

## Wolpe Lecture 14 October

### Cape Town City Urban Region: Our Current Reality and a Vision of a Preferred Future

#### PRESENTER

Guy Lundy is the CEO of *Accelerate Cape Town*, an organisation that seeks to create "the Southern Tiger"- the Cape as an iconic, internationally competitive region characterised by inclusive, sustainable economic growth

#### RESPONDENT

Edgar Pieterse is the Director of the *African Centre for Cities at UCT*. The centre has already distinguished itself as a source for robust engagement with the issues facing African cities through its range of programmes and activities.

### Guy Lundy presentation

*Accelerate Cape Town* was created by 25 corporate sponsors in an attempt to try and drive development in and around the city. The history of this initiative is that there was a trend of large corporates moving to Johannesburg and if we allowed that to happen, we would end up becoming a large version of Plettenberg Bay: with a lot of activity for a short period of time and small activity for a long period of time.

We are a private sector initiative to drive development to bring together stake holders to develop and implement sustainable economic growth. The recent OECD study region taught us a lot about where have come from and provided one of the key components for our thinking. We needed to focus on the region, rather than just on the city or the metropolitan area. A lot of business takes place in and around Cape Town but much less as you go further out.



## **CURRENT REALITY**

How to drive the Cape into what we wanted it to be, rather than allowing it to follow an inevitable path which we would probably not like? We started out with a scenario planning exercise – if we do certain things and focus on certain things, what will probably happen.

### **SENARIO 1 – ‘Southern Comfort’ (everything is fantastic)**



You could really believe that the world is wonderful if you lived in one of the wealthy neighborhoods, but what about the squatter communities of Hout Bay?

While ‘Southern Comfort’ is great for some people, that is not the case for everyone in the province. We cannot be complacent about this fact.

To move away from ‘South Comfort’, we are trying to drive a vision of high, inclusive, sustainable economic growth. These factors are inseparable from one another. You cannot have sustainability without inclusivity. We aim to drive social and economic transformation at the same time – the two need to work hand in hand, they are not processes which drive each other, they have to be simultaneous.

## **ECONOMIC SENARIOS OF THE WESTERN CAPE AS ENVISIONED BY ACCELERATE CAPE TOWN**

### **Worst case scenario – ‘The sinking island’**

This looks a bit like Lagos or Nairobi. This is the low growth model which is also exclusive economic growth and so the people who benefit are those who are already benefitting, leaving poor communities destitute.

### **High growth and exclusive – The ‘Cape of Storms’**

If you have high growth and the only ones who benefit are the rich, then you will end up with massive political instability.

### **Low growth but that growth is equal – ‘Slaapstad’**

You can think of the Seychelles and Tanzania which have plodded along with a strong amount of middle class with none of the middle class doing particularly well.

## **High growth, inclusive – The ‘Southern Tiger’**

The one that we are aiming for and would like to achieve is a high growth, inclusive model which we call the ‘Southern Tiger’. This is the ‘thinking city’ approach. It involves an educated population that is able to take part in globally competitive industries like media and technology rather than falling back on industries that are dying or have died. We would like to follow the path of cities like Barcelona and countries like Ireland which have grown and benefitted their entire populations.

What kind of vision do we need to be able to drive this kind of change?

### **WHAT KIND OF VISION**

We needed to understand where we are in order to help us make the right kinds of decisions are in line with that vision.

The OECD study helped us to understand where we are currently, what are some of the challenges and opportunities that lie ahead of us and what do we need to do to achieve a desirable future.

OECD slides

This report is packed with information about the Cape Town region. I found the review quite balanced, they were realistic about the challenges that we have and also some of the opportunities and what we need to do about the future. The media, however, misrepresented the report because they said that it was a ‘damning one’ about the future of Cape Town. But, this report is not about the future, it is about 2008, and when we talk about the current reality, this does not predetermine the future, which is up to us.

### **PROVINCE OF THE WESTERN CAPE**

We are an urbanizing country and an urbanizing province.

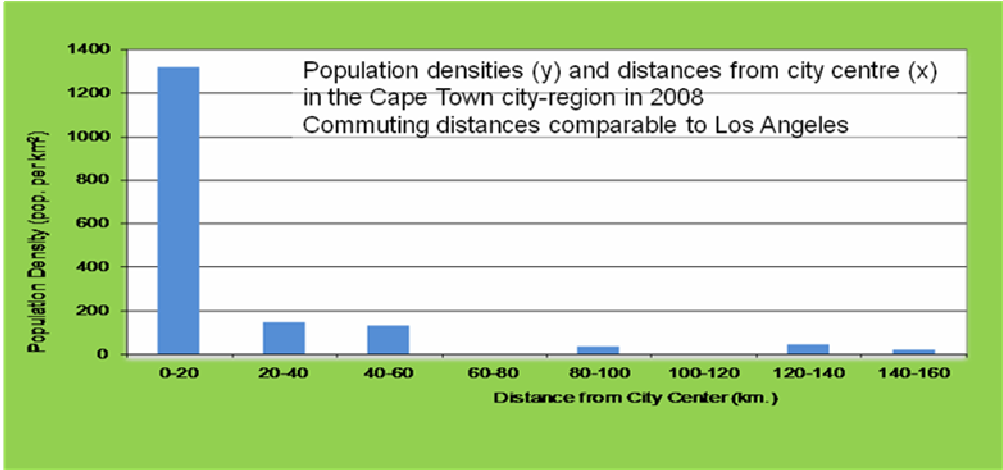
Stats for Cape Town:

- 11% of the national population with 5 million inhabitants in 2006 but producing 14.8% of national GDP within the Province.

### **CAPE TOWN REGION IN WESTERN CAPE**

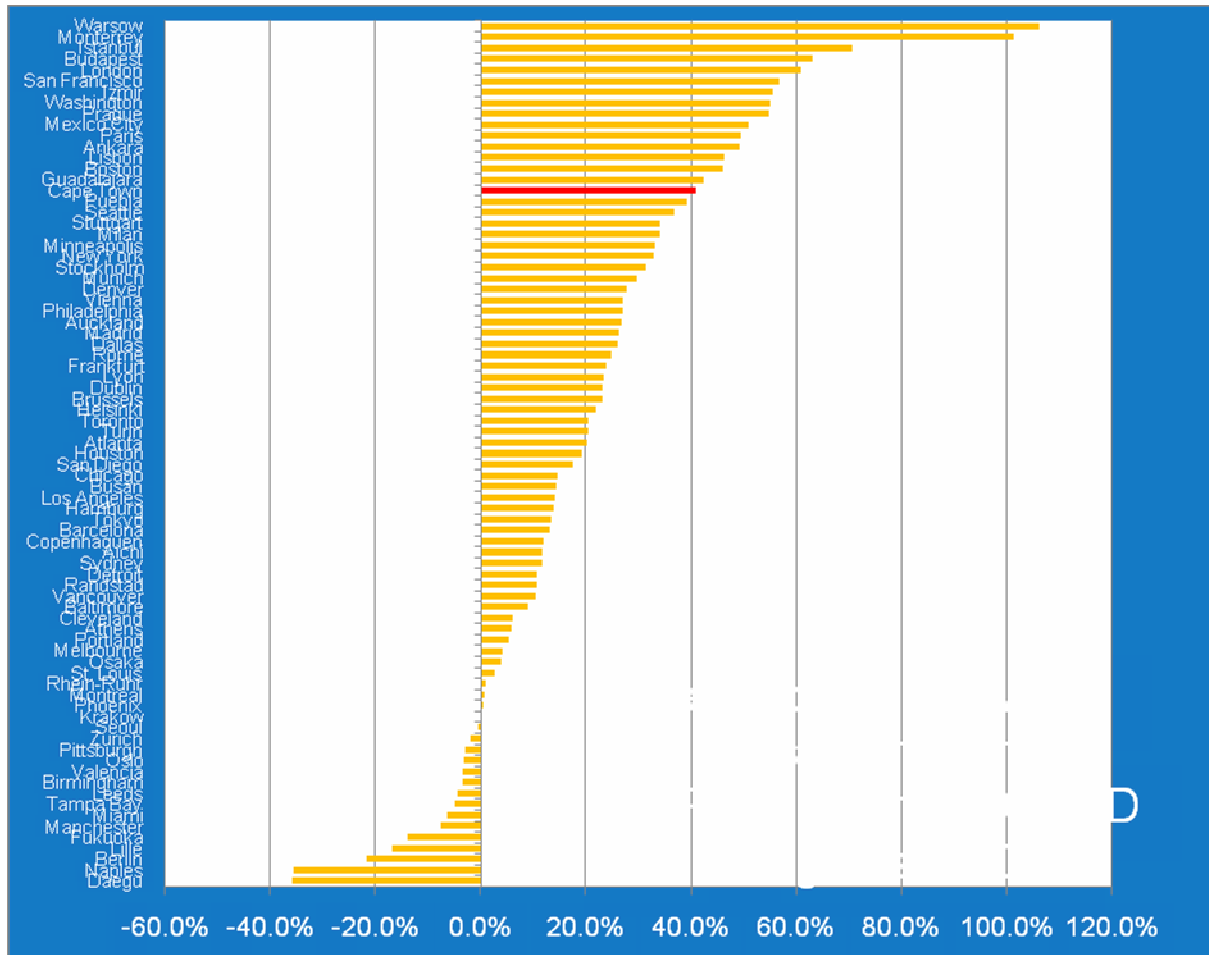
Most of the population and its GDP is generated in and around the City of Cape Town. 87% of province lives within this region and 92% of the GDP of the province is produced here.

City is a very important player in this regional process.

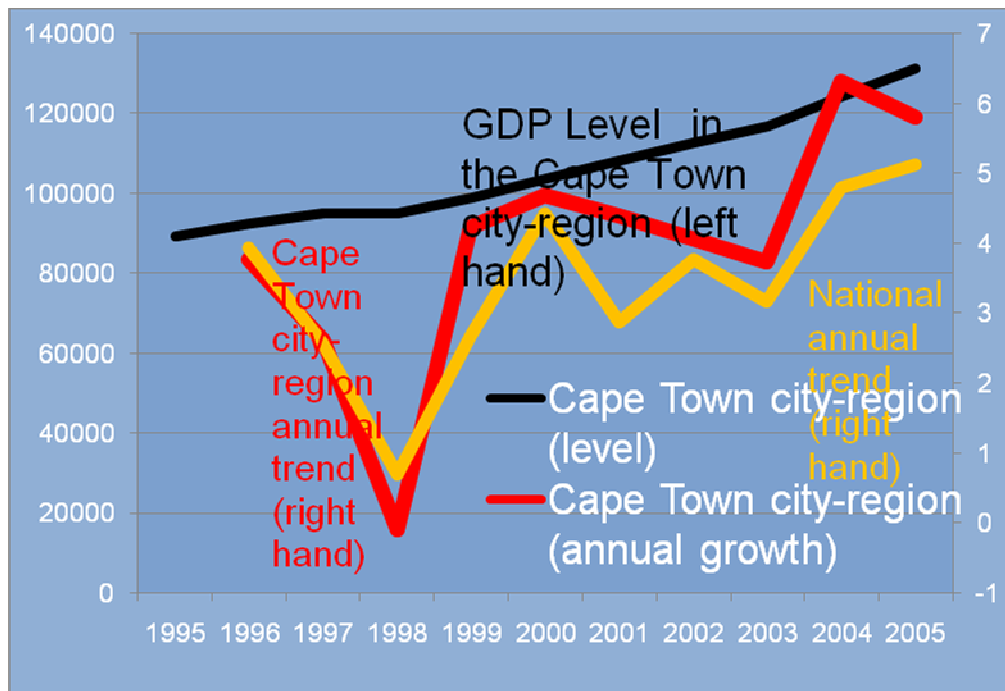


There are cities within the Western Cape, but there is a lack of density between those cities. We have a poly-nodal region with nodes that are not easily accessible to one another. Our province has the population density of Los Angeles, which is not something to aspire towards. Many people would argue that to deal with rural development is to deal with urban development first because we need to drive density and activity so that the rural areas benefit.

The Western Cape is also the engine of the national economy and is richest region in South Africa other than Johannesburg. We also have a significantly higher GDP per capita that the national average (41% higher).



We are also a growing city region and the GDP of the region has been growing higher than the national average for many years now.



We are a growing city region and we have been growing faster than the national GDP rate.

This growth puts us alongside cities like Naples, Mexico City and Seoul and I like to look at figures like this because it starts to get our headspace into a global headspace rather than thinking about how we compare to Johannesburg and Durban.

### GLOBALISE VALUE CHAINS

We have a few industries with global value chains especially agro food and a particularly a flourishing wine industry. This does not only refer to the wine industry itself but its links with tourism as well (this link is a strong growth area throughout the world). Tourism is an area in which we are globally competitive. Cape Town has had a 77% increase (from 1995 – 2005) to our regional GDP by tourism.

Other emerging national economies in the Cape Town region include:

- Finance
- Insurance industry
- Knowledge intensive and Creative industries
- Film
- Medical Tourism
- Universities
- Logistics – ‘Cape Town is a *soft gateway to Africa*. The city-region handled **23.3%** of South Africa’s total cargo in 2006.’

Cape Town has the ability and the potential to act as a gateway to Africa. However, some of the industries above are concentrated in the urban areas and only benefit educated populations, which means that they are less likely to improve the lives of rural people, like the wine and tourism sectors.

## **INCREASING URBAN CONSUMPTION**

There is also increasing urban consumption due to economic growth and social grants which have encouraged consumer spending. So there has been significant wholesale and retail growth (17% of GDP) and growth in the construction and housing industries.

## **BUT CAPE TOWN FACES EXTENSIVE SOCIAL PROBLEMS**

We have a massive unemployment problem with currently stands at 22% (2006). Barcelona, which is being seen as a world leading city, also had a 22% unemployment rate in 1988 but by 2008 they had reduced that number to 6%. So, even though it may seem daunting, our unemployment can be dealt with.

The second point that is raised is increasing poverty and inequality – with a .69 GINI coefficient, we are the most unequal region in the most unequal country in the world. We do not want this to remain that way.

HIV&AIDS - There is a perception that one of the reasons so many people are coming to Cape Town is that people are getting better HIV/AIDS treatment here than other areas in South Africa.

Crime is also a major issue – we are 7% of nation's population in Cape Town but 10% of its homicides.

## **REGIONAL COMPETITIVENESS – SOME OF THE CURRENT CHALLENGES**

### Lack of skills and skills mismatch

- 5.22% of workers with tertiary education
- Spatial mismatch between housing and location of jobs

### Innovation capacity

- Innovation falls behind Johannesburg
- Lack of specialisation in high value added manufacturing
- Innovation does not concentrate on key value chains

### Backlogs in capital infrastructure maintenance

- USD 380 million in 2006 (road infrastructure: roads, bridges, and culverts – some 2% of regional GDP).
- Power-cuts

### Environmental contamination

- Ecological footprint as large as that of Greece
- Rising contamination of water and land
- most affected by global warming

### **BINDING CONSTRAINTS TO GROWTH**

- Volatility and level of the currency
- Barriers to entry, limits to competition.
- Regulatory environment burdens Small and Medium Enterprises.
- Shortage of skilled labour - impact of apartheid spatial patterns on the cost of labour
- The cost, efficiency and capacity of the national logistics system
- Deficiencies in state organisation, capacity and leadership

### **STRATEGY TO REDUCE BINDING CONSTRAINTS**

- infrastructure investment
- sector strategies
- skills and education development
- eliminating the Second Economy
- macro-economic issues
- Governance and public administration issues.

### **LACK OF A SPATIAL APPROACH**

One of the major challenges that we face now is a complex framework that lacks a strategic vision which reduces policy effectiveness and implementation capacity – as seen by the overly complex relationships between government, the municipality, business, the DTI, the Presidency and civil society.

### **CT VISION 2030 (see [www.vision2030.co.za](http://www.vision2030.co.za))**

***This is a contribution towards the thinking on how we create sustainable growth and prosperity for everyone in the Cape Town City Region, developing a more equal and just society in ways that are environmentally sensitive.***

One example of a totally new way of thinking about Cape Town is the use of the foreshore area once the bridges that dominate that space are driven underground and the space above it is redeveloped to become one of the icons of Cape Town.



## **AFRICA'S GLOBAL CITY**

'A city of inspiration and innovation'

It would be a 'Global City' because Cape Town should be an international hub of talent, where we can attract people from all over the world to come and be a part of it.

Inspiration – we would combine natural, human and cultural inspiration and the diversity of all of those things to set our city apart. It is the diversity of our city that makes it an inspiring place to be.

Innovation – Cape Town would need to be a place where ideas for a better world are created and developed.

### **8 KEY GOALS**

To be able to become this kind of city, we need to have a number of basics in place. Here are some of the goals we think are important. However, they are interdependent and flow from one another.

We need a city that is:

1. Safe and efficient – we cannot be the crime capital of the world
2. Educated and trained city – the creative people need to have a home in Cape Town. We need the artisans, plumbers and technicians, not to mention the Masters and Phd graduates.
3. Connected and vibrant – We need to think about how best to be connected to the rest of the world. For instance, if a local company wants to start up in Angola, it is necessary to first fly either to Windhoek or Johannesburg. Why is there not a direct flight from Cape Town? In addition, we need to increase the number of international flights that come directly to our city, rather than using other hubs as their entry point. We also need to increase our internet bandwidth.
4. Welcoming and Caring – We need a city of communal interaction. Barcelona positioned itself as being a center of social cohesion and economic growth, highlighting that these values are actually interdependent.
5. Creative and cultural city – we want to be a thinking city, we want to be like Boston and San Francisco (cultural centers) not Detroit (an industrial center) and so we should be focusing on building that kind of cultural life in the city.
6. Green and beautiful – focus on what we do well and maintain our natural beauty.

If we get these factors right, then we will be able to achieve the 7<sup>th</sup> and 8<sup>th</sup> goals of being a:

7. Global African gateway – one of the gateways into the continent
8. An Iconic and Emulated city so that people will come from throughout the world to learn about what happens in Cape Town.

## RESPONDENT – Edgar Pieterse

Thank you for inviting me to take part in one of the Wolpe Lectures, which is really one of the only spaces in Cape Town where being a heretic is a good thing.

It is important to look at the genesis of the OECD Report and how hard some of the goals it sets out are to actually achieve.

I worked in government under Premier Rasool and I was to be the interface between Premier and the Mayor (Helen Zille), which, as you can imagine was a difficult period.

President Mbeki, at the end of 2005, convened one of his famous Imbizos in Khayelitsha. The entire cabinet was there and he wanted to know what people are doing about housing problem in the city and the province more generally. After not receiving satisfactory answers, in typical Mbeki style, he tongue lashed everyone present. That was on the 15<sup>th</sup> of December 2005. And because we needed an independent report (which at that point in time was difficult due to the local political situation) I wanted a report to be created on how to fix the Western Cape economy and the housing crisis.

Indeed, no one really understood the economy of Cape Town and in government in general.

There was a honeymoon period between the province and the metro and we had an agreement on the approach that the report would take and for the first 5 months very good progress was made. This was before there was an attempt to change the system from an Executive Mayor to an Executive Council system and the politics between these two spheres of government made the relationship untenable. What was to be done when all of this politics got in the way?

### Accelerate Cape Town

And now I come to a response to the presentation given by *Accelerate Cape Town* specifically.

When looking and thinking about what Cape Town is, there was too much focus on the islands of privilege. What about the poor? The real city is that of the Cape Flats and yet 95% of the economy is outside of that area.

We need to invert the image of what the city is and focus it in and around Khayelitsha, rather than Hout Bay or the City Bowl.

One of the most difficult challenges that we face is the problem of inequality, which is cumulative in nature. The structural inequality, which was created and implemented from before and throughout Apartheid, is cumulative over time. Even if we are able to grow our economy again, the areas that experience real economic growth will be those that have grown in the past (ie mainly the rich areas). The result will be the reinforcement of much of the same urban fabric.

One of the reasons for this structural inequality is that it is driven by education and the unequal access that people in the city have to good quality education. The problem is such that nothing on

the horizon in government policy will institutionally fix that in 10 years. Hopefully we will get a 10% improvement over 10 years, but even this is a major challenge.

When we look at the crime stats by disaggregating them, we see that the real problem in Cape Town regarding crime is in the townships, especially if we compare the reality of crime in these areas to those in wealthy neighborhoods.

In addition, the cities that Guy refers to which are meant to be international references for us are those of Boston and Barcelona. But why not a place like Medellin (Columbia), which had a similar array of social and economic problems to Cape Town, but has managed to completely turn itself around.

We need to radically transform our thinking about the vision because it is that vision that will guide our actions over the next period.

#### OECD Report specifically

We have to admit we have a crisis of leadership in the country and in Cape Town specifically. From national to provincial, high schools and religious institutions, we lack the complexity of what it takes to build a unified vision. One of the reasons for this is because South Africans, and the leadership of our country, fails to be able to talk about difference, inequality, poverty and education in a meaningful way.

How do we create leadership which is not overburdened by the past?

So many white kids cannot understand what it means to have had the advantage of cumulative advantage and black people with cumulative disadvantage and the effect that this has on the way that people live, the opportunities that young people have access to and the choices that it enables them to make.

How do we navigate that sea?

We do not have the time to build this kind of leadership.

Therefore we need to rethink everything about what constitutes development because of the kind of economy that we need needs to be conceptualized in an environmentally friendly manner. We need to be weaned off this carbon intensive model because it is unsustainable.

## QUESTIONS

1. There are a lot of factors to consider regarding housing. Joe Slovo was busy on housing and he was reported to have excellent plans about how to move forward. What happened to Slovo's plans? Our teachers are not qualified and not trained.

Edgar Pieterse - We are one of 3 in the world countries that provide poor people with housing and it is a bad policy because the housing subsidy has not increased since it was implemented which means people can only afford to live far out of Cape Town where the services are poor and where transport to come into the Cape Town CBD for work is very expensive (not to mention poor schools and medical care that often exist in more rural areas). One of the reasons for this is that we have a very traditional idea of what constitutes a house. A way that we can seek to improve this situation is to invest additionally in public transport, rather than only investing in housing and also to try and make improvements to people's existing dwellings.

Guy Lundy – There is a mistaken idea in South Africa of having 1 house per property. Look at Marrakesh (Morocco), which is significantly denser in terms of population. The problem with having an overly large urban sprawl is that we are taking over more of our agricultural land, which can be put to better use (economically). So, densification is one of the things that we need to look into.

2. Sustainable development is about the needs of the present generation not influencing the needs of future generations. How do we address the deep seated changes that need to be made?

Edgar Pieterse - How do we deal with the world? Africa has 0.3% of the world's economy. South Africa is 60% of that .3% of the global economy. We are completely immersed in the global economy and completely powerless to change that fact. What we really need to do within these constraints and how many options do we have?

It would be great if we could pursue the 'deep green' agenda, but we are not in a position to do.

We know that we have to reduce carbon emissions. Once there is a political and ideological system that enables us to calculate the cost of carbon and build it into the pricing system, it would substantially change the sustainability and future of specific industries. Let us not delude ourselves in thinking that we are going to change the way that the world economy operates.

Guy Lundy- We need to change the way that the townships look and function, which is disgusting at the moment as it stands. Why would anyone want to live in a place with trash on the streets?

Corporates need to coordinate their CSR projects and try to identify what actually needs to be spent on as a matter of urgency (rather than sponsoring projects like racing or sailing). They also need to be convinced that it is naïve of them to think that inclusive economic growth is not in their interests.

Why is inclusive growth in their interests?

Large corporates are made up of people and where people feel safe they do not have to move away. Hence to secure the future of companies in Cape Town, we need a safe place where growth can happen and include those most in need thereof.

We need to celebrate what we have achieved. However, if we do not plan then we might become what we do not want to become.

3. The statistics given place Cape Town competitively on the national scale. But, we have a more rapidly increasing inequality. The trajectory is going to be keep us on the left of the scenarios presented by Guy by landing us in the position of having either increasing inequality or slow growth. We need a far more radical approach to shift that back in the other direction. In the light of the above statistics, how do you ensure that the projections be changed and how can *Accelerate Cape Town* contribute to inclusive growth?

QUESTION NOT ANSWERED DIRECTLY

4. Question for Guy Lundy – growth of 4% in Cape Town, but we have more poor people. Therefore the stakeholders do not have an interest changing the dynamic to have inclusive and sustainable economic growth.

QUESTION NOT DIRECTLY ANSWERED

5. Pieter Wolpe – I share some of what Edgar has said. You (Guy) are not really looking at changing the status quo. The question to Edgar is that I think you are right. We need to re-imagine the economy and therefore look at leadership problems because if we continue with growth as it has been, then we are sitting with these same problems. What is actually going to be able to shift us to run our economy differently because everything from the national down is maintaining the status quo.

QUESTION NOT DIRECTLY ANSWERED

6. Visions from 2030 – have you taken a look at what has been done in comparison to the visions of the future.

Guy:

Why did I choose to talk about the cities that I did?

As for why I did not choose Medellin, it is because most people have not heard about in comparison with Boston, which most people do know about.