Report of the Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour Virtual Engagement With National, Provincial, Local And Provincial Development Agencies on Strategies to Boost Economic Growth, Attract Investments and Boost Job Creation in the Eastern Cape Province and Buffalo City Metropolitan Municipality, Dated 7 December 2021

1. Background

The Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour (Committee), having convened a virtual meeting on 9 November 2021 and having invited the departments of Trade, Industry and Competition (Dtic) and of Public Enterprises (DPE); the Passenger Rail Agency of South Africa (Prasa), Transnet SOC Ltd (Transnet), the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (sent an apology); the Eastern Cape Development Corporation (ECDC); the Buffalo City Metropolitan Municipality (BCMM), and the Buffalo City Metropolitan Development Agency (BCMDA) to discuss their policy and development programmes' contribution to the Economic Reconstruction and Recovery Plan (ERRP) in their respective jurisdictional areas, reports as follows:

The presentations from Dtic, ECDC and BCMM, including BCMDA, have acknowledged that the COVID-19 pandemic has had major effects on both the global and South Africa's economic performance, and social and health systems. Small businesses were more likely to be in industries hit hard by the lockdown restrictions put in place to stop the spread of the virus. These measures warranted state support to many SMMEs and Cooperatives.

The government support to some degree prevented the collapse of firms and in some cases the entire industry, and saved jobs. Some industries have been able to continue operating during the lockdown – notably online retailers – and as a result have seen massive increases in sales, whilst businesses based on tourism or hospitality had been closed for months. Many jobs in the most affected sectors and industries were lost. This put many households' livelihoods at risk.

The Province and BCMM's economies mirror the national economy. Before Covid-19, South Africa and the Province's economies, had been characterised by low investment and economic growth, weak business and consumer sentiment. Energy supply remained a risk to growth. The energy supply crisis had the potential to deter investment and had a direct effect on production capacity, and frustrated South Africa's employment creation initiatives. It was noted that the cost of doing business in the Province contributed to investors taking their businesses to other provinces.

Support of SMMEs and Cooperatives remains a challenge. The Eastern Cape Province needed to tackle the inadequacy of business acumen/entrepreneurship. According to the ECDC, in the 2021 Corporate Plan nearly 80 per cent of SMMEs in the Province were survivalist. It was noted that resources should also be directed to initiatives that supported the growth and expansion of SMMMEs and Cooperatives. Taking into consideration that the fiscus was constrained, the formation of development partnerships with the private sector, development finance institutions, commercial banks, institutions of higher education and civil society was essential to mobilise resources to support the growth and development of SMMEs and Cooperatives, including the informal enterprises.

Growth and expansion of SMMEs relied more on government spending. There was a need for the Province to develop and deepen private sector participation in the economy to drive inclusive economic growth. The automotive industry, agriculture and the services sector were the main drivers of the provincial economy. High unemployment and inequality, in particular for the youth and women, remained the major risks. Most of those who had lost their jobs because of the pandemic might lack the skills and training needed to obtain one of the newly created jobs.

The economy of the Eastern Cape, including that of the BCMM, needed to improve the level of diversification of economic sectors with related industries. According to the Eastern Cape Government's Socio Economic Outlook (2020), the province boasted manufacturing multinationals such as Volkswagen, Mercedes Benz South Africa, Ford, Johnson and Johnson, Nestlé, Defy and Aspen in its secondary sector which is dominated by vehicles, nuclear reactors, wool and animal hair, precious stones, fruits and nuts and locomotives. Despite low levels of investment confidence, and deteriorating infrastructure, it was reported that Mercedes Benz South Africa and Nestlé have shown interest to continue to invest in the Eastern Cape Province, in particular in the BCMM region. In June 2021, Mercedes Benz launched the new C-class model made in East London, which was one of only three locations globally (Germany,

China and South Africa). In October 2021, the launch Start of Africa's first Covid-19 vaccine production at Aspen plant in Nelson Mandela Bay (J&J vaccine).
It was emphasised by the BCMM and the BCMDA that it was critical that investment in ports, rail and road infrastructure be realised. Investments in ports (East London Port), rail (Linking East London and King Williams Town-Qonce) should be prioritised. Investment in public transport should receive top priority. The BCMM and BCMDA urged the national government, in particular the Department of Transport (and its entities such as Prasa, and Sanral) and the Department of Public Enterprises (including the entities reporting to it, such as Transnet) to also prioritise the Eastern Cape province, with more emphasis on the BCMM when they considered investment decisions.
Recently, government had been championing the need to build domestic capacity to build dynamic firms and local industry capabilities as suppliers to domestic, regional and global markets. The localisation drive was seen by government as an opportunity to drive industrialisation that would benefit regional economies and boost employment. Forty two products were identified across sectors, including agro-processing, health care, basic consumer goods, capital goods, construction-driven value-chains, and transport rolling stock, as key products that could be manufactured locally. It was reported that the *Chief Executive Officer* champions from the private sector have been identified to drive implementation for localisation across the 42 products identified. Further, the Industry masterplans would further support efforts to industrialise key sectors. Some of the industry experts have argued that the drive to push localisation 'bluntly' would inhibit economic growth and dampen efforts to create needed jobs.
The following sections will cover the inputs made by the ECDC, BCMM, BCMDA, Dtic, Prasa, DPE, and Transnet. Further, the report will cover a policy discussion section. It will conclude with recommendations.

2. Eastern Cape Development Corporation (ECDC)

It was reported that the ECDC drew its mandate from the Eastern Cape Development Corporation Act (Act 2 of 1997). Its policy and programme focus was informed by the Provincial Growth and Development Plan (PGDP), and the Eastern Cape Provincial Industrial Development Strategy (PIDS) including the Annual Policy Statement and Budget Speech of the Member of the Executive Council (MEC) responsible for Economic Development, Environmental Affairs and Tourism. The ECDC reported that it contributed to the economic growth of the Eastern Cape through trade and investment promotion, economic development coordination, enterprise development and support, including ensuring that SMMEs and Cooperatives have access to finance.

In terms of the geographical spread in rendering its services, the ECDC implemented its work through regional offices in the following regions: East London (satellite offices in King Williams Town and Mdantsane), Butterworth, Mthatha, Queenstown (satellite office in Aliwal North), and in Gqeberha. The headquarters of the ECDC was situated in East London. In order to realise its policy mandate, the ECDC reported that it had structured its service delivery around various business components, which consisted of *Development Finance and Business Support*, which focused mainly on providing financial support, non-financial (incentives, marketing, financial management, market access), Enterprise Development and Government Incentives to SMMEs and Cooperatives; Investment, Trade and Promotions which focused more on Promotion of the Eastern Cape Investment Opportunities and Innovation; and Property and Infrastructure Development, which mainly offered retail infrastructure, commercial, residential and strategic projects. Lastly, the InvestSA One Stop Shop in the Eastern Cape offered services that promote the provincial investment portfolio, and that attempt to reduce the "Cost of Doing Business" in the Province.

The ECDC reported that foreign and domestic direct investment had fallen dramatically across the world since the pandemic hit in 2020. It was further emphasised by the ECDC that in the current global environment, it was more important than ever to retain existing investment and to assist existing Investment Promotion (IP) clients to survive and expand. The best rand invested is the one that needed to be retained, and the best job is the one that was saved. The ECDC reported that the Trade Investment and Innovation unit adapted rapidly to the new normal and has been servicing its clients as follows:

- Marketing the provincial jobs fund Covid-19 intervention administered by ECDC.
- The extension of the fund to the tourism sector, in particular, has had a very positive impact.
- Marketing other national relief instruments to clients and industry associations.

- Contributing to provincial economic recovery planning via the DEDEAT headed Economic Cluster team.
- Engaging in aftercare services with clients both virtually and physically to assess their needs and assist accordingly.
- Supporting new suppliers of components to the automotive industry to increase localization and import substitution (facilitate access to incentives and testing facilities).
- Driving new investments through trade promotion activities, such as the Al Mawashi investment.

Further, the ECDC has seen the film industry as one of the potential growth industries that could contribute to the economic growth of the Province and also boost job creation initiatives. In addition, the film industry is closely related to the tourism industry. The ECDC has established the *Film Investment Fund* to grow the film industry and to boost provincial economic growth and create needed jobs. SMMEs are expected to benefit through support services like catering, security services, car and equipment hiring, creative art, etc. The Province is marketed as a preferred film destination. It was reported that there are plans in place for the establishment of film post-production infrastructure to capture 30 per cent of the film value chain which is done outside the Province during each production that is carried in the Eastern Cape Province.

It was noted that the pandemic has impacted supply chains across all sectors across the globe since 2020. This has been accompanied by massive increases in shipping and logistics prices at the same time. The ECDC has reported that it has assisted its clients through various initiatives such as:

- Taking the lead in 2020 in putting together virtual trade missions with other countries.
- Embarking on trade missions to open market access to countries (Australia, Greece, Finland), which had limited trade with the Eastern Cape.
- Building on this in 2021, TII staff have boldly begun travelling on outward missions again and taking clients with them as well as connecting businesses to markets virtually at the same time.
- The increased exports lead to new enterprise formations, expansion of existing enterprises and more jobs created.
- The ECDC has continued the very successful exporter development programme in 2021 providing training and mentorship to new and aspiring exporters.
- New exporters are entering and new markets are obtained and that leads to expansion in sizes of production facilities and more people employed.
- Lobbying for tariffs and better port services to stimulate trade, economic development and exports.
- New export channels to the Middle East have opened new opportunities for Eastern Cape Agriculture products.

Through the InvestSA One Stop Shop (OSS): Eastern Cape, the ECDC is intending to form initiatives that will make it easy to do business in the Province. It was reported that the OSS is operating in the same building where the ECDC's *Trade, Investment and Innovation Unit* has taken occupation. The arrangement would enable the OSS and the ECDC's Trade, Investment and Innovation Unit to fully support client investors. It was further reported that InvestSA, South African Revenue Service, Automotive Industry Development Centre, Department of Home Affairs, and the trade and investment promotions' office of the *Nelson Mandela Bay Metropolitan* and BCMM are expected to become permanent tenants in the new building. The OSS is set to coordinate One Stop Shop Investment Centres at the provincial investment agencies, local authorities, special economic zones, and/or relevant government departments involved in regulatory, registration, permits and licensing matters.

ECDC submitted that the building has been recently refurbished to suit the required specification by the InvestSA within the Dtic. The OSS operations have commenced with a secondment arrangement of personnel from ECDC. The recruitment process is underway to appoint the EC OSS Centre Manager by November 2021 whilst the receptionist is expected to be appointed by December 2021.

In an effort to grow and develop the Cooperatives, the ECDC has been administering the Imvaba Co-operatives Fund since 2009. It was reported that policies and systems of assessing, approving and disbursing funds to the approved primary and secondary Cooperatives have been developed. In order to improve the sustainability of the Cooperatives and to assist them to compete in the open market. ECDC created training programmes and engaged services providers to train Cooperatives in areas such as governance, technical skills, business or farm management, Occupational Health and Safety, First Aid and other skills.

In the first 3 years since its operation, the Imvaba Cooperative Fund's funding model was 70:30 – Loan: Grant, with the maximum of R1,4 million. Since 2012 the funding model was changed to 100 per cent incentive, and the maximum being R500,000. The Committee noted that the investment incentives programme, and development funds such as Jobs Stimulus Fund; Local and Regional Economic Development Fund; Isiqalo Youth Fund; Imvaba Cooperative Fund; Comprehensive Agricultural Support Programme; SEZ Programme; and Critical Infrastructure Programme should be coordinated to improve their impact.

3. Buffalo City Metropolitan Municipality

BCMM wants to increase its competitiveness and investment. It was submitted by the BCMM that since 2017 until 2020, the metro was becoming increasingly profitable. It was further reported that in 2020, the BCMM was heading towards the 90 percent collection target which was closely missed in 2019. This would have allowed increasing concessions to be made to citizens and business (lower administered costs) once there had been adequate recovery of cash reserves. The cash reserves had been used since 2016 on capital spending but were being replenished. The BCMM now finds itself in a difficult position of declining profitability until the economy recovers.

It was also reported that pre-Covid-19 hit the economy, investment levels in Buffalo City have been consistent (around R7.5 billion) despite the weak growth. This was due to infrastructure investment to boost the economy, and recognition to invest in infrastructure. This space has now run out with Covid-19 decreasing the capacity of the BCMM to sustain own revenue in order to invest in infrastructure.

The BCMM has reported that it has adopted six mission-directed goals aligned to the ERRP. The goals are as follows:

- Automotive consolidation and value chain localization (retain MBSA, build on ELIDZ supplier park, establish automotive incubator, shift to auto digital hub);
- Diversification towards a future fit economy (digital, green, agro-industry, creative economy, tourism);
- Inclusivity (township economy, small enterprise support, local procurement, incubator programmes, future skills hub);
- Enabling infrastructure (port, roads, water and sanitation, digital);
- Investment retention and promotion (red-tape reduction, becoming the cheapest metro to do business, investment centre with automated property application process); and
- Eco-system co-ordination and partnerships (partnerships with Border Kei Business Chamber around Invest Buffalo City, Business Intelligence, IGR through District Development Model-DDM).

With regard to the Automotive Industry, it was submitted that BCMM has done relatively well. It has secured R13 billion investment made by the MBSA. The East London Industrial Development Zone (ELIDZ) has recorded an increase in terms of capacity, from 30 percent to 75 percent capacity utilization over the past three years. BCMM need to make sure to win the next MBSA bid which will follow when W206 production ends in 2027 and which be decided around 2023/24. There are huge opportunities to deepen auto supply chain (for 2nd and 3rd tier suppliers - proposal developed by ELIDZ with Dtic committing 50 per cent, additional 50 per cent funds required). It was advanced by the BCMM that Nelson Mandela Bay Metropolitan is not the only manufacturing and automotive hub of the Province, and that BCMM is also a manufacturing and automotive hub. Hence it should be treated equally when national-driven investment decisions are being considered.

Before Covid-19 hit South Africa, the tourism industry was doing extremely well. It is well known that the industry was hit hard by the Covid-19 related lockdowns. However, BCMM reported that it has invested heavily in the beachfront and water-world (through BCMDA) in an attempt to boost tourism.

Further, the East London based agro-processors (Nestlé and Sundale) are expected to expand their plants. There are new plans to invest in agricultural support infrastructure such as the Berlin agro-park, cold storage at East London Airport, and in Dimbaza, which need to be accelerated. Partnerships with the private sector would certainly see the fruition of the development programmes.

It was also reported that there are plans in motion to invest in the green economy. The *Thezi Langa Independent Power Producer* development programme was awaiting National Treasury approval. Other development projects are the Berlin Green Hub, which is part of the ELIDZ, and is expected to manufacture photovoltaic, solar panel production for all government buildings and RDP houses; Energy Storage Systems (Bushveld Energy and Platinum Fuel Cells) including Vanadium Redox Flow Battery manufacturing plant in the ELIDZ; the ELIDZ Wind Farm which is a 100 percent locally designed wind turbine that was designed by a company which now requires to take this innovation to production; Clariter R&D facility; Duncan Village buy-back centres, recycling and re-use (with BCMDA).

The Covid-19 pandemic has accelerated digital transition and revealed public and private sector shortcomings. The BCMM has reported that it has expansive plans for SMART City development. This includes the undersea cable, landing station, hyper-scale data centre, BPO Park, data recovery centre, free wifi, 5G connectivity, and a science and technology park. There is a strong potential growth in the global business services sector (Global Business Services) with a number of investors secured.

The BCMM has entered into partnerships with various stakeholders to drive the digital initiatives. One of the critical partnerships is the digital and high-end skilling (Digital Skills Hub formed with Harambee and BPESA, ELIDZ Science Park and MBSA's Learning Academy). The BCMM is set to benefit from an initiative by MBSA of establishing an ICT hub to service other global plants. With the support of the World Bank, BCMM would accelerate the implementation of the Smart City Strategy.

As reported elsewhere in this report, the current economic, and fiscal environment pose a challenge to the BCMM to accelerate the implementation of some of the infrastructure development projects. Over the past few years, it has implemented infrastructure development projects such as the Fleet Street, Qumza Highway, Sleeper Site Road, Quinera-Gonubie Phase 1. The development projects include Mdantsane Access, Quinera-Gonubie Phase 2, including the Settlers Way Expansion. Detailed planning has been done in relation to the NW Expressway. Planning with regard to the Harbour Arterial Road is underway.

It was also reported that progress has been made in relation to the development of the port. It was submitted by BCMM that Transnet has agreed that there is a need to adopt a shared approach in terms of developing a feasibility and business case with the Province and the metro. Transnet has completed the project to upgrade the rail link to NMB, and finance of the Reeston Tunnel through a loan has been secured.

The BCMM submitted that it wants to be one of the top three metros in terms of financial sustainability and governance. Further, the level of costs incurred by businesses would be reduced to encourage investments, and support initiatives that are intended to boost productivity in the regional economy to significantly contribute to the provincial and national economic growth. The BCMM emphasised that investment, growth, jobs, and export outcomes could only be realised if all spheres of government work in a coordinated and collaborative manner. Partnership with the private sector, development institutions including civil society is essential in order to fully realised the objectives outlined in the ERRP.

4. Buffalo City Metropolitan Development Agency (BCMDA)

The BCMDA is a municipal entity wholly owned by the BCMM and was established in terms of section 76 of the Municipal Systems Act, 32 of 2002. The BCMDA was established as a profit company on 20 April 2016, in terms of the Companies Act, 1973, as amended. It was reported that the constitutive legislation allowed the BCMDA to transact, generate funds and have a borrowing capacity to carry out its mandate to increase economic growth through tourism, economic and social development as well as property management and commercialisation. The BCMDA is established as a juristic person operating as a municipal entity, which has been classified in terms of the Municipal Finance Management Act. As an entity of BCMM, the BCMDA thus extends the BCMM's capability with respect to the identification, planning and implementation of development projects for the benefit of the entire municipal area.

The BCMDA was created to reposition the BCMM to be a uniquely homecoming African global city that drives inclusive opportunities and prospects that improve the quality of life for its citizens. The Agency is expected to implement development programmes that would attract investment, grow and develop the tourism industry in the region. It was reported that the Agency has an ambitious plan to grow and deepen the property market to boost economic activity and support growth of other industries.

The Agency reported that it will focus on the following pillars as its contribution to the ERRP:

- Aggressively support and promote infrastructure investment;
- Provide employment orientated strategic localization;
- Support and promote tourism recovery and growth;
- Promote and support gender equality and economic inclusion of women and youth;
- Support and promote green economy interventions;
- Promote and support mass public employment interventions.

With regard to infrastructure investment and tourism recovery and growth initiatives, the BCMDA reported that it has invested in the development of the *Water World Water Park*. The project aims to diversity BCMM's tourism products offering and to increase domestic tourism. It is expected to improve the living standard of the community of BCMM. The project aims to position BCMM as a destination for visitors. The project is meant to be a world-class entertainment water park and create space for SMMEs for trading. It was reported that the project has created 100 jobs and contracted 13 SMMEs. The value of the project is R103 million. About 65 percent of the work has been completed.

Other investment initiatives that support tourism recovery and growth, and infrastructure development include the *Court Crescent: Amphitheatre*, which is a multi-purpose amphitheatre and a public open space for relaxation and picnic space. It has an outdoor gym, information centre for tourists and SMME trading space. The project created 57 jobs and contracted 11 SMMEs. The cost of the project amounted to R87 million. About 60 percent of the work has been completed.

The tourism growth and development also include the *Duncan Village: Route Development*, which is expected to stimulate tourism in Duncan Village. It was reported that the development project's main purpose is to use the *Duncan Village* tourism route as a site for integrated development and as a source for SMME development and economic inclusion. The project will assist SMME development, placemaking, socio-economic inclusion and cohesion, tourism development as well as property development. Sixty jobs are anticipated to be created within two years. Further investments are required to develop the Dr Rubusana grave site, Rubusana International Botanical Garden, Mzonyana grave site, Clements Kadalie (ICU square), Duncan Village Museum, Library and Community Centre and SMME district in Douglas Street.

Investment earmarked to grow the green economy include the *Duncan Village Integrated Waste Management* programme. The aim of the project is to develop and deepen the recycling value chain, to create easy entry job opportunities and space for innovation and sector development and also to create opportunities for economic inclusion.

It was reported that the Waste *Picker Network for Duncan Village Community* will be developed and buyback centres are expected to be created. The waste recycling facility will be open. In terms of job creation 77 participants are currently working, and the project is expected to create a further 10 jobs. The project has benefited three SMMEs. The project has been allocated R49 million to be spent over three years. Currently the project implementation is at its inception phase.

The Integrated Water Management, Greening and Beautification Programme aims to promote safety in public spaces, and promote the Good Green Deeds Programme, to make living spaces liveable and to create new public employment approaches targeting unemployed youth and graduates. This project is an integral part of the *Presidential Employment Stimulus* Programme. It is currently estimated it will cost close to R9,7 million. In terms of the number of jobs expected to be created, it was reported that the project is anticipated to create 286 jobs over six months. Currently the proposal is at the adjudication stage.

Investment in mixed property developments at the *Sleeper Site, Marina Glen A, Seaview Terrace and Water World II,* administered by the BCMDA is anticipated to stimulate the local economy. Further, investment in the Waterfront Development in Latimer's Landing and Signal Hill attempts to integrate the port to the city's multi-sectoral economy. These investments show the importance of public and private partnerships in an effort to stimulate economic development.

5. Department of Trade, Industry and Competition

Dtic also outlined various automotive industry investment initiatives that the Province has benefited. With regard to the BCMM, it was reported that some of the development projects have been completed, such as the Ebor investment amounting to R130 million; MA Automotive with total investment of R487 million; Mercedes Benz invested R10.5 billion, and VM Automotive investing R344 million and ZF Lemfoerder registering an amount of R240 million.

It was further reported that the *Auto Investment Scheme* supported 38 companies in the Eastern Cape since 2019, with a R2.7 billion grant amount unlocking R9.2 billion private investments. As reported elsewhere in this report, MBSA has further invested about R13 billion in the automotive industry in the BCMM. The investment will mark progress in relation to the implementation of the Automotive Masterplan, and approximately 2 000 jobs are expected to be created in the value chain. It is expected that the VM Automotive, which is a 100 percent black-owned local company, to benefit as it introduces 'laser blanking' as a new technology in the new-generation C-Class.

The localisation drive is expected to benefit firms operating in the steel industry, such as the Coega Steels (Pty) Ltd and BK Steel (100 percent Black youth-owned firm established in 1995 which specialises in cutting flat steel plates). It was reported that Coega Steels (Pty) Ltd was formed out of the vision of three Eastern Cape-based entrepreneurs whose backgrounds are in the export of recyclable ferrous scrap. It was further reported that their billets are produced from high quality ferrous scrap, which is manufactured in the Province.

Dtic also reported that it supported and promoted global business services (including call-centres and digital client centres). It was reported that CoegaSEZ has two current facilities that offer services to the domestic businesses (supporting Telkom and Discovery), and employing 1 700 workers. As was reported in this report, MBSA has established a global digital hub in South Africa that is servicing other global plants.

Further, Dtic emphsised a need for the Province to grab opportunities presented by the green economy. It was highlighted that there are big opportunities presented by the green hydrogen economy, hybrid and electric vehicles, energy generation and battery storage technologies. It was reported that about R500 million has been invested in green industries in BCMM. This investment initiative marked the investment made by Seraphim and Art Solar, which are the Solar PV panel manufacturers. At least 50 percent of PV panels for IPP will now be manufactured locally and not imported.

Bushveld Electrolyte Company (Pty) Ltd, which has established a vanadium-based electrolytes manufacturing facility, has invested approximately R312 million, and 58 jobs are expected to be created. The renewable energy plants in Oyster Bay and Wesley – Ciskei wind farms are expected to be completed later in 2021.

The pharmaceutical industry is expected to grow, with South Africa becoming a major producer for the rest of the continent. Aspen in Nelson Mandela Bay has announced an investment of more than R3 billion for vaccine manufacturing. The manufacturing hub is expected to be completed by 2022. Further, the cosmetics industry presented opportunities for SMMEs. Lindiwe Sanitary pads, a 100 percent women-owned company, secured a government tender in the Eastern Cape to supply sanitary pads to the Province.

It was submitted by the Dtic that together with the Industrial Development Corporation (IDC) and National Empowerment Fund (NEF), approximately R1,6 billion had been invested in the Eastern Cape Province, unlocking approximately R3,8 billion investments. The investment made in the Province supported 8 452 jobs. It was further reported that to date the Eastern Cape Province has attracted more than 32 percent of the total national investment.

The Dtic has launched various skills development programmes in the areas such as textiles and fashion design. A total of 20 fashion designers have been selected to undergo advanced training on the use of computer software and understanding garment quality. The Fashion Design Innovation Centre, based in Mthatha, is a critical platform that has the potential to support local economic development.

Dtic, further highlighted that it would continue to support the Eastern Cape based Special Economic Zones; ELIDZ and CoegaSEZ. It was reported that the third SEZ, namely the Wild-Coast SEZ, is being developed as a proposed agro processing, tourism and manufacturing. It was submitted by the Dtic, that the proposed Wild Coast SEZ would be preceded by an industrial park development. Through the Critical Infrastructure Fund, the Dtic has approved approximately R49,6 million towards the development of the initial phase of developing the industrial park. The value of the secured investment pipeline for the Proposed Wild Coast SEZ is estimated to be approximately R1 billion. This SEZ presents an opportunity to transform rural economies and improve rural incomes.

The Dtic further reported it would continue to support the development of other industrial parks in Komani, Dimbaza, Vulindlela. The industrial parks revitalisation programme is central to the development of township and rural economies. Other planned, industrial parks that would be supported include Fort Jackson and Butterworth. It is expected that the digital hubs will be incorporated in most of the industrial parks.

6. Department of Public Enterprises

Recently government has made major policy pronouncements that would see private sector power producers able to sell electricity directly to consumers, and municipalities would be able to generate their own power or procure electricity from independent producers. There are major changes in the transport and logistics industry, and the Transnet National Ports Authority has been corporatized. The move to corporatise the Transnet National Ports Authority is expected to improve competitiveness and attract private sector participation in the ports. Investment in ports, rail and energy is key in the realisation of the objectives of the ERRP.

The aviation industry also witnessed the introduction of private participation through a private equity injection in South Africa Airways (SAA). SA Express is under liquidation. The financial performance of the two airlines is as result of poor governance and financial performance that has caused the airlines to deteriorate. The *National Union of Metal Workers of South Africa* (NUMSA) and the *South African Cabin Crew Association* (SACCA) have gone to the Constitutional Court to challenge the liquidation of SA Express.

Eskom's operational and financial challenges remain a major risk. This has a direct effect on the economy, and has the potential to undermine efforts to meet the objectives set out in the ERRP. Since

2008, government has continued to provide financial support to Eskom. Some of the challenges of Eskom were as a result of non-payment by municipalities and other consumers.

The table below shows the top Eastern Cape bulk debt municipalities. This is one of the issues that caused strain in the financial position of Eskom.

Table 1: the list of municipalities that owed Eskom

LEGAL ENTITY	OVERDUE DEBT	
ENOCH MGIJIMA LOCAL MUNICIPALITY	R	627,852,639.43
WALTER SISULU LOCAL MUNICIPALITY	R	387,315,259.92
INXUBA YETHEMBA LOCAL MUNICIPALITY	R	271,427,610.02
RAYMOND MHLABA LOCAL MUNICIPALITY	R	258,477,386.58
DR BEYERS NAUDE LOCAL MUNICIPALITY	R	215,954,795.38
KING SABATA DALINDYEBO LOCAL MUNICIPALITY	R	125,616,281.70
MAKANA LOCAL MUNICIPALITY	R	16,169,674.59
AMAHLATHI LOCAL MUNICIPALITY	R	15,717,548.07
GREAT KEI LOCAL MUNICIPALITY	R	3,921,761.47
SAKHISIZWE LOCAL MUNICIPALITY	R	1,951,553.75
NDLAMBE LOCAL MUNICIPALITY	R	952,616.10
KOUGA LOCAL MUNICIPALITY	R	797.68
Grand Total	**R**	**1,925,357,924.69**

It was highlighted that Eskom needed support from all the three spheres of government to tackle the following issues:

- Payment of current account and payment arrangement for overdue debt, and adherence thereto.
- Free basic electricity uptake by communities and timeous update of the indigent list.
- Support to deal with illegal connections, ghost vending, theft and vandalism.
- Support to create awareness for the safe and legal use of electricity to avoid transformer network overloading and losses.
- Ensure communities adhere to building regulations to avoid creating safety hazards – e.g. building under electrical structures.

It was reported that government through the DPE and the COGTA is working with municipalities to strengthen governance and financial management. It was highlighted that Eskom's immediate task is to stabilise its operational and financial positions. Restructuring of the electricity industry remains a priority of government. The restructuring process is expected to see process where Eskom would be separating its three operating activities, namely generation, transmission and distribution. Participation of the private sector in the energy industry is expected to contribute to the stabilisation of electricity supply and ignite economic growth, and support government efforts to re-industrialise, and to create employment.

It was reported that Eskom would continue to expand the transmission network infrastructure in the Eastern Cape Province. The new generation is a combination of Eskom investments and Independent Power Producers (IPPs), and will be integrated into the transmission infrastructure network. Further, Eskom is committing to asset replacement requirements to ensure reliability of supply and network optimisation. Further, Eskom has allocated financial resources for the refurbishment and maintenance of the distribution network.

It was reported that the *Eskom Foundation* would continue to contribute to the development of communities in various social sectors such education and would include investing in rural infrastructure development. The social investment component of Eskom also supports initiatives that support growth and the development of SMMEs. It was reported that over R102 million was spent towards corporate social investment initiatives through grants and donations. Over R10 million was funded towards capacity building for SMEs.

The DPE also provided policy and strategic oversight over Transnet, which operates South Africa's port, freight rail and pipeline infrastructure. It highlighted that the Eastern Cape Province needed to build a strong logistics network that could link it with domestic and global economic hubs. Transnet is a key player in the South African sea and land freight transport and logistics industry. Transnet is one of the critical SOCs that could contribute to the growth of the national and provincial economies, thus contributing to the realisation of the objectives of the ERRP. It is one of the essential stakeholders that could assist in lowering the cost of doing business in South Africa.

It was reported that Transnet is currently experiencing declining operational performance and a constrained balance sheet. Transnet has recognised that it cannot within its balance sheet to carry the necessary infrastructure investments alone needed to grow the freight system. It was advanced that Transnet's policy mandate is to enable economic growth and to ensure security of supply by providing appropriate port, rail and pipeline infrastructure. Transnet has adopted a strategic objective, with the aim to leverage the private sector in the provision of infrastructure and operations in order to meet its policy mandate.

The COVID-19 pandemic has exacerbated Transnet's operational and financial position. The following challenges have been identified as some of the risks that need to be tackled:

- High levels of debt and repayment obligations threatening sustainability.
- Stagnant or declining market share across many segments, or an inability to service growing market segments.
- Low asset utilization resulting in a low return on assets.
- Low levels of customer satisfaction within most segments.
- Declining asset condition and reliability of key infrastructure and equipment.
- Increased incidents of theft and vandalism across the network.

It was also reported that the subsidising of the port authority is underway and may impact the funding position of the broader group. Further, it may reduce strategic options associated with owning and operating an integrated network infrastructure over time. As a result of the changing domestic and global operational environment, Transnet indicated that it has developed a new strategy premised on improving operational efficiency and leveraging partnerships to grow Transnet.

In line with the Eastern Cape Vision 2030 Provincial Development Plan, Transnet has prioritised growth and optimisation of containers, automotive, manganese, LNG and agriculture initiatives. Within the Eastern Cape Province, it was reported that Transnet has planned to undertake the following development initiatives:

- High-capacity corridor for automotive volumes via South Corridor and Gqeberha.
- Auto export capacity at the Port of East London. The Port of East London will see substantial automotive capacity increases to support local production. Further, the expansion of auto export capacity at Port of East London is seen as a complimentary export avenue. Transnet and BCMM have agreed to put plans in motion to recruit BMW to use the East London Port as a platform for exports. This initiative would require investment in the railway line linking Johannesburg and East London.
- Developing the Port of Ngqura as an International Transshipment Hub.
- Closure of the Gqeberha bulk ore terminal.
- Migrate manganese exports from the Port of Port Elizabeth to the Port of Ngqura and introduce private sector capital and capabilities into terminal operations to support sector growth (rail and new bulk export terminal). Opportunities for partnership are already getting support.
- Develop an LNG terminal and facilities at the Port of Ngqura, as part of building an energy and fuel portfolio.
- Use public and private partnerships to support the growth and transformation of the rapidly expanding agricultural cluster.

It was further reported that Transnet is planning to improve capacity by expanding the rail corridor between Gauteng and the Port of Port Elizabeth in Gqeberha. In addition, it was indicated that agricultural growth and development in the Province is inhibited by poor logistics infrastructure.

The agricultural industry in the Eastern Cape has huge economic potential to contribute to economic growth and ignite rural economic development. Many of the branch lines in the Province are closed, and thus the ability of fruit and grain producing areas from accessing their markets cost effectively was reduced. In addition, infrastructure at the grain elevator in East London has not been adapted to the changing industry demands, and shared container terminal facilities at Gqeberha and Ngqura have not provided sufficient capacity or adapted to new technologies demanded by the industry today.

In an effort to stimulate regional economic development (including rural economic development), Transnet indicated that it will in partnership with private partners invest the development of rail infrastructure to support agriculture and mining in the Province. Further, play an essential role see rural economies are strategical linked to vibrant coastal economic hubs (East London and Gqeberha).

8. Passenger Rail Agency of South Africa

Prasa highlighted the importance of railways as engines of economic development. Hence it is important to implement development plans to ensure that the entity rebuilds and recovers the declined train services. The critical aim is to restore Prasa's principal role of mobility and to ensure that people gain access to location of businesses, schools and families through commuter rail services offered by Metrorail and long distance services through the Main Line Passenger Service (MLPS) and Autopax (Bus services).

Prasa reported that its recovery plan has both economic and social benefits. Most of the people who used public rail transport are workers and poor families. Further, an efficient, affordable, safe and reliable public rail transport supports economic growth and social stability. Prasa reported that the business recovery plan would address the following issues:

- To secure the assets and accelerate a move towards closed system through technology (such as walling; CCTV) in an attempt to reduce railway incidents and reduce maintenance cost due to crime.
- Prasa intends to recover rail operations which accounts for 60 percent of the Group expenditure.
- Further to increase the reliability, availability, predictability, safety and improve operations to improve commuter travel experience.
- To accelerate the delivery of the Group Capital and Modernisation programme, which includes rolling stock (new EMU fleet, GO, Adhoc, components, wheels), infrastructure network, and stations facilities management.
- To grow customer patronage.
- To improve business efficiencies and reduce rework through critical policies review, and to enhance supply chain management processes.
- To focus on the restructuring of the organisation, which entails instilling a new culture of transparency and accountability, including change management to deal with business transformation.

Currently, Prasa is focusing on rebuilding, stabilising and growing the organisation after years of poor governance and financial management failures, which resulted in poor service delivery. Prasa is one of the government entities that are currently in a financial, leadership and management crisis.

It was reported that Prasa is planning to invest an amount of R2 billion to extend the railway infrastructure to link Motherwell to the broader Nelson Mandela Bay CBD public transport network. Motherwell is situated 20 km north of Nelson Mandela Bay CBD and has expanded rapidly with over 200 000 dense settlements with low per capita income. The Motherwell extension is expected to enhance the role of rail in Nelson Mandela Bay with 15 000 to 20 000 new daily passengers by 2020, and it expected that daily passenger travelling would increase to 35 000 in the medium term. The investment would complement other capital investments in Nelson Mandela Bay, which include Coega Development.

It was further reported that a detailed design and Environmental Impact Assessment (EIA) were completed in 2020. The project would be implemented as soon the city transport model and the ITP are updated and funding is secured.

Prasa was planning to inject an amount of R10 billion to build three new railway stations and their immediate precinct along a new railway route linking Motherwell to the Port Elizabeth CBD. The design seeks to combine both issues of engineering practicality as well as user comfort and safety. The overall precinct development aims to integrate each station into its immediate urban fabric by providing auxiliary facilities as well various other transport nodes.

The NMBM had been engaged with regard to the development of the Motherwell Passenger Rail. It was highlighted that the business case has been completed, including the detailed design and tender documentation. The next phase is to issue a tender to be awarded to a turnkey contractor. The project is projected to be completed within 18 – 36 months.

In order to realise the new infrastructure development, it was reported that Prasa would purchase private land parcels, and the NMBM is expected to transfer its own land parcels within the rail corridor to Prasa. The NMBM is expected to relocate informal settlements currently occupying land within the rail corridor. The NMBM would update the integrated Transport Network (IPTN) plan, including leading a process that would resolve issues pertaining to other industry stakeholders such as the taxi operators.

It was further reported that Prasa is planning to invest in new rolling stock maintenance facilities in East London and in Gqeberha. This investment initiative would require collaborative support from Transnet.

There are investment initiatives planned by Prasa Corporate Real Estate Solutions (Prasa Cres), which is the division of the within the Prasa Group. With regard to the East London – Berlin, it was reported that 13 stations are marked for the National Station Improvement Plan (NSIP) and 2 stations are marked for Alternative Building Technology (ABT). Further, there were five workplace facilities marked under the Workplace Improvement (WPIP), and one station was marked for the National Station Upgrade (NSUP).

With regard to the Gqeberha – Uitenhage, three stations are marked for NSIP, and one station is marked for Alternative Building Technology (ABT). Further, one workplace facility is marked for WPIP, and three stations are marked for NSUP.

The new infrastructure investment is expected to ignite economic development. Low-income people are expected to benefit the most. Further, job creation in the following anticipated development items would be created:

- Construction of the railway line network (tracks, signalling, telecoms, substation and overhead traction equipment).
- Construction of identified stations.
- Construction of the depots for rolling stock and infrastructure, including train operation scheduling.
- Construction of the Train Traffic Control Centre for the management of train movement.
- Enhanced employment; engineering capacity works for maintenance of above asset.

However, the numbers in terms of jobs expected to be created are not yet finalised. The development initiatives are anticipated to improve the usage of public transport reduce congestion, and contribute to the realisation of climate change objectives. SMMEs, including small traders, are expected to benefit. In the main it will contribute to the realisation of government policy objectives, namely the reduction of poverty, inequality and unemployment.

9. Discussions

- It was noted that lower economic growth, including lower investor and business climate, coupled with the impact of the Covid-19 pandemic on the economy has had an effect on the revenue generation and growth of the BCMM, which is needed to tackle deteriorating infrastructure, and to invest to new infrastructure development projects. The efforts of the BCMM to seek alternative financing and funding to support economic infrastructure development projects, and in general to fund capital budgets to support development policies was acknowledged. The BCMM is in the process to further engaged *National Treasury, Department of Public Works and Infrastructure, and the Development Bank of South Africa* including the *Presidency* to get funding to finance some of its high impact infrastructure development projects.
- In general terms, metro(s) need to improve their financial governance and capability in order to receive direct loans to implement economic infrastructure development projects.
- BCMDA indicated that it is already doing work with DBSA on the bulk infrastructure planning. Further, the BCMA in collaboration with the BCMM continues to engage development finance institutions such as Public Investment Corporation, Housing Development Agency, Development Bank of Southern Africa, Industrial Development Corporation, and Eastern Cape Development Corporation to form partnerships to contribute to the development of the BCMM. Further, the office of the City Manager plays a vital role by coordinating decision-making structures to ensure that the decisions required to enable the implementation of the development projects are taken speedily.
- Partnerships with not just development finance institutions but also research institutions, universities, NGOs, foundations, think tanks, development institutions are essential for the growth and development of the Province and Buffalo City Metro.
- It was noted that coordination of the investment promotion and facilitation functions among the three spheres of government need to be improved, and enhanced. Regulatory functions across the three spheres of government should be streamlined. The InvestSA EC OSS initiative was commended as good initiative. BCMM investment promotion and facilitation need interphase with the provincial and national investment and trade promotion and facilitation. The OSS is an essential platform that would streamline the overall investment value chain for companies looking to invest in the Province, and the BCMM. This process would lower the costs of doing business the Eastern Cape Province including in the BCMM. It would attract both domestic and global business wanting to do business in the Province and the BCMM. A seamless OSS would enable the companies to smoothly negotiate regulations and administration to obtain various approvals, licences, authorisations, registrations and/or permits.
- The Eastern Cape Provincial government through the *Department of Economic Development, Environmental Affairs and Tourism* should build faster the capacity and capability of the OSS-Eastern Cape. It should form partnerships with the private sector, including higher education institutions, to enhance the capacity and capability of the OSS. Efforts to lower the 'Cost of Doing Business' across the Province should be scaled up.
- It was highlighted that the Dtic, in partnership with ECDC, has facilitated exporter development initiatives. The Dtic and ECDC have facilited two export awareness and capacity workshops in East London and Gqeberha during the current financial year. Various companies in the Eastern Cape were recruited to participate in the Expo 2020, and 16 companies from the Eastern Cape have been recruited to participate in the Intra Africa Trade Fair. Most of the companies were Emerging Exporters and SMMEs.
- The investment plans by Nestlé and Sundale Schreiber JV that would warrant expansion of the production capacity in ELIDZ were noted. It was highlighted that infrastructure investment and development in the Province and the BCMM would bring much needed investor and business confidence. Further, it was emphasised that infrastructure investment and development is at the centre of the ERRP. There is a need to accelerate implementation of provincial and local government infrastructure projects to bring investors and business.
- It was emphasised that all stakeholders, including communities, should be engaged in any development initiative. This would help the government to manage better the social transaction costs associated with development initiatives. It was noted that the BCMM's executive mayor has been conducting *Mayoral Imbizos* to different communities to listen to the needs of the

communities in the region, and also informing communities about opportunities available in BCMM.

- It was highlighted that women and youth, including people with physical disabilities, should participate in the development initiatives. The BCMDA advanced that the procurement process has incorporated a supplier development programme as an instrument to ensure that any development initiative also benefits women, youth and people with physical disabilities. It was further emphasised that the development projects should be tracked to ensure that the transformation targets are achieved in various components such as equity participation, construction, and property management. Public and private procurement should promote inclusivity and the empowerment of the marginalised and those on the fringes of the formal economy.
- The allocation of development funds should take into consideration the geographic inequalities. Regions that have high concentrations of poverty, inequality and unemployment needed to be supported.
- The BCMM and BCMDA indicated that the allocation of resources cut across the areas within the metro's jurisdiction, including rural areas. It was further indicated that the BCMDA, in collaboration with the *Department of Land and Rural Development* and with the support of the CSIR, is developing an Agric-Park in the Shushu Bay village (support rural economic development).
- Areas such as Zwelitsha, Bisho, Ginsberg, Dimbaza andBerlin will also benefit from the heritage tourism. Further, there is a development initiative to redevelop the Victoria Sports Grounds.
- It was noted that there is a need to improve coordination of the work of the BCMDA, ECDC, including the *Eastern Cape Parks and Tourism Agency,* to attract investment and promote trade, and boost tourism in the Province, and in the region (including other regions within the Eastern Cape Province).
- Investment in mixed property developments at the Sleeper Site, Marina Glen A, Seaview Terrace and Water World II are anticipated to stimulate the local economy. Investment in Waterfront Development in Latimer's Landing and Signal Hill attempts to integrate the port to the city's multi-sectoral economy. These development projects demonstrate the value of development partnerships with the private sector.
- The Province, through collaboration with national government, local municipalities and the private sector, should exploit its coastal natural resources to grow the tourism industry.
- ECDC and the BCMDA, apart from their own resources, would need to form development partnerships to help obtain the required human, social, economic and financial resources necessary to assist government to attain the targets set in the ERRP.
- The sanitary towel initiative, which is driven by a woman entrepreneur, was commended. It was advanced that the initiative should be introduced to the Department of Basic Education. Dtic has a played an essential role in assisting the company to win its first tender, and this has injected some financial liquidity in the company.
- The growth and expansion of SMMEs and Cooperatives is critical to the growth of the provincial economy and to change the current socio-economic situation in the Eastern Cape Province.
- Provincial and local government finances must be used as leverage to attract private sector investments. This should be used as measure to deepen private sector activity. As stated, SMMEs in the province largely rely on public spending.
- ECDC needed to work in a collaborative manner with other development finances agencies, such as the National Empowerment Fund (NEF), Small Enterprise Finance Agency (Sefa) and the commercial banks to accelerate the growth and development of SMMEs and Cooperatives.
- Investment incentive programmes and development funds, such as the Jobs Stimulus Fund; Local and Regional Economic Development Fund; Isiqalo Youth Fund; Imvaba Cooperative Fund; Comprehensive Agricultural Support Programme; SEZ Programme; and Critical Infrastructure Programme, should be coordinated to improve their impact.
- It was highlighted that the ECDC and the BCMDA needed to improve the manner in which they are deploying various financial, non-financial instruments to support the growth and expansion of SMMEs and Cooperatives.

- The disposal of non-core, underperforming assets by the ECDC to fund strategic development and refurbishment costs was welcomed. The ECDC has a property portfolio that includes residential, commercial and industrial parks. The ECDC is expecting to enhance the commercial and industrial park assets. The ECDC intends to venture into partnerships with other capital providers to co-invest in new industrial infrastructure. The development of vacant strategic commercial and industrial land is expected to contribute to the growth and development of both urban, township, and rural economies.
- It was highlighted by the Dtic that the industrial parks are potentially strong physical platforms to draw investors, but needed to be upgraded and revitalised. The Eastern Cape provincial government through the ECDC, BCMM and BCMDA (including development agencies in other regions), and the Dtic (crowding in the private sector) should work in a collaborative manner to accelerate and commercialise the industrial parks (such as Dimbaza, Komani, Vulindlela Heights) to boost regional economic development (including township and rural economies). The industrial parks must fit into the economic and industry strategies and plans of the hosting regional economies. The Fort Jackson and Vulindlela Industrial Parks have been earmarked for incorporating Digital Hubs.
- There are plans in motion to build a new city to ignite economic development. The Wild Coast SEZ, which would be preceded by the development of the industrial park, is expected to stimulate economic activity in the region. There are plans to build an agric-industry and to refurbish and expand the Mthatha Airport. National and provincial departments responsible for agriculture, rural development and transport, including all economic sector department, are expected to work in a more integrated manner to support economic development initiatives in the region.
- Governance issues in major SOEs and the continued deterioration of the financial position of some of the major state-owned companies remain a risk to the full benefit of the outcomes of the ERRP.
- Investment in ICT infrastructure is essential to support the growth of the economy and close the gap between urban and rural economies and to ensure that digital skills are built and enhance throughout the Province.
- There is a need to accelerate implementation of the agric-business action plans and further enhance the capacity and capability of the automotive industry.
- Public buildings (both provincial and municipal-owned properties) should also be used as strategic assets to attract domestic and global business process outsourcing entities. This would also add to the initiative of the government to create much needed jobs.
- It was indicated by the DPE that to date, 754 forensic reports were concluded, 47 cases were referred to law enforcement agencies, 64 employees were dismissed, and 9 employees were issued with warnings with a further 9 resigning to evade accountability. It was highlighted that law enforcement agencies take time to deal with the investigations, and that also delayed the prosecution of the perpetrators of criminal activity.
- The DPE and the affected SOEs have initiated advocacy work to ensure that professional bodies review and/or revoke the professional licences of the alleged perpetrators of criminal activity.
- Most municipalities are highly indebted to Eskom, and that also affected the balance sheet of those entities and inhibited infrastructure development and maintenance.
- It would be difficult to remove municipalities as distributors of electricity as electricity sales make up the big portion of income generated by many municipalities. The composition of the budget and spending directed more consumption-salaries rather than capital development to attract investment and stimulate economic activity.
- The DPE is working with the *Department of Cooperative Governance and Traditional Affairs* to help municipalities to develop credible, sustainable budgets and improve their financial positions in order to meet their obligations, and also realise their service delivery plans.
- The Eastern Cape Province is already participating in the green economy. It was highlighted that the Wesley-Ciskei project was foreign-owned, and is located in the Peddie area with a capacity to supply 34.5 MW capacity on the Eskom grid. The Oyster Bay was completed and Wesley-Ciskei was on the verge of completion, which is expected to be by the end of 2021.
- It was also indicated that the solar panel lamination would be done at the Coega Industrial Development Zone (IDZ) where the Chinese solar company, LONGi Solar, was partnering with a

South African firm, ARTsolar, as its supplier. Dtic saw the opportunity to deepen the manufacturing industry of the solar panels. Further, Dtic saw the industry as one of the industries that would magnify the localisation initiative. It is believed that once international solar PV players had a good sense of the investment on the pipeline for Independent Power Producer (IPP) projects, the IPP industry is expected to grow. There is an expectation that some of the big manufactures supporting the IPP industry would actually move their plants to South Africa. There were already two manufacturers in the Eastern Cape participating in the industry. Dtic indicated that it was planning to recruit other foreign investors to invest in the solar panel production in the Eastern Cape.

- It is essential is for the municipalities to create conducive business environments, attract investments, and support and promote economic activities. They need to support efforts to deepen private sector activity as the resultant would mean better and new revenue income streams instead of being solely reliant on residential clients, particularly in areas with high numbers of indigent households. Hence it was critical to ignite local economic development to improve regional incomes.
- The Province and the two metros, in collaboration with national government (including SOEs), should position the three provincial ports to fully integrate the provincial economy to global value chains. This would require interventions to build and enhance manufacturing capacity and capability.
- The Eastern Cape Province needed to build a strong logistics network that could link it with domestic and global economic hubs.
- A good railway network is essential to link the Province with the markets of the other provinces. This intervention has the potential to boost the Province's agricultural industry.
- Transnet's policy mandate is to enable economic growth and to ensure security of supply by providing appropriate port rail and pipeline infrastructure.
- SOEs, such as Transnet, are critical to the growth of the national and provincial economies.
- Transnet is experiencing declining operational performance and a constrained balance sheet. Transnet has recognised that it needs to be responsive to the calls of the broader industry and cannot, on the strength of its balance sheet alone, make the infrastructure investments necessary to grow the freight system. Key is to ensure that critical infrastructure is delivered and that the operations are enhanced.
- It was noted that Transnet has resolved with the Provincial Government and BCMM to enter into a cost-sharing agreement to do a pre-feasibility study focusing on socio economic and regional benefits in relation to the expansion of the East London Port. The expansion of the East London Port is expected to create capacity to increase volume growth of the automobiles.
- Transnet indicated that it will continue to engage with MBSA to tackle concerns about port productivity and efficiencies. This is linked to the need raised by MBSA for the expansion of the car terminal.
- Transnet demonstrated willingness to invest in new infrastructure in partnership with the private sector to support the growth and development of the agriculture industry. Transnet would undertake a demand validation, which is linked to the revitalisation of industrial parks (programme driven by Dtic, and the ECDC) to open dormant branches to address much needed rail connectivity.
- It was emphasised that all organs of state across the spheres of government needed to get involved to address transport logistics infrastructure. Further, it was highlighted that an efficient transport and logistics infrastructure is one of the essential elements to assist in efforts of lowering the cost of doing business in the South African economy.
- Transnet further indicated that it will accelerate the development of the planned manganese export terminal in the Port of Ngqura via a private partnership, to enable the closure of the Port Elizabeth Bulk Ore Terminal.
- Coordination, and alignment of the work in terms of planning, and resource allocation of the industrial development platforms such as TNP, (ELIDZ) should be improved and enhanced. These industrial development platforms should play an effective role as catalysts for economic development in the Province and in the BCMM. Most of the rental income generated in the ELIDZ comes from the automotive industry. Although the ELIDZ would want to venture into new

industries such as ICT, the automotive industry remains a strong base for the special economic zone.

- It was indicated that Prasa would tackle the challenges of lack of connectivity from urban, peri urban and rural areas (public transport). It was stressed that it is important to identify critical corridors. It should be appreciated that as a result of limited resources, budget would be allocated in a strategic manner to high volume rail corridors. However, plans are underway to augment the resources. Prasa stressed that it would be interested in participating in the debate for the development of the corridors to improve passenger rail transport. It is prepared to take a lead in such a process.
- Prasa highlighted resource mobilization as critical to roll out critical rail infrastructure, including developing the property portfolio. Further, capital investment is expected to be deployed in areas such as Dimbaza.
- It was indicated that the East London-Berlin line would be modernised, and new technological infrastructure would be installed. Currently the line used diesel locomotives to pull the train. There are plans to use a faster train on the East London-Berlin line.
- It was emphasised that investment in infrastructure in rural areas was critical. Funding and financing instruments should be found to develop infrastructure in rural communities, including townships.
- Investment in public transport should be prioritised. The BCMM must be assisted to get needed capacity to implement infrastructure development programmes. The BCMM, including ECDC, BCMDA must forge development partnerships with SOC such as Transnet, Prasa, South Africa National Roads Agency (Sanral) including development finance institution such as DBSA, and the private sector to accelerate implementation of infrastructure development programmes.
- Infrastructure not frequently in use becomes a target for damage, theft and vandalism. This is tantamount to economic sabotage, and it should further be noted that this vandalism and theft tended not to be committed by random thieves but by organized syndicates. Collaborative initiatives with law enforcement agencies should be intensified.
- Transnet highlighted that the initial reports indicate that the Blue Train that derailed was staged at the time of the incident, and that there were no passengers or crew on board. It was further reported that there is an investigation currently underway.
- The Dtic also provided clarity with regard to the Moloto Development Project. It was reported that the project was registered with National Treasury as part of the Presidential Infrastructure Coordinating Commission (PICC) programme. A feasibility study had been conducted, and the project presented an opportunity for government to implement is as a public-private partnership (PPP) development project.
- To fulfil the development policy agenda, in particular in an environment of low economic growth, and low fiscus space, partnerships with the private sector should be prioritised and enhanced.

10. Recommendations

1. The Committee noted that the deteriorating logistics network and infrastructure could derail government’s ERRP, hence it is important to invest in the ports, rail and energy, including water and sanitation infrastructure. To this end, the Committee recommends that the Minister of Public Enterprises should submit to the Committee before the end of the 2022/23 financial year, the feasibility study which is expected to determine whether it is feasible to increase the capacity of the of the East London Port, including the initiative to expand the automotive terminal.
2. The Committee recommends that over the 2022 medium term, the Minister of Transport, the Member of Executive Council responsible for transport, and the BCMM with the support of the National and Provincial treasuries should formulate a plan that should also entail financing and funding mechanism to accelerate the implementation of the public transport development programme in the BCMM.
3. The Member of the Provincial Executive Council responsible for *Economic Development, Environment Affairs, and Tourism* should engage the Provincial Treasury to consider funding the InvestSA: EC OSS to improve its organisational capacity and capability in order to fulfil its policy obligations. Funding should be set aside in the 2022 medium term, and the funds should be earmarked.

4. The Ministers responsible for transport, energy, water and sanitation, public enterprises and ICT should develop in a collaborative approach with the Eastern Cape Provincial Government and the affected district municipalities an integrated plan for the investment and development of the "Eastern Side Region" of the Eastern Cape Province. The plan should be submitted to the Committee before the end of the 2023/24 financial year.
5. BCMM and BCMDA should submit to the Committee the plan that will cover all development projects within the region. The plan should be submitted by the end of the 2021/22 financial year.
6. The Select Committee on Public Enterprises and Communications and the Select Committee on Security and Justice should convene a joint meeting by inviting the Ministers of Police, Justice and Correctional Services to address the slow pace of finalising investigation, and prosecution of the alleged acts of corruption and maladministration relating to SOEs.

Report to be considered.