

**The Theory and Practise of Local Economic Development**

**A Guide**

**Planact**

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The Theory and Practise of Local Economic Development - A Guide.

**Purpose**

1. Local economic development (LED) is about four things:

- providing jobs for those seeking work
- locating jobs where they are needed
- upgrading the quality of employment
- improving the quality of what is produced in relation to need.

LED thus has economic, social and spatial dimensions. The aim is to achieve all these purposes. But this is often impossible in the short term. At times the purposes themselves may be in conflict. New jobs may be ill paid, they may produce goods or services which do not serve need, and they may lead to job losses elsewhere. It is important to keep all these points in mind when considering LED.

**Job creation and job destruction**

One continual challenge is that a job created will mean a job lost. This is the problem with much small business development. A particular project, say a local bakery, may appear successful. But its success often means that another small baker will go out of business. With a given level of consumer demand, there is a strong possibility that job creation will entail job destruction.

There could nevertheless be reasons for supporting such projects. They may improve the spatial distribution of such industries. They may upgrade the quality of work and of the product, even if they have no impact on the number of jobs. All that is necessary is to avoid illusions - so easily encouraged by lists and photographs of new projects - and see interventions for what they are not what they appear to be.

There are however circumstances where every job created does not signify a job lost elsewhere:

a) where the new project increases the overall level of productivity in the industry. Aggregate employment depends primarily on the level of profits and their re-investment, and these in turn are determined by the growth of productivity. Any contribution to general productivity growth can therefore be seen as a stimulant to employment.

b) where the investment is funded from resources that would otherwise have lain dormant or invested in 'unproductive' activities, thus contributing to an increase in the level of investment and final consumer demand. Finance of this kind often comes through the state which has taxed those with money that they might otherwise have saved, in order to encourage investment. This is a Keynesian argument for local economic development.

c) where the new jobs are part of a non market economy which does not depend for its growth on the level of demand or profits in the market economy. An example of this is the economy of the prison system in the UK which aims to reduce its funding from the state (market money) budget, by providing for three quarters of its subsistence needs through farming, breadmaking, cooking, cleaning, and similar types of activity. The expansion of jobs in this case depends on the extent to which the rest of that economy can provide for the subsistence and capital goods needs of the new labour - not on the profitability of the new activities. A substantial

part of the public sector, and the so called third 'not for profit' sector could be organised in this way.

d) where the investment contributes to a local growth process. Just as import substitution can encourage growth in a national economy, so there are ways in which a local growth process can be stimulated without undercutting growth elsewhere.

#### Re-asserting the local

It is the nature of this local growth process which is at the heart of LED policy. As economies have become integrated nationally and internationally so the ties of locality have weakened. The main lines of economic organisation are sectoral. A medium sized town will have branch plants and offices. A local bank will be part of a large bank's national network. The post office and the telephone, the railway station and the school, are all part of structures whose head offices are elsewhere. Co-ordination and control run along vertical not horizontal lines.

The argument is that these vertical hierarchies are necessary to realise economies of scale. But they have too often neglected economies of space. The latter include the organisation of the labour market; the co-ordination of different modes of transport; the planning of land use and the shape of cities; the advantages of proximity for the development of networks of inter firm communication. Not all these things depend on locality. Nor does localism necessarily produce them. But there are advantages in spatial proximity. Economists have called them external economies. We can equally well describe them as internal economies of place.

The term external economies emphasises that the economies are external to firms and the market. This means that they commonly lack institutions of co-ordination. Few towns and cities have successfully co-ordinated bus and train timetables, cars and bicycles, or short and long distant freight modes. Few can resist the effects of large supermarkets collapsing the economy of the town centre. Above all, few branch plants will put their ties to other local enterprises above those that bind them to their company elsewhere.

We have come to recognise these points because of exceptions. During the eighties certain areas came to the fore because their ties were stronger locally than with large vertical organisations. In Europe the analytical searchlight has been thrown on the towns and cities of middle Italy, the area of West Jutland in Denmark, of Baden Wuerrtemberg and Bavaria in Southern Germany. These areas are known as industrial districts and have been some of the strongest growth regions in Europe over the past 20 years.

Their typical composition is a network of small and medium sized companies, focussed on specific industries, with each firm specialising in a particular stage of the production process. They are linked to the wider economy through sales consortia, sub contracts, and even licensing arrangements, but the ties are usually closer locally than nationally. They tend to be supported by local, regional and co-operative banks, by specialist colleges, and by local and regional governments.

Recently, an increasing number of industrial districts have been identified in developing countries, the shoe industry in Southern Brazil, for example, or the metal machine shops in Kumasi in Ghana, the Egyptian furniture districts, and the rattan producers in West Java. In all these cases, the issue is not a question of firm size or local self sufficiency. Rather it

is a question of the density of horizontal inter-relationships and the local 'rootedness' of producers.

Thus some large firms have made a point of working closely with other enterprises in a locality. Japanese firms, following the principle of Just in Time production, and interdependent relations with suppliers, have placed considerable emphasis on the importance of their roots in a place. Many German firms have done likewise. By way of contrast small firms in an area often engage in the cut throat competition of the jungle rather than co-operative competition, and are weaker as a result.

The issue then is the extent of rootedness in a local economy, of the texture of horizontal relationships, the density of the economic weave. Why is this important? Principally because the delinking of capital from place has had disastrous effects on many local economies. Mobile industry plays one place off against another. It can shift its location according to the rate of tax, the level of wages, or the strength of collective action. Modern communications have collapsed the significance of space for large firms, but not for workers and communities they leave behind.

The same is true for those areas which have been weakly gathered into the folds of development, or towns which have been labour reservoirs for industries sited elsewhere. There has been a disjunction between the forces determining the location of industry and those underlying the location of the population. Local economic development is about bringing these two back into alignment.

This may be no more than redistributing unemployment geographically. But it does also offer the possibilities for local growth. If the economies of space can be realised, if a strong collective culture can be established - something which is becoming recognised as a critical factor in effective production, if, finally, the character of the inter-firm relationships within a locality can stimulate the innovation and responsiveness which has characterised many industrial districts, then there is real scope for a local economic development that can be sustained against the international market, and the threats of capital flight.

This way of looking at LED suggests that we are dealing not with levels, but with spaces. The local space includes much that is organised nationally and internationally. It requires national government intervention as much as local economic policy. National spaces contain organisations with wider powers - firms that plan for national markets, government that constitute these national spaces through their power over law, currency, tariffs, labour markets, and tax. What national government have not been able to do is to secure what we have called 'the economies of place' nor end the disjunction between the location of industry and the location of labour. This is why local economic development should not be seen as an alternative to national strategy, but a key component of it. Indeed thriving institutions of local economic development may well generate not only a more effective and differentiated national strategy, but a qualitatively richer economy as well.

### Forms of intervention in the local economy.

One of the arguments that has been raised against local economic development is that action at the local level is 'like trying to drain the ocean with a teaspoon'. The most effective way of raising levels of employment in any one locality, it is argued, is through macro economic policy, not job creation schemes. Local economic development has been associated with small business development units, or co-operative development agencies. Fostering a building co-op of 12 people seems to be of trivial significance in the face of unemployment levels of 50%, particularly if the successful creation of 12 building jobs implies the destruction of 12 others.

Experience in the 1980's suggests that neither of these polar opposites is adequate. Macro policy has been no more able to substantially lower unemployment levels, than local job creation schemes. Both may have a place, but the scope for influencing the character of the local economy is much wider than these two alternatives imply.

The starting point is to recognise how complex is the web of any local economy, how many varied points of power there are, from enterprises, trade unions, and civic groups, to local and national government departments and agencies. Each has a range of instruments for economic intervention. The task for an LED policy is to identify how these various types of intervention can be brought together around a common strategy.

For any one place one can never know at the beginning what the shape of this coalition is likely to be. There may be strong unions and a weak and/or hostile state. There may be a single major employer, or a range of small ones each with various interests. The task is to build coalitions of countervailing power, much as the democratic alliance in South Africa has built internal and external coalitions against the political and economic power of apartheid.

In Table 1 we set out a matrix of potential instruments that could be used by a local or regional authority as a means for reshaping the local economy. Many of these instruments could be used by the national state in a local economy, and some also are relevant to the potential powers of trade unions, civics, and private firms. Thus a firm will have power as an employer. The bigger ones are also likely to be large purchasers, pension fund administrators, training organisers, financiers and property owners. In the goldfield area of Orange Free State for example, a key source of economic power would lie with the purchasing manager of Anglo American. Whether that power could be used to diversify the economy of the region would be a matter of negotiation. Similarly civics have shown their power as purchasers through consumer and rent boycotts. Unions not only have the power of withdrawing labour, but are also significant fund managers, and sources of knowledge which can be used in support of regulatory action.

The focus of this guide is on the powers of local authorities. Much of what we say is based on the experience of LED in Europe over the past decade. In the early 1980's it was thought that local authority powers for economic development were limited. In Britain in particular, where the principal of ultra vires precludes actions not permitted by law, LED appeared to be restricted financially as well as legally. But with financial and legal creativity, it was found possible to undertake a whole range of initiatives, from establishing banks, to running international trading organisations. It also became clear that among the most effective of an authority's powers came from operating existing services and functions with an LED perspective.

Table 1 presents a summary list arising out of the 1980's experience:

**Table 1: Instruments of Local Economic Intervention**

	Local Authority	National State	Trade Unions	Civics	Firms	Third Sector
1. Employer						
2. Purchaser						
3. Investor and Pension Manager						
4. Land Use Planner						
5. Property owner						
6. Municipal Entrepreneur						
7. Development Banker						
8. Technology promoter						
9. Data banker						
10. Taxation authority						
11. Financial borrower						
12. Public health promoter and regulator						
13. Housing developer/ infrastructural constructor						
14. Infrastructural services manager						
15. Transport operator						
16. Cultural and leisure services provider						
17. Educator						
18. Strategic animator.						
19. Quasi money authority						
20. Publicist and representer of the general interest.						

## 1. Employer.

Local authorities are usually significant employers. In Atlantis for example the Regional Service Council accounted for 8.5% of formal employment. Johannesburg City Council used to employ 23,000, a figure which has now been reduced to 15,000 through privatisation. In the UK, Sheffield City Council employed 30,000 workers, or 12% of the formal sector, while the public sector as a whole accounted for nearly a third of all jobs.

The role of employer can be used decisively to influence the local labour market.

- pay and conditions. One of the major factors leading to the establishment of metropolitan authorities in late 19th century England was to improve the pay and working conditions of refuse workers. In some trades, such as those in construction, the wages set by a local authority can influence the whole labour market.

- training. Strong training programmes have established high level norms, and have provided a source of skilled labour which has been diffused into the wider economy.

- affirmative action. Many local authorities have been in the lead in developing affirmative action programmes for a whole range of groups disadvantaged in the labour market. They have taken the initiative in progressive hiring and training practises, and in the provision of support facilities such as creches for employees with young children, or lifts and ramps for those with physical disabilities.

- number of jobs. employment for local authorities is one of the quickest ways of cutting unemployment in an area. In Britain a number of authorities developed job plans which involved identifying social needs and the employment that was necessary in order to meet them. It was not a question of making work, but using unemployed workers to meet felt need in the most effective way. The problem is always one of finance, which will be discussed below.

## 2. Purchaser.

Those policies pursued through a local authority's role as employer can also be carried out through its power as a purchaser, as can other policies to stimulate local employment:

- a) pay and conditions/ unionisation/ affirmative action. In the United States public authorities initiated 'contract compliance' as a means of encouraging affirmative action programmes, and these instruments have since been adopted by British local authorities. The steps involve establishing an approved list, from which firms will be contracted. In the case of the Greater London Council, with a supplies budget of £200 million p.a. and a capital budget of more than £1 billion, the scheme was administered by a Contract Compliance Unit with 35 employees. They became an advisory body for firms wishing to remain on the approved list. Firms refusing to work with the scheme were struck off.

The trend towards privatisation and sub contracting was in part intended to undercut public sector conditions, and the imposition of Compulsory Competitive Tendering has been accompanied by regulations restricting local authorities from including contract compliance clauses in the contract. But municipalities have been creative in the way they have drawn up the



contracts. Certainly, where there are no laws against good employer clauses, sub contracting and tendering can always include requirements on the pay and working practises of those who tender.

b) local authorities have also used their purchasing power to favour local producers. Again there is commonly legislation which aims to curb such 'import substitution' whether at the local or the national level. Practises which are necessary to prevent corruption (like sealed tenders) may make the favouring of local firms more difficult. Some councils have given contracts to local firms where, after the bids have been opened, the local most competitive local firm can match the lowest bid.

In the long run, however, purchasing can be used most effectively as a means of building up a productive relationship with a supplier, in the manner developed by Japanese manufacturers. In these firms purchasing managers are key figures in innovation and quality control, securing a two way relationship between the supplier and the user departments. If the supplier falls out of line with the cost or product development of competitors in the field, the purchasing firm helps the supplier to upgrade rather than switching immediately to a competitor. One of the keys for LED is to find purchasing managers - either in the public or the private sectors - who are willing to work with producers in this way.

Sheffield used its purchasing to good effect in stimulating new firms. Two examples were dehumidifiers to negate the effects of condensation in public housing, and lift maintenance. In both instances a city council contract gave the new firms a secure market, and a base from which they could expand and diversify.

c) purchasing as a source of strategic information. The buyers in supplies departments commonly have a good knowledge of local firms and sectors. They attend trade fairs, visit supplier firms, and are responsible for the quality of the products purchased. Too often they have been left out of industrial strategic planning, and have thus been reluctant to use the authority's purchasing power for wider strategic ends.

d) using a council's purchasing power to provide cheaper goods to a local economy. Here the Council is acting as an intermediary or wholesaler for the benefit of small scale users. A good example would be building materials, many of which are subject to monopoly control and high final prices.

### 3. Financial and Pension Fund Investor

Local authorities control substantial short term finance. Treasurers will put liquid funds on the short term money market until they are needed. But again they can be used for wider purposes. Some local authorities have boycotted banks which had branches in South Africa, contributing to a policy which had significant political effects. But it would be possible to extend these types of bargaining with the financial sector to other ends. Like the removal of red lining from township areas, or the provision of a portion of the banks funds for local economic development.

Much use has also been made of local authority pension funds. In the United States this has been part of a wider movement to increase the collective bargaining power of shareholders on a range of issues from location of industry policy to, again, trading and investing links with South Africa. In the UK, the emphasis has been more on using pension funds to invest in the local economy, on the grounds that the councils themselves and their

employees have an interest in a thriving local economy in the medium to long term. Care has to be taken to work closely with the local authority unions, and mechanisms are also required for identifying and monitoring investments. But what has become clear is the substantial power that resides in pension fund management, particularly where there is co-ordination between a number of public sector institutions on these issues.

#### 4. Land Use Planner

A key control is land use planning powers. These can either be used in an enabling way - for instance ensuring there is room for expansion for particular industries - or as a bargaining instrument with firms.

One of the most successful examples of the use of these powers to support industrial development comes from middle Italy. In Modena, the municipal council compulsorily purchased agricultural land on the outskirts of the city at existing use value. They then rezoned it for industrial use, built factory space on it, and leased it to firms at cost price, with the proviso that the firms could not re-sell the lease at more than the depreciated cost price plus inflation. In this way the council took speculation out of the industrial property market. They also encouraged firms in the same industry to site themselves close to each other.

A successful commercial example can be found in Paris where stringent planning powers were used to build up a new commercial office zone in the run down area of La Defense.

#### 5. Property owner.

a) Local authorities are commonly major local landholders, both for existing uses like housing and education, or as land banks for future uses. Where the current uses include industrial and commercial operations, leases can be drawn up with good employers clauses (the Greater London Council found this worked well with industrial workshop schemes).

b) Equally important, public property ownership has been found to be critical in reinforcing land use planning powers. The Modena example was a case in point. More generally local authorities can play a key role in aggregating sites into a comprehensive development plan. They can ensure an integrated development, with sub economic uses set alongside commercial ones to give a balanced overall scheme. Many of the successful re-developments of run down urban areas in North America and Western Europe have taken this form, overcoming the tension that is customary between private property development and land use planning priorities.

London example 1. The central fruit and vegetable market in London was moved from its central site to the suburbs in the 1970's. The Greater London Council owned the site and undertook a comprehensive development scheme. It included small grocery stores and fishmongers to serve neighbouring residential areas (uses which could not have paid normal commercial rates for this part of London) and let the shopping area to single shop outlets rather than chains. It also included a free performing area. The result was that Covent Garden became one of the prime shopping attractions in London in the 1980's, until, after the abolition of the GLC, the area was privatised, leases were reallocated to chain stores, and the balance lost.

London example 2. One of the key sites on the south bank of the Thames was the subject of a 10 year campaign by local residents against office development. They argued that such developments did not provide the kind of jobs which would be open to residents in an area of high unemployment, and did nothing to improve the serious inner city housing situation. The GLC refused planning permission for the office development, bought the site and re-assigned it to a community development group, Coin Street Community Builders, who have redeveloped the site as low cost housing, industrial workshops and playspace.

c) Public property ownership is an instrument for capturing land rent from major infrastructural development. 19th century railway development was commonly financed by the sale by railway companies of land adjacent to the railways. Most modern infrastructural development, particularly roads and urban metros, is publicly financed, but the increases in adjacent land values are taken as windfall profits by private landholders. Local authorities can ensure that the 19th century example is followed by compulsory purchasing sites in the vicinity of new developments (including residential and retailing centres) and using the appreciation in values to repay the cost of the infrastructure.

d) the above powers would be enhanced if all public landholding was pooled and used to support a co-ordinated local strategy. This is an administrative problem. Some have proposed that there be a singly public landholding agency under local control, from which all public institutions can purchase land when they need it. This might encourage cross-departmental/institutional use of key sites, with public railway land for example being used as freight and passenger interchange centres, and even publicly leased retail complexes. Libraries could be linked to education through joint use of sites.

One key problem in all the above is to insulate public landholding of this kind from corrupt practises. Experience of local government in the North and South has been that it attracts property interests, and is a common site of corruption. One possibility is the establishment of public land trusts, open to the strictest public scrutiny, which would have the additional virtue of securing public land from being drawn into the market logic of private landed property. A good example of this in the UK is the National Trust which is a mass membership organisation that has taken increasing quantities of rural land out of the commercial land market.

## 6. Entrepreneur

Local authorities have increasingly provided goods and services for sale on the commercial market.

1. Those services which are linked to their function as a public provider. For instance Gwent Council in Wales undertakes computer consultancies; Sheffield City Council offers plants for sale from its horticultural nurseries; many waste disposal authorities sell materials for recycling, or have set up recycling operations themselves, notably for the production of energy. (electricity and methane). Many councils have shops attached to public facilities like museums or sports grounds.

2. They have established enterprises which provide inputs for Council services as well as selling on the wider market. Some authorities have furniture workshops. Others have developed new food products for school meals which they also make available to retail shops.

A common question is why local authorities should act as an entrepreneur in this way, when private firms could be expected to operate in these markets. There are the following reasons:

a) where the Council has built up a resource for public purposes, for example a library and data bank, it lowers the net cost on tax payers to realise some of its value by sale on the market. It also provides an opportunity for expanding local employment.

b) Councils may offer greater reliability and the possibility of redress than private companies. This applies particularly to fields like maintenance and repair where there is a degree of uncertainty about standards and quality.

c) concern for the quality of products may prompt Councils to establish their own sources of supply rather than relying on commercial sources. This has been one of the factors behind the setting up of Direct Labour Organisations for construction purposes, because the quality of building work is often difficult to monitor and faults may appear long after the contract is completed and paid for.

In part the issue for a Council is similar to a firm when it has to decide whether to make or buy. The pressure on local authorities in the eighties was to buy, and indeed this has advanced so far that some have argued that public authorities should never be in the position of making, and should rather act as a purchaser of services provided by private agents. We are suggesting that there are material reasons why the state can be the more effective producer, particular where markets are dependent on trust for their effective operation.

## 7. Development Bankers.

There are some 30 local and regional authorities in Europe and the US which have established development agencies and banks during the 1980's. Their rationale is that the commercial banking system fails to provide long term finance, and the active industrial support necessary for a firm or a group of firms to succeed. More generally they have been able to place considerations of social economy before those determined by private market accounting.

Among the activities undertaken by these banks have been the following:

a) support for company turnarounds; providing 'company doctors' for bankrupt or ailing enterprises.

b) support for expanding firms which lack the asset base to secure adequate funding from commercial banks.

c) venture capital for new companies where the risk is too great for commercial banks, and where the development bank takes equity, earning its returns by selling equity once the operation is established.

d) sector intervention designed to upgrade a group of firms through encouraging specialisation, joint operations, and design, and financing the investment that follows from this.

e) support for the introduction of management systems in local enterprises which are not of a size to finance this themselves through hiring consultants.

f) promoting restructuring or new enterprises at key points of a productive system, where inadequate performance is handicapping the enterprises in the rest of the system. This is commonly the case with key inputs like last making in the shoe industry, or particle board manufacture in the furniture industry. The key link may be in distribution, as in computerised wholesaling, and warehousing.

g) promoting training.

h) encouraging new work practises and forms of democratic management, including enterprise planning, co-operatives, affirmative actions programmes, and 'human centred' technology.

i) investment in industrial property (see above).

j) promotion of new technologies, such as computer aided design, where the bank develops a consultancy expertise with supportive finance for firms wishing to adopt the technology.

In some cases, for example Massachusetts, these activities are carried out by separate 'quasi publics', each with its own board of directors and small staff. In others they are undertaken within a single institution. One of the problems in the latter case is that activities which are 'sub-economic' from a commercial viewpoint may 'contaminate' the balance sheet, even if the activity is justified on social economic criteria.

This has been a real problem both for development banks in regions and in many developing countries. It has led to a retreat from retail development banking to wholesaling, providing subsidised funds through commercial retail banking networks. Yet this too has been unsatisfactory, for it loses one of the virtues of the retail development banks, which is pro-active advisory support to enterprises, a long term financing perspective, and a readiness to intervene at a sectoral or spatial level where many enterprises are involved.

One answer is to strictly distinguish between the commercial activities of the bank, reflected in the balance sheet, from its sub commercial ones which it undertakes on the basis of social economic criteria or as an agent of government. The sub commercial activities can then be financed on an agency fee basis, and assessed separately..

#### 8. Animators of innovation.

With so much of modern production dependent on innovation, local authorities have sought to encourage innovation either in existing enterprises or as a basis for new production. The policies have taken three forms:

a) establishing innovation product banks, and prototype workshops; searching patent registers for potential products and encouraging commercial product development from existing public sector technological capacity (research institutes, public corporations). This is technology led.

Example 1. The food industry in Emilia Romagna has set up a series of specialist research centres, on wine, cheese, ham, and fruits. These centres are responsible for scanning latest technological developments in the sector elsewhere in the world, and conducting their own experiments.

They work in conjunction with the science departments of local universities, and disseminate their results through summaries in a regional government agricultural newspapers received by local farmers and processors, and through extension service advisors.

Example 2. A number of UK councils set up Technology or Innovation Networks. These consisted of prototype workshops, and links to the higher education and research institutions, for products and advice emerging from academic research. Products that emerged include an electric bicycle, composting bins made from recycled glass, and a 5th generation computer system.

b) establishing a technology service network to be meet the needs of individual firms. Where a firm has a technological problem, the local authority provides information and advice as to where the firm can go for help.

Example 1. The Steinbeis Foundation in Baden Wuertemberg has compiled a register of 2,000 scientists and technologists working for higher research institutions in the region. It has a network of offices, which link to the small and medium firms who make up the core of the industrial sector. If a firm approaches one of the centres for advice, they are put in touch with a research scientist specialising in the field, and the scientist is funded for half a day to meet the firm and discuss the problem. If both parties decide to proceed, the Foundation finances half the cost of the consultancy, with the firm providing the other half.

c) identifying social needs and using public technology resources to develop technology appropriate to these needs. The resources may be from the higher education sector or from technology centres or networks of the kind described above.

Example 1. Sheffield City Council identified a problem of condensation in its public housing, and employed a technologist who had worked as a research in the Lucas Aerospace company to develop a dehumidifier. The prototype was tested and was then put into production by a newly formed co-op, selling not only to the City Council but to other local authority housing departments as well.

Example 2. The London New Technology Network worked with doctors from Guys hospital to produce a self diagnostic system for diabetics.\*\*

These represent three ways into innovation. In practise they often overlap, since effective technological development usually needs a close interplay between the developer of new technology and its user. What these experiences confirm is the extent of technological expertise in the public sector which remains untapped by the commercial sector, and the advantages for local economic development policies of mobilising these resources in their support.

## 9. Data Bankers.

The way that local authorities have sought to encourage technological development illustrates the importance of information and knowledge in economic development. The markets for these are commonly imperfect and sub-optimal, since the price of commercially supplied information usually greatly exceeds the incremental cost of diffusing it. Furthermore, it is one of the distinguishing features of large firms that they have a

substantial information economy - about markets, products, technologies, and their own operating systems - which it is hard for small and medium firms to afford. The large are information rich because they can make the substantial fixed investments that are required for market scanning and research, computerised management information systems, technological search and so on. Some of this can be purchased by small and medium sized firms on the information market, but it is common for them not to do so.

Local authorities have played an important role as data bankers for small and medium firms:

a) they have supplied a range of information services: on suppliers, property sites; overseas market opportunities, and labour markets.

b) they have financed independent sources of information, sometimes managed by groups of firms which wish to use them.

Example 1. In Carpi near Bologna in Italy, the local authority contributes to a data base of clothing contractors, which specifies what machinery each contractor has got and whether or not they have spare capacity. This data is used by firms wishing to sub contract work in the region.

Example 2. The Government of Emilia Romagna have set up six sectoral Centres of Real Services, which are run and part funded by industrialists in the sector. CEISMSA., which serves the farm machinery sector, focuses on tendering abroad, circulating to its members details of contract tenders announced, and the many regulations and particular standards applied in them. The clothing centre, buys expensive fashion forecasts from Paris, London and New York, which are available free to its subscribers, They also have their own overseas marketing advice, technological advice, and data bank of 50,000 designs.

One of the problems of local authority economic information systems is that they have tended to be aggregated, out of date, and bound by statistical categories which no longer represent the key sub-system distinctions. The shift from systems that provide such broad data, to ones that supply timely, relevant, commercial information, is one of approach and institutions. In general it is of the first importance to have the information user part financing and running (or well represented on the board of ) the data bank, Instead of 'statistics' what is required is 'managistics'.

#### 10. Taxation Authority.

The forms of taxation permitted to local authorities are determined by national laws. There are a wide variety of local taxes in operation: taxes on property, income, and turnover being the most common. In addition many local authority charges are in effect taxes - on electricity and water for instance - since they are payments for necessities which are relatively unresponsive to price.

Among the use of taxes as an instrument for local economic development are the following:

a) most common has been tax incentives to attract new investment from elsewhere, though it can equally be used for other categories of local firms. There are limitations to this instrument, some of which have been mentioned earlier:

- Tax breaks for mobile investment leads one area to compete against another, and tend not to encourage the type of investment which is 'rooted' in an area.
- General incentives may be insufficient for some and too generous for others, and are relatively blunt instruments as a result.
- Public finance foregone as the result of providing incentives are often less apparent than subsidies paid out, indeed some authorities keep no data on the value of incentives provided.

A number of countries have moved away from this kind of incentive towards public contributions to management advisory services ( Venezuela, Cyprus, and Germany have all adopted this approach)

b) redistributive taxation which taxes those whose spending typically has a low local content and shifts it to the state which has a higher local content. This is particularly the case with property taxation, which is a primarily a tax on land rent. Tax used in this way is one of the key instruments for affecting the level of local consumer demand.

c) taxation which affects the distribution of resources in the local economy; for example a low pay roll tax could be expected to encourage employment while environmental taxes favour a great economy of scarce natural resources. Among environmental taxes would be those on: bottles and plastic containers (a tax which is returnable on the presentation of the empty vessel); on property (see above); on hydrocarbons (for instance through a local petrol tax); on hotel beds; on toxic waste and polluting industries. These are particularly effective when the tax revenue generated is earmarked for investment in more environmentally beneficial alternatives: a road tax would help fund public transport; a hotel tax will contribute to the provision of leisure facilities; a bottle and plastic container tax will part fund refuse disposal.

#### 11. Capital borrower.

Some of these effects can also be achieved through borrowing. Because of the size and security of local authorities they are in a position to borrow at lower rates of interest than are available to citizens or small and medium firms. This opens up many channels for financial intermediation by local authorities. For example:

- they can pass on their low borrowing rates to low income households through financing public housebuilding or providing subsidised home loans, a policy of particular importance where finance companies have 'red lined' a district because of its supposed riskiness.
- they can contribute to the initial capital of loan guarantee schemes, which among other things has the effect of bringing a group of borrowers together and acting in union in bargaining with banks.
- they can mobilise cash from inside and outside the economy through floating community bonds. These are sold not on the basis of a higher than commercial return but because the purchase of the bond contributes to the well being of the local economy.



## 12. Public health regulator.

Local authorities play a major role in the economy of public health, from waste collection and disposal, to the provision of certain health services, and enforcing public health regulations.

Each of these has an employment component, and provides a point of purchase on the quality of working life and products:

- employment. An example would be refuse disposal. There are a range of collection systems in operation, from large compacter trucks (often imported) to smaller lorries which are loaded with uncompacted rubbish, to local gathering methods using wheelbarrows, bags, and so on. There are also schemes which encourage the separation of waste into types of recyclable materials, and a reduction of waste by such measures as taxes on packaging. Each method has differing implications for local employment.

In Namibia for example, residents are paid a significant sum by the waste collector to bring bags of rubbish to the point of collection. In Alexandria there has been an experimental scheme for providing local employment by dividing up the collection service into five sections, and letting it to local, or quasi local contractors. In Johannesburg, the city council employs workers on short term, even one day contracts, on low wages, in a manner similar to some of the large private waste contractors.

Given the poor quality of waste collection observed in the townships, particularly where private contractors have been employed, this is clearly a service where local authorities could improve the conditions of work, the quality of the service and adopt methods which would stimulate local employment at the same time.

- health and safety at work. Where the local authority is responsible for inspecting working conditions, and pollution, it has substantial power to upgrade the quality of industrial production and working life. Where the factory inspectorates are under national control, there is much to be gained for finding a means of co-ordinating their work with that of local authority public health inspectors, and broader health policy.

- local authorities play the pivotal role in ensuring proper living conditions for their populations. In South Africa the various systems of local administration have failed to play this role, allowing the continuation of squatters areas without sewerage and water, grossly inadequate housing and overcrowding, and inadequate refuse collection. The results are high levels of infant mortality, infectious diseases and malnutrition.

- the food industry.

- \* A number of local authorities have issued certificates to catering establishments signifying that they accord with a code of practise on cleanliness, the conditions of kitchens, the employment conditions of the workforce, and the safe preservation of food.

- \* Others have provided testing facilities to ensure the quality of food, and pursued a policy of getting food firms in their district to test their own products and upgrade quality, even prior to the public 'super testing'.

\* it is common for abattoirs to be municipally owned and managed. This is a key instrument for the upgrading and organisation of the meat industry. Cape Town City Council is in the process of privatising its abattoir which reduces its capacity of intervention in the meat sector.

\* There have been cases of a local authority focussing on diet, producing newspapers for the whole population on diet and healthy eating.

- preventative health. The Oxford City Council has initiated a scheme which binds major employers into a partnership with the city council to undertake a 20 item health programme with all employees, the companies covering part of the cost, and the City Council contributing services it already provides.

### 13. Housing developer and infrastructural constructor

Local authorities have historically played a central part in providing affordable, good quality housing. In doing so they have acted as housing developers with a substantial staff of planners, architects, site engineers, construction workers, and maintenance staff. Recently many of these functions have been sub-contracted, and direct labour organisations run down as part of the general move to commercialise public provision. We should note the following about the record of public housing:

- i. it has provided large numbers of houses built to specified standards.
- ii. the level of training and security of employment for construction workers has been an exception in an industry marked by lack of training and casual employment.
- iii it has pioneered innovative architecture for schools, and other public buildings.

In terms of housing construction and the provision of basic infrastructure like sewerage, water, roads, there are alternative types of construction which have different implications for local economies. In road construction, for example, it is feasible to substitute labour for equipment for all but 10-20% of construction costs of higher quality construction. In Botswana, Kenya, Lesotho and Malawi, over 200,000 person years of employment have been created and over 15,000 kilometres of roads built. In South Africa the Soweto pipeline was in part built with labour intensive methods, and the Kwazulu road maintenance programme was based on similar principles. In July 1992 the Development Bank of South Africa published a study on labour based construction which confirmed the considerable technical options, and identified one of the key questions being that of managing the many sub contractors and workers involved in such operations. They also underlined the foreign exchange saving of both equipment and energy that labour intensive methods implied.

Another point that arises from this study is the progressive training at a number of levels that a labour based method entails. Alternative housing construction methods also need to be considered in this light. A housing programme simultaneously produces houses and the job/skills of those involved in their building. The World Bank has favoured site and service schemes, but has devoted too little attention to how these could increase employment and skills in the areas where they are located. There have been

instances elsewhere - Kenya is one - where a site and service scheme has been run alongside training courses in construction. There is also the potential for group construction, encouraging the development of specialist skills. Where housing is built by a contractor, the employment of local people and their training can be made a condition of the contract.

We should note too the possibility of producing building materials as part of construction projects. The most common experiments have been in brick production in rural areas. One of the problems with brick projects is that after initial success, they have found it difficult to sustain production once the initial capital project is completed. In Europe there have been experiments of this kind in window and door making, as well as a in the later furnishing stage. In the case of South Africa, with the promise of a major building programme, there is clearly going to be sustained demand for a range of materials during the 1990's, and this is one area where national and local strategies for the sector are urgently needed.

#### **14. Infrastructural Services Manager.**

The provision of infrastructural services and the maintenance of capital works has been one of the major employers of local authority labour. Its significance for local economic strategy is four fold:

a) it has been an important site of training. Thus, Johannesburg City Council housing department has a maintenance staff of 300, which includes apprenticeships and training programmes in all trades.

b) it provides a channel for rapidly increasing jobs economically, since there are substantial costs to inadequate maintenance. In South Africa we found preventative maintenance cited as a target, but there were rarely the resources to undertake it.

c) maintenance costs are sometimes increased as the result of the initial capital works. One of the roads we visited in Tamboville was already falling into disrepair because it had been inadequately built in the first place. Such false economies are made more likely when capital programmes are separated from continuing service provision. Manufacturing industry has found ways of overcoming this, seeing breakdowns as an important component of waste, as well as a potential stimulant for innovation so that the breakdown does not occur again. Much local authority expenditure could be considered as covering maintenance some of which could have been avoided by preventative measures (from housing maintenance, to social welfare, and some types of health care).

Hence needs and expenditures on maintenance should be considered as an index for the economy of many service operations in a local authority.

d) there are some services in which the way the service is provided can both improve efficiency and expand local jobs. Electricity is one example, where local authorities in Europe have found that investment in conservation measures reduces the need for large capital investments and cuts the householder costs of electricity. Furthermore, conservation programmes, like roof insulation, or the use of solar heating, provide more jobs within an area than those required to build new power stations and their equipment. One local authority near Rotterdam in Holland has incorporated these ideas into the construction stage so that it has houses where bought energy costs have been cut by 90%.

Not all these ideas are relevant to the warmer climate in South Africa, but the range of alternatives in electricity generation, distribution and use to be found in Europe and the US suggests that this is an area which should be taken account of in the forthcoming production programmes. It also suggests a range of alternative energy strategies for local authorities in their capacity as distributors of electricity.

Similar points may apply to water and sewage. It has been pointed out that 80% of South Africa's urban water supply is used in connection with sewage. A range of innovations have been made in other water scarce countries for economising on water use through different types of water closet, and sewage disposal.

The point in each of these cases is that there are employment implications, both in terms of the direct employment required, and in the potential for innovative products which could provide further work in their manufacture.

#### 15. Transport operator.

Transport policy has tended to be determined by transport planners and has rarely had an employment focus attached to it. But transport will always play a central part in any local economic strategy, because of the jobs it entails, and the service it provides in carrying passengers and freight into and out of the locality.

Analysis of a transport system involves a consideration of alternative systems - road, rail, bicycle - ; the facilities for interchange between the systems; the construction of the infrastructure and vehicles required for the systems; repair and maintenance of infrastructure and vehicles; as well as the operations of the vehicles and the supply of fuel. As a sector it therefore takes in car maintenance, petrol stations, auto production and sales, bus and taxi design and operating services, railway workshops, bicycle safety, and the design of freight interchange systems. In national economies, this sector commonly constitutes 20% of all production.

Local authorities usually play a key role in the transport sector: as planner, bus service operator and maintainer, road builder and maintainer, administrator of road regulations, vehicle tester, They usually have weaker powers vis a vis railways. In areas of Europe, local authorities have worked with the railway operators to provide new lines, joint ticketing, and timetabling. It is a major task for any local authority to set up effective co-ordination between different transport modes so that they operate as apart of a single system.

There is, therefore, not only scope for a local council taking the lead in providing improved transport services, but for it to contribute to upgrading and expanding the productive employment in the sector. The rail and bus maintenance workshops for example have opportunities for extending their services beyond their initial function. Training in vehicle maintenance, community car maintenance workshops, fuel efficiency advisory centres, the setting up of bicycle lanes, the management of existing road space - are the kind of initiative open to local authorities in this field - and each is an employer of labour.

## 16. Cultural and leisure services provider.

This has been one of the most innovative areas of local economic policy in Europe over the past decade. Glasgow, London, Sheffield, Rome and many of the central Italian towns have used cultural and leisure production as a means of stimulating their economies. Councils have traditionally been responsible for the provision of play spaces, and for sponsoring cultural events. What is marked about the 1980's is how this has been transformed by considering culture and leisure as industries.

The range of initiatives have included sponsoring recording studios and record pressing facilities, supporting video production and distribution, promoting towns as film locations, sponsoring local radio, opening up traditional theatres and concert halls for community arts, providing public advertising for minority newspapers, organising free large scale open air concerts as a shop window for new and established musical groups. A number of authorities have re-organised their libraries as cultural centres, providing facilities for group viewing and borrowing of videos, exhibition spaces for local artists and sales outlets for prints, a bookshop, a cafe and meeting place, as well as providing information and advice services.

Similar initiatives have taken place with respect to sport, the backing of football teams, hosting athletics competition, and sport exchanges with other domestic and foreign towns. Dieppe, a ferry and fishing port in northern France, which has a noted cultural centre/library, has also established itself as the venue for an international kite flying festival attracting more than 20 countries to the town every year. This kind of festival, and exchange visits have been called post-tourism, and have been seen as an alternative to the packaged tourism which has reached such critical levels, that some Italian cities have had to introduce tourist rationing.

## 17. Educator.

One of the common characteristics of the industrial districts in Europe has been the key part played by technical colleges. The Mondragon group of co-operatives in the Basque region of Spain began round a small technical college in the 1950's. West Jutland's diffused industrialisation was likewise focussed on specialist colleges, and the technical schools have been one of the keys to the strength of German manufacturing industry. In Italy, the technical colleges are places for gathering in the evening, discussing specialist problems in the industry, and listening to talks by local artisans and industrialists.

In South Africa, there are some 110 technical colleges which have been under regional administration. Many of them are underused, and are linked to the local economy primarily through the College Councils and the sandwich elements of courses which require a day to day link between colleges and employers. They provide artisan training for the National Technical Certificate. Few have seriously pursued affirmative action policies among their staff or students. They have been one of the most conservative parts of the educational system.

There are other specialist colleges in South Africa, such as those for training teachers. Alongside the technical colleges they form an important local resource. Many established townships have a college. There are at least two in Soweto. Daveyton has a teachers training college, (in addition to the technical college in Benoni) and there is a Technikon in Atlantis. What needs to happen is that these premises be opened up as

Atlantis. What needs to happen is that these premises be opened up as community colleges, with use made of them for Adult Basic Education and similar types of learning. At the moment they operate on a one shift basis and are closed for 12 weeks a year during holidays. The use of capacity could be greatly increased, and a focus given to provision according to the key industries in the area.

In some technical colleges in developing countries, specialist machinery is made available to enterprises, for instance high cost testing equipment. Others have developed workshops nearby where ex pupils and staff can develop their own production facilities, and call upon the College for advice or mechanical help when necessary.

Closer links also need to be established with the school system, where only 10% of the pupils have any vocational education. The facilities of the schools themselves could be more fully used, for educational and leisure purposes.

This is at the general level. One of the key powers that many local authorities in the North have sought to exercise is their influence over technical curricula. Thus what is taught in a catering college is critical for the standard and direction of local and national catering. Employment and output quality considerations can be effectively introduced at the training stage where local authorities are able to have some influence on the curriculum.

#### 18. Strategic animator.

One of the striking features about most local economies is that there is a lack of strategic thinking about industries and public functions, which run across divisions of ownership or public managerial responsibility. The economic aspects of planning tend to be aggregative, considered passively, and in land use terms. In France, the local Chambers of Commerce are well resourced and have a strategic capacity, but for the most part small and medium firms find it difficult to finance strategic intelligence and thinking by themselves.

A local authority can have an important role to play in developing sectoral and area strategy, together with those economic actors who agree with the broader aims that the council is pursuing. The aim is to provide a common orientation and plan for the range of institutions involved in local economic development.

The means used include sectoral working groups, short term task teams composed of people seconded from the main economic agents, public hearings and enquiries, conference and day schools.

Example 1. Prato Municipality recently set up a task force with the unions and industrialists to discuss how the reconstituted cloth industry (which was the town's specialism) could be restructured in the light of rapidly falling demand.

Example 2. Ervet, in Emilia Romagna in Italy, is funded by the regional government to undertake strategic research and support work, and has produced a range of detailed sector studies.

Example 3. The Greater London Council produced a 24 sector strategy report, compiled from chapters developed in collaborations with unions, civics, and enterprises. It also produced a labour plan, and separate strategies on Technology, Finance, and the Cultural Industries.

#### 19. Quasi monetary authority.

Local authorities do not have the macro economic powers of national governments. They cannot put on tariffs or exchange controls and they cannot issue their own coinage. But there have in the past been examples of local money being used as an instrument of economic development and there are some parallels in contemporary practise.

The best known historical example came from Austria in 1933-4. The town of Worgl was suffering from high unemployment, and decided to issue a local municipal note with which it paid unemployed people to work. There were two distinct features of this money. First the municipality announced that it would accept the note in payment of any debts due to it. This was in the tradition of the state theory of money, advanced by members of the German historical school. Second, a note became worthless at the end of the month, unless a stamp worth 5% of the notes face value was affixed to it. The aim was to increase the velocity of circulation.

The result was dramatic. The citizens of Worgl, who had been behind with their municipal payments, now sought to prepay them in order to avoid having to pay the monthly stamp on the currency. There was an immediate reduction of unemployment, as the newly employed municipal workers spent their money locally. The model was adopted by other Austrian towns, and a score of American cities (the later as a result of a visit to Worgl by the noted economist Irving Fisher). In the 1934 the Central Banks of Austria and the United States prohibited the practise because of its threat to a unified national money.

The important point about national currencies is that they define a national economic space against other national spaces. In anti colonial revolutions there was often a battle over the control of money that ran alongside guerilla warfare. Not only does a national currency give the government a key instrument of control, it also acts as an encouragement to specifically national exchange.

Modern money includes credit cards, which in addition to granting credit act as privileged channels of information. Credit card holders receive mailings from the card operator. Their expenditure is monitored. Specialist store credit cards have become an important forms of competition in retailing. Although they are designated in the national currency they have elements of quasi money, defining a particular economy between the store and the customer.

In Europe a number of local authorities have been exploring the use of towns cards as a means of favouring the local economy, particularly public services:

- there have been town credit cards which entitle the holders to credit and reduced prices in stores participating in the scheme. They have been used particularly to support non chain retailers.

- many authorities now operate a town card scheme which allows the holder free or reduced price access to public facilities. One example is the town card of Oxford. It is available at varying lump sum prices, according to income and circumstance. Holders have free access to public facilities at

off peak hours, and reduced price access at other times. There is a pilot scheme in the town in which a doctors' practise is prescribing free use of the town card rather than drugs, for people whom the doctors consider need exercise and relaxation. Their progress is monitored monthly. Other towns have included taxis and restaurants in the scheme, as well as public facilities.

- there have been discussions of a further step whereby town cards can be used in twin towns, and on transport routes between them. Each town provides information about those places and shops included in the scheme. There are currently discussions of joint schemes between different countries in Europe.

It is a useful component for town twinning.

The point of these schemes is to provide a privileged 'binding' to those facilities and enterprises within the scheme. We have called them quasi money, since modern money functions not only as a medium of circulation, means of payment and store of value, but also as a channel of information and definer of collectivity.

## 20. Publicist and representer of the general interest.

Local authority have substantial powers of publicity. This has been used in negotiations with large companies - those operating in final consumer markets are particularly sensitive.

There is one general role that only the local authority can play, for which its publicity capacity is particularly important. It has the task of representing the general interest of any area. A municipality can speak above and beyond any particular interest, As such it can also represent a moral economy, establishing a standard for conduct in an area.

### The Administration of Local Economic Strategy.

These powers involve a number of distinct administrative processes:

#### a) regulation.

The process of regulation involves:

- the legislation of a code.
- the inspection of practises to ensure compliance with the code.
- the arrest of transgressors of the code.
- trial and punishment.

In fields such as health and safety, pollution, and food hygiene, public authorities have established inspectorates which have played an important active role in raising quality and advising on the upgrading of standards.

#### b) tax and benefits.

The administration of tax also involves inspectors, whose task is to value and assess the relevant assets or income which is the subject of the tax.



For local taxation, the valuation of property is relatively straightforward from an administrative point of view. Poll taxes have proved more difficult, as have income taxes where there is scope for companies and citizens to arrange their affairs so as to under-declare their incomes and profits, or overdeclare their costs. In many developing countries income and corporation taxes have proved difficult to impose both in the formal sector (because of transfer pricing, and transfer accounting) and the informal one.

The administration of benefits, like tax, involves a classification of the population according to established rules. The task is to decide whether or not an individual or firm qualifies for benefits, and this centres round the question of information, that is to say whether the applicant is what he or she says s/he is. Hence the administration of benefits also generates inspectorates.

c) market operations.

a number of powers are connected to local authority dealings in the market: as an investor and borrower of finance, as the purchaser of inputs, and the seller of outputs. This is the local authority acting as merchant and financial dealer. It requires trading skills, sources of information, about markets, and about those who trade in them.

d) productive operations

A local authority is involved in the construction of infrastructure, the production of a wide range of services, and to a lesser extent manufactured goods. In this capacity, the council is a large employer, an organiser of productive systems, and has continuing relations with citizens as users.

e) marketing and the management of signs.

Much politics is concerned with the economy of signs, how politicians appear, how they 'sell' their policies, what 'image' they project. Whereas politics in the first part of the twentieth century was discussed in terms of models of production - the political machine,- late twentieth century politics has come to be associated with the language and practises of marketing. Opinion polls are used as market research. Advertising agencies advise politicians and put over their policy. Television and radio are drawn in as news becomes managed as part of a post modern politics, where substance is dissolved into images that take on a life of their own.

Economic development has also become associated with these practises of the administration of signs. Some LED strategies are focussed on the marketing of place. But even where they are not, the local authority will employ press officers and public relations consult to advertise council activity in this field. It is not fortuitous that Pretoria senior officer in charge of economic development had a background as a political strategist, an arms salesman and a graduate of marketing.

Significant parts of an economic development unit's research are as much about alternative interpretations of the economy, as about knowledge necessary for productive intervention. In the UK for instance there has been a statistical struggle during the 1980's over rates of unemployment. The UK government has changed the definition of unemployment more than 20 times during the decade, and alternative research has sought to counter the

under-reporting that thereby ensued. There have been similar contests over the significance of particular actions by central and local government in the economic field. What this implies is that administration is necessarily part of politics, and has been drawn into the practises and projections used by politicians themselves.

There are a number of problems which arise from these varying administrative practises that are involved in local economic development:

a) the first three are all subject to corruption, because the civil servants act as the gatekeeper to resources and profit. A variety of administrative procedures and codes of public service morality have been developed to guard against this.

b) partly as a result, the administrative approaches and cultures suited to one form of intervention are unsuited to others. The legal/police approach required for regulative administration, or the classificatory outlook of public finance required for taxes and grants, are quite unsuitable for the administration of industrial or service production, or for the development of strategy. It has been common for Departments of Industry based on regulative and classificatory systems to try and develop strategic, advisory and entrepreneurial functions, with a notable lack of success. The task is to develop institutions suitable for the functions required.

Thus for the management and expansion of production there is a strong case for institutions close to users and producers, which are insulated from the sections of government concerned with regulation and redistribution. Examples include development banks, and quasi publics with boards representing the principal users and classes of actor in the locality. There need to be new forms of political accountability established through politicians active in their operation, as well as public audits and enquiries.

c) each of the functions depends on and generates particular types of information about enterprises operating in the economy, but there are few mechanisms for sharing this information. In the case of the taxation authorities, there are regulations that forbid the divulging of information, even when the wellbeing of the local economy is highly dependent on a single firm. In other cases, each department has separate files, calls on separate consultancy reports, and circulates its information within the government only in so far as it suits its departmental interest.

What are required are mechanisms for bringing together these various sources of information with respect to a common purpose, for example the development of a sector strategy. This should not be in the form of a data bank so much as strategic planning teams, composed in part of officials drawn from different departments, which could call up departmental information as and when required.

d) local economic development is dependent on the joint activity of different parties, public and private. The skills and qualitative relationships required for collective working commonly conflict with those implied by other local authority structures of intervention. For example grant giving generates a clientalistic dependence, at the same time as being subject to strict rules to ensure probity in the administration of the grant. The relationship of a firm or civic action group to a strategic unit and a grant unit are quite different. The former is always

asymmetrical and can never be disinterested. For this reason some developmental institutions have refused to give grants or credit. In other cases, the developmental unit sides with the potential grant recipient against the grant giver and the professions involved.

#### Strategies of intervention.

Given the range of local authority powers and institutions, there are a number of different approaches to using them:

1. Conventional policy has focussed on the spatial competitiveness of a local economy. One view has been to interpret competitiveness in terms of cost and deregulation. Emphasis is put on cheap industrial property, a pool of unskilled and semi skilled labour, low taxes and modern communications. This has been the approach implicit in traditional regional incentives schemes.

The local economic package is then marketed through advertising, targeted approaches, and promotion offices. A good example is Pretoria's current strategy. It has employed Deloit's to measure the productivity of Japanese firms relative to national sectoral productivity. If the firm's measure is below the national one, it is considered to be potentially in the market for relocation and is targeted as such. The city is also aiming to advertise itself through its student population, through South African athletes at the Olympic Games and so on.

The limitations of this approach are:

- a) there is limited mobile industry.
- b) mobile industry attracted in this way tends to remain footloose.
- c) inter-spatial competition of this type is dependent on low wage labour and unregulated conditions, and commonly results in low returned value into the economy.
- d) the local economy is forced to reproduce types of product and productive culture which cut across its broader goals; this has happened with standardised tourism based on this approach.

2. An alternative approach to mobile industry stresses the features of the 'new competition'. Under the new competition it is not price but quality, innovation, and the capacity to respond to specific and changing market needs which is key. What is important is a skilled labour force, an industrial structure which can supply high quality sub contractors, and strong local institutions to ensure that the horizontal links in the local economy (transport, labour, space) are well managed. Some have gone further to suggest that the critical resource is skilled technical labour, and that the principal policy goal should be to create the conditions - cultural, environmental, and social - which will attract such labour. Cultural and environmental policy - in this line of argument become more critical for local economic development than incentive schemes.

3. A third strategy is to emphasise indigenous development, starting from the industry, needs and skills already existing in the local economy. There are a number of different avenues to follow:

- the extension of public sector production, or the use of purchasing to favour local producers.

- the identification of fast growing small and medium firms in the region whom local authorities could then use their various instruments to help.
- the establishment of various forms of community banking and advisory facilities to support the growth of local industry.
- the provision of workshop space for start ups, sometimes linked to technical colleges.

4. Fourthly there is the sector strategy approach, which cuts across the distinctions between local/ national or international firms, and between large, medium and small. It starts from existing sectors and considers in what ways they could be restructured to support the aims of local economic policy. The sector might be food, in which case it would include agriculture, seed and fertiliser production, processing, packaging, wholesaling, retailing, and catering. Many of these might not be represented in the local economy, and the question would then become how strategy could influence the character of this sub system inside and outside the local economy. In such sectors the full range of local authority powers are often brought into play, from food regulations. technical advisory services, technical education, public purchasing and catering and so on.

The argument here is that sub systems of this sort are engaged in a constant process of restructuring, but that this restructuring - brought on by pressures from the market - can take place in many different ways, and these ways will have quite different implications for the quality of work and product, and the rootedness of an industry in a locality.

5. A fifth strategy focuses on the non market economy and its extension. This would involve strengthening intra-state transactions, the direct socialisation of the domestic economy, and the links between third sector enterprises and other parts of the not for profit system. These interconnections would not be confined to any one locality. Rather it would be a policy of import substitution on behalf of the not for profit economy against the market economy. There are a variety of schemes of this sort: guaranteed job programmes; town cards; alternative trading (there are now 150 alternative trading organisations operating internationally); and intra-state cross departmental planning to reduce the reliance of state services on taxes from the money economy.

6. Lastly, there is a strategy of pressure on national and international employers to operate in the local economy in accordance with the local strategy. The argument here is that closure decisions of the central state, or a private multinational, can outweigh the positive results of a whole programme of indigenous strengthening. Some local authorities have therefore set up early warning units to advise them of likely closures and relocations. They have supported international trade union co-ordination, and have conducted campaigns against particular branches of the state whose actions are against the interest of particular localities.

There is a more general point here. One of the purposes of local economic development is to 'reticulate' national policy at a local level. Most national policy is standardised and takes too little account of specific local requirements. It certainly lacks co-ordination with other parts of a local economy. From this viewpoint, local economic strategy must necessarily be national and international in its perspectives and action. It must think locally but act globally.

In considering these strategies it should be observed that each expresses the administrative structures and skills of those proposing them. An authority in which legal and financial officers are dominant, will tend to adopt regulatory and tax/grant policy instruments. Educational and social authorities will be more at home with discursive and training-led policies. What is important is that there exist departments and institutions capable of using these powers effectively, as well as practises which allow these differing approaches to reinforce rather than conflict with each other.

The alternatives are perspectives to be kept in mind, elements which can run alongside each other or be combined in any one locality. They are meant to prompt questions rather than provide blueprints. By and large, the first has been least productive for local authorities as a whole. Yet even here a locality without any industrial base might decide that one of its policies might include putting pressure on the state or a branch of centralised capital to establish an anchor industry around which others could develop.

#### **Types of Economy.**

The relevance and applicability of these strategies will vary with place. A township with an informal economy but no formal industry is in a very different position to a town with a strong factory base and industrial tradition. Each area has a particular history and relationship to surrounding regions.

Among the different types of economy are the following:

1. Already industrialised economies which have faced closures and retrenchments. Some may have been built round specific sectors, while others will have had a more varied industrial base. Here the issue is how to restructure the existing industries - since there are no old industries only old methods of production. Or, where the new methods cannot be introduced in the old industry (worked out mines for example) , the question is how to develop new industries which use the skills of displaced workers.
2. Dormitory areas where there is little local industry save that which services the residents.
3. Areas where new industries are displacing old causing problems of structural change of space, skills, and 'industrial atmosphere'
4. Industrial districts where there is a concentration of small and medium sized firms specialising in particular industrial or service activities.
5. Rural areas and small towns which have a strong traditional economy, but little modern industry.

#### **Methodology.**

Developing an LED strategy depends first on knowledge. This is not the individualised knowledge of a researcher, but a collective knowledge of all those involved in the making and undertaking of the strategy.

There are four types of knowledge needed for this purpose:

1. knowledge about the broad structural character of the local economy in its wider regional, national and international setting.
2. knowledge about the main economic agents in the local economy, enterprises, public sector bodies, landholders, trade unions and community groups.
3. knowledge about the points of potential effective intervention.
4. knowledge about the people upon whom an effective strategy can be based.

It is customary to start with the first of these, and undertake preliminary studies with the aid of public statistics, surveys, and published books and articles. Our view is that it is the subsequent types of knowledge which are more important and which will feed into the broader picture. It is difficult to get these types of knowledge from official sources.

There are many sources of this knowledge, formal and informal. Those working in local industry have the most immediate knowledge of production. Managers know about the networks into which local production fits. Providers of business services often have a good sense of the formal economy of an area through their clients - computer service engineers, bankers, the local telephone manager, the industrial waste collector. There is no one objective knowledge. Each is gathered for a practical purpose and as part of daily working. They have rarely been combined, and related to the purposes of LED.

How to make this combination depends on who is undertaking the project.

In what follows we assume the position of one or more LED workers with little knowledge of the locality. Their position is that, as well as knowing little, they are little known. For them the process of LED involves simultaneously knowing and being known, for to play a role in developing collective knowledge and shared perspectives, the co-ordinator of LED has to become known and trusted.

We use the words collective and shared rather than participative because the latter implies a project standing outside the locality, introduced by the state or some other external agent which others are then invited to join. It presumes a privileged position for the planning authority and LED worker. The problem with this is that LED of the kind discussed above cannot be effectively formulated and implemented from without. It depends on the development of a common orientation amongst a range of actors, internal and external to the local economy. The question is how that orientation develops, how the different, partial knowledges can become a synthetic general knowledge. Analysis means the breaking down of problems into parts, synthesis their recombination into a whole. This is the significance of the idea and practise of synthesis, and what we imply when we use the word collective rather than participative LED.

The task of synthesising is a skill. It also involves relationships. It cannot be done by impersonal questionnaires and the aggregation of figures. It is in this sense that those involved in the work must be known, as well as knowing. Sometimes this work can be done from within a community, by people who already have a wide particular knowledge and are themselves known. There are advantages and disadvantages in this, which are the mirror image of the disadvantages and advantages of the outsider. The outsider's advantage is that they initially at least they stand apart from the

particular. They get to know as part of the process of combination. This is why we considered the issue of methodology from the outsider's viewpoint.

It may be helpful to think of the gathering of the relevant knowledges like a journey. It will involve the following steps:

#### Initial stage

1. The Guidebook. collection of immediately available general material on the locality concerned. The following are potential sources:

- the planning department of the responsible local authority
- the public library in the area concerned or the provincial capital
- the Development Bank of South Africa.

Other documents such as consultants reports, special surveys, and commercial studies can be gathered from those working in the area.

2. First visit. Walking the bounds. A visit to the area in the company of members of the democratic alliance. The purpose is to get a sense of place - the types of factories, and commercial buildings, the physical and social infrastructure, the spatial lay out and its connections to other parts of the region.

3. First assessment of the character and problem of the economy. This requires a preliminary 'reading' of the locality, and the putting forward of some provisional 'theses' about it.

4. Initial discussion of key characteristics of the economy:

- main firms Lists may be available with the trade unions, property department of the local authority, or employer's group. Otherwise they can be gathered quickly by group work with trade unionists and civics.
- main public sector institutions and employment
- labour: the relative strength of labour organisations; the extent of employment and unemployment, of out commuting and in commuting; the gender and ethnic composition of local employment; the available capacity for training, within firms and local technical colleges.
- land; its availability and the economy's spatial arrangement
- finance; the condition of local government finances, and the availability of resources within and outside the local economy available for development:
- a vision for the area

5. First identification of points of strategic importance.

6. Write up.

The purpose of the first stage is scanning. Its aim is to get a direct acquaintance with the economy as a whole, and its potential entry points. There will be many accidental sources of information, and an unevenness of detailed knowledge.

## Second stage

Pursuing enquiries.

There is now a need for a more systematic follow up of potential areas of significance. Some or all of the following may be helpful:

1. establishing working groups and projects on key issues such as:

- particular sectors. This will involve visiting firms and talking to managers and trade unionists in the sector.
- surveying the public sector, with visits to local authorities, particular activities (such as housing maintenance, public purchasing, public health)
- training capacities and policies for affirmative action amongst the principal employers.
- identification of land availability.

The principal constraint will always be people. Even for a relatively small area, a team of 5-20 is commonly needed for effective research and follow up. They need not all be employed by the lead research body, but can form a temporary team with members drawn from supporting parties.

2. During the follow up, there is a need to identify actions which can be quickly put into effect. This will not only push the projects forward but confirm the practical value of this form of collective work.

3. As the research proceeds, it is useful to arrange occasions for drawing in as many people concerned with the sector or issue as possible. The occasions might include:

- evening meetings for sectoral discussions with managers and trade unions from the sector (whether or not these are held together or separately depends on the politics of the industry). The sectoral development worker or an associate can usefully introduce such discussions by outlining the broad national and international trends in the sector, before going into a discussion of the sector and its problems in the local economy. Where possible the reports on national and international experience should identify the alternative ways in which the sector has developed in different regions and countries in order to underline the idea that there is no one path of development.

- public lectures on similar themes.

- one day conferences as a means of getting systematic written contributions from those directly involved in the industry, or from researchers.



- public enquiries.
  - a group visit to a plant or scheme, preferably in a coach or combi in which it is possible to discuss as a group on the way.
4. It is also useful to disseminate the results of the discussions and the materials as the work proceeds;
- writing articles and undertaking interviews for the press, radio and television.
  - producing a project newspaper which can be widely distributed in the town, or region in the main languages.
  - compiling a dossier which can be circulated to key parties involved in the project.
  - approaching adult education organisers to use material from the projects in their classes, as a means of extending the number of people participating.
5. The process of research and discussion should aim to develop strategic agreement between those whose daily business will be to implement the strategy. This both helps to define the range of people who need to be brought in, and the open character of the discussions. After a number of sessions it will be clear who those people are with whom it is possible to work effectively.
- 6 The function of the strategy development workers is to provide information about the issue or sector which is not immediately available locally, to 'animate' the discussions, and arrange for the write up of the research. The aim should be for the final strategy document to be as it were an extended set of minutes of the discussions and visits undertaken.
7. One of the aims of this procedure is to encourage the economic agents to pursue in practise the implications of the perspective developed in these groups. Some co-operative actions between institutions may be advisable but these will always take longer to arrange than things which can be carried out within the confines of existing institutions.

### Third stage

Publication and public launch of strategy documents, using the occasion as a way of getting institutions to make commitments to the strategy and its enactment.

These documents should not be seen as the end point of strategic work, but as a staging post. Some parts of the strategy will take longer to develop than others. Some will need more detailed work. Others will require modification in the course of enactment.

### Local research capacity

A central feature of the research is that those directly involved in the local economy, particularly trade unionists, civics and ANC members, should learn the methods of researching a local economy. Wherever possible therefore, the external researchers should seek to work with counterparts, and take on a guiding role in research rather than undertaking the research on their own.

### Resources

A key question is how to get the resources to finance strategic work, and in particular the team of second stage strategy development workers and the local strategy workers.

Possibilities include:

- contributions in time from neighbouring universities.
- financial and personnel contributions from leading public and private employers.
- strategic research capacity from support groups like Planact and FCR.
- finance from domestic and international bodies.

### Towns and regions

The above methodology approach is applicable to areas of different sizes and economies of different types (see above). There are, however, different issues which arise:

i) city region.

The three key issues are:

- spatial.

This is particularly important in South Africa because of the spatial policies of the apartheid cities. The immediate questions posed include:

- \* to what extent formal employment should be relocated to townships.
- \* how industry can be developed in the 'buffer zones' that have been used to separate black and white residential areas
- \* how to develop black housing in the core metropolitan areas and in other places close to existing industry
- \* how to improve communications between home and work during the transition period
- \* how each metropolitan region can play its part in a restructured regional balance within South Africa as a whole

- structural

This concerns the balance between different sectors in the region, market/non-market, the degree spatial rootedness of various sectors, and their alternative paths of restructuring. Special attention needs also to be given to the finance/property sector, its structure and place in the regional economy.

- socio economic

This covers the nature of the regional and sub regional labour markets, the types of work, the regional distribution of income, and the strategies for affirmative action.

This needs to be further developed in the form of a case study of the Johannesburg metropolitan region.

ii) a township with low levels of formal activity within it.

It is intended to develop this through a study of LED strategy in Alexandria.

iii) an industrial town facing retrenchment.

A preliminary study of one such town Atlantis in the Western Cape, is attached as an appendix.

## Appendix

### Developing an Economic Strategy for Atlantis.

#### The problem.

1. Atlantis was developed from 1975 as a new town to displace so called 'coloured' people from Cape Town as part of apartheid policy. It was intended that part of the population would commute to Cape Town for work, and part would be employed in industry which was encouraged to move there under the Industrial Decentralisation provisions. So it was planned to be part dormitory and part local employment.

2. The original scheme was for a city of half a million people, in 72,000 houses. with land made available for 170,000 to 200,000 jobs. By 1992 there were 8,100 houses, with an average household size of 5.6 people. giving a population of 45,000, less than a tenth of the number originally planned. As far as jobs were concerned, in spite of an industrial area with 81 occupied factories, there were only 7,100 manufacturing jobs, an estimated 2,500 commercial jobs, giving a total that was one twentieth of the original planned figure.

3. Total available jobs for Atlantis residents would be lower as many are filled by people from outside the town. A 1987 survey indicated that 3,000 people commuted into Atlantis, many of them skilled workers from Cape Town who had refused to move house after the relocation of their firm. Even if the figure has now dropped to 2,000, this would still leave only 7,600 jobs available for local employment.

4. If we assume that half the population are of working age, the total working population in Atlantis would be 22,500. Of these a significant number commute to work outside the town. A 1987 suggested that there were 1,500 outcommuters. seeking work in Cape Town and elsewhere. The CTCC paper for 1988 estimated that 55% of the economically active population commuted out (which would put the figure at over 12,000 but this is almost certainly too high). Others put the figure at 40% of the workforce, or 9,000. On the basis of the capacity of the 200 combi taxis, which are the main commuter carriers, the number is closer to 6,000 people per day. This would imply that 16,500 people remained looking for work in Atlantis.

5. On the basis of these estimates unemployment in Atlantis would amount to 8.900, or 40% of the active population.

6. It became evident from the discussions and the background material that Atlantis faces a five fold problem:

a) It was originally envisaged that nearly half (48%) of the Atlantis population would commute out. The cost of commuting (200 R per month) and the time involved, coupled with the lack of employment in the Western Cape as a whole, has meant that only some 27% of the Atlantis workforce has found work elsewhere.

b) the movement of manufacturing jobs and the lack of internal growth have been insufficient to provide jobs for more than a third of the labour force, and a significant proportion of them are in any case taken by in-commuters (say 20%).

c) in spite of the lack of work, Atlantis has attracted residents because of the availability of housing, (for those from Cape Town and other urban areas in the Western Cape) or the possibility of jobs (for those from the rural areas).

If the 3,700 serviced sites are built up this will deepen the problem.

d) the low level of income in Atlantis has been one reason for the town's weak internal growth. The local economy remains strongly shaped by forces from outside. Just as much of the industry in Atlantis has been relocated from Cape Town and elsewhere (because of the incentives), so unemployment has been simply shifted from the urban and rural areas around.

e) the privileged position of Atlantis with respect to investment incentives has been diluted, while much of the industry which does exist is coming towards the end of its 7 year incentive package. Already a number of firms have closed down and moved to the Transkei and other homelands where the incentives still hold. Taken together with the recession, this means that many of the current manufacturing jobs are at risk. In 1987, according to the CTCC, there were 116 industries employing 11,180 workers. 93 of them with more than 10 workers. Current estimates are of 81 firms employing 7,100 workers. From our drive round the industrial area, there may be as many as 10 factories empty, suggesting that a pattern of decline is already under way.

#### **What can be done locally?**

7. Much depends on the overall growth in the South African (and world economy), and how Atlantis is in a position to benefit from that. But even with growth, it is unlikely that Atlantis can count on an upturn in the South African economy solving the five key problems identified above. With Cape Town City Council appearing intent on reconcentrating industry in the Western Cape within its own boundaries, and with the revision of the industrial incentive schemes, there is a real danger of Atlantis residents depending even more on commuting to find jobs, as local industry declines.

#### **I. Commuting**

8. One issue that this immediately raises is the cost and convenience of commuting. Given that Atlantis was planned to have half its workforce commuting, the first requirement is that commuting costs be cut and preparations made for services to be expanded (for example by the upgrading of the railway track and the introduction of passenger trains.)

#### **II Industrial Audit**

9. Secondly, an industrial audit needs to be undertaken, which seeks to identify which existing firms are at least partially bound to the area, and how their impact on the local economy can be enhanced. A first list of the main employers is given in Appendix 1. Information about these firms and their recent performance can be further gathered from:

- figures on electricity consumption by firm between 1987 and 1992.
- figures on financial performance from credit rating data (e.g. Dun and Bradstreet).
- the estates department of the RSC which administers the industrial estates on behalf of the central government.

10. The workshop had initial discussion of these firms as part of a strategic review of industrial sectors. The main sectors considered were:

a) autos and engineering.

The key firm for this sector, and indeed the anchor firm for the formal economy as a whole, is ADE. which manufactures diesel engines under license from Perkins and Mercedes Benz. It is a state firm, because of its strategic significance as the producer of engines for military vehicles; but it also produces for the auto industry in South Africa. Because of the terms of the license agreement, it exports little, and this restricts its leeway as it tries to strengthen its non military markets. One potential growth market is combi taxis, and the company recently combined with taxi owners to force Nissan to take its engines. It currently employs 1800 people.

Closely linked to ADE is Probuilt Diesel, and Atlantis Forge, the latter employing 60 workers, producing crankshafts and other aluminium castings. Half the output goes to ADE, and the other half to Mercedes Benz in Brazil.

Alongside these firms are factories producing steering wheels (Bremco), air filters (GUD), silencers (Grapnell) and safety belts (Intersafety Transport). Of these the latter are the largest. Grapnell has two plants, which service a network of the company's Kwik Fit service workshops, has its own R&D department and employs 340 people, mainly women.

Intersafety Transport, like Grapnell, works two shifts. Its Danish owners, have ploughed back their profits, and this has meant that it one of the few established firms in Atlantis that is expanding. Its current workforce is 265, mainly women, and currently supplies VW, Mercedes Benz and Toyota. It is also looking into export markets.

There is therefore a significant group of 8 plants, employing more than 2,600 people, producing components for the domestic motor industry. Around them have grown a number of smaller engineering workshops, such as BMC Engineering that specialises on turning, milling and grinding, and employs 20 workers. There has also developed a pool of skilled labour, with ADE being particularly important through its internal apprentice scheme and its managing agency of the local Technikon. Thus while the direct links between these firms are largely limited to the ADE and its two component suppliers, there has been this development of specialist skills and engineering service firms, which will act as a factor against relocation when particular firms no longer qualify for incentives.

One possible strategy for this sector would be to seek out an auto assembly plant. Another would focus on the diesel plant and the potential for development of an advanced diesel engine .

It was agreed that:

\* JB would send material on changes in worldwide diesel production,

\* a meeting on diesel would be valuable, involving international contacts, the auto specialist from the national Industrial Strategy Project, and representatives of various diesel users, including combi taxis.

\* it was important for ADE to remain in public hands because of its critical; position in the Atlantis economy. Closure and relocation of ADE and its immediate component suppliers would result in the loss of 2,000 jobs or 20% of all formal sector employment in the town.

## b) food.

The food processing industry in Atlantis employs 500 people in six main plants. Three of them are owned by Bacomo, who produce bread, Weetabix (on a three shift basis), and beefburgers, pies and sausage rolls, ( 2 shifts). With the exception of the bakery, these plants are not tied to Atlantis, and should be considered vulnerable in the medium to long term. The other three plants all use fish as ingredients and thus have some ties to local sources of supplies. Employment in all these firms is primarily of women on very low wages (79R a week in the two dried fish firms for example).

There are three main strategic issues for the food sector in Atlantis:

i) the high price of food, because of the costs of transport from Cape Town, and - for many in the town - the cost of purchasing from mobile shops.

ii) the absence of a local food economy, with the processing of local produce and its sale through retail and catering outlets in the town. Key products such as milk, dairy products, meat , eggs and fruit and vegetables are brought from the city or neighbouring towns for sale in the main supermarket and the local shops. There are few close links to the countryside, and with the exception of bread and dried fish, no processing for local consumption.

iii) there is almost no domestic production. Few households grow vegetables, keep chickens (in part because of a prohibition on the keeping of animals by the Regional Service Council), or possess fruit trees.

There were a number of potential lines of development which were already being explored by the Residents' Association. They have conducted a skills audit of 50 unemployed people. Out of this emerged a project for chicken rearing and baking. 200 day old chicks have been purchased at 1R each, and the aim is to raise further funds to bring the number up to 1,000, providing employment for 10 people. The next stage of the project is to gain access to farming land near Atlantis, where vegetables can be grown using the chicken manure, recycling vegetable offcuts to the chickens, and using the vegetables and chickens as inputs to a soup kitchen in Atlantis. There had been soup kitchens in Atlantis in the mid 1980's but they had been closed after the arrest and harassment of community leaders. What is needed in the short term is:

\* 3,000 R to buy 800 day old chicks, materials for the chicken coups, and feed for the chickens during rearing.

\* an agricultural plot for the vegetable project. and working capital for seed.

\* agricultural advice on how to reduce the cost of bought in chicken feed by the substitution of organic waste and deep litter.

A second sector under consideration was bread making. At the moment in addition to Bacomo , there is a small bakery Rollking with 5 workers, who are on very low wages. The Residents Association identified unemployed bakers in its survey and wished to investigate the possibility of starting another small bakery. There are also informal group baking from home for sale in the Atlantis open market.

FCR identified a small bakery which had recently started up in Cape Town. Because of the domination of the bread industry by two major firms (one of which is Bacomo, who also are the major producer of flour), the new baker is concentrating on better quality breads and cakes because he cannot compete with the mass produced breads. He said he would be happy to help the Atlantis project in any way he could - and it is clear that a careful study needs to be made (including discussions with the local hotel and supermarket) before deciding on the best way to develop the bread industry in Atlantis. The value of such a study is that it could be used by other townships which currently import industrial bread for their consumption.

\* action: small bakery feasibility study (10 person days)

Other food sub-sectors for further investigation:

- dairy. The milk is currently dominated by a cartel. We had discussions with the driving force behind a local dairy project in Cape Town. The project had been approached by one of the large milk companies who said that they would allow the project to go ahead if it paid a fixed charge per litre of milk sold to the establish dairy company. When this was refused the two main milk companies cut their price to sub-economic levels. The new project could not survive this price war. The organisers sold their plant to the large company, which immediately closed it, and raise the milk price to its previous level.

- meat and meat processing. In the Cape Town area, the key player is the municipal abattoir which grades meat for slaughter. There are a number of independent butchery chains who produce some of their own processed meats.

- fish. The Atlantis civics/COSATU/ANC have discussed the possibility of developing a port a few kilometres from Atlantis, to promote a fishing industry and accompanying processing. No detailed work has been done on this. Its major problem is proximity to the nuclear power plant, and an early requirement for the development of the food industry (and a broader environmental programme) in Atlantis would be a specialist study on the pollution levels surrounding the plant.

- domestic production. There was discussion about the possibilities of expanding household production of vegetables, chickens, and fruit. One problem was soil quality, another the cost of water. This was a field where the advice of an agricultural extension worker would be useful. It is to be noted that there are some initiatives of this kind elsewhere - a notable one being in the newly settled area of Tamboville near Benoni in the East rand, where the civic runs a best kept garden competition, and where many households are growing flowers and vegetables.

It was agreed that the next step on the meat and dairy sector was for discussions with civics in the rural areas around Atlantis. There was local concern in Atlantis that any local government re-organisation should seek to combine Atlantis with the rural areas, in order to encourage a joint approach to common economic problems. One side of this was migration into Atlantis from the countryside, and it was felt important that any economic strategy for Atlantis should go hand in hand with a strategy for rural development, for otherwise economic development in Atlantis would further weaken the rural economy. The food industry was a key sector for such joint planning.



## Action:

- \* joint Atlantis/rural workshop on the food and related industries.
- \* horticultural extension advice for household production
- \* environmental survey of impact of nuclear power station on surrounding area

## c) plastics and packaging

The factory survey identified 6 plastic factories employing more than 600 workers, and a further two paper packaging companies employing over 500.

The plastic products ranged from garden furniture to plastic bins, bottles, hair-rollers and polystyrene. These factories were mobile, though there was no known immediate threat of closure and removal. The two paper packaging firms supplied products for the fruit industry.

The following areas of enquiry were raised:

- new forms of degradable plastic. There was currently pressure being put on the packaging industry in the North to develop bio degradable plastic. One of the firms in Atlantis, Biopolymers, appeared to be specialising in this area, and it would be useful to talk to them to see in what way the civic/trade union/ and political movements could promote the product through their networks by pressure on plastic using companies (for example in the food and household goods industry,) and on retailers, as a way of contributing to the problems of waste disposal and environmental degradation. The form of any co-operation would depend on the kind of commitments the company was willing to enter into as far as remaining in Atlantis, affirmative action, and trade union recognition were concerned. Note should also be taken for national economic strategy in this field of the packaging legislation being passed in Germany, the Netherlands and the EEC on this subject.

- plastic bins. One of the key elements which has emerged from Planact's waste disposal study is the need for household townships to be issued with plastic dustbins by local authorities. At the moment, both plastic bags and joint containers are proving utterly inadequate in the townships. The issuing of multiple dustbins per household would reduce the cost of collection (less regular) while increasing waste disposal efficiency. What follows from this is that there is a large potential public sector market for plastic bins, which could be used to secure stable employment and good conditions from plastic bin producers. Note: this may well be a potential area for local co-operative or municipal enterprise.

- polystyrene is likely to be in significant demand as a construction material in the course of the crash programme of housing being planned for the post apartheid period. The COSATU national Industrial Strategy Project is conducting research on the building materials sector through Moses Ngosheng of the Department of Economics, University of Durban, and it would be useful to contact him for advice on the potential place of polystyrene production in the housing programme, and what potential this offers for joint work with Sunpak (the Atlantis producers) or alternative public and private enterprises.

- link between plastics and the auto industry. It would be useful to talk to the existing auto industry firms in Atlantis to consider the existing or potential place that plastics play in their production, and to what extent local linkages could be strengthened.

- training in plastic technology. This was a field where it would be valuable for a survey to be conducted of the firms already established in the Atlantis area, and the results fed through to the Technikon, and the Atlantis skills strategy (see below).

- Van Leer, the packaging firm, makes cardboard boxes and trays from recycled paper, currently being supplied in bales from Durban. It was suggested that discussions be held with the firm to see how far and in what form local waste paper could be used. An early discussion would also be required with the authorities in charge of waste collection, to provide figures on existing quantities of paper in Atlantis waste and how waste disposal could be organised to collect waste paper. Evidence from the Rand waste disposal services suggest relatively low quantities of paper being collected because of their use as fuel in coal fires.

#### Action:

- The Economics Department of the University of the Western Cape to be contacted to see if a member of staff and/or student would be willing to work for a month with Atlantis COSATU members to produce a strategy for the plastic and packaging sector in Atlantis, in conjunction with the COSATU national Industrial Strategy Project.

e) the other main manufacturing sectors in Atlantis are clothing (16 firms with 1100 workers), furniture (6 firms with 600 workers) and household metal and electrical engineering (4 firms, with 1250 workers). There was insufficient time to consider these in any detail, though Classic, the makers of heavy pots, with 250 workers, were identified as a firm with high margins, whose technology could be used for cheaper pot production for markets such as those in Atlantis.

### III Public sector audit

11. Alongside the work on industrial sectors, there needs to be an audit of public employment in Atlantis and how it can be expanded.

#### i) The Regional Service Council.

The RSC currently employs 874 people:

- forest and parks	150
- sweeping and cleaning roads	82
- housing maintenance	120
- water softening plant	5
- stores	8
- waste and water	40
- fire station	30
- two libraries	12
- day hospital and 2 clinics	

In some cases there are posts which are unfilled because they have been frozen by the RSC, and these need to be publicly identified and filled by local people.

The town centre library is understaffed, but provides an excellent and imaginative service, and could be expanded as part of an integrated education plan for Atlantis. There is a need for a third library in Saxonsea.

ii) services which could be taken under public control and re-organised:

- refuse disposal.

This has been privatised and is now carried out by Wastetec, who collect twice a week, at irregular hours. They are paid by the bin, and thus refuse to take more than that which is in the contract, unlike the previous public service.

A public waste collection could be organised so as to increase the quantity of recycled waste, expanding employment and lowering refuse disposal costs. Examples were given from Rio de Janeiro where recycling co-ops have been successfully established.

- housing repair of private dwellings; this has been privatised, and has led to many complaints.

iii) education.

There are an estimated 460 teachers at the 12 primary and 5 secondary schools in Atlantis (12,700, pupils; or 23,000; alternative figures). These come under the Ministry of Education.

Three main issues were identified:

- the schools are overcrowded with staff: student ratios of 50:1. There is an urgent need for more teachers and teaching assistants

- most of the teachers live outside Atlantis, and it was suggested that attention be given to encourage them to live locally for the sake of occupational balance in the town.

- school buildings were a resource which could be used more than they are for wider community activities. They could be seen as community colleges, with facilities for adult education and training programmes.

iv) expansion of works and services that meet local needs, particularly those of women and children:

- addition of new childcare facilities. Childcare is a major issue for a town where there are 2,500 - 3,000 women working in manufacturing, and where many women also have to commute. A good childcare infrastructure is important principally for the children and parents concerned, but also because it part of any policy for maintaining industry in Atlantis.

There are currently 20 creches, run by individuals, churches, and only one by an employer. They look after some 2,000 children and employ 100 teachers (based on one creche with 6 teachers for 120 under 5's). These typically cost 60R a week per child plus 10R for the combi to take the children to and from the creche.

The following concerns were expressed:

the quality of the care;

the cost of the care

the need for after hours child care, possibly based in school premises.

Action:

\* A one month project on childcare facilities and needs, finishing with a conference with the civics, ANC, COSATU, the RSC, employers, churches, and those working in the sector.

- **playspaces** There is an urgent need for new areas for children to play - football pitches, parks, etc. There need to be more equipment. Examples cited of the Peoples Park in Mamalode and TOPLOT, an adventure playground. Also need another swimming pool.

(Note: what scope is there for public support for employment in what have been called 'the cultural industries', music, sport, theatre, dance, public art ?)

#### IV. Labour and Employment.

12. Many of the industries that have come to Atlantis are footloose, and depend on cheap labour and low taxation. A local economy built on such industries is always vulnerable to the closure and relocation, particularly where the trade union movement seeks to organise to improve wages and conditions. This has been the problem with export processing zones, which have tended to leave little value added in the local economy, and have moved from country to country according to labour conditions, (the experience of EPZ's in the Caribbean was discussed).

Countries seeking to attract firms with deeper roots in an area have followed two strategies. The first is to focus on large capital intensive projects which are costly to relocate. The problem here is that they usually require large tax concessions, which again reduces the amount of value remaining locally. The second is to develop a local labour force with high levels of skills and specialised training. This is usually a long term project, and one in which local government can play an important role.

From the point of view of Atlantis, it would involve:

a) a study of the gender and racial segregation of jobs, and an assessment of current affirmative action programmes currently being undertaken by employers in the town.

b) an audit of local training provision:

- a questionnaire to firms on what training they undertake, and whether they have specialist training facilities

- discussions with the Technikon about existing and planned provision.

- visits to the main state services to establish the extent of their training programmes and facilities ( this would include both services administered by the RSC, and by other state bodies such as schools,)

- discussions with secondary schools about curriculum in relation to skills, as well as the potential use of schools as sites for adult education and training provision.

c) a skills audit, on the lines of that already conducted by the residents association, possibly in conjunction with the unemployment office. This should also include an assessment of needs for adult basic education (literacy, numeracy, ) for those both in and out of work.

d) an estimate of likely skills demand, particularly in the building sector, the public services, and the sectors identified from the Industrial Strategy (engineering, food processing, plastics and packaging.)

e) an assessment of the programme and facilities of the Technikon and the scope for their expansion.

f) the drawing up of a detailed Affirmative Action Programme for Atlantis, including proposals for a programme of Adult Basic Education, and skills development. The Strategy would be used as a basis for seeking funds for an Atlantis Training Trust, to which local firms, the RSC and government agencies would be pressed to contribute. Action would not be dependent on these funds, since the levels and types of training by existing employers, public and private, will remain an important part of collective and community bargaining. The point of the strategy is to give some focus to individual training programmes, and to put pressure on employers who are failing to provide adequate training.

#### Action:

\* The RSC and major local employers participating in the Atlantis Forum be asked to provide 25,000 R to finance a small team for two months to produce an initial draft of an Atlantis Training Strategy. The team would comprise Atlantis residents, working with specialist researchers, and the project should be seen in part as a way of increasing the skills of members of the Atlantis democratic alliance to conduct surveys and audits of the local economy.

13. It may be useful to consider full employment schemes such as that for guaranteeing employment in Maharashtra state in India. This scheme ensures that anyone presenting themselves for work will be paid a wage for working on public sector projects. Such a scheme involves:

- detailed plans of work that meet local social need

- a complementary training programme for this work

- an estimate of:

the likely cost of such a scheme

ways in which this cost can be funded:

current unemployment pay

contributions by the larger firms in the area

a low interest bond

## V. Finance and Local Government Structure.

14. Atlantis is currently administered by two separate councils. The first is responsible for the industrial area, and is not elected, being appointed by a Minister of the white parliament. The second formally covers the rest of the town, and comprises a management committee of 8 elected by residents and reporting to the coloured parliament. Services are provided by the Regional Services Council, with the advice of the management committee.

Income comes from rates and service charges. This is insufficient to cover expenditure, and the shortfall is made up by borrowings from the Coloured Parliament, which has resulted in an accumulated debt of 80m R. There is a surplus of income over expenditure in the industrial area, but it is unclear what this surplus is used for.

### Points at issue:

1. Atlantis needs a single, democratically elected authority, with boundaries drawn to include neighbouring rural areas.
2. The charges for utilities take no account of income. Many residents are behind with their payments and the RSC recently tried to cut off 1,200 householders from basic services, but were prevented from doing so by jointed civic, ANC, COSATU action. Rates and charges need to be related to ability to pay, and a single tax base established between the industrial and residential areas.
3. In terms of funds for the developments outlined in the Economic Strategy for Atlantis, an estimate needs to be made of the value of incentives currently accorded to industry in the town. (One rough estimate puts it at 30 million R per annum, which considerably exceeds the current RSC budget).

### Action:

\* a 10 person day study needs to be conducted on:

- a) the resources of the town and how they can be taxed in order to fund the improved level of public services required
- b) the extent of government financing of public services, and how that might be allocated
- c) the potential for an Atlantis Reconstruction Trust, to be part funded by local industry, as well as by low interest loans and grants from public sources
- d) the scope for the establishment of community bank, funded by the Development Bank of South Africa, to encourage the development of the local economy.
- e) the conduct of the finance sector with respect to the funding of housing improvements and possible remedial measures. (one finance house has recently circulated insurance companies to say that they will not advance any more money for house improvements to Atlantis residents because their poor repayment prospects,.)

## VI. A Vision for Atlantis.

It was proposed that the Economic Strategy for Atlantis needed to be put in the context of a vision for the town. Among the suggested elements of this vision were:

- that the town should have a balance of different races and classes, and should be non exclusive. Housing and cultural plans should take this into account
- that there should be co-operation between Atlantis and the surrounding countryside in the development of the economy and levels of provision
- that the town could develop to a population of 100,000
- that consideration should be given to the expansion of office space
- that the town's development process should be driven by the community and their needs
- that there should be an environmental policy which aimed to make Atlantis a healthy and beautiful place live and work in. This policy would include:
  - monitoring and improvement of a safe water supply
  - improved methods of collecting, recycling and disposal of waste
  - the building of neighbourhood clinics as health centres
  - the rebuilding of houses that had fallen into poor repair, particularly the old residential flats
  - the expansion of parks and sports facilities (see above)
  - initiatives to make the town look attractive, such as the planting of trees
  - the expansion of clean and energy efficient forms of transport, notably passenger trains.
  - close monitoring of the environmental impact of the nuclear power station

### Action:

a small environment group be established with support from universities in the province to produce an environmental plan for Atlantis, and that the work of this group be included in the programme for expanding employment in the town.

## List of Principal Industrial Firms in Atlantis.

		Workers
<b>Autos.</b>		
ADE		1800
Inter Safety Transport	safety belts	265
Bremco	steering wheels. Mainly CT workers plus casuals	
Atlantis Forge	aluminium castings (crankshafts, camshafts)	60
Probuilt diesel		100
BMC Engineering	turning, milling, grinding	20
GUD	air filters	
Grappnell	(2 factories) silencers, towbars;	340
<b>Food</b>		
Bacomo	Weatbix (3 shifts)	200
Today's Frozen Foods	(beefburgers/pies/sausage rolls)	150
Bacomo bakery		50
RM bakery		5
Civics chicken projects (currently 200 chickens being reared)		
Anglo Mar	dried fish	20
Natural Baits	dried fish (same owner as Anglo Mar)	18
Promeal	pet food; mixed not canned.	60
<b>Electrical Engineering</b>		
AEG	pre paid electric metres	70
Blaupunkt (part of Tedelek)	short time 4 days (once 1500)	890
<b>Light engineering</b>		
Fry's Metals	aluminium tops for champagne /bottle tops	40
Classic	heavy stainless steel pots	250



**Plastics**

Biopolymers		36
Elvinco	plastic bottles	300
Makov	plastic bins, garden furniture	50
Flexo	hair-rollers	55
Sunpak	polystyrene	120
Plastic Furniture Company		50

**Furniture**

Dunlere and Louw	2 factories, one upholstery	160
Nelco	furniture	
small pine door factory		
Unita Planned Furniture	pine	200
Enzio Cape Furniture	Hi Fi Cabinets	180

**Paper and Packaging**

Van Leer	recycled paper making cardboard boxes and trays	300
Aries Packaging	large roles of corrugated paper	224
Trade Forms	computer paper	

**Drugs and Chemicals**

GR Pharmaceuticals		
Hygiena	(see above)	

**Building Materials**

Prime Brick ?		20
Kaymac Industries	(fabric under tarred road)	40
Tiger Tiles		20

**Household goods**

CK Manufacturing	(three changes of name)	40?
Blinko	household cleaning	15
3M		30
Continental China	crochery	180

**Clothing and Textiles**

Brits Textiles	duvets	150
Pressless	curtains, bedspreads	40
Awa Yarns	stockings	100
Cape Fabrics	carpets	80
L'Uomo	shirts	80
SA Fine Worsted	dying material	100
Hygenia Products	rain coats plus (chemicals and tricycles)	70
23 Sportwear		48
Desiree	duvets	50
Strebel Trading	hats, belts, zips	200
Vreede Textiles	netting, fruit bags for oranges	48
Zaklian Dyers		60
Atlantis Non Woven	textiles      blankets	15
Millernet	jerseys	20
Rotex		20
<b>Transport</b>		
Freight terminal		100