



# JOHANNESBURG AFRICA'S WORLD CITY

## A challenge to action

### EXECUTIVE SUMMARY

*Johannesburg is a 'slipping world city'. Its future as an African success story and an attractive and competitive location for business and the skilled people who start up and run those businesses is not assured. The city is the nerve centre of the national and increasingly the subcontinent's economy. Its decline will have an immeasurable impact on the country and the continent's prospects and international image. Despite the laudable efforts of the current city council, the issues facing the city are not ones that the council can solve, or even adequately debate on its own. Johannesburg is one of the country's leading national priorities.*

*Johannesburg can be a world-class city, a beacon of success on a continent marked by failure and poverty. What is required is for key national and local leaders – the president, the cabinet, the ANC, business leaders and others – to have the courage to recognise the challenge, and act boldly to meet it.*

This is an executive summary of a research report entitled *Johannesburg: Africa's world city – a challenge to action*, released by the Centre for Development and Enterprise in October 2002. The full report is available from CDE. See back page for contact details.



## INTRODUCTION

This report, the fifth in CDE's series on South African cities and globalisation, focuses on Johannesburg, the most important city in sub-Saharan Africa. Success for Africa's leading city will have a dramatic impact on South Africa's image and potential. If Johannesburg fails, the consequences for the country and the region will be dire indeed.

The key theme of this series of path-breaking reports has been to focus stakeholders' attention on the enormous impact of globalisation and the associated challenges facing South African cities. After decades of insular attention to race and apartheid, South African cities needed to refocus on economic issues, and the relationship between local development and international trends.

This report challenges the nation and the city to face a stark choice. If Johannesburg continues on its current path it could slip off the list of 'world cities', leaving Africa with no plausible location point for globally successful enterprises that produce and provide the world-class skills, technology, and services the continent so badly needs.

Bold, courageous, and decisive actions must be taken now to turn Johannesburg around. What is needed is to create the best possible environment for large and small enterprises to flourish. This is the only way in which the high growth and employment opportunities essential for Johannesburg's success can be created.

The report is structured into three parts. Part one lays a descriptive and analytical foundation for an understanding of the city and its new economic, social, and spatial dynamics. Part two places it in an international context as one of a pool of cities worldwide competing directly with one another for capital, skills, and markets. Part three assesses current approaches to Johannesburg's future, and argues that a national partnership undertaking bold new initiatives is required to turn South Africa's greatest asset around.

## PART 1: FOUNDATIONS

### Chapter 1: Introduction

Johannesburg towers over South Africa, southern Africa, and even the continent. It is the region's transport hub and shopping centre. Its international airport is the busiest in Africa. In many respects Johannesburg is 'the New York of Africa', dominating the continent in terms of the scale and sophistication of its stock market, financial services, corporate energy, media, and culture. Above all, in an African and even global context, Johannesburg has been synonymous with driving capitalism.

Therefore, the jarring signals emanating from this 'primate' city should concern South Africa's national policy-makers as well as Johannesburg's citizens. Consider just a few:

- the HIV/AIDS epidemic is reducing life expectancy from 68 years in 1990 to a projected 44 years by 2010;
- Johannesburg has a higher crime rate than any other South African city, providing its single most important deterrent to investment;
- in recent years, the city's finances have been in such disarray that the provincial and national governments have been forced to intervene;
- for decades, there has been little new investment in major road, physical, or communications infrastructure;
- the city's roads are becoming increasingly congested, with experts saying traffic on some key freeways will clog up completely over the next five years; and
- most worryingly, Johannesburg's economic performance – the very roots of its existence – has shown signs of flagging; as a direct result, unemployment and poverty are on the rise.

The country faces a choice: it can either let Johannesburg struggle along as an increasingly unlikely member of a global network of world cities, or it can decide to unite in its efforts to keep this city – and by implication Africa – at the cutting edge of global economic change and competitiveness

This report argues that Johannesburg will only be rescued from its current malaise, and made to deliver its full potential, if the country and its residents stop taking it for granted. Above all, close attention will need to be paid to its economic performance.

However, before we begin to make prescriptions, we need to ensure that we correctly understand the city and the processes at work in it. An important part of our argument is that much of the debate around Johannesburg's future has been misguided precisely because participants have misunderstood the way in which the city is developing. This points to the need to accurately identify the nature of the city and the processes at work in it (see box: Myths and realities about Johannesburg, pp 4–5).

## Chapter 2: Definition and demography

The City of Johannesburg's borders stretch from the informal settlement of Orange Farm in the south to Midrand in the north (a distance of almost 80 kilometres), and from Roodepoort in the west to Edenvale in the east (a distance of more than 30 kilometres). It is a highly distinctive economic complex, where more than twice as much economic output comes from finance and business services than from manufacturing.

The Johannesburg metropolitan area has an estimated population of more than 2,8 million people. This residential population rises by some 800 000 during the day to about 3,6 million, as a result of people commuting in from other areas, mainly to work but also to shop. Migration accounts for a much greater share of projected total population growth than does natural increase; the city – and particularly its northern and western suburbs – are perceived as a place of opportunity for young Africans.

This sense of Johannesburg as a city of opportunity is not limited to South Africans. Ambitious people from the entire African continent now constitute the bulk of migrants to Johannesburg's inner city and suburbs – home to generations of new migrants for more than a century.

## Chapter 3: Johannesburg's economy – foundations and prospects

Whatever its current ailments, Johannesburg remains the centrepiece of South Africa's and the region's economy. It houses some 74 per cent of South Africa's corporate headquarters, including those of all its major banks, and drives the economic performance of Gauteng, which generates more than 35 per cent of South Africa's GDP. Johannesburg generates some 10 per cent of GGP of the Southern African Development Community (SADC), and the Johannesburg Securities Exchange (JSE) is 11 times larger than the next biggest stock exchange on the continent. In US dollar terms, the JSE is larger than the Mexican and Kuala Lumpur exchanges, and roughly the same size as those in Athens, Brussels and Singapore.

Although Johannesburg is still often described as 'iGoli – city of gold', by 1970 employment in the primary sector, which includes mining, had fallen to 35 958, while that in the secondary sector and tertiary sectors stood at 652 459 – a formal employment structure akin to those of similarly sized cities in Germany, Britain, and the United States at the time. Most of these employees were accommodated in South Africa's largest contiguous CBD–cum–industrial–cum–office zone. Stretching some 10 kilometres from east to west, and five kilometres north to south, this was the undisputed hub of South Africa's secondary and tertiary economy for at least five decades, from 1940 to 1990.

Despite growing competition from Cape Town, Johannesburg remains South Africa's quintessential professional, private sector city. It is also the centre of the increasingly vibrant smaller enterprise sector. Johannesburg's economy is relatively low on government and manufacturing (below the national average), yet very high indeed on commerce, finance, and business services.

Johannesburg is now primarily a post-industrial metropolis, co-ordinating South Africa's (and increasingly the subcontinent's) private sector. Concepts of this city's econo-

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Johannesburg, a 'city in a hurry', towers over South Africa, the region and even the continent

my derived from the past with their emphases upon mining and historically protected sub-sectors of manufacturing are no longer relevant.

## Chapter 4: Johannesburg and social change

Johannesburg will only be made to deliver its full potential if the country and its residents stop taking it for granted

Notwithstanding Johannesburg's economic success (or perhaps because of it), the city has been, and in many respects remains, misunderstood by generations of South African political leaders. It has simultaneously been the object of suspicion and envy by most of the country since its early rise to fortune. And yet the city's contribution to national politics has been immense. Just as its gold mines forged the modern South African economy, it has also been the country's primary political crucible. Johannesburg has long had the reputation of being more tolerant in its approach to race issues than any other South African city, with much evidence of white civic and business leaders finding themselves in conflict with the apartheid government.

Johannesburg was the city in South Africa that most resisted 'the politicisation of race' throughout the apartheid period. Therefore, while Johannesburg's history (along with South Africa's) is riven with class inequalities and conflict, it has also been South Africa's least racist and most cosmopolitan and urbane place. Not surprisingly, Johannesburg now contains a weight of media excellence and cultural diversity unmatched by any other South African city.

Nevertheless, by the 1960s Johannesburg, like other South African cities, had been fractured, largely by apartheid legislation, into separate racial and social domains. In effect the black two thirds of Johannesburg's population were concentrated into no more than a quarter of the city's area. But by the early 1980s, well before most of the rest of the country, the deracialisation of settlement in Johannesburg had begun, and has continued with very little conflict and controversy to this day. It is now also increasingly evident that a

## Myths and realities about Johannesburg

**FALLACY** The Johannesburg central business district, and its problems and prospects, are the most important developmental priority for the city.

The city's highway system, if not properly maintained and upgraded, is more likely to throttle future economic development than a jaded CBD. As an exercise in the conservation of capital, maintaining the CBD is obviously justified, but the emphasis of future capital expenditure and capital maintenance must be on infrastructure that supports new directions of growth. And the energies of political leaders should be devoted to city-wide economic priorities: crime, skills, and telecommunications.

**FALLACY** The flight of capital to the suburbs is an abnormal process informed primarily by racism, which will undermine the long-term viability of the city.

Actually, this is part of a globally recog-

nised pattern of urban restructuring, and has been going on in Johannesburg since the 1950s. These processes have nowhere threatened metropolitan economic viability unless a narrow and mistaken view has been taken of what the metropolis actually is.

**FALLACY** Johannesburg is an important mining and manufacturing centre, and economic growth strategies should focus on these sectors.

Mining and manufacturing have been contributing less and less to the Johannesburg economy, and these sectors are now concentrated elsewhere in the country, the region, or the world. Johannesburg should focus on its national and continental leadership in the tertiary and quaternary sectors of the economy (which already provide about half of its jobs), and also the policies and support structures that

are necessary to ensure such continued leadership. Johannesburg is no longer 'the city of gold'.

**FALLACY** Johannesburg's economic future must focus on 'job creation'.

This apparent truism must be replaced with the recognition that the prior condition to employment is successful enterprise. The conditions that make a city enterprise-friendly must therefore become the focus of urban policy, with employment being the anticipated desired consequence. Already, some three quarters of new jobs in Johannesburg are being generated by smaller enterprises, and this is a trend that will probably deepen over time. Johannesburg's inefficiencies are far more costly and detrimental to small businesses (start-up, survival, expenses, investment) and thus job creation than the large companies that dominated the city in the past.

new, non-racial community is being forged in the 'functional' city, where what really matters is skills, not race.

Johannesburg's urbanity was advanced by the fact that its local political and economic elite was always more multi-ethnic than its counterparts elsewhere in the country. It is the most cosmopolitan of South African cities, with a great diversity of languages and cultures; this is as true of predominantly black areas as of white areas, with the city's townships linguistically more diverse than those of any other South African city.

Johannesburg is a city of multi-ethnic migrants; a tough bustling entrepreneurial place whose growth has been driven and supported by thrusting 'new men in town', eager to get rich.

However, on the negative side it is Johannesburg's reputation for violent crime that sets it apart, and until this is resolved it is a city that evokes feelings of insecurity and fear among both residents and visitors. Such perceptions are never acceptable, but they become particularly dangerous when a city's economy depends, as Johannesburg's does, on the presence of large numbers of highly skilled (and hence highly mobile) middle-class people.

Johannesburg's large middle class is increasingly difficult to define in racial or ethnic terms, partly because its black component has increased so rapidly, at some 2 per cent a year. But the relationship between a city's tertiary employment base and its income profile cannot always be taken for granted. As a late 1990s report of the New York City Council observed, the city environment can become alien to the interests of the middle classes, resulting in their emigration elsewhere (usually to suburbs outside the city, but sometimes to other cities). Johannesburg is particularly vulnerable to this problem because of crime-related problems, but also because its increasingly multiracial suburbanites strongly doubt whether they are getting value for money out of their rates payments to the city government.

At the same time, residents of the 'other' Johannesburg – the former townships, and particularly the burgeoning 'RDP' housing estates and informal settlements – are equally concerned with issues surrounding metropolitan services and resources: in their case, those of

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Much of the debate around Johannesburg's future has been misguided because participants have misunderstood the way in which the city is developing

**FALLACY** Johannesburg's public sector does not have enough money or capacity to turn it into a centre of excellence.

In fact, for its population and geographic size, the Johannesburg City Council has more staff and bigger budgets per capita than almost any other metropolitan area in the country. The issue is not the quantum of money and human resources, but rather how it has been and is being used. This is particularly the case given the potential to leverage public funds with private funds.

**FALLACY** The expansion of services to the poorer parts of the city is Johannesburg's most important priority.

According to Joburg 2030, 96,4 per cent of households in the city have access to water, 84 per cent to basic sanitation, 85 per cent to electricity, and 88 per cent to waste removal. These figures are higher on

average than those in middle-income countries such as Argentina and Brazil, and developing countries such as Pakistan and India. Thus, with only 16 per cent of households receiving services below the minimum statutory standards, Joburg 2030 concludes that 'service access is not the greatest challenge facing Johannesburg'.<sup>3</sup> An attitudinal survey conducted for the council by Social Surveys in October 2000 showed that 33 per cent of residents were dissatisfied with services provided by the city, and 50 per cent of residents were more concerned with finding employment.<sup>4</sup> It is clear that growth and employment are the most important issues facing Johannesburg and its citizens.

**COMPLACENCY** Johannesburg is the only South African city capable of 'world city' status.

While Durban is probably out of the

running, the recent Unilever Institute/-Cape Town Partnership study of competitive cities suggests that Cape Town may be marginally ahead of, or at least equal in status to, Johannesburg in terms of lifestyles, and has certain advantages as a coastal city.<sup>5</sup> Cape Town is actively making a major bid, as a 'smart city', to attract investment. Is it poised to steal Gauteng's slogan as a 'smart province'? Although it's hard to see another city taking over from Johannesburg, it can happen. And, more importantly, the competition is no longer between cities within a nation state but between a city and its global competitors – Sao Paulo, Sydney, and Singapore. Why locate a multinational gold/brewing/life assurance/IT company here? If Johannesburg is no longer a competitive and attractive place, companies will move.

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services backlogs, and a levelling of the services playing field. It is a combination of these two sets of concerns (services upgrading in poorer areas, and rates increases in richer areas) that plunged Johannesburg's post-1994 metro governments into financial crisis.

## Chapter 5: Johannesburg's governance

Effective new institutions of governance suited to the post-apartheid era and a globally competitive environment have been slow to materialise

Johannesburg's first post-apartheid council tended to focus on disparities in services. Service levels in the former black townships and informal settlements are significantly lower than elsewhere in Johannesburg. For example, according to the 1996 census, almost 20 per cent of households in the then Southern Metropolitan Local Council area were not electrified. But, compared with, say, Durban, which has large unserved informal settlements, Johannesburg's need for capital expenditure on poorer areas is relatively modest. Yet, following the 1994–5 transition Johannesburg's new metro councils probably moved faster than any others in South Africa to remedy service deficiencies, and it was this that was principally responsible for the 'alarming pace at which Johannesburg's debt increased from 1995/6 to 1996/7', eventually plunging its government into crisis.

Johannesburg's crisis was institutional as well as financial. Up to 1994 greater Johannesburg had been controlled by numerous racially based local authorities and agencies. Under the transitional local government dispensation introduced in 1995, control over these areas was consolidated into a two-tier system consisting of the greater Johannesburg Metropolitan Council and four local councils. This was a considerable breakthrough in that it introduced non-racial metro government, and also recognised Johannesburg's transition from a narrowly defined 'city' to a much larger metropolis.

However, the new system was complex and cumbersome: all five councils were supposedly autonomous, with each exercising 'original' powers and functions that overlapped in complicated ways. The existence of these five administrations naturally caused high levels of waste and inefficiency. By September 1997, with a predicted R2 billion deficit at the 1997/8 financial year, it was clear that, without strong and decisive intervention, Johannesburg was facing bankruptcy.

Fortunately, the end of 1997 brought decisive intervention. Key players agreed that a unified, metropolitan-wide initiative was needed to address the situation. Assisted by external consultants, representatives of each council began to take steps to extract the city from its difficulties. These soon resulted in a greatly reduced capital budget, as well as better accounting procedures and credit controls.

Senior local figures also began to formulate far more comprehensive responses to both the institutional and financial elements of the crisis. After an exceptionally acrimonious debate, Johannesburg began to move towards the 'megacity' model of government, under which all citizens elect a single council, and an executive mayor runs the city.

In 1999 the iGoli 2002 and iGoli 2010 plans were announced. They were intended to improve service delivery, ensure the financial viability of city government, and establish a long-term goal for Johannesburg as a world-class city. Meanwhile, under a transitional city manager, and in the face of strong union and internal opposition, Johannesburg's management began to move slowly towards public–private partnerships, and outsourcing relationships for service delivery.

In 2000 the balance between service delivery at any price and longer-term economic rationality shifted further in the direction of the latter, when the first executive mayor's strategic priorities were announced to include economic development, job creation, by-law enforcement, crime prevention, and service delivery excellence.

## Chapter 6: Johannesburg's spatial restructuring

In an accelerating trend over the past three decades, Johannesburg has substantially reshaped itself in both economic and geographic terms.

From about 1970 onwards, in line with international trends, and due to a complex set of interrelated pressures, suburban shopping and office centres grew increasingly rapidly, and began to compete with the old CBD. Whereas most economic activity on the Witwatersrand once occurred on an east–west axis, by the 1990s it had become clear that growth was now primarily occurring along a north–south axis. The growth has nearly all been of a ‘post-industrial’ character – it has happened in offices rather than mines or factories, and focuses on financial services and other tertiary and quaternary activities.

The statistics are striking: in 1982, office space in the suburbs comprised only 9 per cent of the city’s total; by 1997, office space in the suburbs was double that in the CBD, and from 1993, for every square metre of office space added in the CBD, 7,5 square metres were added in the suburbs.

In short, much of the new growth in business services has been outside the historical CBD. However, much of this has been due to new layers of growth as opposed to relocation, since it is striking just how many large older companies are still in the CBD, including heavyweights such as Sappi, SAB, Standard Bank, and the Anglo American Corporation.

In the course of its rapid expansion northwards, greater Johannesburg has outstripped its infrastructure. Roads and freeways are badly congested, and the sewerage system in Sandton, for example, is heavily overloaded.

Some observers have depicted the ‘decline’ of Johannesburg’s CBD and the growth in the suburbs as a recent and local phenomenon, caused by a racist response by big business and other inner city tenants to changing social patterns and mismanagement by the council. However, while there may be elements of truth in this view, it ignores long-term trends in Johannesburg and elsewhere in the world. First, these trends are common in cities all over the world. Second, Johannesburg’s inner city areas are not just places from which economic activities are exiting. There are also many new entrants to the inner city’s economy – particularly small retail and manufacturing enterprises. Third, it should be recognised that business disaffection with the CBD’s management predate democratically elected local government.

Recognising that what is happening is the development of new patterns of investment and the use of space is much more helpful than a simple emphasis on the geographic relocation of certain kinds of economic activities from the old CBD.

Therefore, instead of seeing Johannesburg in ‘zero-sum’ terms as a city of ‘decline’ and ‘flight to the north’, it is more accurate to say that:

- Johannesburg has changed fundamentally and irrevocably during the past two decades. Instead of a conventional mid-20th century city with a single CBD and some peripheral suburbs, it has now become a far larger 21st-century metropolis stretching to Midrand in the north and incorporating a new CBD in Sandton; today, the ‘old’ city is just one component of this larger region.
- The inner city has been transformed, with new residents and new forms of economic activity. While the physical environment has deteriorated it hasn’t necessarily permanently ‘declined’ or ‘decayed’.
- Talk of ‘reviving’ the city centre is often misplaced. To imagine that this can be done by luring back businesses that have left is both unrealistic and inappropriate. It is wrong to argue that most growth in the north has been at the expense of the CBD. Many older, larger companies have remained in the CBD. Furthermore, most firms setting up in the suburbs actually constitute new forms of economic growth.
- The economically vital new nodes, containing the bulk of South Africa’s corporate headquarters as well as the local head offices of multinationals are themselves under strain. They require improved infrastructure (particularly roads, but also security and IT infrastructure) and more effective, more devolved, local government.
- The transformation of the city should be recognised for what it is. Its new character should be understood, and Johannesburg’s priorities chosen accordingly.

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Johannesburg is now primarily a post-industrial metropolis, co-ordinating South Africa's private sector

## PART TWO: THE NEW CONTEXT

### Chapter 7: Looking at cities in a world context

In the course of its rapid expansion northwards, greater Johannesburg has outstripped its infrastructure

During the past two decades, the role of cities has changed profoundly; they now function in a global rather than a national economic context. This is as true of Johannesburg as it is of any other major city in the world.

Attempts to transform South Africa's previously segregated and unequal cities and extend their services and infrastructure beyond the former 'white' areas must therefore be situated against the backdrop of a fast-changing world economy, and the new role of cities in the global marketplace. Local and national policy-makers concerned about Johannesburg must consider priorities and make strategic choices in this world context.

It has become abundantly clear that globalisation poses serious threats to cities anywhere in the world whose managers have a 'business as usual' attitude. As international and regional trade barriers are abolished, so urban economies become increasingly vulnerable to competitive forces emanating from the most distant corners of the global economy. But, by the same token, there are now previously unimaginable opportunities for penetrating those distant markets.

Thus, if the benefits of successful international integration are high, the costs of failing to do so are devastating. There will be winners and losers among the world's cities and their citizens. Cities that do not take active steps to carve out a new local, regional, or global niche will decline. However, while cities and regions that do not face these challenges may rapidly fall behind in the global race, they can also hugely accelerate their development by astutely combining local dynamics and global forces.

International experience provides important lessons for cities aiming to thrive in the new context:

**Leadership:** To survive and compete in the global arena, cities must have strong leaders.

**Vision:** It is very difficult for a city to be successfully marketed if its leaders (key politicians, planners, managers, business people) do not have a clear vision of its future. This vision needs to be supported by a broad cross-section of the city's inhabitants.

**Image and strategy:** A strategic plan for global competition must strengthen or even reposition the image the city has of itself, and the image it has in the eyes of others. Cities must identify and play to their natural advantages and, via exploring their particularities, develop and market a unique image and identity.

**Governance:** Successful cities must be liveable, competitive, well-governed, and financially sustainable. Capable urban management requires the capacity to address public responsibilities using procedures that draw appropriately on competition and partnerships.

**Alliances for action:** Successful cities must be increasingly flexible and innovative; they must be able to adjust speedily to changes in the global economy. Cities that prosper operate in a 'new paradigm' for action, one that is 'centred on incrementalism, entrepreneurship, and markets as the best way to promote social progress'. This requires initiative and direction from an alliance of forces in the city, official and unofficial, public and private, professional and voluntary.

**New powers:** Cities in a globalising world will need to lobby national governments for the powers and authority they must have if they are to compete successfully.

**Competitive standards:** Cities need to comply with exacting standards if they wish to serve as sites for high-quality services to producers, and compete for foreign and domestic investment. Now more than ever, cities need to provide solid public services, and a business-friendly environment.

**Infrastructure:** The new global economy is built on access and connections. Infrastructure, particularly transport and telecommunication, is a top priority.

**People:** Competitive cities need educated, skilled and healthy citizens.

**Global vision, local neighbourhoods:** Cities have to manage an important balancing act: they need a vision and strategy to project into the competitive global arena, but must combine this with a passionate concern for the quality of life of citizens and enterprises. First and foremost, successful cities are a ‘collection of cosmopolitan, functional, and living neighbourhoods’, and must be managed as such.

## Chapter 8: Perspectives on Johannesburg in world context

This chapter surveys a wide range of research on city types, functions, and characteristics in the global economy. It considers the extent to which Johannesburg fits into these categories, which include that of ‘Africity’ and ‘developing world’ city. Although Johannesburg certainly shares characteristics of these city types, it is, above all, a secondary world city that is, a regional centre of multinational business, finance, and business services.

World cities are not necessarily the largest in their regions in terms of population, employment, or output, but they are the centres from which larger regional, national, and international economies are articulated. World cities differ fundamentally from others, and their essential roles are to provide ‘homes’ for national and international corporate and financial management. Such cities are often characterised by the strong growth of smaller enterprises providing inputs to larger companies – accountants, lawyers, advertising, marketing, and IT.

Some argue that global generalisations such as these have limited value in ‘third-world’ or ‘African’ contexts. However, there is growing evidence from across the developing world that, in this era of globalisation, the basic principles of urban organisation and urban development do not differ fundamentally from place to place. This is especially the case in respect of the few so-called world cities in the developing world. We need therefore to focus on what makes world cities successful, how Johannesburg performs, and how its performance can be improved.

Successful world cities are central to world trade and financial flows, are accessible and receptive to foreign direct investment, are rich in producer services companies competing to support the head offices of major corporate entities, and are well-connected. World cities have excellent internal and external travel and communications systems, and are enviable places to live. They provide a wide range of economic opportunities, and an extraordinary array of public and private services and amenities.

How does Johannesburg rate in terms of these criteria? It does extremely well by African standards, far surpassing Lagos and Cairo. But this not good enough. Given its pre-eminence in Africa, the key question becomes how Johannesburg performs compared to other cities elsewhere in the world. In terms of this ranking, Johannesburg emerges as a major (as opposed to a prime or minor) global accountancy services centre; a minor global advertising services centre; and a major global banking services centre.

In terms of the quantity and quality of advanced producer services, Johannesburg rates with cities such as Amsterdam, Boston, Dallas, Jakarta, Melbourne, Prague, and Santiago. In quality-of-life terms, it places with Cape Town, Kuala Lumpur, Athens, Santiago, and Warsaw. In terms of several global indices, Johannesburg is also one of the cheapest world cities to live in. On the other hand, in terms of connectivity Johannesburg performed poorly on an international index of telecommunications compiled in 1998. Johannesburg languishes in 22nd place, preceded by Tel Aviv and Singapore and followed by Sao Paulo, Moscow and Beijing. Two developing world cities – Mexico City and Kuala Lumpur – significantly outscore Johannesburg.

Johannesburg’s global performance, then, is something of a mixed bag, with its advanced producer services strong, its quality-of-life factors fair, and its connectivity moderate. Johannesburg is also, however, the ‘most isolated world city’ in terms of the branch offices and other linkages that global law, accountancy and advertising firms have here compared to other major cities.

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The role of cities has changed profoundly; they now function in a global rather than a national economic context. Globalisation poses serious threats to cities anywhere in the world whose leaders have a business as usual attitude

Such dispassionate international analytical assessments serve to place unduly patriotic pretensions about Johannesburg in perspective, and remind decision-makers of the potential dangers of resting on our not particularly impressive laurels.

## Chapter 9: Johannesburg's competitive advantages

No country has achieved sustained economic growth without massive urban growth

What are the distinctive economic features of Johannesburg's economy that enable it to compete effectively in the South African economy and global economy?

### *Local advantages*

Johannesburg dominates the tertiary and quaternary sectors of the South African economy – ie, those sectors of the economy, staffed by highly skilled personnel, involving the provision of business, financial, and other services. As a result of its national dominance in these sectors, Johannesburg houses a high level of skills by South Africa's low standards, and a large number of households with incomes above the national average – proportionately twice as many as those in South Africa's other metropolitan areas. For this reason, Johannesburg is the country's most important market for higher-order goods and services. These goods and services, in turn, are important bases for servicing the higher-order needs characterising world cities.

Johannesburg's second comparative advantage, at least in (comparatively modest) national terms, is that it is southern Africa's most connected city, with a level of availability and choice of telecommunications infrastructure equalling those of Singapore and Sao Paulo.

Third, Gauteng is overwhelmingly the country's 'smartest' province in terms of the volume of hi-tech industries it houses. The Pretoria–Randburg–Johannesburg cluster centred on Midrand and Johannesburg's northern areas contains 58,5 per cent of all national IT enterprises, with Johannesburg–Randburg alone accounting for almost half the national total.

Fourth, Johannesburg's international airport, regional airports, and freeway systems also eclipse those found anywhere else on the continent. The Airports Company of South Africa (ACSA) plans to elevate just one South African airport, Johannesburg International Airport (JIA), to truly international status, and the JIA aspires to 'become a world-class air transport hub for sub-Saharan Africa'. While in 1990 only 21 airlines operated out of JIA, 53 airlines are doing so now, carrying 11 million passengers a year. However, as we have already noted, there are concerns that the road system, particularly in the northern areas, may be overrun by the city's rapid development, and it is by no means clear that the planned Gautrain Rapid Rail Link (the 'Shilowa Express') can resolve this.

In terms of a South African assessment of competitive advantages, Johannesburg is southern and central Africa's only plausible candidate for world city status – indeed, that is almost entirely what its competitive advantages consist of.

### *Global advantages*

Johannesburg is the most unique and at the same time most isolated of world cities, defying obvious comparison. In global terms, Johannesburg stands out for being an English-language city and for its excellent climate, low cost of living, and good quality of life.

However, what may be regarded as relative strengths in a local context may be liabilities in a global one, and this is certainly the case here; Johannesburg's world city status is threatened by its ageing and increasingly congested road transport systems, its internationally uncompetitive information and communications technology infrastructure, its shrinking skills pool, concerns about AIDS, and – above all – its high levels of violent crime. Despite all the official efforts to gloss over it, the last-named factor stands out as making Johannesburg in the first instance a place of fear.

Bringing Johannesburg back into contention for membership of the club of world cities will require a major effort to reduce its high levels of crime.

## Chapter 10: Business perspectives of Johannesburg

It is business and the private economy that makes Johannesburg – of all South Africa's cities – tick. Yet local business leadership has been rather insular and defensive in its views of the city. Interviews conducted by CDE in 1997 with Johannesburg business leaders who should have a material interest in the city's fortunes – particularly those in the property sector – reflected an attitude of pessimism and cynicism about its future. Of ten interviewed, none saw Johannesburg as an internationally competitive city. Most argued that business (and local government) were more organised and focused in their policy and project activities in Durban and Cape Town.

To the extent that business has responded to the challenges posed by Johannesburg, this has primarily been in terms of exercising 'exit' options: heading north to the far northern suburbs or London, or south to Cape Town. The calculus of the costs and benefits of alternative courses of action, at the level of individual enterprises, could hardly have yielded a different result.

Fortunately, more recent interviews conducted in 2001–2 show that Johannesburg business leaders do recognise that the city has some remarkable assets. Most now see Sandton as the heart of the city, and most also identify the powerful financial services sector as its distinctive comparative advantage. This points to the fact that Johannesburg's future may well pivot on perceptions of the city by key players as well as its residents generally. Very importantly, the more recent interviews (quoted at length in the main report) also show that there is much scope for turning around negative perceptions. Business leaders seem keen to support new initiatives to advance the city's interests.

## Chapter 11: Council perspectives – the Joburg 2030 report

Joburg 2030 is the city's latest 'blueprint for the future'. It supersedes Igoli 2010, and builds on considerable new research and data collected by the city council and its consultants. The document contains a strong analysis of the city's strengths and weaknesses, and constitutes a significant official perspective on Johannesburg, its potential, and the challenges it faces.

Joburg 2030 reflects important and positive changes in the mind-set of city management. The report is built on four vital new insights:

- access to services is not the greatest challenge facing Johannesburg in its drive to become a better city (thus overturning a fundamental premise of the first period of democratic rule);
- Johannesburg's citizens are more concerned with joblessness than socio-economic backlogs;
- economic growth is the only sustainable road to increased quality of life in the city; and
- investment and business activity in the city – and therefore the prospect for enhanced or even continued economic growth – faces a fundamental threat from crime and the failure thus far to deal decisively with crime.

Joburg 2030's analysis of the city's strengths is very similar to CDE's. Where the 2030 report breaks new ground is in its detailed account of the problems facing Johannesburg and the threat they present to its world-class status. These include:

**A lack of economic growth:** The report notes that Johannesburg's growth has failed to increase as quickly as those of other international cities with similar experiences of urbanisation over the past 20 years. The standard of living in the city has barely increased over the past 10 years.

**Crime:** The report argues strongly that crime is the deal-breaker for the future of the city. 'Without a shadow of a doubt, and with quantitative certainty ... investment in the

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Leadership is more important in the entrepreneurial city of the 21st century than at any time in our history

If the elites do not believe in the city and its unique role for the future, it is unlikely that the bulk of urban residents will

Johannesburg economy will not take place at the levels required until crime is addressed. Even if sectoral growth takes off, the cost of capital decreases and sales turnover increases, firms will invest 61 per cent less than they otherwise would unless crime is addressed.' It adds: 'Crime will ride roughshod over all other variables in an investment decision-making process due to its massive weighting.'

**A shortage of skilled people:** The report acknowledges that Johannesburg has the most highly skilled workforce in the country; however, despite this, in the course of research conducted for the city council, 30 per cent of firms interviewed identified a lack of managerial, professional and technical skills as a major constraint on growth, while 55 per cent saw this as a moderate constraint. 'The outlook is extremely worrying ... given that existing skills shortages exist on the back of a decade of extremely moderate domestic growth rates.'

**Costs of labour legislation:** The report identifies the cumulative cost imposed by the current package of national labour legislation as a major obstacle to the achievement of prosperity in the city. It quotes two World Bank surveys of 325 large manufacturing firms and about 800 SMMEs spanning eight sectors in the city which found that 74 per cent of firms cited recent labour legislation as an impediment to business growth.

The report identifies several other 'brick walls' facing the city. These include transport congestion, ageing infrastructure, management and repayment problems, the cost and quality of telecommunications, the failure to implement by-laws, and the deadly impact of AIDS.

### *Joburg 2030 does not go far enough*

The Joburg 2030 report makes a very significant contribution to understanding the problems facing the city. But its architects – understandably, but in our view mistakenly – decided to operate within the constraints of current government policy. This is a rather limiting position in a document trying to spell out how the city should achieve a vision over the next 30 years. As a result, its recommendations do not go far enough in getting to the root causes of problems. This would inevitably require questioning the current constraints on Johannesburg's powers and the capacity of the current city council, its leadership, and management. The excellent analysis in the report does not result in credible proposals for dealing decisively with the current and looming challenges to Johannesburg and its ability to function as a world city.

This problem is seen most clearly in its comments about crime. The report argues that:

- '... virtually every conceivable crime prevention strategy has been documented and researched to a greater or lesser extent by the various agencies and role players over the last seven years ... What appears to be undermining the effectiveness of all this intelligence is co-ordination, a lack of resources, and critical mass gained through coherent prioritisation.'
- It is clear that 'the MPD [Metropolitan Police Department] has insufficient powers in terms of current legislation, insufficient support from the criminal justice system, and insufficient resources to achieve the necessary reduction of crime in the city in isolation.'
- 'What has been missing hitherto has been a consistent prioritisation and understanding of how such actions interplay with one another.'

What is the report's proposed solution to Johannesburg's serious crime problem, and its extremely deleterious effect on investment? In the view of Joburg 2030 this (analysis) means that 'multi-agency issues are of crucial importance, and the MPD is only a small part of the overall solution'. Therefore, the council should sell the city's vision and its required outcomes in terms of crime reduction to the broader multi-agency community, and 'key agenda items for the city should be recognised and prioritised within this community'.

This is not a convincing response to the problem. Within the constraints the report sets itself, it is probably all that could be advocated. But, as a determined and decisive interven-

tion to deal with the city's crime situation, this is not good enough. The report identifies two key constraints, which its own proposals then proceed to ignore. The first is the city's powers, authority, and resources to run an effective metropolitan police force. The second is the capacity of the current city government to deal with the complex and demanding management issues involved in making significant inroads into safety and security in the Johannesburg metropolis.

The 'solutions' proposed by Joburg 2030 to the skills crisis and telecommunications challenge are equally constrained and disappointing.

### *The Johannesburg City Council needs support*

CDE believes Johannesburg's challenges cannot be dealt with by the city council on its own. The Joburg 2030 report is an excellent analysis, making a significant contribution to our knowledge of the city, its economy, and its potential. But the report falls short on what needs to be done to ensure that Johannesburg remains a competitive world city. To achieve that, the city council needs wider support and involvement. CDE's recommendations are designed to achieve this. They should be seen as support for the work of Joburg 2030, and a contribution to really getting to grips with the problems at hand.

It is important to stress that CDE's comments should not be seen as criticism of any individuals within the council or its leadership. We believe they are doing a good job within the existing structures. But we are concerned that these structures are not appropriate for a city as big, important, and complex as Johannesburg.

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Investment in the Johannesburg economy will not take place at the levels required until crime is addressed

## **PART THREE: THE WAY FORWARD**

### **Chapter 11: Looking back – mistakes, 1980–2002**

In the 1980s and early 1990s the focus of reformist attention was on the racial integration of the city, which was clearly an essential first step. However, in their zeal to 'integrate' the city racially and symbolically, the city's managers focused attention on the CBD and on linking it with Soweto. Thus, during the first stage of post-apartheid reform, an enormous effort was made to ensure that the heart of the old city was linked to the largest African township, the pre-eminent symbol of black exclusion. This was a perfect case of ineffectual 'gesture politics', as no one seemed to notice that the heart of the city's economy had moved north.

As a result of a failure to understand the changing nature of Johannesburg's economy, and those of similar cities all over the world, much energy has been spent both on talking about and attempting to revive the old CBD. Although there is no doubt that better management of the inner city in respect of 'crime and grime' would have helped the situation, there is also no doubt that decentralisation could not have been arrested. Meanwhile, Sandton – Johannesburg's new financial centre – has received far less attention from the authorities than it deserves, as have transport and other linkages among the different nodes of the new metropolis.

In 1994 the new politicians in power operated under the delusion that the city was wealthy, and decided to spend its resources on large-scale redistributive efforts. As acknowledged in the Joburg 2030 report, this misguided attempt not only helped drive the city into financial crisis, but also failed to significantly improve the lives of its poorer inhabitants, alienated middle-class residents, and damaged the reputation of the city.

In 1994–5, as a result of the racial history of the city, and a failure to think through the realities and challenges of urban management, Johannesburg's government was divided into four substructures and a 'metro' authority, without a clear definition and division of powers and functions. This resulted in a gross waste of money, human resources, and

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Joburg 2030's  
recommendations do not  
go far enough in getting  
to the root causes of  
problems

time. The reaction to this unfortunate set of decisions has now been to centralise the city into one metropolitan authority. It is ironic that the people who brought democracy to South Africa are the instigators of such a highly centralised form of government in Johannesburg. Not only does this assume enormous capacity at the centre to run a complex urban area; it also allows only very inadequately for the local institutions and accountability that should be an essential part of effective urban government, and the development of a thriving city of diverse and healthy neighbourhoods.

Too little attention has been paid to two other critical issues. The first is the nature of Johannesburg's economy, and how to make the city globally competitive. The second is how a city such as Johannesburg should think about improving the quality of life, housing, and service delivery in its poor neighbourhoods. In a manner reminiscent of the previous apartheid government, attention is paid to 'oil spots' rather than to the development of a systematic approach for the city as a whole, and Johannesburg lags behind Durban, for instance, in evolving a realistic, city-wide strategy for making a difference to poor people's lives.

Lastly, until very recently local government interests in Johannesburg have paid far too much attention to national affairs and far too little to determining what is special about this city, and in fact dramatically different from the rest of urban South Africa.

All these policy, priority, and planning mistakes in the city have created a situation in which:

- centralisation of city government has led to a remoteness from voters and a lack of accountability to residents;
- infrastructure in new areas of the city is under pressure from rapid development and is showing signs of strain, which could have serious economic consequences;
- members of the middle class feel threatened – they are underrepresented in the city's government, and are increasingly experiencing a disenfranchisement that bodes ill for the future of the city;
- a large number of the city's most resourceful, skilled, and enterprising families have emigrated;
- Johannesburg's prospects and image has been tarnished by crime, a financial crisis, and civic discord between 'the northern suburbs' and the city administration;
- there is no vision for Johannesburg's future that appeals to the whole spectrum of its inhabitants (Joburg 2030 is a good start but at this stage is a statement of intention by the council with a rather long time horizon, not a concrete action plan for Johannesburg with strong backing from a widespread, powerful, action-oriented and city-wide coalition); and
- Johannesburg's leaders are not politically strong enough for the challenges facing the city, and many citizens have little faith in its barely known public figures.

A great deal will have to be done to win back citizens' confidence.

## Chapter 12: Johannesburg – where are we now?

This chapter briefly spells out the key facts that have emerged from our analysis, and shape CDE's recommendations for the future.

**Johannesburg is a sprawling multinodal metropolis:** In line with global trends, Johannesburg's old CBD is now just one part of a multcentred urban form that is contiguous in turn with two other large metropolitan areas: Tshwane (Pretoria), and Ekurhuleni (East Rand). One of the big challenges facing the city's leaders is to adopt the correct horizons for further cultivating Johannesburg's world city status.

**Johannesburg has a post-industrial economy that is co-ordinating South Africa's private sector:** During its short history, Johannesburg's economy has changed rapidly; today it is not only a post-mining but also a post-industrial urban centre, specialising in financial services, producer services, and corporate governance for a country and increasingly a subcontinent.

**Johannesburg is an unusual developing world city:** Like other large cities in the developing world, Johannesburg's population is being boosted by in-migration and natural population growth (although this is now changing because of the HIV/AIDS pandemic); the population is young, with a large percentage living in poor circumstances. The city's economy contains a large informal sector (although it is smaller proportionately than those of many other developing world cities). There is a 'legal' city and an 'illegal' or 'unauthorised' one. Many people live outside the laws and regulations that should govern property, service delivery, and many other aspects of daily life. What is unusual about Johannesburg is that unlike many cities in developing countries it is not being overwhelmed by its population. Not only is urbanisation taking place more slowly in South Africa than many other countries, but we also have an unusually developed national urban settlement system that absorbs some of the urbanising population and thus takes pressure off Johannesburg. Johannesburg is therefore a relatively small developing world metropolis with a manageable rate of population growth.

**Johannesburg is also unusual as (in the words of the Johannesburg City Council website):** 'It is an African city that works: the phones dial, the electricity grid is reliable, you can drink the water, there are multilane freeways, skyscrapers, conference centres, golf courses ... It has a financial, municipal, roads and telecommunications infrastructure that matches leading first-world cities, yet the cost of living is far lower.'

**Johannesburg is a city struggling to maintain law and order:** In many countries progressing from an authoritarian system of government to a more democratic one, the first years of transition are characterised by high levels of social stress. Johannesburg is no exception to this rule. The city – newly expanded in population, size, and complexity – has seen a breakdown in all forms of policing, from the most serious crimes to more minor infringements of the law, including traffic regulations. The impact of this on potential investors and the confidence of residents in the future of and prospects for the city cannot be underestimated.

**No longer a mining town, Johannesburg stands or falls by its competitiveness as a 'world city':** Johannesburg is no longer a mining city, nor could it be. It is not a significant manufacturing city. It is not a public sector city; and it is not a leading leisure or tourism city either. In many respects, therefore, Johannesburg must stand or fall by its world city status: ie, the fact that it is home to corporate headquarters, finance houses, and the legal, advertising, accounting, marketing, IT, and lifestyle services agglomeration of a subcontinent.

**Johannesburg is a slipping secondary 'world city'...** As pointed out earlier, Johannesburg's ranking in global terms is slipping. Its municipal finances, quality of governance, levels of safety, transport system, telecommunications, and other infrastructure leave much to be desired. The city's world-class educational institutions are under pressure. Its skills base is being undermined by emigration. Its previously world-class health institutions and services are declining, and are being further pressurised by HIV/AIDS. There is a general lack of confidence in the ability of the administration to respond adequately to the demands of urban growth and poverty.

Most important, the city faces an enormous problem of unemployment, the single most critical factor locking people into lives of hopelessness and poverty.

And while Johannesburg has been moving away from its apartheid political past, global competition has increased. The new global dynamics can help accelerate a city's development, but they can also hasten a downward spiral. A city's reputation and global competitiveness takes years to build up, and a far shorter period to decline. And the trends indicate that Johannesburg is slipping to the bottom of the list of secondary world cities.

**... but reports of its demise are exaggerated:** Johannesburg still has many strengths and advantages. It is the financial and managerial heart of South Africa. No other South African city has come close to eclipsing Johannesburg from the overall economic point of view, and certainly not remotely from a financial point of view. Beyond

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The key challenge facing South Africa is how to turn our most important national asset – Johannesburg – around. CDE puts forward practical proposals on how to move forward decisively

Crime, skills, transport, and telecommunications are the keys to Johannesburg's future. In this context, the dominant focus of the city and province on the inner city seems misdirected

strictly economic factors Johannesburg still has some remarkable assets, including one of the country's two leading universities and probably the country's top business school (both world class); 20 of the country's top high schools; several world class specialist medical facilities; the highest percentage of the population with university degrees, the highest overall per capita incomes in the country; the country's best (yet increasingly challenged) road infrastructure and, of course, the most extensive and elaborate of the country's shopping malls equal to 'America's finest'. Whatever its difficulties, Johannesburg remains a hugely dynamic city with a unique and vibrant cultural life. All this could be turned into positive attributes of a unique Johannesburg 'brand' or image.

### Chapter 13: Key challenges for Johannesburg – what we must achieve

CDE's research enables us to state in broad terms what cities need to do if they are to compete successfully and provide the opportunities required by all their residents. World-class cities need to:

- provide excellent administrative governance;
- welcome entrepreneurs, and be more attractive locations than their competitor cities for established and new business to locate. This involves, for example, 'one-stop decision making' for entrepreneurs needing city permission to operate;
- offer attractive tax packages for investors;
- provide well-functioning labour markets for both skilled and semi-skilled people;
- have labour policies that are competitive with other similar cities;
- offer cheap and easy recruitment and retrenchment processes; and
- provide lifestyles that will attract and retain the skilled managers and professionals essential to urban success and job creation.

The challenges facing any city in an era of global competition are formidable. And Johannesburg will have to do better than most because it is located in a region of the world that has many negative attributes.

In order to stand out positively in its region, *Johannesburg has to become a super-attractive city in global terms*. On all the criteria and issues identified in this report, Johannesburg has to excel. Johannesburg has to be exceptionally attractive to large and small companies, and to the skilled and entrepreneurial people who run them. There is no other way to grow the economy and so create the base off which we can start to provide more jobs and opportunities for the poor and unskilled.

**Becoming super-attractive: political reform is needed:** The structure and functioning of Johannesburg's government has improved markedly in recent years. But both will have to improve even more. Specifically, the council should create much closer links with the major players in Johannesburg's economy. Johannesburg is politically too centralised. The city needs a more effective form of representative democracy within the new, much larger, unified metropolitan area. Johannesburg needs greater independent powers in order to respond to the city's highly specific needs and compete effectively with other world cities. Johannesburg needs leaders who can bind a diverse and sprawling city together and provide a new sense of pride and identity.

**Becoming super-attractive: skills, infrastructure, lifestyle:** It cannot be said too often: Johannesburg will rise or fall on its ability to attract, retain, and create skilled and entrepreneurial people. At the moment, Johannesburg has a double-edged skills crisis – both a skills production and a skills retention crisis. On the one hand, the city's schools are not producing enough quality matriculants in the numbers needed to grow the economy. On the other hand, highly skilled and talented residents are leaving the city. Johannesburg is failing to provide people with the skills to move into the middle class and is simultaneously losing key components of its existing middle class. AIDS is also affecting the pool of skilled people. City government must take bold and innovative measures to address all aspects of this skills crisis. In addition excellent infrastructure is essential to a competitive

world city. Johannesburg needs its transport, telecommunications, and other infrastructure facilities to be world class. If the country as a whole cannot move fast enough in delivering on these issues, then the city must be allowed to move ahead. And cities need to be attractive places in which to live as well as work. Here Johannesburg is slipping as well. Johannesburg has a notorious problem with safety and security for its residents and its business activities. This is one of the essential problems holding the city back. Crime has to be turned around. Citizens need to see a dramatic change, and believe it can be sustained. Nothing short of the phenomenal success achieved in New York and other American cities in the 1990s will make a real difference.

**Becoming super-attractive – perception, ownership, entrepreneurial culture:** Johannesburg has a major perception problem. We have to refashion the Johannesburg brand for those who live here and for those we can attract. Johannesburg is seen throughout the world, and by many of its citizens, as a ‘crime capital’ from which its most skilled, wealthy, and mobile people are in flight. We have to turn this perception around, and smartly. Johannesburg’s elites should reclaim a sense of ‘ownership’ of the city. One excellent way to do so would be to build on its most marked historical characteristic – Johannesburg’s entrepreneurial culture, the fact that it has always been a ‘city on the make.’ This is an ethos that has embraced black and white people alike for over a century, albeit often in a way marred – but not destroyed – by racial discrimination. Together, the city’s leadership and its black and white middle classes could organise and unite around this idea, ensuring that the city once again becomes a welcoming environment for adventurous and energetic entrepreneurs, as it was for themselves and their forefathers.

**Facing the tough questions:** Johannesburg has a long way to go. Probably the best way to understand the seriousness of the challenges facing Johannesburg is to ask yourself some hard questions. Try these: is Johannesburg on track to become a competitive world city? Do you think the city council can do it alone? Can South Africa succeed without a great Johannesburg? Can NEPAD and the African Renaissance succeed without a world-class and competitive Johannesburg?

And, most important of all: *If you had a choice, would you start a business in Johannesburg today?*

If you answer these questions honestly, the seriousness of the issues we are raising starts to hit home. They are difficult to deal with – but consider the consequences of not taking them on. A failing Johannesburg means a failing South Africa.

## Chapter 14: What is holding us back?

Before we put forward proposals to help Johannesburg respond to these daunting challenges, we need first to look at some of the key national ideas, attitudes, and policies that are holding the city back.

- *‘Balanced development’ is a dangerous illusion*

In our view (supported by considerable international experience and a wealth of literature) the way to deal with poverty in South Africa is to encourage urbanisation. The correlation between enhanced economic growth and increased rates of urbanisation is unquestionable.

It is tempting to try and deal with poverty and the enormous, unfair discrepancies in life opportunities by spreading resources across the country. But this will lead to failure. The international experience and literature is compelling on these issues – as is South Africa’s own ‘regional development’ experience.

*This does not mean that rural development should be neglected. What it does mean is that the primacy of urban development for all South Africans’ well being – urban and rural – needs to be understood.*

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A city's reputation and global competitiveness take years to build up, and a far shorter period to decline. Johannesburg is slipping to the bottom of the list of world cities in terms of a number of important indicators

Johannesburg is South Africa's and probably Africa's only contender for world city status – the key hub of and facilitator for this country's participation in the global economy. For this reason, Johannesburg's requirements need to move a long way up the scale of national priorities.

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The emerging black middle class has yet to claim ownership of Johannesburg in political, intellectual, or philanthropic terms. Johannesburg is a city without a committed, well-informed, and effective ruling elite

- *Economic growth, and getting rid of poverty*

It would be easy for Johannesburg's government and civil society leaders to become preoccupied with delivering services to the poor, or maintaining its current number of municipal employees. It is seductive to itemise the divisions in the city, bemoan the poverty and desperation of its poorer neighbourhoods, and focus solely or even primarily on remedying the social exclusion of disadvantaged groups.

CDE proposes a different approach. We are fully cognisant of the heavy burden apartheid and discrimination has imposed on the city, but unless we focus on the right issues, this negative legacy can only get worse. The key issue is how to turn the current situation around for all the citizens of the city.

First, it is important to accept that, without sustained economic growth in Johannesburg, the poor will get poorer, and opportunities for decent urban living will decline for everyone. Second, it is not helpful to talk of 'solving' urban social and poverty problems through municipal welfarism. The size of most cities, the speed with which their populations are growing, and the enormous needs of those populations require a different approach. What works is creating an enabling environment in which people can help themselves – through education, through 'sweat equity' in building personal or communal resources, and through self-employment. Third, it must be remembered that a focus on improving economic infrastructure is not a selfishly 'big business'-oriented strategy. Improved economic infrastructure will actually assist small entrepreneurs and workers more than it does big business. Smaller firms and working people feel the impact of public sector deficiencies more acutely than larger firms do, because their investment in supplementing inadequate infrastructure represents a greater share of their total investment or household income.

Fourth, it is a myth to claim – as some politicians and trade unionists do – that economic growth and particularly growth led by global technology can only be bought at the expense of the unemployed or the working class. It is a fact that service-intensive world cities with rapidly growing economies – such as Johannesburg could become – provide jobs for unskilled and previously unemployed people.

For these reasons, Johannesburg should not be thought of as 'just one of South Africa's cities.' Rather, we must realise that *South Africa needs a successful Johannesburg*. Johannesburg is economically disproportionately important for the country and the sub-continent. It is from here that the overall management of business is accomplished. Johannesburg is the centre and key symbol of southern Africa's economic performance. Therefore, Johannesburg's decline could seriously affect business and investor confidence, both domestic and foreign; South Africa's ability to retain skilled individuals and to continue to offer world-class professional services; and even the economic functioning of the southern African region as a whole.

Increasingly, South Africa's and Africa's position in the world economy depends on the diffusion of the innovations emanating from global corporations. Ultimately, these are the forces that modernise the national and subcontinental economy, enhance productivity, and increase real income levels. The regard in which Johannesburg is held as a world city will substantially influence the quality of its participation in world technological and economic trends. If it comes to be regarded as a 'backward' place for recycling older products and technologies, the development of the entire subcontinent could be adversely affected.

*Johannesburg's deterioration would be rightly perceived as reflecting a nation in serious trouble.* Those responsible for managing the city and planning its future therefore bear an enormous responsibility of maintaining and improving its ranking as a world city.

- *Government and business have not given Johannesburg the attention it requires*

Although Johannesburg is unique, this does not mean that local government alone can necessarily appreciate its uniqueness, nor ensure that the city fully assumes its national and regional economic leadership role. Johannesburg requires national support.

President Thabo Mbeki is considerably ahead of many others in government in recognising Johannesburg's importance: as he noted in a speech in 1997, 'The economy, life and culture of Johannesburg is impacted upon, and in turn impacts upon, not only national life, but also the life of the entire southern African region.' However, he only referred tangentially to Johannesburg's actual or potential global role. In general, the national government does not seem to have seriously engaged with the new role of cities in a global economy – let alone the specific challenges of Johannesburg as a global city.

Even though Johannesburg is their core business, Johannesburg's civic leaders (until the release of the Johannesburg 2030 report) almost never referred to its role as a world city, and the priorities that must accompany this status. Rather, they tend to focus on local, parochial or neighbourhood issues.

What energy organised business has put into Johannesburg has mainly been concentrated on the inner city rather than on the metropolis as a whole. Few senior business leaders ever talk publicly about Johannesburg's role as the core location for South Africa's engagement with the global economy.

A parochial perspective that thinks of urban management priorities in terms of 'dog licences and drains' is simply not of the order that is required for Johannesburg in the 21st century. Bold national and civic leadership will be required. This is because:

- *Johannesburg should be South Africa's key spatial development priority*

The main thrust of spatial development strategy generally in South Africa should be to strengthen Johannesburg as a world city, and to ensure that the other major metropolises are efficient, safe and attractive economic centres. This is where the highest 'latent economic potential' of the country lies.

## CHAPTER 15: CDE'S RECOMMENDATIONS

South African cities can no longer be seen in their national contexts alone. They are now subject to powerful international forces and are competing – for investors, business, skilled people, entrepreneurs, visitors, conventions, consumers and image – with cities across the globe. This raises the stakes for each city whose opportunities for growth and prosperity expand dramatically as cities and the entrepreneurs within them can look beyond city and national boundaries for new markets and opportunities. Simultaneously, the possibilities of decline and impoverishment are more pronounced as competition for investors, businesses, and the skilled people they employ and attract can now come from a myriad of other cities world-wide.

In this context, *Johannesburg must become an ideal place in which to do business*, and attract the entrepreneurs, skilled managers, professionals, technicians, and all the other talented and energetic people essential to running a 'world city'. But how we get from where we are to where we need to be is more complex than most observers acknowledge.

Johannesburg is a microcosm of many of South Africa's most pressing problems. It's a city in the balance, on the edge – pregnant with potential for significant growth and development, but also facing grave challenges to realising that potential and maintaining its current position.

*South African decision-makers need to reconceptualise Johannesburg.* It is no longer a mining town, but a post-industrial metropolis which must take its place on the global grid of competitive world cities. We have to reconfigure how we understand Johannesburg – spa-

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South African decision-makers need to reconceptualise Johannesburg. It is no longer a mining town, but a post-industrial metropolis that must take its place in the global grid of competitive world cities.

tially, economically, politically, regionally, and globally. The issues that face this city are therefore complex and multifaceted.

The challenges that confront Johannesburg's return to world class attractiveness involve different layers of government, new powers and authority to compete as a world city, a strong partnership between business leaders committed to this place and 'the powers that be' locally and nationally, and an understanding of the leadership and energy required to turn Africa's economically most important city around. Our recommendations therefore need to reflect this reality.

National government and senior business leaders do not seem to have seriously engaged with the new role of cities in the global economy – let alone the specific challenges of Johannesburg as a global city

## A NATIONAL PARTNERSHIP

CDE's core recommendation is that the issues facing Johannesburg are so complex and important that what is required is a *national partnership on Johannesburg – Africa's competitive world city*.

The challenges that face the city and the importance of success are such that a concerted national and city effort is required. The truth is that the city council on its own will not be able to turn Johannesburg around. The ANC on its own will not be able to take the bold decisions essential for Johannesburg to re-emerge as a world-class centre of economic growth and opportunity for millions of skilled and unskilled people. Business leaders or any other civic group on their own will not be able fundamentally to influence the direction and health of the city either. Poorer citizens will not be able to 'make their own way' and realise the promise of new opportunities and democratisation unless dramatic changes take place.

Johannesburg is a national and continental asset, and its future success requires a period in which citizens pull together in novel ways to make the bold decisions and get the results that are essential if the city is to become the global success we need it to be.

### The aim of the partnership

The aim of the partnership should be to ensure that the Joburg 2030 vision becomes a reality; to build Johannesburg into a great world-class city and brand and to provide a mechanism to involve national and city-based civic leadership in helping local and provincial politicians to turn Johannesburg around.

The key theme of the task force should be to '*Let Johannesburg lead*'. We need to move away from rigidly uniform national policies. And if the rest of the country is not yet ready to follow, then it is imperative that we do not hold our one world city back.

### The partnership's motto

The theme or motto of this national partnership should be:

JOHANNESBURG, A COMPETITIVE WORLD CITY WITH

- Safe streets
- Strong neighbourhoods
- Opportunities for all
- A growing economy

JOHANNESBURG – INTERSECTION OF AFRICA AND THE GLOBAL ECONOMY  
THE WORLD'S GREAT NORTH-SOUTH CITY

### Structure of the partnership

It is essential to ensure that the partnership does not become 'a talk-shop' but is a mechanism for focused action by national and local interests, guided by experts. CDE suggests that it be made up of:

*\* A coalition of interests*

At its apex the partnership should have a coalition of interests which will be the decision-making body reflecting the key interests with a stake in Johannesburg's future as a 'world city'.

*\* An expert task team*

The expert task team will advise the council, and will function by establishing working groups and commissioning project development work or research.

**KEY PRIORITIES FOR THE NATIONAL PARTNERSHIP**

The expert task team should appoint working groups to focus on eight different priority areas:

**1: Get the basics right**

The Council's own research and CDE's work converges on six fundamental problems that inhibit competitive enterprise and maximum possible job creation. *Each area requires a bold new approach.*

- **Crime:** If the crime problem in Johannesburg can be turned around, the impact on the entire country will be dramatic. A national partnership between all levels of government, business and civil society is required to achieve a 'zero-tolerance' city with an urban environment that meets global standards.
- **Transport:** What is required is a comprehensive plan to ensure that Johannesburg does not become 'gridlock city' in the next few years. This is a project that will require national, provincial, and local expertise coupled with private sector financial management and planning skills.
- **Telecommunications:** There is no geographic, technical, or financial reason why Johannesburg should not be able to outperform many first-world cities in providing affordable access to world-beating telecommunications technology. The key to this is well-managed privatisation and increased competition. A public-private, local and national team is required to lobby for Johannesburg's interests in communications privatisation.
- **The labour market:** The city's own research has confirmed what many have been saying for some time. The package of national labour legislation introduced since 1994 is having a cumulative negative impact on job creation in the city. Johannesburg has an interest in making this city's labour market much more friendly to entrepreneurs and job-seekers. The interests of all Johannesburg's residents need to be factored into a serious re-examination of the city's labour market, and the necessity for exemption from legislation that constrains enterprise and employment.
- **Health and welfare:** It is critically important for Johannesburg's future to think through and plan ahead for the health and welfare implications of HIV/AIDS. The city must show that Johannesburg can face the realities of this situation, and deal with its consequences.
- **City management:** The executive management of this sprawling metropolis needs to be world class. We need a 'one-stop facility' for investors; excellent accounting and repayment procedures; world-beating service delivery and maintenance of facilities and infrastructure; value for money in terms of the council's budget expenditure; and excellent information about the city's economy. All this will require a different level of best-practice performance management and effective competition.

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Johannesburg needs to aggressively recruit skilled people from outside South Africa to come and help build a great world city in Africa. It should become an open city to skilled foreigners

Johannesburg is now run as one the most centralised cities in the world. This has negative implications for democratic accountability and effective governance

## 2: Make Johannesburg a competitive 'open city'

There are three separate but related issues that could make a critical difference to Johannesburg's prospects as a world city. These concern immigration, education, and tax.

- **Recruit foreign skills:** Johannesburg should lobby for powers that will enable it to actively recruit the skilled immigrants essential to economic growth. The hard reality is that the city needs foreigners to teach in its schools (especially maths and science); lecture in its tertiary institutions; and work at highly skilled levels in small, medium and large businesses; and we need foreign managers and entrepreneurs. It is hard to think of many cities that have 'taken off' economically without an enormous influx of immigrants. We should declare Johannesburg an 'open city' to skilled immigrants (defined very widely to include small entrepreneurs), and launch a massive recruitment campaign for the foreign skills we desperately need.
- **Dramatically improve training and education:** The city must find ways to improve the quality of education. The private sector needs to be much more effectively harnessed to make a larger contribution to schooling and technical training. A massive private sector-funded experiment on vouchers to enable poor parents to behave like middle-class parents would be just the right kind of initiative to radically change education prospects and thus job prospects for the poor.
- **Ensure Johannesburg has a competitive tax regime:** The third initiative in opening the city and making it much more attractive to foreigners concerns tax. The partnership needs to assess the attractiveness of the city's tax regime for investors, wealthy individuals, and companies. Are we competitive with other world cities, and especially developing country world cities? Johannesburg needs to lobby for its own investment and tax incentives to enable it to compete with other world cities.

## 3: Effective city-wide planning – metropolitan enablement, not *laissez faire*

Until now, planning has focused too exclusively on the inner city area, and such plans have often concentrated on cultural or historic themes rather than the key economic issues that inhibit Johannesburg's growth.

We need to look again at the key nodes in the city with 'world city' concerns in mind. For example, the burgeoning economic corridor of Sandton–Midrand–Centurion has received far too little attention, and the negative consequences of this are now affecting current efficiency and future growth. At the other end of the city (physically and economically) it is important that Soweto and Orange Farm are more effectively linked to the rest of the urban region. A key consideration here is their potential roles in the growth of smaller enterprises, especially in the producer services sector where world cities tend to be most buoyant. Transforming Johannesburg's southern townships and informal settlements into a local business culture of small firms of electrical technicians, building maintenance operators, specialised security services providers, computer repairers, software consultants, caterers, and so on as opposed to an army of roadside retail hawkers, shebeen operators, or unemployable and unionised heavy engineering or mining workers is an important, long-term economic planning priority for a world city such as Johannesburg.

## 4: Strengthen the city's neighbourhoods

Large 'world cities' have to manage a complex relationship between providing an excellent environment for business activities while simultaneously ensuring that the quality of life of residents is improved in poorer areas and maintained where it is already good. Cities have to manage an important balancing act: they need a vision and strategy to project into the competitive global arena, but must combine this with a passionate concern for the

quality of life of citizens and enterprises. First and foremost, successful cities are a combination of working vibrant neighbourhoods. The partnership should develop two initiatives to strengthen Johannesburg's neighbourhoods and their development:

- the establishment of a neighbourhood initiative fund; and
- the expansion of local democratic accountability to counteract the current over-centralised remote political structure.

### **5: Build an optimal relationship among the three contiguous metropolitan areas**

Johannesburg is not a geographically isolated metropolis. As it has expanded, so its borders have met those of two other very different but also expanding metropolitan areas: Tshwane (formerly Pretoria), and Ekurhuleni (formerly the East Rand). The time has come to think through the regional nature of this three-metro urban sprawl and – without consideration to bureaucratic or 'turf' concerns – examine the implications for economic growth.

### **6: Reassess Johannesburg's leadership needs**

There are three related components to the critical question of strong leadership essential for a city such as Johannesburg at this transitional time in its history.

First, considering the size of the Johannesburg budget (bigger than that of nearly all national line departments), the complexity of the management task facing its government and the importance for the country of achieving success, it is clear that we need to rethink the level, status, seniority, and methods of selection of the city's executive leadership.

Second, the partnership should consider the advantages to be had from citizens directly electing Johannesburg's mayor, or other options better suited than the current relatively 'invisible government' to Johannesburg's particular economic, political, and administrative circumstances.

Third, we need to ask whether Johannesburg can be a successful world city without business champions and active business involvement, and how this should be organised and linked to the efforts of the council and national government. The partnership should engage with business leaders, assess the relevance of international experience, and put forward an action plan.

### **7: International learning and liaison**

Johannesburg can tap into considerable world experience on all the issues that confront this city – one of the advantages of 'coming late'. The partnership should also explore the benefits of linking Johannesburg with other cities that share our concerns, or might have common interests. One thinks here of Atlanta, a city that has combined racial transition with global economic success in a location with few outstanding geographic features; like Johannesburg, it is not built on water.

### **8: 'Re-branding' Johannesburg**

Johannesburg is currently seen by many important audiences as a city of crime and a city whose top people are leaving. A small group of experts should be commissioned to come up with a plan to re-brand Johannesburg and define its distinctive public niche as one of many competitive world cities. It will, however, be a waste of resources to attempt the re-branding until the national partnership has some victories under its belt. Nonetheless, preparatory work should begin.

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Johannesburg will not remain even a secondary world city unless bold initiatives are taken now. Decisive new steps are required. The involvement of leaders not previously active in Johannesburg's future is essential

The issues involved in turning Johannesburg around are local, provincial, and national. This will require new ways of thinking about Johannesburg and the powers, exemptions, and authorities it needs in order to compete internationally. We are suggesting that this is done on an issue-by-issue basis through the focused investigations and proposals of the different working groups. We have proposed eight such working groups to focus on the most critical issues essential to turning things around.

*Johannesburg will not remain even a secondary world city unless bold initiatives are taken now. The involvement of leaders and citizens not previously involved in Johannesburg's future is essential. That, in essence, is what CDE's proposal for a national partnership aims to achieve.*

## CONCLUDING REMARKS

South Africa faces a choice: Either it can let Johannesburg struggle along as an increasingly unlikely member of a global network of world cities, or the nation can decide to unite in its efforts to keep Johannesburg – and by implication Africa – at the cutting edge of global economic change and competitiveness.

In effect, all of southern Africa is a 'branch economy' of Johannesburg. The branches all need their tree to grow stronger in the jungle of global economic competition. That is why Johannesburg's future should be a national issue.

The issues facing Johannesburg are of national and continental importance. They cannot be left to the city council alone. A concerted national initiative is urgently required.

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The key theme is, let Johannesburg lead. We need to move away from rigidly uniform national policies. If the rest of the country is not yet ready to act decisively, then it is imperative that we do not hold our one world city back



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