

New Communication Processes

The Impacts of the Economy on Urban Issues in Slovenia

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1 CONDITIONS AND TRENDS

The time in which we live today is marked by quick economic, political, and social changes. We can also add the new development potential of European space, which is not formed only within the borders of EU; their influences are also reaching into neighboring countries and beyond their borders into wider areas.

If we summarize the main characteristics of settlement development over the past decade in Slovenia, it is necessary to stress out that those processes were marked by developmental dynamics, which profoundly changed traditional images of the cities and settlements. The most explicit characteristics of the current developmental trends is the strengthening of the centers of economic power - dense city areas, which compete with competitive advantages of their location, with an emphasis on traffic and other infrastructure equipment.

1.1 Contemporary Settlement System and Urbanization Processes

For an introduction, let me explain some of the main characteristics of Slovenia's urbanization processes. Slovenia is a relatively densely populated country, with almost two million inhabitants, and an average population density of 97 inhabitants per km². It is a predominantly mountainous country with varied relief, as 45.4% of it is alpine and sub-alpine. In addition, more than one half of the territory is covered by forests, which are expanding. The Slovenian population growth is stagnating, and marked by a decrease in the birth rate, steady increase in life expectancy, a slight increase in immigration to the country, and a changing structure of households and family where the average family size decreased to 3.1 family members (Ravbar, 1999).

The major characteristic is the wide dispersion of population among almost 6.000 settlements. Such distribution is due to the policy of balanced regional development based on polycentric concept of urbanization which was introduced 30 years ago. The main framework of economic power is 13 city agglomerations with 35 regional cities of different size and socio-economic significance. More than 80% of the economic power is estimated to be concentrated in those areas. Ljubljana and Maribor metropolitan regions are the dominant employment centers in Slovenia, followed by other, more or less isolated employment centers. These centers form the basis of the polycentric urban development system and are the bearers of economics, education, service, cultural activities and public functions.

The monitoring of the transformation of the settlement system over the course of several decades showed that we can define two characteristic types of areas with specific development problems:

- urbanized plain areas, whose territory gradually spreads along the areas of the economic and population concentration areas toward the mountains: unplanned concentration of the population in suburban settlements, accompanied by dispersed development of single family housing, caused by the liberal land purchase and insufficiently selective urban policy.
- rural areas: two thirds of the territory, 400.000 inhabitants; depopulation of peripheral settlements and villages in hilly areas.

Condensed urban areas, which are at the same time the centers of social, cultural and economical life, today represent the place where 70-80% of the population live. The population density is four times higher than average, inhabiting $\frac{3}{4}$ of the total population and providing $\frac{4}{5}$ of all work places. The population in urban areas is increasing fast. In the past three decades the number doubled, over 50% of the population migrated from rural areas. The percentage of mostly agricultural population (up to 1991) decreased from over half of the total population to as little as seven percent of the population. The life style is typically urban and predominant type of housing is detached individual houses. More than half of the inhabitants migrates daily to the city center, which is also the main employment center. The phenomena of dispersed settlement development is distinctly tight with the demographic development in relation to the land use and housing policy of the period after Slovenia's independence (Ravbar, 2000).

We can add to this also the administrative organization of Slovenia, which exist of national and local level, without the intermediate, regional level. In spite of the reform of local government this is in turn causing an ever wider gap between centralized national government and crumbled, smaller and smaller local communities (from 63 in former Yugoslavia to 192 - with a tendency towards increase!). In principal, the legal framework is enabling the implementation of the basic tasks of spatial management and settlement planning. However, there are many deficiencies in the planning system of the past decade, mainly due of the heritage of the past social system, when the role of the instruments was substituted by so-called "agreement planning." Due to the lack of instruments, the level of implementation of the plans is low.

This problem is also a focus of the Slovenian Spatial Management Policy. The Spatial Management Policy is one of the first spatial documents to be used by the Slovenian government since its independence to outline the direction of future spatial development consistent with sustainability and European focus. The changes that Slovenia has gone through since its independence not only demand a re-evaluation of the goals, but also that new procedures and instruments are brought forward into planning practice. Among the spatial management guidelines, the Policy stresses out also the provision for land earmarked for manufacturing

development within the regional development concepts, as suitable, interregional coordinated larger areas, and in local plans as building land with provided infrastructure equipment.

1.2 Spatial Development Trends

The typical image of spatial development is defined by developmental trends that are the consequences of numerous factors which are, besides the changed structure of the work places, influencing the space and changing spatial relations at large:

- concentration of the development nodes in the vicinity of larger cities, by traffic corridors
- increased mobility
- increasing needs for building land in this areas.

The trends of transportation systems development - especially of highway connections - have to also be considered in connection with economic development. As support for the international highway system development it will enable Slovenia faster international economic connections. There is a negative side in such development, for it is creating conditions for an even more dispersed urban structure, because it is increasing independence of the working and living places. We can also notice contrary processes of over-locating workplaces, which follow housing structures in opposite directions as they used to. This frequent phenomena is mainly due to favorable conditions for development of small enterprises or even some ‘‘work at home’’, allowed by new information and communication technologies. These conditions are, therefore, increasing the preferences for low densities, tied to the ideal picture of a free-standing family house surrounded by greenery. It is being implemented through the building of free-standing family house at suitable locations, which due to the large environmental burden causes the increase of costs for infrastructure.

The trends of regional differences today, are besides the geo-morphological differences, additionally increased by poor transportation connections between regions, while strong traffic flows through highway corridors are creating new dilemmas due to the condensation of economic activities along the new roads. The spatial conditions are clearly defining the advantages of economic locations, based on good access and traffic connections, tight to the wider network of European regional centers, which are often in conflict with the principle of sustainable spatial development. This is becoming a basic dilemma of the integration of economic and spatial planning, especially from the point of view of the occupation of remaining green areas.

1.3 The Integration of urban and economic development - structural changes

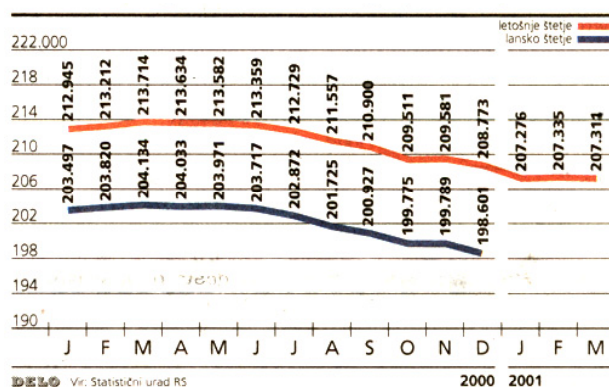


Figure 1: Employment structure: the number of employed in industry January 2000 (black) – March 2001 (red) (source: Delo, 2002, Statistični urad Republike Slovenije)

The consequences of the structural changes in Slovenia are reflected in the largest extent in the employment structure. According to the latest data, there are only 200,000 people employed in industry in Slovenia, and the share of the industrial production is decreasing as well.

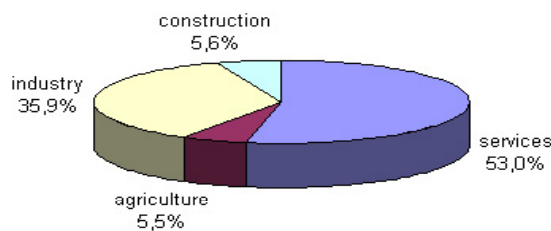


Figure 2: Economic structure by sectors Gross added-value by sectors – middle value by statistical regions 1997

(source: based on the statistics in the report about regional development aspects of Slovenia, done by Institute of Macroeconomic Analysis and Development, Ljubljana, 2001)¹

Economic restructuring strongly influences settlement development. It causes an increasing differentiation of development opportunities in individual regions. The most affected are old industrial regions with a high rate of unemployment that has not yet stabilized. Figure 2, showing the economic structure by sectors is summed up from the methodology of the Institute of Macroeconomic Analysis and Development of the RS, which within the proportion between sectors (i.e., services-agriculture-industry-construction) defines an above average share of gross added-value for service activities as an important competitive advantage within the system of statistical regions. Surprisingly, some "economically weak areas" turned out to be municipalities within some regions with a higher proportion of industrial sectors.

1.4 Expectations for the Future

Many questions close to the developmental needs and possibilities at the time of the accession to the EU and other wider international connection are being opened. For Slovenia, these questions are mainly connected, besides with the expected increased mobility of work force, with the new views of capital flow, real-estate ownership, etc. From a spatial development point of view we expect the continuation of trends for investment pressures mainly in the infrastructure corridors. This will demand a re-analysis of the declared concept of polycentric development of the cities as the bearers of spatial development, which should encourage the development of the regional centers in connection with their surroundings and enable competitive inclusion into economically supported European connections.

The spatial development of Slovenia and its position within the structural changes of Europe demands the adjusting of urban structures to the functional needs of the economy. Spatial manifestations of globalization are defining the priorities for the allocation of the economic development areas within the condensed functional regions of the cities. The balance between support for the international competitiveness and the often-contrary concern for the optimum quality of life only increases the polarization. It calls for the renovation of the existing polycentric concept of urban structures that supported with the structural policy of the European Union demand the integration of economic and spatial planning.

2 ORGANIZATION OF SPACE

Obviously, spatial development is placing new challenges for the development policies of local communities and regions, where functional regions are usually overwriting the politically defined boundaries. The pressures of economic factors are reflected mainly in the spatial management policy of areas for development of manufacturing.

In principle, it stands that the need for locations is controlled on account of service activities. However, we know that the demand for land used for manufacturing activities is primarily concentrated to building land within economically strong regions and with good access. On the other hand, there are tendencies for the renovation of the existing structures, options of flexible land use, and use of structures for the development of integrated activities. Within these demands we are recognizing the starting points for the future development concepts of locations for industrial production. This is opening numerous questions for the economical/spatial planning integration among which are the prognosis for the active workforce in the industrial sector, and the appropriate spatial demands of the industries related to the location.

2.1 Empirical Analyses

It is known that there is a demand in Slovenia for appropriate locations for different economic activities, also in the manufacturing sector. However, there are no major investments persuaded. To bring current questions of the real-estate market spatial policy to light, we are presenting the results of a lot of research conducted recently, to obtain empirical data. This data would serve as some of the starting points for the preparation of the new developmental concepts.

The Development of Economic Areas - Report of the Research

The first analysis is based on the results of the research of industrial areas, undertaken during the designing of the new spatial development strategy for Slovenia.² The purpose was to define the developmental potential in the area of land provisions (i.e., already existing or defined by zoning planes) within eight city regions, which represent centers of the eight functional urban regions defined as the framework for the settlement structure in Slovenia (Figure 3). Expected results were the creation of a proposal for the guidelines for planning of the appropriate areas at the national, regional, and local level.

¹ Pecar, J., Faric, M. *Regionalni vidiki razvoja Slovenije s poudarkom na finančnih rezultatih poslovanja gospodarskih družb v letu 1999*, Delovni zvezki Urada RS za makroekonomske analize in razvoj, 8/IX/2000, Ljubljana, 2001

² *The research Gospodarske cone in prostorski razvoj Slovenij*: Sitar, M. and Bosnjak, A., Faculty for Civil Engineering, University of Maribor, National Office of the Republic Slovenia for Spatial Planning at the Ministry for Environment and Spatial Planning, Maribor, 2002.

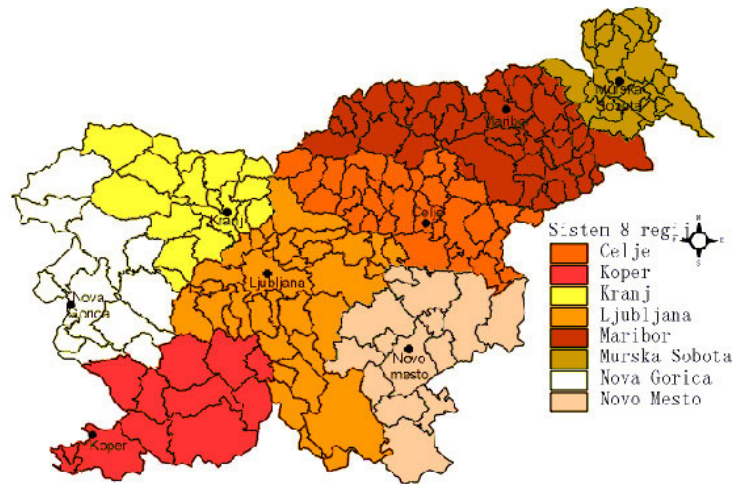


Figure 3: The model of 8 functional regions of Slovenia within the settlements structure for the concept of Spatial plan of Slovenia
 (source : Sitar, M., Bošnjak, A., *Gospodarske cone in prostorski razvoj Slovenije, MOP/UPP, Univerza v Mariboru, Fakulteta za gradbeništvo, Maribor*)

We tested the selected method of inquiry by using a survey questionnaire at the municipal technical service offices, where we encountered problems regarding the spatial development policy in the area of preparation of the spatial planning documents and defining the land use for industrial activities. The spatial parameters were gained on the basis of:

- mainly quantitative data, related to the industrial area surfaces = information on actual and planned surfaces (exceeding 2 ha) confirmed as the production areas or industrial zones in planning documents:
 - identification of the existing built up coverage
 - development potential, which is an actual non-built up coverage
- data – mainly qualitative, tight to the infrastructure = information on current condition of the area
 - traffic accessibility (i.e., road junction, railway, public transport)
 - other infrastructure (i.e., water supply, electricity, heating, gas supply, telecommunications)
 - sewage system, waste management provision.

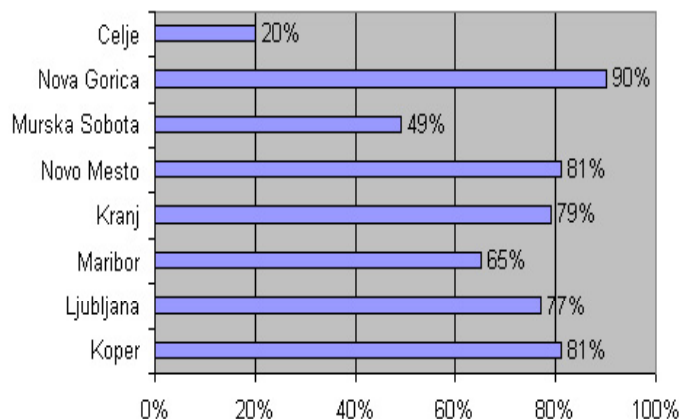


Figure 3: Development potential of the industrial zones, analyzed for Slovenian regional centres
 (source: Sitar, M., Bosnjak, A., *Gospodarstvo in prostorski razvoj Slovenije, MOP/UPP, Univerza v Mariboru, Fakulteta za gradbeništvo, Ljubljana, 2002*)

Collected data: there are some more than 4,000 hectare areas available in Slovenia for 213 areas, and their built up coverage is, on average, 67%. Larger proportions of non-built up surfaces are to be found in the economically least-developed areas. Regarding the traffic accessibility strikes out the deficiency of the railway infrastructure and the possibility for access by public transport, and by a surprising figure: only 15% of the areas are connected to the heating system. There are obvious problems with the possibility for the

sewage system connections, because there are only 60 % areas with that possibility, even worse are the conditions regarding the waste management provision. The worst results were found in the regional centers where the large proportion of areas remained in the condition in which they were left at the beginning of the 90's by the businesses that did not survive the transition. In general, one can say that the empirical analysis, based on the comparison of the quantitative and qualitative parameters, demonstrates the differences in uneven local availability of appropriate building land and implies the danger for growing segregation.

Specific problems in the area of spatial planning documents are reflected in numerous uncertainties about their preparation in the new municipalities and prolongation of the validity of the old, outdated legislation. They are causing a gap between the existing supply of available development areas and current, market-oriented demands of economic activities, which, generally speaking, reflects a deficit of land with appropriate infrastructure equipment for the fast implementation of economic investment activities.

For the collection and analysis of data on industrial zones, we concentrated on planning documents which define areas for manufacturing within the scope of settlement development, and local spatial plans which are, on account of land use definition, the most important and often the only local planning instrument. Spatial planning documents that are obligatory for all building land owners can cover the whole territory of the municipality, or just part of the city. They specify building land and arrange them according to the land use determined by legislation. Industrial zones represent spatially limited building land areas, with specific rules, taking in account numerous interests for space, specific conditions and limitations, and spatial development goals.

For Slovenia, it is typical to use non-standardized terminology for land use both for areas as well as for building land. The rules are therefore different from one municipality to another, and can differ for the same land use even within one municipality. Some create their own land use categories, specified with local acts and adjusted to momentary development trends. On the contrary, others try to find long-term pragmatic solutions for the categorisation by using very general specification of different areas. Current categorisation therefore calls for more flexible definitions, adjusted to the spatial development dynamics, which include the restructuring of the existing zone and demand for new locations.

Informal Inquiry

We dealt with the expected problems in obtaining the data, encountered right at the beginning, by using an informal data on the basis of prior internet research— web sites of various offerers. We based the thesis on the idea that in an informal environment the activity of the owner or manager of the business area is crucial for the successful marketing at the early stage, although their legal status is often not yet settled due long and complex procedures.

Marketing activities were identified at 121 locations, dispersed throughout the country, from which there were; 57 industrial zones, 60 manufacturing, and four economic zones.³ We established that some areas coincide with the formal ones, but the actual locations are appearing mainly along the main development axis of the traffic corridors. The condensation of market active zones can be detected also in the regional centers and their functional areas. The most active among those are the manufacturing zones, which can be seen as a positive influence of the changes of the economic and political system on the growth of the small enterprises, which need completely different conditions for their growth as the bigger ones, where we encountered quite contrary effects. This is in accordance also with the guidelines of State Development Program⁴, dealing with the organization of effective business zones as instrument for development of entrepreneurial sector.

Analysis of sectorial development possibilities⁵

Analysis, made for the purpose of the preparation of the new Slovene spatial development strategy was meant to define the role of economic factors in relation to spacial development, on the basis of the poll results entitled "Overview of Local Development Initiatives and Proposal of the Provisions for Encouraging Industrial Development in the Region" directed to 15 regional agencies.

The analysis considers economic zones as "...areas, larger than 10 ha and not explicitly defined as manufacturing zone..." It is interesting to look at the data on common area of the 56 studied zones, which is approximately 2000 ha. This is roughly 50% of the common area for manufacturing activities from the first research, which points out the problem of the appropriate size of the areas.⁶ The results of the inquiry which were sorted also according to the size show that the locations of larger industrial zones appear commonly at the edges of functional areas of regional centers, and they often correlate to the traffic corridors. Numerous uncertainties, especially about the issues of building land ownership and land use were also detected.

2.2 Recommendations

Empirical research confirmed the fact that the building land supply is not sufficient in spite of high demand, or rather that the building land market in Slovenia did not come to life, although we can lately see positive trends in the supply of "space" and not only "land" for economic activities. Experience also shown that selecting targeted branches to speed up the investment does not bring economically viable results. Therefore all around the country areas which offer more flexible land use, wider possibilities for

³In our case "industrial zon" defines the space of strong economic activity. The same stands for the "economic zones", which have prevailing service and storage activity, or production for foreign markets with the emphasis on transportation logistic; economic zones are only instrument predicted by law, for creating the environment in which economic activities can be additionally stimulated with fiscal instruments. The economically weaker activity takes place in "manufacturing zone".

⁴Program Drzavni razvojni program Slovenije – delovni osnutek, ZMAR, Ljubljana, 2000

⁵Alokacija pomembnejših industrijskih con v RS, Analiza razvojnih možnosti sektorja, MGD, Ljubljana, 2000

⁶Report from project Phare "Strategic possibilities of business zones development in Slovenia" (2002), on the basis of territorial division to 12 statistical regions establishes that 70 % registered business zones in Slovenia are smaller than 10 ha, which we can not consider a business zone in the first place.

investment, certain benefits for specific character of the zone (e.g. business or commercial zones, technological parks) are formed. They are supported also by the state and offer suitable conditions for the development of different activities, especially those linked to the transportation logistics. The support for projects that can meet the selected criteria and are regarding advantages of certain area is being implemented, in accordance with the principles of active EU policy.

These ideas are also followed by Slovene government program for the stimulation of direct foreign investment for 2000⁷. With the introduction of co-financing for organization of industrial zones in less developed regions and other provisions, the government swishes to exceed the 1% inflow of the share from foreign direct investment to 3% in the next four years. The main obstacle in obtaining building land is supposed to be, among many unsettled issues regarding the provision of the appropriate business areas, rigid and long administrative procedures on national and local level. The following priorities are pointed out:

- the abolishment of the administrative obstacles for investments
- improvement of the offer and accessibility of industrial land
- financial incentives to stimulate investments
- promoting Slovenia as a location for direct foreign investment
- an institutional arrangement for the encouraging of the direct foreign investment

The design of development concepts or industrial zone development concepts are perceived as not suitable in long term, especially regarding limitations to quantitative definitions and reservation of new land. Spatial planning primarily needs the preparation of specific strategies for business locations in settlements and cities, coordinated at the level of greater areas, regions, covered by areas of different sectors policies. The appropriateness of building land represents a specific advantage of certain location for the potential investor. This kind of approach can, at the local level, pursue a double mission for development strategies in providing a spatial criteria to the political decision-makers and give appropriate information on specific locations in accordance with the development goals to all actors in the functional region.

Due to the trend for smaller and specialized workshops, the larger land complexes suitable for development of business zones, logistic centers, technologic clusters, etc. are becoming attractive. These areas are representing suitable alternative for the enforcement of the contemporary economic principles of the technological and organizational networking. Long term activities of the integrated economic areas have, however, positive effects for economic development as well as for balanced regional and national development. The development of spatial information system, that bases on the digitalization of spatial plans is a valuable support for such efforts. It is currently being implemented in many municipalities. Its program tools are providing higher transparency of information, flexibility, and ability for communication with potential investors.

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