



BUFFALO CITY METROPOLITAN MUNICIPALITY



An all-of-society approach to unlocking the economic potential of the Port of East London



OVERVIEW

The Port of East London represents a major economic node and a strategic asset to the Buffalo City Metropolitan Municipality (BCMM). Together with the Mercedes Benz South Africa complex, the East London Industrial Development Zone (ELIDZ) and airport, the port has been recognised as part of a strategic corridor of investment that drives the economy of East London and the region. Unlocking the catalytic potential of the port requires collaboration between a wide range of public and private stakeholders who have different views and objectives. This story sheds light on the recent steps that have been taken by the BCMM and other stakeholders to bring these actors together in pursuit of a common vision for the development of the port.

The catalytic potential of the Port of East London

The construction of the Port of East London, South Africa's only river port, began in 1872 and has played a pivotal role in the historical development of the region, particularly from the 1960s to the 1990s. However, a lack of investment in the port's capacity and facilities and a changing industry focus have limited opportunities for its expansion. This hinders the port's ability to attract new markets or meet the evolving needs of its existing customers, impacting the region's wider development. This includes the port's existing relationship with the automotive industry, the largest employer in the BCMM, and the neighbouring ELIDZ, which was established in 2020 with the aim of attracting investors for the export market. The ELIDZ has attracted an estimated R8.6-million in investment and currently has 26 investors that derive almost half of their income from the export market using the port to import and export their goods. Between 2020 and 2023, proposed projects to the value of R515-million are planned for the port, including the replacement of the Buffalo Bridge, expansion of the car terminal, the Signal Hill Development and tourism and leisure facilities.

Steps towards achieving a common vision

The materialisation of the various projects and investments that have been proposed for the port require collaboration between a wide range of public and private stakeholders. In addition to the BCMM, public stakeholders include Transnet, the custodian of South Africa's ports and terminals, the National Ports Authority, which governs the port, as well as other national and subnational state agencies and state-owned enterprises. Private stakeholders include local businesses and external investors. Among this range of stakeholders, some favour a developmental approach to the port's development, while others prefer a focus on financial feasibility. COVID-19 and related impacts have added further pressure on decision-making around prospective investments and budget allocations to the port, but have also fostered a way forward for the collaboration of parties around a common vision. Three recent interventions illustrate the steps taken toward achieving such a common vision.

- **A visit by the Transnet Board to the Port of East London:** In 2019, the Transnet Board visited the port following an invitation from the Port Manager with the support of the port's executive management team, BCMM and the private sector. It was the first visit by a Transnet board to the port in at least 10 years. The intention was not only to showcase the port but also to use the visit as a way of catalysing development, by directly engaging with the ultimate decision-makers at Transnet. The visit by the Transnet Board is widely seen as key to reigniting the redevelopment process for the port, as it provided its members with first-hand experience of the development needs of the port and the benefits of investing in it to support regional economic growth.
- **The establishment of the Port Consultative Committee (PCC):** The PCC is a statutory structure set up by the Department of Transport with a view of ensuring that all economic participants at the country's major ports have equal access and contribution to the management of the port's infrastructure and associated resources. The PCC also fulfils part of the mandate of the Ports Regulator of South Africa, including conducting public participation processes as part of the economic review of ports. On an operational level, the PCC brings together all the stakeholders involved in the Port of East London every month (with local decision-makers), and every quarter (with national decision-makers). This allows terminal operators and cargo owners to engage directly with executive decision-makers at Transnet, the Port Regulator, the Department of Transport and the Department of Trade, Industry and Competition (DTIC).
- **An intergovernmental memorandum of understanding (MOU) and technical task team:** In 2019, the BCMM, the Buffalo City Municipality Development Agency, Transnet and the ELIDZ signed a Memorandum of Understanding (MoU), to create a common platform for constructive engagement on various concerns affecting the port, the municipality and the ELIDZ. Following the signing of the MOU, an intergovernmental technical task team was established. This task team includes BCMM and state-owned enterprises such as the Buffalo City Municipality Development Agency, Transnet and the ELIDZ. It meets periodically to address targeted infrastructure planning and budgeting related to (among others) the spatial development agenda for the BCMM's West Bank Economic Corridor that incorporates the Port of East London.



The importance of a shared vision and common objectives for unlocking local development

Different stakeholders by nature have different objectives and interests. For instance, Transnet views ports as commercial, profit-making entities, and so any investment in upgrading and maintenance needs to be counterbalanced by increased usage fees. In contrast, for provincial and local government and local port management, the value of such investment is based on a socioeconomic motivation rather than purely financial feasibility. They see infrastructure investment as a means to support the expansion of the region's economy, which carries risks because benefits may be reaped only in the future. As a result, the Port of East London has found itself in a 'Catch 22' situation because to make a successful business case and attract investment, the port's infrastructure needs to be upgraded. The visit of the Transnet Board to the port in 2019 represented an important step toward the establishment of a shared vision for the port and its significance in the wider region. Going forward, efforts will need to ensure that the momentum generated by the Transnet Board's visit to the port is sustained through ongoing engagements.



An all-of-society approach requires a platform for intergovernmental cooperation

While all stakeholders involved in the Port of East London agree on its importance, they had struggled to align their views and objectives in pursuit of a shared vision and common objectives because there were few mechanisms for intergovernmental cooperation. The newly established Port Consultative Committee (PCC) and the intergovernmental technical task team provide platforms for cooperation and collaboration between multiple public and private sector stakeholders, helping to facilitate greater transparency and accountability, and fostering trust among all parties – all of which are integral parts of values-based governance. Going forward, it will be key for platforms to translate this collaboration into concrete development outcomes.

The importance of local leadership

Effective local leadership has been key to some of the more recent successes around the development of the port. Much of this leadership has historically been centred on the local Transnet port management team and the private sector, with the BCMM playing more of a supportive role. The signing of an MoU between BCMM, Transnet and the ELIDZ gives the BCMM a more active leadership role in the development of the port. By continuing to pursue a cooperative governance approach that places value on good local leadership, trust and accountability and a clear identification of the roles and responsibilities of each of the different role players involved, the potential exists for the successful development of the port.

LEARNINGS

Good relationships between the public and private sectors are crucial for local development

Buffalo City's economy is driven largely by public infrastructure investment, which is perceived to have a positive impact on the private sector, and so relationships between all spheres of government and local business are considered crucial but take time to build. Notably, in recent times important opportunities to develop these relationships have been identified. For instance, through partnerships with the Eastern Cape Development Corporation and the Department of Trade and Industry's Export Development Programme, the BCMM can support the establishment of a pool of emerging exporters as good ambassadors for the city and a way of building trust between the city and its investors. The municipality also aims to identify key sectors and enable small, medium and micro enterprises (SMMEs) to participate in and benefit from the formal economy (e.g., local SMMEs that service the automotive industry), thereby expanding the value chain.

Importance of effective multi-level governance

The implementation of catalytic development projects also depends on effective alignment between the different objectives and mandates of multiple levels of government. For instance, certain strategies and decisions regarding port development are made at national level, which can create uncertainty and a hesitancy on the part of local authorities to make local decisions without the knowledge and approval from the national authority. Moreover, local or regional decisions are often dependent on the functioning of another provincial or national public sector entity over which the local entity has no control. It is important to recognise the mandates of each sphere of government in order to improve multi-level collaboration and governance.

The value of a project approach to local development

Large-scale and complex catalytic development projects by their nature carry a high degree of risk, which may be counter intuitive for government bureaucracies that are organised to be risk-averse, particularly when a high degree of transparency and reporting is required. To overcome this, decision-makers may adopt a project approach, whereby a coordinating team is established that comprises senior decision-makers at both national and local levels. Comprehensive decision-making authority is then delegated to this team. Such a project approach may also contribute to improved communication and faster implementation of agreements, which will be central to facilitating bureaucratic processes between local and national stakeholders and moving the port project forward.

