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TERTIARY SECTOR, CONSUMERISM AND REGIONAL
PLANNING

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Much has been written on the location of economic activities in all the sectors of an economy. Two observations, with the same implication, are worth noting from what is contained in the literature. There is, first, the greater emphasis on the location of activities in the secondary sector than in any of the other two sectors. Secondly, location has been analysed, in most cases, from the viewpoint of the operator (entrepreneur) and the objective has therefore been that of "identifying the optimal location for human activities given the objective of maximizing net returns to the operator".¹

The dissatisfaction with the distribution pattern that tend to emerge when optimal location is defined from the viewpoint of the operator is indeed, the raison d'etere for regional planning - optimal distribution from individual and society viewpoints may not necessarily be the same. Planning, whether regional or developmental has to take man as the end of it all. Put in the words of R. Cox, "the end purpose of the economy is to provide satisfactions for its people viewed as consumers who are simply, unbashedly, and uncritically hedonistic in their views concerning the nature and destiny of man".² The ultimate objective of planning is the individual and not just individuals in the collectives. Development planning's preoccupation is with individuals in an economy as a unit,

hence the emphasis on aggregate growth rate. The major intervention of regional planners is the introduction of geographical dimension into the growth rate and hence the concern with the development performance of individuals in smaller collectives than an economy.

As will be shown the introduction of geographical dimension may no doubt, lead to the improvement of certain individuals; but by focussing on secondary and, to some extent, primary activities, the interest of some other individuals are not well taken care off. If it is accepted that the ultimate goal of planning is to improve the consumer's lot, then the location of tertiary activity has to be planned not just from the viewpoint of an operator but from the viewpoint of the consumer as well. It is the contention of this paper that the inclusion of tertiary activity as an element in regional planning may lead to a different distribution pattern of economic activity and indeed may affect the optimum number of growth centres for an economy at any given point in time.

Consumer System and Planning Locations

The consumer system relates to the grouping of the consumers into different collectives, the relationships among the different groups, and the different influences which each group tends to exert on the choice of location of an economic activity and in particular location of a processing plant. Two types of grouping can be identified, namely the consumers within and outside any given pro-

cessing unit. The consumers within a processing unit, (EPU_n in fig. 1), are essentially workers and their families. In any given economy there are many of such processing units, some of which could be conglomerated together as in A in Fig. 1 or scattered. Where there are many of the processing units clustering together, a large enough market may exist to justify the location of tertiary activities to meet the demand for higher order goods. The demand for higher order goods can also be met in collectives of consumers without any processing unit such as B in fig 1, provided the income and population of such a collective is up to a certain level.

In other words, an important condition for meeting higher order demands is the existence of a sizable market. What is sizeable may be subjective, but the chances that the consumers in a single processing unit will constitute such a sizeable market are rather low. The question then arises as to the degree to which the greater satisfaction of higher needs in large conglomerates of consumers affect the choice of location of a new processing plant, i.e. PUL in fig. 1. Most of the existing theories do not have any answer to the question. Rather they have answers to why the site of raw material, the market, the administrative headquarters, or places where other processing units have been cited might be selected for a new processing unit.³

That the existing theories do not have any answer to the question, i.e., the extent to which the greater satisfaction of higher needs in large conglomerates of consumers affects location decision is understandable. The location of primary activities are in most cases determined by natural conditions and therefore their locations are usually regarded as given. There exists a wider room for the choice of location of secondary activities; although by and large the location is determined largely on basis of cost or demand and occasionally, on the basis of personal considerations. In his synthesis of location theories, for example, N.E. Develotoglou⁴ maintains, "that location factors are divisible into three broad groups: demand, cost and purely personal considerations". The role of personal considerations was to him, the least important since he concluded, "that the personal considerations, partially determining the demand for a commodity and/or its cost of production, influence the location of many small plants; and that the personal considerations of the psychic-income type are effective in the site selection of small firms".⁵ Whatever be the factor influencing the choice of location of secondary industry, the type of tertiary activities that would be provided at that location could be treated as given once the choice of locations of secondary activity is made.

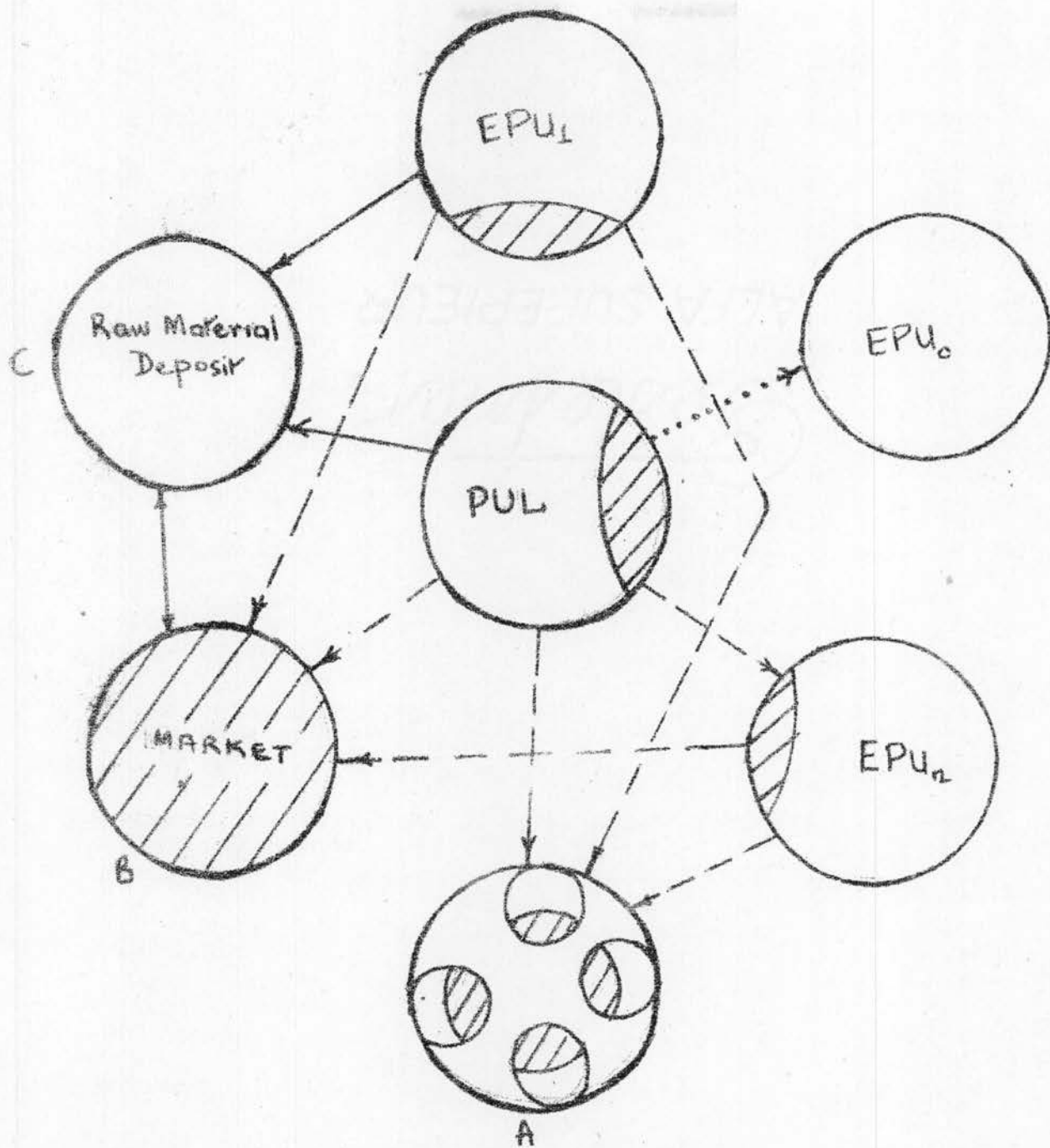


Fig. 1. Location and Consumer System.

Another reason for the silence of the existing theories on the question has to do with the behaviour of consumers and in particular their willingness to travel long distances to buy higher order goods. Accepting that "the degree to which a particular type of centre satisfies the requirements of shoppers varies substantially",⁶ it seems consumers within a processing unit are expected to take care of themselves if such a unit is located in an isolated area where the retailers do not find it profitable to supply the goods required. Because of the willingness of consumers to travel farther to obtain some types of goods than others and because retailers find it profitable to supply different goods at different places, an inter-relationship of consumer activity and the level of retail services provided in various centres is said to exist in theory.⁷

Even if it is assumed that the individual consumer will be able to take care of himself when, because of the location of the processing unit, his demand for the higher order goods cannot be properly satisfied, it is still to be asked whether:

- (i) better planning of the location of the processing units cannot be achieved? and
- (ii) better planning of the tertiary activities is not possible such that in either case the price paid by the consumer within a processing unit is not excessive?

It is necessary to take a look at the tertiary service to examine both properly.

Tertiary Service in the Planning Process

The tertiary activities are those which do not result in any form of physical commodities although the services to be rendered by a unit of the tertiary sector may involve the use of physical goods. Distribution, for example, involve goods even though the distribution process itself does not provide form-utilities. Thus following the usual sectoral divisions of economic activities into: agriculture, livestock, forestry and fishing, mining; manufacturing and crafts, electricity and water supply, building and construction; general Government; transport, distribution, communication; education and health; the tertiary activities would be limited to the last four sectors. The administrative and social activities of the Government would also come under the tertiary sector. This definition of tertiary activities agrees with Colin Clark's which include, "commerce and distribution, transport, public administration, domestic personal and professional services".⁸

In general, the services of the tertiary sector are meant for direct consumption by either individuals or organisations. In terms of the users of its output therefore, the tertiary activities can be classified into two, namely, those aimed primarily at satisfying institutional demands and those aimed at the demands

of individuals. This classification makes it easier to see the distinction and similarity between tertiary activities and infrastructure.

Using Shubin's⁹ classification of infrastructure into 'economic overhead' services and social infrastructure, it would be seen that the economic overhead is very close to our institutional oriented tertiary service. The economic overhead services include transportation, power and water supply, and communication; while social infrastructure consists of education, health facilities and the various public services that contribute to economic growth and a general increase in productivity. The difference between Shubins infrastructure and our tertiary service is thus the inclusion of power and water supply in infrastructure. From the viewpoint of a given processing unit, Shubin's social infrastructure is close to our concept of individual oriented tertiary service.¹⁰ The relationship between infrastructure and tertiary sector need not bother us here. Neither is the distinction between Shubin's classification of infrastructure and our classification of tertiary services worth pursuing any further. Of greater interest for now, is the implications of types of tertiary service for regional planning.

The distribution of institutional oriented tertiary service and in particular banking and government administration is regarded an important factor influencing

the location of industries. Because of the tendency for this type of tertiary service to be concentrated in a few towns, the resultant location pattern of industries is usually very uneven and hence the problem of regional planning.

The pull of the market, resulting from the concentration of consumers within and/or outside processing units further strengthens the tendency for the crowding of industries in a few urban areas. Thus both the market and agglomerating forces tend to pull industries to the urban area leaving only the raw-material oriented industries to the rural area.

The choice of location of the raw-material oriented industries is not always automatically made in favour of the rural area. Indeed where pure material¹¹ is being used as input, the general tendency is for such a factory to be located in the urban area. The major reason for this strong pull of the urban area in the location of a factory, which is fed from rural raw material, is to be seen in terms of the distribution of individual oriented tertiary service and the preferences of managers to be located near this type of tertiary service. These preferences are well summed up by Alonso¹² who says,

Managers and technicians belong to established social classes, such as the aristocracy or an emerging upper-middle class, and are usually well educated. They expect the kind of living conditions associated with life in large cities such as good restaurants, cinemas, clubs,

fashionable shops, bookstores, televisions, and a sense of being at a place where things are happening. The majority of managers and technicians and the overwhelming majority of **their wives consider such living conditions** as an absolute necessity. To be away from the life of a big city is often regarded as equivalent to exile.

The major message of Alonso's observation is that people do not want to be far from individual-oriented tertiary service. It will be expected therefore that given a choice, people as consumers will want to be as near as possible to those centres where individual-oriented tertiary services are concentrated and these are usually cities. It is important to understand why people are attracted to cities if the effort at regional planning is to be successful. There may be no point just scattering the processing units all over the country, if the consumers within each unit are not sufficiently large to ensure that a good part of their demands would be met in such centres. A major reason why people crowd themselves into cities is that "the city has as one of its functions the providing of individuals with opportunities for frequent contacts with other people and with goods".¹³

Planning for the Tertiary Sector

Without any conscious planning, most processing units will cluster around B or A in fig. 1 i.e. where the tertiary service and employment are concentrated; the exception will be those which are raw material-oriented. Except the raw materials are distributed fairly equitably

over the country, the resulting distribution pattern of processing unit may not be the one best desired. Effort to then influence this distribution pattern may lead to the creation of centres outside those that would have been created by free location. The choice then is whether to have many centres with one or two processing units or few centres each with few industries. A third choice is with still fewer centres but with many industries concentrated in each centre.

The third alternative will not doubt ensure that all the demands of the people as consumers and producers are met in those centres but will leave out as unsolved the problems of the people outside the processing units who in fact may now feel the pinch of the unsolved problem more because of the greater distance of these few crowded centres from their own influence. This is, indeed, the distribution pattern which regional planning seeks to alter.

The choice, therefore, is between numerous centres with one or two processing units or few centres with several processing units. To the extent that "there is a threshold size of income and population necessary to support tertiary activities" which are necessary for the satisfaction of the demands of people as consumers, and to the extent that this threshold may be higher than what is contained in a given processing unit, then the choice would seem to be in favour of few centres each with several processing units.

To further support the choice of few centres, certain consequences of isolating a processing unit will be pointed out. First, there is the tendency that workers can only be attracted to centres with isolated processing units with a lot of inducement usually in form of high fringe benefits, high promotion chances, bright opportunities for further training and development, and so on. All these add to the production cost. Those who will not require high inducement are mostly those without better alternatives elsewhere. Both points are supported by the result of a survey carried out in Bacita Sugar Company.¹⁴ As shown in Table 1, over 40 percent of those interviewed had no other offers of job at the time of taking

Table 1. Distribution of Workers by the Number of other Employment Offers at the Time of Taking Up Employment in Bacita

No. of other offers	No. of Employees	% of Employees
0	14	46.7
1	13	43.3
2	2	6.7
more than 2	1	3.3
Total	30	100.0

up employment in Bacita; about 43 per cent had only one offer and thus only 10 per cent of our interviewees had

offers of more than one other job at the time of accepting employment in Bacita.

What is more interesting is the attractiveness of the salary offered in Bacita relative to what was offered elsewhere for the 16 interviewees who had other offers. As shown in Table 2, only four of the 16 offers were higher than the Bacita's. One of these four was in

Table 2 Distribution of Salaries in other Employment offers

Offers elsewhere Compared with Bacita's	Distribution of Offers	
	Number	Percentage
Lower	7	43.7
Equal	5	31.3
Higher	4	25.0
Total	16	100.0

respect of a woman who accepted the lower offer in Bacita merely because the husband was working there. The other three accepted because the fringe benefits were higher than what they were offered elsewhere.

Another consequence of isolating a processing unit is that tertiary services, particularly trading and commerce, are usually rendered by very small business units. These units can at the best satisfy the demands of the low wage earner who buys most of the processed products

by the smallest unit. Such an arrangement will no doubt be satisfactory from the viewpoint of the small buyer who may show no great reluctance to pay the resultant charges embodied in what he buys. It is, however, an arrangement which is not satisfactory from the viewpoint of the medium and large buyers who may therefore have to travel long distances. As Cox suggest, "if travel or shipment were costless and time unlimited, it is problematical whether any need would arise for clustering".¹⁵

If for one reason or another, regional planners find the choice of numerous centres with one or two processing units more attractive, then arrangement should be made for rendering some of the tertiary service. Such could include the building of shops by government for leasing to Commercial Houses. This will greatly reduce the operating cost and may make the provision of high order goods possible even where the market threshold might otherwise make it difficult. In other words, government intervention should not be limited to economic infrastructure but extended to the social infrastructure and to commerce and distribution. The intervention by government may take the form of special incentives to large Commercial Houses operating in industrial centres with population and income below the threshold for the provision of higher order goods.

Conclusion

This paper has focussed on people as consumers and specially how their interests can be taken care of in regional planning. It is suggested that, as much as possible processing units should not be scattered over a country in ones and twos, just as they should not be concentrated in a few centres. The suggestion of this paper is that enough processing units be put in a centre to ensure that the threshold income and population required for the provision of very critical tertiary services is attained. Where for example, the forces attracting processing units to a place are such that not enough of the viable units can be established to ensure the threshold, then the government may have to intervene to ensure that both the economic and social infrastructure are laid.

It is the belief of this paper that regional planning is more than just identifying viable processing units for a given centre; it requires comprehensive planning for the identified centre to embrace the need of the operator, the consumers and the general population of the area involved. It might be essential for the threshold to be seen in a dynamic sense, and in which case even where the initial population and income is below this threshold, the establishment of processing units with higher multiplier effect on the economy of the area in which the units are located may raise the demand up to the threshold level after some time. This further brings out the importance of type of processing units in planning for the welfare of the consumers.

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2. R. Cox Distribution in a High-Level Economy (Prentice-Hall, 1965) p. 171.
3. The literature on location theories based on these factors is extensive. A good summary is however, found in N. E. Devletoglou, Consumer Behaviour - An Experiment in Analytical Economics (London, Harper & Row, 1971) Chapter 2.
4. Op. Cit, p. 56
- 5.
6. D. Thorpe and G. A. Nader, "Customer Movement and Shopping Centre Structure: A Study of a Central Place System in Northern Durham", Regional Studies, vol. 1 No. 2 December, 1967 p. 175.
7. Thorpe and Nader found it less easy to demonstrate the precise nature of this theory in any given situation largely because most shopping trips are multi-purpose, and different types of centres do in fact serve different levels of demand.

It is our view that Thorpe and Nader's difficulty is more of a problem of verification than that of invalidity of the relationship.
8. Colin Clark, The Conditions of Economic Progress
9. J. A. Shubin, "Regional Location and Efficiency of Industrial Complexes in Relation to the Provision of Infrastructure", UN, Industrial Location and Regional Development (New York, 1971) p. 219.
10. From the viewpoint of a single processing unit, the connection between some of the social infrastructure service and productivity is very indirect and weak but very strong and direct from the viewpoint of a nation's group of industries or industrial sector. Example here is education.

11. The material influence is best seen in terms of material index which is a measure of the proportion of 'localized' material in finished product and tend to indicate the amount of transportation to be done. To assess the influence in material on location, material is usually classified into weight-losing, pure; localised and ubiquitous. For discussion of material types and material index, see A Weber, Theory of the Location of Industries Tiberger 1909. Translated by C. J. Fredrick (University of Chicago Press, 1929)
12. W. Alonso, "The Location of Industry in Developing Countries" U. N. Industrial Location and Regional Planning (New York, 1971)
13. R. Cox, Op. Cit. p. 96
14. The interviewees were managers and supervisors. Bacita is about 70 miles from Ilorin which is the nearest town with better tertiary services.
15. R. Cox, Op. Cit. p. 96