the procedures of the public authorities dampened new housing starts and exerted an upward pressure on housing prices³. The evidence indicated that the speed at which houses

³ Local and central bureaucrats' impact occurred through their powers to modify township layout, process 99-year-leasehold applications and specify levels of services and building standards.

were delivered by developers after 1986 (when significant regulatory reform took place) was still significantly constrained by the impact of both central and local government officials on the various procedures relating to township establishment. The capacity of the development and associated enterprises to increase the rate at which housing units were delivered (the output velocity) was constrained by a relatively long holding period, due to the effects of bureaucratic township establishment procedures (Hendler, 1993: 376).

Nevertheless it remains debatable whether developers would have significantly improved their performances in the absence of red tape. The high-risk business environment in which they operated created an imperative for developers to achieve high profit margins through land speculation, which tended to create upward pressure on the price of new housing. Where this was not possible and bribes were paid the local officials, the costs were incorporated into the land prices. Similarly, the managerial style of developers was generally very pro-active in response to opportunities and threats. In a society undergoing rapid political transformation – as was the case with South Africa during the 1990s – speculative builders seemed inappropriate as delivery agents for what were perceived to be (and often were) high-risk clients. At the time, an essential condition for effective development was participation by the beneficiaries. But the distinct organisational form of speculative homebuilding militated against participation by consumers in planning, design, physical delivery and post-project maintenance; issues which were increasingly coming to the forefront in the demands of urban social movements.

2.6 1991 to 2013 - Servicing Fragmented Cities

Since the early 1990s, with the repeal of the Land Act, the Group Areas Act, and the various pieces of legislation that prescribed urban land use for defined population groups, the framework for a single land development market was established. Proponents of deregulation and privatisation, unlike the urban social movements which favoured a form of social regulation, argued that this was the most effective and efficient way to rectify past inefficiencies and inequities in the way our cities functioned. However, the appearance on the one hand of sprawling, modern developed areas and on the other hand, of many underdeveloped areas persists in the current deregulated urban land market.

Through a capital subsidy programme successive *post-apartheid* governments funded the completion of more than a million Reconstruction and Development Programme (RDP) houses over the 10 years between 1994 and 2004. This compares favourably with about 600 000 low cost formal housing units completed under the *apartheid* regime in a twenty year period spanning from the mid-1950s to the mid-1970s (Hendler, 1993: 50). Initially the government's approach was to get the private developers to lead these developments and to provide support through a state capital subsidy towards the cost of the services and the units.

The achievement of this enormous quantity of formal housing units needs to be qualified by their small size and limited finishing, the poor quality of workmanship in the erection of many of them and most importantly their problematic location (i.e. still mainly dormitory areas, relatively dispersed from amenities and opportunities). Furthermore the impact of the housing market processes is contradictory. While many of these houses have been traded and upgraded, and have their own proximate shopping mall facilities manifesting in classic housing market upward mobility and accumulation, many others have not accrued as assets to their owner-occupiers because they were sold at lower than cost by households desperate for cash. This reflects the extent to which secondary market processes have not become widespread. In part this is a reflection of bureaucratic problems that have seen significant proportions of RDP housing beneficiaries still to receive their title deeds. It also reflects the extent and ghettoization of poverty and unemployment.

Midway through the RDP housing process, state policy changed to make the government (including the municipalities) the public developers of new holistic townships and to tender physical implementation to private sector contractors. This was done to address questions of quality and cost, the latter having to come within housing subsidy limits. As a result local municipalities developed low cost (often municipal) land holdings on the peripheries for low cost and affordable housing, while at the same time approving high value developments (e.g. malls) from which they could extract bulk and link infrastructure contributions as well as higher rates and taxes to cross subsidise further low cost housing developments.

There has been a limited development of affordable housing (for ownership, and so-called Gap housing) as well as social rented housing in some existing inner cities, transport corridors and townships, but the scale has been limited compared with the major thrust of government housing support and intervention. Coupled with all this has been the extensive focus on and provision of basic services – the most significant *apartheid* era backlogs in respect of electricity, water and sanitation, have been substantially reduced and even eliminated in certain areas. However, too many new low cost houses and too much investment in basic services has been provided in areas that are not efficiently located in relation to residents access to amenities and economic opportunities.

Due to the persistence of segregation, faltering secondary housing markets and unemployment and poverty in many of RDP projects, government formulated a new policy in 2004 called Breaking New Ground (BNG), which was intended to address problems of sluggish secondary markets, jobless growth and disadvantageous locations. There are other public initiatives that have focused on spatial transformation through densification, physical and social integration, local economic development and enhanced public transportation, as an approach to achieve more equitable and efficiently functioning cities and towns.

The working class majority – largely, but not solely, people of colour – still live miles apart from the more affluent minority in segregated living spaces. In the larger cities, particularly Johannesburg, the upper-middle and upper classes have become increasingly integrated.

The privileged minority of the middle and upper income classes either live in increasingly secured suburbs or in totally gated communities.

Beavon (2000: 6), referring to the rising cost of residential property in the suburbs and new middle to high-income developments noted that there was a shift towards smaller more easily protected premises, particularly for first time buyers. "Consequently large numbers of cluster units, various forms of townhouses and other types of 'gash' (good address small house) accommodation have mushroomed relative to the proverbial 'large house with large grounds and a pool', typical of older areas in the suburbs". 'Gash' developments drive urban sprawl, making a mockery of the urban edges of municipal spatial development frameworks (SDFs). –

Swilling (2010: 230), referring to Cape Town, noted that it is not townships that get pushed on to the peripheries of the metropolitan areas anymore, but rather developments for the burgeoning spatially dispersed lower middle classes that generate the 20 per cent returns on investment for developers. These developers have burnt their fingers in both luxurious developments for the rich and mass housing for the subsidised poor⁴. Some of the decentralisation has taken place in previously segregated townships (e.g. Khayelitsha, Mitchells Plain), meaning that new economic nodes have established themselves in some of these areas making them no longer peripheral. In this scenario Beavon (2000) argued that price becomes the barrier to entry creating a form of *de facto apartheid*.

The decline (and rejuvenation) of the CBDs of cities like Johannesburg and Durban as well as other secondary cities has been accompanied by the increasing reinforcement of wealth and opportunity further from these areas in traditional suburbia, and its related decentralised shopping areas (effectively new CBDs). Increasingly linked to these shopping malls by modern and recently upgraded existing road networks, these residential and commercial zones require motorised transport for access. The cost of motorised transport becomes a further barrier to these shopping amenities for those who struggle to afford motorised transport. This is particularly severe in rural areas where more than 50 per cent of the population walks or cycles (non-motorised transport [NMT]). Where CBDs have recovered, like parts of Johannesburg, this has often been predicated on the pushing out of the urban poor to places on the urban periphery, like Orange Farm.

Swilling (2010: 234-235) observes that the above developments are the "outcome of a large number of smaller decisions that get taken every day by officials, politicians, developers, consultants, planners, architects, bankers, citizens, estate agents, house buyers, marketing agencies, major providers of electricity and water, sewage and solid waste engineers, ratepayers associations and protest groups, as they engage one another over a wide range of partially understood issues that have more to do with short-term interests and belief than long-term outcomes or strategic views of the future". He argues that the "rise of the

⁴ Referring to Cape Town, Swilling (2010: 230) observes that nearly 50 per cent of Cape Town's land mass has been developed in the past 25 years. This remarkably rapid rate of urban change has occurred in other South African metropolises too, like Durban and Johannesburg.

developer and the banker as the key drivers of urban development (reflected most clearly in the work of the SA Property Owners Association over the past 25 years as an organised network that built the discursive consensus) has resulted in the decline of the architectural profession and local government officials and politicians as the key visionaries and storytellers of city futures.

It has been argued that architects have given up their autonomous artistic and moral duty to imagine cities for qualitative living in order to become the lackeys of developers and bankers. This act of professional intellectual suicide has given the bankers and developers access to the 'storytelling' capacity that they lacked. After all, every banker knows that besides a good financial plan the next most important ingredient for a bankable property development is who the architect is. This is simply code for a vast discursive transformation (involving and implicating the architecture schools) that has tamed the architect, making it clear that professional advancement into the ranks of the select few deemed 'good architects' means knowing what makes 'good commercial sense' (read: a design that a banker will regard as bankable)".

Swilling (2010) argues that the power of the developer is also the fact that they are bankrolled by financiers, where the banking sector has consolidated into large centralised institutions with an interest in disbursing large amounts to as few operators as possible for the maximum interest rate at the lowest possible administrative cost and risk. In this nexus of the developer/financier local governments have become compliant approvers of developer-driven property development. Because South Africa became a democracy in the hey-day of global neo-liberalism, local governments that wanted to shape the trajectories of urban development directly by interventionist methods were always on the defensive.)

Swilling (2010: 230) also argues that the massive urban growth over the past 25 years has not been coupled to the kinds of urban infrastructure, energy and transportation systems that are appropriate for a world that is running out of atmosphere, water, oil and sinks for liquid, solid and airborne wastes. While this was written in reference to Cape Town it applies equally to all the larger metropolitan and also smaller municipal jurisdictions. He adds "to make matters worse low-density urban sprawl has effectively required massive public investments and *de facto* subsidies continuously to extend the infrastructures that are so environmentally inappropriate and therefore problematic".

Within the nexus of urban agents, and in opposition to what Swilling has identified as the dominant financier-developer axis, grassroots actors in the form of various township-based protest movements and organisations as well as the Informal Settlements Network (ISN) and Shackdwellers International (SDI), have emerged to either negotiate with local government or protest against and resist it, or do both in order to improve the quality of life of their constituents and build an organised power base. What is different from the last wave of urban trade unionism in the 1970s and 1980s is that some of the most influential of the new grassroots movements are not simply bargaining for greater benefits – they are participating

in the urban production process and sharing in the risk of making investments for returns that are by no means guaranteed.

2.7 Overall Conclusions: Continuities and Discontinuities

2.7.1 Segregation/Integration

Prior to 1920 there was *de facto* racial segregation in urban living places. After 1920 the state intervened specifically to control urban populations (for purposes of economic exploitation, health and social stability). By the 1940s there had developed a minority of integrated urban spaces in the bigger metropolises, but these were effectively eradicated by the stringent racial laws under apartheid. Segregated development followed an uneven pattern, first being concentrated in the prescribed areas and then only in the homelands, with the urban townships' infrastructure being consciously neglected as a disincentive for people to continue staying there. Beginning in the 1980s social and political resistance broke these separate barriers down and the laws were whittled away and abolished. Nevertheless racial segregation continues today but as a form of segregation of housing classes driven by affordability. This segregation happens between urban and rural areas and also within urban areas. While the state speaks about overcoming this segregation, its plans do not provide for decisive, direct intervention in land market processes to achieve this.

In 1913 the prototype of the segregated living space was the Mine Hostel. Today many mine employees 'live out' supported by a living out allowance and like many of those on the Platinum Belt, for example, are to be found in informal settlements. Residential segregation preceded town planning as a discipline. Town planning was introduced in South Africa to provide a better quality of living for white workers, and offered few if any benefits to workers of colour – in fact under apartheid, town planning was incorporated into the geo-political segregation that was based on the Land Act. In the *post-apartheid* period town planning appears to have had a very limited impact in facilitating inclusive (i.e. across ethnicity and class lines) residential development. This should caution us from relying too heavily on spatial planning to redress past wrongs and current inefficiencies.

2.7.2 Sprawl/Compaction

Historically, the white residential suburbs have been constantly expanding and contributing to urban sprawl ever since the industrial post-war boom. This was in marked contrast to the rigid containment of segregated urban townships during the entire apartheid period. Although spontaneous land invasions and self-help housing has always been part of the practices of homeless communities in South Africa, these sometimes tended to go beyond the prescribed areas. Particularly after the abolition of the pass laws in 1986, there was an increase in the extent of free-standing informal settlements as well as the erection of informal backyard dwellings, a phenomenon which formed part and parcel of the orderly urbanisation strategy of *apartheid* reformists.

The growth in informal settlements has maintained itself, if not increased over this period. It is an open question whether informality is a part-driver of urban sprawl today. Similarly, and starting already in the 1960s, there has been a never-ending expansion of middle and high-income townhouse and gated community developments, driven largely by the construction of shopping malls and the extension of the motorised transport network. In the last 15 years the process has become increasingly driven by financial institutions looking for investment for surpluses. Spatial Development Frameworks (SDFs), the main statutory spatial planning instruments, appear to have limited effect in restricting developments to within the urban edge (in order to contain urban sprawl).

2.7.3 Informal/Formal Development

The state, in conjunction with the private sector, has always played a crucial role in the development of formal townships and housing as a planner, funder, developer and to an extent, project manager, in the segregated townships, but more as regulator/facilitator outside segregated townships. . During the building of the townships in the 1950s and 1960s the state used site-and-service schemes to incentivise squatters to move to new serviced stands where their houses were then built. Even after the removal of racial restrictions of land ownership and occupation, after a brief period during which developers led the process of residential development for low cost and affordable housing, the local municipalities intervened again as public sector developers in order to address cost/price and quality control challenges. Interestingly they did not intervene to reshape the spaces within their jurisdictions where integrated residential and non-residential development could be implemented.

After 1986 the state stopped trying to remove informal settlements and instead permitted them to occur in designated areas (orderly urbanisation). During the 1990s informal self-help housing delivered the most units, even more than the subsidised formal housing delivery system, post 1994. Today about 25 per cent of the South African population continue to live in informal structures. Site-and-service has reappeared, but currently is operationalized as the state providing a serviced site only while the household is expected to fund and manage the construction of the housing unit incrementally.

2.7.4 Private/Public Transportation

The introduction of tightly segregated living places also created the need to ensure that labour power was delivered each and every day to the factory gates on time. To achieve this, the *apartheid* state implemented a subsidised public transport system (rail and bus), partially funded by tickets bought by the users. When the reform period emerged, one of the first acts of deregulation was to end the state monopolisation of transportation and to facilitate the emergence of private transport services to the public. This heralded the birth of the minibus taxi industry. The extent of current road congestion has highlighted the extreme dysfunctionality of private motorised transportation and led to the planned implementation

of more city-wide public rapid bus and train systems. These have the potential to annihilate the fact of space and time and in effect to bring people closer to work and amenities, thereby being effective instruments for greater accessibility. An effective, efficient and affordable public bus and train transportation system and service for the majority of South African workers is however still in its infancy.

2.7.5 Access to Amenities/Services

For a large part of the past century African residents of segregated townships were denied access to services and amenities because the policy assumption was that they were 'temporary sojourners'. It was only during the reform period of *apartheid* that the upgrading of infrastructure and amenities commenced as well as the delivery of homeownership to a minority in the segregated townships. This was not done to address peoples' right to amenities and services but rather as a conscious security strategy, and hence its limited impact. In many ways large parts of the segregated townships remained unchanged; a legacy to past neglect. To a large extent the backlog in basic services (electricity, water and sanitation) has been addressed in the post 1994 period. It is the location of many new developments, which are peripheral to amenities, that remains problematic and has been the source of boycotts and protests against marginalisation.

2.7.6 Inequitable/Equitable Economic Progress

Prior to the mid-1980s African workers' presence in urban areas was only tolerated because it was a precondition for their function to provide labour power to industry. Part of the previously disenfranchised long struggle for emancipation has included "the right to the city", in other words the right to access economic and livelihood opportunities as a basis for leading a materially sufficient and good life; this right being dependent on access to spaces where economic opportunities exist. During the 1980s there was a view promoted by the then Urban Foundation (a think-tank for big capital) – and adopted to a large extent by current national and local government policies - that the mere dropping of the pass laws and other racially-based restrictions would be sufficient for equal economic opportunities (cf. Urban Foundation, 1990a; 1990b; 1990c; 1990d). However, unemployment and poverty (expressed through low wages) has persisted for a large number of people living in urban and rural localities (cf. Marais, 2011; Terreblanche, 2012), following the dropping of the pass laws in 1986 and the attainment of universal suffrage in a democratic society in 1994. This points to the inadequacy of simplistic, *laissez faire* strategies for dealing with unemployment and poverty, as well as to a deeper symbiosis between the state and the economy.

South Africa, under an ANC government, opened up its markets to international competition, which became the basis of the de-industrialisation of certain parts of South Africa's economy, with concomitant job losses, ensuing unemployment, casualization of labour, lowering of wages and impoverishment (cf. Mbeki, 2009; Terreblanche, 2002). The implications are that the limitations to employment and income generating opportunities have a macro-economic, macro-financial and macro-political dimension, factors which are

only partially addressed by local strategies to transform space. This indicates that addressing the problem of deindustrialisation at a national policy level is clearly required to promote job-rich economic development, and that there will be limits to both the quantity and quality of economic development that local governments are able to facilitate through reshaping their local space economies.

2.7.7 Food Security

Food security has recently appeared on the agenda of development priorities in local and national government strategies, presumably as a result of the 2008 credit crisis and great recession and the impact that this has had poverty stricken South Africans. Food security is related to the question of economic disparities (above). High levels of unemployment and poverty mean that many people (including children) go to bed hungry at night. This is only partially mitigated by school feeding schemes. Accordingly, there is a need for local and household gardens and probably for larger tracts of cultivated land (urban agriculture) but whether this should be commercially driven or collectively owned is not clear.

2.7.8 Disaster Risk

The risk of fires and flooding faced by informal settlement dwellers could be intensified by the effects of climate change on local biospheres and there could be increased drought (leading to fires) as well as more intense storms and sea-level rises (leading to more floods) in the future. There is a further risk posed by the pressure for energy prices to spike as the world starts running out of oil. The risk of disaster here arises from the fact that oil is a fossil-fuel which is used not only to power motorised transportation but also derivatives of oil are found in almost every other commodity through the proliferation of bi-products like plastic.

An oil price spike will almost certainly have a knock-on effect on prices generally. Underlying the risk of disasters being exacerbated through climate change and the peaking of the oil supply, is a deeper contradiction between a finite supply of non-renewable resources that are currently key to economic and social life as we know it and exponentially expanding economic growth. A further contradiction lies between limited capacity of biosphere sinks and limitless 'waste' from economic activities (cf, Hender, *et al*, 2007). Yet all government human settlement strategies are based on the assumption of exponential growth.

3. Re-shaping Urban Space:

Local governments are currently challenged to respond to the seven material contradictions referred to above. The planning mind-set requires a spatial transformation strategy. However, it is also necessary to understand what is driving a persisting and restless juggernaut of urban fragmentation. A priority is to understand the clearing market prices of land, which are the immediate reason why some people can afford land and housing while others cannot and are forced to resort to land invasions and self-building of informal structures.

The funding and affordability of strategically-placed urban land parcels is crucial in determining where the latest commercial and industrial growth points occur. This is an important factor that influences the development of business in a town or settlement and specifically the types of businesses, be they established large enterprises or small, medium and micro-enterprises, or cooperative ventures. Effective responses need to be based on the identification of how a municipal authority might intervene – or ‘play’ - in the land market to prompt the emergence of job-intensive local enterprises.

3.1 Land Values and Municipal Financing

Currently dominant economic discourse in the financial and business media maintains a simple relationship between price and value, namely that price always reflects real value and that the concept of underlying value serves no purpose, at least insofar as the land market is concerned. An example of this is the recent (2011) debate between Rode Property Valuers and the banking sector where the former estimated that South Africa’s residential property market was 25 per cent overvalued (i.e. on average properties were selling for 25 per cent more than the replacement values of the improvements on these properties (Rode, 2012). The response from FNB’s property specialist was that there is no objective way to determine over and under evaluation of property prices, implying that the prices are the values at whatever level they clear. To understand the relationship between underlying value and prices we need to return to classical political economy.

Hudson (2010: 3) argues that classical political economy holds the distinction between earned wealth created by one’s own labour, and unearned or socially created wealth obtained without one’s own effort or cost, and that this is particularly useful when applied to an analysis of land prices. In essence the classical point is that the perceived value of raw land derives from the public infrastructure within which it is embedded. However, the price of land is often driven speculatively by land developers who hold parcels of land until they feel the time is right for disposal. Developers try to time the market in order to dispose of their land at the best price. This leads to a speculative value placed on land and not the value that should be attributed to it in relation to the actual investment to prepare it for the types of development it is suitable for. That South African property prices generally exhibit a

strong speculative (or unearned) component is suggested by the phenomenal rise in property prices from the late-1990s to the 2008 credit crisis.⁵

Given that we now have a single land market in which the state is also a player which seeks a market-related price on its investment land⁶, the development of the property bubble has had the effect of pushing up the prices of all properties to the point where housing in previously segregated townships has become unaffordable for many. This is reflected in reports about the rising prices of township housing where during 2011, the average selling price was about R265 113,00 in the major metropolitan townships (<http://www.property24.com/articles/why-black-township-markets-thrive/14274>).

Residential and non-residential property bubbles are a form of economic financialisation, i.e. the exponential expansion of debt, primarily through mortgages (Hudson, 2010: 15) and the extensive repackaging and trading of debt, so that finance is “recognized as an autonomous dynamic, making money purely by financial means – as Marx put it, M-M’ rather than by investing in the production of commodities to sell at a profit, M-C-M’ “ (Hudson, 2010: 2). Hudson (2010: 15) identifies a symbiosis between the financial, insurance and real estate (FIRE) sectors: the FIRE sectors (which he refers to as Economy #2) extracts interest and rent charges from the production and consumption economy (which he calls Economy #1).

Stuck somewhere in the middle are the local authorities. Economic financialisation⁷, increasingly through mortgage debt on residential and non-residential land developments, coupled with little or no taxation on increased property values, enables the effective demand that bids up the price of raw land. Local governments earn their revenue from rating property values, and therefore have a short-term⁸ interest in a property bubble, as do suburban homeowners whose investment in property is usually part of a retirement plan. Thus the FIRE sector, the local municipalities and the established suburban homeowner classes all have a vested interest in maintaining property values. Arguably they have an objective interest to resist the implementation of official plans and strategies aimed at transforming urban spaces to create more efficient and socially just cities if the perceived⁹

⁵ “From 1997 to 2008 South Africa’s cities hosted the world’s most speculative residential real estate bubble, with an inflation adjusted price rise of 389 per cent, which according to *The Economist* (March 20, 2009), is more than double Ireland’s runner-up rate of 193 per cent. (The rise in the US case - Shiller national index was only 66 per cent over the same period) (Bond, 2010: 18)”.

⁶ The National Treasury’s Generally Recognised Accounting Principles (GRAP) Implementation Guide for Municipalities clearly distinguishes between municipal properties that are core for the municipalities’ business and those that can be used for investment purposes (cf. National Treasury, 2008); in the course of specific project work, the authors have identified a third category, namely, municipal property to be used to leverage spatial transformation.

⁷ In South Africa the financialisation of the economy is reflected in the fact that “from 2000 to 2008 the construction sector grew 250 per cent; finance by 160 per cent; trade by 150 per cent; and manufacturing by just 13 per cent (the mining sector lost 40 per cent)” (Bond, 2010: 21). Similar high jobless growth rates, dominated by the financial sector, describe the GDPs of several metropolitan municipal areas where the authors have recently been working on projects.

⁸ Municipalities and suburban homeowners have an interest in property bubbles only in the short-term because in the medium to long-term property bubbles tend to burst leading to tumbling property prices.

⁹ Bringing lower and higher priced housing closer to one another, through inclusionary housing project developments, might be perceived as undermining values, or even devaluing the higher-

effect of this would likely be to slow down or even deflate the booming property prices (at least in the short- to medium-term).

The dynamics of the urban land market and fact that municipal financing is based on the rating of exponentially increasing property values arguably creates a web of political, economic and financial contradictions for a municipality attempting to transform and integrate the urban space economy by intervening in these same markets. How does a municipality play the role of a public developer in the face of the socio-economic tensions that arise from the competition around and pricing of urban land properties? They will certainly have to exhibit sufficient flexibility of response. It might be that an effective public developer role for municipalities will require a drastic change in the funding of local governments – e.g. delinking this from property rating and instead funding local governments through transferring a portion of the tax on productive enterprises and employees in their jurisdictions.

3.2 Key Strategic Questions

Spatial fragmentation is one aspect of many in relation to the deep social problems in SA society and cities. One should study as many aspects as possible and integrate them into an holistic understanding of the problem. Too greater focus on spatial transformation alone brings about a one sided understanding and leads to recommendations that only partially address the issue. Addressing the problem of deindustrialisation and sectoral economic imbalances are clearly required to promote job-rich economic development. In this respect Hudson (2010) promotes a national fiscal reform approach in terms of which the FIRE sectors are taxed at a higher rate (in order to tax away the benefits of unearned income and unearned wealth). This higher tax is counterbalanced by a correspondingly lower tax on the wages and profits of productive enterprises in order to incentivise job-rich growth in identified manufacturing sectors. Fiscal reform aimed at economic sectoral restructuring clearly falls outside the powers and mandates of local governments, who are nevertheless able to undertake a spatial transformation strategy. There will perforce be limits to the extent that a spatial transformation strategy can facilitate the emergence of new manufacturing hubs and employment opportunities.

In identifying the possible positive impacts on economic development and job-creation of a municipal developer role, using a spatial development strategy as an instrument, the following questions are important focal points:

- Where do businesses currently locate themselves? What do they look at when selecting a place to establish themselves?
- Do compact cities improve efficiencies – does spatial transformation bring about an improved quality of life? Can spatial transformation improve access to work?
- What decisions do industrialists and entrepreneurs take in relation to space and the way an area functions? How can they be incentivized to invest in production in an area (tax breaks etc.)?

value properties. This is the logic behind the segregation of housing classes living in differentially valued neighbourhoods.

- What does local government need to do to incentivize productive investment by businesses in an area during a recession?
- How could a municipality approach the incentivisation of different industries and different sized business?
- What should a Municipality consider in identifying the spaces where businesses should be concentrated to accelerate job creation and majority access to amenities and services: High Streets, or mixed commercial, residential, and light industrial areas?

Further questions that are raised are the following. If spatial transformation needs to bring about improvement in people's lives, what needs to happen in the urban and rural space to bring this about? In what way does access to services and amenities improve lives? In what way does transport and access to busy industrial and commercial nodes lead to improvement? What's the link?

3.3 *Two illustrative cases*

Reflecting on these questions, the authors draw on their experience of working with metropolitan and local municipalities over the past decade, as well as on two municipal cases where informal settlements have developed and where the municipalities concerned responded differently: the Langrug settlement in the Stellenbosch municipality and the EmaNdebeleni informal settlement at Kroondal in the Rustenburg municipality.

3.3.1 *Langrug.*

Langrug is an informal settlement in the village of Franschhoek, Western Cape. It is home to almost one thousand eight hundred families and was settled on the slopes of a mountain during the 1990s. Langrug was established with the goal of providing cheap accommodation for low income earners and migrants, especially from the Eastern Cape, who came looking for jobs on the wealthy wine farms and production factories of the Franschhoek Valley. The Langrug settlement was established outside of the formal township establishment process (meaning that it is illegal) and is on municipal-owned land. (<http://wp.wpi.edu/capetown/homepage/projects/p2011/wash/langrug/>).

Residents of Langrug have endured extreme urban poverty for almost 20 years. There are households that had no toilets, no access to water and many shelters were built from plastic rags and a few tin sheets. There are families that still survive by scavenging from garbage dumps, while others struggle for daily sustenance by working in vineyards. Until recently the approach of the Stellenbosch municipality was to address urban poverty through delivering formal housing. However at a rate of 300 formal houses a year it will take many decades to provide for the 20 000 units backlog and the provision of formal units for those living in informal settlements.

Due to inadequate or non-existent sanitation there was overflow of effluent on to a neighbouring farm which interdicted the municipality - a court order required the municipality to improve and upgrade Langrug. However, because there was at that stage no relationship with the community there was a stalemate between the authority and the

residents of the informal settlement. The stalemate was broken by a number of factors. First, key leaders of the Langrug community joined the Informal Settlements Network (ISN), and Shackdwellers International (SDI), both community-based organisations focused on the interest of the urban poor and who pursue an explicit agenda of negotiating partnerships with local authorities to upgrade infrastructure and improve services and living conditions of informal settlements. Second, through champions in the Stellenbosch municipality they were able to enter into negotiations with the municipality which culminated in a Memorandum of Understanding that established core areas of intervention. Third, key technical support was provided initially by the Community Organisation Resource Centre (CORC) in respect of promoting the idea of a negotiated partnership for upgrading.

The community organization, i.e. the Langrug chapter of the ISN, drives the process and is actively involved in enumeration and planning the re-blocking of shacks (to create spaces between structures as a precaution against fire and to enable infrastructure improvements). Members of the community have contributed their labour in the construction of stormwater wash-aways and the installation of toilets and communal taps.

(http://www.sdinet.org/media/upload/documents/Langrug_Booklet.pdf). Individual residents employed in these projects were paid R90 per day from the Expanded Public Works Programme (EPWP) and each earned between R2 700 and R3 000 for the duration of the project. A total of 60 people were employed.

The Langrug/Stellenbosch Partnership has achieved the following:

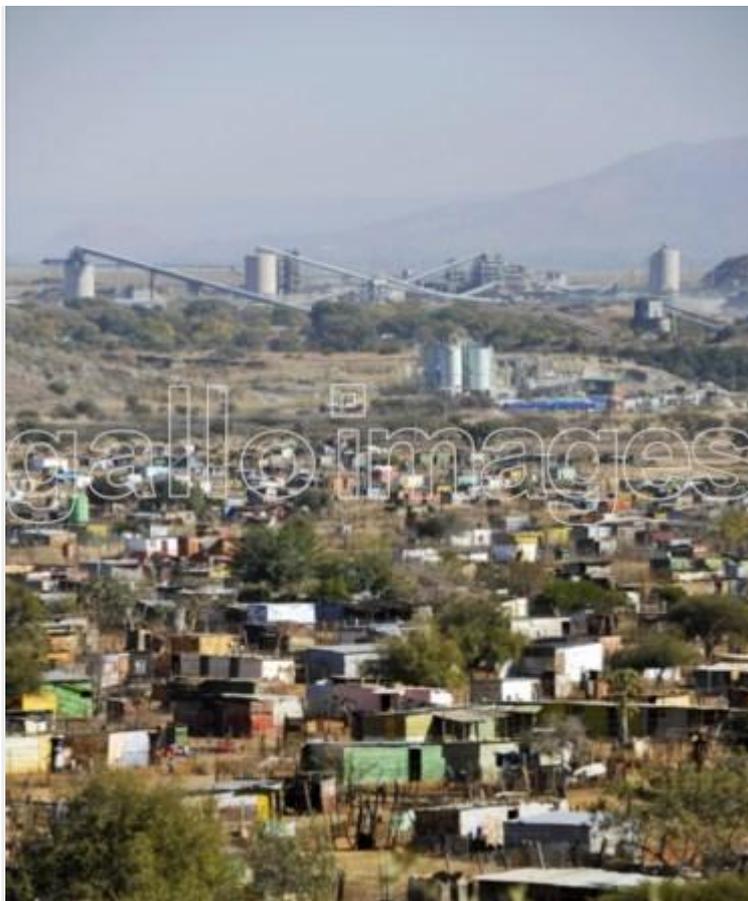
- The municipality has built a water enhancement pump to increase pressure. Currently the community don't pay for water, which would be an affordability challenge.
- Most shacks have been electrified and the prepaid electricity is affordable for many, although there are some people who can't afford to buy electricity.
- Sanitation services are sometimes a problem, and the municipality fixes these but not always regularly.
- Refuse removal happens once a week instead of twice, and residents say that the municipality does not give enough bags: the rubbish is dumped in containers.
- Currently a multi-purpose hall is being built that will provide a place for residents meetings, youth activities, sewing and arts and crafts (for women) and a clinic will be based there because residents often don't get helped at nearby Groenendal where they have to wait in long queues.

3.3.2 *EmaNdebeleni in Kroondal*

A significantly large number of informal settlements have sprung up around Rustenburg and Kroondal as a result of the Platinum boom during the period 2000 to 2008 (see picture below). Rustenburg's informal settlements were among the fastest growing in South Africa, at a 6% growth rate per annum. Mines were hiring; some older mines with shafts on Care and Maintenance were restored to production and Greater Rustenburg was growing rapidly. But as the General Secretary of the Communist Party pointed out at the 2012 Cosatu

National Congress, after the killing of 34 mineworkers at Marikana “the platinum boom in the country has done (little) for the work force; we failed these workers and their families; we failed to leverage effective social responsibility requirements out of the mining houses; we were too focused on using the Mineral and Petroleum Resources Act to enforce BEE shareholding”. Source: http://www.iol.co.za/business/business-news/platinum-boom-did-nothing-for-workers-1.1384960#.UTn_jxxTaSo.

What we can read into this is a municipality that was not anticipating the scale of growth in the mining industry and the demand for shelter and accommodation that goes with increased employment. Anticipating this based on future oriented research is precisely what a public sector developer should be doing and then looking at what resources can be brought together or developed to address the demand, at the very least anticipating the inflow through prepared site-and-service schemes, and providing at the very least, sanitation, electricity, and water per stand.



What the General Secretary failed to identify was the lack of response from the Rustenburg Municipality to the terrible living conditions experienced in the informal settlements and what role the National Department of Human Settlements (NDoHS) should have been playing. The Marikana Mine-Worker tragedy illustrated the severe levels of deprivation and poverty that mineworkers and their families were living in, particularly those living in hostels and informal settlements. Were the Mines looking to government and government looking

to the Mines to fix the problem? Who was taking responsibility? In terms of the mind-set of both the mines and government they still see the private sector leading on the housing front with support in the form of subsidies (if one qualifies) from the NDoHS and a housing allowance from some mining companies.

From a spatial restructuring perspective, one of these informal settlements in Kroondal, near Rustenburg is of great interest. EmaNdebeleni informal settlement is situated across the road from Aquarius Platinum Mine. It is within walking distance of a number of Anglo Platinum Processing Plants and Mines and a short taxi distance from numerous other Platinum and Base Metal Mines in the Rustenburg Mining Belt.

After the Marikana shootings and thanks mainly to sudden media interest and media exposure, living conditions in informal settlements in Greater Rustenburg were put in the spotlight, immediately getting the attention of the NDoHS and the Housing Development Agency (HDA). Both institutions indicated that they would together prepare a technical assistance programme for informal settlement upgrading in Rustenburg, through the National Upgrading Support Programme (NUSP) and with the participation and assistance of the Rustenburg Municipality. Current HDA work on informal settlements upgrade planning includes conducting household enumerations to determine the population in each settlement and possible transformation plans¹⁰.

The question that one is left asking is: is the fastest way to get attention to your accommodation needs a) getting onto a housing waiting list and waiting your turn or b) invading a piece of land, protesting for services, calling in the media and getting your plight highlighted by them. No value judgement is intended here, but rather an appreciation for the reality that the poor face in getting access to land and shelter. Points a) and b) are not mutually exclusive; government can address formal housing and informal settlement upgrades simultaneously, but the difference is that 'some' informal settlements (like the two described in this paper) are better located than most formal RDP housing developments. If NUSP does indeed upgrade existing settlements in the Greater Rustenburg area, and agreement is reached with landowners that the informal settlements can stay, or the land/property can be purchased by the state, then some of these settlements will be physically better placed in terms of amenities, access to existing jobs and access to services.

Clearly much negotiating and discussion needs to occur between many role players, i.e. the Rustenburg Municipality, the mining companies, affected communities (and their non-governmental organisation/community-based organization [NGO/CBO] advisors if required) and the appropriate national and provincial departments before the EmaNdebeleni settlement is upgraded. But if it does occur, EmaNdebeleni will be an example of a settlement contributing to the lessening of urban sprawl and the compaction of Rustenburg, achieving a more effective use of services, infrastructure and transport. Furthermore, those still employed by the Platinum Mines will be in walking distance from work. The unemployed

¹⁰ Source: <http://www.upgradingsupport.org/news/entry/technical-assistance-for-rustenburg-and-north-west>

could exploit opportunities in the informal economy to serve the needs of those employed. Proximity to the mining sector also allows the unemployed to keep an eye on job prospects and to be “in the know” should the mining companies decide to start hiring again.

The down-side risk of investing in settlements like EmaNdebeleni is when the mines cease to operate. Do local authorities’ factor this into what they are doing or is their response in the short-term only? Local municipalities’ responses are also influenced by the leverage that they have over the development of urban land in their jurisdictions, usually through using their own land holdings that are surplus to the needs of their core operations. It is interesting to note that the Rustenburg municipality owns a minute proportion of the total land mass (cf. Kitchen and Ovens, 2008) of the municipal jurisdiction, most of the land being held by either the Royal Bafokeng and/or the three mining companies operating in the area. Therefore, using their land as an instrument to leverage opportunities is more limited than is the case with other municipalities that have significant landholdings (e.g. the Polokwane municipality in Limpopo).

3.4 Guiding Principles for Spatial Transformation

Attempting to rectify a fragmented, and continuingly fragmenting urban space requires a clarity of strategic objectives and a framework of guiding principles, within which to address the important questions that have been articulated above. But it is not simply a question of making the practical answers to the questions conform to these principles. Hegel says somewhere in his “Logic” (Wallace, 1975: 117) that “every abstract proposition of understanding, taken precisely as it is given, naturally veers round into its opposite”. The following principles, which purport to harmonise and align development policies and practical procedures are in reality confronted by the contradictions that exist in the political economy of cities (such as, for example, the value of land or exponential growth in a resource limited world). So the ‘truth’ of principles is only partial. Something beyond the principles, i.e. practice, pulls everything together in a process of strategic compromises and trade-offs. We offer the following principles which have emerged through our current work with state departments and agencies as well as municipal governments.

3.4.1 Development Values, Aims, Objectives and Principles

Sustainable municipal growth and development should promote social inclusion, spatial equity, desirable settlement patterns, rural revitalisation, urban regeneration, sustainable use of energy and other non-renewable natural resources, a sustainable carbon footprint and sustainable development. This immediately raises further practical questions. How do we sustain growth within a context of finite resources such as water and non-renewable energy? Do we always need to get the best value for municipal land leases or sales? How can the tide be turned to ensure that urban areas accommodate those that cannot afford market prices?

3.4.2 Spatial Justice Principles¹¹:

¹¹The Principle of Spatial Justice is derived from the Spatial Planning and Land Use Management Bill, No. 14 of 2012

Spatial restructuring should occur through addressing past spatial and other development imbalances through improved access to land and sustainable land use for people previously excluded from the benefits of urban development. Land use management systems should include provisions that are flexible and appropriate for the management of disadvantaged areas, informal settlements and former homeland areas. Land development procedures should accommodate access to secure tenure and the incremental upgrading of informal areas. Municipalities should play a facilitating role for mixed residential and non-residential development, aimed specifically at stimulating businesses that promote the creation of new jobs.

3.4.3 Spatial Sustainability Principles¹²:

In cities and towns requiring spatial reconfiguring or reconstruction, the protection of prime and unique agricultural land, especially arable land, should be given special consideration, because food security is an issue of paramount importance. At the same time, there needs to be consistency in the application of land use measures in compliance with environmental management law and instruments. Land markets should function effectively and equitably to allow for reconfiguration of urban space to occur. All current and future land development costs should be considered in relation to the provision of infrastructure and social services to all parties, to ensure that all development costs can be met both immediately and in the long term.

3.4.4 Efficiency of Cities Principle:

Land development needs to optimise the use of existing resources and infrastructure and planning decisions need to be cognisant of financial, social, economic and environmental impact. At the same time, planning needs to entertain a willingness to be flexible in respect of vulnerable communities who may encounter economic or environmental shocks and municipal emergency responses need to be activated with purpose and speed.

Disaster risk assessments need to feed into municipal emergency housing plans and risk assessments need to be conducted, not only in informal settlements, but in formal towns that were built over dolomitic areas and areas rendered potentially unstable as a result of mining activity. For descriptions on the impact of dolomite on housing see Lupton and Wolfson (1994).

3.4.5 Transparency and Public Interest Principles:

Public participation is required that affords all parties the opportunity to provide inputs on matters affecting them particularly in relation to the preparation and amendment of spatial plans, policies, land use schemes and development applications. In practice this has afforded better resourced, middle and high income communities, the opportunities to litigate against developments which they though prejudiced their interests and which local

¹²The Principle of Spatial Sustainability is derived from the Spatial Planning and Land Use Management Bill, No. 14 of 2012

governments argued were for the greater public good. Litigation has succeeded at the very least in stalling projects for lengthy periods of time if not stopping their implementation totally.

3.4.6 Planning Principles for Sustainable Growth and Development:

Sustainable growth and development needs to occur in an environment that meets the needs of the present without compromising the ability of future generations to meet their own needs. This entails development that is more cognisant of, and aligned with renewable energy resources and more environmentally innovative ways of dealing with waste and pollution. This principle is contradicted in practice by municipalities actively pursuing an economic development path based on the assumption of exponential growth – the contradiction to this is the finite resources of non-renewable energy that this growth is based on and also the limitation of biosphere sinks to absorb and process the toxic outputs of the economic growth process.

3.4.7 Developmental Principle:

Development should be leveraged using public and more specifically municipal land assets to their maximum value capability by looking at varieties of measures that encourage private, non-governmental and state sector investment. As the driver of an inclusionary development agenda, municipalities should play a key role in ensuring that appropriately located municipal land is used for both affordable housing and local economic development in mixed land use zones, for those marginalised by the established land and property market. In practice this principle is contradicted by the funding model for local government – a property rating system that incentivizes the sale of non-core municipal land to the highest bidder and the development of high-value up-market structures and facilities on this land.

3.4.8 A Security of Tenure Principle for Sustainable Growth and Development

There should be promotion and protection of all forms of tenure e.g. rental (from private owners, municipalities or employers), rent-to-buy or instalment sale, communal ownership (Co-operative, Communal Property Association, Share Block Company) and individual private ownership.

3.5 Making Space more Socially Equitable and Functionally Efficient

We have chosen to focus on the imperative to make cities more economically productive through job-intensive development because work opportunities and the flow of money to previously marginalized communities is a precondition for improving their quality of life and creating more socially equitable urban environments. For this reason the questions whether compact cities improve efficiencies, and whether spatial transformation can bring about an improved quality of life and improve access to work, are important.

Household densities and access to amenities define compact cities but efficiencies are directed by the effectiveness of the transportation system. Is it affordable, reliable, and

timeous, and does it get one to work with speed? Does it serve numerous key destination points which are then serviced by ancillary transport support services? Private Motor transport tends towards gridlock and serious inefficiencies in respect of transportation systems. A public non-motorised transport system (i.e. rail) is a precondition for the above. But such a transport system requires increased household densities, which need to be matched with increased recreation, services and amenities making use of planning ratios to bring this about.

Proximity, access and affordability are key features to quality of life and compaction could address these features. But if areas are not maintained and the level of services is affordable or free to the public, but of poor quality, then compacting the city spatially will not necessarily improve the quality of life. If a city has an efficient and affordable public transport system, the distances between home, work, recreation, services and amenities become less consequential. But does the state have the ability to effectively deliver quality services and be an **enabler of development**, and if not, what undermines its developmental ability?

There is much talk currently of South Africa adopting a developmental state approach, but on closer scrutiny of government practise, it appears that this is not the case, or that at best the South African state is a hybrid, neither an efficient and effective developmental ideal type nor a paternalistic leader and initiator of development (cf. Marais, 2011: 346-352; Mohammed, 2011: 36-37, and Darga, 2011: 169-185, who analyses Mauritius's strong developmental achievements). There are serious doubts about the capacity and competence of some critical South African departments of state and specific metropolitan and local municipal directorates to effectively perform a public developer function.

One way for organisations with limited capacity to approach the challenges of developing space that is more socially equitable and functionally efficient is to identify zones though which transportation systems can be implemented and then to incrementally densify around these utilising social housing and mixed use developments. The point is to start on a limited area and practically apply the above principles in so-called transport oriented development (TOD) zones as case studies for learning about a more rapidly implementable model that can be replicated elsewhere. The principles and the practices need to be combined through thinking globally but acting locally. If municipalities are able on a limited scale to implement affordable, effective and efficient public transport systems, and then generalize these, they could set up a virtuous cycle because lessening the amount of private cars on the road will lessen the amount of roads to be built and maintained, and should prompt further expansion of public transport sector alternatives. These alternatives could include more energy efficient and cleaner modes of energy to run the transport system. Alternatives also need to address the source of the energy and a move towards renewable forms of energy.

3.6 Making Space more Economically Productive

To achieve a more productive city through job-intensive economic development, municipalities will need to respond to the key questions that arise when trying to attract new investment. These questions are as follows:

3.6.1 *Where do businesses currently locate themselves and what do they look at when selecting a place to establish themselves?*

Businesses can be classified as the primary sector (raw materials including minerals and agriculture), the secondary sector (manufacturing), the tertiary sector (sales and all services excluding those classified in the quaternary sector) and the quaternary sector (knowledge-based services such as information generation and sharing, information technology, consultation, education, research and development, financial planning, and other knowledge-based services). For our purposes, we focus our lens on the non-mechanised or partially mechanised manufacturing industry where quality, labour-intensive, multi-level skilled new jobs could be created, thereby concentrating on business that can make maximum employment impact. These manufacturers would need to be of the type that lends themselves to the expansion of other sectors feeding off it, either through new or existing value chains, or as a result of an increased amount of economic activity generated through “new” money in the form of salaries.

Business accessibility is dependent on existing public infrastructure, maintenance and the reliability of municipal services. Easy access for customers and suppliers is also fundamental, whether the connection is physical or electronic. Thus transport infrastructure as well as varying transport modes becomes critical as does reliable and efficient ICT infrastructure (broadband, cell phone reception towers etc.). In addition, access to additional markets through proximity to existing value chains or new markets is essential.

Location in relation to labour is fundamental for new businesses. A location that would cut the travel time of employees and lead to less travel weariness is important both for productivity and for employee leisure and housekeeping time (shopping, cleaning etc.). New businesses also need to locate close to where they will find skilled, semi-skilled and low skilled labour. Do we have clarity at the local level of the types of manufacturers we want to attract? Do we have the citizens in our municipalities with the skills to meet manufacturers’ needs and if not, whose responsibility is it to procure services and interventions that bring about a state of readiness in the local labour force? How do we ensure that new jobs are taken up by locals and not by new arrivals from other localities and that we are not creating new problems by attracting investment from one area to another and in so doing causing unexpected community or business hardship?

Having surmised what businesses require when locating and establishing new premises for business, a number of contradictions are apparent.

- Most large South African cities do not have cost efficient, integrated public transportation systems, where employees can use one ticket to travel on all transport modes. Many employees require at least one changeover on their way to work.
- While cities are keen to attract investors, pressure on their revenue collection and pressure for new projects requiring CAPEX means that Operational and Maintenance Budgets are too small to meet all the maintenance requirements of a city, resulting in deteriorating infrastructure that is prone to regular repair. This can result in business disruption and cost to local government, business and GDP.

- Locating workers closer to the workplace is probably the greatest challenge facing South African cities. Apartheid style social engineering was clearly rendering many if not all places in which “white” people did not live, un-planned and where no relevance was given to what would work in the best interests of the local citizens. As explained in the earlier sections on the history of planning in South Africa, the years 1913 to 1991 have left us with a legacy of dysfunctional use of space.
- Contradictions facing retailers in our high streets and CBD shopping centres are the developers’ preponderance to build Malls and the approval by our local authorities for them to do so.
- If new businesses are to be attracted to cities to invest and they want their workers closer to their premises, where are these workers going to live? There is minimal affordable rental or property ownership in close proximity to commercial and industrial centres, which is one of the reasons for the growth in informal settlements. The not-in-my-backyard (NIMBY) syndrome blocks rental and privately owned affordable development and affordability of land and housing make proximity to workplaces expensive. As argued earlier the value of almost all urban property is derived in a significant part from improvements driven by public sector investments in infrastructure.

The principles identified above can possibly be met through a strategy of trying to rectify existing dysfunctions and inequities as far as possible but bargaining much harder for trade-offs that involve compromises in respect of all new developments, to try and get control again of the planned and unplanned elements of our urban areas.

- Large investment is needed in urban management and maintenance of existing townships close to existing industrial areas.
- Mall sprawl affects high streets and CBD shopping areas but yet offers retailers what they want in terms of maintenance, upkeep, security, and captive markets. How can this be addressed? Through inclusive, mixed land use zones allowing for a variety of housing typologies and housing tenures including services and amenities, existing CBDs and industrial areas could be made to function better with socially equitable outcomes. It would also require more local government resources to be spent on maintaining high streets and CBD’s and addressing urban blight wherever it occurs and also ensuring that affordable accommodation continues to be available in proximity to high streets and CBD’s.
- New, inclusive, mixed land use zones allowing for a variety of housing typologies and tenures including services and amenities is required.
- It is not clear to the authors whether local government will be able to turn the shortfall of maintenance budgets around in the short term, but what is clear is that if urgent steps are not taken to maintain city infrastructure, maintenance costs will grow as infrastructure deteriorates, and investment opportunities will be lost as investors take their business elsewhere.

3.6.2 What decisions do industrialists and entrepreneurs take in relation to space and the way an area functions, and how can they be incentivized (e.g. tax breaks, etc.) to invest in production in an area?

Both Hudson (2011) and Peters and Fisher (2004) support fiscal instruments to promote economic growth: the former sees macro-fiscal targeting of the FIRE sectors while the latter argue that the targets of fiscal reform should be “quality public infrastructure, and good

education systems” obviating the need for “ineffective fiscal and non-fiscal incentives”. It is debatable whether job-intensive growth through manufacturing will be promoted on the scale required through focusing tax breaks and incentives only – or mainly - on education and infrastructure – the question still remains: where are the jobs? However, given that municipalities do not have macro-fiscal powers, as well as the political resistance that will likely be launched by major banks and financial institutions against a macro fiscal reform process as envisaged by Hudson (2011), it is useful to think about the immediate potential for municipalities using their local tax as an incentive for facilitating the emergence of economic enterprises in their jurisdictions.

This is an area requiring more research, but we can make some general points. All businesses want to maximise profit and minimise production costs and one precondition is the existence of functioning infrastructure, although functioning infrastructure is not a sufficient condition for establishing a business. The cost of doing business is also an issue so the rates charged by municipalities and state service utilities like Eskom are critical and need to be considered when planning to attract investors. Municipalities’ response is partially to be more competitive but there are limits to this competition i.e. to the extent that municipalities can cut rates for business before this impacts unacceptably on residents. Reliability of the delivery of service is another precondition. Businesses also want subsidies but are these appropriate? And if so, which levels of business would get subsidies – Emerging? Established? At what point does a business stop being an emerging business? There is also a need to differentiate between financial and retail services and manufacturing so that manufacturing acts as a real value producing business. Ideally this should be the establishment of new businesses and not simply relocation of existing plant and premises. However, where an existing business relocates to be closer to where its employees live would still be a positive impact.

Tax incentives in the South African situation should achieve a mix between the formal and informal economies, meaning that a Woolworths and Massmart (Wal-Mart) buy from local market gardeners and local manufacturers. There is also the question of protecting the informal economy’ through, for instance, identifying light industrial and manufacturing zones close to existing poorer areas and incentivising larger manufacturers to set up there. The point here is to take the money and the businesses to where the people are. Linked to this is the provision of further education and training.

As Peters and Fisher (2004) point out, there are many criticisms related to using Economic Development Incentives, for consequences that contradict intended outcomes:

- The incentives are generally not large enough, e.g. a tax break on property taxes does not offset the costs of wages, construction, transportation, new supplies and other factors associated with expansion
- Development incentives do not generate new businesses or jobs but simply move them¹³.

¹³ When only certain areas of a city are provided with these incentives competition develops on an intra-city level and currently existing business will move from one part of the city into the area,

- Projected growth in property values does not always occur even when new firms are established in the targeted areas, leaving areas without the projected increase in tax revenues. And the same firms move when the rates return to normal.
- There is a correlation between business incentives and corruption.

It is also important to define investors that include local communities in need of employment and food security and look at emerging business opportunities that include collective forms that a municipality could facilitate the development of, for example, through the protection of commonage etc. The point that one comes back to is the public sector developer as a party that does not simply comply with laws but takes the initiative and leads the way through considering all the financial questions. A public sector developer would also be clear on what the city needs and wants to do and would understand the types of incentives needed to attract investors, particularly in terms of the urban space contradictions we have raised above. Therefore, beyond the spatial planning component there is a core research and analytical function involved in the role of a public sector developer. This too could be adopted on a limited precinct-scale to develop the knowledge and experiential base.

3.6.3 How could a municipality approach the incentivisation of different industries and different sized business?

The question of different industries and differentially-sized businesses is an important one. 'Investors' is a term that covers a spectrum of resourced institutions and individuals, from large established financial institutions on the one end to emerging entrepreneurs, survivalists and households on the other end with established smaller and medium-sized enterprises in the middle. The purpose of incentivising entrepreneurs and businesses is to get productive, job-intensive investment in one's municipal jurisdiction. This is consistent with a focus on economic development in line with the principles of spatial justice.

Municipal land and the use to which it is allowed to be put is a prime lever for facilitating the establishment of businesses and economic enterprises. The subsidisation of the costs of land use could be a direct form of incentive, particularly (but not solely) for the survivalist, emergent and household investors. This could be linked to securing an established business supplier as an anchor tenant with emerging businesses that constitute part of the up and downstream value chain around the anchor. Training could be built in as a further incentive for the anchor tenant. To secure the tenancy of an anchor a municipality might, for example, offer the incentive of a fully serviced leased site on a reduced (but escalating) service charge and rental for a limited period.

Facilitating the development of existing survivalist and emerging entrepreneurs might be part of the strategy to address the fact that 50 per cent of Langrug residents are unemployed. Half of those that are in employment work mainly in low paying (labour-brokered) jobs (like the restaurants of Franschoek) and half are seasonally employed on farms. The average household income is under R2 000 per month; and the average

shifting employment from one precinct to another rather than generating new employment.

household size is between three and four people (Hendler, 2013). Clearly, the municipality needs to do its homework to identify the type of job-creating enterprises that it would like to incentivize, and to achieve this it would need to understand the dynamics of the agricultural, manufacturing and other sectors in its jurisdiction and specifically in the Franschhoek Valley. This is where the challenges begin because it is unclear that the municipality perceives its role as a public sector developer with both a specific vision of the future and concrete objectives.¹⁴ It also might lack the capacity to conduct the research and analysis required.

A second challenge is the response of established businesses in and around Franschhoek, who might see conflicting interests. A larger impediment is the fact that the town's economy is driven mainly by escalating real estate prices, tourism and the services which serve these core sub-sectors. In other words, sectors that are not job-intensive. The main real value producing industry is agriculture and its associated product manufacturers and there is real opportunity here for employee equity schemes such as the one practiced by the Solms Delta Estate in the same valley.¹⁵ However, many of the Stellenbosch farmers do not share the Solms Delta Vision (cf. Hendler, 2008). A further complicating factor in the clash of underlying interest is the fact that the then Stellenbosch Municipality leased out significant tracts of Municipal Land to selected farmers on long-term (i.e. 40 to 99 years) and nominal rents – municipal land which could have been instrumental in leveraging access for marginalized people went instead to the previously dominant political and still dominant economic classes.

In thinking about how the municipality might respond to these conflicting pressures one is struck by the fact that the established business and farming interest are well organized while the homeless communities are relatively disorganized which has an effect on local government strategies and policies. The longer-term objectives of groups like the ISN and the SDI are to use negotiated partnerships as an opportunity to build a stronger organizational base from which to negotiate more benefits for urban upgrading. It might be that at some point in the future this currently marginalised constituency will exert a greater influence over the content of municipal policies and strategies. Until then it appears that champions both within the council, the municipality and the ISN will need to expand the partnership to at least initiate conversation with established business and industrial sectors to develop a common understanding of where the interests in incentivisation converge or diverge.

¹⁴ Stellenbosch Municipality speaks of fostering partnerships with informal settlements to promote community development but is silent on precisely where and how job-intensive economic development might happen.

¹⁵ Solms Delta has a Vision of a different South Africa where all have a stake in the economy and improving the quality of their lives. It has implemented this Vision through the granting of a substantial shareholding to historically disadvantaged tenant-workers on the estate, and the establishment of a museum which provides visitors with an authentic experience that does not gloss over the facts. It explores our history from all points of view, with special emphasis on the personal experiences of dispossessed Khoi and San people, pioneer settlers, slaves, and the current resident labourers – who remember only too well what it meant to be a farm-worker in the apartheid years. The latter also receive medical and educational benefits as part of their remuneration. In addition they share in the profit of the section of the estate where they hold equity.

3.6.4 *What should a Municipality consider in identifying the spaces where businesses should be concentrated to accelerate job creation and majority access to amenities and services: High Streets, or mixed commercial, residential, and light industrial areas?*

The penultimate question is about **how** to attract investors (big or small, established or emerging) - the above question is about **where** to attract businesses and entrepreneurs to. There is a further question about the type of sector the municipality would want to attract – given the need for job-creating growth (referred to earlier). It is clear that manufacturing (including beneficiation) would be a key sector to attract and stimulate.

Does Improving access to amenities mean reducing costs that are wasteful (like transport)? The poor do not have the choice of where to locate or relocate in terms of cost. So a municipality needs to consider what it should do to take them to areas of work, recreation and amenities (i.e. develop an effective, affordable transportation system). Alternatively, to bring these factors to them to transform their living and working conditions (e.g. use municipal land to leverage new business and mixed use development precincts). Municipal land development policies therefore become critical, as do land acquisition, holding, and release mechanisms (cf. Wolfson, 1991)..

The task facing the spatial planner is where in the municipal space economy to delineate zones for business trading and expansion. Ideally the zoning should be consistent with the development objectives of social inclusion and urban regeneration, as well as the developmental principles of spatial justice (through redress of past spatial imbalances) and inclusionary development on mixed land use (leveraged through municipal land). But he/she also needs to take into account where the required infrastructure and services are (or can be made available) and which spaces suppliers and customers have easy access to.

To meet the principles referred to above the municipality would want to locate enterprises, particularly emerging enterprises, as close as possible to where the existing opportunities are. The answer to the above question would be to all three of the above spaces, i.e. High Streets, mixed commercial / residential areas and also existing well located light industrial areas, as well as to some existing malls, some of which have become established decentralisation points over the past forty years. However the municipalities should resist the establishment of further unnecessary decentralised malls, in line with the principles of spatial sustainability and efficiency (to counter uncontrolled sprawl, such as one witnesses in Midrand, parts of the West Rand outside Roodepoort, and elsewhere).

A focus on rejuvenating High Streets for business would also meet the accessible amenities principle because High Streets are usually accessible to people who are unable to afford the trips to the malls. Where there are no High Streets¹⁶ a municipality might need to create them along TOD Zones, where appropriate. Existing, well-located malls, served by public transport, could also be favourable locations for affordable housing (including municipal social housing) for employees of the specific malls.

¹⁶ Pertinent examples of this investment in tourism sites and restaurants are along Khumalo Street in Soweto and the Cape Town City Council's Harare Neighbourhood and Kuyasa Interchange Precinct

The above possibilities exist in an ideal world. Reality is more complicated.

- The spaces that satisfy the developmental principles referred to above might be impractical and/or too costly in terms of required infrastructure (including transportation).
- There are many High Streets which have lost their lustre as the surrounding decentralised malls have diverted their customers, attracted and captured their business tenants and redirected much of the financial flows that were previously in the central business districts (CBDs). Some CBDs have become underdeveloped – the potential that we think is there might not be practically realisable.
- Malls are generally privately owned property and the municipalities will have limited leverage to prompt the development of affordable housing and trading spaces for emerging entrepreneurs.
- Where informal traders have established themselves in CBDs there is often pressure from existing property owners and tenants to get them out. One such example occurred recently in Stellenbosch when the municipality evicted a group of informal traders who had been trading from a central site for the past 18 years, mainly to tourists, and were making a reasonable living. The immediate complainant was a local church where the congregation felt that having the informal traders close by was having a negative impact (Hendler, 2013b).
- A further example of a potential conflict of interests is the Right to the City demand of the Langrug Community Network – which focuses on access of Langrug residents to the Franschhoek CBD through social housing for employees – and the interests of existing owners and tenants.
- There is a contradiction between the municipality's focus on basic services to the exclusion of the Right to the City demand while the Langrug Community Network advances and negotiates both demands.

A changed municipal strategy would have to be driven off a balance of sustainable development principles and the cost and practicalities of installing required infrastructure (including transport infrastructure). Specific plans should fit coherently into an overall strategy driven by a clear understanding of the identity of the municipality and town/city, its comparative advantages and competitive edges.

There is, however, a limit to the extent to which municipalities can engage in competition to attract outside investors before the strategy becomes a race to the bottom. Municipalities also need to focus on the investors already in the town/city particularly those in the poorer and marginalised communities. An example is Stellenbosch whose identity is strongly influenced by the education offered by the university and in accordance with which development of skills and further education and training could contribute to community development in places like Langrug and also some of the ghettoised formal townships like Kayamandi and Cloetesville.

The sense of identity and the comparative advantages and competitive edges provides a context within which a town/city can attempt to answer the question about where to

accelerate job creation. The question of the spaces for businesses is also a question about encouraging and enabling the presence of emerging traders in favourable trade and business locations, or the housing of employees of businesses close to those favourable points, be they in existing High Streets (like the Franschhoek Main Road) or existing established malls. If there is conflict over the use of a parcel of land, the local government must use its ability to leverage and negotiate, and be guided by its principles and strategic purpose.

5. Conclusion:

The tensions between segregation/ integration, sprawl/compaction, informal/formal developments, public/private transportation, as well as disparities in amenities and services continue to characterise South Africa's urban landscape, where urban blight and obscene levels of consumption exist cheek by jowl. Underlying this phenomenon is the differential values placed on land and property by the markets, themselves driven by many individual agents and actors but also imbalanced by the influence of financial capital and real estate property developers.

In today's free, deregulated land market, local authorities face a barrage of developer pressure and fragmented market-driven processes of development that tend to reinforce existing inequities and influences but in uneven patterns. So while informal settlements (like Diepsloot) appear to be functionally delinked from Greater Johannesburg there are nevertheless parts of that settlement where formal housing has appeared along transport links (i.e. an aspect of urban functionality). While existing established areas become deracialised and previously segregated townships (like Soweto and Mitchells Plain) develop their own decentralised shopping centres, middle income housing continues to sprawl across the urban landscape with one shopping mall after the next appearing, sometimes at unsustainable levels (as seen on the road between North Western Johannesburg and Mogale City (Formerly Krugersdorp). While urban land and housing property prices have experienced an exponential growth since the end of *apartheid*, presumably benefitting many households in previously segregated townships, the lack of affordability has also increased effectively marginalising a large group of lower paid or unemployed people in a process that extends beyond colour segregation – witness the white squatters on the outskirts of Pretoria and the massive growth of informal settlements.

The persistence of informal settlements is the continuation of a long-standing South African story of self-help housing as the National Department of Human Settlements and Accredited local authorities are increasingly unable to provide houses to meet demand. Local authorities also struggle to keep up with the infrastructure and servicing demand within their jurisdictions.

In the past stringent, oppressive planning played a crucial role in making cities socially inequitable and dysfunctional. Today the market continues the same trends, unevenly, as a process of urban fragmentation. In the past central authorities had a plan and drove local authorities to implement it. Today few leaders indicate or share their plans or have plans. The private sector drives development. Can government 'make the market work for the poor?' Current policies and strategies have tended to dump the problems of unsustainable,

inequitable and inefficient urban growth and development on municipalities who are expected to be the primary managers of the rectification of historical imbalances and also the development of integrated alternatives.

In contributing to the thinking about integration and spatial transformation for progressive goals this paper has underlined the need for flexibility and the inappropriateness of a larger plan or road map. To achieve social and spatial justice we need to be clear about our broad development objectives as well as our guiding principles framework. Thus is essential to reflect whether our plans meet our stated needs.

The paper shared a principled framework that the authors developed from strategic work with government departments and municipalities over the past decade. Based on this strategic framework we clarified two sets of questions that we regard as critical for addressing the challenges on a precinct by precinct basis and learning from each project to complement a broader programme: 1) how can municipalities make existing, as well as new, precincts more socially equitable and functionally efficient?, and, 2) how can municipalities facilitate the development of productive city spaces through job-intensive enterprise development? In examining the principles in the light of current market practices we pointed to the contradictions that emerge in practice.

Municipalities, if they are going to play a progressive developmental role in this regard, will have to understand the development process as well as the various interests at play, and then develop strategic zonal (or precinct) plans to test out the implementation of a framework of principles. Some are already doing so but the primacy of the role for future, broad based development is not acknowledged – there are mainly isolated examples of an emerging best practice.

In implementing these projects as well as expanding the role municipalities will have to play, they will have embarked on an incremental learning and development process, which should be generalizable and gather momentum as it grows. In short they will be becoming developers, public sector developers. The notion of a public sector developer is an appropriate strategic response to the current process of unplanned, privatised development, as it emerged from a history of strong planning for segregation and marginalisation.

The function of a public sector developer does not leave the market untouched but, on the contrary, its explicit purpose is to reshape the market guided by the principles referred to above. As such the role of public sector developer is both as regulator and as player in the urban land market. It is an idea distinct from, and in opposition to, the neo-liberal market fundamentalism that has characterised official thinking over the past twenty years. What is immediately at stake here is the veracity and the legitimacy of the concept of public sector developer. It is with a sense of urgency that we put this into the public domain for debate.

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