

The Big Cities Series

CDE
R E S E A R C H
POLICY IN THE MAKING

**THE EAST
RAND:**

**CAN SOUTH AFRICA'S
WORKSHOP BE REVIVED?**



5

June 1997

CDE

R E S E A R C H

POLICY IN THE MAKING

CDE Research: policy in the making is a vehicle for disseminating the results of research, and suggested policy options, on critical national challenges. Each issue is based on in-depth research, involving a single commissioned paper or several such papers written by experts in the field. The original research papers are published separately as CDE Background Research Reports, and can be ordered from CDE.

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The summary is based on a synthesis report by Dr Robin Bloch entitled 'Facing a metropolitan future on the East Rand', October 1995. This report built in turn on specialist reports written by R Ally, C Bean, P Bonner, R Humphries, M Jonker, M Kentridge, C Manning, J Rogerson, G Ruiters, M Shaw, J Steinberg and T Zack.

CDE Research no 5, June 1997: *The East Rand: can South Africa's workshop be revived?* The Big Cities Series.

Published by the **C**entre for **D**evelopment and **E**nterprise
P O Box 1936, Johannesburg 2000, South Africa

ISSN 1027-1406

CDE acknowledges the financial support of the Urban Foundation in completing this work.

The Big Cities Series

Over the past two years, the Centre for Development and Enterprise has conducted a major study of South Africa's largest cities. This project has been guided by certain core ideas. The first is that South Africa's future will be determined in its large cities, and that developments in them are thus very important for the country as a whole. The second is that the country's policy-makers and planners do not know enough about the economic, developmental and other dynamics of these cities, and that they need to pay far more attention to our large cities than they have until now. The third is that the abolition of apartheid has cleared the way for a much more intensive focus on cities as arenas of economic growth than ever before. By developing strategies for becoming more competitive in the national, regional and global economies, South Africa's cities will more readily discover the means to cope with racial reconciliation and reconstruction.

CDE's Big Cities Series consists of six executive reports. The first explores the implications of an increasingly integrated and global world economy for South Africa's major cities. This is followed by detailed case studies of four of the country's major metropolitan areas: Durban, the East Rand, Pretoria and Johannesburg. The final report will spell out a practical strategy and policy framework for South Africa's large cities and metropolitan regions.

This third report – *The East Rand: can South Africa's workshop be revived?* – focuses on the economic development challenge confronting the East Rand. Its central message is that a serious discussion needs to begin on the future of the East Rand as a national and global competitor – built around the revival and strengthening of its manufacturing-based economy. The key stakeholders on the East Rand need to come together – as equals – to define a metropolitan-wide economic and development vision for the region.

Cities are the new arenas for economic activity and competition. This has enormous implications for their governance and management. South African cities now need to view their priorities through an economic lens. Globalisation holds enormous new opportunities as well as dangers for our major cities. **No city can afford to rest on its laurels. No city can assume that the future will be like the past.**

What is required for the East Rand is the vision and will to create a nationally and globally competitive area

It is hard to envisage the sustained development of world-class companies from a region in economic and social decline

THE EAST RAND:

Can South Africa's workshop be revived?

The East Rand is one of five major metropolitan areas in the country, and forms the heart of South Africa's manufacturing economy. In recent years, though, manufacturing in the region has stagnated, while its population has grown significantly. Thus the crucial challenge facing the region is to generate economic growth and jobs to provide for a growing population.

This challenge must be considered in a broader context: the emergence of a global economy. Cities and metropolitan areas have become the new arenas for global economic activity and competition. By developing strategies to become more globally competitive, South African cities will more readily discover the means to cope with their developmental challenges.

Employment figures confirm that the East Rand is stagnating. However, its continued decline is not inevitable; drops in employment show a diminution of the metals base of the manufacturing economy, rather than the large-scale de-industrialisation which has occurred elsewhere in the world. Following intensive reorganisation, key firms and groups continue to be profitable, and are increasingly competitive internationally. Manufacturing thus remains the key sector on which efforts to revitalise and expand the East Rand's economy should be focused.

Any effort to revitalise the area faces formidable challenges: among them, huge social inequalities and high levels of crime and violence; massive discrepancies in infrastructure services; a lack of identification with the area among business leaders; and a lack of region-wide planning among local governments. These challenges have to be faced if the area is to avoid a bleak future.

The central message of the report is that a serious discussion needs to begin on the future of the East Rand as a national and global competitor, built around the revival and strengthening of its manufacturing-based economy. The key stakeholders in the East Rand need to come together – as equals – to define a metropolitan-wide economic and development vision for the region. Can the East Rand consolidate its position as South Africa's workshop into the 21st century? What is needed is an agreed vision of the region's future – a growth-oriented vision of focused excellence. On the base of such an agreed vision for the East Rand, a realistic programme of action can be defined and implemented, and existing projects, structures and investment priorities reassessed and reoriented to complement the new direction.

The future of the East Rand is an issue of national concern which should not be left for local actors alone to wrestle with. Without vision and leadership – national, provincial and local, public and private – it is difficult to see the East Rand becoming an entrepreneurial urban region able to meet the challenges of increased urbanisation and global economic competition. Without concerted action, the spectre of an unmanageable urban region looms large.

THE UNKNOWN METROPOLIS

The East Rand is a large grouping of smaller cities and towns on the eastern Witwatersrand. Because it is not dominated by a single city or town, it is often not regarded as a metropolitan area. However, according to most accepted demographic and economic criteria, it has long functioned as one. The East Rand is in fact one of five large metropolitan areas in the country which contain more than two million people (the others are greater Johannesburg, Pretoria, the Durban functional region, and Cape Town). In many respects, it is South Africa's unknown metropolis.¹

There has been long-standing debate – and much confusion, this compounded by a lack of consistent statistical data – over where the East Rand begins and ends. The 1991 Population Census Report defined it as the magisterial districts of Alberton, Benoni, Boksburg, Brakpan, Germiston, Kempton Park, Brakpan, Nigel, Springs, Heidelberg and Delmas.

From the 1950s onwards, a distinction was drawn between the Near East Rand, or East Rand proper – Germiston, Kempton Park, Alberton, Boksburg and Benoni – and the Far East Rand, comprising Brakpan, Springs and Nigel.²

For the purposes of this study, one definition had to be adopted: the area decided upon was where, between 1990 and

1995, the boundaries of the East Rand Regional Services Council (ERRSC) and the East Rand Metropolitan Transport Area (Ormet) corresponded (*see map 1 facing page*). This is an area of 2 835 square kilometres. In 1994 it comprised 22 local authorities, namely:

Alberton, Bedfordview, Benoni, Boksburg, Brakpan, Daveyton, Duduza, Edenvale, Germiston, Heidelberg, Katlehong, Kempton Park, Kwa-Thema, Modderfontein, Nigel, Ratanda, Springs, Tembisa, Tokoza, Tsakane, Vosloorus and Wattville.

It also included the former 'coloured' areas of Eden Park, Reigerpark, Geluksdal and Alra Park; the former Asian areas of Actonville, Rynsoord, Palm Ridge, Shalimar Ridge, MacKenzieville and Bakerton; and the former white area of Vischkuil.

In 1994 the region had a population estimated at between 1,4 million (the 1991 census figure: probably an undercount) and 2,5 million people, and a formal sector economy worth R66 billion; this offered 628 000 job opportunities, largely provided by 33 000 registered employers.³

The inclusive local government elections held in November 1995 have greatly changed the shape of the East Rand, with far-reaching consequences for its future. In one major development, Edenvale, Modderfontein, Kempton Park and Tembisa have chosen to hive off from the region and now fall under a new metropolitan area – the Khayalami Transitional Metropolitan Council – which stretches up to and includes Midrand and Ivory Park, and incorporates much of the most dynamic parts of the area's economy.

All the other remaining established towns in the region have amalgamated with their associated townships, forming new transitional local authorities falling under the Eastern Gauteng Services Council (EGSC), successor to the ERRSC. The EGSC also has jurisdiction over a large number of rural councils. Map 2 (*page 7*) represents the current situation.

This new local government framework – and the results of the elections in the various new jurisdictions – are set out in table 2 (*page 24*). Some of the implications of these changes are discussed later.

WHAT SETS THE EAST RAND APART?

A strategic document released in 1992 by the ERRSC argued that the East Rand had developed into a 'unique metropolitan area' marked by its own value systems, socio-economic conditions, industrial activity, demographic forces and so on.⁴

However, what really defines the area is its industrial activity. The East Rand is South Africa's workshop. Most of its

628 000 job opportunities mentioned above are in manufacturing, particularly in the production and working of metals. The East Rand metropolitan area is the heart of both Gauteng province's and South Africa's manufacturing economy: up to 51 per cent of its gross geographic product (GGP) is derived from manufacturing alone, as compared to Gauteng's 28 per cent (also a high figure by world standards) and South Africa's 24 per cent.⁵

Indeed, the East Rand represents the largest single territorial concentration of manufacturing in the country. In 1988 the East Rand had 3 341 manufacturing establishments, employing 240 430 people and producing a gross output of R22,2 billion. This formed nearly 20 per cent of the national manufacturing output of R118,2 billion, and just more than 40 per cent of the output of R54,8 billion in the then PWV region.⁶

The key to these magnitudes is the East Rand's specialised role in harbouring the country's largest single industrial agglomeration. The area's metals production and metalworking cluster – the term economists and policy-makers use to describe a geographically bounded collection of often specialised companies that are in the same or complementary sectors, and are linked together by customer or supplier relationships or by shared infrastructure, services and labour markets – produces nearly half its manufacturing output, and about a quarter of the national output in these two sectors (in statistical terms, SIC 37 Basic Metal Industries, and SIC 38 Manufacture of Metal Products, Machinery and Equipment).

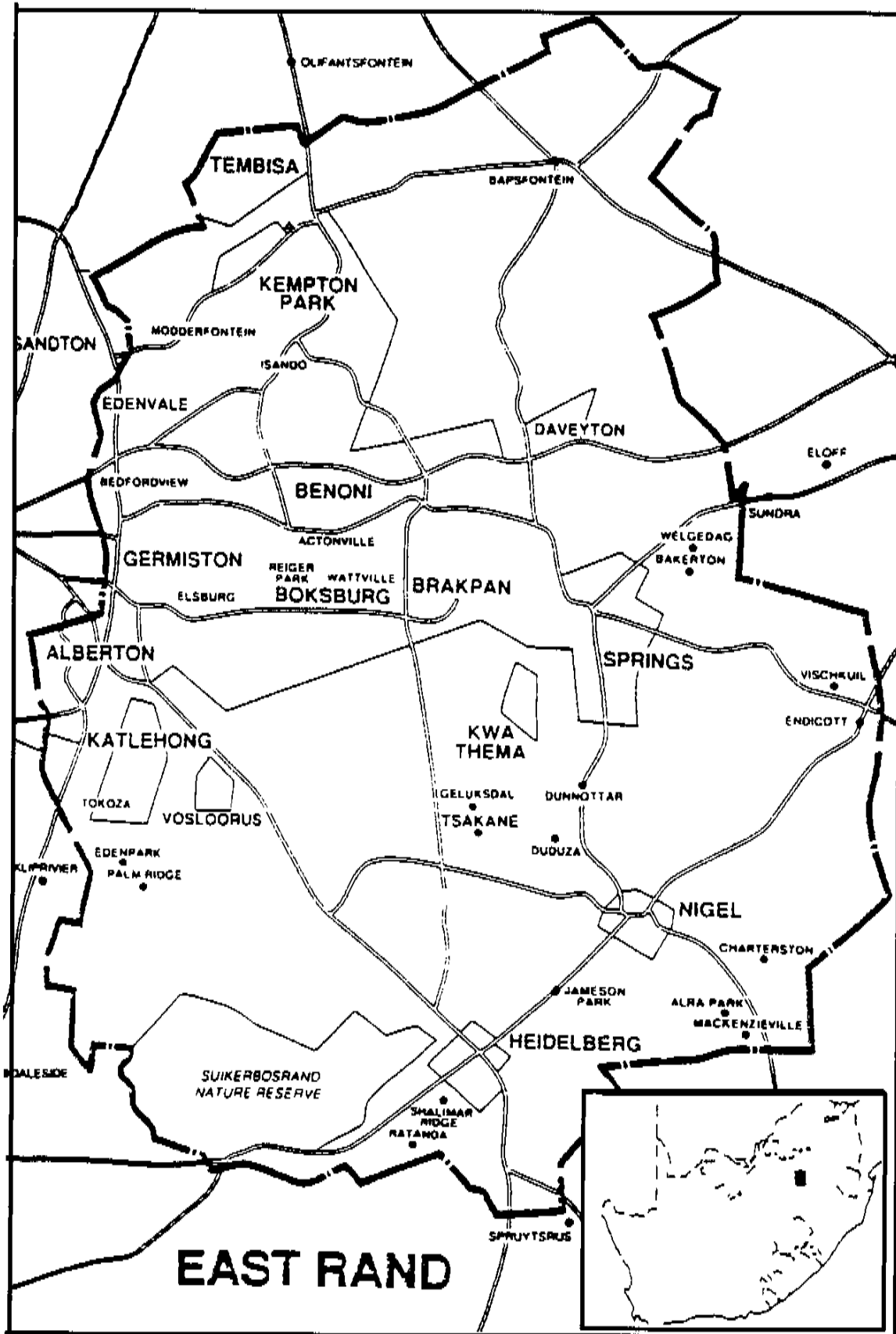
Taken together, these sectors, which include activities ranging from the production of metals right through to the high-technology manufacturing of electronic components and measuring instruments, lead South African manufacturing, providing about 36 per cent of total manufacturing output, 33 per cent of employment, and 40 per cent of establishments. In 1992, 53 per cent of the East Rand's manufacturing employment and 58 per cent of its establishments were in metals production and metalworking.

The East Rand's dominance in manufacturing is clearly demonstrated in national employment figures for 1991 (*see figure 1 page 6*).

A second large East Rand manufacturing cluster is made up of three interpenetrated industrial sectors: chemicals, notably plastics and pharmaceuticals (15 per cent of employment); food and beverages (12 per cent); and containers/packaging (5 per cent).

Around this manufacturing activity – together the two large clusters provide 85 per cent of East Rand manufacturing employment, and comprise 78 per cent of manufacturing establishments – revolves the country's best developed transport, storage and communications cluster (air, rail, warehousing, telecommunications) as well as producer services and trade.

Map 1: The East Rand, 1991 - 1995



SOURCE: ERSC

MORE PEOPLE, FEWER JOBS

The East Rand's character as a manufacturing region has an important bearing on its developmental challenges.

If manufacturing falters, so does the metropolitan area. Thus it is ominous that manufacturing output during the 1980s remained flat in constant terms. In fact, output was slightly lower in 1988 than in 1978. Similarly, from 1976 to 1988 manufacturing employment increased only slightly by 2 800. A formal employment increase of 4,7 per cent between 1980 and 1991 compensated for this to some degree. This, however, was massively overshadowed by a population increase of 27 per cent in the same period.

By now, the East Rand probably contains close to 30 per cent of Gauteng's official population of 6,9 million people. If current growth trends continue, the East Rand's population will double at least, from 1,5 million in 1985 to 3 million in 2010 – with 3,5 million a more likely figure. This is the fastest population growth rate in Gauteng, reflecting both a natural increase and the East Rand's attraction for work-seekers from all over southern Africa. If these trends continue, the gap between population growth and employment growth will continue to widen.⁷

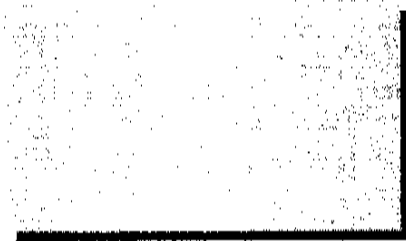
THE CRUCIAL CHALLENGE

These estimates point towards the crucial challenge facing the region: it must generate economic growth and jobs to provide for a growing population. Without growth, the current goals for the East Rand of improving existing housing, building new housing and rebuilding and extending infrastructure will not be achieved.

The terrible violence experienced on the East Rand during the years of political transition and the need to reconstruct affected areas such as Katlehong and Tokoza have further added to the area's economic and developmental challenges.

These facts all point towards one conclusion: that without sustained economic growth, the East Rand faces a bleak future of continuing stagnation and decline, greater poverty, and accelerated urban blight.

The situation demands an economic vision and an implementable economic growth strategy encompassing the entire area. This report describes and analyses current economic, social, spatial and



planning/governance conditions and realities in the area within this economic frame, assesses the limited progress made thus far with a future strategy, and points the way towards a more active and positive approach.

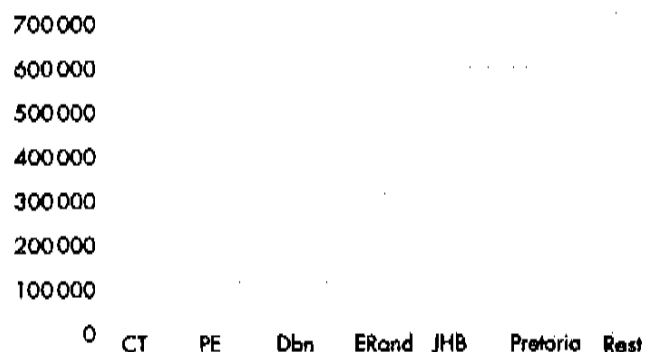
But to do so, we first need to redefine the way we think about our cities and global competition. In an era of global competition between cities, the East Rand's competitive advantage as a manufacturing and distribution centre par excellence – as South Africa's workshop – can and should provide a basis for the area to grow and compete effectively, and in so doing, allow it to address the large developmental challenges it faces in a period of rapid urban growth.

CITIES AND THE GLOBAL ECONOMY⁸

Under apartheid, South Africa was cut off from many international economic forces and trends. Our newly democratic society is thus a latecomer to many of the dynamics that characterise economic and urban development at the end of the 20th century. There are, however, some advantages to coming late – as we can learn from the experience of other countries.

Economic globalisation can be described in a number of ways. At the most basic level, it refers to the expansion of the world market economy during the past two decades; the rise of the south east Asian economies; the fall of communism in eastern Europe and the former Soviet Union and the emergence of market economies there; and the resurgence of some Latin American economies, notably Chile, Argentina and Brazil. More than ever before, there is a growing

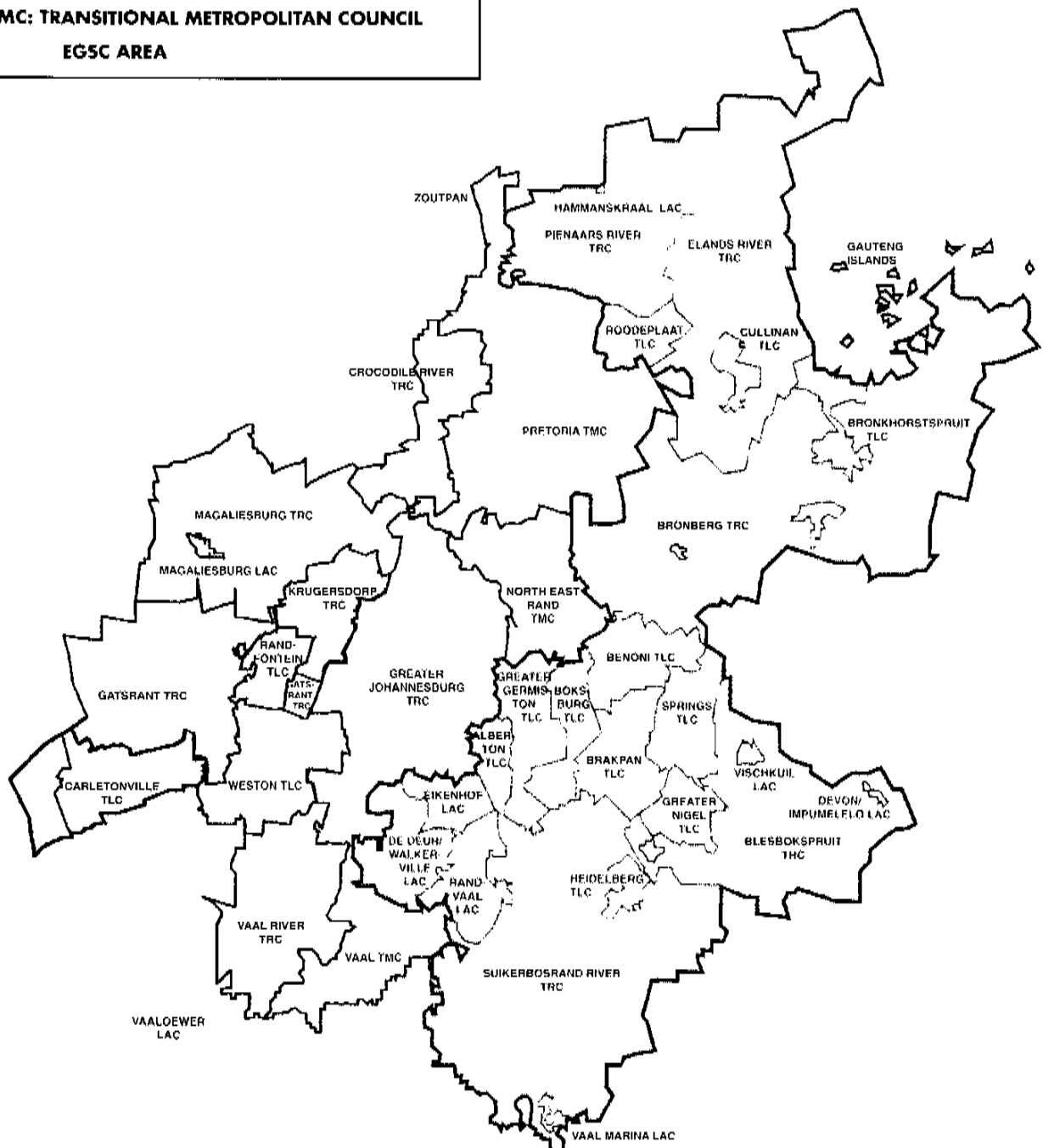
Figure 1: Manufacturing employment, 1991



SOURCE: MANUFACTURING CENSUS, 1991

Map 2: Eastern Gauteng Services Council area, 1997

TLC: TRANSITIONAL LOCAL COUNCIL
LAC: LOCAL AREA COMMITTEE
TRC: TRANSITIONAL REPRESENTATIVE COUNCIL
TMC: TRANSITIONAL METROPOLITAN COUNCIL
EGSC AREA



SOURCE: EGSC

international integration of markets for goods, services and capital.

Globalisation involves a number of discrete but interrelated economic processes. It was not until the 1960s and 1970s that a 'global economy' truly emerged, despite a long history of international flows of capital, labour, goods and services. Marking the difference was the intensity of such flows. The first of these is the massive growth in world trade in recent decades: since the mid-1970s world merchandise exports have approximately doubled as a proportion of world output, from 10 to 20 per cent.

Associated with this is an enormous expansion in foreign direct investment (FDI). Total FDI in the newly opened economies of Latin America, for example, rose from 6.1 billion US dollars in 1984-7 to \$10 billion in 1988, \$914 billion in 1991, and \$16 billion in 1992.⁹ FDI has not been confined to routine production facilities alone: increasingly it involves research and development facilities too, meaning an effective globalisation of innovation.

The 'financialisation' of the world economy is also a well-known phenomenon: involved in this has been both

deregulation and the denationalisation of financial markets and instruments. Capital now flows freely across national borders. This capital is joined increasingly by people as the world sees the unparalleled migration of both individuals and groups of people between countries. Finally, the formation of a global consumer culture is also a recent and accelerating process. One of the crucial aspects of this is the explosion in tourism of past decades.

Thus it can be said that a new era of global, knowledge-intensive, technologically sophisticated capitalism has emerged. This takes the form of an increasingly integrated, international economic system with multinational corporations often operating through information, production and marketing networks that span numerous countries.

Globalisation has profound implications for countries. It creates important new opportunities – wider markets for trade, an expanding array of tradeables, larger private capital inflows, and improved access to technology.

These opportunities are in turn accompanied by tough new challenges of economic management – integration requires adopting and maintaining a liberal trade and investment

Cities/urban regions/metropolitan areas

*'Metro's where the action is; ignore it, and you lose the notional future'*¹¹

CDE has used the word 'cities' very loosely in this document and in the Big Cities Series as a whole. Sometimes we are talking of large multinodal metropolitan conurbations or sprawling urban regions; at other times we are referring to more contained, traditional notions of a city. The key point we are trying to emphasise is the importance of large urban agglomerations, and their relationship to economic growth. Of course, how particular cities or regions apply what we are saying and the lessons they derive from international experience will fundamentally affect what kind of urban complex they are and the particular way it is governed. But whatever kind of urban agglomeration a city is today or will become, it will nonetheless have to confront the challenges of the global economy,

and an increasingly competitive environment for investment and growth.

South Africa's current urban population of 23.4 million¹² will probably have increased to nearly 40 million people by around 2010. Of the present-day urban total, some 70 per cent already live in our five large metropolitan areas: Johannesburg, Pretoria, Durban, Cape Town and the East Rand. By 2010 these metropolitan areas will have to accommodate some 7 million more people.

Metropolitan areas are very large urban settlements, or extended urban areas. Several variations exist within such a broad definition: eg, a single central city and its surrounding suburbs; a city which has expanded and overrun former towns beyond its original boundaries; or two or more contiguous cities and the area surrounding them.

This current and future metropolitan expansion in South Africa is an

expression of a worldwide trend, which, as with urbanisation per se, particularly characterises developing countries. On the global scale, the large metropolitan area defines the current era of urbanisation. By 2000 there will be 60 metropolitan areas with populations of more than 5 million worldwide, 45 of these in developing countries. By that time, eight of the world's 10 largest cities – often termed 'megacities' – will be in the developing world.¹³

South Africa's future is therefore also primarily a metropolitan one. What we have always thought of as our 'cities' will increasingly become large metropolitan areas, initially comparable to the rest of the developing world's medium-sized metropolises (4 to 7 million people) such as Taipei, Belo Horizonte in Brazil, Ankara, Addis Ababa, or Ahmedabad rather than to the 'megacities' above.

regime. More and more policy makers are confronted with a new, stringent form of discipline: the need to maintain the confidence of markets, both domestic and increasingly international.

All this in turn has enormous implications for cities. Globalisation poses real threats to 'business as usual' for countries and cities all over the world – while simultaneously creating exciting new opportunities for growth and prosperity. As *The Economist* saw it in 1995:

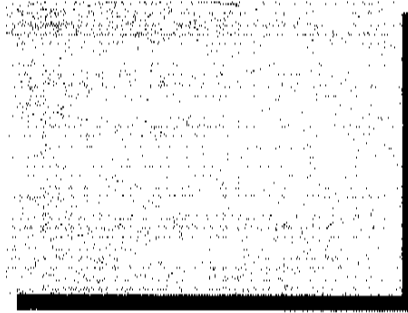
'The liberalisation of world trade and the influence of regional trading groups such as Nafta and the European Union will not only reduce the powers of national government, but also increase those of cities. This is because an open trading system will have the effect of making national economies converge, thus evening out the competitive advantages of countries while leaving those of cities largely untouched. So in future, the arenas in which companies will compete may be cities rather than countries.'¹⁰

Looking closely at the redefined economic role of cities in the new global economy it can be argued that:

- cities should no longer be seen just as places where people live and governments provide services, but rather as dynamic arenas for economic, social and cultural development;
- with greater mobility for people and economic activities both within and between countries, cities are becoming more competitive with one another;
- the role of any city is therefore being defined in terms of the role of other similar cities within the 'borderless' global economy, rather than in isolation as a local economy within a closed national economy;
- cities act as barometers for pressures in the wider global economy. As a city becomes integrated into the global economy, it is disciplined by the growing strength of external markets and by the activities of other competing cities;
- cities in the global economy must link flows of products, people, information and finance, between often distant sources and destinations. Managing these flows as well as retaining fixed sources of production has become the essence of the city's economic function.

There are dangers and opportunities in the new global economy for cities. Technological change and telecommunications developments mean that different elements of the production process can be divided up and split between different locations.

The reasons for particular industries locating in particular places can change. For example, Johannesburg's central business district was once the only and obvious location for high level professional and financial services. This is no



longer the case and the effects are reflected in the inner city's decline. No city can afford to rest on its laurels. No city should assume that the future will be like the past.

Cities (and urban regions and metropolitan areas) are the new arenas for global economic activity and competi-

tion. This has enormous implications for how these cities are managed and governed. South African cities now need to choose their priorities through an economic lens.

By developing strategies to become more competitive in the global economy, South African cities will more readily discover the means to cope with their developmental challenges.

We now turn to examine the East Rand's historic and current development through this economic lens.

HOW THE EAST RAND BECAME AN INDUSTRIAL AND URBAN REGION

The formation of sectorally based 'clusters' of industry in certain locations determines the nature of spatial concentrations in the area. These can take the form of cities, city satellite systems, clusters of towns, or manufacturing belts. In short, it is often argued that industries and cities (or regions) create one another.

Any such areas develop certain economies of scale, and then create further comparative advantages through a process of agglomeration. This is how regions grow or decline. The pathway a region takes to industrial development opens up certain avenues for future development, and sets constraints on others.

Therefore, in order to understand the East Rand today, we need to sketch its history, particularly how it evolved from being a component of the Witwatersrand's gold mining industry into the country's major centre of heavy industry, based on the production of basic metals and metalworking. We also need to discuss how other manufacturing branches and service sectors came to contribute to growth, and how this process of industrialisation fed urbanisation and urban development.

The East Rand as a mining and mining supply region, 1880-1930

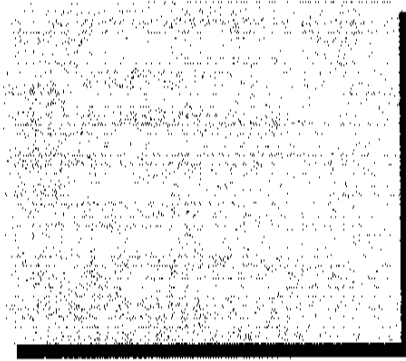
In 1891 the mining towns of the Witwatersrand, from Randfontein to Springs, were linked by a railway line. This established the framework for development and settlement on the East Rand.

This east-west corridor of mining, industry and commerce – later called the ‘gold axis’ – was complemented by a secondary industrial corridor, the ‘iron axis’ along the railway lines running north and south from the railway hub of Germiston. Thus the East Rand developed as an integral part of both the broader Witwatersrand and the southern Transvaal region.

For numerous reasons, the area became the most powerful wing of the east-west axis: among them were its ‘gently undulating topography’ more suitable for large industrial plants than the West Rand; the convergence of railway lines at Germiston from Lourenço Marques and Durban, and from the steelworks at Pretoria and Vereeniging; its proximity to the coalfields of Witbank and the Eastern Transvaal; and the growth of deep-level mining from 1916 onwards.¹⁴

Secondary industry began to feed the mines, and later an expanding local market. Centred on Johannesburg and Germiston, this industrial development was focused on metal and engineering activities for which high-grade iron ore, coking coal and ample water were available. The high cost of importing goods via Durban provided natural protection against overseas competition, and railway rates were favourably structured.¹⁵

As most steel and machinery were imported, metal production and engineering was initially quite limited. The Union Iron and Steel Works (later Dunswart Iron and Steel) was established in 1911 in Benoni to reduce and cast steel from scrap. A large foundry operation, the Standard Brass Iron and Steel Works, was set up next to it. In the 1920s and 1930s a



number of other metals factories were attracted to the town after the Benoni Council made cheap land available.

In the late 1910s the Germiston council laid out industrial estates which came to house larger metal firms such as Hume Steel, Afrox and Rand Ropes. Larger companies producing simple products such as nuts and bolts, wire ropes, pipes and tubes were comple-

mented by smaller jobbing and repair shops. As a Board of Trade and Industry (BTI) report stated in 1946:

‘Up to the outbreak of the Second World War, the engineering industry in the Union of South Africa was essentially a jobbing and repair industry, and did not, with the exception of a few establishments, engage in the “manufacture” of engineering supplies.’¹⁶

This changed during World War 2 when the government moved existing companies into manufacturing munitions. However, it was in the immediate post-war years that the East Rand’s manufacturing sector came to dominate the region – and the country.

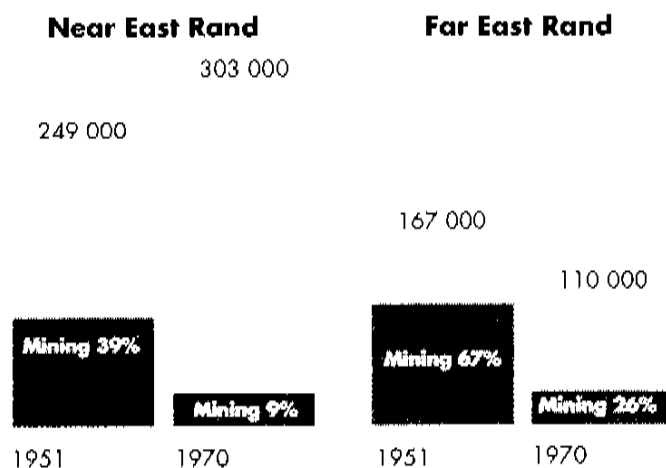
From mining to manufacturing

From the mid-1920s up to World War 2, East Rand mines – notably the 11 mines of the Far East Rand – were the leading gold producers on the Reef.¹⁷ But they began to decline before the war, and continued to do so thereafter. A remarkable transformation followed: as the East Rand’s mines became less profitable, manufacturing replaced mining as the area’s economic base in the period 1950 to 1975.

In 1951, on the Near East Rand (NER) as defined earlier, 39 per cent of the workforce of 249 000 were employed in mining, and 27 per cent in manufacturing. By 1970, mining accounted for only 9 per cent of the workforce of 303 000, and manufacturing 52 per cent. On the Far East Rand (FER) the process was initially less marked, reflecting the continued viability of the area’s mines, which were developed later. The real decline there came in the 1960s (*see figure 2, this page*).

This transformation was based on the existing metals production and metal-working cluster. By the 1950s this cluster spanned the entire southern Transvaal; its national share of employment in the metal and engineering

Figure 2: East Rand employment – from mining to manufacturing



industries rose from 64 per cent in 1949-50 to 70 per cent in 1963-4.¹⁸ The strong inter-industry linkages in metals and engineering helped to stimulate this agglomeration.

The East Rand played a key role in the overall PWV complex. Basic steel was produced at Iscor's works at Pretoria and Vereeniging, but was largely processed on the Witwatersrand. The West Rand's role was always fairly negligible. There were, however, many smaller metalworking firms in Johannesburg. Analysts believe the metals complex grew most on the East Rand because of its plentiful supply of flat land, which meant it could accommodate the out-movement of growing Johannesburg-based firms.

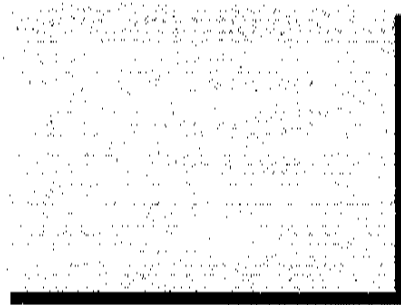
Local authorities actively improved this land. East Rand municipalities, particularly Benoni, Boksburg and Springs, supported industrial growth from the post-war period onwards – particularly in the late 1950s and early 1960s – by rezoning unused mining and agricultural land and establishing infrastructure and services for industrial townships. This space, situated on improved road and rail routes, was then sold cheaply to industrial developers.

At times, preferential water and electricity rates were negotiated for incoming factories. In this way, local leaders created a 'business attraction' model of local economic development to deal with the challenge of industrialising as gold mining faltered.

Plants of all sizes and types of ownership, spanning the entire metals production and processing chain, thrived in the 'industrial atmosphere' the region came to provide. Larger establishments were controlled by multinationals or, increasingly from the 1960s onwards, by South African conglomerates and parastatals, such as the Anglo American Industrial Corporation, Anglovaal, Barlow Rand, Gencor and Iscor. The region also contained a host of smaller metal production and processing concerns, ranging from smaller jobbing workshops and foundries to bigger, more diversified and often family-owned concerns. These establishments all made up a regionalised skein of metalworking concerns, with firms linked together in intricate patterns.

In this way, then, the East Rand became South Africa's workshop, producing or adapting imported inputs and providing engineering services to the mining industry and for the various capital and strategic projects that drove the country's import substitution industrialisation model through the 1970s, such as Eskom's power stations, and Sasol 1, 2 and 3.

The area also became the heartland of South African mass production, supplying much of the materials and components for the country's output of cars, 'white goods' (eg stoves, fridges), telecommunications equipment and consumer electronics. The East Rand also built or modified much of the



machinery that produced these goods, and assembled, all the while, a large share of the final outputs themselves.

Branching out of electrical engineering, another sector initially built on demand from mining, other manufacturing sectors and the requirements of the national electricity generation system, the region also

came to contain a significant proportion of South Africa's high-technology industry, such as electronics and aerospace. Much of this output came to centre on defence and telecommunications demand, such as the Atlas aircraft complex at Kempton Park or Altech's plants at Boksburg.¹⁹

But this metals and metalworking cluster, broadly defined, was not the only aspect of the East Rand's transition to manufacturing. The area always produced such intermediate products as chemicals, paper, glass, and a wide range of food processing derivatives.

In the post-war years, building on this foundation, the region created further manufacturing activity around three definable sectoral hubs, much of it by mass production plants controlled by both foreign and domestic interests. These were chemicals (particularly pharmaceuticals and plastics); containers/packaging; and food and beverages. These activities were often interlinked, thus forming another cluster to parallel the metals complex.

Out of all this, another source of regional advantage arose: a large cluster of transport-related service activities involving storage, transport, communications and wholesaling. These activities pivoted around the East Rand's rail links and marshalling yards, its roads and freeways, and Jan Smuts Airport (later Johannesburg International Airport), completed in 1953. In addition, producer service activities developed to support the East Rand's thousands of manufacturing plants.

Post-war urbanisation and industrialisation

In the post-war years a comprehensive system of urbanisation and industrialisation was put in place on the East Rand. The industrial belts along the gold and iron axes were joined together to make up a crescent-shaped axis of then state-of-the-art industrial estates. Municipal African townships and hostels were developed nearby, segregated from white suburban residential areas. The whole system was welded together by rail, a provincial road grid, and the emerging national freeway network.

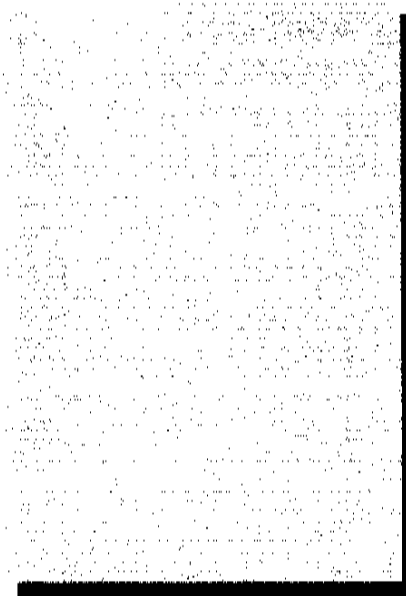
African residents of the inner East Rand 'locations' doubled in number between the mid-1930s and the early 1950s. Massive housing shortages arose, resulting in large-scale squatting, particularly around Benoni and Brakpan. From the

early 1950s to the mid-1960s, apartheid governments followed in the wake of the United Party government's housing programme; after that, township development on the East Rand was largely halted.

In a paper commissioned for this project, Philip Bonner notes that the National Party government extended and systematised the UP's housing programme with a view to creating a stable urban labour force and reserving the rest of rural African labour for white farming and mining. Mass site and service schemes were laid out at all the Reef towns, including those on the East Rand.

African tenants or squatters were cleared out of white suburbs, from white smallholdings around the main towns and from most of the old inner city locations, and deposited en masse in the new housing schemes. Every African township on the East Rand dates from that time.²⁰

Industrial townships, residential townships and hostels were thus constructed in lock-step. These names and places – Wadeville and Roodekop with Katlehong; Alrode and Alrode South with Tokoza; Isando and Spartan with Tembisa – have come to symbolise the apartheid era ensemble of urban-industrial development. The East Rand was perhaps the



purest physical expression countrywide of this system of urbanisation and industrialisation.

The city-building of the 1950s and 1960s reinforced an already dispersed spatial structure focused on individual mining – and later industrial – towns. This created 'a virtually continuous urban belt ... surrounded by partly urbanised and rural areas'²¹ The East Rand thus came to exemplify the fragmented, deconcentrated, polycentric (ie multicentred) metropolitan form which now characterises South African urban development.

THE EAST RAND TODAY: STAGNATING ECONOMIC DEVELOPMENT

To understand the current state of the East Rand's economy, we must begin with manufacturing. As stated before, manufacturing output remained level from the late 1970s to the early 1990s, and manufacturing employment from 1976 to 1988 increased only slightly. In the 1980s, total employment rose by only 4,7 per cent from 584 833 to 612 116, with the greatest increases in producer services, commerce, and personal services.

These figures do not, of course, take into account employment losses during the sharp 1991 to 1993 recession, which were probably as severe on the East Rand as elsewhere in the country: statistics for this period are not yet available.

What they do clearly portray, nonetheless, is a stagnating industrial region. The decline implied in this description is not, however, inevitable.

This contention is borne out by a closer look at the manufacturing cluster which underpins the East Rand economy, as seen in table 1 (*facing page*). While these figures show a drop of 8,2 per cent in overall metals employment between 1976 and 1988 – which then continued at a slower rate until 1991, as recently released 1991 Manufacturing Census Report figures show – they represent a diminution or attrition of the metals base of the manufacturing economy rather than the catastrophic deindustrialisation (ie massive and absolute declines in output and employment) which occurred in similar traditional (iron, steel, chemicals, coal) manufacturing centres in the United States and Europe in the same period.²²

This attrition, moreover, is a direct consequence of a restructuring of the metals cluster – and the firms within it – from the late 1970s to the present day. This has been particularly marked in the 1990s. Despite national economic

What is a cluster?

In this report we use the term 'cluster' in a specific fashion, to refer to a geographically bounded collection of often specialised enterprises that are in the same or complementary sectors, and are linked together by customer or supplier relationships or by shared infrastructures (both physical and social), services, or labour markets.

Two large clusters, each consisting of a number of more sectorally specific smaller clusters, dominate East Rand manufacturing. We have defined these as a metals production and metalworking cluster (providing just over half of manufacturing employment), and a chemicals/food/packaging cluster (providing a further third of manufacturing employment).

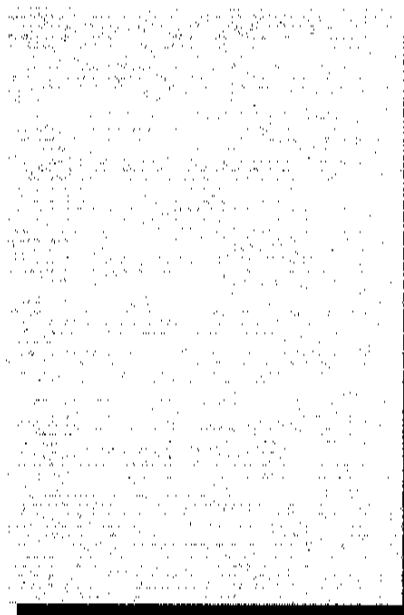
These clusters are complemented and serviced by the country's best-developed and diversified transport, storage and communications cluster, made up of activities such as air transport, rail, warehousing and telecommunications.

stagnation between 1969 and 1974, and the full-blown recession of 1975 to 1978, there was considerable investment in metals sectors throughout the 1970s and in the early 1980s. However, after the boom of the early 1980s, during which employment and capacity utilisation in the metals industry reached record levels, the gross domestic fixed investment (GDFI) upon which the buoyancy of the industry rested started a gradual and then a steeper descent, from R33.2 billion in 1980 to R23.6 billion in 1993.

Larger metals firms and groupings were able to ride out this difficult period, protected by relatively high tariffs. From the mid-1980s onwards, an intensive process of corporate reorganisation began, marked by mergers and acquisitions involving Sanlam, Old Mutual, the Anglo American Corporation, Rembrandt, and Anglovaal subsidiaries. The pain generated by this process, it appears, was largely borne by smaller, independent companies, particularly the earlier mentioned jobbing fabricators in such subsectors as engineering workshops, foundries and machine tools.

This corporate reorganisation has intensified in recent years. It has been characterised by increasingly concentrated ownership; reductions in labour, combined with increased capital expenditure on new technologies; changes in production methods; and a greater emphasis on exports with the assistance of the General Export Incentive Scheme (GEIS) and a declining rand.²³

Such national trends are most clearly evinced in the East Rand metals cluster. This cluster operates as what economists term a hub-and-spoke industrial district system: major firms or facilities operate as hubs or anchors, around which suppliers and related activities orbit like spokes on a wheel. Key firms and groups – including Dorbyl, Murray & Roberts



Holdings, Unihold, Hudaco, Seaw Metals, Haggie Rand, Boart Longyear, Altron and others – have restructured themselves along these lines. Today they are typically very lean, carry a minimum of overheads, and have excess production capacities.²⁴ They continue to be profitable, and are increasingly competitive internationally. However, many smaller firms, particularly in the forging, founding and casting subsectors, have suffered more severe job losses and even closure. This is not uniform; research also demonstrates the existence of a layer of small and medium-sized metals firms, often family-owned and -run licensees

of foreign technology, which have survived and emerged potentially stronger.

Restructuring has also occurred in the chemicals, food and beverages and containers/packaging sectors, which make up the second cluster mentioned previously. This has also affected the network of services – supply, maintenance, repair, labour agencies, etc – which surrounds the metals cluster and these other manufacturing concentrations.²⁵

Nonetheless, from the viewpoint of metropolitan-wide economic strategy, manufacturing remains the key sector on which efforts to revitalise and expand the East Rand's economy should be focused.

The role and performance of other sectors bear this out. In 1980 the East Rand still produced 10 per cent of the PWV's gold output, from 11 operating mines. Although the contribution of mining and quarrying to East Rand GGP increased in 1978-8, employment in this sector dropped by 39 per cent from 1981 to 1988, and current gold production is only 7 per cent of provincial output.²⁶

Both producer (finance, insurance, real estate and business services) and personal (community, social and personal

Table 1: Manufacturing employment on the East Rand

Year	Total manufacturing			Total metal cluster	Basic metals			Metalworking		
	ER	NER	FER		ER	NER	FER	ER	NER	FER
1976	237 620	193 706	43 914	141 837	20 697	17 186	3 511	121 140	105 575	15 565
1988	240 430	198 143	42 287	130 179	26 061	20 305	5 756	104 118	90 769	13 349
1991	235 458	194 530	40 928	128 278	22 330	16 570	5 760	105 948	90 163	15 765

ER: East Rand NER: Near East Rand FER: Far East Rand

services) service subsectors play a smaller role in the East Rand economy than elsewhere in Gauteng and the country as a whole.²⁷ They follow rather than lead the area's manufacturing activities.

While some 13 per cent of the country's top 300 companies have their headquarters on the East Rand, of which half are engineering or electronics' firms, producer services remain relatively underdeveloped.²⁸

The East Rand's manufacturing firms remain largely dependent on the producer service complexes of central and northern Johannesburg (eg Sandton, Randburg). Clearly illustrating this, the East Rand has never been considered an office market by the property industry, with the exception of the small Bedfordview area node, which is in any event an adjunct to eastern Johannesburg.

The contribution to GDP by the other tertiary sectors – wholesale and retail trade, catering and accommodation (12 per cent) and transport, storage and communications (9 per cent) – is roughly proportionally equivalent to those of both Gauteng and South Africa.

Reflecting the East Rand's growing role as the transport hub of the entire southern African region, the transport, storage and communications cluster, which includes warehousing, will continue to grow. As of 1996, some 72 airlines fly into Johannesburg International Airport, which is being expanded and employs more than 15 000 people. New just-in-time distribution methods are resulting in the creation of a strategic distribution hub for courier and express companies around the airport, as well as in the construction of new warehousing facilities for both manufacturing and retail companies.

Our research findings demonstrate, then, that economic development strategy on the East Rand should focus on the region's position as the nation's premier manufacturing and manufacturing distribution region.

It is here, founded on strong manufacturing and distribution clusters, that the East Rand has a unique competitive advantage (*see box, page 12*). This role must be built on, upgraded and expanded. The area's tougher, restructured and increasingly globally competitive companies now face more demanding local and international markets for their goods.

Investment levels in the area's manufacturing plant and its requisite infrastructure have risen in the past years, as has the trend in general GDP. Despite past hardships and current aggregate manufacturing stagnation, the opportunity still exists to revive and build up South Africa's workshop.

THREE KEY ISSUES

Before assessing what is being done to craft economic strategy, three broader points need to be made.

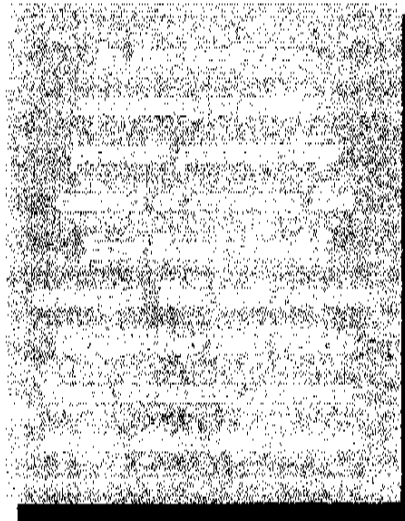
Local business and economic vision

The lack of a single dominant urban centre, and the fact that many of its companies form part of conglomerates which are traditionally headquartered in Johannesburg or are divisions of multinational companies, go some way towards explaining why the East Rand lacks a cohesive business grouping concerned with its social, economic and political welfare. There are chambers of commerce in each town or city, but they do not seem to work together.²⁹ The Steel and Engineering Industries Federation of South Africa (Seifsa), which represents most of the East Rand's metals companies, has done no specific research or policy work on metals production or processing on the East Rand. Also, East Rand business leaders rarely comment on the regional economy or the future of the metropolitan area itself.

The East Rand business sector, then, does not seem to identify itself wholeheartedly with the East Rand and its future. Strange as this may seem, given its distinctive yet fairly diversified manufacturing base, the East Rand lacks a distinguishable economic identity. Such an identity has not been promoted by local decision-makers. This makes a true identification with the area's future growth and development by all stakeholders that much more difficult to foster and achieve.

Nonetheless, the temptation to consign the East Rand to the status of a colony of Johannesburg (or Gauteng) should be strenuously resisted. Although it contains branch plants, the East Rand is not an externally owned and controlled branch plant economy: it is pure economic muscle, the country's most powerful manufacturing region. Its continued strength should be a national priority. It represents a crucial, irreplaceable and – given massive sunk costs through the century – unreplicable national asset. Its well-being remains key to the health of the country's overall manufacturing sector. Assuring this will test the country's commitment to remaining a manufacturing nation.

As Russell Ally states in his commissioned report, 'it is imperative for [East Rand] civic leaders to create a vision of their area's future which all sections of the community can identify with and support ... a new vision must exploit the dynamics of the international and national economy, at the same time as build on the distinctive character of the region.'³⁰



The home of 'big' labour

Business's natural partners in revitalising and growing the East Rand are local government and community actors – but in the area it is trade unions in particular which must also play an active partnership role. In South African terms, the East Rand is the home of 'big labour'. Its larger plants have been the focus of union recruitment since the late 1970s. By the early 1990s the Cosatu affiliates Numsa (60 000 members), Fawu (20 000), Cwiu, the Nactu affiliate Saewu and the Inkatha Freedom Party-linked Uwusa were all prominent in the region.

In recent years, the unions, particularly Numsa, have been under stress as a result of retrenchments; a decline in rank and file participation; loss of leadership to politics; a sometimes violent rivalry between the Cosatu and Nactu unions and Uwusa; general violence in the area, which makes organisation difficult; and a difficult transition to a new corporatist style of unionism based on labour/management co-determination in factory floor issues, economic policy and industrial restructuring rather than traditional militancy.³¹

Despite these strains, East Rand trade unions, particularly Cosatu affiliates, remain central to any initiatives to enhance growth and development in the region. Their involvement is important on two levels: first, in economic issues from the shop floor upwards, ranging from skills upgrading and productivity improvement schemes to sectoral industrial policy issues, broader macro-economic policy, job creation schemes and small business development.

Second, they need to participate in urban and regional development itself. A commissioned paper by CDE points out that recent union participation in urban issues such as violence, electrification, transport and hostel upgrading have been marked by capacity problems. However, the format of what Greg Ruiters, in his commissioned report, calls the 'new unionism' or 'embryonic corporatist unionism'³² encourages a concern with economic growth on the East Rand, in order to make the region and its premier manufacturing and manufacturing service clusters more competitive.

Small business: opportunities not taken

Strategic thinking about the East Rand must consider a third major issue: the striking weakness of black-owned and -run businesses. In another commissioned report, Claudia Manning describes a vast gap between two forms of small enterprise on the East Rand.

The first is the large number of smaller, white-owned, skills- and technology-based firms referred to earlier, which are closely integrated with the dominant firms, often as sub-contractors, and which can be strengthened.³³ The second is

the large numbers of black-owned micro enterprises in East Rand townships. Most of them are retail or service enterprises, followed by construction and only then by manufacturing.

The last-named include metal producing and processing firms, but these 'micro metal benders' are not integrated with the rest of the East Rand metals cluster.

Promoting such businesses and integrating them with the formal metals sector will require a combination of public and private sector supply-side (training, infrastructure provision, finance) and demand-side (public procurement policy) interventions at metropolitan, provincial and national level. This must form a key part of an East Rand economic development strategy.

Trade liberalisation and coastal versus inland locations³⁴

A view has emerged in some economic policy circles that the impact of trade liberalisation measures (eg GATT), and South Africa's integration into the world economy and its increasing export drive, may tend to encourage industry towards coastal locations. Inter alia, this perspective has been aired in the press by Zav Rustomjee, director-general of the department of trade and industry, as well as by Paul Jourdan, deputy director-general. The assumption here appears to be that the historical cost and agglomeration advantages that accrued to inland industrial locations were based upon linkages with the mining industry (which has now shrunk in scale) and to the need for proximity to major South African consumer markets (centred in Gauteng). With increasing proportions of South African goods destined for abroad, and with increasing volumes of imports, coastal and particularly port locations are assumed to be becoming increasingly attractive to industry.

At face value, this seems plausible. For example, CDE's document *Durban: South Africa's global competitor?* revealed that, according to the 1991 Population Census, there were apparently, for the first time this century, slightly more industrial employees in Durban than on the East Rand. While there is still debate on how such figures are determined, and on the exact ways in which locational cost and agglomeration advantages might be undergoing restructuring in South Africa, these are certainly topics worthy of further research by East Rand stakeholders who might be anxious to retain their area's status as the country's 'workshop'.

GOOD NEWS, BAD NEWS

Even all this, there is good news and bad news for the East Rand. The good news is that national economic improvement since early 1994 has already had and will continue to have a significant impact on the East Rand economy, including its core metals cluster. Growth of the national economy – currently running at around 3 per cent – is expected to be driven by manufacturing, mining and financial services.

This means a window of opportunity has opened for East Rand stakeholders to evolve and implement an economic development strategy which can take advantage of this upturn in manufacturing, and translate its effects into durable gains for the region.

The bad news is that this kind of initiative is urgently necessary. Unemployment in the region is estimated at around 40 per cent. A rapidly growing and poorly skilled population

faces a shortage of formal and informal jobs, and a shrinking of the metals cluster that has provided upward mobility for generations of East Rand workers. The employment generation performance of other manufacturing clusters and most parts of the tertiary (services) sector must also be improved.

In addition, the East Rand faces two new challenges:

- the new Growth, Employment and Redistribution Strategy (Gear) could lead to greater growth and development for the coastal metropolises in South Africa, and a move away from manufacturing inland (*see box, page 15*); and
- at the city level, other South African cities are currently better placed to compete for new investment than is the East Rand. Many now have metropolitan-wide economic strategies; a more effective governance structure for co-operation across the urban region; and a better 'image

Until recently, at least, several major East Rand towns believed themselves to be in competition with each other in attracting investment. This emerges clearly from Matthew Kentridge's commissioned reports on the marketing and economic development strategies adopted by local authorities and development agencies in Gauteng, including several towns on the East Rand.

The reports were written while the old 'white' councils still existed, but illustrates an entrenched approach that is likely to persist unless elected representatives and public officials make a concerted effort to adopt a new approach to their region.

SPRINGS

Springs, Kentridge found, had embarked on a sustained marketing campaign aimed at potential investors. Information disseminated by the council's office of public relations and marketing provided an industrial profile of the town, and described the availability of industrial and residential land and services, physical infrastructure, and other facilities. The council set out

to persuade investors of the locational advantages of setting up shop in Springs, and the desirability of being part of a distinguished community of industries.

The town clerk at that time believed co-operation was a better principle than competition when defining the relationship between different local authorities on the East Rand. To this end he advocated a joint marketing strategy, possibly co-ordinated by the then ERRSC or the Town Clerks' Forum. But he also believed Springs was in competition with other towns in the region, and stated that he would do everything he could to beat his neighbours in a bid to attract investment.

KEMPTON PARK

The Kempton Park town council subsumed its individual marketing drive into a greater, co-ordinated initiative run by the ERRSC. The council was putting its energies into facilitating development, leaving the onus for marketing new industrial sites to private developers. It had also formed a relationship with the private sector via the

Sibling rivalry: the fight for

East Rand Industrial Association (ERIN), formed to co-ordinate public-private development initiatives.

Kempton Park saw itself as being in competition with neighbouring local authorities, and the council set out to beat its neighbours to the spoils of industrial investment wherever it could. Nevertheless, the town clerk, Hans Muller, believed regional planning was important, as it made sense to look at the region as a whole, establish its requirements, and then identify appropriate areas for specific land uses to meet these requirements. He saw a role for a metropolitan government comprising representatives from constituent local authorities. This ultimately led to the formation of Khayalami Metropolitan Council.

ALBERTON

Alberton was marketed by the town council's department of community services and the Marketing and Development of Alberton Working Group, a joint council-business initiative. The department of community services had formulated a strategic plan

with respect to crime and violence and the general business climate than the East Rand.

PREVIOUS DEVELOPMENT EFFORTS

Development efforts on the East Rand to date should be assessed against this background. In two commissioned reports, Matthew Kentrige shows that the development efforts of individual towns and cities on the East Rand have revolved around attempts to attract inward investment.³⁵ The already existing industrial base has largely been overlooked, or even neglected. Individual municipalities have been punting the supposed comparative advantages of their areas; in reality, these advantages are regionally derived from the area's

manufacturing and distribution functions (*see box below*).

In recent years, various municipalities have also drawn up jargon-laden strategic plans. Although provincial ordinances place limits on incentive packages, attempts have sometimes been made to lower costs for incoming firms. But these initiatives have been aimed at individual plants or firms, rather than industrial clusters or groups of enterprises.

In all of this, individual towns have been competing rather than co-operating. Although many of the people interviewed said they approved of region-wide co-operation, very little of this existed in practice. The only institution that had done any serious economic research or policy work was the East Rand Metropolitan Transport Area (Ormet), both in its original form and, after 1993, as the regional planning branch of the East Rand Regional Services Council (ERRSC).

An ERRSC employment task team commissioned research from consultants on the structure of the East Rand

investment on the East Rand

for Alberton. A spokesperson for the department stated that the East Rand should be seen as a single region, and that rather than squander energies in competition, various East Rand towns should pool their resources and expertise for the benefit of all.

BOKSBURG

Boksburg had produced marketing material in the form of a video and brochure, but the former chief town planner, Armand Burger, believed the town was largely being marketed by word of mouth. Boksburg was fortunate, he said, in that potential investors approached the town rather than the reverse.

Burger believed Boksburg was not in competition with other towns on the East Rand, but they were in competition with Boksburg, which was now the hub of trade in the region. One example of the competitive spirit in the region was provided by proposed extensions to the East Rand Mall. Both the Kempton Park and Benoni town councils opposed the development on the grounds that it would divert revenue from their areas.

The Boksburg town council rejected these appeals and approved the development proposal, but Benoni and Kempton Park took the matter to the Townships Board, which upheld their appeal and approved only a small part of the original expansion plan.

Burger said if planning were to take place on a regional or subregional basis, such conflicts would not occur. He sketched a scenario in which town planners would meet to co-ordinate planning for the region. What he had in mind was not an East Rand metropolitan government but a situation in which the local authorities would remain autonomous, while economic development would fall to a subregional body such as the ERRSC.

COMMENT

Analysing these approaches, Kentrige argued that they largely demonstrated an undue concentration on the single objective of attracting investment; a contingent, short-term approach to development; and a lack of differentiation and imagination. The net effect of these elements, he wrote, was to frag-

ment the process of economic development, and reduce the effectiveness of whatever development strategies were adopted.

'Similarly,' he went on, 'competition between towns squanders resources which might be better spent on joint marketing initiatives. The deficiencies of the current approach will have to be addressed if the ... East Rand is to revitalise its economic performance.'

He argued that local authorities needed to break away from past practice, and develop two areas of thinking when formulating their economic development policies.

'First, they need a more sophisticated and comprehensive understanding of what constitutes locational advantage. At present, all marketing initiatives see location purely in terms of an area's proximity to infrastructure and markets. However, while these features are important, they may be common to all local authorities in a subregion or even region.' And secondly, he wrote, cities need to 'break out of their insular approach, and adopt a more metropolitan vision of economic development'.

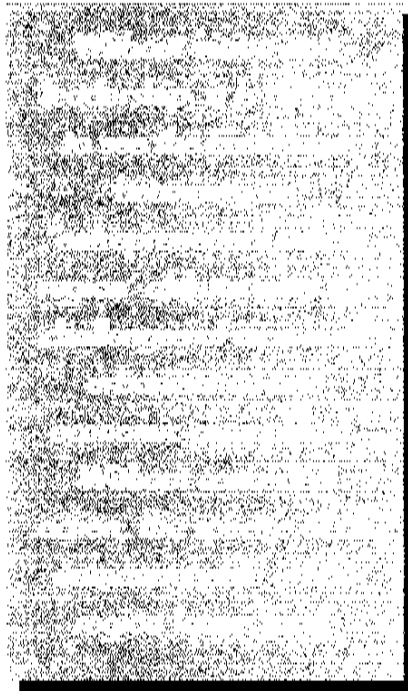
economy, both formal and informal. Detailed studies of the manufacturing sector were completed, culminating in a report which identifies clusters worth sustaining or developing. Such work proposed an employment-creating body, a region-wide marketing drive, pilot projects in the informal sector, and spatially focused economic schemes, notably an export processing zone around Johannesburg International Airport.

However, while they contained much useful information, the studies did not spell out a clear, easily assimilable economic development vision and strategy for the East Rand which could bid for public support and be implemented. The ERRSC also struggled to gain acceptance among local stakeholders, many of whom regarded it with suspicion.

Therefore, a metropolitan-wide growth strategy is not yet in sight on the East Rand. Despite the integrated nature of the area's manufacturing-based economy, centred as it is on clusters of competitive and interlinked companies, individual city governments do not seem to understand the advantages of co-operating to develop it further. Such rivalry among jurisdictions, as the American analyst David Rusk has remarked in the different context of the United States, often inhibits a whole area's ability to respond to economic challenges.³⁶

Some possibilities?

- What about a dedicated 'technology park' run by the various technikons and technical colleges on the East Rand? The department of arts, culture, science and technology could be asked to facilitate overseas involvement by countries such as Canada and The Netherlands.
- What about a region-wide institution to help market the East Rand to investors? Other regional initiatives such as Wesgro or the Kwazulu-Natal Marketing Initiative could provide some useful lessons.
- What about a commercial and trade clearing house with real expertise in export marketing established at the World Trade Centre, with special transportation and other arrangements to and from Johannesburg International Airport?



If the East Rand is to transcend its current economic stagnation, and fulfil its historic role as the nation's workshop, with all that flows from this, far more will have to be done by citizens and civic leaders to turn around the region's economic malaise. Without a real commitment to economic development, the region faces a bleak future.

We turn now to brief depictions of social conditions, and of planning and governance arrangements on the East Rand. These are seen in relation to the need for metropolitan economic growth and development. The crucial question in both instances for the East Rand is: how does the way the East Rand operates in social, spatial and political terms affect its

regional and global competitiveness as a region – and the competitiveness of the individual companies that call it home?

THE EAST RAND TODAY: CHALLENGING SOCIAL CONDITIONS

The difficulty of implementing growth strategies on the East Rand is compounded by the social inequalities, crime and violence that mark the area. In another commissioned report, Greg Rutters writes that the East Rand townships descended into conditions of chronic social disintegration, anarchy and semi-civil war in the late 1980s and early 1990s. With radical political activity declining, criminality became widespread.

This decay of the townships has direct implications for the long-term stability of industrial establishments, and industrial recovery. What is needed urgently, he suggests, is a large-scale social-economic plan to rescue the townships.³⁷

At the same time, there is a deep gulf between the poor areas and the affluent, often attractive and amenity-filled suburbs.³⁸ The area's 600 000 whites typically lead the suburban good life. Most are Afrikaans-speaking; well-educated; have full-time jobs; are married, with both husband and wife working; and are enthusiastic home-owners. About 60 per cent of these households earn more than R4 000 a month.

On average, whites earn nearly six times more than the two million Africans in the area. Almost 40 per cent of adult Africans are unemployed. Many of them earn below subsistence levels, with 35 per cent of households earning less than R500 a month, and 82 per cent less than R1 400 a month. Home ownership is fairly high at 37,5 per cent of households, but

there is an acute housing shortage, with the result that close to a third of Africans in the area are shack dwellers. The population continues to grow at a very high rate. Tokoza's population, for example, rose from 2 500 in 1965 to 228 000 in 1990, with a density per stand of more than 20 people. This is largely the result of the presence of some 65 000 backyard shacks, as compared to 17 650 formal housing units.

There are also many hostels in East Rand townships: Katorus (Katlhong/ Tokoza/Vosloorus) alone has about 50 000 people in 29 hostels, which contributes to the East Rand's high proportion of Zulu-speakers. The African population is also youthful: in Katlehong, for example, well above 50 per cent of the population is under the age of 34. Finally, there are many foreign migrants and a small middle class, some of whom have moved into previously 'white' suburbs.

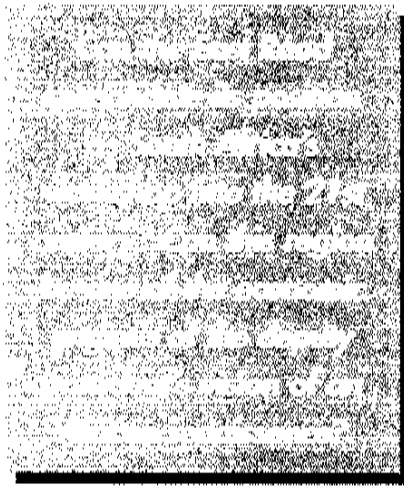
Given these realities, poverty is rife in African communities, particularly in free-standing informal settlements. Poverty is also not unknown in some of the formerly white towns, with Brakpan a notable example. In another commissioned report, written by Marzia Jonker, it was found that neither the local authorities nor the business community have made a significant attempt to address poverty. Local authorities seem to have little knowledge of the extent of poverty within their municipal areas, and are currently merely trying to integrate their social welfare services and clinics. Similarly, local businesses tend to be self-involved.

In the face of this, Jonker advocates a metropolitan-level poverty alleviation strategy, in which particular stress is placed on vocational training and skills upgrading, and the promotion of labour-intensive projects such as clean-up campaigns.³⁹

The effects of social inequality and poverty are aggravated by crime and violence. Crime needs to be distinguished from political violence, such as that expressed in the Reef township war between July 1990 and April 1994. Ostensibly driven by hostilities between IFP and ANC-aligned factions, the war was largely fought on the East Rand, particularly in Katlehong and Tokoza.

Some 3 000 people died; until June 1993 the East Rand accounted for about 45 per cent of all Witwatersrand fatalities. In the six months that followed, this figure rose to 80 per cent. These people were killed in a protracted and ultimately pointless battle over a few square kilometres of contested terrain in Katlehong and Tokoza. More than 1 000 people were killed in this small area, more than 12 000 houses were severely damaged, and 1 000 more families driven from their homes.⁴⁰

The war has been explained in terms of ethnic hostility, the activities of a government-fomented 'third force,' and strug-



gles over scarce resources in the urban centres, pitting hostel dwellers against informal settlers. In a commissioned paper, Mark Shaw describes how deployment of the South African Defence Force brought the war to an end. As hostilities ceased, he notes, the prevailing peace-making ideology was brought to bear on the area, namely that peace could be cemented and assured by development.⁴¹ This has resulted in the Katorus Special Inte-

grated or Presidential Project, which was set in motion in 1994 and is discussed below.

As political violence has ebbed, attention has once again been drawn to high levels of crime and criminal violence. Every form of crime is rampant in the area: there were, for example, 675 car hijackings in the first three months of 1995, with Katlehong, Tokoza and Tembisa the worst areas on the East Rand. The hijacking of goods vehicles is reported daily from industrial zones adjacent to townships. Thus the area is tainted with a history of conflict and violence.

Crime and violence, together with the social inequalities and poverty described above, form an interlocking spiral which seriously compromises the ability of the East Rand to compete as a metropolitan economy. This starts at a basic level by driving away investment and hampering industrial production. The effects then radiate out, draining the area's ability to generate growth and provide opportunities for its inhabitants.

THE EAST RAND TODAY: SPACE, PLANNING, GOVERNANCE

Social divisions on the East Rand are reproduced by the area's spatial form, and the nature of its components. As seen earlier, the region developed as a 'galactic metropolis' with individual elements forming something resembling a galaxy of stars and planets but with large empty areas in between.⁴²

Within this galaxy there are enormous discrepancies in infrastructure services such as electricity, water, sewerage, sanitation, storm water drainage, telecommunications and transport.

International analysts increasingly regard infrastructure as an ongoing process of service delivery.⁴³ Infrastructure is regarded as a 'systemic framework which underpins a community's ability to fulfil its mission of providing a base for its citizens to be productive and to nurture social equity.' Thus infrastructure services have a direct impact on economic

growth. They also determine the quality of life of urban dwellers: as McNeil argues, 'people are poor because they do not have access to basic necessary services'

The condition of infrastructure services in the townships and informal settlements thus has direct implications for the area's capacity to generate growth and compete economically. Generally, services in these areas are extremely poor.

Water, electricity and sewerage systems have not kept up with population growth. High densities – on average, 8,9 people per plot, as compared to 3,7 in white areas – compound the situation. Residents are greatly dissatisfied with virtually all services, as well as the shortage of health, child care, education and recreational facilities, and the limited shopping opportunities in the townships themselves.

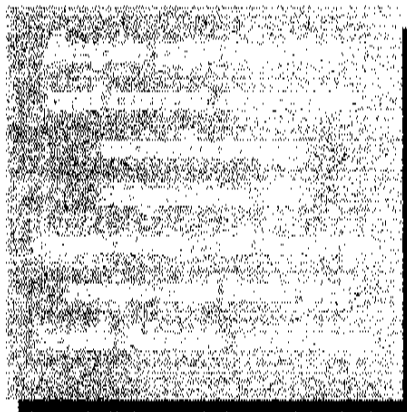
The Katorus Special Integrated Project was designed to address this situation as well as post-conflict reconstruction. Launched in October 1994, this five-year, R3 billion presidential lead project under the Reconstruction and Development Programme is aimed at rehabilitating and upgrading housing, roads, electricity, sewerage and recreational facilities. Besides central funding, the Gauteng government has added R650 million to the project. By mid-1995 the project had not yet begun, leading to fears of a loss of credibility within the Katorus community. Since then it has gotten under way, starting with the redevelopment of hostels in Vosloorus, the repair of houses in Tokoza and Katlehong, the rehabilitation of water and water systems, and refuse removal (*see box, facing page*).

Although the project is intended to create as much economic opportunity as possible – including promoting the development of formal and informal businesses – its goals are not linked to local or metropolitan economic policy-making or initiatives.

The Katorus project's objectives also need to be seen in the light of spatial changes in the East Rand's economy. Trends in the location of industry play a key role here. The Near East Rand encompasses about three quarters of the region's industrial land, with 60 per cent of the total amount in Germiston, Alberton and Boksburg alone.

Over time, industrial location patterns and space requirements have shifted, first in line with the transition from mining to manufacturing and more recently with the restructuring in the major manufacturing sectors.

Following broader patterns on the Witwatersrand, divergent patterns of industrial location have emerged on the East Rand, responding to industrial restructuring and social factors, especially crime and violence. In the past decade, there has been a definite shift away from the traditional east-west



manufacturing belt along the Reef toward newer industrial areas, especially those with freeway access close to Johannesburg International Airport. Thus, while rentals have been increasing in Isando and new industrial properties are being developed in Jet Park, other industrial spaces have become underutilised or derelict. These are especially in two categories: multi- and single-story space in central city areas (eg in Germiston), and suburban heavy industry space (Alrode, Wadeville, Elandsfontein, Dunsward).

This new locational pattern is exacerbating the existing spatial mismatch between jobs and housing on the East Rand. As the land reserves abutting and between Katorus and the other huge township complex to the east, KwaTsaduza (KwaThema, Tsakane and Duduza) are taken up for residential development, the distance between expanding employment locations and places of residence – always considered fairly low on the East Rand, with an average journey to work figure of 18 kilometres – may well grow.

Experts argue that if economies are to be competitive internationally and raise the living standards of their participants, metropolitan fabrics need to be reintegrated. For this reason, the growth and development issues raised above should be properly thought through and managed. However, in another commissioned study, Tanya Zack reports that the oversight of town planning branches over broader growth management issues has been very limited. In the period reviewed, town planners in individual municipalities were still relying on the late apartheid era structure plans of the late 1980s, as well as conventional town planning schemes and development controls. The recently developed strategic plans referred to earlier, focusing as they do on individual jurisdictions, have little to say about spatial development issues on a metropolitan scale.⁴⁷

It was left to the ERRSC, then, to take up the torch for a regional approach to growth and development. This institution's main functions had been to provide bulk services and to develop large-scale infrastructural projects, utilising the regional services levy as a funding source. But, particularly after the merger with Ormet in 1993, which then effectively became the ERRSC's planning branch, more attention was paid to managing regional growth. Again, useful work was done, particularly in the form of a draft document entitled 'Management framework for urban growth' (MF), released in late 1993. This was an outgrowth of an earlier Ormet land use/transportation plan.⁴⁸

The MF usefully summarises issues relating to metropolitan growth, and proposes the adoption of a combined corridor and nodal city form which would seek to direct growth to existing nodes, as these are linked together along linear corridors. As is common with many such proposals, infill

The Katorus Presidential Project: will it make the East Rand more competitive?

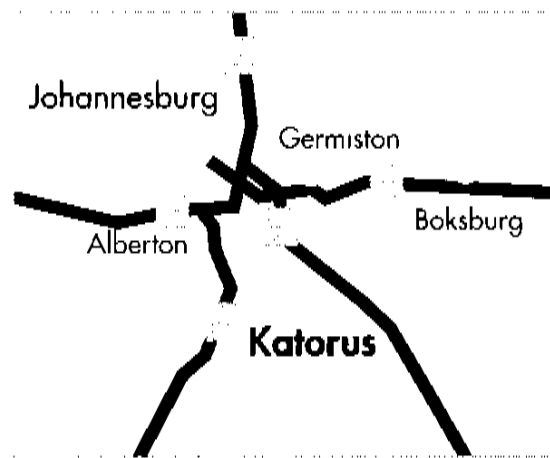
The Katorus Project was launched in October 1994 and covers the areas of Katlehong, Tokoza, Vosloorus, Phala Park, Zonkezizwe, Mandela Park, Tambo Camp and peripheral informal settlements (see map). It is one of the largest and most ambitious urban renewal projects in the country to which funds amounting to some R3 billion (R644,2 million from the RDP Fund and R2 411,5 million from other state funds) have been committed over a five year period (1994-1999).⁴⁴

The overall aim of the project, which sets out to be an example of reconstruction and development in an area devastated by violence and neglect through the 1980s and early 1990s, is to repair, rehabilitate and provide housing, security, social and engineering services in Katorus'. It aims to 'breathe new life into these townships on the East Rand'⁴⁵

The project focuses on the following functional areas: security, engineering services, social services, and housing.

By January 1997 the project had

been running for longer than two years, and 33 per cent of the funds (that is, the R644,2 million portion from the RDP Fund) allocated to the project had been spent (R209,4 million). In addition, 76 per cent of funds had been approved on the basis of business plans submitted (R487,3 million)⁴⁶ (see figure 4 below).



In assessing the project, it is striking that although laudable in terms of addressing immediate social and infrastructural problems and providing evidence that government is delivering on its election promises, this remedial action will not necessarily foster economic growth in the East Rand, or render the East Rand more competitive

in the national or global economies.

The apparent lack of involvement of significant East Rand private sector actors in the strategic planning and management of the Katorus project is noticeable and is a potential weakness of the coalition building process around Katorus – an area which relies heavily for its economic wellbeing on large-scale industrial developments.

Measures are under way to try and create employment for local contractors. The launch in September 1996 of the Katorus Economic Development Initiative (Kedi) – which aims to increase the economic participation of those previously excluded from formal business opportunities by apartheid – is a potentially useful contribution to economic development for the area.

The Katorus project appears to have been planned in isolation. It has to be asked if its worthy objectives are either achievable or sustainable without an effective and long-term economic strategy for the region as a whole. The considerable public resources that are being put into a historically deprived area are a once-off gift that must be used to maximum effect. Infrastructure development and service delivery must be viewed through the prism of economic growth if they are to provide sustainable 'steel ladders' for a community's future development. Will the Katorus presidential project really be successful without an effective economic strategy for the region?

Figure 4: Katorus financial summary - January 1997



and densification is to occur along a variety of 'activity corridors'. But how exactly the framework is to be implemented is left vague. The document also refers to a wide range of social and economic issues, but these are not properly integrated with the framework, which thus remains focused on spatial (or physical) development. The interaction between the spatial and the economic effectively disappears.

Nonetheless, together with recent work on mining land and environmental issues, the MF provides a useful starting point for a workable, metropolitan-scale growth management strategy for the East Rand.

But both the reintegration of the metropolitan fabric and the improvement of infrastructural services had to await the formation of democratic elected local governments. The local government elections of November 1995 – and the

accompanying restructuring of local government – have already had and will continue to have a far-reaching impact on planning and development on the East Rand (see table 2, page 24). First, the North East Rand – economically the healthiest component in the region – decided to go it alone as a metropolitan area. This was recently named the Khayalami Transitional Metropolitan Council. The remaining East Rand municipalities all chose a 'town twinning' (ie, 'white town/township) approach. Thus, economic fragmentation seems to have led to institutional fragmentation.

The ERRSC has found itself transformed into the Eastern Gauteng Services Council (EGSC). It is now responsible for a vast stretch of territory incorporating parts of the former Pretoria and Vaal RSCs (see map 2, page 7), and is tasked with both rural and urban development. The council has

The Eastern Gauteng

A NEW ROLE

Following the local government elections of November 1995, and the accompanying restructuring of local and regional authorities, the Eastern Gauteng Services Council (EGSC) – successor to the East Rand Regional Services Council – has been given extended powers, and seems set to play a more important role in the region.

- First, the area under its jurisdiction has been extended. The old ERRSC dealt with urban areas only. Now, a vast rural area – stretching from the Vaal Dam to Hammanskraal, north of Pretoria – has also been placed under its control (see map, page 7).

- Second, its powers and functions have also been expanded. Like regional services councils elsewhere, the main role of the old ERRSC was to render bulk services to local authorities. The EGSC has retained those functions, but has also been made responsible for regional planning and promoting economic growth.

The council consists of nominated representatives of all the local governments under its jurisdiction, who meet once a month. Its bureaucracy consists of five departments – one of them a regional planning department – operat-

ing under a chief executive officer. It is funded primarily from a regional services levy on employers, and a regional establishment levy on businesses.

Planning officials envisage the council playing a key planning and coordinating role in the region. They say the framework for the council's new role is primarily provided by:

- the new constitution, which mentions a regional development framework;
- the Local Government Transitional Amendment Bill, which grants services councils certain regional planning functions; and
- the Development Facilitation Act (DFA), which sets out planning objectives to be pursued at the national, regional and local levels.

Officials regard the DFA as particularly important. This act requires services councils to determine certain regional developmental goals, called Land Development Objectives. The LDO system is seen as a mechanism to transform the existing planning system and to provide a framework for implementation. The EGSC is required to administer 'structured' participation processes for involving other interest groups in formulating these objectives.

The council's regional planning department lists an impressive array of projects to be addressed during the next year, including the need to develop a regional economic development strategy. This includes evolving an economic development forum, comprising all the relevant stakeholders, and drafting an action plan for generating sustainable employment.

The EGSC has also evolved a Development and Reconstruction Framework (DRF), which it describes as a 'negotiated and integrated policy framework for the urban area, spelling out a commonly held vision of reconstruction and development'.

In line with all this, officials speak of developing a 'common regional vision of development'. Although their efforts are in the early stages, they say they are getting a positive response from local authorities and other interest groups.

They also speak of a new regional consciousness developing among local authorities, particularly among elected representatives. This is seen as opposed to the 'localised consciousness' which had previously been the norm. However, they concede that the latter mindset is still entrenched among local officials.

been given extended powers, and key officials believe it can play an important role in region-wide planning.

While the EGSC in its new format will undoubtedly play a major role in the region, much institutional development needs to be done before it can fully address its new responsibilities (*see box below*).

Given the short time that has elapsed since the elections, then, it is too early to come to firm conclusions about how new governance structures will deal with the metropolitan economic policy imperatives discussed in this report. In another commissioned report, Richard Humphries suggests that the new system may well enhance the planning and economic development functions of the Gauteng government.⁴⁹

Provincial government departments, however, may find it difficult to come to grips with planning for the complicated

and diverse collection of metropolitan economies in the province.

The 'old' East Rand may have been fragmented and diluted, and may now have effectively disappeared, but the large, city-scale economic development issues and problems dealt with in this report will recur.

CONCLUDING REMARKS

As world population cascades into metropolitan regions, it becomes ever more clear that big national economies are mostly agglomerations of distinct regional economies, each centred around one or more citistates' or cities.

Services Council

REGIONAL DEVELOPMENT

Planning officials say there have been significant developments in the region since 1995, when most of the research for this report was completed.

They believe the decline in manufacturing is inevitable, and follows a worldwide trend. Accordingly, they believe the region should turn to other economic sectors for future growth, including service industries, high technology industry, and, somewhat surprisingly, ecotourism.

They point to plans to build a new international concourse at the southern end of Johannesburg International Airport, close to the East Rand Mall and linked into a major new freeway system; as well as plans for an aviation estate and an international freight airport at Dunottar near Springs. They are also studying the feasibility of establishing an export processing zone.

As regards ecotourism, they speak of a conservation area being established around the Carousel resort to the north of Pretoria, an ecotourism corridor stretching down from the Suikerbosrand near Heidelberg to the Vaal Dam, and the tourist potential of the Blesbokspruit wetland system.

They regard the council's role in the

rural areas as highly important for the entire new region. If the rural areas are developed, they argue, this will help to slow down the high rate of urbanisation, and relieve the pressure on the metropolitan area. As a result, considerable attention is being paid to agricultural projects, particularly in the Bronberg area.

COMMENTS

Can the EGSC play the region-wide planning role envisioned in this report? While its role will undoubtedly be substantial, there are some caveats:

- The first concerns conflicting perceptions of the future of the manufacturing sector. As noted earlier, council planners seem to believe its decline is inevitable, and that the region should turn elsewhere for growth. This is at variance with the analysis in this report, which argues that the revitalisation of the sector (which includes so-called 'high tech' industry) is possible, and should be at the centre of a new growth strategy. However promising they may appear, the service sector (which is reliant upon manufacturing) and ecotourism cannot hope to replace the quality and multiplier effect of manufacturing sector jobs.

- Secondly, the EGSC has a major

capacity problem. While officials are inspired by their new role, and welcome the fact that the council's responsibilities and jurisdiction have been broadened, they admit it is severely understaffed. Addressing this problem will take time. Indeed, as so often happens in bureaucracies, it is at least possible that the council will never adequately address its massive task load.

- The third concerns the preferred form of region-wide consultation. When the council talks of 'participative, region-wide planning', and the consultation of stakeholders, it is talking of a statutory process controlled by a public authority.

The question is whether this is an appropriate format for developing an economic strategy. It is hard to imagine major interest groups such as the business community and trade unions subordinating themselves to such a process.

Instead, what this CDE report envisages is a broader participative process in which the public sector would be only one of a number of major stakeholders or interest groups engaging with one another on an equal footing.

Such citistates are currently positioning themselves for intense global competition by adopting conscious, explicit region-wide strategies ... [that] ... span every area from economic niche development to work-force training and development, from infrastructure development to arts and culture.⁵⁰

This CDE report intends to function as a wake-up call. Its key message is that a serious discussion needs to begin on the future of the East Rand as a global competitor. This discussion should be action-oriented. As compared to other big cities in the country – Durban, Cape Town and Pretoria, for example – such a discussion, and the vision, positioning and

strategy that must flow from it, is by now sorely delayed on the East Rand.

This future, in the first instance, revolves around the revival and strengthening of the area's manufacturing-based economy. Our findings indicate that, despite stagnation, this economy can be revived, and that it has of late indeed shown signs of vigorous life – but that steps to do so cannot be postponed indefinitely.

Ideally, all East Rand-based interests or social partners need to get together and be involved in such an initiative, with the key players being business, labour and government. In the

Table 2: New local governments on the East Rand, 1996

Local authorities falling under the Eastern Gauteng Services Council

NEW LOCAL AUTHORITY	TOWNS AND TOWNSHIPS	ELECTION RESULTS							
		Majority	ANC	NP	DP	IFP	FF	CP	Other
Alberton TLC*	Alberton, Tokoza	ANC	10	8			1		1
Greater Benoni TLC	Benoni, Daveyton, Wattville, Actonville	ANC	14	12	1	1			2
Boksburg TLC	Boksburg, Reiger Park, Vosloorus	ANC	11	8				1	
Greater Brakpan TLC	Brakpan, Geluksdal, Tsakane	ANC	14	4				1	1
Greater Germiston TLC	Germiston, Bedford View, Kaitlshong	ANC	23	12	2	2	1		
Heidelberg TLC	Heidelberg, Ratanda	ANC	6	2			1		1
Nigel TLC	Nigel, Mackenzie Park, Alra Park, Duduza	ANC	7	3					
Springs TLC	Springs, KwaThema, Bakerton	ANC	11	3					6
Suikerbosrand TLC	Suikerbosrand rural area	ANC	5	3			1		1
KHAYALAMI METROPOLITAN COUNCIL		ANC	7	3	1				1
Edenvale/Modderfontein MSS**		ANC	6	2	1				1
Kempton Park/Tembisa MSS		ANC	16	12	1		1		
Midrand/Rabie Ridge/Ivory Park MSS		ANC	8						2

*TLC: Transitional Local Council **MSS: Metropolitan Substructure

OTHER LOCAL AUTHORITIES IN THE EGSC AREA

Transitional local councils: Bronkhorstpruit, Cullinan/Rayton/Resilwe, Devon, Rayton, Refilwe.
 Transitional representative councils: Blesbokspruit, Bronberg, Elands River, Pienaar's River.
 Local area committees: De Deur/Walkerville, Devon, Eikenhof, Hammanskraal, Randvaal, Roodeplaat, Vaal Marina, Vischkuil.

best-case scenario, a public-private partnership aimed at reviving the East Rand should emerge.

Such efforts will require real civic leadership and vision. In a fragmented area, in which individual towns have taken a 'town twinning' approach, and in which the most dynamic component of the spatial economy – the former North East Rand (now Khayalami) – has effectively removed itself from the rest of the area – this will not be easy.

As discussed earlier, the EGSC has been given extended powers, and key officials believe it could play a central role in regional co-ordination and planning. However, while it could undoubtedly make a major contribution, the EGSC remains a statutory body, restricted to administering or implementing procedures laid down in the Development Facilitation Act and other enabling legislation. Such legislation, concerned primarily with shaping land use, does not have as its objective the creation of a globally competitive, world-class metropolitan area. The envisaged consultations with various interest groups are among those prescribed procedures. This, we suggest, does not square with the notion of an open and equal partnership suggested above – the public sector should be one of a number of players, not the dominant one.

Other interests must, however, be prepared to play their parts. This report has pointed to the possibilities for fruitful co-operation between the public sector, business interests and labour in promoting economic growth. Nationally, business is tasked with producing wealth. An effective policy and leadership vacuum on the East Rand gives business the opportunity to play a leading role in formulating, promoting and catalysing an economic growth strategy, in active partnership with other interests, and as the fulcrum for a wider and realisable vision of a thriving, competitive metropolitan area.

Here, the East Rand suffers from disabilities which impede its ability and potential to compete. These must be squarely faced.

If real opportunities for growth are to be grasped, the East Rand as a metropolitan region will have to improve its currently low status and attractiveness as a place to do business. At present, it falls short in several crucial areas.

To begin with, the area is institutionally fragmented. A collection of individual manufacturing towns market their static comparative advantages such as industrial land and a low-cost labour force to a world more interested in how dynamic competitive advantage can be constructed precisely on the basis of the manufacturing and distribution clusters, the area harbours, and which cross current municipal borders. Institutional responsibility is divided, and non-parochial leadership is thin on the ground.

Without intervention and assistance from national leadership, it is hard to see who can 'take the ball and run with it' on the East Rand

The area is also socially divided. Fearsome divides exist in economic and social conditions, and the life chances, of the East Rand's black and white residents. Spatial divisions ramify these social problems. And large-scale infrastructural initiatives such as the Katorus Presidential Project, while undoubtedly playing a role in improving conditions for

area residents, do little to address the East Rand's need to generate sustainable employment, growth and development for an ever-increasing population.

Moreover, despite well-meaning efforts, there is very little strategic understanding of the East Rand's economy, its fit within the dynamics of the broader provincial, national and international economies, and the area's true sources of competitive advantage. Ironically, for an area that is economically based on what are distinctive clusters of manufacturing and distribution industries, there is absolutely no shared vision of the region's economic future.

Compounding this is a dearth of information and data, the lack of leadership noted above, and a lack of 'social glue' (the infrastructure for social collaboration) as a consequence of social inequities, a history of political and now criminal violence, and what have typically been tense and divisive shop-floor relations. As a consequence of many of these factors, the image of the East Rand – among investors, managers and the media – is a negative one. The positive factors that do exist throughout the region are overshadowed by the negatives (*see box, page 26*).

These negatives are starkly apparent. But there are also opportunities. Key stakeholders in the community, business, government and labour sectors on the East Rand, backed up by provincial and national leadership and resources, now need to decide how important the region – and its manufacturing and distribution base, upgraded, re-marketed and truly globally competitive – is to them and to the country. This decision – and the steps that need to be taken to make the East Rand a global competitor – cannot and should not be postponed indefinitely. Here, newly designed national industrial incentive programmes – the department of trade and industry's 'supply-side measures' – are a potentially powerful resource for East Rand manufacturing's revival and strengthening. These need to be explored, along with locally specific or provincially specific initiatives, as potential foundations for an East Rand economic development strategy (*see box, page 27*).

These – and several other schemes from the DTI and the Industrial Development Corporation – are available for the support of manufacturers. The East Rand, the nation's workshop, offers a good testing bed for their utilisation, potentially as part of the development and implementation of a broader, area-specific economic development strategy.

There are successful models for such initiatives elsewhere in the world, in areas similar to the East Rand. In Cleveland in the United States, to use just one example, a group of CEOs in the form of the Cleveland Tomorrow group led an economic as well as a political turnaround in the late 1980s and early 1990s.⁵¹ Another example can be found in nearby Pennsylvania, where '17 gritty coal and steel towns in western Pennsylvania's Mon Valley, plagued not only by the decline of the industrial economy but by a history of sometimes violent suspicion, have joined together in a consortium aimed at putting jealousies aside and co-operating for survival'.⁵²

There is no reason why this cannot be done in South Africa. What is required for the East Rand, the nation's workshop, is the vision and will to create a globally competitive area.

CDE RECOMMENDATIONS

Like all other South African metropolitan areas, the East Rand has complex development challenges to address. This CDE report has – in summary form – described and analysed the economic, social, spatial, planning and governance conditions and realities in the East Rand. It is clear that without sustained economic growth the likely future for the

East Rand – and particularly that part of the East Rand left behind by the formation of the Khayalami Metropolitan Council – is a bleak one of continuing economic stagnation and decline, greater poverty, accelerated urban blight and continued 'image and attractiveness' slippage compared to the country's other major metropolitan areas.

Such a scenario will hamper the government's attempts to achieve a 6 per cent economic growth a year and to deliver a much better quality of life to all the country's population. As important, this negative scenario will represent the failure to capitalise on the opportunities that exist on the East Rand. If these opportunities were to be assessed and acted upon, it is highly possible that the region could be turned around. It is possible to envisage an East Rand that consolidates its position as the country's workshop – in a new economic, national and international environment.

For a dynamic and positive future for the East Rand to start taking shape, a number of factors are important. The East Rand's future will hinge on the following:

Vision

The key stakeholders in the East Rand need to define a metropolitan-wide economic and development vision for the region. Can the East Rand consolidate its position as South

Being positive about the East Rand

The East Rand currently suffers from a negative image as a place to do business. This, as we have described, is based on the very real disabilities which thwart the area's ability to compete.

However, if the recent experience of similar 'traditional' manufacturing zones elsewhere – such as the American Midwest, or Germany's Ruhr – is anything to go by, it is remarkable what can be achieved relatively quickly to turn around such areas, with the application of imagination and determination.

Traditional manufacturing areas that have undergone wrenching economic change often come to realise in the very course of this restructuring that they have understated their positive attributes for industrial

production. Such industrial endowments are both social and economic.

The East Rand is no different. As a place to live, it has many positive and undervalued characteristics: low housing prices, good recreational amenities, much open space, good shopping facilities.

As a place to work, the East Rand has underutilised physical infrastructure (think of its freeway system), plenty of vacant industrially zoned land, and, perhaps more importantly, a relatively skilled and trained industrial workforce, much of it in small and medium-sized firms that are already linked to the area's large companies. Here exists much latent entrepreneurial possibility.

This could be a potent combination. It needs to be connected with the

active utilisation of the supply-side measures discussed in this report; the creation of specific initiatives and institutions to strengthen East Rand manufacturing – for example, outsourcing initiatives to assist small companies to provide inputs to larger ones, a manufacturing advisory centre targeted on upgrading the technological and managerial capacities of the region's many small and medium-sized metalworking and plastics companies, and the growing of export activities in proximity to Johannesburg International Airport – and the wholesale remarketing of a 'new' industrial East Rand.

In this way, East Rand stakeholders may come to fully appreciate – and develop – what are now undervalued assets for industrial production.

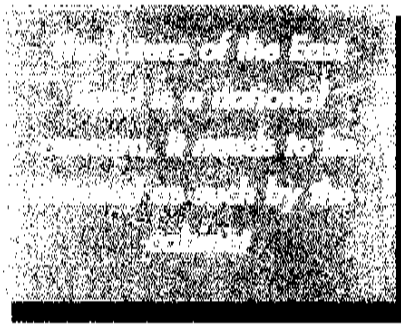
Africa's workshop into the 21st century? Can this region be one of the economic engines for the deputy president's vision of an African renaissance? What are the economic alternatives for growth and development in the country's historic workshop?

What is needed is an agreed vision of the region's future – a growth-oriented vision of focused excellence. The process of developing such a vision will need to build on a thorough understanding of the nature of the East Rand's economy and the trends that affect it; take cognisance of current and potential competitors; and define the obstacles to success. Given an agreed vision which is 'collectively owned' by all the stakeholders in the region, it will be possible to:

- define the programme necessary to achieve this vision;
- choose priority areas for public and private sector intervention; and
- make the tough tradeoffs required to achieve results.

Leadership

Cities, like companies or other organisations, need effective leadership. Likewise, turning market forces to the advantage



of the East Rand will require dynamic leadership. The opportunities and threats associated with the East Rand's changing role in the national and global economies will require new forms of initiative and drive. Across the globe, cities and urban regions that succeed are led by bold individuals who identify

the opportunities and take others with them.

Who will do this in the East Rand? Who will lead? The challenge is a large one, and the current structure of local government is a complicating factor. Without intervention and assistance from national leadership, it is hard to see who can 'take the ball and run with it' on the East Rand.

The interests of national government clearly lie in a revitalised and thriving East Rand. The country's industrial policy must include a vital position for this traditional manufacturing region. The future of the East Rand is a national concern. It needs to be treated as such by the cabinet.

Similarly, national business leaders have an interest in the future of the region. Many of South Africa's largest companies have investments and concerns on the East Rand. Many of these are fixed investments that cannot move to seemingly more attractive coastal metropolises. It is hard to envisage the sustained development of world-class companies from a

New opportunities for manufacturers on the East Rand?

Large parts of the East Rand – the Alberton, Germiston and Springs Transitional Local Council areas – are included within the recently released Tax Holiday Scheme, which replaced the Regional Industrial Development Programme in October 1996. This scheme provides a tax holiday of two years for new manufacturing concerns set up in demarcated areas; to this, a further two years' tax holiday is available both for new investment in a broad range of sectors, including many in the metals and other clusters as defined here, and on the grounds of employment creation. An aligned Small/Medium Manufacturing Development Scheme, applicable nation-wide, will provide grants to newly established small and medium manufacturers.

In spatial terms, the East Rand is also adjacent – or in the line of – the first-developed of the government's new Spatial Development Initiatives, the Maputo Corridor from Gauteng's eastern boundary to Maputo.

Other new government industrial measures are tied more closely than before to the creation and strengthening of globally competitive industrial clusters, with these now defined in a similar fashion to the East Rand's metals, chemicals, food and beverages, and containers/packaging clusters discussed above.

Such incentives are also designed to foster the competitiveness of small and medium-sized (SMME) manufacturing firms. A new Competitiveness Fund is to support, on a 50/50 firm/government matching grant

basis, the inculcation of technical and marketing expertise. A Sector Partnership Fund, also on a matching grant basis, aims to catalyse competitiveness-enhancing partnerships within South African manufacturing, such as the creation of inter-firm networks amongst related (and thus often clustered) firms.

A Manufacturing Advisory Centre programme is about to establish centres on a regional basis to assess the problems and needs of small and medium firms, and then to provide, through a range of networked service providers such as educational institutions and business consultants, a range of techno-managerial services. New export finance schemes will also assist SMME manufacturers to export.

region in economic and social decline.

The provincial government has an interest in the East Rand. It might very well be that in the absence of an overarching metropolitan government structure, the place for driving the public sector side of developing an economic vision and strategy could be in the Gauteng government. This will need to be sensitively handled with the individual local governments in the region.

The trade unions also have an enormous interest in the future of the East Rand. In many respects, this is where very many of their members will experience the effects of Gear and the restructuring of South Africa's economy in order to make it more competitive.

It is therefore possible to identify big and powerful interests who should want to help the East Rand develop an inspiring and achievable vision for its future. What is required is visionary leadership that will turn the region away from parochialism of many kinds, move beyond racial constraints, and build on the advantages of the East Rand for a more competitive future.

Social contract

Within the component local areas of the East Rand region there is considerable experience and potential for 'social collaboration'. What is lacking is the region-wide infrastructure for social collaboration – the ability to mobilise different groups around economic and development goals.

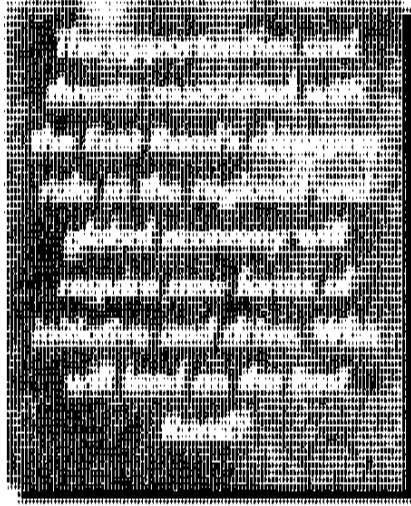
This is what is now needed on the East Rand. A coming together – on equal terms – of all the key stakeholders (with assistance from the national and provincial levels of government, business and unions) is needed in order to develop the 'social glue' to work together, and agree on a vision and a programme to achieve such a new future.

Action required

The continued strength of the country's most powerful manufacturing region should be a national priority.

The East Rand represents a crucial and – given the enormous sunk costs already invested there – irreplaceable national asset. The wellbeing of this urban region remains key to the health of the country's overall manufacturing sector. Assuring this will test the country's commitment to remaining a manufacturing nation.

CDE therefore has a strong recommendation arising from its work on the East Rand. It is imperative that all the key stakeholders in this region (local, provincial and national) get together as soon as possible to:

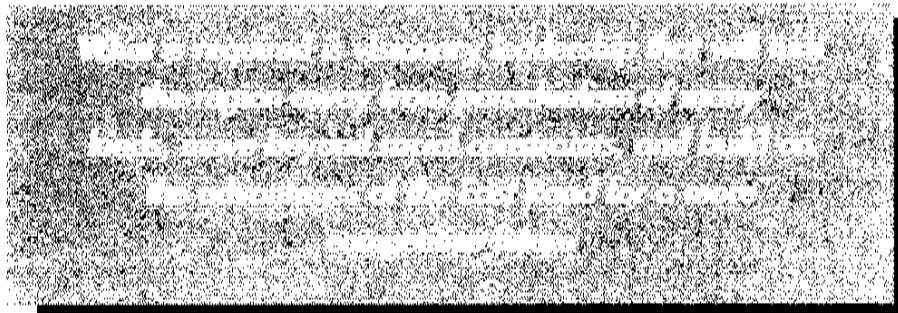


- develop an agreed vision for the economic and development future of the East Rand. This will require research and analytic work that no body or institute has undertaken thus far. It will only be on the base of sound and economically informed analysis that the possible options for the East Rand can be debated and an agreed new vision adopted;
- define and implement a realistic programme of action and priorities to achieve this economically viable vision; and
- on the basis of the agreed vision and programme of action, reassess and reorient existing projects, structures and investment priorities to complement the new economic direction.

This CDE report has started the process of looking at the East Rand as an urban and economic region. The future of the East Rand is an issue of national concern which should not be left for local actors alone to wrestle with. What is now required is the leadership and energy to develop a metropolitan-wide economic vision and growth strategy. Without vision and leadership, it is difficult to see the East Rand becoming an entrepreneurial urban region able to meet the challenges of increased urbanisation and global economic competition. Without concerted action, the spectre of an unmanageable urban region looms large.

ENDNOTES

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- 31 G Ruiters, 'The nature and role of trade union organisation and activity on the East Rand, 1980-1993' CDE commissioned report, 1994,
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- 33 C Manning, 'A profile of small, medium and micro enterprises on the East Rand' CDE commissioned report, 1994, p 1
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The East Rand represents a crucial and irreplaceable potential asset. The wellbeing of this urban region remains key to the health of the country's overall manufacturing center.

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