

Chapter 6

Unpacking the Changing Economic Geography of Gauteng's Tertiary Sector

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6.1 Introduction

South Africa's National Development Plan 2030 identifies a vital role for the service sector in terms of future job creation (National Planning Commission 2011). This said, the tertiary sector is heterogeneous and in terms of Standard Industrial Classification encompasses the following varied categories of activities: wholesale and retail trade; catering and accommodation; transport and storage; finance and insurance; business services; community, social and personal services; and general government. The 'fuzziness' of the concept of service economy as a whole can be illustrated by looking at business services, one of the fastest growing segments of the tertiary economy. The category of business services itself represents a highly diverse array of activities that range "from security guards and cleaning services to design and engineering activities, legal services and architects" (Burke et al. 2014, p. 5).

The 2011 OECD report, among others, draws our attention to the continued trend towards structural change in the Gauteng City-Region and to the fact that approximately 70% of total Gross Value Added (GVA) now derives from the tertiary sector (OECD 2011, p. 20). The advance of tertiarisation in the shifting economic landscape of the Gauteng City-Region has been accompanied by a relative decline in significance of the historically critical drivers of the urban–regional economy, most notably those of mining and manufacturing (Grant Thornton 2008; City of Johannesburg 2011; Harrison and Zack 2012; Burke et al. 2014; Crankshaw and Borel-Saladin 2014; Human Sciences Research Council (HSRC) 2014). However, despite the tertiary sector's overwhelming economic weight in the city and city-region landscape, an examination of recent policy documents about future planning for inclusive or shared economic growth and reducing levels of unemployment in Gauteng reveals

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that the development potential of the tertiary sector is given less acknowledgement than the promotion of manufacturing (City of Johannesburg 2011; Gauteng Province 2012). In the case of Johannesburg's services economy, there exist currently only a handful of (published or unpublished) recent academic investigations that contribute to our understanding of its challenges and spatial dynamics (Parnreiter et al. 2013; Crankshaw and Borel-Saladin 2014; Visser 2014; Rogerson and Rogerson 2015; Gregory 2016a). Arguably the most detailed research is that relating to the city's expanding tourism economy, including accommodation services (Rogerson and Sims 2012; Rogerson 2013a, b, 2014a, b, c; Rogerson and Wolfaardt 2015; Ismail and Rogerson 2016; Rogerson and Rogerson 2016).

Against this background of neglect, the aim in this chapter is to offer an analysis of aspects of the current state and spatial distribution of tertiary activities in Gauteng province. In terms of source material, the chapter draws from existing secondary sources as well as the findings of a number of macro-level analyses conducted for the City of Johannesburg in order to inform policy development, including about the role of services (Grant Thornton 2008; Burke et al. 2014; HSRC 2014). Most importantly, the chapter draws upon primary data extracted from Global Insight and EasyData data bases. This is supplemented by AfriGIS Bizcount (2010) data to map the geography of tertiary firms in the GCR. Although there is a substantial informal sector of tertiary activities, most importantly around informal retailing, these are not the focus in this chapter which centres on the formal segment of the tertiary economy. More specifically, attention falls on two sets of material. First, the focus is on unpacking the overall picture and patterns of development of the tertiary sector including its uneven geographical development across Gauteng. Second, attention narrows to interrogate certain critical aspects of tertiary sector evolution and current challenges in the City of Johannesburg, which overwhelmingly has the largest concentration of tertiary sector activities in the province.

Given the diversity of the service economy, in seeking to understand the changing dynamics and spatial dimensions, three components of the services economy of Johannesburg are selected for further investigation. First, is the cluster of activities around finance, closely associated with Johannesburg's role as corporate decision-making centre (Surborg 2011; Cobbett 2014). Second, the role of tourism (including the accommodation sector), a form of consumption that is hidden in the standard classifications of the tertiary sector. And finally, the third focus is upon creative industries, which are again not measured separately in standard classifications concerning the service sector. In the international setting, however, creativity is seen variously as the foundation of "a new global orthodoxy" (Schlesinger 2017) or "the new gold of the global economy" (Flew 2014). Indeed, creative industries and creative enterprises are currently at the 'cutting edge' of city economic development programming, particularly in Northern cities (Gdaniec 2000; Drake 2003; Brecknock 2004; Pratt 2004; Scott 2004; Wu 2005; Pratt 2009; Flew and Cunningham 2010; Cunningham and Potts 2015; Gregory and Rogerson 2016; Yum 2016).

6.2 Unpacking the Tertiary Economy of Gauteng

This section provides an overview of the tertiary sector in Gauteng, its growth and geographical distribution between the different metropolitan and local authorities. The material in this section analyses EasyData data on the tertiary sector, which in terms of Standard Industrial Classification is categories SIC 6–9.

Tables 6.1 and 6.2 provide an analysis of the growth of the tertiary sector in Gauteng as indexed by its contributions to GVA and employment for the period 1995–2015. In addition, these tables reveal the contribution of the Gauteng tertiary sector to South Africa as a whole. Taken together, these two tables, relating both to contribution to GVA and employment, underscore that in national terms a polarization of the tertiary sector has occurred in Gauteng. Between 1995 and 2015 the proportional contribution of tertiary sector GVA in Gauteng expanded from 34.6 to 37.8% of the national total (Table 6.1). In terms of employment data, a similar trajectory of the polarization of the tertiary sector is disclosed, as in terms of formal sector tertiary employment, Gauteng's proportionate share rises from 35.4% in 1995 to reach 37% in 2015.

The growth of the tertiary sector in Gauteng is, however, uneven across the different sub-sectors. Table 6.3 shows both the respective contributions of eight different segments of Gauteng's tertiary sector to South Africa as a whole, as well as their changing respective share in the overall tertiary economy of Gauteng as indexed by GVA. It is evidenced that there are certain segments of the tertiary sector that are concentrated or particularly strong in Gauteng. In 1995 the segments of the tertiary sector which were 'over-represented' were government, communication, finance and insurance, and business services. By 2015 the strongest relative segments were shown to be finance and insurance, government, communication, and, business services (Table 6.3). The marked strengthening of finance and insurance and business services is especially noteworthy. By contrast, the two segments of the tertiary economy that, in relative terms, are consistently the weakest in Gauteng are wholesale and retail trade, and catering and accommodation services (Table 6.3). Another set of findings concerning the shifting structure in the tertiary economy of Gauteng relates to the role of government. In 1995 government was overwhelmingly the most significant segment as it represented 37.8% of the tertiary economy as indexed by contribution to GVA. However, in relative terms, between 1995 and 2015 the significance of government in the provincial economy eroded (to 25.6%), although it still remained the single largest segment. Between 1995 and 2015 the segments that showed the greatest relative growth were those of business services, finance and insurance, and communication. Five other segments of the tertiary economy, alongside government, exhibited relative decline. These are wholesale and retail trade, catering and accommodation services, transport and storage, communication, and community, social and personal services.

Table 6.1 Tertiary sector value in Gauteng and South Africa 1995–2015 (R millions Constant 2010 prices)

	1995		2001		2007		2015	
	No.	Contribution (%)	No.	Contribution (%)	Value	Contribution (%)	Contribution (%)	Contribution (%)
Gauteng	322,568	34.63	409,719	35.58	568,187	36.39	723,926	37.80
South Africa	931,425	100	151,698	100	1,561,302	100	1,915,204	100

Source Based on EasyData (2016)

Table 6.2 Tertiary sector employment in Gauteng, 1995–2015 (R millions Constant 2010 prices)

	1995		2001		2007		2015	
	No.	Contribution to RSA (%)	No.	Contribution to RSA (%)	No.	Contribution to RSA (%)	No.	Contribution to RSA (%)
Formal	2,210,498	35.4	2,453,665	36.4	2,854,972	36.9	3,049,688	37.0
Informal	362,848	31.7	331,442	32.0	513,410	32.4	1,113,498	33.9
Total	2,573,346	20.2	2,785,107	23.1	3,368,382	24.4	4,163,186	26.5

Source Based on EasyData (2016)

Table 6.3 Growth of different segments of the tertiary sector in Gauteng 1995–2015 (R millions Constant 2010 prices)

Sector SIC classification	1995			2015		
	Value	Contribution to RSA (%)	Contribution to tertiary (%)	Value	Contribution to RSA (%)	Contribution to tertiary (%)
Wholesale and retail trade (SIC 61–63)	54,838	28.8	17.0	125,078	31.6	17.3
Catering and accommodation services (SIC 64)	4,238	27.0	1.3	7,333	29.9	1.0
Transport and storage (SIC 71–74)	27,075	31.8	8.4	57,572	31.8	8.0
Communication (SIC 75)	6,334	40.7	2.0	40,209	50.2	5.6
Finance and insurance (SIC 81–82)	23,279	35.6	7.2	97,566	49.8	13.5
Business Services (SIC 83–88)	57,402	33.6	17.8	159,968	38.9	22.1
Community, social and personal services (SIC 92–96, 99)	273 634	30.2	8.5	50 729	31.1	7.0
General government (SIC: 99)	122 039	41.0	37.8	185 470	39.9	25.6

Source Author's calculations based on EasyData (2015)

Attention now turns to understanding spatial dimensions of the tertiary economy of Gauteng. Figure 6.1 maps the location of tertiary firms across the Gauteng City-Region using AfriGIS Bizcount data for 2010. Table 6.4 unpacks the GVA contribution of the tertiary sector across the different municipalities of the GCR for 1995 and 2015. Taken together, Fig. 6.1 and Table 6.4 confirm the marked geographical unevenness of the tertiary economy within Gauteng. In particular, they reveal a massive dominance by the three metropolitan areas of Johannesburg, Tshwane and Ekurhuleni, which collectively accounted for 90% of the Gauteng tertiary economy in 1995, rising to 91.3% by 2015. This result suggests that not only is the tertiary economy becoming polarised, in national terms, around Gauteng, but also that within Gauteng, polarization of the tertiary sector is occurring with the strengthened role of these three metropolitan areas. The most striking finding is that between 1995 and 2015 the city of Johannesburg strengthened its position as the apex of the provincial tertiary economy, its share rose from 38.2% in 1995 to 41.2% in 2015. The only other regions of Gauteng that made marginal gains between 1995 and 2015 in relative share were Westonaria and Merafong City. All other parts of the province are losing relative share in terms of the tertiary economy.

Across the eight segments of the tertiary economy shown on Table 6.4, variations are recorded in the relative contribution of particular areas to the Gauteng tertiary economy. Especially notable are the following: First, Johannesburg dominates in every segment, with the two exceptions of government (Tshwane) and transport and storage (Ekurhuleni). Second, between 1995 and 2015 Johannesburg strengthened its share in all segments except wholesale and retail trade, and catering

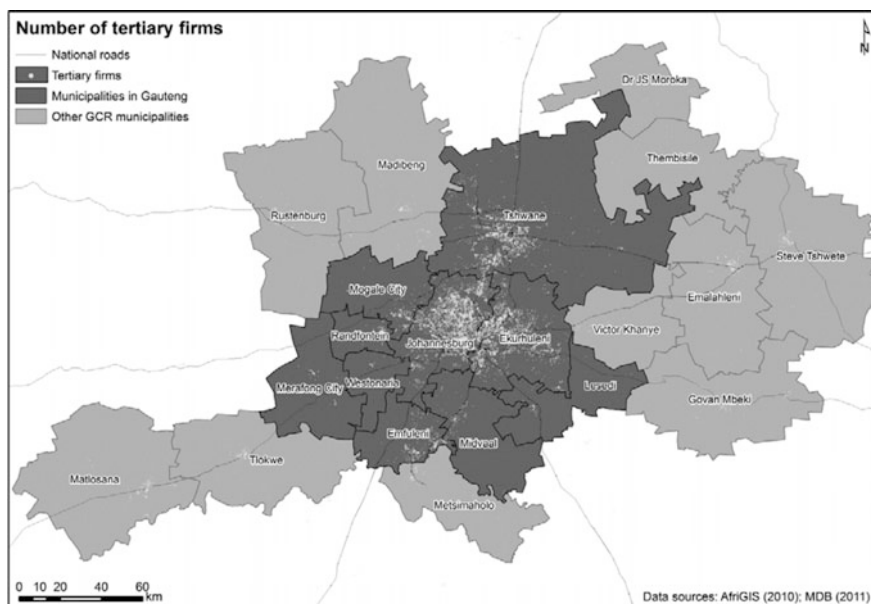


Fig. 6.1 Concentration of the number of tertiary firms in Gauteng City-Region

Table 6.4 Proportional contribution of different municipalities to Gauteng tertiary economy (GVA data) (R millions Constant 2010 prices)

Municipality	Tertiary		Wholesale and retail trade		Catering and accommodation services		Transport and storage		Communication		Finance and insurance		Business services		Community, social and personal services		General government	
	1995	2015	1995	2015	1995	2015	1995	2015	1995	2015	1995	2015	1995	2015	1995	2015	1995	2015
Tshwane	29.1	27.6	21.0	21.9	24.2	23.3	20.5	21.9	33.0	32.3	22.7	21.2	26.0	26.3	27.3	26.8	37.8	37.8
Johannesburg	38.2	41.2	41.6	40.0	45.6	40.7	32.6	34.0	37.2	42.3	52.0	55.6	45.2	45.7	39.3	39.6	31.7	33.3
Ekurhuleni	22.7	22.5	26.5	26.0	21.1	25.4	36.6	31.5	21.5	19.8	19.1	18.0	20.8	21.2	22.2	22.8	19.5	20.5
Empuleni	4.0	3.0	4.4	4.0	3.4	3.5	3.9	3.5	2.4	1.6	2.0	1.1	3.0	2.1	4.4	4.0	4.7	3.4
Midvaal	0.6	0.6	0.7	0.9	0.5	0.7	0.7	1.0	0.4	0.3	0.5	0.3	0.7	0.4	0.7	0.8	0.5	0.5
Lesedi	0.0	0.0	0.5	0.6	0.3	0.5	0.7	0.7	0.2	0.3	0.3	0.3	0.2	0.3	0.5	0.6	0.6	0.5
Mogale City	2.7	2.4	2.8	3.3	2.9	2.8	2.7	3.6	3.5	1.9	2.2	1.6	2.5	2.2	2.9	2.7	2.8	2.0
Randfontein	1.0	0.9	1.1	1.2	0.8	1.1	1.1	1.8	1.0	0.7	0.7	0.6	0.7	0.7	1.1	1.0	1.1	0.8
Westonaria	0.4	0.5	0.5	0.7	0.8	1.2	0.8	1.0	0.5	0.6	0.5	0.8	0.5	0.6	1.1	1.3	0.9	0.8
Merapong City	0.8	0.9	1.0	1.4	0.4	0.8	0.5	1.1	0.3	0.4	0.2	0.2	0.3	0.4	0.4	0.5	0.4	0.4

Source: Author's calculations based on EasyData (2016)

and accommodation. This confirms that tertiary sector polarization is evident—in finance and insurance Johannesburg accounts for over 50%, in communication its share rises to 42.3% and in business services to 45.7%. Three, there was a relative decline in the contribution of Tshwane and Ekurhuleni to Gauteng’s tertiary economy—Tshwane’s contribution declined from 29.1 to 27.6%, while Ekurhuleni’s contribution declined from 22.7 to 22.5%. There were also mixed changes in the relative contribution of the various segments in Tshwane and Ekurhuleni to the Gauteng tertiary economy. The most notable changes were the strengthened role of wholesale and retail trade and transport and storage in Tshwane, and of both government and catering and accommodation in Ekurhuleni. Four, across the rest of Gauteng minor shifts were recorded, with the most notable perhaps being the relative decline of Emfuleni.

Table 6.5 shows the comparative structure of the tertiary economies of the three metropolitan areas as compared to Gauteng as a whole. The most important observations are as follows. First, between 1995 and 2015 the tertiary economy of Johannesburg became increasingly concentrated around business services and finance and insurance, with government and community, social, and personal services in relative decline. Second, in addition to the decline of transport and storage, an exact parallel trajectory is recorded for Ekurhuleni. Three, the most striking finding for Tshwane was the marked downturn in the significance of government in the city’s tertiary economy. Segments that rise in significance were business services, finance and insurance, communication, and catering and accommodation. Finally, as compared to the Gauteng tertiary economy as a whole, Johannesburg’s strengths in finance and insurance, business services and communication were clearly in evidence (Table 6.5).

6.3 Johannesburg’s Tertiary Economy

As a whole, the above analysis points to the centrality of Johannesburg in the tertiary economy of Gauteng. In particular, the results confirm the growing polarisation of tertiary sector activities in the city economy. Against this backdrop, this section turns now to focus on unravelling the dynamics of the tertiary economy further by looking at three particular components. These are (1) Corporate headquarters and finance, (2) Tourism, and (3) Creative industries. The critical issues impacting upon the development and emerging geographies of these three selected components of Johannesburg’s services economy are scrutinized. In addition, spatial issues are interrogated, mainly within the context of the different administrative regions of the City of Johannesburg (Fig. 6.2).

Table 6.5 Comparative structure of tertiary economy for the three leading metropolitan areas (R millions Constant 2010 prices)

	Gauteng		Johannesburg		Ekurhuleni		Tshwane	
	1995	2015	1995	2015	1995	2015	1995	2015
Tertiary	322,568	723,926	93,832	199,989	73,191	162,624	123,317	298,029
Wholesale and retail trade	17.0	17.3	12.3	13.7	19.9	20.0	18.5	16.8
Catering and accommodation services	1.3	1.0	1.1	0.9	1.2	1.1	1.6	1.0
Transport and storage	8.4	8.0	5.9	6.3	13.5	11.1	7.2	6.6
Communication	2.0	5.6	2.2	6.5	1.9	4.9	1.9	5.7
Finance and insurance	7.2	13.5	5.6	10.3	6.1	10.8	9.8	18.2
Business services	17.8	22.1	15.7	20.5	16.6	21.5	21.0	24.3
Community, social and personal services	8.5	7.0	8.0	6.8	8.3	7.1	8.7	6.7
General government	37.8	25.6	49.1	35.1	32.6	23.4	31.3	20.7

Sources Author's calculations based on EasyData (2016)

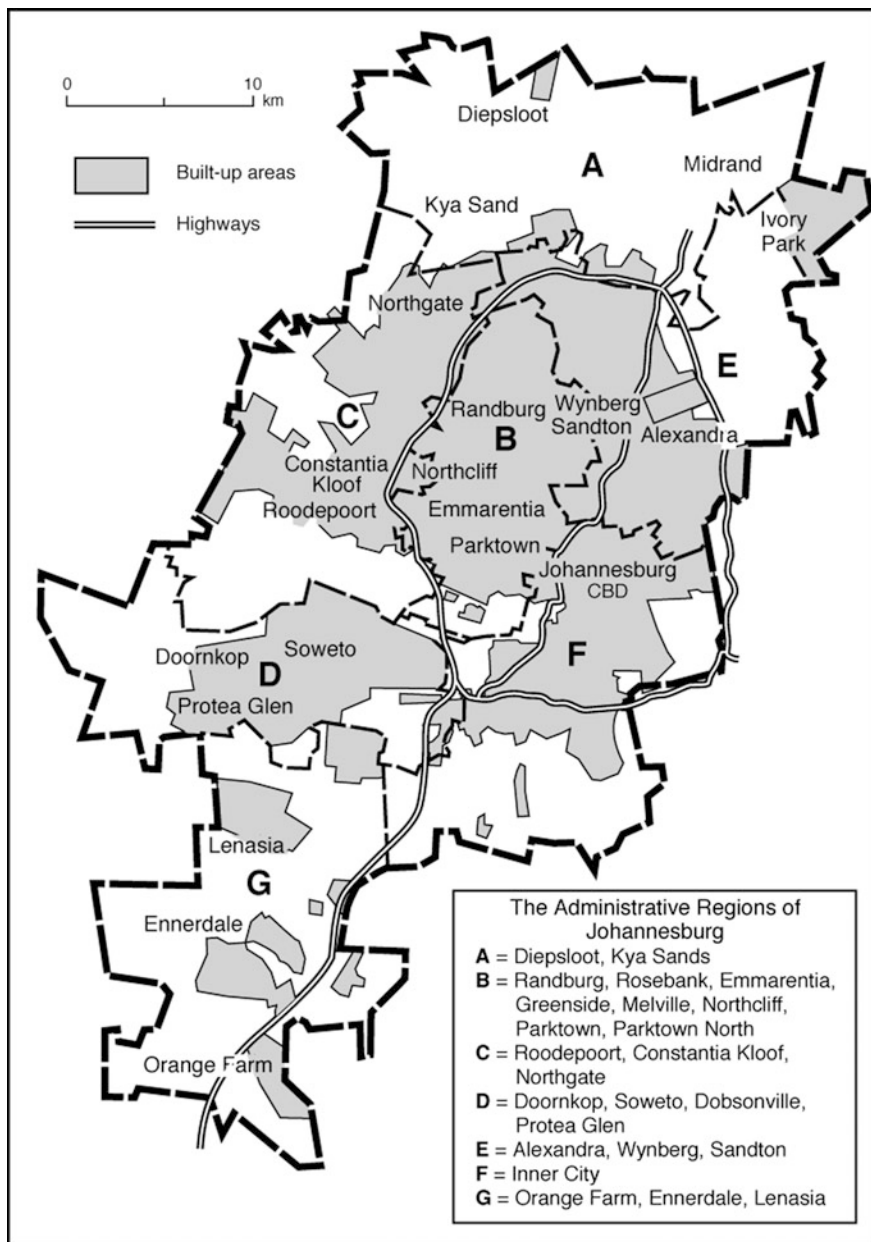


Fig. 6.2 The administrative regions of Johannesburg

6.3.1 *Corporate Headquarters and Finance*

Cobbett maintains that finance and its allied activities (such as insurance, accounting and legal services) represent “one of the services in which South Africa excels” (2014, p. 151). Johannesburg is Africa’s leading financial centre and the finance sector is by far the most significant contributor to GVA for the city (HSRC 2014; Rogerson and Rogerson 2015). Harrison and Zack identify Johannesburg as a “global service centre in banking, finances and related services” (2012, p. 564). This status “owes much to the historical links between mining and banking” in the city (Harrison and Zack 2012, p. 568), a view that is also held by Surborg (2011) and Cobbett (2014). Since 1995, it is evident that finance and insurance have expanded rapidly in terms of contribution to GVA for Johannesburg, even though they have not been major sources of new employment opportunities (Rogerson and Rogerson 2015). This said, it is argued that as “finance is a critical enabler of economic activity, the main job impact is in the growth of goods and services activity which is enabled rather than in finance itself” (Burke et al. 2014, p. 6).

Contemporary Johannesburg is arguably an international financial centre, interwoven with global markets through the country’s distinct political economy, which is anchored on mining (Cobbett 2014). Historically significant factors in the city’s rise as a financial centre were the establishment of the Johannesburg Stock Exchange, the clustering of major domestic banks, the growth of short-term money-markets and the establishment of building societies in the city (Cobbett 2014). Harrison and Zack (2012) stress the legacy of the mining sector in shaping the contours of Johannesburg’s service sector, especially of finance. They point out that, despite the transference in 1999 of the headquarters of Anglo-American to London, Johannesburg is the headquarters for at least seven enterprises in the global mining Top 100 and that the city “remains a prominent node within a global corporate network of mining firms” (Harrison and Zack 2012, p. 562). Across the mining sector as a whole, Surborg documents “considerable ownership power in Johannesburg” (2011, p. 112). In the global network of command and control of platinum, the city of Johannesburg accounts for at least one-fifth of international production (Surborg 2011, p. 97). In addition, mining companies assumed a critical role in an expanding chain of financial power with Anglo-American having significant equity stakes in major banks and insurance companies that are headquartered in Johannesburg (Harrison and Zack 2012).

It is evidenced therefore that Johannesburg’s flagship finance sector has, to a large extent, “evolved from the financial needs and power of mining” (Harrison and Zack 2012, p. 564). Several studies undertaken in the 1970s and 1980s demonstrated the concentration of corporate headquarter offices in Johannesburg and the associated critical financial management functions (Rogerson 1974, 1984; Cox and Rogerson 1985). Since the democratic transition in 1994, Johannesburg has continued its financial hegemony of the South African economy (Rogerson 1996) and affirmed its position as the leading city in southern Africa more broadly (Rogerson and Rogerson 2015). The city is the locus for 74% of national corporate headquarters and 55% of

total office space in South Africa. In an important contribution, Surborg draws attention to Johannesburg's "peculiar and perhaps dependent position in relation to other world cities, particularly London" (2011, p. 116). He maintains that Johannesburg functions in many respects as a satellite city to London, which accords it the status of 'a linking city' in the complex multipolar global network of finance (Surborg 2011; Rogerson and Rogerson 2015). According to Surborg (2011, pp. 129–130) "linking cities cannot be considered as being in sole control, but crucial in facilitating the extraction of surplus value" more especially by "facilitating the connections between capital and production". Johannesburg's role as linking city and basing point for global capital is explained as follows:

Johannesburg is part of the world city network, even if it is only a minor node. The city is the administrative centre that facilitates the efficient resource extraction for much of southern Africa. While considerable ownership over the resource industry is concentrated in Johannesburg, the city is also a node through which surplus is channelled to distant shareholders (Surborg 2011, p. 131).

At the heart of Johannesburg's present-day strength in finance and corporate decision-making is the city's position as the 'gateway' for international as well as local business for finance into the regional African hinterland. Research conducted on the reasons for foreign investors choosing Johannesburg as the location for their business operations underscores the significance of its gateway function and several related aspects of the business environment, most notably the city's attraction of an existing agglomeration of office headquarters with the corresponding strength in finance and other associated services (Rogerson 2009; Rogerson and Rogerson 2010). As Cobbett (2014) asserts, Johannesburg, as gateway to Africa, assumes the function of connecting neighbouring countries in Africa with global actors and networks. Likewise, Games (2012) draws attention to the strategic positioning of South Africa as a political gateway to Africa, focusing on the African Renaissance and the New Partnership for Africa's Development. Attention has turned recently to embrace the notion of South Africa as economic or business gateway to the continent as a whole, especially following the country's membership of BRICS (Games 2012). Arguably, national government views the city of Johannesburg as continental headquarters for companies doing business in Africa as well as the axis of emerging transnational financial networks across the continent (Cobbett 2014). Many of these enterprises, according to Cobbett (2014), are Islamic-based businesses and investment agencies using Johannesburg as a hub for product development and roll-out into Africa. Thus, as financial gateway Johannesburg takes on the critical role "as the nexus of control and linkage, organizing the capitalist economy of South Africa and the wider region" (Rogerson and Rogerson 2015, p. 350).

This said, while South Africa has the largest and best capitalised banks in Africa, has the continent's biggest stock exchange, is an established hub for private equity, and possibly enjoys the status of having Africa's best infrastructure, shifting debates around gateways are occurring as a result of new business and geopolitical considerations (Cobbett 2014; White and Kitimbo 2014). In particular, it has been suggested that in the narrative of 'Africa rising' and economic reform programmes,

“the continent has become more disaggregated in foreign investors’ minds” (Games 2012). As a consequence, foreign investors are seeking more than one gateway and thus are viewing South Africa (and by implication, Johannesburg) increasingly as an entry point to southern Africa only, rather than to the wider arena of sub-Saharan Africa (Games 2012, p. 2). Even for SADC countries, Johannesburg’s hegemonic role is under threat as Brazilian companies opt for Luanda as their preferred basing point for entry into Africa. Another factor leading to the creation of multiple gateways is thickening networks of airline connectivities across Africa. With Nairobi and Addis Ababa as emerging airline hubs, visitors no longer have to fly into Johannesburg in order to access other African destinations (White and Kitimbo 2014).

Several African cities, most notably Lagos and Nairobi, are now jostling with Johannesburg and seeking to position themselves as emerging gateways for Africa. Moreover, as South Africa yields its position as Africa’s premier economy, investors search for new entry points and access to the continent’s high growth markets (Cobbett 2014; White and Kitimbo 2014). Although Johannesburg can still boast the continent’s most advanced hub for financial services, other locations are emerging as competitors. The list of competitors includes Dubai, which is beginning to leverage its growing trade connections, competitive services and connectedness as assets for becoming an African platform for business. Indeed, with Johannesburg’s declining quality of utilities (especially electricity supply), rising corruption and continued high levels of crime, Dubai is potentially a very competitive gateway to Africa (White and Kitimbo 2014). Beyond external threats to Johannesburg’s gateway function (and, by implication, to tempering the continued growth of its financial service economy) are critical internal factors. South Africa’s prospects as economic gateway or springboard for investors are increasingly impacted by skills shortages, declining state efficiency, lack of policy transparency, economic mismanagement, and escalating corruption, which, collectively, are tarnishing the country’s—and correspondingly Johannesburg’s—position as gateway to Africa.

An analysis of Global Insight data was recently conducted by the HSRC (2014) across the seven administrative regions of the City of Johannesburg for the sectoral contribution to GVA. Table 6.6 shows that in 2011 the finance sector was calculated as contributing an estimated 29.6% to the total GVA across the City of Johannesburg as a whole. It emerged as the most important contributor across five of the seven administrative regions, the only exceptions being regions D (Soweto) and G (Deep South, Ennerdale and Orange Farm), in which community services is the largest sector (HSRC 2014, p. 21). Compared to the share of finance in the city as a whole, the regions A (Midrand and Diepsloot); B (Randburg and Rosebank); C (Roodepoort); and E (Sandton and Alexandra) are relatively over-represented in terms of contribution by finance to GVA. Correspondingly, the regions D (Soweto); F (Inner City and Southern Johannesburg); and G (Deep South, Ennerdale and Orange Farm) are relatively under-represented in the finance sector.

At a more fine-grained level, the changing geography of finance and corporate headquarters is dominated by the shift that has occurred from the Johannesburg inner city, the traditional hub of corporate headquarters and finance, to Sandton the new emerging financial capital of South Africa. Among others, Murray (2011)

Table 6.6 Sectoral contribution to GVA across the regions of Johannesburg

	A	B	C	D	E	F	G	Johannesburg
Agriculture	0.5	0.2	0.6	0.2	0.2	0.2	0.6	0.3
Mining	1.8	2.8	1.5	2.3	2.0	4.0	1.7	2.5
Manufacturing	15.1	11.7	13.9	9.6	13.7	12.5	12.8	13.0
Electricity	3.4	2.2	2.0	3.0	2.1	3.5	3.2	2.7
Construction	5.1	4.3	6.1	4.2	5.1	3.9	5.0	4.8
Trade	17.2	16.9	17.5	17.9	17.4	19.4	18.8	17.9
Transport	9.5	7.3	7.6	9.7	8.0	8.3	10.1	8.3
Finance	32.7	33.7	32.9	23.9	32.4	22.8	28.8	29.6
Community Services	14.7	20.9	17.9	29.2	19.2	25.5	19.0	21.0

Sources HSRC (2014) based on Global Insight data

traces the hollowing out of the historic inner city as the primary location of corporate enterprises from the 1980s as part of a saga of capital disinvestment and municipal neglect of the area. He records that as late as 1990 the Johannesburg inner city:

housed the headquarters of sixty-five of the hundred largest companies on the Johannesburg stock exchange, thirteen of South Africa's thirty largest corporates, six of the country's eight mining conglomerates and nine of its eighteen leading life insurance companies. In addition, the central city functioned as the national financial centre, serving as home to eleven of the leading sixteen banking institutions, the Johannesburg Stock Exchange, and the National Reserve Bank (Murray 2011, p. 87).

Post-1994, when Johannesburg was exposed to the competitive vagaries of the world economy it was impacted by the centrifugal pressures of globalisation and spatial fragmentation, which accelerated corporate flight from the inner city and the northward shift of the geographical axis of the finance sector (Murray 2011; Parnreiter et al. 2013). As Parnreiter et al. (2013) show, a spread of the financial headquarters of major corporates into other parts of Johannesburg occurred, including Rosebank, Midrand and new northern office spaces in the Bryanston, Sunninghill and Woodmead areas.

Amid worsening decay in the inner-city, the decision was taken in 2000 to relocate the Johannesburg Stock Exchange from the inner city to Sandton. This both confirmed Sandton's new status as Johannesburg's financial centre (Cobbett 2014), and simultaneously represented "the final event of the exodus of businesses away from the inner-city" (Parnreiter et al. 2013). For Murray, this "marked a significant turning point in the balance of power between the old Johannesburg financial district and the new Sandton business node" (2011, p. 99). The inner city became only one of several clusters of finance-related business areas within the extended metropolitan region of Johannesburg (Murray 2011, p. 88). This said, an examination of the changing geography of corporates in Johannesburg reveals that the inner city continues to hold on to certain 'old' economic sectors and domestic enterprises in the resource-based economy, as well as certain established banks.

New foreign investors coming into South Africa post-1994 sought out headquarter office locations in the spatially-distinctive “global city zone” of Sandton, often with signature ‘green buildings’ (Rogerson 2014a). The broad pattern is thus of Sandton and other northern office areas operating as the new globalised CBD for metropolitan Johannesburg, whereas the inner city holds on to a financial management function for certain long-established South African companies, mainly in the resource sector (Parnreiter et al. 2013).

6.3.2 *Tourism*

Tourism is a service sector of increasing significance for the economy of Johannesburg, although the contribution of tourism as an economic sector is largely hidden in the available official data about the service economy. Nevertheless, its impact goes far beyond the recorded data for ‘catering and accommodation’ (Rogerson and Rogerson 2015). For the past two decades Johannesburg has benefited immensely from the post-apartheid boom in tourism that occurred in South Africa following the country’s reintegration with the global tourism economy (Rogerson and Visser 2007). The city is a major beneficiary of the expansion of both international and domestic tourism since 1994 (Rogerson and Rogerson 2014). In terms of sectoral evolution, the trajectory of tourism development in Johannesburg has taken a different course to that of other major South African cities such as Cape Town, Durban and Port Elizabeth, which are long-established leisure destinations (Rogerson 2013; Rogerson and Rogerson 2014, 2017). Indeed, the city of Johannesburg is best understood as a ‘non-traditional’ urban tourism destination—in the 1990s the sector was identified as a potential source of new employment creation and economic vitality, with several interventions enacted to drive tourism expansion (Rogerson 2002; Rogerson and Visser 2007).

New product development has occurred to expand select competitive niches for Johannesburg as an urban tourism destination. Scope for growth exists, as argued in one recent analysis of the city’s evolving tourism economy, albeit that “this will take place within niche markets that leverage the position and strengths of Johannesburg” (Grant Thornton 2008, p. 86). Arguably, new tourism product development in Johannesburg focused upon maximising the city’s potential for business tourism (convention centres, conference promotion), new cultural and heritage tourism attractions (Newtown Cultural Precinct, Constitution Hill, the Apartheid Museum), sports stadia, and the role of Soweto in the political struggle as a focus for what has been styled variously as township, poverty or slum tourism (Rogerson 2008; Van der Merwe 2013; Frenzel et al. 2015; Frenzel 2016; Masilo and Van der Merwe 2016). In addition, the city has marketed one its biggest assets—its shopping facilities—as an African retailing mecca for cross-border shopper traders from proximate countries in southern Africa and beyond (Rogerson 2011). Much impetus for new product

innovation as well as tourism product upgrading derived from South Africa's hosting of the (now corruption tainted) FIFA 2010 Soccer World Cup during which Johannesburg, as the most significant host city, enjoyed the greatest boost in tourism from the event (Ferreira 2011; Rogerson 2013a, b, c). Looking forward, it is likely that the segment of meetings, incentives, conferences and exhibitions (MICE tourism) "will continue to be the dominant driver of the tourism sector" in the city (Grant Thornton 2008, p. 86).

By 2010, "Johannesburg accounted for an estimated 11.8% share of national tourist spending, just behind Cape Town, which emerged as an iconic international tourism destination after South Africa's re-entry into the global economy" (Rogerson and Rogerson 2015, p. 359). The city's rise as an urban tourism destination has been further strengthened and mutually reinforced through the supportive infrastructure provided by the establishment of clusters of high quality four and five star hotel accommodation. From the mid-1990s, Johannesburg experienced a restructuring and upgrading of the city's hotel sector with notable expansion occurring in upmarket hotel property developments. These quality hotels are particularly targeted to serve the needs of (long haul) international visitors to South Africa as well as upmarket business travellers, many of them from sub-Saharan Africa (Rogerson 2013a, b, c, 2014b). Self-serviced apartments are another element in the accommodation landscape for business travellers in Johannesburg (Greenberg and Rogerson 2015).

A broad picture of tourism in Johannesburg can be gleaned from analysing the data for local tourism trips and bednights available from the Global Insight data base. This information confirms Johannesburg's status as one of the leading destinations within the tourism space economy of South Africa. Between 2001 and 2012 the total number of tourism trips for Johannesburg is estimated to have expanded from 1.9 million to 3.2 million. Of this total, the largest share is trips to visit friends and relatives (VFR travel), mainly by domestic travellers, which is also the pattern nationally (Rogerson 2015a, b). As is shown on Fig. 6.3, VFR travel accounted for 41% of trips by 2012. The growth of Johannesburg as a destination for both leisure and business travel is noticeable. With the country's largest cluster of corporate headquarter offices and decision-making locations, Johannesburg is overwhelmingly South Africa's most significant business tourism destination (Rogerson and Rogerson 2014; Rogerson 2015c). For visitors from other countries in sub-Saharan Africa, Johannesburg is a major shopping destination, often nicknamed Africa's Dubai (Rogerson 2011). With tourism new product development taking place, the city's increasing popularity for purposes of leisure travel by groups of both international and domestic tourists is also significant.

Figure 6.4 shows patterns of bednights in Johannesburg as broken down between international and domestic visitors. It is evident that the city's traditional importance as a destination for domestic tourism is now matched by its importance for international travel (Rogerson and Rogerson 2014). In terms of international trips, the greatest element in the Johannesburg tourism economy is visitors from

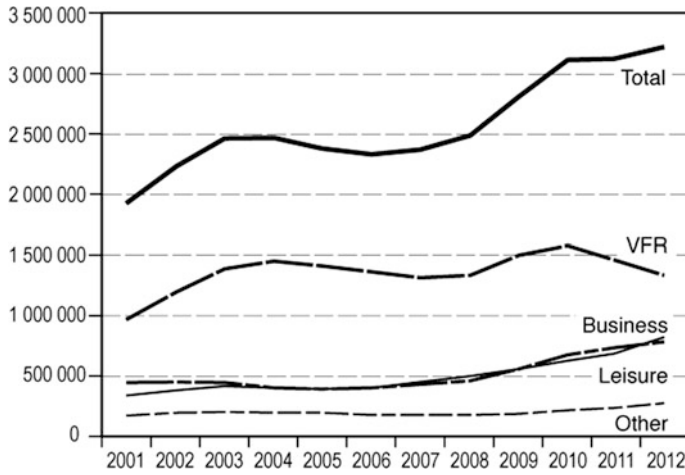


Fig. 6.3 Johannesburg tourism trips by purpose, 2001–2012

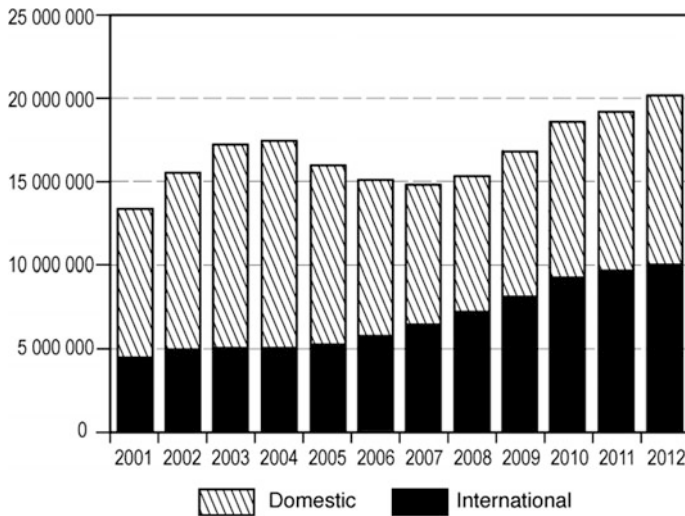


Fig. 6.4 Johannesburg tourism: Bednights by origin of visitor (2001–2012)

sub-Saharan Africa, cross-border shopper/traders in particular, mainly from Zimbabwe, Mozambique, Lesotho, Swaziland, Zambia and Malawi (Rogerson 2011). Long haul international tourists from Europe, the Americas, Asia or Australasia spend much shorter periods of time in Johannesburg compared to Cape Town. For many of these visitors, township or poverty tours around Soweto are an increasingly regular addition to tourist itineraries, with the product offerings of

Soweto diversifying to include even the adventure activity of bungee jumping (Rogerson 2008; McKay 2013; Frenzel et al. 2015).

Not surprisingly, the tourism economy exhibits a pattern of geographical differentiation across the city. The uneven spatial development of tourism can be analysed using Global Insight data concerning tourism trips, purpose of trip, origin of trip (domestic or international), and visitor spend. During 2011 it is estimated the city of Johannesburg was the destination for an estimated 3.04 million trips. Table 6.7 shows leading indicators for the Johannesburg tourism economy across the seven regions. Several points must be highlighted: In terms of both total trips and visitor spend, the two most significant regions are regions E, Sandton, and B, the Randburg–Rosebank area. The areas of Johannesburg which are least important for tourism trips and spend are the lower income, mainly black settlement areas of region D, Soweto and region G, the Deep South, Ennerdale and Orange Farm. A recent report for the City of Johannesburg commented on the underdevelopment of tourism in region G, stating that it was “significantly limited with regards to tourism related activities and products, with some tourism elements completely absent” (Grant Thornton 2008, p. 148). Furthermore, it was noted that accessibility “to the area is very limited and hospitality activities i.e. accommodation and formal catering and restaurants are basically non-existent” (Grant Thornton 2008, p. 148).

As differentiated by purpose of travel, regions E and B account collectively for 60.5% of leisure trips and 50.7% of business trips. Regions D and G once again record the lowest share of both leisure and business trips in Johannesburg. The dominance of Sandton and Rosebank for business tourism is inseparable from their roles as locations of business headquarters, the clustering of high quality hotels and, in the case of Sandton, the establishment of the convention centre (Rogerson 2002). By contrast, a markedly different pattern appears for visiting, friends and relatives (VFR) tourism. In this category Soweto accounts for 27% of the city’s VFR tourism, with region F, the Inner City and Southern Johannesburg the second most important. Region C, Roodepoort, is the least significant for VFR travel. Lastly, in terms of origin of tourists, the city’s two leading tourism nodes of Sandton and Rosebank are most important for international tourists whereas Soweto

Table 6.7 Leading tourism indicators: Relative share of each region for City of Johannesburg (2011)

	A	B	C	D	E	F	G
% Total trips	12.5	18.4	10.1	15.5	21.0	15.9	6.7
% Total spend	11.8	24.2	10.3	7.1	29.1	15.1	2.4
% Leisure	12.9	26.0	9.6	3.3	34.5	13.5	0.3
% Business	12.9	23.4	12.8	6.2	27.3	15.9	1.5
% VFR	12.5	11.7	8.5	27.0	11.5	15.8	12.9
% International	12.1	23.1	11.9	6.7	26.9	17.5	1.9
% Domestic	12.7	15.5	9.0	20.8	17.4	15.0	9.6

Source Author’s calculations based on Global Insight data

is the most significant destination for domestic travellers on account of the large flows of VFR travellers into the area (Rogerson and Rogerson 2016).

Tables 6.8 and 6.9 provide further detail of the contemporary geography of tourism in the city. A number of points can be highlighted. First, in relative significance of purpose of travel, the Sandton and Rosebank areas leisure and business tourism are the key drivers for the local tourism economy. By contrast, in the other five regions of Johannesburg the largest number of trips is accounted for by VFR travel—in the case of both regions G (Deep South, Ennerdale, Orange Farm) and D (Soweto), very high proportions of VFR tourists are recorded, reaching a share of 87% in the case of region G. The geography of VFR travel is thus distinctly different to that of leisure or business travel in the Johannesburg tourism economy (Rogerson and Rogerson 2016). Second, in terms of origin of trip, domestic tourism is larger in volume than international tourism, across the whole of Johannesburg. Comparing the regions to the city as a whole, it emerges that regions G and D are substantially over-represented in terms of domestic tourism, whereas B and E are flagged as most significant for international tourism. Overall, a close relationship is observable between the Sandton and Rosebank nodes as most significant for international, leisure and business tourism, whereas Soweto and the Deep South are dominated by domestic and VFR travel. Tourism in Soweto, the iconic ‘slum tourism’ destination for international tourists, is overwhelmingly dominated by domestic tourists.

Table 6.8 Tourism trips by purpose for each region (2011)

	A	B	C	D	E	F	G	Johannesburg
Leisure	25.4	34.6	23.4	5.2	40.3	20.7	0.9	23.5
Business	23.6	29.0	29.0	9.1	29.7	22.7	5.1	22.2
VFR	45.3	28.7	38.0	78.6	24.8	44.8	87.3	46.6
Other	5.7	7.7	9.6	7.1	5.2	11.8	6.7	7.7

Source Author’s calculations based on Global Insight data

Note Leading purpose of travel in each region is in bold

Table 6.9 Tourism trips by origin for each region (2011)

	A	B	C	D	E	F	G	Johannesburg
Domestic trips	63.4	52.7	55.6	83.8	51.7	58.6	89.3	62.2
International trips	36.6	47.3	44.4	16.2	48.3	41.4	10.7	37.8

Source Author’s calculations based on Global Insight data

6.3.3 *Creative Industries*

Creativity is touted as the fuel of the modern global economy (Gibson 2014). As Visser states: “Much of the excitement surrounding the creative industries is to be found in their potential to diversify economies and enable countries to leapfrog into a dynamic sector of the global economy” (2014, p. 16). The concept of ‘creative industries’ is, however, a relatively recent category in academic, policy and industry discourse (Cunningham 2002; Flew 2003; Turok 2003; Cunningham 2005; Flew and Cunningham 2010; Scott 2014; Jones et al. 2016; Yum 2016; Lampel and Germain 2016). It is suggested that its neo-liberal origins can be found in Britain with the Blair Labour government’s establishment of a Creative Industries Task Force (CITF) after its electoral victory in 1997 (Flew 2014). The creative industries policy discourse has been embraced in a number of other parts of the world and at a global scale the United Nations Conference on Trade, Aid and Development (UNCTAD) “has become an enthusiastic proponent of the creative industries as a new engine of growth in developing countries” (Flew and Cunningham 2010, p. 114). From its roots in the global North, the notion of creative industries has diffused and been taken up in Asia, Latin America, the Caribbean, and most recently in Africa (Flew 2014).

In the 1998 Creative Industries Mapping Documents, prepared by then newly constituted UK Department of Culture, Media and Sport, creative industries were conceptualised as activities that have their origin in individual creativity, skill and talent, and that have the potential for wealth and job creation through generation and exploitation of intellectual property (Rogerson 2006a). Since the late 1990s, however, definitional disputes have surrounded the term (Garnham 2005; Galloway and Dunlop 2007; Cunningham 2008; Gibson 2014; Gong and Hassink 2016). As Flew states:

In some instances, it is essentially a restatement of the case for supporting the arts and culture, couched in economic language as preferred by funding agencies. For others, it marks the convergence of the arts, media, design and ICT sectors, while some associate it with the tsunami of cultural democratisation associated with networked social media and DIY online publishing. (2014, p. 11)

UNCTAD (2008) offers an extended definition of creative industries, proposing that creative industries: are engaged *inter alia* in the creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs; constitute a suite of knowledge-based activities focused on but not limited to the arts, or comprise tangible products and intangible intellectual artistic services with creative content and economic value; and are at the crossroads between the artistic, services and industrial sectors. Overall, the interconnected nature of creative industries is stressed, with nine sectors identified including design, publishing, visual arts, creative services (such as architecture, advertising), cultural sites, traditional arts and crafts, performing arts, audio-visual, and new media (UNCTAD 2008).

Turok observes that global research interest in the development of creative industries “has burgeoned in recent years” (2003, p. 549). Arguably, creative industries have recently become “a major new consideration in urban economics and city politics” (Brecknock 2004, p. 1). Flew maintains that creative industries “tend to cluster in cities, and many of the world’s leading cities are also global leaders in the creative industries” (2014, p. 12). Vibrant policy debates surround issues of creativity and creative clusters as well as the role of creative industries in job creation, urban regeneration and economic value-added (see, for example, Drake 2003; Flew 2003; Turok 2003; Brecknock 2004; Pratt 2004; Garnham 2005; Wu 2005; Scott 2006; Lazzeretti et al. 2008; Potts and Cunningham 2008; Cunningham and Potts 2015; Bialic-Davedra et al. 2016; Gregory and Rogerson 2016). Scott highlights a surging new creative economy and rising levels of optimism concerning ‘cultural-industrial districts’ as “drivers of local economic development at selected locations, above all in large cosmopolitan cities, but also in many other kinds of geographical contexts” (2004, p. 463). Several policy initiatives designed to nurture creative industries have been launched in cities across Europe, North America and Australasia (Flew and Cunningham 2010). Among others, Evans (2005) points out that across the international experience creative industries are included now in a distinguished list of ‘leading edge’ or ‘growth sectors’ such as financial services, ICT or high technology to denote the strength and potential of local economies.

In terms of policy response, the City of Johannesburg was relatively slow to acknowledge the potential of creative industries, especially compared to Cape Town (Visser 2014, p. 30). At national level the need to promote ‘cultural industries’ for purposes of economic development had been flagged during the late 1990s by the (former) Department of Arts, Culture, Science and Technology. The category of cultural industries—similar to categorisation of creative industries—was defined as incorporating music; the visual arts; the publishing sector (based on creative writing of literature); the audio-visual and media sector; performing arts; the craft sector (including traditional African art, designer goods and souvenirs); cultural tourism; and, the cultural heritage sector. The Economic Development Unit of the City of Johannesburg recognised the role and potential of creative industries in planning for *Joburg 2030*, the city’s blueprint for economic development. Belatedly, during 2005, alongside new support programmes for business process outsourcing call centres, ICT, freight and logistics, and sport, it was announced that Johannesburg’s Economic Development Unit would also actively support the sector of ‘creative industries’. A Sector Development Programme for creative industries was prepared, which centred around sector clustering and support aimed at the removal of constraints and inefficiencies and the harnessing of opportunities. The programme was anchored on the foundations provided by the creative industries sector scoping study for Johannesburg (undertaken in 2003), which followed on from national investigations of the sector (City of Johannesburg 2003). The major focus of the scoping investigation was the segments of TV and film; music; performing arts; visual arts; crafts; and design. The study research highlighted that, as a

whole, the “Johannesburg creative industries sector dominates the national profile” (City of Johannesburg 2003, p. 42).

During 2008 a report produced for the Economic Development Department reiterated the relevance of creative industries for Johannesburg’s future economic development (Grant Thornton 2008). This report highlighted once more the key constraints that need to be addressed for creative enterprise development. These include limited funding; high costs of telecommunications; crime and security; poor public transport; absence of collaboration; and, importantly, a perceived lack of support from government, which prioritised sport over creative industries. One reason for the meagre levels of business support by government is the limited transformation of creative industries, as the vast majority of creative entrepreneurs running SMMEs are whites (Minty 2005; Grant Thornton 2008). A marked racial divide is observed between the creative spaces inhabited of white entrepreneurs and the black-owned creative enterprises concentrated in Alexandra, the Johannesburg CBD and Soweto (especially Diepkloof/Meadowlands) (Grant Thornton 2008, p. 148). Beyond the example of Newtown, dedicated initiatives for developing urban spaces that “are attractive to the creative industries and creative classes” (Visser 2014, p. 30) are almost entirely absent from planning interventions by the City of Johannesburg. Significantly, the most dynamic inner city cluster of creative enterprises—at Maboneng precinct—is a private sector driven initiative (Gregory 2016b).

Notwithstanding a massive burst of international research on creative industries and clear recognition of its potential for urban economic development programming, in South Africa local urban scholars have accorded only minimal attention to understanding the sector in Johannesburg (Gregory 2016a). Cape Town has attracted some research interest during the past decade, (Booyens 2012; Booyens et al. 2013; Booyens and Rogerson 2015) while only a small number of scholarly investigations have been undertaken on creative industries in Johannesburg. These investigations have variously interrogated aspects of Johannesburg’s rise as the fashion capital of Africa (Rogerson 2006b); the nexus of creativity and urban tourism, especially of ‘creative tourism’ (Rogerson 2006a); and the unravelling of the dynamics and spatial organisation of the film and television economy (Visser 2014).

The most recent, and also the most in-depth and detailed analysis of the contemporary economic geography of creative industries in Johannesburg, is the work of Gregory (2016a). Applying the eight categories of UNCTAD (2008) to unpacking creative industries in Johannesburg, the audit conducted by Gregory (2016a) revealed a total of (at least) 2325 creative businesses in the city, with the largest numbers of enterprises being in creative services; audio-visual; visual arts; and publishing and print media. The locational preferences of creative enterprises are an important focus in creative industries scholarship (Lazzeretti et al. 2008; Gong and Hassink 2016). Although creative enterprises can be found across all regions of Johannesburg, in line with international experience, marked geographical concentrations of creative industries are evidenced (Gregory 2016a). The largest numbers of creative industries are to be found in the northern suburbs generally,

and in the Sandton area (and surrounds) and Randburg, in particular. Other notable clusters exist in the western parts of the city, the inner city, and Midrand. Smaller clusters of creative industries occur in the southern suburbs and Soweto. The area of Johannesburg which exhibits only minimal activity for creative industries is region G, encompassing the Deep South, Lenasia, Ennerdale and Orange Farm. A further critical finding from Gregory's (2016a) work is that the different sub-categories of creative industries exhibit different geographies across the city. For example, the mass of audio-visual enterprises is clustered in the north-west suburbs close to Randburg and the headquarters of Multichoice; new media enterprises and design businesses focus primarily on Sandton and Randburg; and the large component of creative services are grouped mainly in Sandton, Randburg and the northern suburbs. In contrast, the axis of the small performing arts economy occurs in Johannesburg central city, with Braamfontein and the Maboneng precinct emerging as vital spaces for the consumption of visual arts (Gregory 2016a). The development of the Maboneng precinct is of particular interest as the growth of creative industries in this part of inner city Johannesburg is an asset for the renewal of leisure tourism in the inner city (Murtagh 2015; Gregory 2016b).

6.4 Conclusion

This chapter has attempted to unravel the shifting profile and aspects of the challenges facing the (formal) tertiary sector of Gauteng. It was revealed that at both national and provincial scales of analysis, the tertiary sector exhibits polarization tendencies. Over the past two decades the City of Johannesburg has continued to advance as the apex of Gauteng's tertiary economy. The diverse set of activities that are encompassed in Johannesburg's tertiary economy constitute vital foci of economic dynamism and are critical drivers for local economic growth and job creation. Despite the significant role of the services economy for Johannesburg and Gauteng, it is remarkable that so little academic attention has been paid to understanding its workings, challenges and emerging geographies. It is within this essential investigatory void about services that this chapter sought to excavate aspects of the recent economic geography of three segments of the services economy: finance and allied activities associated with Johannesburg's role as corporate command centre; the growing sector of tourism' and the emerging economy of creative industries.

This analysis reveals to policy makers that a 'one-size-fits-all' approach to policy development cannot be applied to the service economy because of its heterogeneous character. The three selected segments of the services economy exhibit different trajectories, different challenges and different geographies. The critical role of services for the future economic development of Gauteng, and for Johannesburg in particular, necessitates an improvement of our knowledge base of the service economy and a major breakthrough. Arguably, urban scholars and economic geographers have an extensive research agenda to undertake in order to facilitate

evidence-based policy making in Johannesburg around the tertiary sector. Another vital academic challenge, however, is to move the research horizon beyond Johannesburg and to explore more fully the dynamics and challenges that confront the tertiary economy in other parts of Gauteng, in particular in the under-researched Ekurhuleni and Tshwane metropolitan areas.

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