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Luncheon Address by
CHRISTIAN UDE,
Lord Mayor of Munich

Excellencies, ladies and Gentlemen,

May I extend a very cordial welcome to all of you here in Munich!

Munich, in fact, is not just a very beautiful and attractive city with many sightseeing attractions that provide an excellent setting for international conferences, but it is also one of the economically most successful cities in Europe, a fact that is confirmed by international studies and the ranking of top cities.

But of course, Munich has also felt the effects of a weak economy. Unemployment is up, many companies are planning further cut-backs of staff and, for the first time in many, many years, there are vacancies in office buildings.

I insist on mentioning these alarm signals which should not be swept under the carpet.

Nevertheless, Munich's economic situation is quite good when compared with other German or European cities. Even last year, Munich's average annual unemployment figures were the lowest of all German cities, at 6 percent. At times we were beaten by the city of Stuttgart, that is true. But no other city is rated higher for its growth potential in the years ahead.

And there are a number of reasons for this:

- Munich has a sound economic mix, the so-called Munich mix, involving various branches of industry. It is not just the IT sector that is particularly strong here, it's also the media, financial services and lately bio-technology.
- Munich also shows a sound mix of different sizes of firms. The global groups of Siemens and BMW are headquartered here, and we still have a number of manufacturing industries, but we are also strong in tourism and the trades.

As far as international visitors are concerned, Munich is even ahead of Berlin. Every seventh workplace and even every fifth training place is accounted by the trades. In contrast to certain global players, the trades tends to stick to the location, which is an important stabilising factor for the job market. Thanks to its universities, colleges, vocational schools and public research institutions, Munich has an enormous potential of excellent and highly qualified labour.

This is playing a big role when it comes to locational decisions taken by high-tech enterprises.

- Over the last decade, Munich's position was greatly enhanced as a result of enormous capital investments by the city and state in the construction of a large-scale airport at close to the city, as well as a new trade-fair centre which ranks among the most advanced facilities in the world.
- Finally, I would like to mention the factor of social stability, and the high quality of life as a locational asset. The positive social climate has a lot to do with the social activities of our city. And the high quality of life is partly due to the proximity of mountains, lakes and forests, and partly to the enormous variety of cultural and recreational attractions.

However, in spite of these assets, Munich is also facing big challenges:

- As a result of the globalisation of the economy, competition among the cities has intensified. On the one hand, Munich is benefiting from concentration processes, especially in sunrise sectors which are all well represented here. On the other hand, Munich is also under threat by completely new competitors in the finance and IT sectors, by locations that have also highly qualified staff but lower costs, ranging from wages to taxation. This means that we have to make great efforts, in spite of our leading position in Germany, to attract and keep businesses and by no means to discourage them.
- The continued evolution of the information society is accompanied by higher demands on the cities and their residents. The promotion of a

knowledge-based municipal economy is considered a key element in this respect. Life-long learning is of outstanding importance here, just as a higher degree of interdisciplinary cooperation, new forms of knowledge dissemination and the promotion of networks.

- The European process of unification also brings along a liberalisation of former monopoly markets. This entails a threat to the institutions providing municipal services. Liberalisation has already occurred in electricity generation. Our city-owned power plants have done extremely well in keeping up with big private competitors, but not without undergoing painful adjustments. At present, negotiations are taking place regarding public transport. And new steps are being taken towards the privatisation of municipal water supply. Munich is fighting, like other cities in Europe, to retain the right to organise its public transport in the city. This model has worked well over a century and it is also expected to continue by the citizenry. Looking at the privatisation of British railways, that seems to have been a disaster so far. In addition, we find that new monopolies are often created after privatisation, namely regional monopolies which are in private hands and without public control. In such cases, city hall would be reduced to an office handling complaints for the mistakes and failures committed by private contractors, without having control over the quality of its public services. Let me be very clear about it: This is what we don't want to happen.

Well, we are quite serious, when it comes to water supply in Bavaria, and that goes beyond all differences between political parties. We have the highest quality of water, at reasonable prices, and we want to keep water management in the hands of the city.

Water should not be allowed to become a commodity sold by big industrial players. The same applies to municipal hospitals and other services we are trying to stay in control of. The cities must be able to guarantee the provision of services to the population and maintain the quality of life for which we need suitable instruments. However, if a city wants to open up to privatisation it is free to do so. But, if a city wants to stay in control of its services, this should also be possible in a liberal Europe.

- Munich is also facing severe financial difficulties, of course. The financial plight of German cities also presents a problem for business because two thirds of public investments are

made by the municipalities. If the cities are to provide an adequate infrastructure to business and if business expects to get contracts from the cities, it should also help create a sound financial base for the cities. A prospering Europe depends on the cities as engines of economic and social development.

In my capacity as mayor of Munich, and being the only municipal representative at your conference, I wanted to point out this aspect in all clarity.

I wish you success for your conference and kindly ask that you not forget the cities when dealing with future issues of Europe, as more than 80 percent of the people of the European Union are living in cities. And the cities are the future workshops for social, cultural, economic and social development.

Thank you.