

## **Economic Transformation and Urban Planning in Vienna: Emergence of the Service Sector and its' Implications for Urban Regeneration**

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### **Abstract**

In light of the growing urban trends of suburbanisation, decentralisation and urban sprawl, cities are now finding strategies as to how to keep economic wealth within their own city limits. One effective strategy for city planning could include finding ways to make the best use of land parcels that have lost their traditional economic uses. The growth of the service and high-tech sectors has meant that areas once used for industry must now be transformed into office, lab and studio space that would attract emerging sectors such as high-technology, research and development, and new media development. Not only the facilities themselves but also their location in areas that are accessible and near vital urban centres play an important role in a firm's decision to locate or relocate to a specific site. All these issues are relevant to the case for the City of Vienna's planning of its old industrial tract, *Erdberger Mais*, which is located in the southeast section of the city between the city centre and Vienna International Airport. This article describes, in four parts, the challenges facing Vienna in the age of global and European competition and one of its efforts to concentrate its economic and population growth through the reuse of its outdated industrial areas.

### **I. Economic Transformation in light of de-industrialization**

The emergence of the service sector as the fastest growing economic sector has created the demand for space that suits the needs of modern enterprises in this sector. Older cities in Europe and the United States have experienced rapid growth during the period of industrialization and, as a result of industrial decline, have struggled with finding new potential for industrial tracts of land that have been abandoned.

As urban areas vie to stay competitive with other regional economies, the location of service sector industries has become even more important than before since a good service sector base is critical to support major industry and centers of research and development. Most important, however, is to have a good coordination of service and industrial activities through the complex form of a regional "Cluster" (Schoon). This would include the supply of resources and specialty skills, such as research and development, production, marketing, trade and finance. In addition, the supply of public services such as education, city administration, infrastructure and its maintenance, as well as the provision of safety and cultural facilities are all important for a region's competitiveness (Mayerhaffer). On the other hand, a city or region must find a balance between its level of taxation at the extent which such public services could be provided while remaining competitive with other regions.

A locational advantage also depends in part on natural resources, public goods and given 'incentives' in order to create or attract employment to a region that would create a dense enough cluster effect. Through public-private partnerships, more capital could be infused into a project and more accountability and management of a project could be accepted by the private sector. Several methods of financing are used in public-private partnerships (NCPP). In Vienna, large scale urban projects such as Erdberger Mais and the TECHbase Technology Park have resorted to public-private partnerships in order to get developed.

To match its outer regional competition, Vienna must build new zones of development to preserve as well as attract economic activities. The city also has had to remain more flexible as far as its zoning regulations are concerned. Many large scale projects built in Vienna during the decade such as Donau City, Floridotower, Millennium City, Vienna Twin Tower, T-Center or City Tower Vienna actually were not in accordance with its official urban development plan, nevertheless these projects have had as much of a dramatic impact on Vienna's urban landscape as they had on the creation of service sector employment created within the city limits (Enichlmair & Borsdorf; Fassmann & Hatz).

Tracts of land that have become outdated due to its industrial nature needed to be considered to serve a new economic purpose. The transformation of older structure building sites, as was done with the Vienna's Gasometer site, create a sense of place and uniqueness that would give the city a comparative advantage in attracting employment over sites in newly developed areas. This can be accomplished through a combination of legal and planning led measures, including designated landmark protection as well as incentives that would encourage the regeneration of older stock buildings to ensure their continued use. As a result, this sense of uniqueness could not only help Vienna retain employment among a more competitive environment for office and facility location, but would also improve the marketing image by which most goods and services are sold.

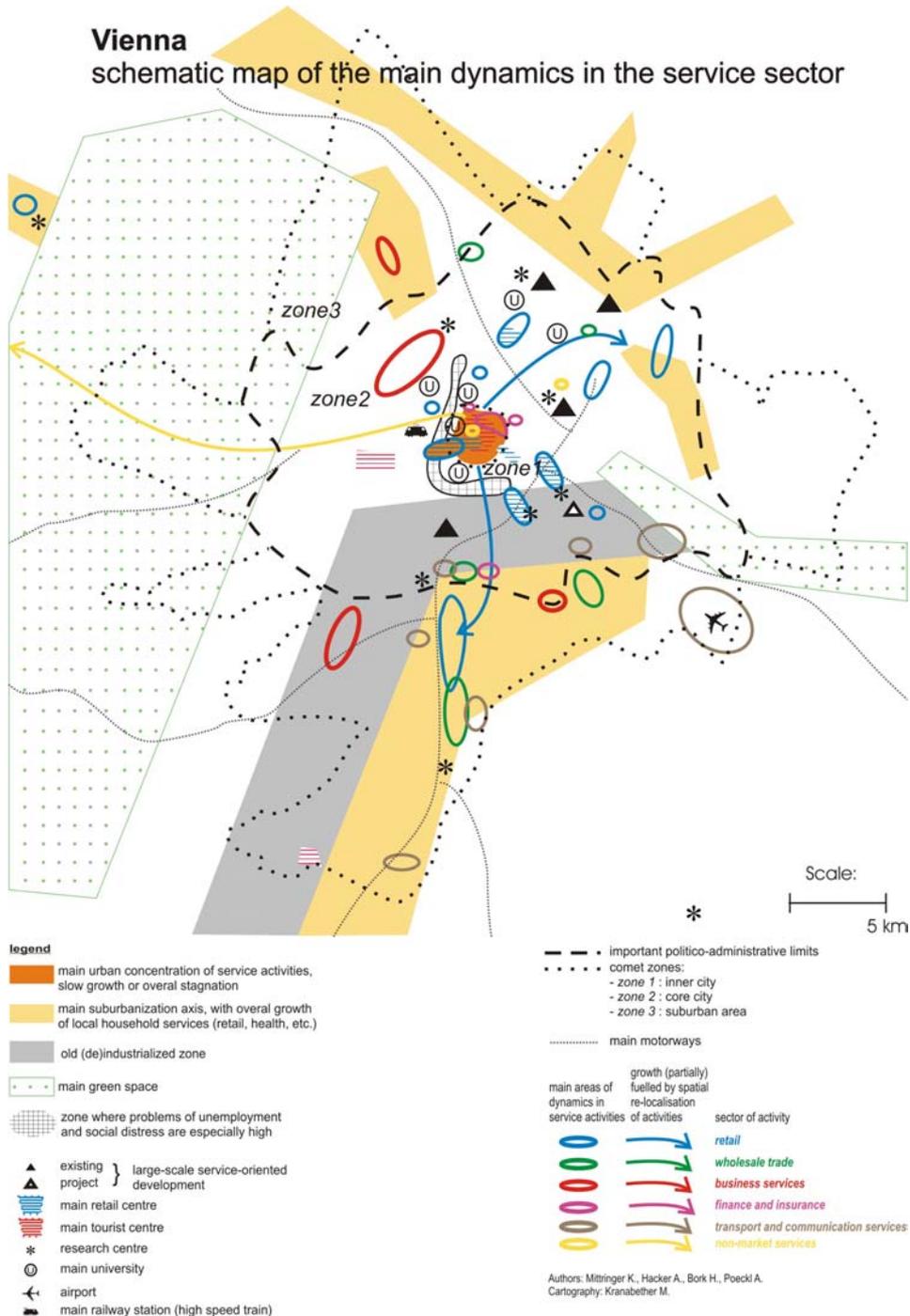
### **II. Main dynamics and development of the service sector in Vienna**

The following list gives insight into the changes occurring within Vienna's service sector economy:

#### *A. Trends*

As far as investigating Vienna's service sector, there are certain trends that could be defined. In the following examples, there are different economic branches of the service sector that specify the economic and spatial processes taking place in Vienna:

Graphic 1: Schematic Map



- Retail:** This sector has shown the most dramatic activity over the last three decades. Retail activity has been re-locating from the inner city districts towards the north-east edge of the city (e. g. Flugfeld Aspern) and especially out towards the suburbanisation axis just south of the city. This re-localisation is shown on the map by the blue arrows leading out from the inner parts of the city. Also, significant efforts have been made by city planners in Vienna to create new urban retail activities within the city's limits in order to minimize the loss of consumers to the suburbs. An example of these efforts is the revitalisation of the Wiener Gasometer (Chapter 3). In this context, the close proximity of research centres or universities within Vienna could lead to the growth of a young educated and urban oriented class of consumers. Despite these efforts, however, smaller and less vital shopping streets have experienced a negative development of retail activity.
- Wholesale trade:** Wholesale trade businesses are mostly situated in the south and south-east areas of the core city. Re-location trends in this branch are hardly noticeable. Rather than moving, nearly all existing units seem to be growing in their original established locations.
- Business services:** In Vienna, business service enterprises are not only located in the inner city but also in particular districts of the core city, such as, for example, in the 18<sup>th</sup> or the 19<sup>th</sup> districts and high-quality suburban locations. There are no signs of major spatial re-localisation in this sector.
- Finance and insurance:** Most enterprises are located in the inner city or near the inner city and tend to expand their activities without re-locating to another area of the city. The most finance and insurance businesses are located outside the inner city in office districts such as, for example, the Wienerberg-City in the 10<sup>th</sup> district.

5. **Transport and communication:** Since the fall of the Iron Curtain, this branch has been growing rapidly. All existing businesses and facilities tend to be located in the southern part of Vienna near major expressway interchange points that are ideal for quick access to other regions of Austria and neighbouring countries in the East. An example of enterprises in this branch that are expanding include the multi-facility Port of Vienna on the Danube River, the Vienna International Airport at Schwechat and freight logistic forwarders in the south suburban area.
6. **Non-marketing services:** There is not much recent activity in this branch which includes all U.N. departments that are located in Vienna. The move of the regional government of Lower Austria from Vienna to St. Poelten (see yellow arrow of above map) already took place in the 80's.

It is possible to make a relation between the different sectors of activities and their location preferences. The following table is an attempt to combine mixes of activities and types of space.

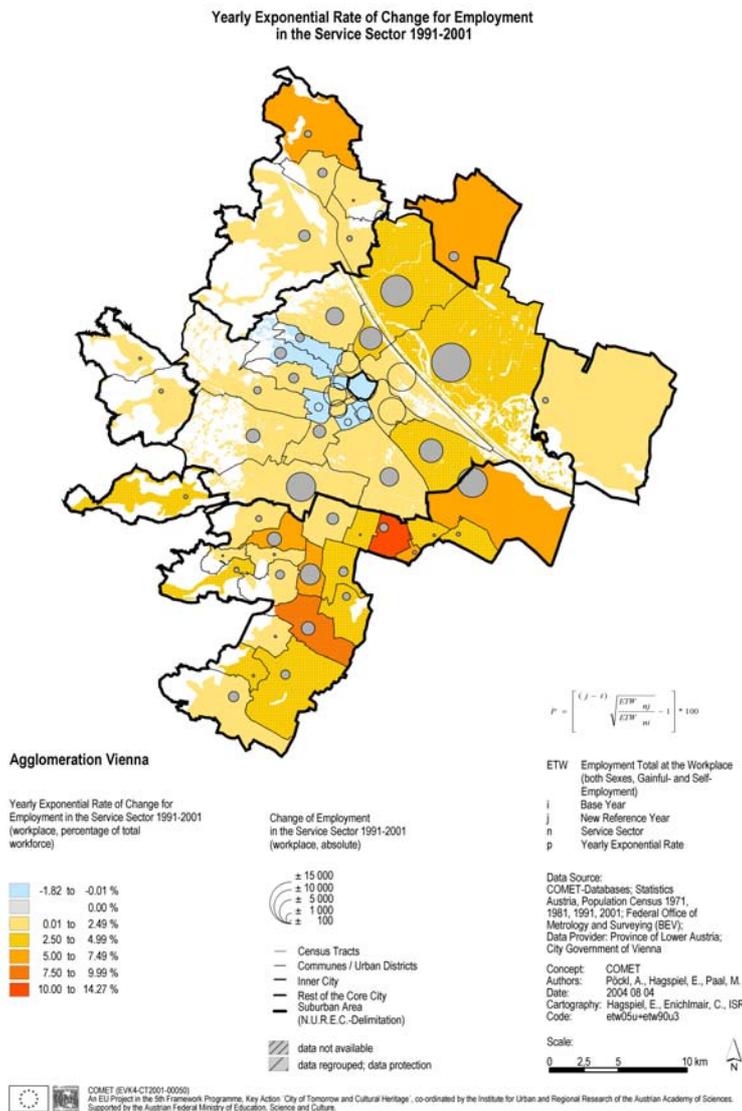
Considering the economic changes taking place in various cities, it is remarkable that many companies in Vienna have remained within the city limits rather than relocate to the suburbs as was the case in other cities (e. g. Brussels). An exception to this has been mass retail and entertainment complexes which left Vienna's core city and settled in the suburban area along road and motorway junctions.

Activities which are most important for Vienna's competitiveness still are tourism, culture, entertainment (esp. high-end segment) but also national and international non-market services. Most of these activities take place in the city's first district or inner city.

*Employment in the service sector*

In the second part, we should have a look to the amount of employment in Vienna's service sector. Regarding the map below, that shows Vienna and its surrounding region, we can isolate three important processes:

Graphic 3: Yearly Exponential Rate of Change for Service Sector Employment between 1991-2001 in the Vienna Agglomeration



There is a loss of employment in the service sector in the inner city and some districts of the core city.  
Employment in the suburban area is gaining.  
Nevertheless, most of the jobs have been remaining in the rest of the core city

By looking at the level of employment within economic branches of the service sector, we can find that Business Services had the highest absolute gain while employment in the branches of Research and Education, Health and Social Work and especially in. Each of these branches had experienced a relatively high rate of growth whether one considers a 10 year period between 1991 to 2001 or over a 30 year period between 1971 to 2001. On the other hand, there was a relative stagnation of employment in the Trade branch from 1991 to 2001 although Trade experienced some growth since 1971. Other branches, such as Hotels and Restaurants and Post and Telecommunications have continuously experienced a modest amount of growth since 1971. Also, certain branches such as Public Administration and Defence; Compulsory Social Security had experienced growth when comparing 1971 to 2001, although during the last 10 years this branch had actually experienced a decrease in jobs.

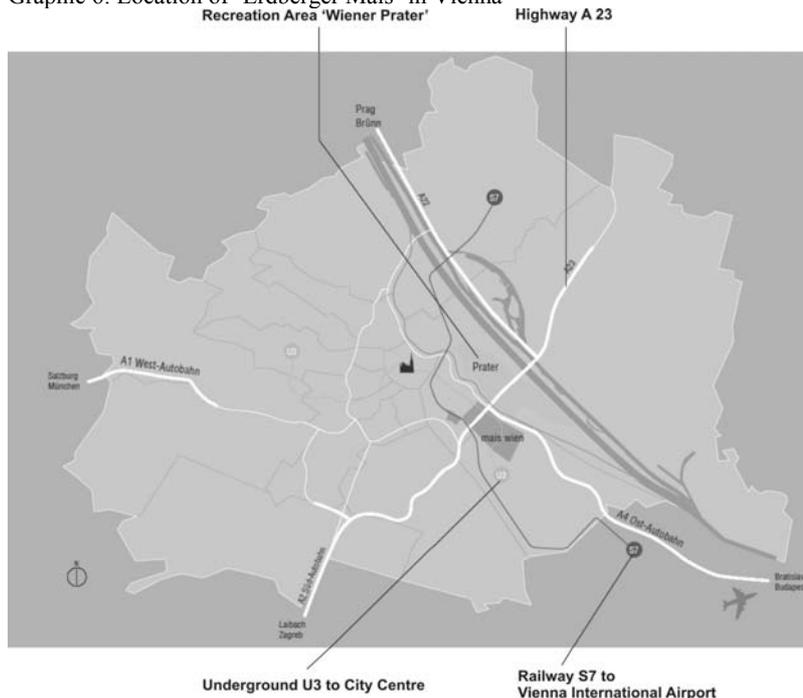
### III. Urban planning Strategies in Vienna: Large-scale urban project ‘Erdberger Mais’

There have been several stages and therefore also different strategies of urban development planning in Vienna. STEP 1994 proposed the development of Donau-City (located north of Danube in a public transport axis going to the city centre) as an urban ‘countermagnet’ to the inner city (located south of the Danube) in terms of business and living. Then a master plan was created for developing a high quality office and living site nearby the city centre on the waterfront of Vienna. This was to be seen in the light of increasing importance of regions and competition among regions within the European Union as well as its forthcoming Eastern Enlargement Process (Stadtplanung Wien, 1994).

One of these strategic projects is called ‘Urban Development Zone Erdberger Mais’ (‘Stadtentwicklungszone Erdberger Mais’): The main targets of this project are to develop a high-quality business location with a mix of land-use, upgrading and appreciation of a huge, but not attractive industrial urban area by making use of new and future-oriented kinds of cooperative planning management e.g. including involvement of investors at an early stage. The project-site is located in parts of the municipal districts Landstrasse and Simmering in the traditionally industrialized south-eastern area of Vienna between its nearby city centre and Vienna International Airport. ‘Erdberger Mais’ is divided by highway A 23, which runs from the northeast to the southwest of the area. At present, the whole area covers 250 hectares and includes 5,000 inhabitants, 17,000 employees and 1,200,000 m<sup>2</sup> of housing development. The project started in 1998 after the closure of the St. Marx slaughterhouse, which dominated the St. Marx area. The extension of the underground line U 3 from the station ‘Schlachthausgasse’ to the now terminal ‘Simmering’ which leads through the project area was a precondition for the development of the ‘Erdberger Mais’ area. The goal of the project is a concentrated location appreciation that offers potential investors security and flexibility. This is to be accomplished by means of a designated mix of land-use and ecological uses of production-orientated services. The Strategy Plan of Vienna also includes strategic projects titled ‘How to turn Vienna into an attractive location for Biotechnology’ (‘Entwicklung Wiens zum Biotechnologiestandort’), which targets are overlapping with the project ‘Erdberger Mais’.

Since 1998, a planning team coordinated by the Municipal Department 21 A (Municipal Department of District Planning and Land Use – Central West) has been working on the area’s future development. In 1998 it commissioned a planning team working in the public and private sector for coordination and consisting of the relevant municipal departments and institutions related to research and planning. Their work focused on such areas as proper utilisation of land types and densities, traffic and transport, planning law, open spaces, land management, and developing infrastructure for land resources within the competence of the Vienna Public Utilities. According to the development plan a stepwise development of the area requires service-orientated management of spaces in connection with professional marketing (Magistrat der Stadt Wien, 2003a).

Graphic 6: Location of ‘Erdberger Mais’ in Vienna



Source: <http://www.iemar.tuwien.ac.at/mais/>, 1 June 2004

The housing development of 1,200,000 m<sup>2</sup> will be estimated to at least double in size during the process. The area will be expected to have 16,000 inhabitants and around 44,000 employees by end of the project's scheduled completion which is presumed to be between 2010-2015 (Magistratsabteilung 21 A, 2003a). Overall, the number of jobs is estimated to triple in the development process while population will only increase by around 60% (Magistratsabteilung 21 A, 2003b).

According to Magistrat der Stadt Wien (2002), apart from its favourable situation between the city centre and the airport, the strengths of 'Erdberger Mais' consist of its accessibility in terms of public transport lines such as the railway S 7 going to and from Vienna International Airport; the underground line U 3 going from the western districts of Vienna via the City Centre to Simmering; access to highways (A 23, A 4); and the proximity to the recreation and park area 'Wiener Prater'. There are also available amount of space with high potential for development especially due to the close-down of the slaughterhouse St. Marx in 1997 that includes numerous building plots in the possession of the City of Vienna or funds related to the City of Vienna and the existence of a biotechnology cluster, the Campus Vienna Bio Center, which serves as a mainspring for establishing a high-qualified labour-intensive district.

Graphic 7: The project area 'Erdberger Mais'



Source: <http://www.iemar.tuwien.ac.at/mais/Lageplan.pdf>, 1 June 2004

## V. Conclusion

Vienna, as a city, still maintains the highest share of service sector employment within its own city limits, for the most part in areas outside of Vienna's historic city centre. Nevertheless, with the growth of the service sector employment, especially in such areas as business services, health care, research and education opportunities, competition for employment location and growth in areas surrounding Vienna will continue to grow. Evidence of this exists based on annual growth figures of service sector jobs occurring in areas immediately outside the city limits where good infrastructure is available (Figure 3). The planned expansion of highway networks outside the city limits is likely to, in part, help propel economic growth and the attraction of employment and services to these areas.

The present development in Erdberger Mais includes the flagship projects of Gasometer and T-Center and their surrounding areas. Apart from Gasometer, no new residential building have been built to date, although the projects Karree St. Marx and TRIPLE A are dedicated to a mixture of land-uses. The planning objectives of Erdberger Mais attempts to construct a lively multi-use facility consisting of office buildings which could attract international investors and companies as well as create residential areas and space for shopping, gastronomy and recreation. The Cattle Market Hall, with its huge dimensions, would be a perfect building for including these leisure facilities, however, due to landmark protection and the fact that potential projects may not meet the corresponding criteria that landmark designation creates, it will be difficult to determine whether a well-balanced development plan could be presented that could overcome these obstacles. Many old industrial parcels, such as the Gasometer and other buildings on the Erdberger Mais site, were purposely built in areas away from residential areas because of the nature of activities that took place there. In order to have good accessibility to the city and other areas, this site required the accessibility measures such as new underground stations and better access to local roads and motorways.

A framework of institutional and democratic decision-making processes can be carried out properly through the use of consultation, contested developers rights or a project evaluation methodology. In the case of Erdberger Mais, planning and development is made possible by means of public-private partnerships that include local and national development companies, most of whom were founded by the City of Vienna to assure that the city maintains its influence in the development process. Decisions made by the planning team in collaboration with project developers and other investors nevertheless require broad based consent

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