

# **MEMEL: AN EXPLORATORY STUDY OF THE WORKINGS AND ECONOMIC DYNAMICS OF A VERY SMALL SOUTH AFRICAN TOWN**

**By**

**Mitchel Hawkins**



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## DECLARATION

I declare that unless otherwise indicated in the text, this research report is my own unaided work, and has not been submitted before for any degree or examination to any other university.



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*(Signature of Candidate)*

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## **ABSTRACT**

Small towns represent a neglected area of study in South Africa, particularly those with a population of less than 5000 people. This report attempts to respond to this gap and gain a greater understanding of the workings and economic dynamics of very small towns in South Africa, their prospects for future growth and development, and how they might be dealt with by policy-makers and within policy agendas. By means of a survey of formal businesses, the report explores a case study of the role, function, workings and economic dynamics of the very small South African town of Memel in the eastern Free State – a town with a population of less than 500 people. While the town appears to be largely economically stagnant, yet stable - as it has been for much of its 99 year existence - it has undergone a small economic transformation in recent years - perhaps highlighting its latent potential for growth and development. This, however, is contrasted by a burgeoning indigent population in the town's adjacent informal settlement – a population largely reliant on state welfare for survival. This situation has encouraged some local residents to try to stimulate local growth and development in the town, through a number of grassroots strategies and initiatives. They have achieved little success, however, due to a general lack of government support and assistance. Thus, the report calls for a more prominent role to be played by, not only local, but all levels of government in the growth and development of this, and other small South African towns. Moreover, the report also advocates for an overarching small town policy in South Africa to fill the current policy 'vacuum' that exists in this arena.

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## LIST OF ACRONYMS AND ABBREVIATIONS USED

ANC	African National Congress
CBD	Central Business District
DA	Democratic Alliance
DLG	Developmental Local Government
FNB	First National Bank
FTA	Free Trade Agreement
GEAR	Growth, Employment and Redistribution
GVA	Gross Value Added
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IRDP	Integrated Rural Development Programme
ISRDS	Integrated Sustainable Rural Development Strategy
Km	Kilometre
Km <sup>2</sup>	Square Kilometres
KZN	KwaZulu-Natal
LED	Local Economic Development
m <sup>2</sup>	Square Metres
<i>n</i>	Number
n.d.	No Date
NGO	Non-Governmental Organisation
NP	National Party
NPC	National Planning Commission
NSDP	National Spatial Development Perspective
PWV	Pretoria-Witwatersrand-Vereeniging complex
R	Rand
RDF	Rural Development Framework
RDP	Reconstruction and Development Programme
SEDA	Small Enterprise Development Agency
StatsSA	Statistics South Africa
UDS	Urban Development Strategy
u.p.	Unpaginated
USA	United States of America
WPLG	White Paper on Local Government

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction and Background to the Study**

By the year 2000, urban populations living in towns with populations below 500 000 people accounted for more than half the urban population across Asia, Latin America and Africa. Many of these people live in small towns with populations between 5000 and 100 000 people (Atkinson, 2006). In South Africa there are close to 500 small towns with populations below 50 000 people. These small towns are generally characterised by declining economic functions, the decline of agricultural output in their rural hinterlands, out-migration of skilled people, and rapid urbanisation – particularly characterised by an influx of poor and unskilled people. The general result has been an increase of poverty and unemployment in small towns across South Africa (Marais, 2004). To a large extent, the economies of small towns in South Africa are driven by government social grants provided to their populations, as well as the agricultural and outputs and activities of their hinterlands (Marais, 2004).

Both in South Africa and abroad, however, small towns represent a neglected area of research and study. As Nel (2005: 254) notes: “small towns in the South African context ... are a research lacuna”. Greater focus is often given to the issues surrounding large urban centres and metropolitan areas, as well as the issues surrounding “deep rural” areas and communities. Small towns are often further neglected in terms of public sector development priorities and agendas, while on the other hand, policies and programmes - although not directly focused on small towns - have often negatively affected their development (Atkinson, 2006). Furthermore, the importance and significance of small towns is often

debated and argued within the literature. It is argued that small towns often represent the first place that people turn to when migrating from the towns' rural hinterlands (Marais, 2004). Furthermore, small towns are debated as being strategically important for the development of their rural hinterlands through their role as rural service centres (Atkinson, 2006).

This lack of research on small towns raises questions regarding their main dynamic for economic growth and development, and furthermore, how such growth can be achieved. To answer such questions, however, requires a greater understanding of South Africa's small town economies and the dynamics at play within them.

Within the literature, then, this offers an opportunity to study a small town in South Africa, its economic dynamics and performance, its evolving role and function, and its prospects for growth and development in the context of an ever-changing small town context in South Africa. Moreover, however, there is a particular lack of research on very small towns – i.e. towns with a population below 5000 people. This presents a further opportunity to study a very small South African town. It is hoped that research into such a town will contribute to a greater understanding of the workings of very small South African towns in the context of contemporary processes of urban change and the impact these processes have on the complete spectrum of the urban system.

The research will be important in that there is a lack of empirical research on the economies and economic workings and dynamics of South Africa's small towns, particularly in the post-apartheid period. Thus, the research has the potential to offer insight into the economic dynamics at play, and function of a very small

South African town within the particular and changing context within which small towns in South Africa are situated, and furthermore, what this might mean for its future growth and development. As Atkinson (2009: 271) argues: “it remains to be seen whether the economies of small towns are sufficiently robust to provide a livelihood for a major influx of newcomers or contribute to the development of their rural hinterlands”. The results of the study may also contribute to discussions within the literature concerning the development of strategies aimed at stimulating and supporting economic growth and development in other similar small towns across South Africa.

Lastly, the research also has the potential to contribute to debates and arguments within the small town literature concerning the significance and importance of small towns, and in particular, their role and importance in the context faced by small towns in the post-apartheid period; their prospects for growth; and, how they should be treated in development agendas and by policy-makers.

## **1.2 Research Question and Sub-Questions**

The main objective of the study, therefore, lies in uncovering the particular workings and economic dynamics of the very small South African town of Memel situated in the eastern Free State, within its place in the contemporary South African small town context. In order to do this, the study will attempt to answer the following research question and sub-questions:

*What is the economic state, function, and particular dynamics at play within the small local economy of Memel, and what are its prospects for growth and development?*

- What is the history of Memel and its local economy?
- What is the current economic role and function of the town?
- What is the economic relationship of the town with its rural hinterland and how important is this relationship?
- What is the current state and performance of the local business sector, and what challenges does it face?
- What is the level of local multipliers in the local economy?
- What is the level and impact of competition with other regional centres/towns?
- What is the level and impact of local/provincial/national government policies, programmes and agendas on the local economy?

Perhaps at a more basic level, then, the research is interested in uncovering what exactly a very small South African town is; what type, and how many people live in such a place; what makes the economy of such a small town work; what type of challenges it faces; if these small places are important and what role, if any, they play; their particular policy needs as well as if, or how, they should be catered for

in regional and national policies; and lastly, and perhaps most importantly, what the future of such a small town in South Africa is?

### **1.3 Limitations of the Study**

Atkinson (2008: 6) argues that South African small towns are characterised by a high level of diversity, and that there is no “one-size-fits-all” solution when dealing with them. As such, findings derived from the study on Memel may be limited in their ability to be used to make/draw assumptions on any of South Africa’s other small towns. It is hoped, however, that the research will be a starting point in better understanding how the economy of a very small South African town functions in the context of the post-apartheid space economy and small town context.

Furthermore, as no prior academic research has been conducted on this town, this study on the town of Memel is largely exploratory. As such, it is not known what the outcome of the study may be or, furthermore, what may be expected in terms of the findings and the conclusions that will be able to be drawn from them.

### **1.4 Methodology**

The study is based on a case study research strategy. As mentioned above, the case of the very small town of Memel in the eastern Free State has been chosen as the town on which to situate the research. Memel, located midway between Johannesburg and Durban is a very small South African town with a population of

less than 500 people. Although very small, largely unheard of and non-descript, Memel represents an interesting case study of South African small towns. The town is very small when considered against the traditional classification of small towns being between 5000 and 100 000 people. Such small places have not featured in the literature, and even less so on governments list of priorities. As such, little is understood about them and how their economies function – particularly in the post-apartheid context – as well as how to treat them in terms of development agendas.

Despite this, however, and according to Professor Lochner Marais of the University of the Free State, the town appears to have undergone something of a small transformation in recent years – perhaps indicating that rather than being stagnant or in a state of decline, there remains some level of activity and dynamism within its local economy.

Again, and as mentioned above, it is hoped that this research will contribute to a greater understanding of the workings of very small South African towns in the context of contemporary processes of urban change and the impact these processes have on the complete spectrum of the urban system.

In terms of the empirical portion of the study (presented in chapters 5 and 6), the primary sources of data were collected by means of a survey of a representative sample of formal businesses in Memel, as well as a number of interviews with key respondents<sup>1</sup> - conducted over a number of days in the town of Memel, between the 30/01/2012 to the 02/02/2012. While it was hoped that all of the town's businesses could be surveyed, this was not possible due to a number of business owners declining to be interviewed, or others not being in town at the time

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<sup>1</sup> See the reference list at the end of the report for a full list of respondents.



research was undertaken. Nonetheless, it is believed that a representative sample of the different types of business present in the town were surveyed, and thus represented in the findings (See table 6.1 in *chapter 6* for the variety of enterprises present in the town, and the number of each that were polled) Although the 2010/2011 Braby's Business Directory revealed a total of 10 businesses in Memel with a listed telephone number, a total of 15 of the town's 27 formal businesses were surveyed. A number of these business owners, however, owned more than one business in the town. Thus, it is believed that approximately 60 percent of enterprises in the town are represented in the findings.

Business owners were polled by means of a business survey questionnaire (see appendix A for the questionnaire used). This questionnaire included questions concerning: the type and nature of businesses present in the town; the length of business owners residence in the town and length of ownership of businesses; and, reasons why business owners chose to establish their businesses in the town at the time they did so. A second set of questions concerned the nature of businesses' client bases, as well as their market orientation. A third set of questions included the business owners' perceptions on the economic performance of their own business, as well as the performance of other businesses in the town and the local economy in general. A fourth set of questions considered the level of local multipliers present in the local economy, and by extension, the level of economic activity generated by local businesses. And, a last set of questions concerned business owners' perceptions on the role that the local municipality plays in business support, as well as the growth and development of the town in general. These questionnaires and the questions within them were largely informed by the concepts and theories uncovered in the conceptual framework of this study, presented in *chapter 3*, but also based in some ways on Atkinson's (2009) study of the small town of Aberdeen in the Eastern Cape and its business sector.

As mentioned above, the survey was also informed and supplemented by interviews with a number of key respondents. These included: the chairman of the Memel ratepayers' association; a former member of the Memel Chamber of Commerce and current manager of the *Memel Landbou Vereniging* (Memel Agricultural Society); the chief conservator of the Seekoeivlei Nature Reserve; and, a number of lifelong residents of the town. Officials from the Memel office of the Phumelela Local Municipality did not wish to be interviewed, and instead suggested that the town's local attorney and lifelong resident, Mr. Paul Neethling, be asked any questions. Indeed, a number of other businesses owners stated that they would also prefer if Mr. Neethling be interviewed as they felt he would be able to answer more than they would. As such an interview was secured with Mr Neethling. In some instances key respondents were also the owners of local businesses. In these cases respondents were polled using both a business survey questionnaire, as well as a broader extended questionnaire. This broader extended questionnaire covered many of the same questions as the business survey questionnaire, but also included a number of further questions, including: the nature of the town's current and historic economic role, function and performance; the town's relationship with its rural hinterland; the type of people who live in the town, and their economic background; and so on. It must be noted, however, that these interviews were largely open-ended. As such, this questionnaire does not necessarily represent the exact questions that were posed to respondents, instead it simply guided the interviews, and in essence was used as a 'checklist' of conversation topics to be covered.

Lastly, while the study hoped to include the perspective of the Phumelela Local Municipality (within which the town is situated), attempts at speaking with a relevant person in the municipality, in person, and by phone or email, were unsuccessful. Thus, the findings are largely based on the perspectives and perceptions of local residents and business owners. This of course, does raise a problem of a possible bias in the findings. Nonetheless, and as far as possible, the

situation and perspective of the municipality was in some way drawn out of its IDP document as well as other reports, such as municipal capacity assessments, and so on.

### **1.5 Key Concepts Used in the Study**

The research contains a number of important and key concepts relating specifically to the proposed area of research. They are as follows:

#### *Small Towns*

Small towns are generally accepted as towns with a population of between 5000 and 100 000 people. Other authors, however, regard them as towns with a population of below 50 000 people. There are varying definitions of small towns, and what might be considered a small town internationally, may not be considered a small town in South Africa.

#### *Rural Hinterland*

A town's rural hinterland/s refers to its surrounding agricultural/rural region. The size of a town's hinterland may vary, but will usually be determined by the physical area over which it serves an economic function or is served by. It is therefore, the area around a town which is dependent on the town for goods and services. Different goods and services within a town, however, are likely to have different hinterland areas.

#### *Rural Service Centre*

A rural service centre refers to a small town or urban centre that stimulates local development within its rural hinterland through an adequate provision of necessary and required functions and services.

## 1.6 Chapter Outline

The study is divided into eight chapters

*Chapter 2* reviews some of the relevant literature to the study. It considers a definition and background to small towns, along with why small towns should be seen as important points of study. The chapter then considers the way in which small towns have been dealt with by policy-makers in both developed and developing contexts over time, as well as the results of common small town policies and initiatives over the last number of decades. Following this, the debates and arguments surrounding the purported role and economic significance of small towns in rural and regional development are explored. The chapter concludes by highlighting a number of cases of small town growth and decline in traditionally developed contexts.

*Chapter 3* constructs a theoretical and conceptual framework against which the findings of the study will be analysed and evaluated in subsequent chapters. The chapter considers a number of relevant theories that will help in understanding and explaining the particular function, workings and economic dynamics of the very small town of Memel.

*Chapter 4*, as a backdrop to the empirical study of the report, considers a definition and background to small towns in South Africa, as well as why small towns in South Africa should be seen as important points of study. Following this, the broader social, political, economic and institutional context within which small towns in South Africa are situated is uncovered and explored. Lastly, the chapter considers the changing post-apartheid and contemporary small town trends and dynamics that are apparent in many small towns across the country.

*Chapter 5* begins to consider the town of Memel itself – its background, size and location. The particular local and regional context within which the town is situated is also explored. Following this, the chapter considers Memel's historic and current economic state, function and role.

*Chapter 6* presents the empirical findings of the survey undertaken of a representative sample of some of the town's enterprises, as well as interviews with a number of key respondents. The chapter uncovers a number of aspects, including: perceptions on the state and performance of the local business environment and local economy; perceptions on the role played by the local municipality in business and local economic development and support; the level of local multipliers present in the local economy; and, the nature of businesses' markets and client bases.

Lastly, *chapter 7* analyses and interprets the findings made in *chapter 6*, informed by, and with reference to the concepts and theories explored in *chapter 3*. The chapter also considers what dynamics help to understand the specific function, workings and economic dynamics of this very small South African town. Furthermore, the chapter considers the findings of the study in terms of the debates on the role and significance of small towns in an attempt to uncover what role, if any, this very small town plays in rural and regional development.

## **CHAPTER 2**

### **BACKGROUND TO SMALL TOWNS**

#### **2.1 Introduction**

The purpose of this chapter is to provide a definition and background to small towns. The chapter begins by introducing what a small town is and why they should be seen as important points of study. It then goes on to uncover the changing focus and thinking on small towns, in both the literature and policy context, from the 1960s to the present time. Following this, the purported economic role and significance of small towns in rural and regional development is considered, along with the debates that have surrounded these notions within the literature. Lastly, international examples of small town growth and decline are then explored.

#### **2.2 Background to Small Towns: Concept, Definition and Role**

##### *2.2.1 Why Small Towns?*

Atkinson (2009) argues that many nations and governments across the globe have – at least in recent years - tended to focus their attention and energy on the issues facing large cities and metropolitan areas, despite the fact that by the year 2000, one-quarter of the world's population resided in urban areas with populations with less than half a million inhabitants (Atkinson, 2009). Moreover, in Africa, Asia and Latin America the number of people residing in these centres constitutes more than half of their total populations (Satterthwaite and Tacoli, 2003). Many of these

centres or settlements are home to populations of between 5000 and 100 000 people, and as such are categorised as 'small and intermediate' towns. In other words, it can be said that a significant proportion of the world's population currently live in small towns.

Furthermore, and although open to debate, many argue that small towns play an important and significant role in rural, local and regional economic development. It is argued that small towns represent the urban centres with which the majority of rural populations and enterprises interact (Hardoy and Satterthwaite, 1986), and that an economic interdependence exists between small town enterprises and rural consumers, as well as between rural producers and small town markets and consumers (Satterthwaite and Tacoli, 2003). Moreover, small towns appear to play an important political role and are often used by central and national governments as the centres through which urban services can be distributed to local populations, including those living within rural and agricultural areas and regions (Hardoy and Satterthwaite, 1986; Atkinson, 2009).

### *2.2.2 What are Small Towns? – The Problem of Definition*

Due to their demographic significance, as well as their purported role and significance within nations' urban hierarchies, the topic of small towns is gaining increasing significance, both locally and internationally, in research on urban and rural systems and development, (Atkinson, 2009). What then, is a small town?

Across the literature, the definition of a small town or small urban centre remains open to debate, and no clear working definition exists (Hardoy and Satterthwaite, 1986; Nel, forthcoming; Atkinson, 2008; Nel, 2005; Dewar, 1996). A useful

starting point, however, is to distinguish between 'rural and urban', as small towns often fall very close to the lower spectrum of what is considered or defined as urban. The topic, however, remains a contentious one, as there exists no concurrence among researchers or governments as to what exactly divides the two (Hardoy and Satterthwaite, 1986). As Hardoy and Satterthwaite (1986) argue, however, a distinction is necessary in order to determine populations which have immediate access to social and economic services and facilities – which are traditionally held as the characteristics of urban areas – and those who do not. Furthermore, any study conducted on small urban centres needs to be able to distinguish between the small urban centre itself, smaller and larger settlements which surround it, and its surrounding rural hinterland. Most countries use the population size of a settlement as a means of distinguishing between urban and rural. For example, settlements with populations greater than 5000 are often considered as urban, while those with populations below 5000 are often considered as rural (Hardoy and Satterthwaite, 1986). This can vary considerably, however, with some nations specifying settlements with above 200 inhabitants as being urban, while in others this number can be as high as 20 000 (Satterthwaite and Tacoli, 2003).

To understand what exactly comprises a small urban centre, or any other settlement type for that matter, some have suggested the need to first understand the concept that all settlements or centres fall within a ranked system of urban centres or - more commonly referred to as - an 'urban hierarchy' (Dauskardt, 1994). Within such a hierarchy there can exist a wide range of urban centres with varying populations and economic bases or functions. For example, the urban hierarchies of many nations typically range from one or a number of large metropolitan or city-region areas – which are home to substantial populations, as well as a significant share of the nation's economic activity and output - to a large number of small urban centres, or even smaller villages or hamlets with populations of only a few hundred (Dauskardt, 1994). Within this spectrum a



range of settlement sizes and functions - such as secondary cities, intermediate urban centres, hamlets, villages, and so on – might also be present. This range of settlements theoretically each serve their own immediate hinterland, while at the same time may be involved in relationships with other larger and smaller urban settlements that surround them (Dauskardt, 1994).

As is the case of distinguishing between urban and rural, the population size of settlements has been the most widely used measure to define different types of settlements within a nation's urban hierarchy (Dauskardt, 1994). Settlements of between 5000 and 100 000 (and in some cases between 5000 and 20 000) are often considered to be small urban centres or towns (Hardoy and Satterthwaite, 1986). Again, however, no international consensus exists on what population sizes characterise these various types of urban settlements (Dauskardt, 1994). Due to these variations, making generalisations between small urban centres is problematic (Satterthwaite and Tacoli, 2003). Nonetheless, it is often suggested, for example, that larger centres are more likely to contain higher order functions such as specialised hospitals and universities, while smaller centres are more likely to contain lower-order functions and primarily act as service centres to their surrounding rural hinterlands (Satterthwaite and Tacoli, 2003).

While population size is useful in gaining a clearer understanding of settlement classifications, it has been open to misinterpretation, and furthermore, is argued as having no real developmental significance (Dauskardt, 1994; Dewar, 1996). For example, it has been contended that using population size as a means of settlement classification implies that settlements with a similar number of inhabitants will have other characteristics in common as well, which appears not to be the case (Dauskardt, 1994).

‘An alternative [and more useful] approach is to examine the socio-economic, physical, political and functional characteristics of [settlements]’ (Dauskardt, 1994: 6). Within this notion, an important classification technique is that of understanding the economic base and function of a settlement as a means of classifying and analysing it. Dewar (1996: 4) argues that ‘for a settlement to qualify as a ‘town’ it must have an economic base. The economic base provides the reason for the town’s existence and its fortunes’, and as such, the most constructive means of classification is that of a settlement’s economic base and economic and social linkage with its hinterland. A small town, for example, might then be classified as a settlement whose economic base is predominantly based on the provision of services to its rural hinterland or local population living within a limited distance. Furthermore, and following this strand, a small town may be classified as a settlement which does not make any significant contribution to national economic output (Dewar, 1996; Hardoy and Satterthwaite, 1986).

### *2.2.3 What is the Role and Economic Significance of Small Towns?*

Based on the idea that a settlement qualifies as a town if it has an economic base, and that towns arise in order to carry out a specific function or exploit a particular resource, it is suggested that most small towns arise in order to provide a number of functions for their rural hinterlands (Dewar, 1996). International evidence shows that this begins with a process of agricultural development over a long period of time (or, of course, other resources – such as mining - in other resource-based towns). The homesteads that fall within this area of agricultural development are initially relatively self-sufficient. As time passes, specialisations occur, resulting in increases in incomes and productivity. This specialisation eventually leads to a demand for non-agricultural goods and services. Following this, non-agricultural settlements arise in order to provide these services and functions within which some agricultural related activities are also centralised.

These services and functions are known as ‘basic functions’ and are what cause the urban settlement to arise. Later, and as the settlement increases in size, non-basic functions will develop to complement the basic functions and meet the needs and requirements of the settlement’s population (Dewar, 1996). This process highlights the relationship between increased agricultural productivity and small town growth and development as mutually reinforcing. As Dewar (1996: 5) states: ‘the town provides economic, social, cultural, religious and frequently administrative services for the hinterland, and an important (initial) demand for its products; the hinterland in turn supports these functions and produces food and raw materials for the town. The fortunes of the town, or rural service centre, therefore, are closely linked to those of its rural hinterland’.

The type of small town discussed above is essentially known as a rural service centre and is perhaps the most ‘typical’ type of small town. Rural service centres that are situated within commercial farming areas tend to have stronger economic bases, with productive services dominating. On the other hand, those that are situated within non-commercial agricultural or small-scale farming areas tend to have weaker links with their hinterland, and by extension weaker economic bases. Furthermore, the services offered by such towns are often also more social in nature.

Some of the common functions small towns (or rural service centres in particular) provide to their hinterlands include: marketing for the hinterlands products – which is an essential component for their commercialisation; a locus for industry – including agro-processing; innovation diffusion – from the largest centres within the urban hierarchy; the capture of income leakage – by preventing consumption outside of the region, as well as the importation of raw materials from outside of the region; basic social, agricultural and utility service provision – such as health

care, education, communications and commerce, repair and maintenance, and so on (Dewar, 1996).

The rural service centre model highlights a significant potential role and economic significance held by small towns in rural and regional development, as well as in the support, economic growth, development and prosperity of their hinterlands. As will be shown, however, this potential role and significance of small towns is open to debate and has been dealt with widely in the literature. It is to a deeper exploration of the potential role and economic significance of small towns in both developing and developed contexts, as well as the debates this notion has given rise to, that the paper now turns.

First, however, it useful to briefly consider some of the other common and important categories of small towns. These towns are categorised according to their economic base and function and include:

#### *Special Purpose/Function Towns*

These are towns which have arisen in order to perform a particular function or exploit a specific resource within their surrounding rural hinterland. Typical examples include: tourist towns; administrative capitals; mining towns; and transport-based towns. While such towns may provide some level of service to their surrounding region, their link to their rural hinterland is often weak. Instead, the future and performance of such towns largely depends on the resource or function for which they exist. As an example, the future and performance of a transport-based town, such as a rail junction town, would be tied to the stability of rail as a movement technology. In other words, a decline in the use of rail would have a dramatic impact on the town's local economy and developmental future.

### *Small Towns within the Zone of Influence of Metropolitan Areas and Large/Secondary Cities*

The economic bases of towns within the zone of influence of metropolitan areas consist of a diversity of both rural and urban functions - with urban functions dominating. On the other hand, the economic towns within the zone of influence of large or secondary cities also tend to be more urban-oriented, although the question here is one of degree with a greater balance between urban and rural functions existing

Within this classification, towns in each descending group will be characterised by weaker economic linkages with their rural hinterlands, as well as less diversified local economies (Dewar, 1996).

### **2.3 The Role and Economic Significance of Small Towns in both Developing and Developed Contexts**

Although not explicitly evident or clearly defined, there appears to be two broad strands within the small town literature regarding the role and economic significance of small towns. On the one hand, there is a literature which largely deals with small towns in the traditionally developing contexts of the Global South - concerning the role they play in promoting the growth and development of their rural and agricultural hinterland areas (which are largely characterised by peasant and subsistence forms of agriculture, as well as high levels of poverty). It is useful to note that this literature is largely informed and influenced by World Bank and United Nations (UN) Habitat type thinking and approaches to development. On the other hand, there is a literature which considers the dynamics faced by small towns in the more developed contexts of the Global North – such as in commercial farming, industrial and mining areas. This

literature is concerned with an increasing trend of small town economic and population decline in recent years in the face of declines in these towns' traditional mainstays, due to, for example, recent moves to a global economy. More recently, and as will be shown, this literature has attempted to document the changing economic focus of many of these small towns to more consumptive uses in attempts to remain economically viable. The following section explores these two strands in the literature in more detail.

Before this, however, it must be noted that although the town of Memel falls within an area of commercial agriculture, it is nonetheless still useful to consider the role and economic significance of small towns in both developed and developing contexts. This is because of the fact that, in reality, the roles played by small towns, as defined by each strand of the literature, appear to be somewhat interwoven – determined to a large extent by the unique circumstances and characteristics of each particular town, and their regional context. In other words, the reality of the contexts within which small towns are situated is often more complex and diverse than suggested in the literature.

### *2.3.1 Changing Thinking on the Role and Economic Significance of Small Towns in Developing Contexts: 1960s - Present*

Since the early 1960s, small towns in developing contexts and nations have generated a considerable amount of interest amongst both policy-makers and researchers (Satterthwaite and Tacoli, 2003). Before this time, particularly in developing nations, small towns were perceived as part of the rural world. With rises in rural poverty, however, attention began to be paid to small towns and the possible potential they had in promoting rural development (Diamantini, Geneletti and Nicchia, 2011) (Pedersen, 1990). Although small urban centres were shown to

experience little spontaneous growth themselves, it was felt that they could be stimulated to grow, and by extension, stimulate the diffusion of innovation and services to their hinterlands (Pedersen, 1990). Moreover, it was also believed that small towns could contribute to the general goals of regional planning by curbing urbanisation and the growth of larger urban centres.

In terms of policy, this period was characterised by the aggressive formulation of regional and national plans aimed at stimulating the growth and development of small towns (Dewar, 1996). Satterthwaite and Tacoli (2003) note five broad categories of policies aimed at small urban centres, which included: policies aimed at the development of small towns and urban centres in more peripheral or 'backward' rural regions; policies specifically intended to promote rural and agricultural development through small towns; policies aimed at stimulating small centres closer to larger urban areas with the aim of reducing the concentration of population in these larger centres; policies aimed at slowing patterns of urbanisation and migration to larger urban centres; and, policies aimed at decentralising decision-making power and strengthening local and regional government and the provision of public services and utilities at a local level.

Within these five categories, popular policies included: firstly, the rural service centre concept, which proposed using a spatial framework to create a system of small urban centres (often below the size of what is normally considered a small town) within rural regions through which marketing, innovation and social services could be distributed to the rural region (such as education, healthcare, agricultural services, and so on) (Dewar, 1996). Secondly, growth points, growth poles or growth centres which were settlements to which incentives (economic or otherwise) were attached in order to attract industrial development and/or economic investment in order to achieve greater regional economic equity; promote small towns as areas of investment; and, strengthen the role they played

in rural and regional growth and development And thirdly, were the policies that attempted to strengthen small town local and regional governments (Dewar, 1996; Satterthwaite and Tacoli, 2003).

In essence, however, many of the policies that were implemented during the 1960s in attempts to promote small town development, as well as the development of their regions and agricultural hinterlands, were met with variable success, and in most cases, failure. This was mainly due to the fact that the majority of these policies were largely 'top down' in nature and failed to recognise and take into account local conditions and factors (Dewar, 1996).

Based on the general failure of policies implemented during the 1960s, thinking on small towns and their role in rural and regional development underwent a paradigm shift in the early-1970s. This shift represented a complete antithesis from previous thinking - with small towns being perceived as 'points of exploitation through which the capitalist system ... sucks resources out of rural areas' (Pedersen, 1990: 89). As a result, small towns were viewed as having a negative, rather than positive role in the development of their regions and rural hinterlands. The growth of small towns, and by extension, their hinterlands, was seen as a result of decisions made in - and for the benefit of - central or national government departments. (Satterthwaite and Tacoli, 2003: 54)

As a result, research and policy-formation on small towns during this period tended to focus on their rural and agricultural hinterlands, with 'Integrated Rural Development Programmes' (IRDPs) dominating the policy arena. Furthermore, little attention was given to the small towns themselves, due to the belief that they played little to no role in the rural and regional development process (Pedersen, 1990; Satterthwaite and Tacoli, 2003). As was the case with the policies of the



1960s, many of the policies created during this period were also characterised by poor levels of success, and in general, overall failure.

Perceptions and thinking on small towns in developing contexts experienced yet another paradigm-shift in the early-1980s. This was partly influenced by the general failure of policies implemented over the previous two decades, as well as the changing economic context in many nations as a result of global economic decline (Satterthwaite and Tacoli, 2003). While the general perception of small towns and urban centres reverted to the image they had held in the 1960s (i.e. small towns as having a positive role in promoting local and regional development), new policies promoting the development of small towns focused on developing local initiatives and the use of local resources. This shift was also related to greater concerns for participation and decentralisation - which began to gain momentum during this period (Pedersen, 1990). As such, local authorities within small towns tended to be given greater autonomy and the responsibility to support the growth of the local and rural regional area (Satterthwaite and Tacoli, 2003).

This positive perception of small towns, and their significance in rural and regional development in developing contexts, appears to have continued into the current period - although the increase in interest in recent years has been fuelled by rapid urbanisation rates, increases in populations residing in small towns (which is expected to continue in the coming decades), and a recognition that a considerable proportion of the world's urban population resides in small urban settlement (Atkinson, 2003; Satterthwaite and Tacoli, 2003; Diamantini, Geneletti and Nicchia, 2011). In other words, small towns are being increasingly recognised for their demographic significance in the current period.

As Satterthwaite and Tacoli (2003) note, however, a number of important considerations have still not been confronted with the current thinking on small towns. The first, and particularly important to this study, is whether local actors and resources are robust enough and have the strength and capability - particularly in the current macro-economic context - to achieve effective and sustainable growth and development. The second concerns whether or not initiatives aimed at promoting the development of small towns are realistic in some of the poorest and most peripheral regions, and as Satterthwaite and Tacoli, (2003: 59) note, ‘where accountability at both the local and national levels is limited’.

### *2.3.2 Key Debates on the Significance, Role and Importance of Small Towns in Developing Areas*

The current period, then, is one in which small towns in developing areas are generally regarded in a positive developmental light. As Hinderink and Titus (2002: 379) note: ‘the conventional wisdom of policy-makers and regional planners is that small towns play an essential role as [rural] service centres in rural hinterland development’. As mentioned above, however, this positive perception of small towns is not universal within the literature – which is fraught with differences in opinions and debates on the subject (Atkinson, 2006; Hinderink and Titus, 2002). As Satterthwaite and Tacoli (2003) point out, many questions remain regarding whether or not viewing small towns in a positive light is realistic. They question whether such positive roles of small towns are an inherent quality or determined by wider forces, including, for example, the particular social, economic and political context within which each small town is situated. Furthermore, it is argued that actively promoting the growth and development of small towns presents a significant problem due to the extreme diversity they represent. For example, small towns across the globe are characterised by highly differing economic bases, functions and economic growth paths (Atkinson, 2006).

To summarise, the two sides to the debate are as follows: Those in the ‘positive camp’ believe that small town development is extremely important, and that every nation should have, as part of their development programme, policies aimed specifically at the promotion of the growth and development of small towns, and by extension, their rural hinterlands. They feel this to be particularly important in developing countries, where small towns are home to significant numbers of national populations, while furthermore, have a direct bearing on the livelihoods of the people that surround them (Dewar, 1996: Satterthwaite and Tacoli, 2003). Those in the ‘negative camp’, on the other hand, believe that, while strategies aimed at small towns may be attempted ‘there is no inherent reason for small towns to be economically successful’, and furthermore, no guarantee for success (Atkinson, 2006). Lastly, it has been acknowledged that there is little evidence to either substantiate or rebut the significant role small towns have been credited with (Satterthwaite and Tacoli, 2003).

The report now turns to a brief overview of the main arguments and debates on the role, importance and significance of small towns in their hinterlands and in regional and rural development. Again, it is useful to note that while the roles put forward in these debates concern small towns within developing areas, it could be argued that some small towns in developed contexts - such as in commercial farming areas - also perform some of these roles. In other words, the divide may not be as clear-cut as implied within the literature. Moreover, in many developing countries - including South Africa - small towns are not only situated in peasant and subsistence agricultural areas, but also in more commercialised farming areas (ranging from very small to very large farms) - thus, again highlighting the value of considering both strands within the literature.

### *Small Towns act as Centres of Demand and Markets for Regional Agricultural Produce?*

It is suggested that the ability of small towns to act as markets for the produce of their hinterlands is dependent on a number of factors, including, *inter alia*: the ease of transporting produce to the local centre; storage and processing facilities within the small town; whether or not demand is actually present within the town; the relationship between farmers and traders; and, links with markets in other centres within the urban hierarchy (Satterthwaite and Tacoli, 2003). For example, small towns within large-scale commercial farming areas tend to have weak roles as market places/centres of demand as produce tends to bypass these centres for larger centres. Such centres can still, however, act as markets for low-income producers within the region, although this will generate little in the way of economic growth (Satterthwaite and Tacoli, 2003).

In terms of acting as centres of demand for regional produce – generated by urban consumers – the size of the centre itself can be an important factor. The residents of smaller centres are likely to have lower purchasing power, and thus generate limited levels of demand. Larger administrative centres, on the other hand, can generate higher levels of demand, particularly for higher value-added crops (Satterthwaite and Tacoli, 2003).

### *Small Towns Distribute Goods and Services to their Hinterland Region?*

The belief that small towns provide goods and services to their rural region is at the core of policies and programmes informed by central-place and growth pole theories, and in practice, is the result of the rural service centre concept. Small towns may provide both agricultural and non-agricultural goods and services to their hinterlands, and indeed, the provision of goods and services constitute an important part of many small town economies – in both developed and developing

contexts. A number of factors, however, have been shown to influence the role of small towns as goods and services providers. The first relates to the income levels and purchasing power of the rural population, while the second relates to the ability of small town enterprises to meet levels of demand generated from within the rural region and the small town itself. In many instances, small towns lose demand due to the proximity of larger urban centres - when individuals bypass small towns in favour of larger centres with a higher range and order of goods and services (Satterthwaite and Tacoli, 2003). Another factor is the type of produce generated by the rural hinterland, and the associated income it generates for agricultural workers. For example, high income-generating, labour-intensive produce is likely to generate higher incomes, and by extension, levels of demand (Satterthwaite and Tacoli, 2003).

*Small Towns act as Centres for the Growth of non-Farm Activities and Employment?*

In terms of small town enterprises, it is believed that small towns can generate and stimulate non-agricultural employment through the stimulation of local enterprises. As Satterthwaite and Tacoli (2003) note, in many rural areas there has been an increase in the amount of time spent by households on non-farm activities, although it is debated whether this is because of the growth of non-agricultural small town sectors (such as tourism), a decline in agriculture, or an increase in agricultural mechanisation and a resultant surplus in agricultural labour. Whether or not this increase in non-farm employment actually increases equity and promotes the growth of the region, however, is another question. For some groups (particularly the wealthy), for example, diversification has resulted in the re-investment of profits derived from urban employment into agriculture (or vice-versa) and an increase in asset and capital accumulation (Satterthwaite and Tacoli, 2003). For other groups, on the other hand, diversification simply represents a survival strategy due to, for example, loss of land or external shocks.

In essence then, only the groups who are able to use incomes from both farm and non-farm activities to reinforce each other will be more likely to benefit (Satterthwaite and Tacoli, 2003).

*Small Towns can Attract Rural Migrants and Reduce Migration Pressures on Larger Urban Centres?*

It is often expected that small towns can attract rural migrants from within their surrounding hinterlands because of their opportunities for non-farm employment, and thus prevent these groups from migrating to larger settlements (Satterthwaite and Tacoli, 2003). However, governments often fail to put in place initiatives to stimulate small town economies. Furthermore, small towns are often vulnerable to macro-economic forces, affecting migration. Satterthwaite and Tacoli (2003) argue that in periods of decline, migrants simply stop moving to small towns, or they search for better opportunities elsewhere (Satterthwaite and Tacoli, 2003). However, as will be discussed in *chapter 4*, this does not appear to be the case in small towns in South Africa.

The above discussion on the debates on the role and economic significance of small towns highlights that the potential ability and role of small towns to promote rural and regional development and support their agricultural hinterlands is based on a wide number of factors. As Satterthwaite and Tacoli (2003: 13) note: ‘the empirical evidence available shows great variations in the extent to which small urban centres fulfil [their] potential roles of rural and regional development’.

### 2.3.3 *The Utrecht Studies*

An important set of comparative studies on the role of small towns in rural and regional development was initiated by a team of geographers from Utrecht University in The Netherlands in the 1980s. The intention of the studies was to uncover and explore the actual role played by small towns in the development of their rural hinterland. The study covered small towns within regions of Mali, Costa Rica, Swaziland, Mexico and central Java – which were considered to represent the four main types of contexts within which small towns function (Hinderink and Titus, 2002). The findings from the study challenged the positive perceptions held of small towns and their role in development. The main themes that emerged from the study are as follows:

#### *‘The Inherent Weakness of the Small Town Production and Servicing Functions’*

The study found that the economies of scale and thresholds required to provide rural populations with goods, services, agricultural inputs and marketing, simply cannot be achieved by small town establishments and enterprises. The result of this is that small towns are often simply by-passed – by both consumers and corporate enterprises - for larger urban centres and the more efficient traders operating from within them. As a result, small town traders are under constant pressure from larger centres (Hinderink and Titus, 2002).

#### *‘The Modest Development Role of Small Towns’*

The research highlighted that the growth and development of rural regions is predominantly as a result of policies derived at a central or national level, rather than from the developmental role played by small towns. Policies with the greatest level of impact appeared to be those that focused on small-scale industries

and enterprises and the provision of infrastructure and service - which stimulated rural production, and by extension, the demand for urban services (Hinderink and Titus, 2002).

*'The Dependent Character of the Small Town'*

The studies further revealed that small town economic changes tend to be influenced by changes in their rural hinterlands rather than the converse – something which appears to be particularly true for small towns in areas of commercial agriculture. For example, it is through growth and intensification in the agricultural sector, that an increase in demand for urban goods and services is generated within small towns. Some authors have even suggested that such increases in the agricultural output of rural hinterlands creates demand in the higher order centres of the region (where increases in agricultural surplus are also sold at higher prices), and that small towns themselves can be bypassed altogether (Hinderink and Titus, 2002).

*'The Impact of the Regional and Local Context on Small Towns'*

The study revealed strong evidence that the role played by small towns is heavily affected by the local and regional context within which they are situated – again a scenario which is also likely the case in small towns in developed contexts. Strong factors include the availability of natural resources, population size and density, along with their purchasing power, and local political structures and their power. For example, it was found that as soon as a small town's local resource endowment has run out or been substituted, for example, by external markets, the town will enter into economic decline. Furthermore, lower populations were found to be synonymous with low levels of surplus agricultural output, and by extension, low levels of demand for urban goods and services.



The authors of the study concluded that minimal evidence could be found to verify the notion that small towns initiate rural and regional development. Instead, they felt that small towns simply support rural and regional development once this development has been initiated externally through, for example, 'higher levels of decision-making and policy implementation' (Hinderink and Titus, 2002: 388).

This section has highlighted the controversial question of the role of small towns in rural and regional development. What is clear from the preceding discussion is that the ability of small towns to positively influence rural and regional development is dependent on a large number of factors, least of which is the particular conditions, situation and context within which each unique small town is situated.

#### *2.3.4 The Changing Role and Economic Dynamics of Small Towns in Developed Contexts*

Traditionally, small towns within developed contexts - such as those in areas of commercial agriculture or mining - have functioned as service and retail centres, acting as point of sale and service supply, as well as the processing and shipping of locally produced commodities and resources. In many senses, then, these small towns are reliant on the economic fortunes of their hinterland areas (Daniels, 1989; van Rooy and Marais, forthcoming). Historically, these small towns will have followed similar development paths to those in developing contexts – i.e. as outlined by Dewar (1996) above.

In recent decades, however, a cause of concern has been the steady decline of many of these small towns (Dewar, 1996) - in many respects due to the weakening of linkages between these towns and their hinterland areas (Nel, 1994).

Dewar (1996) notes that the causes for this decline are complex and largely context-specific, but that four major factors can be identified. Firstly, declines in many towns' regional economies has led to the out-migration of younger and more educated small town populations; secondly, many small town regions have experienced changes in the structure and nature of production – such as increased mechanisation in farming – decreasing the overall number of people that can be supported in a given region; thirdly, due to improvements in transportation technology, small towns are being increasingly bypassed as points of retail and service provision in favour of the higher order of facilities available in larger centres; and fourthly, in small towns endowed with scenic beauty, the purchase of holiday, second or weekend homes by outsiders has, in some cases, reduced the effective population of small towns, and by extension, the level of purchasing power and level of locally-generated demand.

Daniels (1989) notes that, in many instances, an overarching factor has been the move to a global economy in recent years, which has been painful for many small towns in developed areas, due to losses in agricultural or manufacturing jobs, an increasing vulnerability of export agriculture, and a general increase in competition within the mining and energy sectors.

In terms of policy, the most common initiative in many of these small town contexts has been the promotion of the 'holding town' or 'key settlement' concept. Under these strategies, 'investment is concentrated in a few selected centres, which are encouraged to grow, in the belief that size itself is a protective factor' (Dewar, 1996: 20). Dewar (1996) goes on to note that small towns which are not selected as part of this strategy are simply allowed to decline. The strategy is not without its critics, however.

Related to the above, Hoogendoorn and Nel (forthcoming, u.p.) note that ‘a newly emerging line of enquiry [has begun to] examine various new rural and small town activities relative to debates on post-productivist landscapes’. This has been informed by post-productivist theory which is concerned with the growth and development of small towns following a decline in their local or regional agricultural or productivist economies. As Hoogendoorn and Nel (forthcoming: u.p.) put it: ‘post-productivist theory argues that as rural economies lose their traditional agricultural mainstays, there is a search for alternate economic activities, including consumptive uses such as tourism’.

The theory was informed by changes taking place in many parts of Europe, where activities such as reverse-urbanisation and the growth of small town tourism appears to be replacing industrial farming – in many cases due to processes of globalisation and the resultant import of cheaper food products (Hoogendoorn and Nel, forthcoming). In these areas, and indeed in many elsewhere around the globe where declines in agriculture are taking place, the focus of agricultural production in rural areas has shifted from bulk food production to small-scale diversified food production, enterprise diversification and the search for alternate livelihoods. These changes in agricultural production have been shown to have a direct impact on the growth and future development of small urban centres, which like their agricultural regions, are having to find alternate activities and livelihoods (Hoogendoorn and Nel, forthcoming).

The following section considers a number of actual examples of small town growth and decline, as well as the associated forces responsible for these trends in a number of important developed small town contexts, as considered within the literature.

### *2.3.5 Examples of the Changing Role and Economic Dynamics of Small Towns in Developed Contexts*

The literature on the economic growth and decline of small towns offers a number of differing opinions and divergences. Reynolds and Antrobus (forthcoming: u.p.) note that ‘the international literature suggests a general decline in economic activity and population in small urban centres within the first world’. Nel, Hill, Taylor and Atkinson (2011) note that Australia and North America are the two regions which appear to have generated the widest amount of research on the economic and population dynamics at play within small towns in the last few decades. This research appears to suggest that while many small towns are experiencing widespread economic and population decline, others have experienced noteworthy levels of growth. For example, towns within Australia’s expansive Outback have experienced complete decline, with many of them now holding the status of ‘ghost town’ (Nel, Hill, Taylor and Atkinson, 2011). On the other hand, it has been shown that many small towns within the USA represent some of the fastest growing urban centres in the country, many of which are growing faster than the primary urban centres (Nel, Hill, Taylor and Atkinson, 2011). Again, however, there appears to be little congruency, and to highlight the divergences in the literature, other authors have noted that many small towns and regions within North America have been in long-term economic decline since the late-1950s due to continuing trends of urbanisation (Atkinson, 2009; Wright, 2000). Despite the divergences in the literature, however, below is a brief review of the trends and dynamics of small towns in developed contexts, and considered within the literature.

Research on small towns in Australia and North America has highlighted the following economic and population trends and dynamics. Economic and population growth in small towns has been associated with a number of factors,

particularly those relating to what is known as ‘late capitalism’, ‘second modernity’, ‘post-industrialism’ and ‘post-productivism’ (Nel, Hill, Taylor and Atkinson, 2011: 397). Growth in such towns has been attributed to: growth in the tourism sector; an influx of retirees and the construction of second and retirement homes - associated with the fact that many of the ‘baby boomers’ are now reaching retirement age and relocating (which appears to be a large driver of growth in some small towns); a focus on leisure; and reverse-migration in response to congestion - as well as a number of other ‘push’ factors associated with large urban centres. It has also been acknowledged, however, that location appears to be playing a significant role, and that towns experiencing growth tend to be those that are well-situated in terms of natural attractions or scenic beauty, as well as proximity to larger, and better-equipped urban centres (Nel, Hill, Taylor and Atkinson, 2011).

The literature also suggests that other small towns within Australia and North America have had to reinvent themselves following the recognition that their economic base no longer solely functions on the provision of services to their rural hinterlands. Furthermore, it has been found that the role of local leadership and initiatives are paramount in ensuring a successful transition to other forms of economic growth and development (Nel, Hill, Taylor and Atkinson, 2011). Many of the other small towns in these areas have also experienced high levels of growth, although this is not always associated with the characteristics of post-industrialist small towns. It has been found that in these towns the growth of the service sector has created a number of jobs which are attractive to those who cannot find employment within larger urban centres. Moreover, it has been shown that such growth tends to take on a racial direction. For example, in the USA small town growth has primarily been in the form of Hispanic or Asian immigrants in search of employment opportunities (Nel, Hill, Taylor and Atkinson, 2011).

On the other hand, and as alluded to above, it has also been suggested that many small towns within Australia and North America are in decline. For example, Reynolds and Antrobus (forthcoming) state that small town Australia is currently experiencing a loss of population and economic activity – a situation which also characterises many small towns in the USA, New Zealand and South Africa which are facing significant developmental challenges.

Research shows that small towns in England have undergone a number of changes in terms of the structure of their rural and agricultural economies, the demand for their functions and services, and the relationship they have with their hinterland areas. For example, Reynolds and Antrobus (forthcoming) state that the changing prices of commodities internationally have significantly impacted on many of the small towns in England which are reliant on a primary industry. The resultant loss in employment opportunities has also increased levels of out-migration and relocation of small town populations to larger urban centres.

Research on small towns in Canada, on the other hand, suggests that despite wide fluctuations in economic and population growth trends due to global commodity prices, small towns continue to play a significant role in development (McVey, 2004). For example, it has been shown that even small towns with low to moderate levels of growth continue to thrive and positively influence regional development due to their changing role into tourist and retirement centres. Furthermore, and similarly to the case in Australia and the United States, small towns nearer to larger urban centres are becoming increasingly attractive to city-dwellers who prefer country living (Alistair McVey, 2004).

### *2.3.6 Conclusion*

The above international examples of small town growth and decline and the changing role and economic dynamics of small towns in developed contexts, seem to suggest that while there are many divergences, both in the literature and actual cases of growth and decline, cases of growth appear to be increasingly as a result of many small towns' post-industrial and post-productivist evolution, as well as the increasing need to reinvent themselves within an ever-changing economic order. This section has provided a background to the role, function and economic dynamics of small towns in both developed and developing nations and contexts. *Chapter 4* continues in a similar vein but focuses on a review of the literature concerning the economic dynamics and trends evident in small towns in South Africa, both currently and in the post-apartheid era in general.

## **2.4 Conclusion**

This chapter has given an overall background to small towns. It also considered the difficult task of defining small towns, the purported positive role that small towns play in development, and the debates that surround this notion in the literature. The chapter also considered how small towns in both developed and developed contexts around the world have been perceived by theorists and policy-makers over time, as well as their changing role and economic dynamics in recent decades.

## **CHAPTER 3**

### **TOWARDS UNDERSTANDING AND EXPLAINING THE SMALL TOWN ECONOMIC DYNAMICS AT PLAY WITHIN MEMEL**

#### **3.1 Introduction**

This chapter essentially represents the conceptual framework used in this study, and its purpose is to review a number of concepts, theories and ideas that will aid in explaining and understanding specific patterns of small town growth and decline, i.e. in this case the particular economic dynamics at play within the town of Memel, as well as its prospects for future growth and development. Although many of the theories and concepts presented here are both complex and have been debated and evolved over time, the focus in this chapter is not on providing an in-depth review, genealogy of theory, nor discussion on the debates that have surrounded them. Instead, the aim is to briefly review relevant theories and concepts that may help to understand the specific economic dynamics at play within Memel in the contemporary South African small town context.

#### **3.2 Traditional and Contemporary Theories of Small Town Growth and Decline**

##### *3.2.1 Central Place Theory*

Central Place Theory, introduced by Walter Christaller in 1933, is one of the most widely known theories of urban growth (Richardson, 1979) and one of the most specific attempts to explain the existence and growth of small towns (Pedersen,



1990). This spatial theory attempts to explain the factors that determine the number, size and distribution of urban centres within a given area. According to Christaller, urban centres are simply 'central places' that provide central goods and services (i.e. retail, trade, professional services, banking, education, entertainment, and so on) to their surrounding areas or rural hinterlands (Toerien and Marais, forthcoming; Richardson, 1979). As such, the growth of an urban centre depends on its level of urban service functions, as well as the level of demand for these functions generated within its hinterland (Richardson, 1979). For example, a 'lower order' central place is one that consists of smaller enterprises that offer day-to-day goods and services. A 'higher order' central place, on the other hand, consists of larger, more specialised enterprises that offer a wider range of goods and services, which are commonly purchased less frequently (Daniels, 1989). Two important concepts of the theory include 'range' and 'threshold'. The threshold of a central place is the minimum level of income or population size of its hinterland that is required to support a particular service within the central place (Richardson, 1979). For example, a central place which has a hinterland with a high population and/or income level is likely to develop higher order functions, and vice versa. The range of a central place refers to how far the population of the surrounding area is willing to travel (i.e. based on transport costs, etc.) to obtain a certain good or service. Therefore, lower order centres tend to have a lower range or trade area, with the opposite holding true for higher order centres. Moreover, and based on this, a given area is likely to have a higher number of lower order centres and fewer higher order centres (Richardson, 1979)

These concepts highlight the fact that an urban centre's growth is strongly linked to the characteristics (e.g. population levels, income levels, and so on) and well-being of its rural hinterland. As Toerien and Marais (forthcoming: u.p.) state: 'according to ... central place theory, urban areas do not grow by themselves. Instead, the countryside sets them up to do tasks that must be performed in central

places ... and to an extent rely upon the fortunes of these regions for their own sustainability’.

### *3.2.2 The Neoclassical Model*

Perhaps the most dominant stance on the growth and development of small towns from a capitalist perspective is the neoclassical model. This theory holds that trade is one of the most important determinants of growth and development. As such, small towns should determine which service or function they hold a comparative advantage in and specialise in these functions (Daniels, 1989). Growth, therefore - within a free-market setting - is determined by capital moving to those areas where there is a shortage in a particular function or service, or where it will be more productive or profitable. Similarly, labour will move to those areas where there is a shortage or where wages are higher (Daniels, 1989).

The model also states that the productivity or profitability for certain goods, services or functions within a particular area can change over time, and as such, enterprises, capital and labour may move from time to time to remain profitable (Daniels, 1989).

### *3.2.3 Export Base Theory*

According to Daniels (1989) the neoclassical model is often expressed in terms of the export base theory or economic base theory. The theory is based on the premise that the size and growth of an urban centre depends on the level or amount of goods and services produced locally and then exported for sale outside

of the centre or larger region - i.e. the amount of 'exports' (Harvey and Jowsey, 2004). According to the theory, enterprises which orient their goods or services for consumption locally will have a limited market, whereas export businesses have a far larger scope for growth due to their market being regional, national, or even international in scale (Daniels, 1989). The neoclassical model applies in the sense that individual towns will 'try to specialise in the production and export of those goods and services that they can produce more cheaply than other towns' (Daniels, 1989: 417). Increased demand for exports from outside leads to an increased demand for labour. The resultant increase in local incomes and multipliers leads to the growth of the urban area (Harvey and Jowsey, 2004).

#### *3.2.4 Internal Combustion Theory*

Internal combustion theory is based on the assertion that within an urban centre or small town 'local entrepreneurs, through their own ingenuity and willingness to accept risk, can form businesses and fill a niche' (Daniels, 1989: 418). According to the theory, therefore, the importance of preserving and growing existing businesses, as well as promoting the creation of new ones is important for growth and development. This requires a strong local government whose role is to create an enabling environment, for example, by maintaining and improving local services and infrastructure in order to retain existing businesses, and encourage the development of new businesses (Daniels, 1989).

A critique of this theory, however, is that it fails to explain which types of small towns (i.e. size, location and resources) are able to generate internal growth. Daniels (1989) argues, for example, that many peripheral or remote small towns do not have the necessary level of infrastructure or services, strong local authority or financial resources to generate growth from within.

### *3.2.5 Location Theory*

Location theory is useful as it attempts to explain where economic activity and urban centres such as small towns will develop in space. While location theory and the location of economic activity can be particularly complicated, the basic premise behind location theory is that the convenience of location for both customers and producers is the key consideration for enterprises when choosing a location for operation (Higgins and Savoie, 1998). For example, enterprises will tend to locate near sources of cheap labour, raw materials, inputs, transport and so on. On the other hand, consumers have very clear preferences when it comes to where they would like to live and/or spend their incomes (Higgins and Savoie, 1998). Location theory holds that these factors determine where the location of economic activity will take place in space.

In terms of small towns, it is asserted that location theory offers a number of factors that highlight why growth and development is more likely to occur in large urban centres than in small towns. For example, enterprises are more likely to cluster in larger urban centres where economies of agglomeration are present and transportation costs are lower; furthermore, cities have a wide array of goods and services (both higher and lower order) as well as specialised labour markets which make them more attractive to both producers and consumers (Reynolds and Antrobus, forthcoming).

### *3.2.6 The Agropolitan Approach*

Linked to central place theory and the rural service centre model is the agropolitan approach. This model – developed by Friedmann and Douglas in 1978 - attempts

to explain the growth and decline of small urban centres within agricultural regions and the role that agriculture plays in the growth and development of urban areas through the interrelationship between urban and rural. According to the model, the growth of the agricultural sector affects urbanisation which is key to urban growth (Krishna, 2011). For example, a growing rural hinterland contributes to small town development through raising farm incomes and purchasing power, and by extension the demand for both agricultural and non-agricultural goods and services from the small towns itself. Furthermore, this increase in demand results in increased labour requirements and leads to urbanisation and the further growth of the small town. On the other hand, a stagnant or declining agricultural sector generates a low level of demand for the goods and services of the nearest small towns, thereby stifling urban growth and development (Krishna, 2011).

Conversely, it is often asserted that urban growth and development is as equally important for the growth and development of the agricultural sector and region. This process has been referred to as 'the virtuous circle model of rural-urban development' (Dewar, 1994; Krishna, 2011). Here, by acting as a support system, small towns reinforce the growth and development of the agricultural region. Krishna (2011: 29) notes that, in this process, small towns 'play an active role in the transition from closed oriented agriculture to market oriented agriculture'. Small towns are able to do this by acting as markets for the products of the agricultural region, thus allowing farmers to grow more intensive cash crops, gain easier access to suppliers, and be in closer contact with administrative and support services (such as government extension services) (Krishna, 2011).

Proponents of this approach disagree as to whether agricultural development is a precondition for urban development or urban development is a precondition to agricultural development. Nonetheless, there is agreement on the positive

relationship between town and country and the mutually reinforcing process of the growth and development of each (Dewar, 1994; Krishna, 2011).

As was seen in the debates in *chapter 2*, however, there are those who question this process. For example, there are those who argue that many rural regions have not reached a level of diversification and are simply unable to support the growth and development of their urban centres. This is particularly the case, it is argued, in many developing countries and areas, where rural areas are not able to offer a sufficient level of products to foster the growth of the urban area. Thus, it is argued that ‘industrialisation and urbanisation [within small urban centres] can only start after peasants have reached a certain level of [agricultural] development’ (Krishna, 2011: 30).

### *3.2.7 Sector Theory*

The agropolitan approach is, in many instances, derived from sector theory. Largely a regional development theory, and developed under the modernisation paradigm - sector theory is based on the empirical observation that economic growth - or rises in income and gross domestic product - is associated with shifts in employment patterns from primarily primary activities, such as agriculture, to secondary, and finally tertiary activities (Dewar, Todes and Watson, 1986). ‘The process is one of a transformation from a traditional, subsistence-based society where an entrepreneurial consciousness is absent to one where it predominates’ (Dewar, Todes and Watson, 1986: 19). In terms of small towns, Friedmann’s core-periphery theory is useful here, and suggests that this process begins with a specialisation of agricultural activities, following which (small) urban centres arise to facilitate marketing, transport and the distribution of surplus produce (Dewar, Todes and Watson, 1986).

Being based on modernisation, however, this theory only assumes a linear progression. This is not the case in many small towns whose agricultural hinterland is in decline or whose *raison d'être* is no longer present, however, and which subsequently go into economic decline or collapse. Moreover, such theories do not take into account changing, and context-specific dynamics within various sectors, which often exert a strong influence over the performance of their local economies.

### *3.2.8 External Combustion Theory and Dependency Theory*

Unlike the internal combustion theory, the external combustion theory holds that it is exogenous forces and factors that determine the economic activity of an urban centre or small town. Forces and factors such as government spending and policies, interest rate policy, supply and demand at a national level, and the decisions of central firms of branch plants or enterprises have a strong influence on the economic activity and growth of small towns (Daniels, 1989).

Related to the external combustion theory, is dependency theory, which too highlights the importance that external forces have on economic development at a local level. The theory, which was developed in the context of the Cold War from the perspective of Third World writers, holds that the world is divided between wealthier core countries and poorer peripheral countries, or in other words, First and Third world nations (Graaff, 2007). The premise of the theory is that core countries are actively responsible for the underdevelopment of peripheral countries. According to the theory, the structure of Third World societies are shaped in such a way as to service the needs and requirements of core or First World countries (Graaff, 2007).

The theory has since been used to understand the structure and growth of small towns. In much the same way as peripheral countries are said to be actively ‘held back’ by core countries, it is argued that small towns remain underdeveloped and are actively held back by external forces and decision-making. Four types of small town dependency can be identified, including: direct dependency – in which key sectors of the local economy are controlled and driven by external actors; trade dependency – when the goods and services which are produced locally are sold externally without the control of local actors or producers; financial dependency – when it is necessary to import capital to stimulate local economic development; and, technical dependency – which requires trained labour and technology to be imported in order to achieve economic growth and development (Daniels, 1989).

Unlike many of the other theories of small town growth and decline, dependency theory is important in that it addresses the issue of equity and who gains and who loses during a process of small town growth or decline (Daniels, 1989).

### *3.2.10 Complexity Economics*

Lastly, Complexity Economics sees economic systems as complex and adaptive systems which are subject to the Second Law of Thermodynamics. In other words, economic processes are essentially processes whereby energy is used to turn lower-ordered materials into more highly order goods and services (Toerien and Marais, forthcoming). Furthermore, energy in an economic system costs money, therefore, ‘if the flow of money into an economy diminishes, the ability of the economy to offer products and/or services and to purchase these products and services diminishes’ (and Nel, forthcoming, u.p.). According to the concept, therefore, the business or firm dynamics within a town should reflect the flow of money into a town, and by extension its ability to produce and/or deliver and/or



buy products and services (Hoogendoorn and Nel, forthcoming, u.p.). In other words, the number of businesses or firms, or the enterprise 'make-up' of a town should indicate the quantity of money entering and circulating the town, while furthermore, the products and services produced and delivered should reflect the demand generated within in the town, and by extension, the 'magnitude of the economic driving force' within the town (Toerien and Marais, forthcoming). Within this framework it is possible to distinguish between those enterprises or sectors which are responsible for bringing money into the town (driving sectors) and those that are predominantly focused on providing services to clients (service sectors). Toerien and Marais (forthcoming) recognise six driving sectors, including: agricultural products and services; processing; factories; construction; mining; and, tourism and hospitality; and thirteen service sectors: engineering and technical services; financial services; legal services; telecommunication services; news and advertising services; trade services; vehicle services; general services; personal services; professional services; health services; transport and earthwork services; and, real estate services.

Marais and Toerien (forthcoming) propose to use this concept as a means of classifying small towns. For example, the amount of money entering and circulating within the town is indicative of the number and make-up of the town's enterprises (i.e. 'in-town money' is the driving force behind enterprise development in towns). By extension, a greater urban and/or rural population (urban to a greater extent where agricultural hinterlands are no longer that important due to agricultural decline) would mean more 'in-town money' and greater enterprise development. Therefore towns should be classified according to the number of their rural and/or urban populations. A study of towns in the Cape, however, showed that while this was true to an extent, some towns, even with smaller populations, had a higher number of enterprises. Marais and Toerien (forthcoming) conclude, therefore, that population size, or even the number of enterprises does not explain the full picture. Instead it is the type of enterprises

within a town (i.e. driving or service sector) that is more important, and which should form the basis of the classification of towns..

It is believed, here, that more than a tool for classification, this concept could help in understanding the prospects for economic growth and development within a small town (i.e. using the number of people and enterprises in a town, but moreover, determining the enterprise make-up of the town as an indicator of the magnitude of the town's economic driving force).

### **3.3 Global Change, Globalisation and Economic Restructuring**

From the late 1980s it became apparent that the world and its global economy were becoming increasingly integrated. This process saw both local, regional and national economies being increasingly shaped by the processes, dynamics and decision-making that occurred outside of their own boundaries and from within a global context (Todes, 1997). Graaff (2007) notes that important aspects of the new global economy include finance and information and communications technology (ICT). ICT has been revolutionary in the impact it has had on the transformation of the global financial sector, literally destroying the obstacles to cross-border information and capital flows (Graaff, 2007). Furthermore, information technology has spread into the various sectors of economies and transformed them by raising levels of productivity.

The consequences of this changing global order, however, have been somewhat troubling for traditionally lagging economies, such as small urban centres and those in third world or peripheral contexts (Graaff, 2007). The ultimate outcome for many local economies has been, *inter alia*, a harsher external economic

environment within which to operate, greatly increased levels of competition and external threats, and fluctuating local and foreign currencies. As alluded to in *chapter 2*, and related to ideas surrounding post-industrialism and post-productivism, many small town economies have had to shift their economic focus and ‘reinvent’ themselves in order to survive.

Linked to this, are the concepts of regional economic diversification, structural change, and economic restructuring. These concepts are useful in explaining economic growth or decline, and highlight that, in the face of shocks or changes within a region (such as increasing competition, new technologies, and the decline of a key or particular sector for example), a local economy is forced to shift its focus (Lynch, 1979).

The processes of globalisation and trade liberalisation are as much apparent as in South Africa as anywhere else in the world, and in essence were enshrined and embraced through the signing, by South Africa, of a number of Free Trade Agreements (FTAs) and the acceptance of the Growth Employment and Redistribution (GEAR) macro-economic strategy (Marais, 2006). This is important from a small town perspective as Hardoy and Satterthwaite (1986) note, significant changes in an urban centre are extremely influenced by external or exogenous forces. Furthermore, Toerien and Marais (forthcoming) acknowledge that small towns in South Africa are more connected to the rest of the country, and indeed the entire world, than ever before. Therefore, it is no longer sufficient to assume that South Africa’s small town economies are solely driven by the growth and development of their hinterland regions. Lastly, Atkinson (2008) notes that the resultant loss of manufacturing jobs, the decline of agriculture and vulnerability of agricultural exports, and increased levels of competition have been particularly distressing for many of South Africa’s small towns.

### **3.4 Localities, Institutions and ‘Multiple Trajectories’**

Related to internal combustion theory, and first argued by Massey (1995), was the notion that no two places are alike, and that instead variations between localities and their economies are both apparent and persistent. Unlike external combustion theory and the thinking around globalisation, Massey argued that local changes, or the specific pattern of growth and decline experienced from place to place, are not only the result of external processes and decisions, but instead, are also a result of the distinct local characteristics, qualities and histories that represent themselves in different places. Hart and Todes (1997: 47), when applying this concept to South Africa’s industrial decentralisation policy experience, used the term ‘multiple trajectories of socio-spatial change’.

Important to this concept is the key role played by local institutions (such as trade unions, training bodies, employer and professional associations, businesses associations, and educational and training institutes) in the particular development trajectories across localities (Bloch, 2000). For example, Aniruth and Barnes (1998) assert that economic development is only possible once an appropriate developmentally oriented institutional environment exists or has been established.

In terms of small towns, Hinderink and Titus (2002: 385) note that the economy of a small town is determined by ‘various administrative structures and institutional arrangements ... [and is] relevant for explaining differences in development opportunities’. Furthermore, it is argued that while some small towns are not endowed with any specific economic function or purpose, and furthermore, may not have any particular natural or scenic attraction, they have developed because of local and visionary leadership and innovation (Bernstein and McCarthy, 2005).

The above concept is particularly worrying in the South African context because of South Africa's particularly weak local government context (as discussed earlier). Furthermore, it is often local government which leads local development processes in a small town context. Nonetheless, Hoogendoorn and Nel (forthcoming) note that it has been shown that community groups, NGOs, and the private sector can also play a key role. What is required, they argue, is the need for small towns to take greater control over their own destiny.

### **3.5 Conclusion**

This chapter has considered a number of theories and concepts that may be relevant in helping to understand the particular dynamics at play within Memel within the context of the post-apartheid space economy. The chapter has considered both traditional and contemporary theories of small town growth and decline. Other concepts and ideas were also explored and will help in understanding the exogenous forces and factors that may be shaping the growth and development of the town's local economy.

## **CHAPTER 4**

### **SMALL TOWNS IN SOUTH AFRICA: ‘DEALING WITH DIVERSITY’**

#### **4.1 Introduction**

The purpose of this chapter is to consider a definition and background to small towns in South Africa. As was the case in *chapter 1*, this chapter begins by considering what small South African towns are and why they should be seen as important points of study. Following this, the particular post-apartheid social, political, economic and institutional context within which small South African towns are situated is considered. With this as a backdrop, changing post-apartheid and contemporary South African small town dynamics and trends are then considered. The goal in this chapter is to consider – before the actual town of Memel is studied in the remainder of the report – the broader contemporary context within which small towns in South Africa are situated and the impact this may be having on their economic growth and development, while specifically bearing in mind the impact and bearing on a very small town such as Memel and its local economy.

#### **4.2 Why Small Towns in South Africa?**

Small towns in South Africa remain an important area and topic of study for many of the same reasons as those internationally. Atkinson (2009: 271) argues that small towns within South Africa are becoming increasingly important as they represent the ‘first port of call’ for extremely poor populations migrating from within the country’s rural areas, while simultaneously these towns appear to be losing their skilled populations, who tend to relocate in larger settlements and

cities in search of improved social and economic opportunities. For small towns, this has translated into a reduced tax base and concurrent loss of economic initiative and investment. Atkinson (2009) argues that this begs the question of whether or not such small urban centres' deteriorating economies have any real prospect for providing an adequate livelihood to the increasing number of poor who have made such small towns their home.

Hoogendoorn and Nel (forthcoming), on the other hand, argue that South African small towns in the current context are key features of the national settlement hierarchy. For example, they note that many small towns continue to act as points for the provision of services and the distribution of welfare to South Africa's many indigent hinterland areas; remain key points of resource exploitation (particularly in small mining and agricultural towns); and more recently, are increasingly becoming the points of 'post-productivist' investment in the form of small town tourism and leisure, and retirement and second homes. While many small towns in South Africa are the victims of economic decline and the concomitant increase in unskilled populations, many small towns have been able to 'reinvent' themselves, even in the face of an ever-changing national and global economic context (Hoogendoorn and Nel, forthcoming).

Lastly, Atkinson (2006: 3) notes that 'small towns [in South Africa] represent valuable 'sunk capital', and many people wish to live [in them]'. Furthermore, many small towns in South Africa are becoming increasingly important due to the rapid levels of urbanisation and in-migration taking place within them. The result is many small towns with escalating populations and levels of poverty (Atkinson, 2006). Lastly, as is the case internationally, small towns are also seen as important due to their demographic significance - as van Rooy and Marais (forthcoming) note, approximately 50 percent of South Africa's population lives in small towns, where poverty is rife.

### **4.3 Classifying Small Towns in South Africa**

As is the case internationally, defining and classifying small towns in South Africa presents a number of difficulties. Small towns in South Africa have diverse historical backgrounds, which has created small towns with very differing economic and functional bases (Atkinson, 2008; Dewar, 1996). Again, as is the case internationally, it is useful to classify small towns in South Africa according to their function and non-agricultural activities (Atkinson, 2008). Atkinson (2008) proposes classifying South African small towns according to their function, economic performance, and historic legacy (particularly important in South Africa due to the legacy of apartheid). Nel (2005) recognises a 'bi-polar' categorisation of small towns in South Africa, namely: small towns in the formerly 'white' areas (which makes up 87 percent of South Africa's land area), and which emerged during the colonial era for reasons such as religion, defence, agriculture and mining, and transportation; and, small towns in the former Homeland areas (which constitutes 13 percent of the land area), which are characterised by communal tenure and overcrowded, poorly serviced and poverty-stricken villages.

Thus, while there does not appear to be any strict definition of a small town in South Africa, the literature seems to recognise towns with a population of less than 100 000 people as small towns (Nel, 2005; Reynolds and Antrobus, forthcoming). Nel (2005) acknowledges, however, that, in reality, small towns in South Africa tend to be those with a population of less than 50 000 people.



#### **4.4 The Contemporary South African Social, Economic, Political and Institutional Context: A Small Town Perspective**

A number of the theories and concepts explored in *chapter 3*, such as the external combustion theory, dependency theory and the thinking and ideas surrounding globalisation, highlighted that the growth and development of small towns is increasingly being shaped by processes, dynamics and decision-making that occur outside of their own borders. As Hoogendoorn and Nel (forthcoming: u.p.) highlight ‘at a broader level, rural areas and the small towns within them are subject to forces well beyond their control’. The purpose of this section, therefore, is to consider the broader social, institutional, political and economic context within which small South African towns - and the small town of Memel in particular - are situated, as well as some of the important economic processes and dynamics taking place within the South African space economy and economy in general, and which are affecting processes of urban change. The goal here is to consider what bearing or impact these processes and dynamics may be having on small towns in general, as well as the growth and development of a very small peripheral town such as Memel.

##### *4.4.1 The Post-Apartheid Economy and Space Economy: Trends and Dynamics*

The South African space economy observed from both a national and local scale presents a number of harsh dualisms. From a national, or macro scale, this disparity is characterised by a small number of areas with relatively higher levels of economic growth (at least before the global economic downturn of 2008), high population densities and high levels of poverty. On the other hand, are the more peripheral areas of low economic growth, high population densities and high levels of poverty, characterised by a heavy reliance on social welfare, grants and

remittances (NSDP, 2006). The spatial pattern in South Africa thus essentially represents a core-periphery pattern. The national economic and industrial core, comprising: the Highveld region, consisting of the Gauteng, or former Pretoria, Witwatersrand, Vereeniging (PWV) complex – the economic heart of the national economy; a sub-core consisting of the greater Durban-Pietermaritzburg metropolitan area; a second sub-core consisting of the greater Cape Town metropolitan area; and lastly, what are known as the two core outliers – the Port Elizabeth and East London districts (Bloch, 2000). Important to note is the economic dominance these core areas – and Gauteng in particular – have over the rest of the country and the corresponding pattern of uneven development in the more peripheral areas. For example, this core-periphery duality and the economic dominance of the country's metropolitan and city-regions certainly seems to paint a picture in which the country's small towns would be increasingly bypassed as sites for economic investment, and moreover, government spending and focus.

There are, of course, vast variations within each of these two groups. Furthermore, this dualism hides the fact that these two categories are often very closely interlinked; on the one hand, through mutually beneficial and symbiotic relations (i.e. through the flow of food products), but on the other through parasitic and highly exploitative relationships (NSDP, 2006).

These spatial dichotomies, inherited from apartheid and South Africa's colonial history, however, continue to impact adversely the country. Furthermore, these spatial challenges appear to have worsened since the demise of apartheid with an ever-increasing number of poor living in remote and poverty-stricken rural areas (NPC, 2011; Harrison and Mathe, 2010).

#### *4.4.2 Associated Trends and Patterns from a Small Town Perspective: Changing Dynamics and Trends*

In the last 20 years the role of small towns as service centres in South Africa has come increasingly under threat, with many small towns having lost their urban hierarchical status. This is due to the incredible transformation that has taken place in South Africa's settlement landscape since the fall of apartheid in the 1990s, as well as factors such as the abolition of influx control laws, the creation of tourism routes near to larger urban centres, and a weak local government context (Xuza, forthcoming; Donaldson, n.d.). Donaldson (n.d.) notes that South Africa's metropolitan areas are repositioning themselves for competitiveness in the context of a globalising world economy, while at the same time, many of the country's small towns are simply competing for survival in this same context.

Perhaps the most salient feature of South African small towns in the current context, however, and as alluded to above, is their extreme variability in terms of both their economic base and prospects (ranging from declining, static, or improving). Nel (2005: 254) warns against the 'dangers of stereotyping South African small towns and their economic features. These vary tremendously across South Africa from the relatively affluent coastal towns such as Knysna and Hermanus, to the frequently economically declining Karoo and interior towns, to the often artificial and vulnerable urban centres in the former Homelands'. As such, there is no 'one-size-fits-all' solution, and furthermore, there are disagreements within the literature concerning whether local efforts and initiatives are sufficient to generate growth and development, or whether it is exogenous factors and forces that determine small town growth and development (Atkinson, 2008).

Dewar (1996: 48) notes, however, that despite the great diversity represented by South African small towns, and by extension, the dangers of generalising about them, ‘there are some important characteristics which, while not ubiquitous, are certainly widespread and have important implications for development programmes’. It is to these common, trends, dynamics and characteristics that the report now turns.

### *Demographic and Migration Dynamics*

Related to the core-periphery pattern of South Africa’s space economy, and along with the abolition of the apartheid influx policies, a number of important demographic and migration trends and dynamics have taken place in South African small towns since the demise of apartheid, many of which are contrary to international trends (Reynolds and Antrobus, forthcoming). Some have likened this to a ‘demographic and social revolution’ (Atkinson, 2006; Atkinson 2008). The most prominent appear to be: a growth in the black middle class, linked to government services; an out-migration of working age, middle-class white populations – who often possess the means to create small business and employment; the in-migration of elderly affluent white people (particularly in more scenic and attractive towns); a decline in white farmers and black or coloured farm workers, linked to the globalisation of agriculture; the rapid and widespread in-migration and urbanisation of poor, unskilled farm workers, rural populations, and those from the former homelands; and, an increase of government services and welfare provision, increasing the rate of urbanisation and compelling the poor to stay in small towns (Atkinson, 2008). In many towns, which are characterised by declining local economies, these dynamics are causing increasing unemployment and further pressure on local economies. Xuza (forthcoming) acknowledges that due to these trends, many South African small towns ‘appear on the surface to be dumping grounds for people facing problems such as unemployment, poor health, social exclusion, substance abuse and

absolute lethargy'. Below is a discussion on some of the more prominent trends of migration taking place in South African small towns.

Following the abolition of policies which restricted urban expansion, South Africa has experienced a surge of urbanisation since 1994 (Nel, 2011). While there has been a great deal of in-migration to the larger growing urban settlements by those in search of employment opportunities, not all movement flows appear to have followed economic growth (Harrison, Todes and Watson, 2007). A significant amount of in-migration appears to be taking place in peri-urban and rural settlements despite their inability to provide any significant number of formal sector jobs (Atkinson and Marais, 2006). An interesting dynamic is that the high level of unemployment in these small towns does not appear to be leading to out-migration, largely because of a need to hold on to rural assets, relationships and incomes, but also because housing seems to be more easily available in small towns than in many of the larger settlements (Atkinson and Marais, 2006; Harrison, Todes and Watson, 2007). Furthermore, Harrison, Todes and Watson (2007: 101) note that many people choose to remain in peripheral areas, despite living in positions of poverty as for these people 'the urban experience has been a harsh one and there is something of an anti-urban sentiment'. Another reason, on the other hand, may be that jobs are simply unavailable in larger cities, while, moreover, people simply cannot afford to move to them. Other authors (Todes, Kok, Wentzel, van Zyl and Cross (2010)), on the other hand, suggest that while small towns are experiencing considerable in-migration, at the same time they shed many of these migrants – who are simply moving on to larger settlements. Other trends suggest, however, that the largest proportion of migrants into small towns are those from other small towns (Todes, Kok, Wentzel, van Zyl and Cross, 2010).

Of the migrants mentioned above, a prominent category include urbanising farm workers who tend to move to the nearest small town (many of which have declining economic bases) and remain there indefinitely rather than move further away. Todes, Kok, Wentzel, van Zyl and Cross (2010) note that, since 1994, this has been one of the most notable trends of migration within a rural context and is largely due to the enormous number of farm workers who have been displaced or evicted during this period. Many of these workers are poor and do not possess the necessary skills to find employment within the small towns (which, moreover, seldom have the ability to absorb them) resulting in the high levels of small town unemployment.

Much of this migration, however, is as a result of processes taking place at a broader level – and particularly the advent of an increasingly competitive global market - which has placed increasing stress on the local commercial agricultural sector, and by extension, increases in mechanised farming. Nel (2005: 261) notes that these processes have ‘negatively affected the once prosperous agricultural service centres dotted across the agricultural landscape of the country [and as a result] small town economic decline is the recognised norm in the interior of South Africa’. Furthermore, national post-apartheid policies, such as those which have granted farm workers greater tenure results, or introduced minimum wages for farm workers, have resulted in the large-scale evictions of farm workers (Todes, Kok, Wentzel, van Zyl and Cross, 2010). Related to the globalisation of agriculture is also the decline in the number of white farmers in many areas (Atkinson, 2008), and by extension, a reduction in purchasing power in local service centres.

Another interesting and growing trend is that of reverse migration which entails people moving out of large urban centres and cities and moving to small towns and rural areas. This trend is largely due to the contraction of employment in the

cities in recent years, high levels of urban crime, and so on (Atkinson and Marais, 2006), and in other instances (among the wealthier) due to a desire to live a rural or country lifestyle. Much of this displacement is due to an increasingly globalised market placing increasing stress on the global, and by extension, South African commercial agricultural sector (Todes, Kok, Wentzel, van Zyl and Cross, 2010).

### *Small Towns in Economic Decline*

Another increasing small town trend, and linked to the demographic and migration dynamics above, are an increasing number of small towns characterised by static and declining economies, declining economic functions, declining agricultural output, and a growing dependence of local populations on the distribution of state welfare (Nel, 2005; Hoogendoorn and Nel, forthcoming; Marais, 2004). Nel and Rogerson (2007: 8) acknowledge that ‘whilst it would be incorrect to suggest that all South Africa’s smaller centres are in a state of decline, it would be fair comment that in 2006, with the exception of tourist or retirement towns, there are few other towns which are coping well in an era of economic change’. Furthermore, many small towns have been bypassed as rural service centres due to losing their initial reason for existence, or because of better, higher-order services offered in larger centres (Xuza, forthcoming; Nel and Rogerson, 2007).

On the other hand, Nel, Hill, Taylor and Atkinson (2011: 399) acknowledge that ‘many larger, centrally placed small towns have grown economically, supplying the retail and servicing needs of a larger hinterland in an era of improved transportation and the economic decline of smaller settlements in their hinterlands’.

### *Mining Towns, Transport Towns and Towns within Commercial Farming Areas*

Due to global commodity prices, globalisation and the resultant changes in mining, many small mining towns are in a state of decline and collapse (Nel, 2005; Hoogendoorn and Nel, forthcoming). In terms of small towns in commercial farming areas, in an attempt to remain competitive within a globalising agricultural sector, many farmers are increasingly bypassing small towns for larger urban centres which are better-equipped and tend to have larger markets (Atkinson, 2006). Moreover, farm populations (farmers and farm-workers) have declined in many areas (due to changing agricultural output, mechanisation, and a shift in rural activities such as a shift from crop to livestock farming or from livestock farming to game farming), greatly reducing the purchasing power in local small towns – with the result that many have collapsed. In areas of labour-intensive farming, however, farm populations continue to exert significant levels of purchasing power in small towns (Atkinson, 2008; Nel, 2005; Nel, forthcoming). Economic activity in some mining and agricultural areas, however, remains viable, and the small towns in these areas (such as the farmlands of the Boland or platinum mines of the North West province) have continued to act as prosperous service centres (Hoogendoorn and Nel, 2005). Lastly, and in terms of transport towns, with changes in transport technology (such as improved private and public road transport) - which has facilitated greater access to larger, higher-order goods centres, many former rail/transport towns are too in a state of decline (Nel, 2005; Hoogendoorn and Nel, forthcoming).

### *Tourist, Second Home and Retirement Towns*

A positive trend, in the post-apartheid and ‘post-productivist’ era has been the growth of small tourist towns and towns of natural or scenic beauty. Coupled with this has been the growth of small towns linked with retirement as retirement centres (Nel, 2005; Hoogendoorn and Nel, forthcoming). Examples include



Stilbaai, Hermanus, Howick, Dullstroom and Clarens which have acquired new functions and associated levels of growth. While the economies of these places are growing, this growth, and its associated benefits, tends not to reach the towns' poorer populations (Hoogendoorn and Nel, 2005).

Donaldson (n.d.) notes that urban tourism is gaining importance in small town South Africa and observes that 'the briefest glances through national and regional tourism brochures reveal tour itineraries that are replete with references to small town arts festivals, unique local culinary delights, interesting social and cultural practices, historically significant built environments, and the seemingly ever-present 'friendly locals' eager to share their pride and interest in their town or village with tourists'.

#### *Former Homeland Towns*

Hoogendoorn and Nel (forthcoming) note that underdevelopment persists in many of the small towns in former Homeland areas, even in the current period. The majority of these towns remain heavily dependent on state welfare, serving poverty-stricken hinterland areas. Many of these towns are in a long-term state of economic decline because the apartheid policies which supported their existence have now faded away (Xuza, forthcoming).

#### *Institutional Issues*

Many small towns are also characterised by weak local government and institutional structures due to the municipal demarcation process and the incorporation of a number of small towns under a single local authority, which themselves are often characterised by incapacitated staff, and weak financial records (Nel, 2005). The result is that many small town local governments are

unable to provide basic services and amenities or stimulate any level of social or economic development (Nel, forthcoming).

Other post-apartheid policy changes at the national level also appear to have affected small towns since 1994. For example, educational policies have changed dramatically since 1994. Racial integration of learners has increased and schools with a minority of white learners have slowly lost all their white learners to schools in larger centres. Atkinson (2006), notes that this has resulted in many small towns losing a great deal of their middle-class spending power to larger urban centres. National policies on liquor provision have also changed. The result has been a surge in the number of liquor outlets in many small towns, which Atkinson (2006) believes may be to the detriment of other local enterprises and services due to the fact that a large proportion of incomes are devoted to liquor stores. Furthermore, the special protection that the rail sector received under the erstwhile National Party (NP) Government has fallen away in the post-apartheid period. As a result, rail transport has declined dramatically since 1994 (Atkinson, 2006) and has negatively affected many of the small towns which relied on rail transport for their survival. Lastly, the social grant system has been extended, largely disincentivising out-migration from poor, economically-strained small towns (Atkinson, 2006).

The following section includes a more in-depth look at the contemporary South African policy environment in which small towns are situated.

#### **4.5 The Contemporary South African Small Town Context**

The previous section highlighted the common features and general plight of many small towns in South Africa. Despite their condition, however, small towns have received little attention or focus on government's policy agenda in the post-apartheid era (van Rooy and Marais, forthcoming; Atkinson, 2006). Marais (2004: 422) notes that 'little is known or said about the future of [small towns], while the impact of government policies on small towns is seldom considered'. Xuza (forthcoming) on the other hand, states that 'the large number of development policies aimed at promoting development have at least exposed the development challenges in small towns but at best ignored them'. Moreover, it has been shown that the economic condition of many small towns, as well as their relationship with their hinterland, is significantly affected and impacted by macro-economic policies programmes and initiatives (as alluded to above) - even when these contain no explicit spatial features (Satterthwaite and Tacoli, 2003). Furthermore, many policies tend to promote the development of larger urban centres, thereby either directly or indirectly negatively affecting the growth and development of small towns (Rule and Fryer, forthcoming).

Therefore, while there are few policies in South Africa explicitly aimed at the development of small towns, it is still, nonetheless, important to consider those larger policies, programmes and initiatives – and in essence the larger policy context – within which small towns in South Africa are situated. This policy context is dominated by, what Rogerson (1998: 186) refers to as, 'a suite of new policies designed to restructure the inherited inequalities of the apartheid economy, and correspondingly to effect a new post-apartheid spatial order'. Below is a brief review of some of these policies, and particularly those that consider rural development (i.e. the development of outlying and peripheral areas).

#### *4.5.1 Key Post-Apartheid Policies, Programmes and Initiatives with Reference to Small Towns*

##### *The Reconstruction and Development Programme*

The Reconstruction and Development Programme (RDP) was the first policy programme to come from the post-apartheid African National Congress (ANC) government. The key tenet of the policy was a concern with the spatial inequalities inherited from the apartheid government, which distanced the majority black and impoverished populations from social and economic opportunities (Atkinson and Marais, 2006). The general thrust of the policy, therefore, was an attempt, through the location of housing, to bring the poor closer to social and economic opportunities and amenities. Although the RDP document did not explicitly state how small towns would factor into this process, it was clear that the needs of all citizens should be taken into account regardless of where they might live. As such, rural development was included in the document through attempts at the provision of well-located housing in rural areas, as well as the promotion of non-agricultural activities and development (Atkinson and Marais, 2006).

Atkinson and Marais (2006) note that the RDP document did not favour either urban or rural development, but saw both as important. As such, two strategies that emanated from the policy were the Urban Development Strategy (UDS) and the Rural Development Framework (RDF). The RDF acknowledged that many rural populations make their livelihoods by migrating to urban areas in search of employment. As such, the strategy aimed at promoting the economic linkages between rural and urban areas by, for example, linking small towns to the agricultural activities of their hinterlands through the provision of 'input and output markets, workshops, financial services, and social services such as schools

and clinics which would be of benefit to people in the surrounding area' (Atkinson and Marais, 2006: 25).

It appears, however, that both the UDF and the RDF were largely ineffective in directing sectoral departmental policies, which continued to introduce their own policies and strategies with their own views on rural and urban development and migration. Furthermore, the RDP Office was closed in the mid-1990s which meant that many policies and initiatives no longer had an 'institutional champion' and lost their impetus (Atkinson and Marais, 2006: 27).

#### *The Integrated Sustainable Rural Development Strategy*

Atkinson (2008:16) suggests that the Integrated Sustainable Rural Development Strategy (ISRDS) was 'the only systematic exposition of government's intention to promote economic development in outlying areas'. Nel (forthcoming) echoes this and notes that the strategy recognised the potential role of small towns in development and explicitly aimed to promote and deliver rural development through small rural towns.

The ISRDS originated within the Presidency and received top-level attention, support and investment from 1999 onwards. The strategy contains a number of important ideas for the development of small towns, including: encouraging local innovation and creativity; enabling bottom-up approaches to problem solving and development; strengthening the role of local government; a strong focus on economic development; strengthening local economic multipliers; diversifying the local economy; promoting public and private partnerships; and, addressing inter-sectoral, inter-governmental and interdepartmental coordination (Atkinson and Marais, 2006; Atkinson, 2008). The strategy was based on a 'nodal approach' and aimed at the creation of an initial number of nine nodes in eight provinces in

which new forms of bottom-up delivery and government coordination could be experimented. The lessons learnt from these nodes would then be implemented in new nodes across the country (Atkinson and Marais, 2006).

A number of complications, however, later surfaced. In the first instance, the strategy tended to focus on infrastructure provision and delivery to the detriment of economic growth and development. Secondly, the nodes were chosen with little knowledge of the local context and dynamics, while furthermore, it proved difficult to sustainably replicate nodes as government departments tended to invest large and unsustainable sums of money into them. Thirdly, the local municipalities within which the nodes were situated performed below the level expected that they would. Lastly, little was generated in terms of private sector interest or investment (Atkinson, 2008).

#### *The National Spatial Development Perspective*

The National Spatial Development Perspective (NSDP) was the first truly spatially-oriented policy of the post-apartheid era (Atkinson and Marais, 2006). The NSDP proposed that in order for government to receive the best return on its major infrastructure investments, such investment would need to occur in places of economic activity where economic growth was already occurring and which, once stimulated, could contribute to regional growth (Nel, forthcoming). In other words, the policy focused on places with economic potential or comparative advantage for the provision of resources and investment above and beyond government's normal obligation of providing basic services to all (Atkinson and Marais, 2006). Atkinson and Marais (2006:35) note, however, that places with local professional skills are better able to lobby for investment, which are typically less present in rural areas and small towns. While these places may even have 'latent comparative advantages' it is likely that they will lack the political ability to bring these to the fore. Lastly, Donaldson (n.d.) notes that within the

NSDP document ‘it is emphatically stated that investment and other support for small towns will be curtailed and that only a relatively small number of towns with economic potential will benefit from future spending’.

### *Local Economic Development*

Local Economic Development (LED) is the constitutional mandate of all municipalities within South Africa to promote the social and economic development of their local areas (Hoogendoorn and Nel, forthcoming). The key tenet of government’s LED strategy is that development is both desirable and possible in South Africa’s rural areas and small towns. LED requires local municipalities to promote the competitive advantages, build viable markets, promote local multipliers and market and brand their localities and regions (Atkinson, 2008). Donaldson (n.d.) notes four variants of LED within South Africa, namely: formal local government initiatives; community-based/NGO initiatives; Section 21 Development Corporation Initiatives; and, ‘top-down’ provincial/national initiatives aimed at promoting local development.

LED has now been in operation in South Africa for fifteen years, with widespread research having been conducted on the experience and results of LED in small towns. Rogerson (forthcoming), notes that the conclusions from this research, however, are not encouraging. It is apparent that LED in South Africa’s small towns is significantly behind the interventions and successes obtained in many of the country’s larger urban and metropolitan areas. Furthermore, the potential of LED in small towns appears to be constrained due to a number of factors. These factors include, *inter alia*, resource constraints, incapacity by local authorities, infrastructure backlogs, and low tax bases. For example, in 2006 it was found that after ten years of encouragement by government only 48% of South Africa’s small town local municipalities had developed LED strategies (Rogerson, forthcoming). Furthermore, the projects and initiatives that have been

implemented in small towns tend to be of a far smaller scale than those implemented in larger cities, and as such, the spread of benefits far smaller (Nel, 2005; Hoogendoorn and Nel, forthcoming). Nel and Rogerson (2007: 5) argue that ‘one of the key shortcomings in the current policy is the failure to recognise the inability of the vast majority of local governments in the country to operate in a manner consistent with the ... model suggested. The big city bias of policy fails to acknowledge certain needs, particularly within smaller centres’.

Some authors, however, note that not all small towns have failed in terms of their LED interventions. Success stories, often in the form of small tourist or retirement towns, have been noted. It appears, however, that these places have largely achieved success through their own initiatives and private sector investment (Nel and Rogerson, 2007; Rogerson, forthcoming).

#### *Small Enterprise Development Agencies*

Another post-apartheid government policy initiative has been a system of providing support to small businesses. Although it is not explicitly stated, Atkinson (2008) notes that there are a number of indications that government does want to extend this system to small and medium-sized towns. The main instrument used to provide support is the Small Enterprise and Development Agency (SEDA) system. The system involves support service centres which, at present, tend to be mainly situated in large towns and provincial capitals. The idea, however, is that these centres will later decentralise to smaller urban centres, where they will be able to provide support for businesses in small towns (Atkinson, 2008).

Although no proper evaluation of the results of SEDAs has yet been undertaken, evidence from agencies within the Free State, however, have shown that their



processes are overly-bureaucratic. For example, to create an agency which can mentor emerging businesses – which is normally an existing business – requires a lengthy selection process, which often frightens away potential service providers. Moreover, most SEDAs tend to help businesses write formal business plans – something which is unrealistic in an ever-changing small town business environment (Atkinson, 2008).

### *Integrated Development Plans*

An important thrust running through many post-apartheid policies and programmes, and enshrined in the Constitution, has been the concept of ‘developmental local government’ (DLG). The post-apartheid government has placed a strong emphasis on the role of local government in development and the implementation of policy. DLG requires local governments and municipalities to be ‘developmental’ in nature in the delivery process (Nel, forthcoming). DLG, according to the 1998 White Paper on Local Government, is defined as ‘local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs to improve the quality of their lives’ (WPLG, 1998). In essence the major themes of DLG include, *inter alia*: maximising social development and economic growth; integrating and coordinating the development activities of a number of agents; and, democratising development by empowering communities to participate in the development process (Atkinson, 2003).

The primary tool to be used by local authorities in this regard is the Integrated Development Plan (IDP) (of which LED strategies form a part) – a five year medium term strategic and inclusionary plan which is intended to guide all planning, budgeting, and implementation processes within a municipality (Nel, forthcoming). The concept behind an IDP is that a municipality is to prepare a development plan that takes into consideration its own particular development

context and the needs of its local citizenry. Based on this, appropriate strategies and programmes are to be developed in conjunction with local communities to address their particular needs and the development requirements of the municipality as a whole (Nel, forthcoming).

Nel (forthcoming) argues, however, that ‘while the concepts of developmental local government and integrated development planning are laudable, they have not delivered the envisaged results’. Following the amalgamation of South Africa’s former apartheid and transitional local councils into single jurisdictions - which covered far larger areas than before - a number of capacity and financial constraints began to emerge. Moreover, these problems have been far more severe in rural and small town local government settings. Due to these constraints, many of these municipalities are unable to provide even a basic level of services, let alone strive for the principles of DLG (Nel, forthcoming). Many have questioned whether or not local governments, let alone those in rural and small town contexts, are actually able to live up to the expectations of DLG and fulfil their developmental mandates (Atkinson, 2003).

The above discussion has highlighted a post-apartheid policy context in which the challenges and development requirements of small towns are notably absent. Even where small towns are indirectly included in various policies, the results are often bleak. Atkinson (2003: 11) aptly concludes that ‘the picture of post-apartheid local government transformation in South Africa’s small towns is a worrying one’.

## **4.6 Conclusion**

This chapter has given an overall background to small towns in South Africa. The chapter explored the particular social, economic, institutional and policy context within which South African small towns are situated. Here, it was uncovered that the post-apartheid small town context is in many instances a harsh one, with the result that many of South Africa's small towns face a number of significant development challenges and are in a state of economic decline. Lastly, the chapter explored the wide diversity represented in small towns in South Africa and the general lack of focus they have received on the South African development and policy agenda.

## CHAPTER 5

### THE TOWN OF MEMEL: PAST AND PRESENT

#### 5.1 Introduction and Background

Memel, named after the port city of Memel, East Prussia (today Lithuania) is a very small South African town in the north-eastern portion of the Free State province where it borders Mpumalanga and KwaZulu-Natal (KZN) near the escarpment of the Drakensberg mountain range (see Figure 5.1) ([www.sabirding.co.za](http://www.sabirding.co.za)). The town was established in 1913 and was home to General Christiaan de Wet, who led the post-Anglo-Boer War rebellion from the town, which began in Memel in 1914 (le Roux, 1952; SA Country Life, 2009; [www.wheretostay.co.za](http://www.wheretostay.co.za); [www.visit-south-africa.co.za](http://www.visit-south-africa.co.za)). The Memel Township Promotion Society came into being in 1911 with the purpose of establishing the town, which was finally declared as a formal town in 1913. The name Memel is of East Prussian origin and means ‘surrounded by water’ – referring to the surrounding water rich area and Seekoeivlei wetlands (le Roux, 1952).

This chapter seeks to uncover the town’s background, as well as its historic and current economic role and function. *Chapter 3* highlighted the importance that both the local and external context plays in shaping the role and function of a small town. While *chapter 4* uncovered the broader context within which small South African towns are situated, this chapter will attempt to explore the more local and regional context within which Memel is situated, as well as the associated forces and factors that may be having an impact on the town’s economic performance, growth and development. Thus, the purpose of this chapter is to provide a general background to the town as a backdrop to the empirical study conducted on the town in *chapter 6*. To reiterate from *chapter 1*,

the following two chapters were largely informed by means of a field survey conducted over a number of days in the town of Memel. This included a survey of a representative sample of formal businesses in Memel as well as a number of interviews with key respondents. Lastly, this background chapter is further informed by an analysis of a number of secondary sources, such as available census data on the town, other studies, articles and web pages (although very limited in extent) which have included discussions and useful information on the town, and a review of relevant portions of the IDP of the local municipality within which the town is situated.



**Figure 5.1: The Location of Memel and surrounding towns in the context of the Free State province and Phumelela Local Municipality.**

SOURCE: Author's own illustration

Memel is located on the tarred R34 regional route which runs between the small town of Vrede (Free State) and Newcastle (KZN), and is approximately 250

kilometres from Johannesburg and 330 kilometres from Durban ([www.sabirding.co.za](http://www.sabirding.co.za)). Other main places within a 100 kilometre radius include: Volksrust; Wakkerstroom; Harrismith; Dundee; and, Ladysmith ([www.wheretostay.co.za](http://www.wheretostay.co.za)). The town is situated within the Phumelela Local Municipality which consists of the three small towns of Memel, Vrede and Warden, as well as their respective townships of Zamani, Thembalihle and Ezenzeleni (Johnston and Bernstein, 2007). The township of Zamani which abuts Memel is minute by South African standards and literally crime-free - although the Phumelela IDP notes that housebreaking is increasing in the area. The town, however, is still largely structured according to apartheid spatial planning principles with the township of Zamani being physically separated from the former white township of Memel (see figure 5.2 and 5.3). The physical size of the municipality is 7531km<sup>2</sup>, while the sizes of each of the small towns are as follows<sup>1</sup>: Vrede – 49km<sup>2</sup>; Warden – 18km<sup>2</sup>; and, Memel - 12km<sup>2</sup>, with the remaining 7452km<sup>2</sup> of rural area and farmland housing almost 40% of the municipality's population (Phumelela IDP, 2010/2011) which is estimated at 50 000 people. This comprises the districts of Vrede (approximately 32 000), Warden (approximately 16 000), and Memel (approximately 2000) – including their respective townships (Johnston and Bernstein, 2007). The 2001 Census indicates a population of only 452 for the formal town of Memel – a number which does not appear to have changed considerably over the town's 99 year history (see table 5.1). Furthermore, the change in population for the former Magisterial District of Vrede (of which Memel was a part) also seems to be fairly consistent and characterised by slow levels of growth over time (see table 5.2).

According to Johnston and Bernstein's (2007) approximation of 2000 people in the Memel district, this might indicate a population of approximately 1500 in

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<sup>1</sup> According to a Population Census Report by the South African Bureau of Statistics published in 1960, the area of Memel in 1960 was 6 square miles (roughly 12 square kilometres), indicating that the physical size of the formal township has not changed in the last 50 years.

Zamani. Current residents, however, speculated the population of Zamani at between 2000 - to some estimates being as high as 18 000 people. Although this is a significant difference, all key respondents interviewed believed that the township was growing at a rapid rate. One local resident believed that the township had doubled in physical size in the last seven years since he had arrived in the town. In essence, however, it is clear that the formal town of Memel, with a population of below 500, is considerably smaller than what is often typically considered as a small urban centre.



**Figure 5.2: Street map of Memel and Zamani showing main roads and regional routes**

SOURCE: Author's own illustration



**Figure 5.3: 2009 Aerial image of Memel and Zamani**

SOURCE: Google Earth



**Table 5.1 Memel Total Population, 1921 - 2001**

<b>Year</b>	<b>Memel</b>	<b>%</b>	<b>Zamani</b>	<b>%</b>	<b>Total</b>
1921	317	47.0	358	53.0	675
1936	298	43.1	394	56.9	692
1946	362	40.7	527	59.3	889
1951	422	41.7	591	58.3	1013
1960	417	36.2	736	63.8	1153
1970	286	25.3	845	74.7	1131
1980	480	33.8	940	66.2	1420
1991	366	20.5	1416	79.5	1782
2001	452	-	-	-	-

SOURCE: Population Census 1904-1960, Population Census 1970, Population Census 1980, Population Census 1991, Population Census 2001.

**Table 5.2 Population Change in the Former Magisterial District of Vrede, 1921 - 1991**

<b>Year</b>	<b>Urban Population</b>	<b>Urban and Rural Population</b>
1921	3 978	-
1936	5 329	-
1946	5 668	-
1951	6 896	-
1960	8875	-
1970	-	42 820
1980	-	47 834
1991	-	37 324

NOTE: 1. It must be noted that the Former Magisterial District of Vrede consisted of the towns of Vrede, Memel and Cornelia, whereas the current-day Phumelela Local Municipality consists of the towns of Vrede, Memel and Warden – nonetheless the table points out a generally stable, yet slow growing population in Memel’s wider area over time in the past.

2. The figures available from 1921 to 1960 only show the urban population of the district, whereas the figures available from 1970 to 1991 show both the urban and rural population of the district

SOURCE: Population Census 1904-1960, Population Census 1970, Population Census 1980, Population Census 1991

The main town in the municipality, Vrede, is situated within one of the two largest cattle-rearing areas in South Africa, Warden serves a well-off crop and livestock-farming area and community, while Memel is known for its scenic beauty and the nearby Ramsar<sup>1</sup> recognised Seekoeivlei Nature Reserve – the largest wetland in the Southern African Highveld, consisting of wetlands and surrounding plains, hippopotamus, and one of the largest variety of bird species in South Africa ([www.wheretostay.co.za](http://www.wheretostay.co.za)) (see figure 5.4 and 5.5).

Johnston and Bernstein (2007)<sup>2</sup> note that over the last number of years nature-based tourism has increased in the town and that Memel has slowly undergone something of a transformation. This transformation has seen house prices rise from an average of R50 000 to R400 000 in only a number of years, spurred on by nature-seeking city-dwellers and bird-lovers ([www.wikipedia.org](http://www.wikipedia.org)). Marais (2011) notes that, related to this, the town has received some benefits in terms of tourism and second or weekend homes in recent years.

According to local residents, Memel functions as the central hub (or rural service centre) of the local farming community, which is focused on sheep and cattle farming. The majority of respondents noted that the town has a very strong relationship with its agricultural hinterland, as it always has in the past. It appears, then, that since its establishment the town has functioned as a small rural service centre for its local livestock farming community.

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<sup>1</sup> List of wetlands of international ecological importance

<sup>2</sup> Johnston and Bernstein's (2007) report is a Centre for Development and Enterprise (CDE) study funded by the EU's Conflict and Governance Facility (CAGE), and managed by the National Treasury. The primary intention of the report was to conduct case studies of municipalities where violent protest had taken place (in this instance, the Phumelela Local Municipality) and the causes behind this. Thus, the report does not specifically study the town of Memel. Nonetheless it does provide some useful background data and information on the town.

In terms of business, the town's central business district (CBD) consists of one main tarred street (Voortrekker Street) and a small number of gravelled cross streets and side streets. At a first glance, the town certainly appears to be functioning as a typical small Free State service centre for commercial agriculture. For example, it has the distinctive features (as outlined by Murray, 1995) of a farmers' co-operative, a number of general dealer stores, the hotel and bar or 'club', a cemetery, and the attached – 'at a suitable distance' – black township.

## **5.2 The Local and Regional Context**

*Chapter 4* considered the broader context within which many small towns in South Africa – including Memel - are situated. A number of the theories and concepts in *chapter 3* (such as internal combustion theory and the thinking surrounding localities and institutions), however, highlighted that the particular growth and development experience of small towns is not only determined by forces and processes at an external level, but also by the forces and processes occurring at a more local and regional level, and in particular the role that local institutions, as well as the distinct local characteristics of a place have on its performance and development. As Hinderink and Titus (2002: 384) assert: 'next to the impact of national and macro-structural policies and developments, the structure and role of small towns are very much affected by regional and local conditions'. This section, therefore, aims to uncover some of the important forces and processes occurring at a more local and regional level which may be having an impact on Memel's performance, growth and development. Thus, recent trends and dynamics in both the Free State province and the Phumelela Local Municipality will be explored.

### *5.2.1 Contemporary Trends and Dynamics in the Free State: a Small Town Perspective*

For much of the twentieth century, the Free State province could claim to be the national ‘heartland’ of mining and agriculture in South Africa. This status has, however, faded in recent years (Bernstein, 2005). Historically, the economy of the province has always been largely centred on these two sectors, which have however, been in a state of decline from the early-1980s. This decline can be linked to a depletion in some of the province’s mineral resources, a general decline in the price of gold since 1989, an increasingly globalised agricultural market, and the resultant inflow of cheaper agricultural products into the South African economy. Declines in ancillary services, such as electricity, water and construction, have also ensued. This decline is illustrated by a loss of approximately 55 000 agricultural and farm worker jobs between 1980 and 2001, and an annual average economic growth rate of -0.1 percent since 1993 (Bernstein, 2005; Marais, 2006). Hoogendoorn and Nel (forthcoming) note that this decline has also pushed many farmers off the land in the province - with farmer numbers declining from 78 000 in 1992 to 45 000 in 2010. In essence, then, the mining and agriculturally-driven provincial economy has performed poorly since 1994, and in many instances, even before this. Marais (2006) notes that globalisation appears to have had a greater impact on the Free State than perhaps anywhere else in South Africa. As a result, many of the province’s small towns’ service and processing functions have also declined. This has been followed by a concomitant and pressing need to refocus on new activities such as tourism and other consumption-based activities (Hoogendoorn and Nel, forthcoming). Bernstein (2005: 21) sees the province as one with ‘pressing and formidable developmental needs’ - which must certainly apply - if not more than elsewhere - to its many small towns.

Migration patterns in the Free State – which are largely similar to those experienced nationally - have much to do with these trends and dynamics, but also with the abolition of influx controls since the early-1990s. Since this time, migration in the province has mainly been from commercial farms to the nearest town or small town – while migrants have largely consisted of low-skilled and unemployed farm workers (Johnston and Bernstein, 2007). Much of this migration is into small towns, where it is believed that housing may be more readily available than in larger urban areas. For example, in the Free State, already-serviced and available sites, as well as a high minimum house size required by provincial housing policy, means that housing built through government subsidies is largely concentrated in the province's many small towns (Marais and Krige, 2000). The result has been that small towns have been particularly affected by this pattern due to the increased pressure to provide infrastructure, services, and a greater level of employment opportunities. For example, population growth in the province's vulnerable small towns measured 6.5 percent between 1991 and 2001 – equating to 190 000 people settling in these towns during this period 'drastically altering their demographic character and nearly doubling the population of many in only ten years' (Johnston and Bernstein, 2007: 8) The case of population change in the Phumemelela Local Municipality and the town of Memel during this period is discussed in the section below.

Considering these dynamics and the province's small towns in particular – of which there are 73<sup>1</sup> - it is useful to acknowledge Marais' (2004: 422) statement: 'the majority of small towns [in the Free State province] are in crisis and [their] future development scenarios are rather bleak'.

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<sup>1</sup> Of the country's estimated 500 small towns.

### 5.2.2 The Phumelela Local Municipality: Incapacity and Unrest

The demographic pattern of the Phumelela Local Municipality largely follows the pattern experienced provincially. While the total population of the municipality has declined slightly since 1991, its urban component – defined as Warden, Vrede and Memel and their respective former black townships – has grown through an influx of both poor and unskilled people (see table 5.3). For example, in 1991, the population of the municipality was considered two thirds rural to one third urban; it is currently considered as 60 percent urban and only 40 percent rural (Johnston and Bernstein, 2007). Also evident – as was the case of the former Magisterial District of Vrede – is a generally static population growth in the municipality over time (see table 5.3)

**Table 5.3 Urban and Rural Population Change in Phumelela, 1991 - 2001**

Year	Urban Population	%	Rural Population	%	Total
1991	17 080	32.2	36 007	67.8	53 087
1996	24 112	53.2	21 181	46.8	45 293
2001	29 684	58.3	21 206	41.7	50 890

SOURCE: Johnston and Bernstein (2007).

In terms of its socio-economic conditions, the Phumelela Local Municipality is one of the poorest and most disadvantaged municipalities in the Free State province, with nearly 80 percent of its population living in a state of poverty. Moreover, its unemployment rate stands at nearly 40 percent, while between 1996 and 2001, its local economy grew at only 0.22 percent per annum (Johnston and

Bernstein, 2007). Gross Value Added (GVA)<sup>1</sup> figures, on the other hand, highlight an annual average growth rate of 2.76 percent between 1995 and 2001<sup>2</sup> (see table 5.4).

In recent years the municipality has also been plagued by a poor state of infrastructure and record of infrastructure and service delivery (Johnston and Bernstein, 2007) (see table 5.5) For example, a 2004 Report by the UN on the poor state of service delivery in a number of municipalities across South Africa, notes that in the townships of Phumelela: ‘in the absence of a drainage system, flowing streams of sewage flood the untarred streets, uncollected buckets loaded with human waste line the backyards, and rubbish is piled up between the houses’ (www.irinnews.org). Furthermore, the StatsSA 2007 Community Survey reveals that in terms of sanitation, 21 percent of households in the municipality still make use of the bucket system, while more than 10 percent have no access to any form of sanitation.

**Table 5.4 Gross Value Added (GVA) in Phumelela, 1995-2010**

<b>1995</b>	<b>2010</b>	<b>Annual Growth Rate 1995-2010 (%)</b>
416	626	2.76

NOTE: Figures in Rand Millions at 2005 Constant Prices

SOURCE: Based on Quantec *EasyData* data

<sup>1</sup> Gross Value Added (GVA) is a measure of economic activity specifically used for the sub-national level. A GVA value for a region represents its output less its intermediate consumption, and as such measures the contribution of a region’s producer, sector or industry to Gross Domestic Product (GDP) nationally (SACN, 2010).

<sup>2</sup> These figures do not appear to match with the Johnston and Bernstein’s 0.22 percent growth rate figure for between 1996 and 2001. Again, however, this may be because of a difference in measurements. It is clear, nonetheless, that the municipality appears to be performing quite poorly and is faced with a number of socio-economic challenges.

**Table 5.5 Households' Access to Infrastructure in Phumelela, 2001**

<b>Indicator</b>	<b>%</b>	<b>Ranking in the Free State</b>
Households with no access to sanitation or access to the bucket system	45.5	13
Households with no access to water or with access to water further than 200 metres away	11.3	15
Households with no access to electricity	35.2	19
<b>Total</b>	<b>100</b>	<b>-</b>

NOTE: The best level of access by households is ranked as 1, while the poorest level of access is ranked as 20

SOURCE: Johnston and Bernstein (2007).

It appears that these conditions were also experienced within the town of Memel. Johnston and Bernstein (2007) note that in recent years the local ratepayers' association has reported that municipal water was no longer being purified, that sewage was a familiar sight on the streets, and that the town was frequently without water. Moreover, electricity supply appears to have been intermittent, which has posed a serious problem for both residents and the owners of local enterprises (Johnston and Bernstein, 2007). Johnston and Bernstein (2007) highlight that these conditions were negatively affecting investment in the town, which they believe, has the potential for small town tourism – something that the Phumelela IDP also mentions, citing bird-watching as a possible avenue (Phumelela IDP, 2010/2011). Lastly, the owners of local businesses have also complained about the lengthy time taken by the local municipality to approve development and town planning applications.



It was these conditions of poor service delivery and quality of governance within the municipality that led – in late-2004 – to mounting tension and frustrations among local citizens. Failure by the local municipality to react to the community's issues and concerns continued for more than a year. Finally, from mid-September in 2004 protest action broke out within the municipality and its three small towns – spurred on by a surge of protest action taking place in other municipalities around the country at the time. Protestors comprised mainly unemployed and school-going youth, but also included white members of the local ratepayers' associations – whose combined complaints included: the extremely poor condition of roads; the excessive salaries of local officials; poor service delivery; nepotism; and, inefficient officials (Johnston and Bernstein, 2007). As was the case in the other two small towns in the municipality, unrest eventually broke out in Memel and later turned violent – responded to by shock grenades from police and the arrest of 14 people. Specific to Memel, the protestors' demands and complaints – in a memorandum to the municipal offices - included: a functional toilet system; better lighting; sports facilities; action in terms of high levels of unemployment; the poor state of roads (i.e. the IDP notes that only 4km of Memel's 34km of road is tarred); the completion of community projects; another school; a clinic; and clean water (Johnston and Bernstein, 2007). The memorandum ended with the following statement: 'you, as the municipal workers, are paid by the inhabitants of Zamani and Memel – we want to be proud of our town and Zamani. We demand immediate action. The time has come for you to change your attitude' (Johnston and Bernstein, 2007: 14). Johnston and Bernstein (2007) note that the protestors' and local community's concerns were not unfounded, and highlight issues in the municipality, such as: a divided and malfunctioning local council; a poor role played by the mayor; incompetence on the part of many local councillors; empty promises made by the municipality; and, a poor municipal financial situation, to name a few.

Johnston and Bernstein (2007) who conducted interviews with the local community in mid-2006, noted that many respondents were of the opinion that very little had changed since the protests. They do note, however, that the municipality was placed under provincial administration towards the end of 2004, and that since then, the municipality's financial situation had been significantly improved, following which, administration was lifted in late-2006. 'The key question now is whether the restored council and municipal administration will be able to deal with the major challenges still facing the municipality on a sustainable basis' (Johnston and Bernstein, 2007: 27).

### **5.3 Historic and Current Economic State and Function**

According to local residents, the town of Memel has evolved very slowly over its 99 year existence. According to some local residents - whose families have resided in the town for generations - the town's local doctor, or shop keeper or 'dominee', for example, has simply been replaced by the next over the years. In other words, for the few that have passed on, an equal number have been born or settled in the town, largely resulting in an unchanging population over the years. It was noted that even in the current period, as little as four to five people come to settle in the town each year. As such, and throughout its history, it appears that the town has experienced little significant change or expansion. Today, the town's population consists mainly (approximately 60 percent) of older people comprised of relatively wealthy and retired farmers from the area, who come from generations of farming families who have settled in the town over the years; local business owners and their families; and, a number of retirees from around the country, who, as part of a lifestyle choice, have decided to make the town their home. One long-standing business owner in the town believed that if trends from the last 30 years are anything to go by, it is likely that the town will remain as it is, and always has been, in years to come. Interestingly, this is similar to a

statement made 60 years ago, by the then Principal of the Memel Junior School, who stated “although there is no reason for Memel to expand rapidly, there is also no reason to believe that it will cease to exist” (le Roux, 1952).

Many respondents believed that the reason for this may be because of the nature of agriculture in the district or area, which, as alluded to above, is based predominantly on sheep and cattle farming – a form of agriculture which is neither capital nor labour intensive. As such, it is likely that the town has typically experienced relatively low levels of demand from its local agricultural community for its urban-based goods and services, and as a result, comprises a relatively small number of enterprises. As one respondent saw it: “it is the wealthy farmers in the area that have always allowed Memel to ‘tick over’”. Furthermore, it was believed that these farmers are not particularly concerned with whether or not the town grows or remains as it is, as at present it has reached a level of development that is suitable for their needs. On this note, and apart from the owner of one guesthouse, every other business owner in the town felt that their business had some kind of relationship with the local farming community – for example, such as a butcher who sold meat produced in the district, or many of the other enterprises who were supported by the local farming community to varying degrees. Furthermore, some respondents believed that – both at present and in the past - the town has no other function than that related to its long-standing relationship with the local agricultural area. Moreover, many believed the town to have a very strong yet dependent relationship on the local farming area. For example, it was believed that when farming performs well the town performs well, with the converse also holding true.

In terms of the town’s agricultural hinterland, the majority of respondents believed that agriculture in the area is currently performing very well. This, based on the discussion on agriculture in the Free State above, appears to be contrary to

the case in the province as a whole. According to Mr. Schalk Steyn (former member of the town's local chamber of commerce and current manager of the Memel Agricultural Society - which represents local farmers on behalf of the Free State Agricultural Society) livestock farming, and particularly cattle farming, is currently performing very well in the area. Although he acknowledged that livestock farming has always done well in the Memel district, he noted that it has performed particularly well in recent years. He noted that the area is one of the best livestock farming areas in South Africa due to the land having good carrying capacity (i.e. the number of livestock that can be kept without the risk of over-grazing or erosion), an abundance of water in the area, and a colder climate which hinders the contraction and spread of livestock diseases. Another respondent, and former estate agent in the town, illustrated this by highlighting that very few farms are for sale in the area, and when a farm does come onto the market, it is sold very quickly for livestock farming purposes. Moreover, it was noted that farmers are willing to pay in excess of R7000 per hectare for farming land in the area. It was noted, however, that farming in the area has experienced its 'ups and downs' over the years, particularly due to fires which are seen as a problem in the area, and which have been responsible for the destruction of large livestock numbers and areas of grazing land.

In essence then, it would appear that at present the town simply acts as a small rural service centre for its agricultural hinterland – as it has done for many years in the past. Other respondents, however, noted that in the last number of years Memel has indeed begun to undergo a small transformation – which in some senses appeared to be related to tourism. For example, the owner of the town's only hotel, noted that one of his reasons for buying the hotel five years ago (which was for sale at the time), apart from being a lifestyle choice, was talk at the time that the town would become the next 'Clarens'. Many respondents believed that this small transformation was in many ways related to plans at the time to upgrade the nearby Seekoeivlei Wetlands and nature reserve (with boardwalks, guides,

bird hides, chalets, and so on). Another respondent also notes that during this time, the town experienced a small ‘boom’, which saw house prices rising due to an increase in demand from city-dwellers for weekend homes.

The chief conservator of the Seekoeivlei Nature Reserve, however, believes that, at present, the reserve is a “total disaster” and that all upgrade works have come to a standstill. Moreover, it was believed that this problem largely lies with the Free State department of environmental affairs and tourism. Furthermore, it was noted that the contractor who was responsible for the upgrade works had left with the funding allocated for the upgrade before the works had been completed. Some respondents believed that the small ‘boom’ which took place in the town was linked to the wetland development, and only lasted a year or two due to the fact that the wetland never became operational. These respondents note that since then, the town has returned to the way it was before. One respondent believed, however, that the wetlands do indeed hold significant potential for tourism in the town. As an example, he pointed to the town of Wakkerstroom, which at present he believed to be performing relatively well as a tourist centre, largely because of its wetlands which, he notes, are smaller than those in the Seekoeivlei. Lastly, a number of interviewees felt that many of the town’s residents are looking forward to the time when the wetland developments will finally be completed, as with this, they believe “Memel could have a great future”.

Another important transformation appears to be taking place in the informal township of Zamani. According to residents and business owners, and unlike the formal part of town, the township is increasing rapidly in both size and population. One respondent was of the opinion that the physical size of the township has doubled in the last seven years. This is perhaps evident when looking at an aerial image of the area - to the south west of the township it is possible to see what looks like a fairly new expansion of formally laid out plots –

it is believed that this area is fairly new as, unlike the rest of the township, it is not visible on any road maps of the town. Furthermore, this area appears to be less densely populated (i.e. more vacant stands) when compared with the rest of the township (see figure 5.4). Many residents believe that these in-migrants are coming from farms from further away (farms in the Memel district are not characterised by high labour numbers) due to 'land-grabbing' scares on farms in the province and in KZN, as well as the very cheap plots available from the municipality in the township, of only R700 per erf. It is further believed, however, that the large majority of these residents are unemployed and rely on social remittances to survive (see table 5.6). As an example, this respondent noted that many of the township's residents wait on the street pavements during weekday mornings hoping to gain 'piecework' employment. One respondent was of the opinion that a worrying phenomenon in the township was that the majority of many people's grant income goes to liquor (either in shebeens in Zamani, or liquor stores in Memel), and that what remains is spent on a large bag of 'meal' on which a family must survive for the month. As will be seen later, this is perhaps true when considering that the liquor stores polled in the town are performing particularly well at present, and furthermore, are predominantly seem to be supported by the residents of Zamani. Lastly, a number of respondents worryingly noted that they believed the rise in population in Zamani to be the cause of an increase in crime in Memel in recent years.



**Figure 5.4: Aerial image of Zamani Indicating possible recent growth and expansion**

SOURCE: Google Earth, 2009

**Table 5.6 Memel employment status for persons aged 15 - 64**

	African	Coloured	Indian or Asian	White
Employed	8	-	-	86
Unemployed	-	-	-	11

SOURCE: StatsSA, Census 2001

Table 5.6 highlights the number of people living in the formal town and who were employed in 2001. Although no figures are available for Zamani, these figures highlight that even if all the local residents who are employed find employment within the formal town itself, the town generates very little employment. Findings from the field survey in the town (see *chapter 6* for comprehensive findings) revealed that each of the businesses polled employed an average of 6 people. If this number is extended for all the town's enterprises, the total employment the

town's businesses could hypothetically generate is only approximately 150 jobs – certainly not enough for a burgeoning indigent population.

The Phumelela IDP notes that agriculture is the primary economic activity within the municipality. Apart from this, it further notes that the only other type of meaningful employment-generation in the area is in the three small towns, within shops (which are limited), small businesses and through domestic work (Phumelela IDP, 2011).

#### **5.4 Conclusion: Impacts and Implications of the Local and External Context for a Small Town Such as Memel?**

The South African small town context explored in *chapter 4*, along with the above discussion on the more local and regional context within which Memel is situated, clearly illustrates that small towns in South Africa are in many ways being impacted by processes and dynamics at a broader local, regional, national and even global level. In many instances these trends and patterns appear to be negatively affecting South Africa's already-struggling small towns. For example, on the one hand many small towns are characterised by weak and declining economic bases, and on the other, they are further characterised by a major influx of poor, largely unskilled and unemployed people. It does not seem unreasonable therefore to assume that, left unattended, their prospects for future growth and development appear somewhat unpromising.

The crucial question is what impact these factors may be having on a very small town such as Memel, and furthermore, what its prospects for growth and development are within such an adverse context. For example, can there be a



positive future for this tiny place in the context of a floundering local government, rising indigent population, declining provincial economy, declining agricultural hinterland, disparate national space economy, and fluctuating global market and globalising world? The remainder of this paper, therefore, turns to an empirical study aimed at better understanding Memel's very small local economy and the dynamics that drive it. This understanding, it is hoped, will help contribute to a better understanding of South Africa's very small urban places and how they might be dealt with from a policy perspective in light of a broader context of small town urban change.

## **CHAPTER 6**

### **THE WORKINGS AND ECONOMIC DYNAMICS OF MEMEL IN THE CURRENT SOUTH AFRICAN SMALL TOWN CONTEXT**

#### **6.1 Introduction**

This chapter essentially constitutes the empirical study of this research report. The purpose of the chapter is to better understand the workings, economic dynamics and function of the very small town of Memel in light of the current and particular context in which small towns in South Africa are situated.

This chapter covers the key findings from a business survey and a number of interviews with key respondents conducted in the town. It includes aspects covering the following: the town's business profile, the nature of the businesses' client bases as well as their market orientation; the perceptions that business owners as well as key respondents have regarding the town's local business and economic climate; perceptions on the role that the municipality plays in business support, the creation of a enabling business environment, and the general growth and development of the town; and, the existence and extent of local multipliers in the town.

#### **6.2 Business Profile**

A walk through the town of Memel reveals a small number of small local enterprises. The majority of the town's businesses are located in formal shop or office spaces along the town's main Voortrekker Street, with a few located in a

number of cross and side streets. A number of the agriculturally-related businesses – such as those selling livestock feed - were located in small warehouse or repository-type buildings, also along the main street and side streets. Lastly, about twenty percent of the town's enterprises (such as a doctor's rooms and guesthouse) operated from a house or formal structure/s attached to a house. There appeared to be no informal businesses – such as spaza shops or shebeens – operating from within the formal town, and furthermore, at the time fieldwork was undertaken, there appeared to be no signs of informal trade such as hawking.

In terms of the racial classification of business owners in the town, survey findings, and a window survey of the remaining unsurveyed enterprises, revealed that the large majority (62 percent) of businesses appeared to be owned/managed by white, Afrikaans-speaking people, while 16 percent were owned by foreigners (including Pakistani and Chinese people), 11 percent by English-speaking whites, and 11 percent were black-owned. Through the survey, approximately 80 percent of the town's white-owned businesses were polled. This is significant in terms of the findings, as according to Atkinson (2009: 273): 'the fortunes of the white populations of small towns are particularly important for an economic analysis. These are a good indicator of economic activity, since virtually no black or coloured businesses were allowed before 1990'. Atkinson goes on to argue that even in the current period, 'because of high levels of income inequality and the concentration of entrepreneurial experience in the white community, the proportion of white entrepreneurs remains an important indicator'.

As mentioned above, the make-up of these enterprises certainly point to a typical small rural Free State town functioning as a service centre for commercial agriculture. Not all of the enterprises, however, seem to be focused solely on this function. For example, a number of the enterprises include tourism and consumption-based activities, such as a small number of gift and curio shops, a

‘home bake’ or home industries store, and a small number of guest houses – perhaps related to the ‘boom’ which took place in the town a few years ago. The very small population size of the town is perhaps also revealed through the absence of enterprises such as those related to personal services, such as hair salons. Moreover, apart from the farmers’ co-operative, the town’s enterprises are largely characterised by lower order goods and services. Local residents note that a number of informal undertakings, including spaza shops, shebeens and hair salons have begun to emerge within the informal township more recently. The municipal IDP has proposed the establishment of a small CBD within the township in an attempt to make business and employment opportunities more accessible to the residents of Zamani.

**Table 6.1 Memel Enterprise Composition**

Type of Business	<i>n</i>	% of Total	Number Surveyed
Groceries, Vegetables, Butcheries, Bakeries	6	22	2
Cars, Mechanics, Filling Stations	2	7	1
Construction, Artisans, Building Materials, Hardware	2	7	2
Restaurants	0	0	-
Accommodation	3	11	2
Alcohol, Liquor, Bottle Stores	2	7	2
Clothing	1	4	-
Arts and Crafts, Curios, Gifts	1	4	-
Funeral Services	0	0	-
Health/Medical Services	2	7	1
Transport, Taxis	0	0	-
Personal Services - Hair, Beauty	0	0	-
Furniture	0	0	-
Financial Services, Banks	1	4	-
Real Estate	1	4	-
Legal Services, Lawyers, Attorneys	1	4	1
Electronics, Solar Equipment	2	7	2
Co-Operative, Farming Supplies, Livestock Feed	3	11	2
<b>Total</b>	<b>27</b>	<b>100</b>	<b>15</b>

NOTE: The last column indicates the number of business which were surveyed in each particular category.

SOURCE: Field Survey

It must be noted, however, that the above table (6.1) is not completely accurate in terms of the enterprise diversity within the town. For example, in the first instance, a number of individuals owned more than one business. In the second instance, many of the businesses offered more than just a single good or service – making characterising them more challenging. As an example, it was not only the town’s hardware that provided hardware goods and materials. A number of other enterprises, such as the Solar Installation business also sold similar products, although this is not its main focus. This perhaps reveals a need by enterprises to diversify in terms of goods and services sold in order to remain profitable in the town.

#### *6.2.1 Length of Ownership of Business and Length of Residence in Town*

**Table 6.2 Length of Business Owners Ownership of Business**

<b>Length of Ownership of Business</b>	<b><i>n</i></b>	<b>%</b>
1 - 2 years	1	7
3 - 10 years	10	67
11 - 20 years	1	7
More than 20 years	3	20
<b>Total</b>	<b>15</b>	<b>100</b>

SOURCE: Field Survey

Interestingly, table 6.2 highlights that the majority of business owners surveyed have owned their businesses for less than ten years. Atkinson (2006) notes that this could give one of either two contentions: firstly, that there is no real growth taking place in the town and that small businesses come briefly into being before struggling and closing, or alternatively, it is outside investors or entrepreneurs who are responding to a perception of economic opportunity in the town by starting new businesses. More recent establishments appeared to be in the following sectors: groceries, vegetables, butcheries (2); construction, artisans,

building materials, and hardware (2); accommodation (2)<sup>1</sup>; Livestock Feed (1); Liquor (2) Solar Equipment, Electronics (2). Those related to construction and building materials might highlight the rapid growth taking place in the township, while those related to accommodation may highlight the transformation that took place in terms of tourism and the wetland development. Other ancillary goods and service businesses could also indicate a general growth in the town related to this transformation. A number of respondents were of the opinion that many of the newer businesses in the town were filling niche markets, and were largely the sorts of enterprises that hadn't existed in the town before. Enterprises which had been in the town longer than ten or twenty years included a filling station, the farmer's co-operative, and the local attorney/agricultural conveyancing firm.

**Table 6.3 Length of Business Owners Residence in Memel**

<b>Length of Residence in Memel</b>	<b><i>n</i></b>	<b>%</b>
1 - 2 years	1	7
3 - 10 years	8	57
11 - 20 years	1	7
More than 20 years	4	29
<b>Total</b>	<b>14</b>	<b>100</b>

SOURCE: Field Survey

Table 6.3 highlights that the majority (57 percent) of business owners polled have also been living in the town for less than ten years. This does indeed corroborate the idea that the town has undergone something of a transformation in recent years, and furthermore, that it is largely newcomers who have established businesses in the town in response to this.

<sup>1</sup> Although not new businesses, these were recently bought by outside investors from Cape Town and Welkom.

In order to better understand the nature of the transformation that took/is taking place in the town it is useful to consider why these owners chose to establish these types of businesses in this particular town, at the particular time they did so.

Before doing this, however, it must be noted that very few businesses have been established in the town in the last one to two years. This also seems to highlight that the transformation that began to take place in the town a few years ago, may have come to an end – again, perhaps due to the fact that the upgrade works for the Seekoeivlei Nature Reserve have not been completed. As the chief conservator of the reserve noted, it is impossible to attempt to market the wetland reserve and bring visitors and money into the town as there is nothing currently worth advertising. For example, at present, visitors wishing to visit the reserve are required to let themselves in and out of the gates and make their own way through the reserve. Furthermore, the owner of one of the town’s guesthouses mentioned that he had recently had tourists come from the Netherlands specifically to visit the wetlands, but that on their arrival he learnt that access to the reserve was closed for an unknown reason at the time, thus prompting the visitors to go elsewhere.

#### *6.2.2 Business Owners’ Reasons for Establishing Businesses in Memel at the Time*

**Table 6.4 Reason for Establishing Business in Memel**

<b>Reason for Establishing Business at the Time</b>	<b><i>n</i></b>	<b>%</b>
Grew up in town / family lives in town	1	7
Perceived business opportunity	10	67
Lifestyle choice	4	27
<b>Total</b>	<b>15</b>	<b>100</b>

SOURCE: Field Survey

Table 6.4 highlights that almost seventy percent of business owners polled chose to establish their enterprise in Memel due to a perceived business opportunity in the town at the time. Furthermore, almost sixty percent of the businesses who chose to establish in the town for this reason, are less than ten years old. The main reason given for a perceived opportunity included the fact that the town was relatively underdeveloped at the time and that a gap existed in the market for a particular type of enterprise. For example, one respondent noted that when he arrived in the town seven years ago it was not possible to buy an ordinary item such as a chocolate bar, and that one would need to travel to Newcastle for such an item. Since then, however, the range of goods in the town has increased, and the town has become more “self-sufficient”. Nonetheless, the town is still characterised by a very low order of goods, save perhaps for some of the agricultural equipment sold. Another example of a perceived opportunity included a local resident and owner of one of the town’s two liquor stores, who noted that the rapid growth in Zamani was his impetus for opening a bottle store. This business owner noted that even though a second bottle store had subsequently opened, his business was still well-supported by the residents of Zamani, and thus remained profitable. It is useful to note, however, that while the majority of businesses that established for reasons of a perceived business opportunity are younger than ten years old, there are a number that established for this same reason and that are more than ten or even twenty years old. An example is the town’s lifelong resident and attorney who established his firm in the town more than forty years ago due to the fact that no other service existed in the town or greater area.

An interesting group within the above category were two shops owned by Pakistani nationals: a ‘hyperette’ and an electronics and cell-phone repairs shop. Another foreign-owned shop in the town was owned by a Chinese person, although an interview was not possible due to the business owner not being able to speak English. Shops owned by Pakistani, Chinese, Bangladeshi and Somali



nationals, however, appear to be a recent trend in small towns, particularly in the Free State province (Nicks, 2012)<sup>1</sup>. When asked why they had chosen to establish their businesses in the town, the response from both business owners was that the town had no other similar shops at the time, and thus very little competition, while furthermore, rent for shop space in a small town, such as Memel, is much less than in a larger town or city. One of the respondents admitted that his first choice was to open a shop in Newcastle but felt that this was be too expensive. For example, he noted that if he established a business in Newcastle he would be forced to pay higher rents as well as rent or buy a house in which to live. In Memel, on the other hand – where he felt there was little “regulation” - he could simply live in his shop. This shop owner, however, stated that his longer-term goal was to save enough money to eventually open a shop in Newcastle, where he felt there would be a greater level of demand for his goods.

As Nicks (2012) notes: “it may be that settlements of between 2000 and 10 000 [of which the Free State province has a significant proportion] are of a scale where it is relatively easy for small scale entrepreneurs to establish a foothold”. A number of respondents noted that the currently Pakistani-owned ‘hyperette’ was previously owned by a local South African resident, but soon after establishment closed down due to complaints of the hard work and long working hours required. Foreigners, it was noted on the other hand, are much more resilient, have seen an opportunity in the town’s underdevelopment, and have made these businesses work as they are willing to work the long hours, 7 days a week. For example, the ‘hyperette’ is open 7 days a week from 06h00 until 18h00. Interestingly, however, two older respondents saw this topic as a sore point and were of the opinion that the newer foreign nationals in the town had “stolen” business away from local residents.

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<sup>1</sup> It is important to note that Nicks’ statement is not based on any formal research, but instead only on a windscreen survey of a number of small town CBD areas in the Free State province. Nonetheless, the findings from this survey do in fact seem to corroborate his contention.

The next prominent group of people who have established businesses in the town include people who have done so as part of a lifestyle choice. These business owners included: two people who had bought existing accommodation businesses; and two retirees to the town who have opened small businesses in order to remain busy. One of these respondents noted that he chose Memel over a number of other small towns in the area as it was the cheapest of all options – perhaps indicating that Memel is relatively smaller than a lot of towns in the area. In the literature, such small town residents have been referred to as ‘semigrants’, or people who prefer a stress-free country lifestyle, often where property prices are lower, such as many small towns. It has been noted that these ‘semigrants’, with their business skills and capital to invest have played an important role in diversifying some small town economies. Indeed two business owners surveyed in Memel could be seen as ‘semigrants’ – the owner of the Memel Hotel, a former film industry professional from Cape Town; and the owner of a local guesthouse, a former mining industry professional from Welkom. These two individuals have certainly led to a degree of change in the town by, for example, initiating a number of projects, initiatives and events in the town in an effort to stimulate the local economy.

In conclusion, it appears that a significant number of new businesses have been opened in Memel in recent years, that the majority of these businesses were responding to some form of perceived opportunity or gap in the market, and furthermore, that a significant number of these recent businesses are also owned by relative newcomers to the town. What is clear, then, is that Memel has in fact undergone a small transformation in recent years which seems to have been encouraged by a combination of: beliefs that upgrades to the Seekoeivlei wetlands would establish Memel as a popular tourist destination; the relative underdevelopment of the town; the rapid growth of Zamani; and, perhaps also the fact that cattle farming has performed particularly well in the area in recent years.

What also seems evident, however, is that this ‘boom’ and transformation appears to have come to an end more recently.

### 6.2.3 Nature of Business Ownership

**Table 6.5 Nature of Business Ownership**

Nature of Business Ownership	<i>n</i>	%
Independently/Privatey Owned	21	81
Part of a larger Chain/Franchise	5	19
<b>Total</b>	<b>26</b>	<b>100</b>

SOURCE: Field Survey

More than eighty percent of businesses in the town are independently or privately owned (table 6.5). The remainder are part of a larger company, chain or franchise, and include a small First National Bank branch, a Total and Exel filling station, the VKB Co-operative (*‘Vrystaat Koöperasie Beperk’*, or Free State Co-operative Company Limited), and a seller of livestock feed. Interestingly, however, apart from the FNB branch and the farmers’ co-operative the majority of those that were part of a larger franchise were still privately owned by local residents – in other words, business decisions are largely made by owners and not from outside the company. This small number of ‘branch enterprises’ seems to suggest that the town is simply too small and underdeveloped and does not have an adequate level of demand to support larger companies or chains. For example, one respondent noted that an ABSA Bank branch had closed in recent years, as two banks in the town were simply too much. Furthermore, the owner of the town’s ‘hyperette’, noted that there had been plans a few years ago – around the same time as the ‘boom’ to open a SPAR and PEP Store branches in Memel, although these plans later fell away. With the rapid growth in Zamani, however, these types of enterprises may again become viable in the future.

## **6.3 Nature of Market and Client Base**

### *6.3.1 Businesses' Client Base/Target Market*

When asked who their customers or clients mainly consisted of, business owners gave mixed responses. For example, many businesses' customer bases included a mix of clients, including: local residents; residents of Zamani; people simply passing through the town; local farmers; farmers and people from further away in the region (Newcastle, Volksrust, Vrede, Harrismith, Villiers, Warden, Dundee, Vryheid); and, in some cases, people or companies from even further afield, such as Johannesburg and Pretoria. Nonetheless, 67 percent of interviewees conceded that it was local residents who primarily constituted their client bases.

Common themes, included: accommodation businesses - whose clients mainly consisted of tourists and eco-tourists, bird-watchers, and adventure motorcyclists. Interestingly, adventure-biking seems to have gained widespread popularity in Memel in recent years as the town lies at the heart of a network of mountain pass roads and off-road trails (Fysh, 2009). Another common theme was the town's two liquor outlets, the 'hyperette' and the building material and hardware outlet who all noted that the large majority of their clients consisted of the residents of Zamani. Lastly, it was only the co-operative whose clients consisted solely of farmers. Again, however, many businesses seemed to have a mix of clients, both local and those from further away. Interestingly, some respondents noted that there simply was not a large enough population in Memel, and this is why they had sought business elsewhere. On the other hand, businesses which were in a niche market, such as the enterprise that supplied solar heating and electricity, was able to gain clients from further away simply because of the niche product they sold.

### *6.3.2 Businesses' Relationship with the Local Farming Community and Agricultural Hinterland*

Apart from one guesthouse, every other business polled in the town agreed that their business had some kind of relationship with farmers in the surrounding area - i.e. that they did business with farmers or were supported by them to varying degrees. Even the restaurant and bar of the local hotel was supported to some extent by farmers. This clearly points to the fact that in many ways, the small town of Memel continues to function as a small rural service centre for commercial agriculture in the area.

### *6.3.3 Changes in the Size or Nature of Businesses' Client Bases*

None of the respondents believed the nature of their client base had changed (i.e. a different type of client), but rather it was only the size of their client base that had changed over time or since they had established their business.

**Table 6.6 Change in the Size of Businesses' Client Bases**

<b>Size of Client Base</b>	<b><i>n</i></b>	<b>%</b>
Increasing	9	60
Static	5	33
Decreasing	1	7
<b>Total</b>	<b>15</b>	<b>100</b>

SOURCE: Field Survey

Interestingly, more than 60 percent of businesses believed that their client base had increased since they had owned the business. Although they believed their client base had increased, many owners believed that business had its ups and

downs during the year, but that overall, a slow but steady increase had been experienced over time. Business owners noted that while there had been an increase, this increase was not exceptional, but what one might expect as a business grows over time. Those businesses whose client bases were growing above average, however, appeared to be in, or related to the sectors that were currently performing above-average in the town (i.e. agriculture, liquor, and hardware material).

One respondent - a new plumber to the town - noted that when a new business, which previously hadn't existed in a small town, opens, business does very well for the first few months, until the local residents have had all their plumbing problems dealt with, following which, business stabilises. It was for this reason, that this respondent felt it was necessary to pursue business in other towns further away. Interestingly, it was noted that a large proportion of business in a small town is gained by word of mouth, and that because of this a 'bad job' can have long-lasting negative effects.

Lastly, the remainder of businesses felt that their client base had largely remained the same over the years, due to the relatively small amount of business to be done in a small town. The owner of the Memel Hotel felt that client numbers had dropped in recent years solely due to the continuing decline of the state of the roads in the town and provincial roads in the area, which he says, tourists, and especially adventure bikers, are not willing to travel on.

## 6.4 Perceptions on Memel's Local Economic and Business Climate

### 6.4.1 Perceptions on Own Business Performance at Present

**Table 6.7 Perceptions on Own Business Performance**

<b>Perceptions on Own Business Performance</b>	<b><i>n</i></b>	<b>%</b>
Good/Improving	8	53
Fair/Static	5	33
Poor/Declining	2	13
<b>Total</b>	<b>15</b>	<b>100</b>

SOURCE: Field Survey

Business owners' perceptions on the performance of their own business at current were somewhat mixed (table 6.7). Fifty three percent of owners believed the current performance of their business was either good or improving, 33 percent believed it to be fair or static, and 2 percent believed it to be poor or declining. Sectors which were particularly positive about the performance of their business and believed that it was improving, included: liquor, hardware and building materials, and agriculturally-related businesses. This clearly seems to be linked to the growth of Zamani, and the fact that farming is performing well in the area at present.

Many of the owners who conceded that the performance of their businesses was stable at the moment, and even those whose businesses were performing well, added that business was not improving rapidly, but at a steady rate which one might expect from a small town business over time. Furthermore, they were satisfied with this and believed that their businesses were performing well enough for their modest small town needs and living requirements. This would seem to suggest that these owners are not particularly concerned with growing their

businesses or attempting to improve business performance. As an example, common phrases included: “it’s enough to make a living”; “it will never be a million dollar business”; “it’s enough to sustain one’s small town needs”, “it’s doing well for a small town business” and so on. As some respondents noted, many of the business owners in Memel are passionate about the town and wish to remain living in it in the future, so long as business performs well enough to meet their needs. Another respondent noted that even those entrepreneurs who came during the ‘boom’ have since been bitten by the “small town bug” and are still in the town today. This is perhaps further evident in the fact that some business owners own more than one enterprise, or held a sideline job on top of their own business – perhaps in an attempt to make a reasonable income in this small town. On the other hand, however, one business owner pointed out the fact that while “the status quo in Memel is okay for some, it doesn’t benefit those in the town who need upliftment” – referring to the increasing unemployed populace of Zamani.

Lastly, the two business owners who felt business performance had declined, were the owners of two accommodation businesses in the town. Both, whose main business was from out of town, believed that the terribly poor state of roads in the town and in the area was what was keeping people away. At present, Memel’s main road, Voortrekker Street, is in very bad condition. Moreover, the main R34 route which connects the town with Johannesburg and Newcastle, is in a terrible state of disrepair. Just outside of the town, this primary regional arterial has deteriorated to gravel for approximately 2 kilometres. The result of this in recent months was that large transport trucks began driving through the town in an attempt to bypass this section, ultimately worsening the state of roads in the town itself. As a result, one local actor has placed large piles of rubble at the entrance road to the town in an attempt to prevent trucks from using the town as a detour. Other business owners are upset, however, as they feel that this is preventing business from coming in to the town as a whole. As an example, another



respondent who ran a sideline towing and break-down service in the area, noted that this business was performing very well recently due to the poor state of the roads in the area. Lastly, one of these respondents also noted that, at present, Memel is not part of any major tourist route, and that furthermore, with the Seekoeivlei wetlands currently being un-operational, there is little interest generated in terms of tourism in the town at present.

#### 6.4.2 Business Owners' Plans for Expansion or Diversification

**Table 6.8 Business Owners' Plans for Future Expansion or Diversification**

<b>Plans for Expansion/Diversification</b>	<b><i>n</i></b>	<b>%</b>
Yes	4	27
No	9	60
Recently Expanded	2	13
<b>Total</b>	<b>15</b>	<b>100</b>

None of the business polled wished to diversify away from their current undertaking, although 27 percent did wish to expand. Interestingly, however, three out of the four businesses who wished to expand, wanted to do so out of town, as they felt there was no further room for growth in Memel. Two of the businesses polled had also recently just expanded, one being one of the liquor stores – again highlighting the growth of this sector in the town, and the other the local doctor, who had also expanded out of town by starting to see patients in Newcastle. Two of the town's businesses had plans to close down business in the near future due to plans for retirement. One respondent noted that his business is both “for sale and not for sale” – indicating that if someone offered him the right price for the business he would sell it – perhaps indicating that business in the town does not perform exceptionally well, but only enough for owners' needs.

The large majority (60 percent) of businesses, however, did not have any plans to expand. Again, this may highlight that many business owner are comfortable with the size of their business at present, or that while some may have seen opportunity in the town a few years ago, few do at present. One interviewee, on the other hand, noted that, at present, due to limited levels of demand in the town, options for diversifying or opening a new business are somewhat limited.

#### *6.4.3 Business Owners' Perceptions of the Current and Future Business and Economic Climate in Memel as a Whole*

Interestingly, business owners' and key respondents' perceptions of the business environment in the town as a whole, appeared to be slightly more negative or pessimistic compared to their opinions on the performance of their own businesses (see table 6.8). For example, a much higher proportion of people believed that the performance of the business climate, and local economy of the town as a whole, was largely static. This could perhaps indicate that some business owners may be overly-optimistic about the performance of their own business.

**Table 6.9 Perceptions on the Memel Local Economic and Business Climate**

<b>Perceptions on Local Economy and Business Environment</b>	<b><i>n</i></b>	<b>%</b>
Good/Improving	3	18
Stable/Static	10	59
Poor/Declining	3	18
Uncertain	1	6
<b>Total</b>	<b>17</b>	<b>100</b>

SOURCE: Field Survey

Only 18 percent of respondents believed that the town's current business and economic environment and climate as a whole, was performing well or improving. One respondent suggested that this was because there was little competition in the town and many enterprises hold something of a monopoly or captive market. Another respondent, however, noted that even though he believed businesses to be doing well, he thought that growth was only in line with inflation. One respondent was of the opinion that the growth of Zamani may provide a stimulus for future growth and development in the town, although he mentioned he was uncertain of the long-run sustainability of the social grants on which these residents rely.

A remarkable 60 percent of respondents, on the other hand, believed that the current state and economic performance of the local economy and business environment as a whole, is only stable or static, and furthermore, is likely to remain so in the future. Although some of the respondents in this group believed that other businesses in the town were doing well, they believed these to be the "vitals" - such as those that sold food or agricultural products, for example. Another reason given for the belief that the town's current performance was only stable included the fact that, based on the small population in Memel, the town had reached a "maximum". Despite this, many local business owners seemed satisfied with this, conceding that they were not in the town to "make money", but rather because they sought a relaxed rural and family-oriented lifestyle, and needed "something to pay the bills". Again, this seems to relate to the notion that many business owners are in the town as part of a lifestyle choice and are not overly concerned with the fact that business is not booming, so long as they are able to make a comfortable living. As an example, one business owner was of the opinion that "there are no 'fireworks' in the town, businesses simply maintain themselves enough for their owners to make a fair living". Another common response was that the town "doesn't have the feet" - or a significant level of demand for businesses to be performing exceptionally well. Here, it was noted

that livestock farming is neither labour nor capital intensive, and therefore although the town is supported by wealthy farmers from the area, they do not generate very significant levels of demand. One respondent somewhat pessimistically retorted: “they’ve been saying the town will grow for the last fifteen years, but it has always stayed the same”. Nonetheless, a number of respondents noted that while they might fare better in other large towns, they have chosen to make Memel their home as they love the town and enjoy living there.

Those that felt business in the town was declining also believed a limited level of demand to be the cause. One respondent noted that Memel is a “little island” and that the poor state of the roads in, and leading to the town was also worsening this. Lastly, another respondent felt that the slow development of the Seekoeivlei Nature Reserve was the reason that the town was not performing well.

Respondents were also asked whether the current performance of the town had changed compared to its performance in the past, or if they believed it might change in the future. Compared to the past, many business owners – including life-long residents of the town – believed that, as mentioned above, the town has remained largely the same throughout its history, save for the small boom that took place a number of years ago. Likewise, about half of the respondents felt that this status quo would continue into the future. Reasons included the fact that the town’s small population is insufficient to generate enough demand to stimulate any significant growth or development. Furthermore, it was noted that many of the town’s older residents do not want the town to grow, but instead are happy the way it is, and always has been.

The other fifty percent of respondents, on the other hand, were optimistic that the town would grow in the future. Reasons included the fact that many local

residents are passionate about the town, have vision for its future growth and development, and are putting in a lot of effort to realise this. Another reason cited was the rapid growth and development of Zamani. One respondent believed that increases in population in the town, and by extension, grant money coming into the area, would be a positive stimulus for the town's enterprises. Another respondent believed that the town's future development depended on the performance of livestock farming in the area. Another still, was of the opinion that a greater level of external investment and demand would be key for the town's future – something that could be achieved if the wetland development was completed. What is clear, however, and as evident from the small transformation of a few years ago, is that Memel does in fact appear to have the potential to attract tourists and outside investment.

#### *6.4.4 Obstacles to doing Business in Memel*

When asked whether or not there were any obstacles to conducting business in the town, respondents gave fairly similar answers, including: again, the fact that due to the size of the town, demand is largely limited - which is why some business owners had chosen to establish secondary or even tertiary operations, or extend their businesses outside of town. Another response was the poor state of roads in the town and in the area. On this note, fully 100 percent of interviewees felt that the roads in the town and in the area were a very significant negative. Lastly, a few respondents noted that because their stock came from outside of town, and thus needed to be transported in, transport costs were high, and therefore required them to increase the price of their goods. It was further argued that transport costs are much higher in smaller centres than elsewhere.

Interestingly, one respondent perceived the question in terms of obstacles that might be faced by possible entrepreneurs wishing to establish new businesses in town. He commented that the town's 'CBD' essentially consisted of a kilometre or so of the main Voortrekker Street, which has very limited amounts of office and shop space. This was evident as another respondent, who owned and rented some of this space to business owners, believed the office space vacancy rate in the town at present to be as low as 5 percent. Furthermore, and in this regard, it was also noted that "red tape" presents a significant obstacle to starting new business in the town. For example, in recent years a number of residents and outside investors have seen the potential for new business ventures in Memel, but have subsequently been deterred by the lengthy process of dealing with the local municipality in an attempt to rezone agricultural or residential land for business purposes.

Lastly, in terms of the physical location of the town, and the effect this had on business, as well as the perception of whether or not business was lost to larger settlements (such as Newcastle) in the area, interviewees largely had mixed responses. A number of respondents did believe that the physical location of the town, and its position in relation to other nearby centres, was not ideal for business. Some respondents felt that business was lost to Newcastle because of its size and proximity (<60km) and the fact that many items are cheaper in Newcastle. For example, one interviewee noted that small towns have a small captive market, and therefore, are able to push their prices up. As another respondent retorted: "they know you won't want to drive all the way to Newcastle on a Saturday afternoon for a bottle of brandy". Another respondent, still, was of the opinion that Memel was somewhat isolated, and therefore was unable to generate much external demand, stating that: "Memel is a nice place to live, but it's a bit of an 'island' in terms of doing business".

Unexpectedly, however, a number of respondents believed that the fact that Memel was relatively close to the much larger centre of Newcastle, was an advantage to the town, as it was a “huge” market for local farming produce, as well as those businesses that sold more of a niche product. Moreover, other respondents believed that in some instances Memel was able to draw business away from larger centres such as Newcastle due to friendlier service and a higher quality product (such as meat), and the ability of business owners to develop a more personal relationship with customers. Some respondents also noted that while some goods (such as foodstuffs) are more expensive in Memel, other goods (such as agricultural supplies and equipment) are cheaper, and therefore, farmers from both the district and further away prefer to do business in Memel than in some of the larger centres in the area. Lastly, those respondents that were in the tourism industry believed that the fact that Memel is situated roughly halfway between Johannesburg and Durban is good for tourism (“if it could be successfully promoted in the town”), as some other small towns are more “off the beaten track” than Memel is.

## **6.5 Level of Local Multipliers in Memel**

Atkinson (2009: 281) notes that local multipliers refer to “the amount of goods and services purchased locally, and therefore, the amount of local economic activity generated by local businesses”. Fully 100 percent of the business who sold products in Memel reported that these goods or products were sourced from outside of the town. Furthermore, and as was highlighted above (6.3.1), almost 70 percent of businesses reported that their client base consisted predominantly of local residents. It could be argued, then, that the large majority of businesses in the town exist solely in response to locally-generated demand. This might suggest that local enterprises generate little to no local economic activity – save, perhaps, for the very small number of employment opportunities they create.

Not only is a leakage occurring in terms of spending by enterprises, but furthermore, 100 percent of the respondents polled highlighted that they do the bulk of their own personal shopping – save for a few small items – from Newcastle. It is likely that the same applies for the large majority of the town's residents. One respondent even noted that many of the residents of Zamani make their way to Newcastle to do some of their shopping. Lastly, as one interviewee noted, local residents try to support local businesses as far as possible, but that certain higher order goods and services are simply not available in the town, in which case business is inevitably lost to larger centres such as Newcastle.

## **6.6 Perceptions on Municipal Governance**

When asked whether they thought the Phumelela Local Municipality was doing anything to support or stimulate business growth and development in the town, 100 percent of respondents felt that the municipality was doing absolutely nothing in this regard. This would suggest that no relationship or liaison exists between the municipality and local enterprises, and furthermore, that no form of business support programmes or development initiatives exist. One respondent believed that, as a bare minimum, the municipality should be striving to develop the skills of the residents of Zamani, as at the moment, he believed they have no future. For example, he noted that in the larger area there is a demand for specific trades and jobs such as mechanics, plumbers, welders, truck drivers, and so on, and that the municipality should be doing something to train the unemployed in Zamani in these fields in order to improve their chances of finding employment.

Interestingly, the topic of the local municipality seemed to be a sore point for every respondent polled. Local residents and business owners appear to be particularly unhappy with the role played by the local council in the town, and



many feel the local municipality and municipal officials to be incredibly inept. Many of the interviewees complained about similar issues in the town, including: an intermittent water supply, poor storm water drainage, a lack of general maintenance, and - perhaps the most-cited - the poor condition of roads in the town and the area. Another complaint concerned uniformed municipal officials sleeping under the trees outside of the municipal office in the town during weekdays. Another respondent believed that municipal accounts are in a state of immense disorder, with many accounts going to the incorrect addresses. Other respondents were of the opinion that the local municipality was simply a “white elephant” and that, besides for weekly refuse removal, one would not know the difference if it did not exist in Memel. As an example, a number of respondents mentioned that they hired their own staff to clean the streets in the town as they could no longer wait for the municipality to do so – “Memel is on its own to look after itself”.

**Table 6.10 Percentage of Total Mandated Functions Performed by the Phumelela Local Municipality, 2002 - 2008**

<b>Functions Performed</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Phumelela Local Municipality	35%	44%	53%	44%	68%	45%	37%

SOURCE: Municipal Demarcation Board (2009)

As an illustration, an assessment of capacity of the Phumelela Local Municipality by the Demarcation Board of South Africa in 2009, revealed that in terms of carrying out its mandated municipal functions, the local municipality has performed dismally over the last few years. What seems immediately evident is that, for the most part, the municipality performs less than half of its mandated functions annually. Furthermore, the capacity assessment concludes by suggesting recommended adjustments for the municipality in terms of functions performed,

including - not surprisingly - roads, solid waste and water. Interestingly, these included the issues – as highlighted in *chapter 5* above - which sparked violent protest in the municipality in 2004. Moreover, it appears that, apart from the year of 2006, the municipality has performed even less of its mandated functions in the years following the protests, than what it did when the protest action actually took place<sup>1</sup>. Considering the above, it could be argued that the feelings held by local residents and business owners of the local municipality, are not baseless or unfounded. It could perhaps be the case, then - as a Democratic Alliance document on the capacity, performance and service delivery of the municipality suggests - that this municipality is one of the five worst in the country in terms of incapacity and ineptitude.

When asked what the local municipality could be doing to improve the business environment in the town, as well as the growth and development of the town as a whole, responses were fairly similar, and included: the need to improve water quality and services; the need to repair and resurface roads in the town and area; the need for street lighting in the town; the need to improve general maintenance and the appearance of the town – i.e. pavements are cracked, grass is overgrown, and so on. A number of respondents also noted that something needs to be done about the rapid growth of the largely unemployed population in Zamani, stating that the municipality needs to find a way to curb this growth, or alternatively provide a greater level of employment opportunities for these people in the town or area. One respondent's suggestion was to promote small industry in the town, which furthermore, could act as a cushion during times when agriculture in the region is less successful (during times of drought, for example).

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<sup>1</sup> I.e. in 2004 when protest actions took place, the municipality performed 53 percent of its mandated functions. Four years later in 2008, the municipality performed only 37 percent of its mandated functions.

An interesting discussion in this regard, was with the town's local attorney and life-long resident of more than sixty years, Mr. Paul Neethling. Mr. Neethling, like every other interviewee, was deeply discontented by the role played by the local council in the town's growth and development. Mr. Neethling, again like many of the other residents in the town, is passionate about Memel and believes that the town holds great potential for growth and development. Like some of the other residents and business owners in the town, he has attempted various projects aimed at improving the town's situation, as well as the situation of its local residents. One such project was the construction of vegetable tunnels to provide both food and employment for the residents of Zamani. Mr. Neethling notes that, over the years, he has sent many business and project plans - including an appeal to establish small industries in the town to provide employment opportunities for local residents - to all levels of local and provincial government (including personal letters and requests to the mayor of the local council as well as the premier of the Free State Provincial Government) asking for assistance. He notes, however, that these requests have simply been "bounced" from official to official, "all in vain" as he has never received a response. Mr. Neethling states that in this regard, it is sad that the municipality do not even seem to care about "the poorest of the poor". Mr. Neethling, like many of the other local residents and business owners, however, believed that Memel has the potential for a positive future, but that in order for it to develop in the right direction, a lot more needs to be done by government, and that furthermore, in many instances the "government" has let Memel down in a significant way. He concluded by arguing that "the residents of Memel could achieve a lot if government cooperated with them".

Like Mr. Neethling, Mr. Chris Martin, owner of the Memel Hotel, has also tried to start various projects and initiatives in the town, especially in an effort to promote the town as a small tourism destination. For example, in recent years Mr. Martin attempted to establish a tourism promotion and information centre with the intention of promoting Memel as a small tourism town and also to generate local

employment. Another attempted project was a chicken farming initiative for the benefit of the residents of Zamani. He notes, however, that “the municipality did not come to the party”, and as such neither became a reality. He goes on to state that he has come to the realisation that, he and the other residents with a vision and enthusiasm for the town, cannot simply sit back and wait for the municipality or provincial government to do something, but instead must “get out there and try and make things happen”. As an example, a number of recent events and projects have been planned for Memel by local residents, including: a bass fishing competition; the Memel centenary celebrations to be held in 2013; the construction of a Memel museum; and, a number of annual events including: the Memel Mounted Games, the Memel Mahem Festival and the ‘*Memel Fees*’. He concludes, however, by acknowledging that “nothing significant can be achieved without government’s assistance”.

It is important to acknowledge that this section has largely documented local residents’ perceptions and speculations on the role played by the local municipality. Furthermore, many of the suggestions put forward by locals – such as industrial development - may not be viable in a small peripheral context such as this one (although, the Phumelela IDP does propose the establishment of agro-processing plants and ‘other value adding industries’ in the area in order to diversify the municipal economy – again, however, whether these would be viable in Memel is unknown). Nonetheless, attempts to contact the municipality to uncover their perspective on residents’ feelings and complaints, and to better understand their priorities in terms of the growth and development of the town were unsuccessful<sup>1</sup>. The municipality’s IDP, however, does seem to acknowledge many of the concerns put forward by locals. For example, it notes that there are, at present, no facilities in the municipality to promote skills development and

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<sup>1</sup> Calls were placed to every number available for the municipality (as found on its website and the Government Communication and Information Service (GCIS) directory), although each number was constantly engaged. Furthermore, emails sent to various addresses were either ‘bounced’ back or were not responded to.

training – something which it acknowledges is crucial if industrial development and general employment stimulation is to be achieved. Furthermore, it is noted that the level of service delivery is unsatisfactory – in many instances due to the ‘extreme incapacity’ that characterises the local municipality (Phumelela IDP, 2011: 9). Lastly, it is noted that over the last few years there have been vacancies in key municipal posts (including that of the municipal manager) which has resulted in very poor levels of service delivery (Phumelela IDP, 2011).

## **6.7 Conclusion**

This chapter has explored the key findings of a survey of a representative sample of businesses in Memel as well as interviews with a number of key respondents. The chapter considered the business profile in the town; the nature of businesses’ client bases; local residents and business owner’s perceptions of the business environment and local economy in the town; the level of local multipliers present in the town; and, perceptions on the role played by the local municipality in business support and the growth and development of the town as a whole. Here it was uncovered that, for the most part, and until a few years ago, Memel was a fairly underdeveloped small town. In recent years, the town appears to have undergone a small transformation – in some respects related to tourism and the nearby Seekoeivlei Nature Reserve, as well as the underdevelopment of the town – to which entrepreneurs appear to have responded. More recently, however, this transformation appears to have come to an end, and, while some of these entrepreneurs have remained, Memel has largely reverted to its historical role as a very small rural service centre servicing - and largely supported by – a relatively small but wealthy group of local livestock farmers. On the other hand, however, the nearby township of Zamani appears to be growing at a rapid rate, supporting an ever-increasing indigent population. In this regard, and as one respondent aptly noted, “the status quo in Memel is okay for some, but doesn’t benefit those who

need upliftment”. In other words, while many of the residents are satisfied with the slow-paced lifestyle and relatively stable and slow-growing economy of the town, this will not help those in poverty. Lastly, while some of the local residents are attempting to change this status quo in the town, their attempts at gaining the help and assistance of local and provincial government appear to have been futile – in some ways largely pointing out the degree of incapacity and ineptitude that haunts the local municipality.

## **CHAPTER 7**

### **ANALYSIS AND INTERPRETATION OF THE FINDINGS**

#### **7.1 Introduction**

The purpose of this chapter will be to analyse, interpret and understand the findings of the study – the particular workings and economic dynamics of the very small town of Memel in the contemporary South African small town context. As such, some of the concepts and theories uncovered in the conceptual framework in *chapter 3* will be revisited in order to assess their ability or usefulness toward explaining and understanding these findings. In other words, the purpose of this chapter is to consider the particular workings, economic dynamics and function of a very small South African town in the context of contemporary processes of urban change in South Africa, as well as what this might mean for the town's future growth and development.

#### **7.2 Explaining and Understanding the Function, Workings and Economic Dynamics of Memel with Reference to the Conceptual Framework**

##### *7.2.1 Central Place Theory*

Beginning with central place theory, it would indeed seem that this theory offers some insight into the workings and functioning of the town. To recap, this theory states that urban centres function as central places that provide goods and services to their surrounding hinterland, and furthermore, that urban growth depends on the level of demand generated in the hinterland, as well as the well-being of this

hinterland. This certainly seems to hold true for Memel. For example, many respondents noted the strong dependency the town has on the local farming area, stating that when farming performs well in the area, the town performs well, and vice versa. The concept of threshold – which states that a smaller population in a town's hinterland leads to the growth of a town with lower order functions – also seems to explain the small size and lower order goods and functions present in the town. In terms of this theory, then, it could certainly be argued that, at present, Memel functions as a very small rural service centre for the relatively small farming population in its surrounding area.

### *7.2.2 The Neo-Classical Model and Export Base Theory*

These theories hold that trade is one of the most important determinants of growth and development in a small town, and that furthermore, the size and growth of a small town depends on the level of goods produced locally and exported for sale outside of the town. Again, these theories do in fact provide an insight into why the town of Memel is as small as it is, and furthermore, why its growth is very slow. For example, none of the respondents polled produced any of their products locally, but instead, all imported their goods from outside of town. Furthermore, almost 70 percent of the enterprises polled sold the large majority of their goods to local residents and farmers. Even those enterprises that did sell products outside of the town, acknowledged that this was only a limited amount. Lastly, none of the enterprises polled sold their products solely outside of the town. In essence, then, it could be said that Memel has an extremely limited level of exports, and that the large majority of products sold within in the town are sold based on locally-generated demand to local residents, farmers and the residents of Zamani. According to these theories, this would certainly explain the limited size and growth of the town.



### *7.2.3 Internal Combustion Theory*

The premise of this theory is that small town entrepreneurs are able to accept risk and start businesses in small towns, and by extension, promote the growth and development of these towns. What is required, however, is for government to support this process by creating an enabling environment for both existing and future businesses.

This theory, then, can certainly help in understanding the slow growth and underdevelopment of Memel. For example, it was shown that the town is home to a number of ingenious, resourceful, and hard-working individuals, who have passion and vision for the town and its future growth and development. Many of these respondents, however, remonstrated about the lack of support and assistance given by the Phumelela Local Municipality (as well as higher levels of government) to local businesses, as well as those who wish to start new enterprises or initiatives in the town. Furthermore, a lack of general maintenance and ailing infrastructure in the town certainly is not the kind of enabling environment in which small town businesses can flourish for the overall benefit and growth and development of the town.

An interesting point highlighted by the Memel case, however, is that while it may be that ‘local entrepreneurs, through their own ingenuity and willingness to accept risk, can form businesses [and initiatives] and fill a niche’ (Daniels, 1989: 418) and which is important for growth and development – they cannot do this alone, but instead require the support and assistance of local government to make their visions a reality – particularly in such a small town. Again, however, it must be noted that some of the plans and initiatives proposed by local residents may not be financially viable in this small place.

#### *7.2.4 Location Theory*

In terms of small towns, location theory states that entrepreneurs will tend to favour larger urban centres over smaller towns when establishing their enterprises. This might suggest that a very small town such as Memel would be bypassed by many potential investors and entrepreneurs in favour of larger urban centres. While this may be true to an extent, an interesting finding was that a significant number of current businesses owners in the town chose to establish their businesses in Memel – and keep them in the town in the future – because of love for a small town lifestyle, or anti-urban sentiment. Interestingly, this may be seen as a pull-factor for certain small towns, and perhaps, particularly those endowed with natural scenic beauty. Furthermore, a number of the other respondents also noted that they had chosen Memel over other small towns because it was smaller, and therefore, cheaper to live and conduct business in the town. Nonetheless, despite these factors and the fact that the town is endowed with no real resources, it is still likely that location theory holds true in this sense, and that the majority (of perhaps more serious entrepreneurs) would choose to bypass such a small town in favour of a larger centre – again, perhaps highlighting one reason for the size and underdevelopment of the town. An example, again, is the case of the Pakistani shop owners who were simply using Memel as a ‘stepping stone’ in order to later establish businesses in Newcastle.

#### *7.2.5 The Agropolitan Approach and Sector Theory*

This concept, in some instances, also seems to highlight the central role that agricultural plays in the growth and development of Memel. According to the concept, a growing agricultural hinterland contributes to small town development by raising farm incomes and purchasing power, and by extension, the demand for

urban-based goods and services. This was clearly highlighted by many of the respondents who noted that when agriculture performs well in the area, Memel performs well – which shows the level of dependence of the town on agriculture. It could be argued, however, that this only holds true to an extent in Memel. For example, although many respondents noted that agriculture in the surrounding area is performing particularly well at present, results from the findings seem to suggest that the economic performance of the town itself is only mediocre. Again, this is likely due to the fact that the low capital and labour-intensive form of livestock farming in this area only leads to a limited level of demand for urban-based goods and services. As a number of respondents noted, Memel is big enough for the needs of local farmers, and they are not concerned whether it grows any bigger. What is evident here, then, is that the relationship, in many senses, is not a mutually reinforcing one. For example, it is the town that is dependent on its local hinterland, rather than the converse - the town being responsible for the growth and development of its hinterland.

#### *7.2.6 External Combustion Theory and Dependency Theory*

These two theories present an interesting tool against which to analyse the findings. According to the two theories, and unlike internal combustion theory, it is external forces and factors, such as government spending and policies that determine the growth path and development of a small town. In some instances small towns can be actively held back external forces and acts of decision-making. In other instances, small towns become reliant or dependent on external support or assistance. It could be argued that in Memel, however, rather than being actively held back Memel is, in many sense, being *passively* held back by external determinants at both a local, regional and even national level. For example, at a local level, the general incapacity of the municipality to perform its mandated functions in the town, and by extension, create an enabling environment

for the promotion of the growth of local enterprises, as well as its failure to respond to the visions of locals by providing them with support and assistance, possibly means that the town is less developed than it could be. Similarly, at a regional level, and as noted by a respondent, provincial government has also failed to respond to such visions and ideas. Furthermore, in such a case of small local government incapacity, it should be district municipalities or provincial governments that step in and take a greater overseeing and administrative role. Lastly, at a national level, and as highlighted in *chapter 4*, a general policy vacuum with regards to small towns exists in South Africa, and therefore, in terms of their growth and development, and the promotion thereof, there is little policy-guidance, support or aid.

Rather than being influenced by exogenous forces or factors, or dependent on external forms of support and assistance, it could be argued – as many respondents believed – that Memel is largely independent and is in control of its own path of growth and development. Again, however, and as has been argued, there is only so much that can be achieved by these passionate and industrious locals without some form of support and assistance from outside.

#### *7.2.7 Post-Productivist Theory*

To recap, this theory attempts to explain the growth and development of small towns whose agricultural hinterlands have gone into decline. It is argued that, when these agricultural economies begin to perform poorly, small towns will search for new activities, including, for example, consumptive uses such as tourism in an effort to survive. While there has been a slight move to more consumptive uses in Memel in recent years, these do not seem to be in response to declines in agriculture. Instead, and as discussed above, livestock farming in the

area appears to be performing very well at present. Rather, this rise in consumptive uses can be attributed to the small boom which took place in the town a number of years ago related to upgrade plans for the Seekoeivlei Nature Reserve. The town is still largely focused on agriculture, as one respondent estimated that approximately 70 percent of enterprises are still largely related to farming and agriculture. The rest, he notes, are largely owned as part of a larger lifestyle choice.

When considering this, however, it becomes evident that the town does indeed have the potential for tourism. For example, during the ‘boom’ house prices rose considerably and a number of investors and entrepreneurs came to the town in response. It is argued here, therefore that Memel could indeed have a future in tourism.

#### *7.2.8 Global Change, Globalisation and Economic Restructuring*

Interestingly, processes of globalisation and global change do not seem to be particularly strong influences on the performance, growth and development of Memel. This is perhaps because of the fact that very few of the town’s products are sold externally. Furthermore, owing to disease and health regulations and restrictions, as well as quotas, the international trade of meat is relatively small compared to levels of production. As such, the livestock sector is relatively insulated from international markets. For example, South Africa produces 85 percent of its beef requirements with only 15 percent being imported ([www.southafrica.info](http://www.southafrica.info)). Thus, it could be argued that globalisation does not have a particularly strong influence on these sectors in South Africa which is perhaps one of the reasons the livestock sector in Memel is currently performing well.

A number of respondents, on the other hand, noted that they have to some degree experienced the effects of the local and global economic downturn in their businesses through lower levels of demand. This of course is being experienced by many in South Africa and is to certainly be expected in a very small town. Nonetheless, this influence is perhaps less prominent in Memel due to the very limited level of exports present in the town.

In *chapter 3*, this section also considered the literature relating to processes of economic restructuring. It was shown that shifts in focus in a local economy often come about in the face of shocks or changes in its surrounding region and the way that its various sectors are structured or restructuring. It could be argued that, in such a process, small towns would largely be vulnerable to such changes and shocks – for example, the particular way in which agriculture may be structured or restructuring. In Memel, however, the regional agricultural economy appears to have largely remained stable over a long period of time with little economic shock or restructuring taking place. By extension, the town of Memel, which is largely dependent on this agricultural sector, has also largely remained static and stable.

#### *7.2.9 Localities, Institutions and 'Multiple Trajectories'*

The literature on localities and institutions seems to offer a lot toward the particular workings and economic dynamics of Memel. As these theories and concepts state: no two places are alike, instead it is the distinct local characteristics, qualities and histories that represent themselves in different places, making each place's growth and development unique. While there may not be any particular institutions present in Memel driving the town's particular growth and development, it could be argued that the local residents and community as a whole represent something of a local institution, attempting to drive certain aspects of

the town's growth and development, in the absence of external support and assistance and a weak and incapacitated local government. In essence, the town certainly seems to represent the great diversity of South African small towns. For example, before this research report began, it was expected that this tiny place would almost certainly be in a significant spiral of decline, like many other small towns in South Africa. Instead, however, while not performing outstandingly, this very small town does appear to be holding its own – in many respects due to its particular and distinct local characteristics, qualities and history.

#### *7.2.10 Complexity Economics*

This model proposed that the business or firm dynamics within a town reflect the flow of money into a town and, by extension, the 'magnitude of the economic driving force' present within the town (Toerien and Marais, forthcoming: u.p.). This framework highlighted sectors that bring money into a town – 'driving sectors', and those which are more service-oriented - 'service sectors'. Considering Memel's enterprise 'make-up' in terms of this model, it becomes apparent that only 8 of the town's 27 enterprises could be considered driving sectors – less than thirty percent. This might suggest that there is little 'in town money', or in other words, a low level of demand and essentially a weak 'economic driving force' present within the town. This certainly appears to be the case when considering the largely static performance of the town's local economy at present and over the years. It could be argued, then, that this concept holds true for the case of Memel.

### **7.3 The Function, Workings and Economic Dynamics of Memel with Reference to Key Debates on the Significance, Role and Importance of Small Towns**

*Chapter 2* considered some of the key arguments and debates from within the small town literature. These debates concerned the purported significance and role small towns play in rural and regional development. Although it was highlighted that these debates largely concern the role of small towns within developing contexts, it was suggested that small towns in more developed contexts (such as Memel) may also play some of these roles – and thus have a certain level of economic significance within their hinterland areas. The purpose of this section, therefore, is to consider these arguments, and compare them with the particular findings concerning the very small town of Memel.

#### *7.3.1 Small Towns Act as Centres of Demand and Markets for Regional Agricultural Produce?*

In many senses, the case of Memel certainly seems to corroborate this notion. Although it was noted that some livestock does bypass Memel and is auctioned elsewhere, there is a fair amount of trade that takes place in the town's weekly livestock auctions. On the other hand, however, while some level of demand is generated from urban-based consumers living within the town (i.e. through the town's two small butcheries), the majority of trade takes place between farmers or livestock traders. Thus, Memel perhaps plays a greater role as a market place, but a lesser role as a centre of demand. Nonetheless, it could be argued that there is potential to increase this demand, for example, by establishing small agro-processing industries within the town, such as abattoirs or tanneries. In



conclusion, however, it can be said that Memel does in fact act as a market for the produce of the local agricultural hinterland.

### *7.3.2 Small Towns Distribute Goods and Services to their Hinterland Region?*

Again, this argument seems to hold true for Memel. The Field Survey Findings showed that farmers make up part of the client base (and in some cases all of the client base) of more than 70 percent of local enterprises. This debate is often used as a means to demonstrate the need to stimulate the growth and development of small towns – i.e. that they might better respond to the needs of local hinterland populations. In the case of Memel, however, it was noted that, although the town is very small, it has reached a level of development that is satisfactory for the needs of local farmers. This again, is perhaps because of the fact that livestock farming is not a particularly capital-intensive form of agriculture, such as crop farming, for example. Thus, the products and services the town needs to hold in order to support the local hinterland are somewhat limited.

### *7.3.3 Small Towns Act as Centres for the Growth of Non-Farm Related Activities and Employment?*

Again, while this statement does in fact hold true for Memel, it is only to a certain extent. The town does appear to have acted as a centre for the growth of ancillary services and activities. For example, and as highlighted above, not all of the town's enterprises are solely directed at supporting local agriculture. The level of this diversification is rather limited though, once again due to limited levels of demand present within the town. Furthermore, the level of employment generated by these ancillary services and activities is fairly limited and is certainly

inadequate to be able to provide a suitable level of employment opportunities for the burgeoning indigent population of Zamani.

#### *7.3.4 Small Towns Can Attract Rural Migrants and Reduce Migration Pressures on Larger Urban Centres?*

The idea that small towns can attract rural migrants, and thus reduce migration pressures on larger urban centres, is perhaps one of the most popular purported roles of small towns. Again, Memel appears to corroborate this idea, albeit not for the reasons given in the literature. For example, the in-migrants to the town - or perhaps more accurately the township of Zamani - are not being attracted to the town because of an opportunity for non-farm related employment. Instead, many of these migrants, according to respondents, are coming from farms in the area and further afield due to land claim scares and are in search of a cheap place to live, as they most likely cannot afford to live in larger urban centres – a situation evident in many small towns across South Africa.

### **7.4 Conclusion**

It would appear from the above discussion that the specific workings and economic dynamics of the very small town of Memel in the contemporary South African small town context cannot be explained by any one particular theory or concept of small town growth and development. Instead, it would seem that a number of factors and determinants help in understanding and explaining the workings of this very small South African town. Perhaps most evident, is Memel's role and economic significance as a very small service centre for local agriculture. The town's relationship with its hinterland, however, appears to be

relatively one-sided – i.e. the town appears to be significantly dependent on the performance of its hinterland, but on the other hand it is not likely that the converse holds true. For example, if Memel did not exist it is highly likely that farmers would simply acquire their required goods and services in another centre nearby, such as Newcastle. Nonetheless, and interestingly, this very small town has retained its role as a service centre when so many other small towns across the country have lost this role.

In many senses, then, the concept of localities and ‘multiple trajectories’ is also useful in explaining the dynamics present in this town. For example, while other forms of agriculture in the Free State appear to be in decline largely due to widening global markets and related pressures, livestock farming is more insulated from these pressures. Moreover, the Memel agricultural district, situated in a very prosperous cattle rearing area in South Africa, is performing relatively well at present. Lastly, although they are not performing exceptionally well, industrious businesses owners in Memel choose to remain in the town and make things work because of their passion for the town. In other words, it is the distinct local characteristics and people present in the town that help explain the fact that this tiny place is still ‘on the map’ and continues to survive. Therefore, (and perhaps apart from its institutional context) in many ways, Memel appears to have been insulated from the harsh external context within which many small towns in South Africa are situated.

In terms of the debates on the role and significance of small towns, Memel did in fact seem to corroborate many of these ideas, but to very limited extents. In other words, while it could be argued that Memel plays some role and has some level of economic significance in terms of the workings of its agricultural hinterland, this is by no means an ‘essential’ role as purported within some of the debates. Lastly, while the town has also developed a number of non-farm related activities and

services, these are fairly limited in size and extent. To conclude, then, while the town may not be particularly important in terms of its economic significance, it appears to be becoming increasingly important from a demographic point of view – through a rapid influx of poor and unemployed people - like many other small towns across South Africa.

## CHAPTER 8

### CONCLUSION

The purpose of this report has been to understand the particular function, workings and economic dynamics of the very small South African town of Memel in the Eastern Free State and its place within the contemporary South African small town context.

*Chapter 2* reviewed the relevant literature to the study and considered a definition and background to small towns. The chapter also considered what a small town is and why small towns should be seen as important points of study. The chapter further considered the way in which small towns have been dealt with and perceived by policy-makers over time in both developed and developing contexts, as well as the results of common small town policies and initiatives.

*Chapter 3* established a theoretical and conceptual framework against which the findings of the study could be analysed and evaluated in subsequent chapters. The chapter considered a number of relevant theories that would aid in understanding and explaining the particular function, workings and economic dynamics of the very small town of Memel.

*Chapter 4*, as a backdrop to the empirical study of this paper, considered a definition and background to small towns in South Africa, as well as why small towns in South Africa should be seen as important points of study. Following this, the broader social, political, economic and institutional context within which small towns in South Africa are situated was uncovered and explored. Lastly, the

chapter considered the changing post-apartheid and contemporary small town trends and dynamics that are apparent in many small towns across the country.

*Chapter 5* began to consider the town of Memel itself – its background, size and location. The particular local and regional context within which the town is situated was also explored. Following this, the chapter considered Memel's historic and current economic state and function. Here, it was found that, while Memel has undergone a small transformation – in some ways related to tourism – in recent years, its main function is still a small rural service centre, as it has been throughout the town's history.

*Chapter 6* presented the empirical findings of a survey of a representative sample of some of the town's enterprises as well as interviews with a number of key respondents. Here, it was uncovered that throughout its history, Memel has largely functioned as a very small rural service centre, supported by a relatively small but prosperous local livestock farming community. At present, the majority of business owners and respondents are of the opinion that the local business climate and local economy as a whole is neither in decline nor growing, but instead largely stable or static. Approximately five years ago, however, the town began to undergo a small tourism transformation and economic 'boom' related to improvements to the nearby Seekoeivlei wetlands. Following incompletion of this upgrade, however, this small boom came to an end shortly after. At present, then, the town has reverted to its former and traditional role. Perhaps the most important transformation taking place at present is the in-migration of a largely indigent population to the town's informal township of Zamani. While local residents of Memel have attempted projects and initiatives for the benefit of the residents of Memel and Zamani, they have achieved very little success due to a lack of support and assistance from the largely incapacitated Phumelela Local Municipality, but also higher levels of government.

Lastly, *Chapter 7* attempted to analyse and interpret the findings made in *chapter 6*, informed by, and with reference to the concepts and theories explored in *chapter 3*. The chapter considered what dynamics help to understand the specific functions, workings and economic dynamics of this very small South African town. The chapter found that the particular workings and dynamics of this very small town cannot be explained by any one theory or concept of small town growth and development. What was evident, however, was the fact that Memel does in fact act as a small rural service centre. Perhaps most useful, however, is understanding the town in terms of the literature on localities, institutions and ‘multiple trajectories’. In other words, it is the town’s distinct and unique characteristics that make it what it is, and perhaps against the odds, allow this tiny place to “tick over” from year to year – as one of the town’s residents noted.

In terms of the debates on the role and significance small towns play, it was uncovered that Memel does in some ways, albeit to limited extents, support local agriculture in the region. It was argued, however, that the town is more dependent on agriculture, than agriculture is dependent on the town.

In concluding, it could be argued that Memel does play some supportive role and holds some level of economic significance in terms of its agricultural hinterland. As is sometimes the case in small towns in more developed contexts, however, the town appears to be more dependent on its local farming community than the reverse. To answer one of the main questions of this report, then, what does the future hold for this town, what are its prospects for future growth and development, and how should a tiny place like this be treated by policy-makers and within policy agendas? As many of the respondents noted, the town has “reached a maximum” in terms of the needs of local farmers. Furthermore, many local businesses owners, although not performing exceptionally well, appear to be satisfied with the local business climate, so long as their modest small town needs

are being met. Moreover, it was noted that, in fact many people in the town, and in particular, the older generation, do not want the town to grow. However, and as was so adequately stated by one respondent “while the status quo in Memel is okay for some, it does not benefit those who need upliftment” – of course referring to the burgeoning indigent population of the informal township of Zamani – a situation common to many small towns and their informal townships across South Africa. Thus, and as mentioned above, while the town may not be particularly economically significant, demographically it is increasingly so.

As Johnston and Bernstein (2007) note, the rapid in-migration of poor and unskilled people to small towns in South Africa is a worrying phenomenon because of the fact that the resultant increase in demand for infrastructure and services often cannot be provided by already-incapacitated local governments – particularly in the absence of an increase in tax revenue. While local residents have attempted projects and initiatives for the benefit of the residents of Memel and Zamani, they have achieved little success due to a lack of support or assistance from various levels of government. Daniels (1989: 415) argues: “the challenge is for small towns to determine their own destiny”. As was argued in this paper, however, while the ideas concerning internal combustion theory are laudable, the case of Memel shows that there is only so much that can be achieved by local visionaries – particularly in such a small town. What is needed in this – and of course many of South Africa’s small towns - then, is a much greater and more prominent role to be played by local government in supporting these local or grassroots efforts and processes. As van Rooy and Marais (forthcoming: u.p.) argue: “there seems to be sufficient evidence that communities seeking to ... create jobs and initiate broad-based development need strong local leaders at the forefront of these and other initiatives ... if this strong leadership coincides with appropriate skills and capital, the impact can be substantial, especially if capital from outside the area is used”. Through some of its passionate and visionary residents, Memel certainly has this leadership, what it lacks, however, is the



outside capital and assistance. Furthermore, what is needed over and above this capital is strong and supportive government leadership, in both this and South Africa's other small towns. Van Rooy and Marais (forthcoming: u.p.) further argue: "government programmes and government-funded organisations often play a critical role in getting community development initiatives off the ground and, in many instances, in sustaining these initiatives".

The problem, however, and as is well-documented in the literature, is the extreme lack of capacity faced by local government in South Africa – particularly in rural and small town settings. What is needed in small towns, then, is a much more prominent supportive and supervisory role to be played by provincial and national government departments in their processes of growth and development. As Satterthwaite and Tacoli (2003:63) acknowledge: "the effectiveness and efficiency of local governments in small and intermediate urban centres depends not only on their own capacity, revenue base and accountability, but also on the nature of their links with higher levels of government". Johnston and Bernstein (2007: 54) translate this appropriately for this case study, stating: "It is questionable in any case whether responsibility for economic growth in places such as Vrede, Warden and Memel – which suffer from multiple economic, demographic and spatial disabilities – is appropriately assigned".

This begs the question, however, that even if this assistance and support was achieved, how could this small place be stimulated in order to provide a greater level of opportunity for all of its residents? In one sense, and based on the small boom in the town of a few years ago, there certainly appears to be a latent potential for tourism in the town. This is not difficult to conceive, given the rustic charm of the town and its friendly and down-to-earth residents, as well as the scenic beauty of the larger area. As van Rooy and Marais (forthcoming: u.p.) suggest: "tourism has the potential to enhance and stimulate the economic

independence of rural areas, as it utilises natural resources in an economically sustainable manner for the benefit of local communities”. Furthermore, through their ideas and attempted projects and initiatives, local residents clearly believe that the town holds other potentials and possibilities, such as vegetable tunnelling, chicken farming, small industry, tourism-related centres, and so on. Atkinson (2008: 11) notes, however, that there is no inherent reason for small towns to be economically prosperous, particularly when considering the widespread decline of many small towns across the world. She goes on to mention, nonetheless, that “a great deal more can be done, with more innovation and imagination, to stimulate small town economies”. The main point again, however, is that while this innovation and imagination is present in Memel, a greater level of external leadership and assistance is required.

As mentioned earlier, however, it must be acknowledged that, even if assistance from higher levels of government is achieved, some initiatives simply may not be economically viable in this small local economy. What would certainly be required, then, is a deeper level of enquiry into what forms of economic and employment stimulation are feasible in such a small and localised context. Indeed, the same would apply for the many other diverse small town contexts across South Africa. In other words, the potential for growth and development in South Africa’s small towns needs to be more systematically uncovered. Once this has been achieved, it should be the priority of all levels of government to make sure that this potential is realised for the benefit of all small town residents.

For example, another possibility or potential for growth and development in a case such as Memel – where a small town is more dependent on its agricultural hinterland than the reverse – would be to focus on stimulating agricultural growth and development in the town’s hinterland area, thereby increasing agricultural purchasing power and demand - essentially leading to the stimulation and growth

of the small local economy. As Hinderink and Titus (2002) note: “programmes for agricultural intensification and rural economic diversification, for example, usually have a direct positive impact on rural service centre development”. In this regard, it was noted that a recent trend in some of the town’s surrounding farming areas is an increase in crop-farming. Furthermore, the manager of the Memel Agricultural Society noted that over and above livestock farming, the area is starting to show potential for various forms of crop farming, including maize and potatoes. If stimulated and promoted, these higher labour and capital intensive forms of farming could certainly help to stimulate the growth and development of Memel, as well as provide greater levels of employment for many of its inhabitants.

*Chapter 4* highlighted the general lack of focus given to small towns within the South African policy arena – in essence a small town policy ‘vacuum’. Perhaps a first, and useful starting point, then, would be a stronger and more systematic approach by government at the national policy level to promote the growth and development of South Africa’s small towns, and through this, to provide a greater level of support and guidance for all levels of government who play any role in their growth and development. Of course it would be vital that any such macro-economic policy takes into account the vast diversity represented by small towns in South Africa and their inherent and unique differences, characteristics, contexts and conditions.

To conclude, this report has uncovered that while the town of Memel - and indeed many of South Africa’s other small towns - may not be particularly important in an economic sense (with some even in severe spirals of economic decline), they are certainly gaining importance in a demographic sense. As Xuza (forthcoming, u.p.) acknowledges: ‘small towns appear to be the dumping grounds for people facing problems such as unemployment, poor health, social exclusion and

absolute lethargy'. Such people cannot be expected to go elsewhere, but must be proactively absorbed into the economies of small towns. Thus, it is believed that Atkinson's (2008: 11) statement that "a great deal more can be done, with more innovation and imagination, to stimulate small town economies" is certainly something which should be taken to heart by government regarding all of South Africa's small towns.

This report, therefore, calls for – as a starting point – an overarching small town policy in South Africa, which will sanction and encourage a greater focus and effort to be placed – by all levels of government - on the developmental needs of South Africa's many small towns. Furthermore, such a policy must acknowledge the great diversity represented by small towns in South Africa. As such, the policy will also need to call for a greater level of enquiry into the particular potential for economic growth and development present in each small town. Lastly, it will also be important to recognise and take into account the important role played by local actors in any efforts at growth and development.

Lastly, it must be noted that this study on Memel is largely an exploratory one as no previous academic research has been conducted on this small town<sup>1</sup>. As such, at the commencement of the study it was not known what the outcomes of the study would be. While it was hypothesised that the very small town of Memel would be in economic decline, this did not appear to be the case. Instead, an important finding was of the rapid growth of the township of Zamani. While further research was therefore warranted in this regard this was not the scope or focus of the research, nor did space or time allow for this. Further research on the town, therefore, or other small towns in general, might be directed to the

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<sup>1</sup> While Johnston and Bernstein's (2007) study did consider some aspects of the town, this was largely background information and did not consider the economic dynamics at play within the Memel. Instead, as mentioned previously, the study's main focus was on the dynamics of a number of incapacitated local municipalities in South Africa which had faced violent protest – of which the Phumelela Local Municipality was one.

dynamics and issues faced by very small towns with burgeoning indigent populations; the dynamics surrounding this rapid growth; the relationship between the small town and its former black township; and, the economic dynamics present within these informal settlements.

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Chief Conservator, *Seekoeivlei Nature Reserve*, Memel, February 2012.

Dr. Una Geldenhuys, private medical doctor, Memel, January/February 2012.

Manager, *African Sun Solar/Daisy's Home Industries/Daisy's Nice Things*, Memel, February 2012.

Manager, *Memel Drankwinkel*, Memel, January/February 2012.

Manager, *Vrystaat Koöperasie Beperk (Memel Cooperative)*, Memel, January/February 2012.

Mr. Chris Martin, Owner, *Memel Hotel*, Memel, January/February 2012.

Mr. Paul Neethling, Owner, *Theron and Neethling Attorneys*, Memel, January/February 2012

Mr. Schalk Steyn, Manager, *Memel Landbou Vereniging*, Memel, January/February 2012.

Mr. Simon Nicks, Manager, *Chittendam, Nicks and de Villiers Africa*, email communication, January 2012.

Professor Lochner Marais, Professor of Development Studies at the Centre for Development Support (University of the Free State), email communication, April 2011.

Owner, *Akcell Electronics*, Memel, January/February 2012.

Owner, *Die Vleie Drankwinkel*, Memel, January/February 2012.



Owner, *Heron's View Properties/Dirtworx Hardware en Boumateriaal/Dirtworx Sand and Stone*, Memel, January/February 2012

Owner, *Magnacorp Plumbing*, Memel, January/February 2012.

Owner, *Mahem Guesthouse*, Memel, January/February 2012.

Owner, *Penvaan Feeds – Memel*, Memel, January/February 2012.

Owner, *Tevrede Meat Market*, Memel, January/February 2012.

Owner, *Twitchers Hyperette*, Memel, January/February 2012.

Owners, *Memel Petrol en Kaffee*, Memel, January/February 2012.

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## **APPENDICES**

### **APPENDIX A**

#### ***Key Respondent Questionnaire***

1. Do you know of Memel's history or any important points in its past?
2. What is the current economic function of Memel (I.e. what is Memel's economy predominantly based on?)
3. What is your perception of Memel's local economy and business climate (I.e. improving, static or declining)? Has this changed over time? Do you believe this will change in the future? Why?
4. Is there a relationship between Memel (i.e. its businesses) and the surrounding farming community? (I.e. do local businesses sell farmers' produce/does the local farming community consume goods/services produced within the town?)
5. What is the general state of the surrounding agricultural area (I.e. improving, static or declining)? Why?
6. Does the local municipality/council support business in Memel, i.e. is there a relationship between the municipality and local businesses?
7. Is Memel losing business to other towns? (E.g. Vrede, Warden, Newcastle). Why?
8. Is the physical location of Memel good for business? Why?
9. Are new businesses being started in Memel? By whom?
10. Are existing businesses changing their focus/diversifying/expanding? Why?
11. Does the town generate any interest from outside investors? Examples?
12. Does Memel attract tourists? Does the town have potential for tourism? What could be done to turn Memel into a successful tourism destination?
13. In general, what type of people live in Memel? Why do people choose to live/remain in Memel? What is their background and financial position?

14. Is the town growing or getting smaller? What type of people are settling or leaving? Why?
15. What is the general state of public facilities? (I.e. parks, clinics, roads, etc.)
16. Are there any obstacles preventing the growth and development of Memel?
17. In general, what are Memel's positive and negative aspects?

## **APPENDIX B**

### ***Business Survey Questionnaire***

#### **Business Profile**

1. Business Name
2. Type of Business? (E.g. Butchery, Guest House, Grocery Store, etc.)
3. Date (year) business was established in Memel?
4. Do you live in Memel? If so, how long have you lived here?
5. Why did you choose to establish this particular type of business, and why did you choose to establish it in Memel at the time? (E.g. good business opportunity, a need to make extra income, loss of other employment, etc.)
6. What has business been like over the years, and do you plan to keep your business in Memel in the future? Why?
7. What is the physical size of the business?
8. What is the nature of the business? (E.g. independent, part of larger company/chain, branch store, family firm, other).
9. Does the business have a bank account?
10. Are the business premises owned or rented?
11. How many employees do you have, and do you have any plans to lessen or increase the number of people you employ?
12. What is the annual turnover of the business? (i.e. total of goods and services sold)

#### **Nature of Market and Client Base**

13. What is your target market/who do your customers consist of? (E.g. local residents, local farming community, people from further away, tourists, etc.)
14. Does your business have a relationship with the local farming community? (I.e. you sell their products; they buy from you, etc.).
15. Has the size and/or nature of your client base changed over time? (I.e. grown, declined, different type of client, etc.). Why do you think this is so?

#### **Perceptions of Local Business Environment**

16. In terms of your own business, what are your feelings on doing business in Memel at present? (I.e. business is good, okay,
17. Struggling, etc.). Has this changed compared to the past? Why do you feel this way?

18. What are your feelings on the business environment/local economy in Memel as a whole? (I.e. doing well, okay, not doing so well). Why?
19. Do you believe the local business environment will change in the future? (I.e. improve, remain the same, worsen). Why?
20. Do you have any plans to grow, expand or diversify your business (E.g. move into a new line)? Why?
21. Do you have any plans to expand or upgrade your business premises? Why?
22. Do you feel the physical location of Memel is good for business? Why?
23. Do you feel that business is lost to elsewhere within the area (E.g. Newcastle, Vrede, and Warden)? Why do you say so?
24. Do you feel there are any obstacles to doing business in Memel? What are they?

### **Role of the Municipality**

25. What are your feelings on the role that the local municipality/council plays in supporting businesses in Memel? (I.e. is there any relationship between businesses and the municipality?)
26. How could the municipality improve the business environment in Memel?
27. What could the municipality be doing to improve the town of Memel in general?

### **Local Multipliers**

28. Where do your supplies/products come from? (E.g. bought from elsewhere within the town, sourced from the local farming areas, sourced from outside of Memel).
29. Where are the majority of your goods/services sold? (I.e. within Memel, outside of Memel, further away, etc.)
30. Where do you do your personal shopping? (I.e. within Memel, a nearby town, further away, etc.)
31. Do you feel there is enough demand for your goods/services? In other words, are there enough people buying from you?

### **General Questions**

32. In your opinion, what are some of Memel's positive and negative aspects?
33. Why have you chosen to live and remain in Memel?



