



PRASA : CORPORATE PLAN 2014/15

Presentation to Portfolio Committee on Transport

Be moved



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PASSENGER RAIL AGENCY
OF SOUTH AFRICA

2nd September 2014

metrorail

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INTERSITE

AUTOPAX

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Background

- PRASA established in March 2009 to provide Passenger Services (Rail and Bus)
- Champion the transformation and integration of public transport
- Part of a Strategy for Improved mobility and accessibility for all South Africans in pursuit of a better life for all.
- Public Transport Strategy – 1st Phase of Modal Upgrades

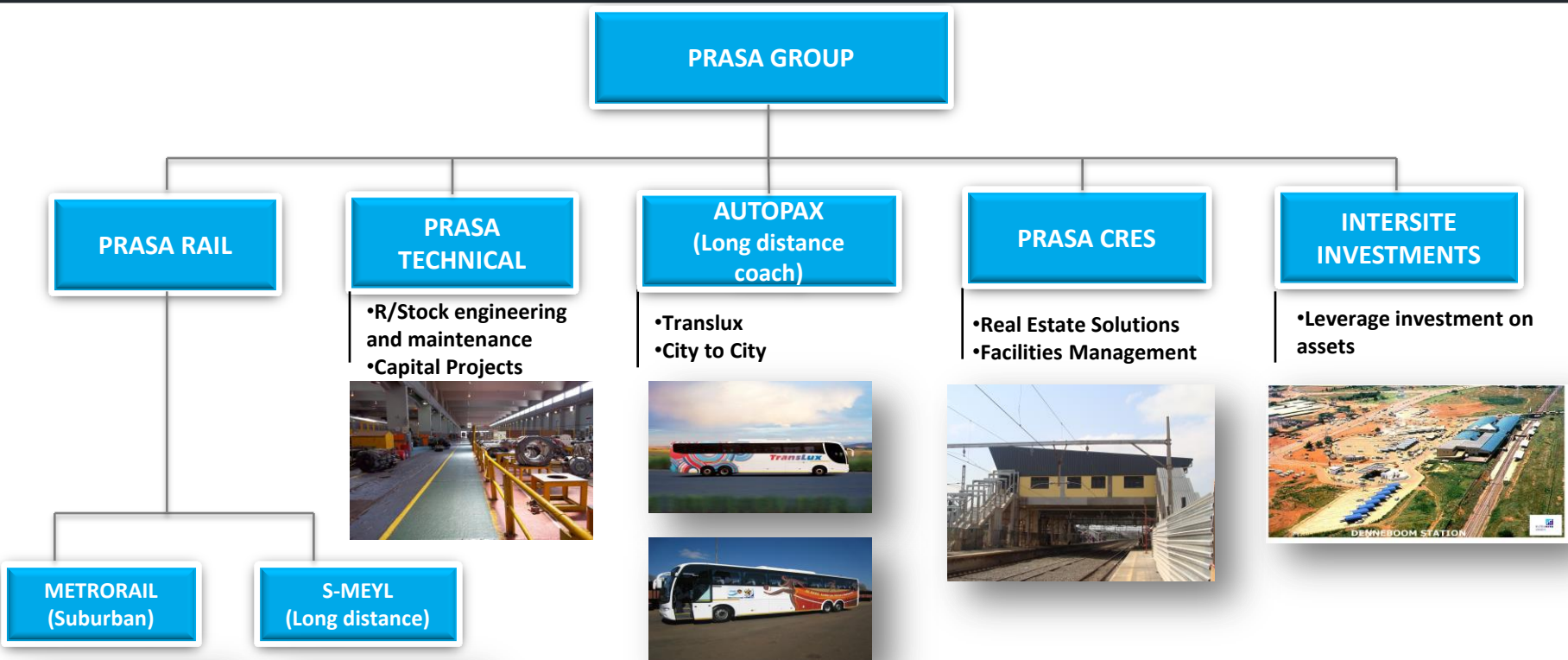
Legal Mandate

The **main objective** and **business** of PRASA, in terms of the **Legal Succession Act of 2008**:

1. Ensure that, at the request of the Department of Transport, rail commuter services are provided within, to and from the Republic in the public interest, and
2. Provide, in consultation with the Department of Transport, for long-haul passenger rail and bus services within, to and from the Republic in terms of the principles set out in section 4 of the National Land Transport (Transitional) Act, 2000 (Act no 22 of 2000)

PRASA – the Passenger Rail Agency of South Africa

PRASA Structure



The Primary object of PRASA in terms of the Legal Succession SATS Act is to:

- Provide Urban Rail Commuter Services in the public interest
- Provide Long Haul Passenger Rail Services
- Provide Long Haul Bus Services

The Secondary object of PRASA is to:

- Generate income from the exploitation of assets acquired by PRASA



Value of Assets

Increase in Value of Assets

R7.1 billion in 2006/07

R15.9 billion in 2009/10

R36 billion in 2013/14

Over R36 billion in 2014/15

PRASA – Summary Fact Sheet



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PASSENGER RAIL AGENCY
OF SOUTH AFRICA

Total Rail Network	22 300 Km
Commuter Rail Network	2 230 km electrified track
Number of Metro Coaches	4 638
Number of MLPS coaches	1 223 Coaches and 124 Locos
Number of Buses	458 Mercedes Benz, Man 109 and Old Fleet 150
Passenger Numbers	Metrorail – 550 million passenger trips Bus Service – 3.1 million passengers SMEYL – 1.5 million passengers
Total Number of Employees	±16 000
Stations	498 stations Value of Assets over R36bn





Key Strategy Focus

- The Board resolved in September 2010 to focus the business on the following:
 - i. Delivering Quality Transport Services
 - ii. Unlock the Value of the Property Assets
 - iii. Shift from refurbishment to replacement of operating new assets



Strategic Objectives

- Strengthen the Financial Position
- Improve Financial Performance
- Improve Operational Effectiveness
- Invest in a new capacity to meet Passenger Demands in the Medium to Long-term
- Build Human Capital Technical Capacity
- Improve performance and sustainability through effective implementation and adherence to good corporate governance principles and risk management

Key Risks Identified in 2010

- Going-Concern Issue
- Liquidity (Cash) Challenge
- Failure to generate adequate Income from the Property Portfolio
- Massive (and Sudden) Decline in the availability of Coaches – from 643 million to 490 million passenger trips
- Ageing Fleet and Infrastructure
- Commuter Backlash

Challenges facing Rail... decades of underinvestment

- Railway infrastructure and technology has **reached the end of its design lifespan**
- Poor levels of **reliability** and predictability
- **High** costs of **maintenance**
- Failure to contribute to an efficient transport system
 - Overcrowding, slow journey times, poor modal integration
 - Lack of off-peak services, ticketing, irregular timetables
- Inability to support **economic activity**
- Limited access to socio-economic opportunities for rural and urban poor
- **Economic and Structural Viability**, factors include long distances, low densities and low income commuters
- The **last train sets** were purchased in the mid 1980s
- Technology is **old and inherently obsolete** - 1950s
- The **average age** of the current coaches is **40 years**



Three Phased Turnaround Plan

(1) **Stabilising Commuter Rail: 2006/07 - 2008/09 (R16bn)**

- Serious Decline in Fleet and Infrastructure
- Loss of Critical Skills
- Loss of Market

■ **Consolidation of Pax Rail Entities: 2009/10 – 2013/14:**

- Integration of different businesses with disparate cultures
- Amendments to the Legal Succession Act of 1989
- Creation of a new Public Entity focusing on passenger services and reporting to the Minister of Transport

■ **Modernization of the Asset Base (Replacement Strategy): 2014/15 – 2024/25 and Unlocking the Value of Assets.**

- Reversing the Historical Under-investment in





Key Strategic Interventions

- Rail Operating Model Implemented
- New Model for the Management of the PRASA Property Portfolio adopted:
 - i. Intersite mandate redefined to focus on Asset Investment
 - ii. A new Division (PRASA CRES) created to Manage the portfolio and generate income
- Embark on the New Rolling Stock Acquisition Process, Signalling, Infrastructure Modernization Programme



SUMMARY OF ACHIEVEMENTS: 2009 - 2014

- Arrested the decline of commuter rail
- Established a new public entity (PRASA)
- Increased the value of Assets
- Introduced new passenger services
- Laid the foundations of a modern commuter rail system

Taking Forward the NDP by Laying the Foundation for A Modern Rail System over the next 40/50 years:

- Acquisition of 600 new, modern trains
- 70 modern locomotives to sustain our long distance rail services
- Rollout of the new electronic interlocking signaling system, new generation stations, speed-gates, etc
- Radio communication between trains AND train control and operating centres

SUMMARY OF ACHIEVEMENTS

- On the financial side – key review accounting of armotisation
- Balance Sheet Restructuring
 - Recapitalisation of Autopax and reduction of debt burden
 - Real Estate Strategy to unlock value of high yielding properties in the PRASA portfolio



SUMMARY OF ACHIEVEMENTS – 5 Point Plan

- The Plan is being implemented in Phases.
- The plan is greatly informed by PRASA's 2nd top risk which is commuter backlash.

KEY ELEMENTS OF THE 5 POINT PLAN ARE:

- Improve On-time Performance
- Reduce Overcrowding in the System
- Acceleration of Infrastructure improvements and rehabilitation
- Security of passengers and assets
- Operational Safety

SUMMARY OF ACHIEVEMENT – Real Estate

- The Board approved PRASA's Real Estate Strategy in November 2012

- The seeks to develop the Rail Property Portfolio and grow revenue from R450m in 2012/13 to over R1.8 billion in 2018

Key Activities:

- i. Commercialisation
- ii. Redevelopment of Major Stations (NSPDP)
- iii. Acquisition of Developmental Leases
- iv. SEP



Key Highlights for 2012/13 Financial Year

- Conclusion of the procurement process in relation to the Rolling Stock Fleet Renewal Programme and announcement of the successful bidder (ALSTOM-led GIBELA consortium).
- Commenced with the implementation of the 5-year Signalling Upgrade Programme in Gauteng, KwaZulu-Natal and the Western Cape
- A total of 579 coaches delivered as part of the Accelerated Rolling Stock Programme.
- As part of the Balance Sheet restructuring process, investment property was revalued according to IAS 40 (from R924m to R2.5bn).
- Capital expenditure improved by 82% from R3.5bn last year to R6.3bn.

Key Highlights for 2012/13 Financial Year



- Increase in the value of assets (excluding investment property) grew by 25% from R19.4 billion to R24 billion
- Increase in the valuation of investment property from R773mil to R1,264billion
- Improvement on the company's solvency with debt or solvency ratio at 0.17 despite operational challenges and unfunded mandate within Rail.
- Fare revenue excluding Government subsidy and other revenue growth by 16.3% (Metrorail fare revenue)
- Total Revenue (excluding government subsidy) and grew by 16.3% to R549 million compared to the previous year.

Modern Fleet

- PRASA wants to migrate from 1950's technology to a **modern** fleet which is up to **world standards**



Renewal Programme

Programme Requirements

- New Fleet requirement **~7224** procurement at ~360 coaches per year for two x 10 year contracts
- Total **~R123.5bn** over **20 year** period



Rolling Stock Fleet Renewal Programme

Job Creation

- Creating **~65 000** direct and indirect jobs



Industrialisation

- Focus on industrialisation through long term procurement aiming for **above 65%** of the value of a coach to be **produced locally**

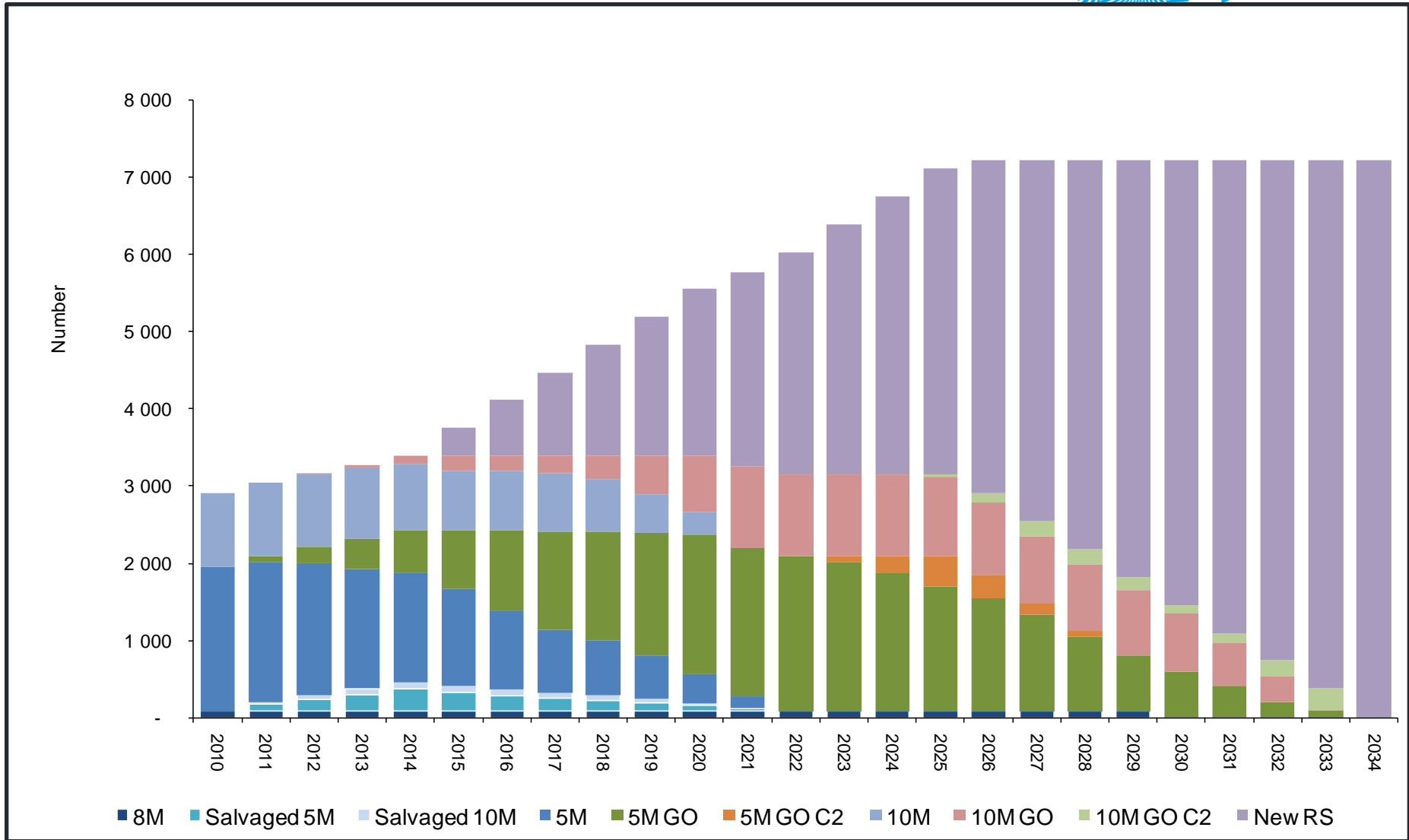


New Generation Rolling Stock



- **R123bn programme over 20 year period**
 - First coaches 2016
- **Phase 1: Gibela Rail Transport Consortium**
 - 3600 coaches: roll-out over 10 years
 - R51bn
- **BEE partner appointed**
- **Financial / Commercial Close – April 2014**
- **Localisation (min 65%) and job creation (±60 000)**







Right for the PRASA railway of the future:

- 3 600 vehicles – 600 Trains
- 1,346 passengers per 6-car train (Metro)
- 1,186 passengers per 6-car train (Metro Express)
- Commitment to PRASA reliability targets
- 31% energy saving compared to 8M Stock
- Design life of 40 years
- Real time diagnostic data for maintenance planning
- Passenger counting for operations planning



Right for modern safety & security standards:

- Modern crashworthy energy-absorbing carbodies
- Automatic Train Protection
- Powered automatic doors
- Open wide gangways for passenger visibility
- Total CCTV coverage with 2 weeks data storage
- “Black Box” event data recorder



Right for the modern passenger:

- Air conditioned throughout
- Modern visual and audio information, internal & external
- Infotainment on Metro Express
- Real-time data travel information
- Wi-Fi on Metro Express
- **Designed for Universal Access**



PROGRESS ON KEY PROJECTS

New Rolling Stock:

▪ **Design Review Process**

- To date, two design reviews have been conducted with Gibela with participation of the Rail Safety Regulator.
- Special Needs representatives participation planned for end November 2014;

▪ **Local Factory Establishment**

- Town Planner appointed to prepare support documentation for application to establish Local Factory at Dunnottar Park incl. township establishment and Environmental Impact Assessment
- Planned handover of site to Gibela for construction: February 2015

- Current Signaling: Only 14% not exceeded design life; obsolete technology; challenge with maintenance and spares

• Signaling Renewal (1/2)

- Commencing immediately with building blocks towards envisioned signaling system (in cab):

- Replace current signaling (interlocking).
- New train control centres.
- Increase operational safety, capacity and train performance.
- Align first phase signaling installation with new rolling stock delivery program.



- Phase 1: ± R7 billion

ACTION	COST (Rbn)	ANTICIPATED COMPLETION
Gauteng 1	R1.1	11/04/2016
Durban region	R1.8	13/05/2018
W Cape region	R2.8	22/05/2018
Gauteng 2	R2.7	30/06/2020

Site Progress (2/2024)



GNC Construction



New Signal Points



Cable Trench

PROGRESS ON KEY PROJECTS

National Signalling Upgrade Programme

- Significant progress with integration of Gauteng 1 & 2 scope of work
- Gauteng Nerve Centre: 60%
- Re-signalling work Gauteng: 11%
- Overall work
 - KZN region is at 13,2%
 - Western Cape Region at 12%



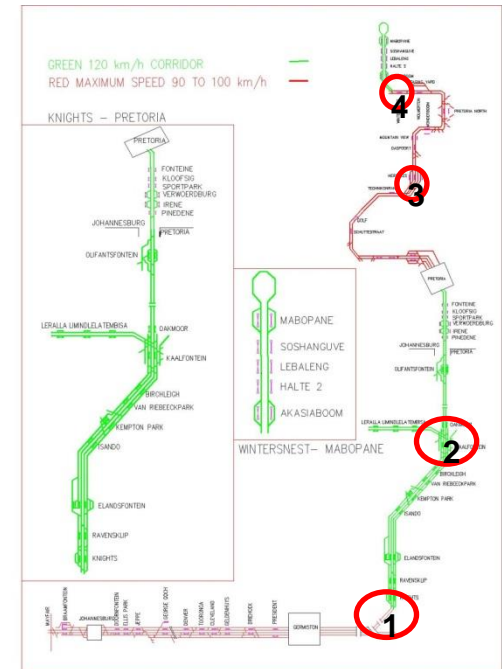
PROGRESS ON KEY PROJECTS

Corridor Modernisation: Depot Modernisation

- To cover current fleet and new full fleet deployment by 2034
- Five depots: Braamfontein, Salt River, Wolmerton, Springfield & Durban
- Priority sites: Braamfontein, Salt River & Springfield Admin Building
- Long lead items identified and procurement strategies explored



- The upgrade of line speeds for PRASA network to 120km/h (160km/h for express trains on priority lines where possible)
 - Pretoria to Germiston Section to be prioritised (Pta – Jhb Express: ±20min saving)
- Replacement of rails, turnouts, sleepers etc.
- Drainage upgrading, ballast screening, refurbish rails via grinding,
- Re-alignment of track and capacity improvements
- Upgrade of OHTE and Traction Substations
- MTEF – R1.6bn



Sleeper & Rail Replacement Machine



Catenary Maintenance Vehicle



PROGRESS ON KEY PROJECTS

Corridor Modernisation: Stations

- 27 stations in various stages of development (4 co-funded projects)
- 15 stations prioritised to start construction in 2014/15 with 1 station Phillippi at construction phase.



- Key Objective
 - To restructure the Property portfolio so that it could generate over R1 billion per annum over the next 5 years and beyond, versus current R350 million
- Real Estate Strategy
 - 1 655 Developmental Leases valued at R6 billion & generating some R700 million in revenue per annum
 - Strategy focuses on high-yielding leases that brings the Maximum Income
 - PRASA to buy back between 2 to 5 DL per annum

PROGRESS ON KEY PROJECTS

Real Estate Strategy:

- Acquisition of high income development leases:
 - 9 development leases completed in 2013/14 realising R120m per annum. 3 Development leases being finalised
- Commercialisation to enhance ability to generate revenue from key strategic property assets
 - Parade concourse and infill deck on Cape Town station due for occupation December 2014; Park station improvements: bus ticket area and car Hire relocation – completion end of financial year
 - Projects 2015/16: Durban Station warehouse; Saulsville station development





PROGRESS ON KEY PROJECTS

- PRASA 5 point Service Improvement plan
 - Revised train service successfully implemented in Gauteng, KZN and Western Cape;
 - Additional train trips introduced during peak services in response to the overcrowding of trains.
 - Infrastructure improvements in rail:
 - Additional R500m added to Capital Improvement Programme to improve conditions of assets posing a threat to safety and crippling daily operations:
 - Realignment of track via screening and tamping to eliminate speed restrictions
 - Refurbishment and replacement of rails, turnouts, ballast, sleepers to ensure safety of train movements and minimize derailments
 - Construction & rehabilitation of drainage systems



MLPS TURNAROUND STRATEGY

- MLPS, in its current form, is unsustainable
- It should be restructured to be more effective and relevant to the travel demand and experience of the people
- MLPS will require R1.2 bn, comprising R600 million in subsidies and R600 million in fare revenues.
- PRASA to focus on 8 Regional-Type Services for MLPS with 6 in 2014/15

PROGRESS ON KEY PROJECTS

Moloto Corridor:

- Joint inter-governmental initiative: Department of Transport, PRASA, provincial governments of Gauteng, Limpopo and Mpumalanga & District municipalities of Nkangala, Sekhukhune, Metsweding and Tshwane Metro.
- Department of Transport has handed over the project to PRASA in August 2014 and all project documentation has been made available to PRASA.
- Drafting of the Terms of Reference for Transaction Advisory Services for the design & implementation phase of the project is currently underway.



PROGRESS ON KEY PROJECTS

MLPS Turnaround:

- Implementation plan focus on five pillars
 - Cost cutting measures through rationalising
 - Business development initiatives to increase demand
 - Regionalisation
 - 6 Priority routes:
 - Johannesburg – Mafikeng
 - Pretoria – Polokwane
 - Polokwane – Nelspruit
 - Johannesburg – Nelspruit
 - Bloemfontein – Kimberley
 - Pretoria - Pienaarsrivier
 - Focus on tourism market
 - Business reengineering.

HIGH SPEED RAIL

- High-Value Technology
- Competitive to Air-Travel
- Unlock the Value of Key Corridors, Incl. Rural Areas
- Job Creation – High Maintenance Requirements
- Moloto Rail Corridor as a High-Speed Project
- PIMO for Moloto to be established within PRASA

HIGH SPEED RAIL

- Bold Plan for High-Speed Rail In RSA and SADC
- Clarity on **Key Policy Issues** is Vital:
 - Ownership of Rail Assets, Access, etc
 - Enforceable access
 - Availability and Quality of Network
 - Maintenance vital
- Separation of assets between Transnet and PRASA
- Service Level Agreements that are enforceable

TOWARDS A NEW BUSINESS?

- The Rolling Stock Fleet Renewal Programme (RSFRP) is the Platform to create a New Business.
- RSFRP will be the Catalyst for Transforming Commuter Rail in the Country.
- RSFRP will create the conditions for the emergence of Integrated Public Transport, with Rail Fulfilling the Role of “Backbone”.

TOWARDS A NEW BUSINESS?

- Current Strategy remain largely relevant for the next 3 years.
- However, on its own, the RSFRP, together with Re-Signalling and Infrastructure Modernization are not sufficient to transform rail services.
- A detailed Operational Strategy, Enhancement of Internal Organizational Capability and Strategy for the Deployment of New Trains are key to success

- Transforming the Organization
 - Existing Organizational Structure Reviewed
 - Values
 - Skilling PRASA for Modernization
- Remuneration Philosophy
- Training and Development Plan
- Leadership Development
- Change Management Programme
- Establishment of a Rail Academy/Centre of Excellence

Some Key Risks and Strategic Responses

- Decline in Capacity of Rail Services.
- Failure to Manage Service Expectations, resulting in Commuter Backlash and Destruction to Key Assets.
- Disruptions of operations due to violent Community Protests
- Fluctuations in Rates of Exchange resulting in the Failure to deliver on Key Projects and the PRASA Strategy. (Currency Risk)



Some Key Risks and Strategic Responses

- Failure to Effectively Manage Rolling Stock and Infrastructure Modernization Programmes
- Lack of appropriate Skills/Capacity resulting in Failure to Manage the Integration and Maintenance of Technologies.
- Inability to Generate Adequate Income from Operations
- Failure to Finance key Aspects of the Real Estate Strategy (Funding Risk)
- Low staff productivity resulting in poor performance



Some Key Risks and Strategic Responses

- Weak Financial and Internal Controls, resulting in losses that will affect the financial position of the business.
- Failure to reduce/ eliminate injuries and fatalities due to poor Safety Management
- Inability to integrate PRASA Strategy with Transport Authorities
- Corporate Governance Failures resulting in Poor Business Performance



PROGRESS ON SKILLS

Capacity Building:

- Progress as at end July 2014
 - 146 Technical Staff in training
 - 1138 learnerships in progress
 - 548 bursaries inclusive of students at tertiary institutions and internal part-time bursaries.



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OF SOUTH AFRICA

THANK YOU