

SECTION 4. PROPOSED INSTITUTIONAL STRUCTURE

4.1 INTRODUCTION

The third and final step in formulating the Institutional Development Plan is to allocate the roles and responsibilities required to the existing or proposed new institutions. In this section we recommend the institutional structure to implement the Buffalo City Tourism Master Plan.

4.2 ALLOCATION OF ROLES AND RESPONSIBILITIES

The roles and responsibilities for the implementation of the Buffalo City Tourism Master Plan can be grouped under the 3 main objectives namely:

- Tourism Product Development
- Skills and Enterprise Development and Support
- Tourism Marketing

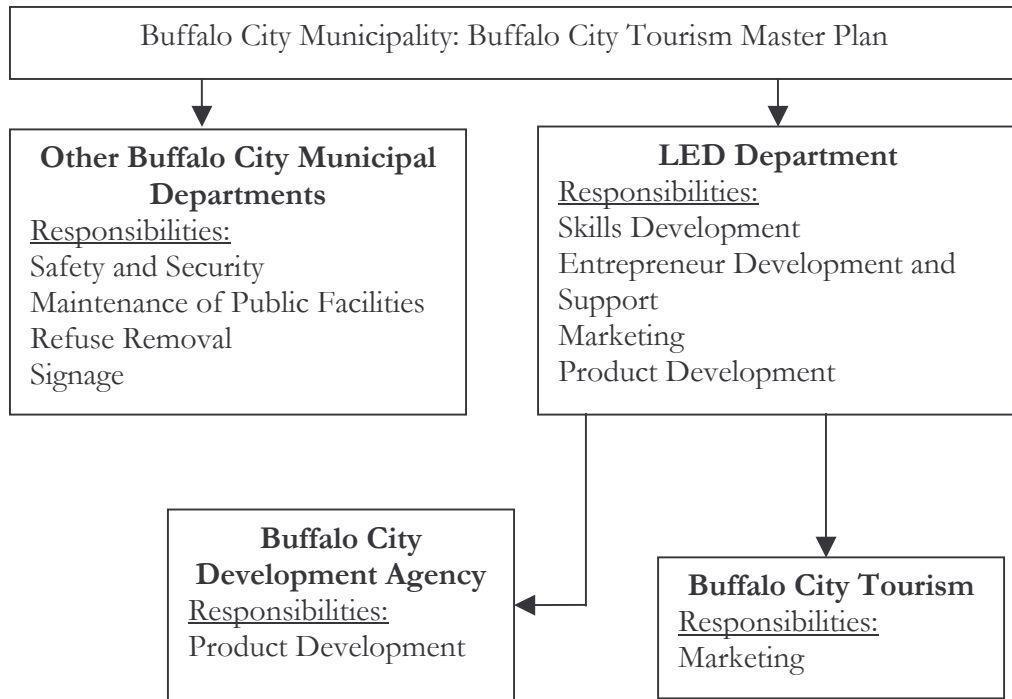
Taking into account the required actions, roles and responsibilities to implement the Tourism Master Plan and the roles and responsibilities of existing institutions we recommend that the required roles and responsibilities be allocated as follows:

Objective	Responsible Party
Tourism Product Development	LED & BCDA
Skills and Enterprise Development and Support	LED
Tourism Marketing	LED through BCT

4.3 RECOMMENDED STRUCTURE

In order to implement the Buffalo City Tourism Master Plan a partnership would need to be formed between the institutions responsible for the various actions as indicated above.

The overall organigram is indicated below.



The organigram clearly indicates the utilisation of the LED Department of municipal entities in order to execute certain responsibilities. Recent legislation has an impact on the governing of municipal entities and it is prudent to analyse the legislation at this point. The relevant legislation are:

- The Local Government: Municipal Systems Amendment Act No. 44 of 2003 (“MSA”); and
- The Local Government: Municipal Finance Management Act No 56 of 2003 (“MFM”).

The MSA allows for 3 types of municipal entities, namely:

1. A private company;
2. A service utility; and
3. A multi-jurisdictional service utility.

A municipality is allowed to establish a private company under the Companies Act 1973 (Act No. 61 of 1973) and hold full ownership of that company only for the purpose of utilising the company as a mechanism to assist it in the performance of any of its functions or powers.

A municipality is allowed to establish a service utility by passing a by-law that must:

- (a) state the purpose for which the service utility is established:
- (b) confer the powers and impose the duties on the service utility, which are necessary for the attainment of such purpose:
- (c) provide for
 - (i) a board of directors to manage the service utility:
 - (ii) the number of directors to be appointed:
 - (iii) the appointment of directors, the tilling of vacancies and the replacement and recall of directors by the parent municipally
 - (iv) the terms and conditions of appointment of directors:
 - (v) the appointment of a chairperson;
 - (vi) the operating procedures of the board of directors:
 - (vii) the delegation of powers and duties to the board of directors:
 - (viii) any other matter necessary for the proper functioning of the board of directors
 - (ix) the acquisition of infrastructure. goods. services. supplies or equipment by the service utility. or the transfer of infrastructure. goods. services, supplies or equipment to the service utility;
 - (x) the appointment of staff by the service utility. or the transfer or secondment of staff to the service utility in accordance with applicable labour legislation:
 - (xi) the terms and conditions on which any acquisition, transfer, appointment or secondment is made;
 - (xii) the governance of the service utility: and
 - (xiii) any other matter necessary for the proper functioning of the service utility: and
- (d) determine budgetary and funding arrangements for implementation of the by-law.

A service utility is a juristic person and a municipal entity under the sole control of the municipality that established it. A service utility must restrict its activities to the purpose for which it was established and has no competence to perform any activity that falls outside its functions or powers in terms of a bylaw of the municipality.

A municipality that have sole control of a municipal entity have to ensure that the annual performance objectives and indicators are established and monitored.

The municipality have the responsibility to appoint directors to the board of the municipal entity. The board of a municipal entity must:

1. have the requisite range of expertise to effectively manage and guide the activities of the municipal entity;
2. consist of at least a third non-executive directors; and
3. have a non-executive chairperson.

The municipality must, before nominating or appointing a director, establish a process through which:

1. Applications for nomination or appointment are widely solicited;
2. A list of all applicants and any prescribed particulars concerning applicants is compiled; and
3. The municipal council makes the appointment or nomination from such list.

A person is not eligible to be a director of a municipal entity, if he or she –

1. Holds office as a councillor of any municipality;
2. Is a member of the National Assembly or a provincial legislature;
3. Is a permanent delegate to the National Council of Provinces;
4. Is an official of the parent municipality of that municipal entity ;
5. Was convicted of any offence and sentenced to imprisonment without the option of a fine, and a period of five years since completion of the sentence has not lapsed;
6. Has been declared by a court to be of unsound mind; or
7. Is an unrehabilitated insolvent.

The board of directors of a municipal entity, must-

- provide effective, transparent, accountable and coherent corporate governance and conduct effective oversight of the affairs of the municipal entity;
- ensure that it and the municipal entity comply with all applicable legislation and agreements;
- communicate openly and promptly with the municipality of the municipal entity
- deal with the parent municipality of the municipal entity in good faith

The board of directors of a municipal entity must appoint a chief executive officer of the municipal entity. The chief executive officer of a municipal entity is accountable to the board of directors for the management of the municipal entity.

The council of the relevant municipality must also designate a councillor or an official of the municipality to act as representatives of the municipality at board meetings of the municipal entity. These municipal representatives may only act as non-participating observers and can not act as board members or directors of the municipal entity.

The municipality may appoint as many non-participating observers as it wish and these representatives can exercise the municipality's rights and responsibilities as a shareholder in the municipal entity. The mayor or executive mayor also has the right to call at any time, a meeting of shareholders or a board meeting in order for the board of directors to give account of any actions taken.

Taking into account the relevant legislation we recommend that the Buffalo City Municipality establish Buffalo City Tourism and the Buffalo City Development Agency as municipal entities. We recommend that the two entities be service utilities with a 100% shareholding by the Buffalo City Municipality. Each entity should have a board of directors with non-participating representatives from the municipality attending each board meeting.

4.4 RECOMMENDED ROLES AND RESPONSIBILITIES

The LED Department will be responsible for implementing the Buffalo City Tourism Master Plan in partnership with the wider municipality and municipal entities. The recommended roles and responsibilities of each entity are detailed below.

4.4.1 LED Department

We recommend that the LED Department utilise the municipal entities of Buffalo City Tourism to conduct marketing and the Buffalo City Development Agency to conduct product development. The LED Department should also be responsible for:

- Skills Development; and
- Entrepreneur Development and Support.

We feel it is important to understand the difference between tourism product development and enterprise development or asset verses non-asset development.

Tourism product development or asset development deals with the facilitation of specific tourism projects such as an hotel. Enterprise development or non-asset development deals with the support for the people/business that will be owning and/or operating the hotel.

The LED Department will need to work closely with the Tourism Product Development function but it is recommended that the LED's focus be on the development and support of new entrepreneurs.

Some projects such as the development of a route will require close cooperation between the LED Department and the Tourism product Development function as routes require the development of for example a committee to oversee the route as well as attractions along the route.

We also want to emphasise that the responsibility for skills development include the implementation of a tourism awareness programme as recommended in **Phase 10 & 12: Skills and Entrepreneur Development and Support**.

4.4.2 Buffalo City Tourism

We recommend that Buffalo City Tourism via the LED Department be responsible for marketing the whole of Buffalo City as a destination according to the recommendation contained in **Phase 14: Marketing Plan** of the Buffalo City Tourism Master Plan.

4.4.3 Buffalo City Development Agency

We recommend that the LED Department utilise the BCDA for Tourism Product Development.

We believe that this function will link naturally with its mandate to “ensure that the economy of the area achieves its full development potential through the promotion and support of existing and new resources and opportunities”.

We recommend that the development area of responsibility for the BCDA be expanded to include the whole of Buffalo City but that specific areas be prioritised for development, such as the main beachfront and Quigney in East London. This recommendation will ensure that the BCDA are mandated to develop new tourism projects that extent throughout Buffalo City.

We do recognise that the BCDA has called for proposals from service providers to conduct a pre-feasibility study, as well as to draft an interim business plan and budget for the establishment of the BCDA. This process will take time and we recommend that until this process is completed, the responsibility for Tourism Product Development vest with the LED Department.

We recommend that the proposed tourism related staff for the BCDA (see **Section 4.5.3**) be appointed in the LED Department and transferred to BCDA once the relevant studies have been completed.

4.4.4 Other Departments of Buffalo City Municipality

We recommend that all departments of the Buffalo City Municipality be made aware of the Tourism Master Plan and the importance of tourism for economic development.

We recommend that the specific departments responsible for safety and security, maintenance of public facilities, refuse removal and signage include tourism as a priority in their strategic planning.

4.5 RECOMMENDED STAFFING

The recommended staffing of each institution is detailed below.

4.5.1 LED Department

We believe that the number of staff recommended in the Buffalo City IDP is sufficient to implement the required actions, roles and responsibilities of the Tourism Master Plan.

We recommend that all of the proposed posts be filled and that the following are of particular importance:

- Programme Manager: Tourism (x1)
- Facilitator Culture & Heritage (x1)
- Programme Manager: SMME Development & Procurement Policy (x1)

- Business Analyst/Economist: SMME Development & Procurement Policy (x2)

We recommend that the two business analyst/economist in the SMME Development and Procurement Policy Division act as development officers and that at least one of them be dedicated to tourism development.

4.5.2 Buffalo City Tourism

We recommend that the following existing staff of Buffalo City Tourism be kept:

- Managing Director (x1)
- Personal Assistant (x1)
- Admin & Finance (x1)
- Information Service (x2)
- Marketing (x1)
- Membership (x1)
- Sport Tourism (x1)

We recommend that the following staff be added to Buffalo City Tourism:

- Researcher (x1) to coordinate regular research and to maintain the various databases of Buffalo City Tourism such as listings of tour operators, travel agents, professional conference organisers, attractions, activities, facilities and services.

In regards to the Board of Buffalo City Tourism we recommend that all sectors within the tourism industry should be represented, such as accommodation, travel agents and tour operators, airports company, car rental, etc.

The Board should also have non-participating observers representing the Buffalo City Municipality as allowed by the MSA and MFM. The management of Buffalo City Tourism will in effect be a public private partnership, with the Buffalo City Municipality holding 100% of the shares of the company.

4.5.3 Buffalo City Development Agency

The staffing of the BCDA will be determined by the outcome of the pre-feasibility and interim business plan that will be conducted. Based on the action,

roles and responsibilities in the Tourism Master Plan we would recommend that the BCDA have the following dedicated personnel:

- Tourism Product Development Officer.
- Community Facilitator.

We recommend that the tourism industry be represented on the board of the BCDA. We recommend that the LED Department act as non-participating observers and that the Buffalo City Municipality exercise its rights as a shareholder in order to ensure the effective implementation of the Buffalo City Tourism Master Plan.

4.5.4 Other Departments of Buffalo City Municipality

We recommend that the existing institutional structure and staffing for other departments of Buffalo City Municipality be maintained, but that all staff be made aware of the importance of tourism in economic development and their roles and responsibilities in implementing the Tourism Master Plan.

4.6 RECOMMENDED BUDGET

The recommended budget of each institution is detailed below.

4.6.1 LED Department

We recommend that the existing budget of the LED Department be maintained and that additional funding for specific programmes be obtained from municipal and other sources as and when required.

4.6.2 Buffalo City Tourism

In our **Phase 14: Marketing Plan** we recommend the marketing budget for Buffalo City Tourism. We recommend that the labour cost and overheads of Buffalo City increase with at least the rate of inflation, while an additional salary costs for a researcher be added. The budget is summarised below.

Budget Item	July 03 to	July 04 to	July 05 to	July 06 to	July 07 to	July 08 to
	June 04	June 05	June 06	June 07	June 08	June 09
Labour Cost	679 271	713 235	748 896	786 341	825 658	866 941
Researcher	0	40 000	42 000	44 100	46 305	48 620
Overheads	399 200	419 160	440 118	462 124	485 230	509 492
Marketing	1 156 529	2 292 706	2 362 341	2 539 458	2 608 331	2 809 248
Required Budget	2 235 000	3 465 101	3 593 356	3 832 023	3 965 525	4 234 301

The budget of Buffalo City Tourism is a grant from the Buffalo City Municipality and is included in the budget of the LED Department.

4.6.3 Buffalo City Development Agency

The required budget of the BDCA will be determined by the pre-feasibility and interim business plan to be completed. We would recommend that the budget include specific funding for the recommended Tourism Product Development Officer and the Community Facilitator.

4.6.4 Other Departments of Buffalo City Municipality

We recommend that the existing budgets of the relevant departments of the municipality be utilised to perform the actions, roles and responsibilities as required by the Tourism Master Plan. These actions, roles and responsibilities are what are required by all economic sectors but priority should be given to tourism needs.

4.7 RECOMMENDED LINKAGES

In order to implement the Buffalo City Tourism Master Plan, the existing institutions mentioned above will have to constantly interact with various stakeholders in the tourism industry. Close relationships with these stakeholders would need to be built to ensure effective cooperation.

In order to implement the Buffalo City Tourism Master Plan we recommend that a task team be established with the Buffalo City Municipality. The task team should be headed by the Economic Development and Tourism Department and should include representatives from:

- Buffalo City Department of Economic Development and Tourism
- Buffalo City Tourism
- Buffalo City Department of Development Planning
- Buffalo City Development Agency
- Buffalo City Department of Social Services

The task team should establish a consultative forum to support and provide input to the task team. The consultative forum should be as inclusive as possible and could include representatives from:

- East London Industrial Development Zone
- Eastern Cape Tourism Board
- Ward Councillors
- Community Tourism Organisations
- Neighbouring municipalities
- Amathole District Municipality
- Eastern Cape Development Corporation
- National Department of Environmental Affairs and Tourism
- Department of Agriculture (National, provincial, regional & local)
- Eastern Cape Provincial Council of Churches
- Department of Water Affairs (National, provincial, regional & local)
- Organised labour
- Business organisations
- Civil Society
- Educational Institutions – Border Technikon, etc
- South African Tourism
- Etc etc.

The task team will be responsible for the implementation of the Buffalo City Tourism Master Plan. The detailed roles and responsibilities and the task team is contained in the action plan below.

4.8 CONCLUSION

Our recommendations for the institutions involved in the tourism partnership is summarised below.

	Buffalo City Tourism	Buffalo City Development Agency	Buffalo City LED Department	Other Buffalo City Municipal Departments
<u>Roles & Responsibilities</u>	<ul style="list-style-type: none"> Marketing 	<ul style="list-style-type: none"> Product Development 	<ul style="list-style-type: none"> Marketing through BCT Product Development Skills Development Entrepreneur Development and Support 	<ul style="list-style-type: none"> Safety & Security Maintenance of Public Facilities Refuse Removal Signage
<u>Staffing</u>	<ul style="list-style-type: none"> Managing Director (x1) Personal Assistant (x1) Information Service (x2) Marketing (x1) Sport Tourism (x1) Researcher (x1) 	<ul style="list-style-type: none"> Staff as determined by feasibility study Tourism Development Officer (x1) Community Facilitator (x1) 	<p>As present</p> <ul style="list-style-type: none"> Manager: Tourism (x1) Facilitator Culture & Heritage (x1) Programme Manager: SMME Development & Procurement Policy Business Analyst/ Economist (x2) 	<ul style="list-style-type: none"> As present
<u>Budget</u>	<ul style="list-style-type: none"> R3,5 million for July 04 to June 05 	<ul style="list-style-type: none"> To be determined by feasibility study 	<ul style="list-style-type: none"> As present 	<ul style="list-style-type: none"> As present
<u>Management Structure</u>	<p>Needs representation or observers from:</p> <ul style="list-style-type: none"> BCDA LED Department Various sectors of the Tourism Industry 	<p>Needs representation or observers from</p> <ul style="list-style-type: none"> LED Department or Buffalo City Tourism 	<ul style="list-style-type: none"> As present Task team to be established to implement Tourism Master Plan 	