

# Corporate Plan 2021 - 2024

Be moved



**prasa**

PASSENGER RAIL AGENCY  
OF SOUTH AFRICA



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# PART A: Strategic overview

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## 1 VISION

*To be a recognized provider and manufacturer of safe and reliable rail and bus public transport services and products.*

## 2 MISSION

*To provide safe, reliable, affordable commuter rail, long-haul passenger rail and long-haul inter-city bus services.*

## 3 VALUES



The behaviour descriptors for the values are as follow:



**We practice Fairness and have Integrity**  
We treat our customers and our colleagues the same as we would like to be treated

**Fairness and Integrity**



**We practice Service Excellence**  
We provide a service that meet and exceed customer expectation

**Service Excellence**



**We Communicate effectively**  
We share information and communicate professionally with colleagues, customers and relevant stakeholders in an open and honest way

**Communication**



**We are a Team**  
We work in collaboration with our colleagues achieve customer excellence a common goal and recognizing each other's strengths and contribution.

**Teamwork**



**We prioritise Safety**  
We ensure that we work safely and our customers and colleagues are safe

**Safety**



**We are Performance Driven**  
We are performance driven while we provide high levels of customer service to enable PRASA to realise its vision of a great customer experience.

**Performance Driven**

## 4 LEGISLATIVE AND OTHER MANDATES

### 4.1 Legislative mandate

PRASA, a Schedule 3B National Government Business Enterprise, reporting to the Minister of Transport, derives its mandate from the Legal Succession Act to The South African Transport Services Act, 9 of 1989, as amended.

The main objective and main business of PRASA is to:

“Ensure that, at the request of the National Department of Transport, rail commuter services are provided within, to and from the Republic in the public interest and provide, in consultation with the National Department of Transport, 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 Act (2000) (Act no 22 of 2000, as amended).

The second objective and secondary business of PRASA is that it shall generate income from the exploitation of assets acquired by it.

A further requirement is that, in carrying out its objectives and business, PRASA shall have due regard for key Government social, economic and transport policy objectives.”

### 4.2 Governmental plans, policies and legislation informing the Corporate Plan

#### 4.2.1 Economic, Recovery and Reconstruction Plan of 2020

The South African Economic Reconstruction and Recovery Plan (SAERRP) is aimed at the recovery of the South African economy through stimulating equitable and inclusive growth. This plan also seeks to tackle unemployment and inequality. Passenger and railway transportation are central to enabling communities of South Africa to access employment opportunities. As the economy recovers from COVID-19, PRASA's ability to provide effective and efficient transport system to commuters and passengers is pivotal for economic growth and in eradicating poverty and unemployment.

The communities of South Africa on the other hand have an opportunity in protecting PRASA assets through PRASA's People Responsibility to Protect (PR2P) programme that seek to make the responsibility of protecting PRASA assets a People's responsibility while PRASA provides adequate protection of assets, customers and employees.

The SAERRP's three phases, engage and preserve; recovery and reform; reconstruct and transform has a direct link to PRASA where PRASA has to ensure continuous protection of employees through compliance to various health and safety legislation as well as COVID-19 guidelines; rehabilitation of the rail network to enable recovery of the corridors (infrastructure and stations) and fleet modernization while embracing transformation objectives.

PRASA through its core, stabilize and sustain strategic choices will embrace the South African Economic Reconstruction and Recovery Plan priorities of:

- Aggressive infrastructure development through spending its capital budget in line with our planned capital programmes of infrastructure rehabilitation and renewal, fleet recovery and renewal and station modernization and precinct development. Critical to enable and sustain investments is progressive and preventative maintenance capacity to timeously maintain our fleet, infrastructure and stations.
- Employment orientated strategic localization through employing from local communities where skills exists and allowing communities to create co-operatives that will allow them to participate in the reconstruction of PRASA. The PR2P programme of protecting our assets, commuters and employees also plays a pivotal role in creating employment in local communities.
- Gender equality and economic inclusion of women and youth through the PRASA Employment Equity Plan.

PRASA has identified in the South African Economic Reconstruction and Recovery Plan the following enablers:

- Social compacting as an enabler for successful implementation of the plan. PRASA embrace partnership with local communities through signing Memorandum of Understanding (MOU) with recognized community structures like the South African National Civic Organization (SANCO).
- Skills Development through creating our own capacity in core and critical skills while repositioning our workforce to embrace the new ways of work through various learning and development programmes.

The recovery and investment plan of PRASA also places commitments on the Department of Transport, in line with the SAERRP to develop a strategy for sustainable funding of rail infrastructure. This commitment aligns with on-going work to develop a sustainable funding model for PRASA.

#### 4.2.2 National Rail Policy White Paper of 2017

The National Rail Policy, white paper of 2017, submits an entire suite of investment and institutional interventions envisaged to be completed by 2050 to revive and revitalize rail transport in South Africa. Remedial interventions in the policy will focus on infrastructure investment interventions to enhance rail's inherent competitiveness and enabling interventions to alter institutional arrangements to ensure that rail functions effectively in delivering its share of the national transport task.

Funding of both freight and passenger rail as per the National Rail Policy, white paper recognize that present sources are inadequate, and government will ensure that additional sources are tapped. As in other rail systems, government will take responsibility for infrastructure funding, while train operators will fund their own rolling stock. The white paper also foresees involvement of private sector participation in infrastructure and rolling stock. In essence the paper is to stimulate railway renaissance in South Africa.

In terms of urban rail (Metrorail operations), the intention is to devolve and assign this function to local government, an initiative that will integration into other local transport initiatives. The white paper sees PRASA's future role after devolution of urban rail, as the provider of long-distance and high-speed

services. Long distance services are to be delivered by the most economically advantageous mode, by bus or by train.

The Department of Transport will drive the overall rail revitalisation intervention, in conjunction with Department of Public Enterprises, PRASA, Transnet, a transport economic regulator, the Railway Safety Regulator, provincial governments and local governments. Department of Transport will manage the intervention through a National Rail Master Plan.

#### 4.2.3 Public Transport Strategy of 2007

The public transport strategy resulted in the consolidation of the passenger rail sector and the roll out of the national rail plan in short- to medium-term. The strategy focused on 3 phases from 2007-2010 – driven by the preparations for the 2010 Soccer World Cup, phase 2 from 2010-2014 to promote and deliver basic networks and 2014 – 2020 to advance and sustain accessible networks. The strategy addressed both urban and rural system requirements with an emphasis on urban areas. In the Public Transport Action Plan, a high-level plan that supplements and supports the Public Transport Strategy

The envisaged outcomes for rail in Phase 1 was to improve service levels with increased frequencies and reliabilities, improved rail infrastructure, including the removal of capacity limiting bottlenecks, improved signalling capability, enhanced levels of security and accessibility associated with the station precincts within A and B corridors.

The strategy provided the impetus for key modernization of Rail namely the replacement and upgrading of the signalling systems as well as the Rolling Stock Fleet Renewal Programme.

#### 4.3 Legislation specific to Transport

The Legal Succession Act to The South African Transport Services Act, 9 of 1989, as amended

The National Land Transport Act (Act 5 of 2009)

The National Rail Safety Regulator Act (Act 16 of 2002)

#### 4.4 Priorities of National Development Plans and 6<sup>th</sup> Administration:

The imperatives from government and stakeholder for PRASA from the National Development Plan and priorities of the 6<sup>th</sup> Administration that was considered are

- Provision of public transport solutions that respond to the needs of travelers.
- Provision of reliable, safe, and affordable transport
- Improving accessibility and connectivity to marginalized communities.
- Provision of public transport development solutions for rural communities



- Supporting economic growth and spatial development through the provision of access to major employment areas.
- Contributing to emissions reduction and cleaner cities.

## 5 SITUATIONAL ANALYSIS

### 5.1 Performance Environment

During the latter part of 2019 the former PRASA Board of Control decided to terminate private security contracts that were deemed irregular and unlawful by the Public Protector. The termination of contracts contributed to a spike in crime perpetrated against PRASA Assets and Infrastructure even though incidents were experienced during the tenure of private security as well.

In November 2019, **Metrorail** was forced to suspend services in the Western Cape on the Central Line between Cape Town to Kapteinsklip and Chris Hani and Cape Town to Bellville via Sarepta, due to extensive overhead traction cable theft and infrastructure damage. Sustained overhead and signalling infrastructure vandalism and theft prevented the reinstatement of train services and in February 2021 a limited service up to Langa was introduced with 17 train trips per day of which 8 trips are in the morning peak and 9 in the afternoon peak.

In Gauteng, in December 2019 services on the Mabopane to Pretoria corridor, was suspended due to extensive theft and vandalism of the railway infrastructure as well. The lines affected are Mabopane to Pretoria, DeWildt to Pretoria, Mabopane to Belle-Ombre and DeWildt to Belle-Ombre. Assets that have been vandalized in the corridor includes train stations, power supply systems such as Overhead Traction Equipment (OHTE) and signalling systems. Limited services of 6 train trips per day, 3 for the morning peak and 3 for the afternoon peak were introduced in November 2020 with diesel traction.

The declaration of a National State of Disaster, on 15 March 2020 and the lockdown from 26 March 2020, due to the COVID-19 pandemic resulted in all commuter rail services (Metrorail), all long-distance rail services (Mainline Passenger Services) and Autopax bus operations were prohibited for the duration of the lockdown at level 5. This resulted in a total loss of fare revenue for 3 months.

Crime increased exponentially after the announcements with unprecedented destruction of the national PRASA rail network. The dire state of the socio-economic situation with the increased rate of unemployment, together with the encroachment of informal settlements onto the operational tunnel are amongst the factors that further exacerbate and contribute towards the increased rate of incidents. This coupled with the open nature of the PRASA rail network, contributed to easy access of criminal elements to the operational tunnel which provided an ideal environment for opportunistic criminal activity.

Service resumption, in Metrorail commenced on 1 July 2020 in limited corridors with only peak services (Western Cape, Gauteng, and Eastern Cape) and peak and off-peak services (KZN) with less than 25% of the normal capacity of train sets. Only five of forty-six corridors commenced with limited trains scheduled. To maintain social distancing as required, initially only single tickets were sold limited to a specific number per corridor commenced. The capacity per train has been increased to 70% with level 2 and adjusted level 3 regulations of the lock-down. During July 2020, the first month of service resumption, only 171 472 passenger trips were recorded for the month. This increased to a high of 986 839 passenger trips in October 2020. This is in stark contrast to the 13 million passenger trips on average for the months April to October 2019<sup>1</sup>. Integrated plans between the various Divisions of PRASA have been developed to enable Metrorail to resume services in a phased approach based on priority corridors during 2020/21.

**Mainline Passenger Services (MLPS)** has started in November 2020 for the Eastern Cape and the Western Cape to Gauteng in time for the peak holiday season. The rest of the services are hamstrung by the unavailability of locomotives to resume the service and a tender to lease locomotives in the short term has been delayed. The rollout of the full service in other routes will commence in April 2021. The market for discretionary travel for this period remained constrained as result of economic decline and increased unemployment in South Africa. Mainline Passenger Services recovery continue in 2021/22 and are premised on the leasing of reliable locomotives in the medium term.

**Autopax** finds itself in a financially and operationally distressed state. Due to major cash flow challenges to sustain the business, there is a high number of the buses that are parked due to mechanical breakdowns. The cash flow constraints have also contributed hugely to a poor fleet maintenance regime leading to unreliability of services. This resulted in unacceptable low levels in passenger numbers, contraction in market share and reduced revenue collection. The external creditors' book has increased to the level that threatens the continued trading of the company. The National State of Disaster and lockdown regulations aggravated the already dire position of Autopax.

Autopax operations only resumed during Level 3 of the lockdown where limited inter provincial travel was allowed. Limited trips only started July 2020 at 50% loading capacity and only passengers with a travel permit could travel. This improved at level 2 and Autopax could operate at 70% loading capacity and the permit requirement was removed. Due to no revenue generated, buses were not repaired during the lockdown from end March to June 2020. Cash resources have been and will continue to be a challenge in getting the full fleet back into operation in the foreseeable future, thereby resulting in fewer trips being undertaken and fewer passengers being transported.

Passenger uptake of bus services has been low because of social distancing on public transport as well as economic decline with limited discretionary travel by passengers hard hit by unemployment and loss of

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<sup>1</sup> The passenger trips post October 2019 declined dramatically as result of the suspension of Central Line and Mabopane Corridor.

income. The focus of the subsidiary in the peak holiday season in December 2020 to January 2021 was to release more buses to recover some of the revenue lost for 2020/21. However due to the higher-level of COVID-19 restrictions in place during the festive period passenger demand remained depressed and was lower than expected. Autopax adjusted its schedules to optimize revenue and to render service on high passenger demand routes.

In PRASA Corporate Real Estate Solutions (CRES) rental income with only essential businesses allowed to operate negatively impacted revenue performance. Advertising income was negatively impacted by cancelled campaigns due to a lack of audience at the stations. Parking Income and bus billing was also negatively impacted with no bus operations and limited services at stations under level 4 and 3 lockdowns. With the limited and phased resumption of services the environment for tenants and informal traders remain constrained as not all stations are re-opened as well as the lower volumes of passengers at stations.

The COVID-19 pandemic also impacted the following mega-projects in execution:

#### **Rolling Stock Fleet Renewal Program**

The Local Factory of Gibela the main contractor, was shut down during Level 5 of the lockdown and operated with limited capacity during lockdown level 3 and 4. Gibela's supply chain, both locally and internationally have also been severely impacted by the COVID-19 pandemic. Although 20 train sets were provisionally accepted to date, the target for 35 for 2020/21 will not be achieved. Gibela is attempting recovery of the delivery through increasing manufacturing activities. However, the COVID-19 pandemic will mean that the recovery of the train programme will only occur in later years, as both Gibela and suppliers will be unable to increase production past 5 trains a month. PRASA and Gibela are currently reviewing the delivery programme extension.

#### **Signalling Replacement Programme**

Delays experienced were due to unprecedented increase in theft and vandalism issues as well as community unrest problems. Delays are also experienced in Western Cape due to health, safety and security issues. The lockdown resulted in a minimum of 3 months' further delay with implementation. Proposals such as casting concrete around cables to mitigate against theft of cables that are not in the scope of work for suppliers, are considered to protect the installations. The state of the infrastructure resulted in Metrorail regions not granting occupations to for teams to work on the rail network. Due to the vandalism and theft, all installations have a high probability of re-work after completion.

## **5.2 Ministerial directives for PRASA**

The Minister of Transport appointed a Board of Control on 27 October 2020. With the appointment of the Board stabilization can be achieved and a good basis to develop an effective turnaround plan. The turnaround plan will be taking into consideration the 9-point plan, the directives of the Minister of Transport to the Board of Control, the President's SONA

The Black Swan event of COVID-19 of 2020 worsened the underlying challenges facing PRASA and the recovery of PRASA is likely to be drawn out as commuters and passengers remain affected not only as result of the regulations around the pandemic but also the economic impact of unemployment and loss of income.

The service levels PRASA provided on commuter trains, long haul passenger train services and buses reached an all-time low in 2019/20. The Minister of Transport placed PRASA under administration and appointed an Administrator in December 2019. The mandate of the Administrator was provided in the following 9 points that was linked to 5 strategic objectives for 2020/21 MTEF as follow:

Mandate from Minister of Transport	Strategic Objective in 2020/21 Corporate Plan
1. Undertake a review of PRASA's organizational design and business model	Revenue Enhancement and Cost Containment
2. Addressing all matters raised in the Auditor-General's report and ensure that there are no repeat findings.	Governance
3. Attend to issues that require engagement with Transnet in order to unlock blockages that negatively affect operations	
4. Ensure effective consequences management and provide support to investigations currently underway by law enforcement authorities	
5. Accelerating interventions aimed at improving operational performance.	Service Recovery
6. Build capacity to support interventions aimed at recovering the system by establishing requisite supplier panels through competitive bidding or other means permissible.	
7. Security interventions across all corridors	Safety and Security Management
8. Expedite implementation of the modernization programme, with priority focus on fencing, signalling, perway and station upgrades.	Capital and Modernization Programme Acceleration
9. Urgently develop capacity to manage PRASA's capital programme, working with other state entities in the short term.	

Progress made in 2020/21 on the 9 points:

1. The organizational design was reviewed. A shared services model for support departments (Human Capital Management (HCM), Supply Chain Management (SCM), Finance, Operational Safety and ICT) is in progress for implementation from 2021/22. Work on an operational corridor approach in operations aligned with the capital programme is envisaged going forward.
2. The Auditor General raised another disclaimer on the 2019/20 audit conducted during the current financial year. A special task team that focuses on addressing matters of emphasis, other

significant matters, irregular expenditure, and fruitless and wasteful expenditure have been put in place in November 2020. A year later the Minister also emphasised this to the Board of Control appointed on 27 October 2020.

3. Operational blockages with Transnet, although addressed during the year, was also impeded by the impact of COVID-19.
4. The investigations by the Special Investigation Unit (SIU) is nearing completion. Consequence management through this process as well as investigations by the Hawks made good progress. External law firms have been appointed to manage all the disciplinary processes, with external Initiators and Presiding Officers to ensure objectivity in the process.
5. The improvement of operational performance and acceleration of the modernization programme remains a key focus as part of this Corporate Plan. Following the COVID-19 lockdowns in Quarter 1, several tenders were advertised and evaluated for award to recover the operations such as new General Overhaul Contracts, long terms contracts for maintenance components, material, and maintenance services.
6. Capacity initiatives utilising other state entities have been pursued for security contracts, repairs to corridors vandalized through Transnet and uniforms for security staff (Protection Services) as examples.
7. The revised Security Strategy, due to the rampant vandalism and theft, was approved in August 2020 leaning more towards integrating technology with human deployment. The process of insourcing security staff made good progress with 2133 recruited by December 2020. This as well as other security interventions are having a positive impact of the number of asset related crime incidents that shows a consistent downward trend to levels lower than 2017/18. Fencing and walling have been elevated as part of the Security Strategy revealed during 2020/21 to protect the rail system of theft and vandalism as well as protection of employees and security staff.
8. Modernization programmes such as Depot Modernization have been a focus for tendering and awards this programme is expected before the end of the current financial year.
9. Capacity to address skills shortages in maintenance and capital projects are receiving attention and is included in this Corporate Plan.

#### 5.2.1 Directives for Board of Control

The Minister highlighted the focus areas for the Board of Control in December 2020 as

1. Implementation of Security and Asset Protection Strategy and Plan.
2. Merger of PRASA CRES and Intersite.
3. Integrate Autopax as a division of PRASA.
4. Resolution of the locomotives acquisition from Stadler Rail.
5. Ensuring the General Overhaul of the Rolling Stock; and
6. Ensuring Implementation of the Presidential Directive on the roll-out of the rehabilitation of the Central Line in Cape Town and the Mabopane to Pretoria Line in Gauteng.

### 5.3 World Bank Analysis of PRASA Strategy

National Treasury engaged the World Bank to provide technical and financial support to PRASA in August 2020. The World Bank reviewed ongoing challenges in the recovery of PRASA, undertook appropriate high-level diagnostic, and outline key next steps for PRASA's recovery.

The report received in November 2020 indicated that PRASA faces an unprecedented challenge in addressing the wave of theft, vandalism and wanton destruction, a challenge that has been exacerbated by the impact of the COVID-19 pandemic. The Bank indicated that the restoration phase requires a clear mandate, a defined and attainable timeline, a focus only on those key areas necessary to restore priority services in a safe, reliable, and affordable manner.

The report stated that the scope of the current recovery planning is too broad despite the statement that the recovery planning from most divisions, was sound. "Taken as a whole, it would be unrealistic of the organization to satisfy all the specified objectives in the timeframes suggested even in normal times" The Bank indicated that due to unprecedented nature of the challenge, especially the dire situation in which PRASA operating, a far greater managerial focus on defined priority actions and the postponement of some less critical areas.

Other areas of proposed improvement the bank highlighted as laudable, but possibly not a priority in their view were:

1. CRES and Intersite activity, except that related to the operational restoration of Metrorail stations.
2. Enhanced and integrated ticketing systems.
3. Improvements to IT systems.
4. Structural changes to the organization.
5. MLPS service re-introduction; and
6. Corridor expansion plans.

In terms of the long-distance services, MLPS and Autopax, it was indicated that given the declines in traffic over the last ten years, a credible recovery plan should be based on a robust analysis of the market, consideration of a market failure that justifies service provision by the public sector, and any social or economic benefits generated using public money required.

PRASA has considered the inputs from the World Bank and planning on the recovery has been streamlined between Rail, Technical and CRES divisions. In addition, the security plan of PRASA, also highlighted by the bank as a foundation of the recovery plan includes the

1. Insourcing of 3100 security personnel, trained to protect the assets, and commuters.
2. Deployment of a cutting-edge security initiatives including electronic guarding of assets using remotely piloted aircraft systems, infrared beams for intrusion detection, pain threshold audio deterrent, and visual fogging of targeted facilities; and
3. The construction of walling to prevent access to restricted areas.

## 5.4 Overview of status of the organization

The nature and complexity of the problems in PRASA is characterised by:

- People, asset and infrastructure protection
- Inadequate maintenance regime and quality of maintenance work and planning
- Delayed modernization program in Improving passenger and rail experience
- Decline in Customer and Stakeholder Confidence
- A complex Operating Model
- An inefficient and ineffective procurement process and capital programme execution
- Collapse of the Commuter and Passenger Services for both rail and buses
- Poor Financial position
- Asset transfer from Transnet and re-negotiation of network access and charges with Transnet Freight Rail

The strategy for the MTEF and MTSF was developed within a context of:

- The global COVID-19 pandemic
- Stagnant global and national economic growth
- A constrained fiscus
- Degraded performance and thus struggling to meet the PRASA mandate.
- Rampant vandalism, theft and destruction of infrastructure before and escalation during the introduction of lockdown levels due to COVID-19
- Limited capacity and capability to deliver on key programmes
- Successive unqualified audit opinions and disclaimers in 2018/19 and 2019/20 Financial year.

#### 5.4.1 SWOT Analysis for PRASA

An assessment of PRASA's environment in terms of Strengths, Weaknesses, Opportunities and Threats (SWOT) are as follows:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Continued support for PRASA Modernization programme through capital grant provision</li> <li>• Shared Service model supported by management and Board</li> <li>• Commitment of staff to improve the operations of PRASA</li> <li>• Board Stability and leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Declining revenue and rising cost of doing business</li> <li>• Personnel costs are the largest cost element at 52%</li> <li>• A decline in customer and stakeholder confidence</li> <li>• Inadequate maintenance regime and poor quality of maintenance work and planning</li> <li>• Procurement processes that have long lead times</li> <li>• High cost per passenger transported</li> <li>• Lack of information systems (aged and obsolete systems)</li> <li>• Technical capacity to implement capital programme and engineering function (maintenance)</li> <li>• Disconnect between strategy development and strategy implementation</li> <li>• Limited in-house capacity and capability</li> <li>• Irregular Expenditure management</li> <li>• Open network that facilitate vandalism and theft, fare evasion and trespassing in restricted areas with public fatalities.</li> <li>• Public claims against PRASA</li> <li>• Poor asset management and verification</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Asset transfer from Transnet and re-negotiation of network access charges with Transnet Freight Rail</li> <li>• People, Assets, Infrastructure and Protection</li> <li>• Improving passenger rail travel experience through depot and fleet modernization.</li> <li>• Improve customer and stakeholder confidence</li> <li>• Appoint transactional advisors and technical capacity for mega projects</li> <li>• Partnership with other State-Owned Entities (SOEs)</li> <li>• Review organizational design and Business Model</li> <li>• Inventory management</li> <li>• Build Core competencies</li> </ul>	<ul style="list-style-type: none"> <li>• Theft and vandalism</li> <li>• Continuous failures to respond to the needs of our customers</li> <li>• One-year Operating Permit</li> <li>• Historical debt</li> <li>• Illegal occupation of PRASA Land and Reserves</li> <li>• Inability to execute capex</li> <li>• Commensurate Opex to support capital programme</li> <li>• Legal challenges</li> <li>• High number of employees in the risk pool</li> <li>• Payment of creditors</li> </ul>



#### 5.4.2 PESTLE ANALYSIS

Analysing the Political, Economic, Social, Technological, Legal and Environmental environment reveals the following:

<b>POLITICAL</b>	<b>ECONOMIC</b>
<ul style="list-style-type: none"><li>• Political support for passenger rail effectiveness and reliability</li></ul>	<ul style="list-style-type: none"><li>• Economic growth remains stifled between 0,5% and 2%</li><li>• Rebuilding Passenger Rail Transport in South Africa – post COVID-19</li><li>• Insufficient / unstable electricity supply</li></ul>
<b>SOCIAL</b>	<b>TECHNOLOGICAL</b>
<ul style="list-style-type: none"><li>• Migration of rural migrants to cities</li><li>• Safety and security concerns for passengers need to be addressed</li></ul>	<ul style="list-style-type: none"><li>• The current rail system is outdated and faces signalling challenges which affects operations.</li><li>• Cyber attacks</li><li>• Data fraud and theft</li><li>• Disruptive technologies</li></ul>
<b>ENVIRONMENTAL</b>	<b>LEGAL</b>
<ul style="list-style-type: none"><li>• Rail transport has a lower GHG<sup>2</sup> emission.</li><li>• Extreme weather events</li><li>• Modal shift from road to rail can reduce the number of road accidents.</li></ul>	<ul style="list-style-type: none"><li>• Legislation facilitating rail transport is Legal Success Act and the Rail Safety Regulator Act.</li></ul>

The context, nature and complexity of challenges, the risks for the country, PRASA, SWOT and PESTLE analysis lead PRASA to make three key choices for the organization for this MTEF:

- a. Getting the core of the PRASA business, Metrorail to work, shifting the needle, is the first choice
- b. Sustainable infrastructure through depot upgrades, station improvements and Modernization, as well as corridor fencing is the second choice.
- c. The employee is the third choice with the focus on a performance culture.

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<sup>2</sup> GHG: Greenhouse gases

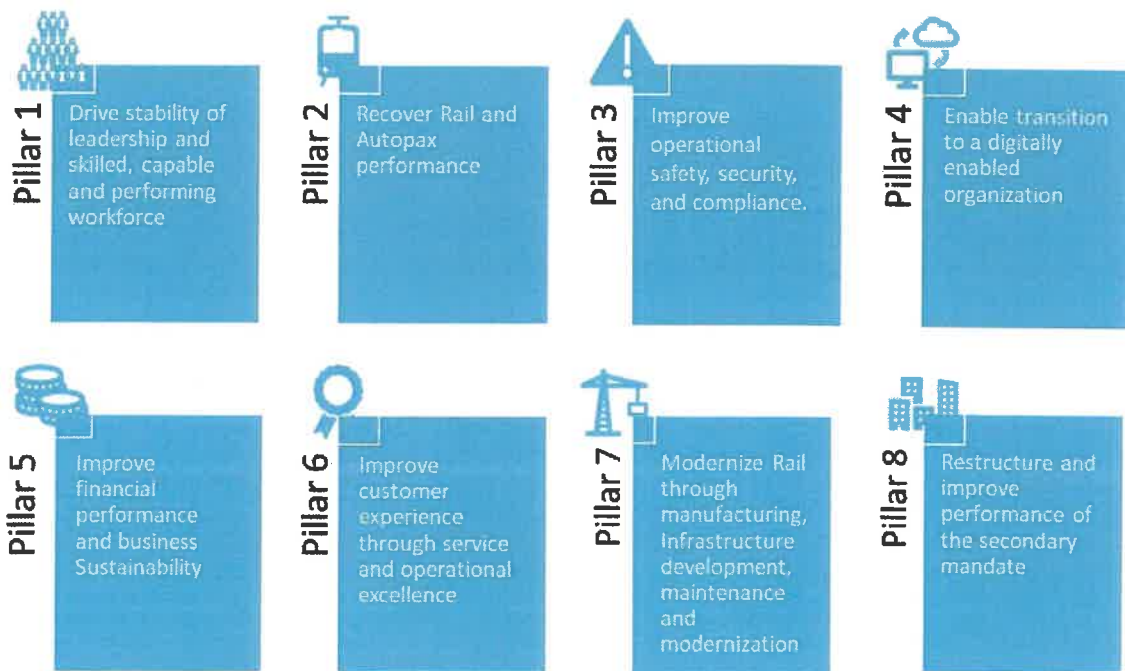
## 6 PRASA'S GAME PLAN 2021/22 – 2023/24

### 6.1 Strategic Intent

PRASA's strategic intent is through the high-level strategic pillars to be recognized as a provider and manufacturer of safe and reliable public transport services and products

The pillars below are the high-level objectives that defines the areas of activities and initiatives that will direct PRASA to achieve its long-term goals.

### 6.2 Pillars of the strategy:



### 6.3 Key Measures to track and achieve over five years

Measure	Baseline 2019/20	2021/22	2022/23	2023/24	2024/25	2025/26
R 63.5 billion Capital investment spend	R2.4 billion	R 9.7 billion	R 12. 6 billion	R 12. 9 billion	R 13. 7 billion	R 14. 5 billion
R15.3 billion revenue generated from Operations	R1.8 billion	R2.0 billion	R2.8 billion	R3.3 billion	R3.5 billion	R3.7 billion
85% Network availability by 2025/26	New indicator	60%	65%	75%	80%	85%
Fleet Availability (old fleet) - 260 train sets available for service in 2025/26	110	193	210	230	250	260
15% reduction in personnel costs (non- core skills)	52% as % of OPEX	47% as % of OPEX	44% as % of OPEX	41% as % of OPEX	39% as % of OPEX	37% as % of OPEX
350 million Metrorail passenger trips by 2025/26	132.7 million	69 million	238 million	311 million	330 million	350 million
468 000 Main Line Passenger Services passengers by 2025/26	206 k	183k	387k	417k	442k	468k
2.6 million Autopax passengers per annum by 2025/26	1.480 million	1.96 million	2.435 million	2.480 million	2.530 million	2.606 million
Autopax revenue increase to R969 million by 2025/26	R425.6 million	R 565.8 million	R 783.8 million	R 830.8 million	R 889.0 million	R 969.0 million

Other indicators of performance over the period will be

- Seven (7) main rolling stock depots modernized to adequately accommodate new Electrical Motor Unit (EMU) train fleet
- On-time arrivals and departures significantly improved
- Business effectiveness through a fit for purpose operating and organizational structures
- Improved employee and customer experience
- Network, people, and assets fully protected

## 7 STRATEGIC PILLARS

The pillars reflect PRASA's strategic objectives over the MTEF period and the detail of strategies that will be pursued are provided.

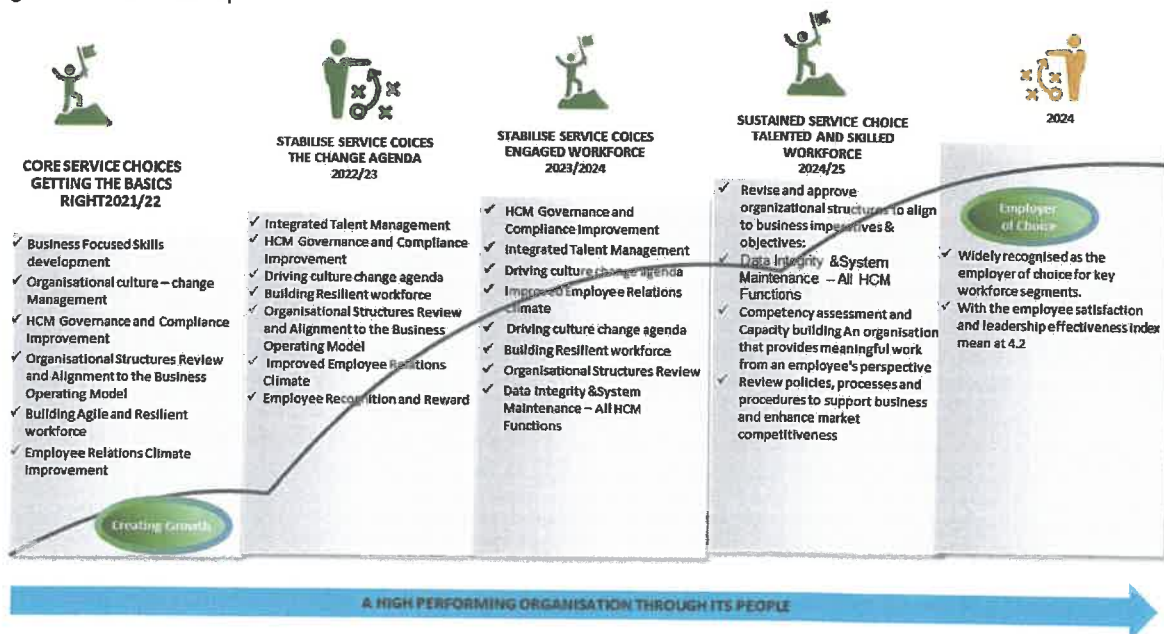
### 7.1 Pillar 1: Drive stability of leadership and skilled, capable and performance workforce

#### 7.1.1 HCM Roadmap Alignment

The interventions recommended in the HCM Roadmap, include but are not limited to:

- Operating Model alignment to optimize structures to deliver on the mandate.
- Centralisation of support functions through shared services.
- Strengthening the roles of regions and adoption of a holistic corridor improvement approach to Capital project planning.

Figure 1: HCM Roadmap



#### 7.1.2 Our Culture: Value Proposition

##### Instilling the right organizational culture to build the PRASA We All Want

Our change initiatives to drive a culture of high performance in the organization will be anchored and focused on the following areas:

- Develop leadership behaviour / competency that aligns with the desired culture.

- Improve **upward and downward communication** – by re-activating “Top 300” Leadership forums and establishing Employee Appreciation Forums.
- Create and support a culture that **values creativity and innovation**.
- Empower employees to make **decisions within boundaries of their delegated authority** - Assess and revise current practices regarding delegations of authority.
- Integrate **corporate values and leadership competencies** into performance and hiring process.
- Create an effective **management succession system** that attracts, rewards, and retains good leaders.

### 7.1.3 People Choices for the MTEF

The focus for this pillar is *GETTING THE BASICS RIGHT IN HUMAN CAPITAL MANAGEMENT*

Core Services Choices - Phase 1: 2021 to 2022
<b>Organizational culture – Change Management</b> <ul style="list-style-type: none"> <li>• Define and review the PRASA way (Culture Charter values and behaviour)</li> <li>• Model the PRASA leadership behaviour.</li> <li>• Enhance employee communication through culture change</li> <li>• Enforce performance management and contracting – improved business performance and enforce accountability</li> </ul>
<b>HCM Governance, Compliance and Performance Improvement</b> <ul style="list-style-type: none"> <li>• Compliance monitoring accountability and consequence management by line (HCM Self Audit)</li> <li>• HCM Audit (Closing all pending findings and prevent reoccurrence)</li> <li>• Review and Increase awareness of policies, processes, and procedures</li> </ul>
<b>Business Focused Skills development</b> <ul style="list-style-type: none"> <li>• Functional focused Skills Audit, Competency assessment and Capacity building</li> <li>• Improve Technical Planning Capacity</li> <li>• Increase skills and competencies in support functions</li> <li>• A professional services multidisciplinary 9-person team (registered and experienced Architect, Engineers, Quantity Surveyors) sourced to provide training and capacitation of PRASA CRES project managers (towards professional registration),</li> <li>• Increase the number of qualified artisans for the provision of maintenance services of the Real Estate portfolio facilities using internal resources over the MTEF. 30 Trade Hand that are currently employed nationally would need to be trained. 18 will be trained over the MTEF period and the remainder of 12 will be done in the next MTEF. The internal pool of resources would assist to improve the current turn- around times to restore maintenance faults in Facilities</li> </ul>
<b>Employee Relations Climate Improvement</b> <ul style="list-style-type: none"> <li>• Enable rigorous and continuous labour engagement</li> <li>• Review, alignment and standardize conditions of employment and employment contracts across the business.</li> </ul>

## Core Services Choices - Phase 1: 2021 to 2022

### Building Agile and Resilient workforce

- Employee Wellness that supports “the new way of working”
- Review and increase awareness of the employee wellness programme.
- Develop an integrated wellness programme for PRASA
- Finalize and implement a wellness contract for PRASA
- Pick up the ball with management- address increases to lift morale

### Creating technical in-house capacity

- Fill critical vacancies
- Source retired engineers and technologists on a fixed term basis to address skills during the network recovery phase. This include structured skills training programme.
- Technical staff to attend requisite training of higher learning (Tertiary Institutes)
- A professional services multidisciplinary 9-person team (registered and experienced Architect, Engineers, Quantity Surveyors) sourced to provide training and capacitation of PRASA CRES project managers (towards professional registration),

### Conclude, approve and implement PRASA Business Operating Model

- Organizational Structures Review and Alignment to the Business Operating Model Organizational Structures Redesign - Fit for purpose structures developed and approved
- Develop and Implement Shared Services model for half of PRASA’s support service departments
- Consolidation and integration of PRASA Subsidiaries into the Group
- Conduct workforce planning
- Develop and implement a Program Management Office structure suitable to manage the Capital Investment Programme of PRASA of R63bn over 5 years.

## Stabilize Service Choices - Phase 2: 2022 - 2023

### Integrated Talent Management

- Incentivize and reward performance
- Embedding a high-performance culture
- Improve application of Talent Management processes and ensure consistency
- Increase supervisor and leadership development and partner with an institution of higher learning
- Employee Engagement Survey

### HCM Governance, Compliance and Performance Improvement

- Align HCM Technology to the market (SAP modules, automation)
- Compliance monitoring accountability and consequence management by line (HCM Self Audit) - HCM Audit (Closing all pending findings and prevent reoccurrence)
- Review the HCM Value chain in line with the new PRASA model
- Simplify performance management contracting
- Improved business performance and enforce accountability
- Review of all employment contracts.

### Driving culture change agenda

- Increase focus on ethical leadership and behaviour.
- Entrenching the “We are”- PRASA Culture.

### Stabilize Service Choices - Phase 2: 2022 - 2023

- Employee Engagement

#### Employee Recognition and Reward

- Non-- Discriminatory cost of living increases
- Design and implement PRASA wide recognition program
- Review and implement grading hierarchy linked to new Business Model and structures

#### Improved Employee Relations Climate

- Improved employee communication structures
- Integration of Bargaining Forum and Council
- Structured Employee Relations training programs for line

#### Building Resilient workforce

- Implement, manage, monitor, and evaluate integrated wellness program.

#### Organizational Structures Review and Alignment to the Business Operating Model

- Introduce shared administrative support for Senior Management up to Executive level
- Business Restructuring in line with the approved Organizational structures and operating model: Seek funding from National Treasury to offer voluntary separation packages to reduce non-core competencies.
- Implement the corridor management approach in line with the PRASA Operating Business Model and eliminate duplications
- Fit for purpose structures developed and approved
- Complete Shared Services model for all (100%) PRASA support service departments

### Sustain Service Choices - Phase 3 : 2023 - 2026

#### HCM Governance, Compliance and Performance Improvement

- Review policies, processes, and procedures to support business and enhance market competitiveness,
- Compliance Monitoring and accountability by line (HCM Self Audit)
- HCM Audit to close all pending findings and prevent reoccurrence
- Achieve a high performing Organization
- Ensure best practise HCM Technology utilisation for entire employee life cycle

#### Integrated Talent Management

- Succession planning
- Introduction of Talent Forums
- Introduce Assessment centres

#### Driving culture change agenda

- Improved PRASA Culture

#### Employee Recognition and Reward

- Pay for performance
- Non- Discriminatory cost of living increases
- Competitive employee value proposition (EVP)

Sustain Service Choices - Phase 3 : 2023 - 2026
<b>Improved Employee Relations Climate</b>
<ul style="list-style-type: none"> <li>• Training programs for Line managers.</li> </ul>
<b>Building Resilient workforce</b>
<ul style="list-style-type: none"> <li>• Maintain an integrated wellness program with a wellness contract in place for PRASA and thereby provide a holistic approach that incorporates total employee wellbeing at all levels psychosocially, medically and physically, always ensuring a productive and healthy workforce.</li> </ul>
<b>Organizational Structures Review</b>
Revise and approve organizational structures to align to business imperatives and objectives.

## 7.2 Pillar 2: Recover Rail and Autopax services

This pillar covers the commuter services by Metrorail, the long-distance rail services of Mainline Passenger Services and long-haul bus services by Autopax.

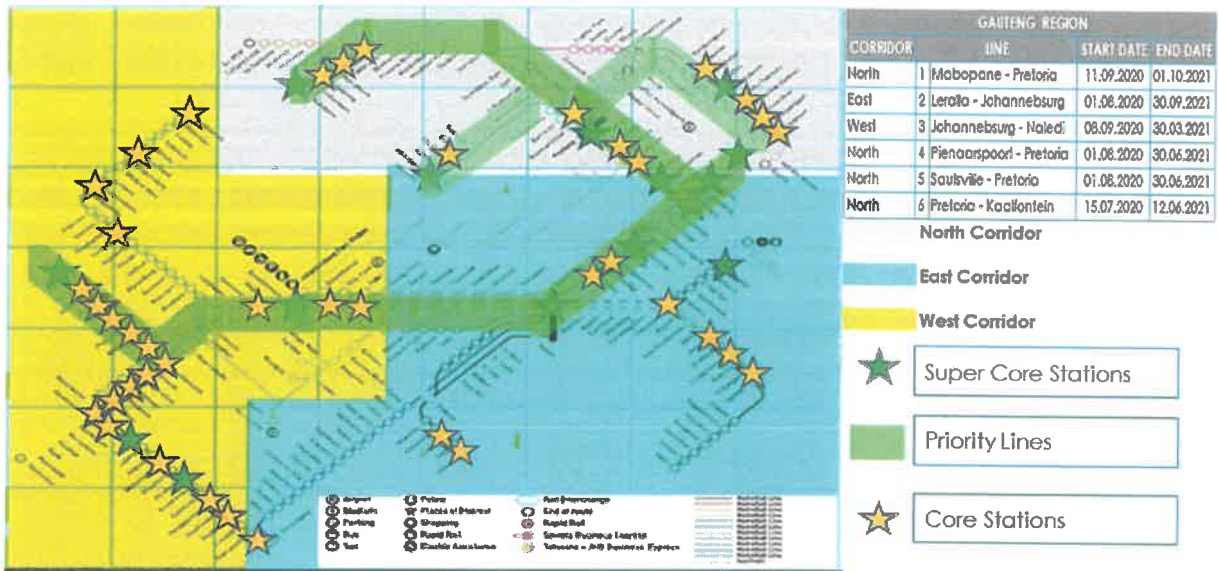
### 7.2.1 Metrorail Recovery

The recovery plan of Metrorail following the wanton destruction of assets from end of 2019 to mid-2020, is based on the identification of the top ten corridors, that will result in most of the commuters in Western Cape, Gauteng and KZN again having access to affordable transport. The aim of the recovery is also to re-introduce services that have improved availability, reliability, safety and security. The roll-out plans for the corridors selected are aligned to the extent of the damage and required time to recover and rehabilitate as well as the roll-out of the security strategy that will ensure that recovered infrastructure is not exposed to further destruction.

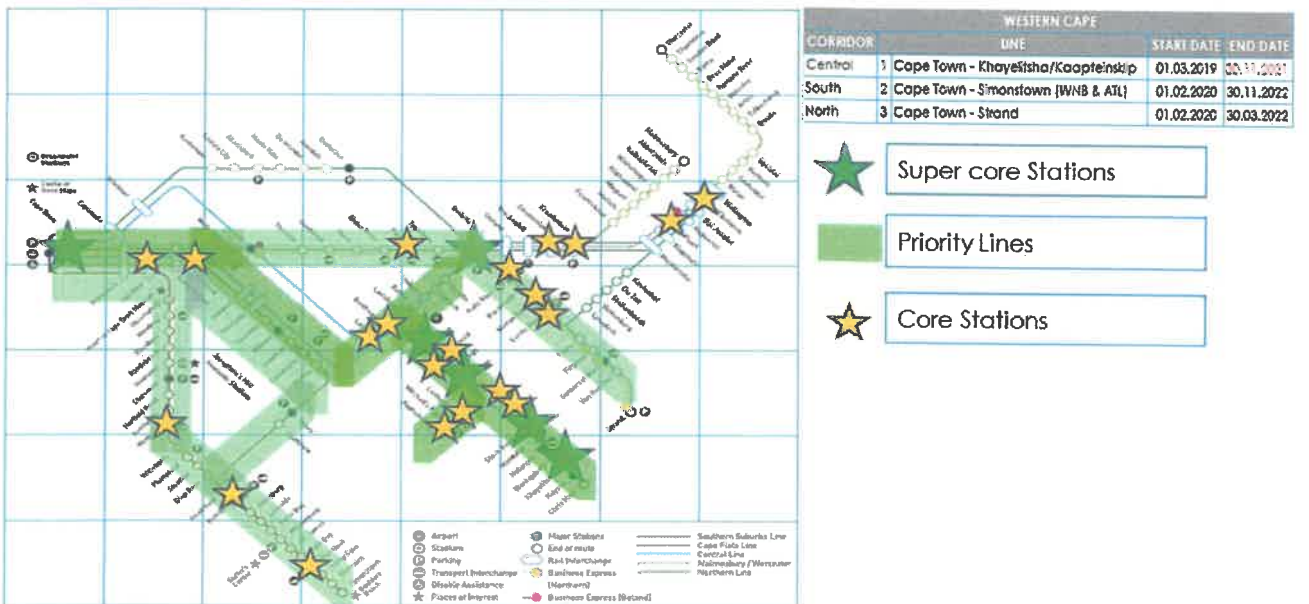
The top ten corridors identified for Metrorail based on the highest number of commuters and busiest stations (Super core and Core stations) in the regions of Metrorail are:



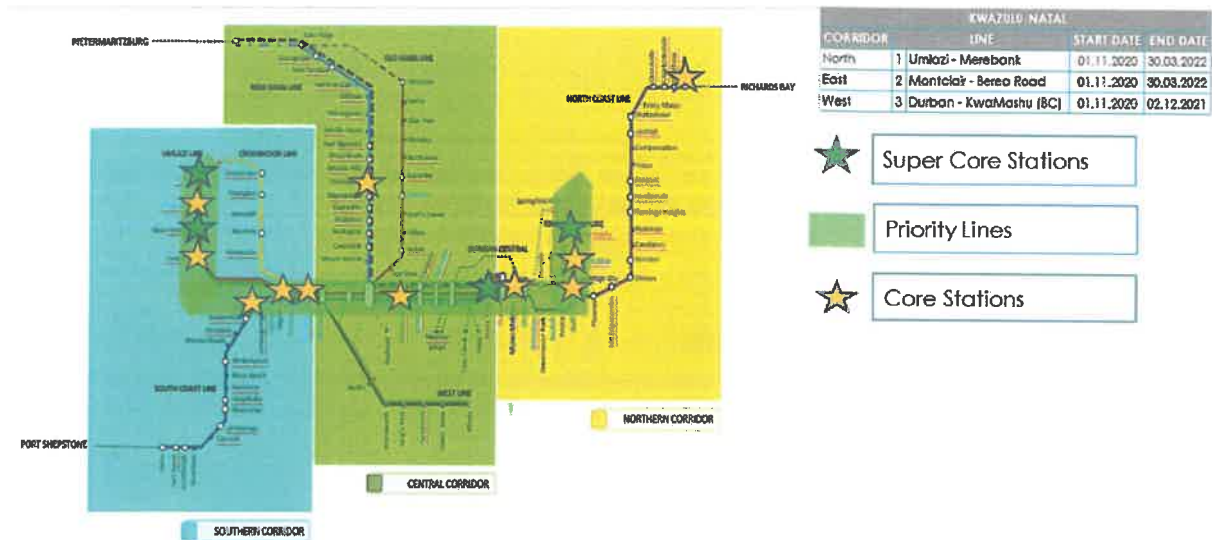
### 7.2.2 Gauteng Priority Lines



### 7.2.3 Western Cape Priority Lines



## 7.2.4 KwaZulu Natal (KZN)



3

## 7.2.5 Metrorail Corridor Roll-out Choices for MTEF

### Core Services Choices - Phase 1: 2021 to 2022

Prioritising top ten Corridors / lines (Security, Rolling Stock – Movement of EMUs to the coastal regions and running them for revenue stream trains, Infrastructure upgrades, Super Core and Core Stations)

Review Operational Standards

Effective Scheduling (Trains, Staff Rostering and Resources/Work Tools)

### Efficient Organizational Reporting and Monitoring

- GEXCO central reporting on the integrated divisional project plan for the delivery of the Top ten corridors
- Restructuring of the CEO forum to a Steering Committee and project managers from the different divisions and streams to report on the Top Ten projects

Unpack the role of stakeholder management for the rollout corridor and ensure alignment with corridor launch plan including branding and community engagement

The alignment of the new EMUs and the RSR process for the permit to commercialize the service

### Central Line Recovery

- Finalization of relocation of illegal settlements so that assets can be reused for train operations
- Rehabilitation of the Perway System
- Rehabilitation of the Power Supply System (Substations and OHTE)

<sup>3</sup> The KwaZulu Natal list of corridors represent the full corridor from Umlazi - KwaMashu

### Core Services Choices - Phase 1: 2021 to 2022

- Walling design and construction
- Rehabilitation of train stations
- Roll-out added security interventions for infrastructure protection (RPAS, E-Guarding and Response vehicles)
- Complete Re-signalling installation
- Resourcing of the Programme Management Office

### Mabopane Corridor Recovery

- Rehabilitation of the Power Supply System (Substations and OHTE)
- Walling design and construction
- Rehabilitation of train stations
- Roll-out added security interventions for infrastructure protection (RPAS, E-Guarding and Response vehicles)
- Complete Re-signalling programme across the corridor.
- Resourcing of the Programme Management office

### Real Estate response to Rail Service Resumption

Three key interventions are in place to support Rail Service Resumption that has been vandalized to quickly restore stations to service levels during FY2020/21 and FY2021/22 respectively.

**Facilities management** incorporating cleaning, horticulture and maintenance

#### CIP- Capital Intervention Program

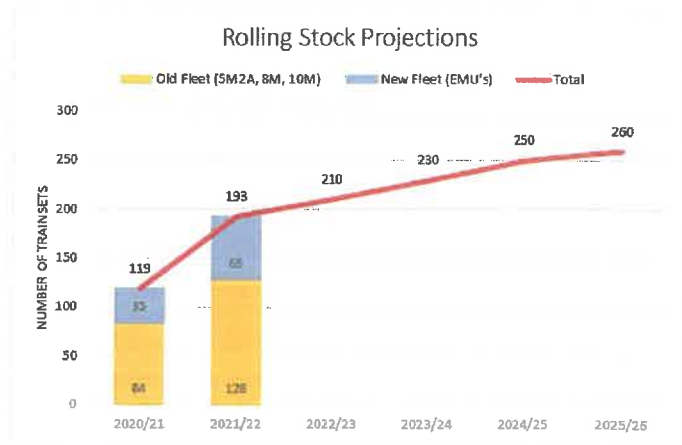
- Allocated R 76 million in 2020/2021 (4th quarter);
- R 136 million in 2021/2022 FY to repair stations quickly by restoration of ablutions, lighting and electricity, ticket offices and general building repairs

**ABT- Alternative Building Technology** using repurposed containers to provide ticketing offices, ablutions and services to 41 stations that have been totally vandalized- Cost R 28 million. This will be completed in the 1st Quarter of 2021/22

### Rolling Stock Recovery

- Implement all long-term contracts to support train set recovery program.
- Capacitate the engineering structures within regions and head office.
- Up-skill depot personnel especially on the shedding department to improve the quality of maintenance.
- Focus on vandalized coaches and allocating them to the Adhoc contractors to increase the number of operational coaches.
- Recover 60% of out of service operational coaches i.e. 321 Motor coaches and 668 Plain Trailers which is a total recovery of an additional 74 train sets nationally.
- Close all Rail Safety Regulator directives.

**7.2.5.1 Rolling Stock Recovery Projections:**



**7.2.6 Detail on the Infrastructure Recovery plans**

**7.2.6.1 Central Line Recovery**

In November 2019 the Western Cape Region of Metrorail was forced to suspend services due to extensive overhead traction cable theft and infrastructure damage. This suspension affected approximately 43% of the daily commuters served by Western Cape Region of Metrorail. The lines affected are Cape Town to Philippi, Philippi to Kapteinsklop, Philippi to Chris Hani and Cape Town to Bellville via Sarepta. In the days following, a sustained number of overhead and signalling infrastructure vandalism and theft prevented the reinstatement of train service and the service has not been recovered since.

Figure 2: Location of Central Line in Western Cape



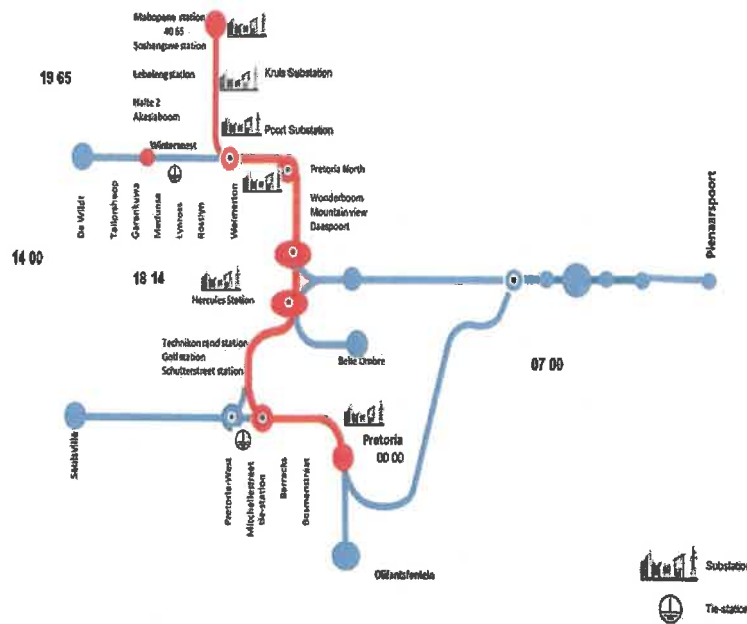
#### 7.2.6.1.1 Revised Timelines for Central Line Recovery

Project	Sub Project	Outputs	Start Date	Completion Date
Central Line Corridor	Encroachments	Re-location of illegal settlements	Feb 2021	Mar 2021
	Walling (Height 3m with strength of 30-40MPa)	Structural engineering designs and project management	Feb 2021	Dec 2021
		Construction of 160km (2 x 80km) of concrete wall	Jun 2021	Dec 2021
	Street to Street pedestrian bridges	6 new pedestrian bridges	Sep 2021	Jun 2022
	Perway material replacement	Perway Rehabilitation	May 2021	Jul 2021
	Heavy on-track machines	Perway Rehabilitation	Jul 2021	Sep 2021
	OHSE Agent	OHSE Consultant	Apr 2021	Apr 2022
	Restoration of 33kV network	Reinstate 33kV transmission line	Apr 2021	Aug 2021
	Restoration of 11kV network and substations	Reinstate 11kV transmission line and substations	Apr 2021	Oct 2021
	Restoration of 3kV and OHTE network	Reinstate 3kV traction distribution lines	Apr 2021	Oct 2021
	Restoration of 11kV and 3kV substations	Recover substations	May 2021	Nov 2021

#### 7.2.6.2 Mabopane Corridor Recovery

In December 2019 PRASA was forced to suspend its services on the Mabopane to Pretoria corridor due to extensive theft and vandalism of the railway infrastructure. This suspension affects approximately 62 000 daily commuters that depends on Metrorail services as their mode of transportation. The lines affected are Mabopane to Pretoria, DeWildt to Pretoria, Mabopane to Belle-Ombre and DeWildt to Belle-Ombre. Assets that have been vandalized in the corridor includes train stations, power supply systems, signalling system amongst others.

Figure 3: Location of Mabopane corridor in Gauteng



The Mabopane Recovery Programme aims at rehabilitating the railway infrastructure and preventing the re-occurrence of the current situation through an integrated approach that includes all elements that are required for the train service to be re-instated. This includes the following:

- Rehabilitation of the Overhead Track Equipment
- Substation Rehabilitation
- Station Rehabilitation
- Walling design and construction
- Construction of the street to street pedestrian bridges
- Re-signalling programme

#### 7.2.6.2.1 Revised Timelines for Mabopane Corridor Recovery

Project	Sub Project	Outputs	Start Date	Completion Date
Mabopane Corridor	Walling (Height 3m with strength of 30-40MPa)	Structural engineering designs and project management	Feb 2021	Dec 2021
		Construction of 90 km (2x 45km) concrete wall	Jun 2021	Dec 2021
	Street to Street pedestrian bridges	8 new pedestrian bridges	May 2021	May 2022
	Re-signalling system	Upgrading of old, vandalized signalling system with the electronics signalling system	Jan 2021	Nov 2021

	OHSE Agent	OHSE Consultant	Apr 2021	May 2022
	3KV DC substation rehabilitation	Reinstate 3KV DC power supply network	Apr 2021	Oct 2021
	Rehabilitation of the OHTE system	Reinstate 3kv DC power supply network	Apr 2021	Oct 2021
	Rehabilitation of train stations	Reinstate train stations for revenue collection	May 2021	Sep 2021

### 7.2.6.3 Infrastructure Recovery detail for other Priority Corridors

The following infrastructure recovery work for Phase 1 need to be accomplished following the wanton destruction of infrastructure:

#### 7.2.6.3.1 Gauteng<sup>4</sup>

Corridors	Project Description	Outputs	Start Date	Completion Date
Daveyton - Johannesburg	Supply and install traction transformers	Substation Recovery	01-Mar-21	28-Feb-22
	OHTE refurbishment	OHTE Availability	01-Mar-21	28-Feb-22
Johannesburg – Leralla	39.39 km OHTE refurbishment	OHTE Availability	01-Nov-20	28-Feb-22
	Supply of signals cables and vandal proofing of signal bases	Improved Signalling system	01-Aug-21	30-Dec-21
	Refurbishment and upgrade of traction substation- Geldenhuys	Substation Recovery	01-Mar-21	29-Jan-22
	Rebuilding and Upgrading of Booyens 3kv DC Traction Substation	Substation Recovery	01-Mar-21	28-Feb-22
	Replacement of High-Speed Circuit Breakers (HSCB) at various substation	Substation Recovery	01-Mar-21	29-Jan-22
Johannesburg – Pretoria	Substation Rehabilitation	Substation Recovery	01-Mar-21	28-Feb-22

<sup>4</sup> The period of the Project is indicative as Bill of quantities and timelines is in discussion with Transnet Freight Rail

Corridors	Project Description	Outputs	Start Date	Completion Date
	6.6 KV MOD at Centurion, Pretoria, and Pinedene	Substation Recovery	01-Mar-21	28-Feb-22
	32.45 km OHTE refurbishment	OHTE Availability	01-Mar-21	30-March-22
	Rehabilitate GSM-R systems on an "as & when" basis 37 Sites	Telecoms Availability	01-Jun-21	30-Mar-22
	Rehabilitate the public address (PA) systems & display boards for integrated communications system at 140 stations	Passenger Communication	01-Jul-21	30-Mar-22
Naledi – Johannesburg	29.1km OHTE refurbishment	OHTE Availability	01-Mar-21	30-Mar-22
	Rehabilitate aerial, underground optic fibre network & optical transport network	Telecoms availability & redundancy	01-May-21	28-Feb-22
	Supply of signals cables and vandal proofing of signal bases	Improved Signalling system	01-Aug-21	30-Dec-21
	Supply and install traction transformers	Substation Recovery	01-Jul-21	28-Feb-22
	Procure universal concrete sleepers & replacement of rotten wooden sleeper	Track quality & Stability	01-Jul-21	30-Dec-21
Pretoria – Pienaarspoort	OHTE Rehabilitation	OHTE Availability	01-Nov-20	28-Feb-22
	Rehabilitation of Signalling system	Improved Signalling system	01-Nov-20	30-Nov-21
	Replacement of 46 km vandalized contact, catenary and feeder wires	Improved Signalling system	01-Nov-20	30-March-22
	Supply of signals cables and vandal proofing of signal bases	Improved Signalling system	01-Aug-21	30-Dec-21



Corridors	Project Description	Outputs	Start Date	Completion Date
	Rehabilitate aerial, underground optic fibre network & optical transport network (21km)	Telecoms availability & redundancy	01-May-21	28-Feb-22
	Rail Grinding 46km & Track Tamping (R40 mil)	Track Quality & Alignment	01-Mar-21	30-Sept-21
Pretoria – Saulsville	Rehabilitation of Signalling system	Improved Signalling system	01-Nov-20	30-Dec-21
	Substation Rehabilitation: Supply, Install, 5MVA and 6MVA Traction Transformers, 100KVA Auxiliary Transformers and 6MW Rectifiers	Substation Recovery	01-Mar-21	29-Jan-22

#### 7.2.6.3.2 KZN<sup>5</sup>

Corridor	Project Description	Outputs	Start Date	Completion Date
KwaMashu/Bridge City Line	Install Signals Cables, Points Rodding and Testing & Commissioning of the Signalling System	Improved Signalling system	14-Dec-20	02-Dec-21
	Drainage & formation rehabilitation	Stable drainage & formation	01-Nov-20	30-Mar-22
	Rehabilitate aerial, underground optic fibre network & optical transport network	Telecoms availability & redundancy	30-Jun-21	31-Mar-22
Umlazi Line	Install Signals Cables, Testing & Commissioning of the Signalling System	Improved Signalling system	01-Nov-20	30-Mar-22
	Perway Rehabilitation through Ballast Screening & Track Tamping	Track Alignment	01-Nov-19	30-Aug-21
	Supply & Installation of 1:7 Track Turnouts	Track quality	01-Nov-19	30-Mar-23

<sup>5</sup> The period of the Projects is indicative as discussions with Transnet Rail Maintenance Engineering is in progress

Corridor	Project Description	Outputs	Start Date	Completion Date
	Rehabilitate aerial, underground optic fibre network & optical transport network	Telecoms availability & redundancy	30-Jun-21	31-Mar-22
	Re-instating of Umlazi Substation	Substation recovery	01-Jul-21	28-Feb-22
	Rehabilitation formation and drainage between Zwelethu and Reunion	Stable drainage & formation	01-Jul-21	15-Dec-21
Crossmoor Line	Vandal proof of trackside equipment	Reduced theft & vandalism risk	01-Oct-20	31-Mar-21
	Replace 37 km of worn out 48kg/m rails	Safer Rails for Trains	01-Sep-19	30-Mar-22
	26.72km of OHTE to be refurbished	OHTE Availability	01-Dec-20	30-Mar-22
Kelso Line	Design & Install new Interlocking, Level Crossing, Axle Counters and Fail-Safe Data Transfer equipment	Improved Signalling system	21-Dec-20	16-Feb-22
	Replacement of 6,6kV/400V Transformers & H Frames	Substation Recovery	01-Dec-20	28-Mar-22
	Replace 37 km of worn out 48kg/m rails	Safer rails for trains	01-Sep-19	30-Mar-22
	Refurbishment of Winkelspruit substation	Substation recovery	01-Dec-20	28-Mar-22

#### 7.2.6.3.3 Western Cape<sup>6</sup>

Corridor	Project Description	Outputs	Start Date	Completion Date
Cape Town - Cape Flats	Perway Rehabilitation Work through On Track Machines: Rail Grinding & Track Tamping	Track Alignment	01-Sep-19	30-Mar-22
	Replacement of Cables and Vandal proofing of Train Detection System	Improved Signalling system	01-Feb-20	30-Mar-22
	Replacement of 6 vandalized points machines to create more flexibility for train operations.	Improved Signalling system	01-May-21	30-Jan-22

<sup>6</sup> The period of the Projects is indicative as discussions with Transnet Rail Maintenance Engineering is in progress

Corridor	Project Description	Outputs	Start Date	Completion Date
Cape Town - Simon's Town	Installation of 11kV and 33kV Transmission	Substation Recovery	15-Dec-20	30-Mar-22
	Replacement of Cables and Vandal proofing of Train Detection System	Improved Signalling system	01-Feb-20	30-Mar-22
	Refurbishment/Installation of PA system (5 stations)	Passenger Communication	01-Aug-21	28-Feb-22
	Refurbishment of Fibre optic	Telecoms Availability	01-May-21	01-Mar-22
	Replacement of Cables and Vandal proofing of Train Detection System: More than 30 axle counter heads to be equipped with Vandal proofing mechanism	Improved Signalling system	01-May-21	28-Feb-22

Stabilize Service Choices - Phase 2: 2022 - 2023
Prioritising the next phase Corridors/lines Implementing expansion of Security, Rolling Stock, Infrastructure, Intermediate and Small Stations resumption.
Rollout of the next corridors with the core stations resumption
Expanding train services to other routes prioritised and increase patronage
Rollout of the EMUs in the newly rehabilitated infrastructure and increase rolling stock capacity
<b>Central Line and Mabopane Corridor Recovery</b>
<ul style="list-style-type: none"> <li>• 6 Pedestrian bridges required on Central Line completed</li> <li>• Completion of 8 pedestrian bridges along the Mabopane corridor.</li> </ul>
<b>Rolling Stock Recovery</b>
<ul style="list-style-type: none"> <li>• Adhere to annual maintenance schedule.</li> <li>• Management of material and components stock levels to support maintenance requirements.</li> <li>• Management of quality by monitoring performance of all service providers through Service Level Agreements.</li> <li>• Support the <b>Technical Support and Spares Supply Agreement (TSSSA)</b> through adhering to all PRASA obligations.</li> <li>• Recover additional 60% of the out of service coaches through the ad-hoc contract.</li> </ul>

Sustain Service Choices - Phase 3 : 2023 - 2026
Fully Modernized operational environment
Spatial developments – movement of communities

Greenfields projects including the branch line strategy
New products
Sustain a three-year safety permit
Introduction of the speed rail
Conclude the study on connecting Emfuleni and Khayelitsha.
Conduct market research for a train between East London to Umtata
<b>Rolling Stock Recovery</b>
<ul style="list-style-type: none"> <li>• Ensure all processes and procedures are reviewed and updated.</li> <li>• Ensure succession within grades of all technical personnel is in place to support long term maintenance requirements.</li> <li>• Develop old rolling stock disposal strategy through developing a clear criterion for the entire fleet.</li> </ul>

#### 7.2.7 MLPS Recovery MTEF choices:

##### 7.2.7.1 MLPS Resource Requirements:

MLPS is currently at a near state of collapse as evidenced by its declining performance over the last decade where revenue declined from R248m in 2012/13 to R67m in 2019/20 and a forecast of R8.7m for the year 2020/21, due to COVID-19 that allowed MLPS only to commence services in level 1 of the lockdown regulations, in addition the unavailability of reliable locomotives further hampered recovery.

The key enabler to this plan is the delivery of 12 locomotives through a three-year lease contract commencing in March 2021 and the refurbished train sets during this period. The leased locomotives come at the backdrop of years of struggling with failed locomotives due to maintenance capacity challenges. The lease price will be costly but will bring the services back on track as well as restore stability, reliability, confidence, and growth in MLPS during this MTEF period.

##### 7.2.7.2 Lease Locomotives Impact on Financials and service performance:

The decision of leasing locomotives will arrest decline in performance and the anticipated improvement in service availability and reliability with result in patronage increase and revenue growth. In 2021/22 the anticipated revenue will be R95m while total operational cost will increase from R403m of 2020/21 to R663m mainly due to the estimated R169m for leasing of locomotives. The lease cost, 25% of operational cost will remain for three years while revenue is expected to grow further to R206m in 2022/23 and R241m in 2023/24 financial years.

Ideally MLPS is supposed to operate its own assets to capitalize on economies of scale. The net financial impact of leased locomotives on financials will be negative in 2021/22 but positive from 2022/23 to 2023/24 due to anticipated revenue growth from the anticipated passenger growth.

Passenger growth will come from increased train trips and occupancy levels. Growth during off peak is estimated to be around 30% capacity utilization in 2021/22 due mainly to COVID-19 regulations of social distancing and a slow public response due to fear of the pandemic and mistrust of the MLPS service due to their historical experience. Patronage is however expected to grow to 50% capacity utilization in

2022/23 and reach its peak of 65% to 85% between 2023-2026 as result of restored confidence in the service and also the anticipated improvement in business and the general macro-economic environment in the country, as life returns to normalcy, following the pandemic.

Throughout this MTEF period MLPS will intensify its marketing campaign to inform the public of reinstated services and ensure the wide circulation of its communication to areas where MLPS patronage traditionally resides. Below are the choices that will lead to this growth in the MTEF period.

### 7.2.7.3 Acquisition of locomotives

The current MLPS locomotive fleet has consistently shown a declining trend performance after decades of contributing substantially to the country's formative development. It has however become evident that the current fleet in its form impedes MLPS to fulfill its mandate as prescribed by the Legal Success Act and in no position to even support the business to compete for its market share in the current form. These locomotives are plagued with high number of failures resulting in low service reliability, predictability, and availability. The technology on these locomotives dates to 1968 with minimum improvements and/or compatibility replacements of technologies to counter obsolescence, skill deficiency and limited industry support. The average age of the locomotive fleet is between 38-40 years and it is thus clear that new fleet or technology upgrade is required to improve reliability and availability for Main Line Passenger Services.

The intention is to procure at an estimated cost of R3,95bn over the MTEF

- 28-New diesel locomotives to augment the shortfall of diesel locomotives and replace the current 7E locomotives.
- Systems upgrade / Remanufacturing of the nineteen 6E-electric locomotives to modern reliable technology.
- Upgrading of six maintenance depots to build internal capacity and the support of locomotives.
- Outsource second and third level maintenance of locomotives for 3 years while upgrading depots for maintenance.

The programme is envisaged for a period of 3 years including spare parts for running maintenance.

#### Core Services Choices - Phase 1: 2021 to 2022

- Re introduce Komati, Musina & Durban routes
- Maintain current frequencies
- Improve safety Performance
- Increase passenger numbers & revenue.
- Collaboration with Transnet on Infrastructure & Passenger trains priority
- Services:
  - Johannesburg – Cape Town
  - Johannesburg – Port Elizabeth
  - Johannesburg – East London
  - Johannesburg – Komatipoort

#### Core Services Choices - Phase 1: 2021 to 2022

- Johannesburg – Musina
- Cape Town – East London
- Johannesburg -Durban (dependent on availability of reliable 18E loco's)

#### MLPS Rolling Stock Recovery

- Locomotive leasing for a period of three years.
- Outsource locomotive maintenance for a period of three years.
- Filling of key critical vacancies
- Procurement of additional locomotives to augment the Stadler locomotives.
- Maintenance of 17 train sets to support train operations requirements.
- Locomotive first line maintenance for PRASA locomotives to augment the 18 leased locomotives.
- Commence acquisition of locomotives for MLPS

#### Stabilize Service Choices - Phase 2: 2022 - 2023

- Stabilize the service & improve on time performance
- Increase frequency
- Increase passenger numbers
- Increase revenue
- Improve safety Performance
- Introduce charter trains

#### Services:

- Johannesburg – Cape Town
- Johannesburg – Port Elizabeth
- Johannesburg – East London
- Johannesburg – Komatipoort
- Johannesburg – Musina
- Cape Town – East London
- Johannesburg -Durban

#### MLPS Rolling Stock Recovery

- Depot upgrades of MLPS maintenance depots.
- Procure the locomotive shortfall based on the agreement on the number of locomotives from Stadler.
- Maintenance of 17 trainsets to support train operations requirements.
- Locomotive first line maintenance for PRASA locomotives to augment the 18 leased locomotives.
- Long-term strategy studies and benchmarking.

### Sustain Service Choices - Phase 3: 2023 - 2026

- Introduce cross border services (Mozambique & Zimbabwe)
- Public Private Partnerships to partner with tourism market
- Re-introduce the Premier Classe service
- Start rebranding MLPS products in order to compete with other luxury trains

### MLPS Rolling Stock Recovery

- Insource for locomotive maintenance.
- Business case for rolling stock long-term strategy.

#### 7.2.7.4 MLPS Corridor plans

Corridor	Line/Route	Recovery
1	Trans Karoo Cape Town - Johannesburg	Routes will operate 3 return trips per week Occupancy is expected at 30% capacity in 2021/22 but rise to 55% in 2022/23 and escalate to 65% in 2023/24.
2	Amatola Johannesburg - East London	During Dec/Jan peak 2021/22 occupancy will be limited to 50% capacity due to COVID-19 regulations but in 2022/23 and 2023/24 the peak is expected to fill to normal capacity of around 90%
3	Trans Natal Johannesburg - Durban	
4	Algoa Johannesburg - Port Elizabeth	
5	Komatipoort Johannesburg - Komatipoort	Routes will operate 2 return trips per week Occupancy is expected to operate at 30% capacity in 2021/22 but rise to 45% in 2022/23 and escalate to 50% in 2023/24.
6	Musina Johannesburg - Musina	During Dec/Jan peak 2021/22 occupancy will be limited to 50% capacity due to COVID-19 regulations but in 2022/23 and 2023/24 the peak is expected to fill to normal capacity of around 90%
7	HPP <sup>7</sup> ONLY Cape Town - East London	These routes will only operate during Dec/Jan peak and will have occupancy not exceeding 55% due to low demand.
8	HPP ONLY Cape Town - Queenstown	

- The Tourist Class will operate as special charter services based on demand and agreed price
- The Cross-border service will be re-introduced using both Sitter and Tourist Service

<sup>7</sup> HPP – High Peak Period

### 7.2.8 Autopax Recovery MTEF Choices

The current short-term focus of Autopax is to stabilize, minimize costs and to revive the operations of the company. In order to successfully divisionalize the company to be self-sustainable going forward the following short-term actions are in process of implementation to maximise operational efficiencies.

- Revision of the operating model.
- Consolidation of the operating depots.
- Rightsizing of staff structures based on number of buses to be operated.
- Consolidation of routes.
- Consolidation of the number of ticket sales offices.
- Reduce the number of audit findings.
- Disposal of redundant and scrapped buses.
- Improve bus availability.

Core Services Choices - Phase 1: 2021 to 2022
Divisionalize Autopax
Identify and operate high demand long distance routes that contribute to fixed costs.
Diversify Autopax revenue streams. (Long distance, Bus Hire, Rail support and Bus advertising)
Intensify inspectorate on high demand routes
Implement revised operating model to become financially self-sustainable focusing on both the product offering, fit for purpose structure and the go-to-market strategy.
Replace old and redundant buses to improve bus availability. All new coaches to have bolt on full maintenance contracts.
Adherence to service schedule (on time departures and arrivals)

Stabilize Service Choices - Phase 2: 2022 - 2023
Integrate and co-ordinate Autopax services with that of MLPS and Metrorail
Each route to be a profit centre.
Integrated ICT systems between the different functions
Quality management and assurance
<b>Passenger Choices</b>
<ul style="list-style-type: none"><li>• Scheduling of services to meet changing passenger demand</li></ul>



- Accessibility to Autopax service offering and passenger communication

#### Monitoring of Operational Performance

- Electronic monitoring of drivers and buses
- Electronic driver rating scorecard and monitoring of drivers on route behaviour.

Revise and update all policies and procedures

#### Sustain Service Choices - Phase 3: 2023 - 2026

Clean audit with minor emphasis of matter item

Expand services to SADC countries

Maintain financial sustainability and increase net asset value.

Participate in the multimodal transport network

Value added services offered as part of tickets sold.

#### 7.2.8.1 Autopax Infrastructure Plan

Project Name	Project Description	Outputs	Start Date	Completion Date
<b>New Buses</b>	148 x Coaches	Revenue generating asset	1 April 2021	31 March 2022
	35 x Coaches	Revenue generating asset	1 April 2022	31 March 2023
<b>Workshop Equipment</b>	Forklifts, spray booth, compressors, brake testing machines, air lines & reels, lubricant dispensing lines etc.	Bus maintenance equipment procured	1 April 2021	31 March 2022
<b>Revenue and Bus monitoring</b>	Electronic revenue control and bus / driver monitoring	Efficient revenue & operational control	1 April 2021	31 March 2022

### 7.3 Pillar 3: Improve operational safety, security, risk and compliance

This pillar includes the security and operational safety strategies and link to “Choice 1” Recovery of Metrorail in the main. Furthermore, this pillar also addresses Risk management, including addressing Auditor General Findings and Compliance Management.

### **7.3.1 Safety permit (operating license)**

The Railway Safety Regulator issued PRASA with a one-year Safety permit, with a special condition, to conduct an independent assessment of the PRASA Security Plan. The independent assessment of the PRASA security plan by an independent company appointed by the Rail Safety Regulator (RSR) commenced on 1 February 2021 and is due to be completed by 30 April 2021. The aftermath of the security contract cancellations in October 2019 and the Covid-19 stage 5 lockdown in March 2020, has exposed PRASA to a significant theft and vandalism to the railway infrastructure and station facilities. This, together with the historical infrastructure and rolling stock maintenance backlog, leading to manual train authorisation has led to high number of railway occurrences largely caused by human errors.

PRASA is the process of implementing the railway infrastructure, rolling stock and station facilities rehabilitation, modernization programmes, and security interventions. these programmes are at various stages of procurement, and some are already at implementation stages. The safety strategic choice provided herewith are aimed at creating a corporate safety culture, improving human fact management compliance and strengthening overall compliance with safety, health and environment legislations, and standards in pursuance of the three year safety permit regime, introduced by the RSR in 2019.

### **7.3.2 Addressing the Findings by the Auditor-General South Africa (AGSA)**

PRASA received a disclaimer with findings audit outcome from the AGSA in both 2018/2019 and 2019/2020 financial years. In addressing these audit outcomes, PRASA established a Task Team on Audit Findings, which was later renamed Operation Clean Audit Task Team (Task Team). The purpose of the Task Team is two-fold, namely addressing the external audit findings and ensuring sustainable improvement in the control environment. In this regard, the Task Team is tasked with the following:

- Define the elements of internal controls and ensure the implementation of these controls including awareness thereof.
- Review the audit findings and their respective root causes.
- Develop remedial actions based on root cause analysis and monitor implementation of these remedial action.
- Recommend policies and procedures for management’s consideration towards the improvement of the control environment.

The Task Team has representation from the various areas of the business and may co-opt any employee who may assist in achieving its purpose.

The Task Team has developed an Audit Action Plan in terms of which the audit findings have been categorised as Qualification, Significant and Matters of Emphasis. Qualification and Significant matters have an impact on the audit outcome/opinion. Accordingly, the Task Team has set itself a target to address all Qualification matters and 80% of the Significant matters. Root cause analysis and Action Plans have

been defined for both Qualification and Significant Matters. The Task Team monitors progress on implementation on a bi-weekly basis and there are also bilateral discussions with the executives concerned. The Task Team reports to group executive committee and the Audit and Risk Committee (ARC) monthly.

### 7.3.3 Health, Safety, Security, Risk and Compliance MTEF Choices

Core Services Choices - Phase 1: 2021 to 2022
<p><b>Operational Safety</b></p> <ul style="list-style-type: none"> <li>• Define and implement the safety culture characterised by visible and felt leadership</li> <li>• Compliance to the Occupational Health and Safety Legislation [OHS Act and RSR Act], SANS 3000-1 series and related Standards through the implementation of integrated Safety Management System</li> <li>• Develop Occurrence reporting, investigation and analysis capabilities.</li> <li>• Adopt multiple processes to promote employee and communities' awareness and knowledge of safety.</li> <li>• Establish and maintain the Safety Critical Grades (SCG) Employee risk profiles – And develop a programme for competency management.</li> <li>• Develop an SMS Tool (ICT) to captures the occurrences and monitor safety indicators</li> <li>• Establish and capacitate the Inspectorate function to enforce safety compliance through audits, inspections and work stoppages where risks are identified to be high.</li> <li>• Develop a safety case - consisting of railway infrastructure and station rehabilitation and modernization programme, security strategy implementation plan, supported by a Quality Management System (QMS) implementation plan to help put a compelling case for a three-year safety permit.</li> <li>• Human factors Management RSR Compliance – Phase 1 <ul style="list-style-type: none"> <li>○ Build Human Factor Management Capacity to help reduce the human factor related occurrences.</li> </ul> </li> </ul>
<p><b>Security</b></p> <p>Improved Visibility and Presence of Security</p> <ul style="list-style-type: none"> <li>• Establish National/ Regional Security Control Centres Integrate Regional Security Control Centres to Manned/ Unmanned Sites</li> <li>• Deployment of Physical Security</li> <li>• Implementation Strategy</li> <li>• Personnel, both permanent and contract staff, across the sites</li> <li>• Visible Patrols through “Boots on the Ground” and Policing</li> <li>• Visible and Noticeable Cameras as deterrents</li> <li>• Implementation of Technology Interventions including the walling projects</li> <li>• Revenue Protection</li> <li>• People Responsibility to Protect (PR2P) implemented by March 2021 through CPFs and NPOs</li> <li>• Implement a centralized shared service with devolution of command and control to regions/sites</li> </ul>
<p><b>Risk</b></p>

### Core Services Choices - Phase 1: 2021 to 2022

- Re-establish and capacitate risk management within PRASA and fill the approved positions in the structure.
- Review risk and business continuity management policies and frameworks
- Develop and implement the risk management strategy.
- Embed integrated risk management throughout the PRASA Group
- Implement the fraud and corruption prevention plan
- Initiate the implementation of the Quality Management System
- Facilitate the addressing of external audit findings by the AGSA

### Compliance

- Embed the Group Wide Compliance Function and training on key Compliance Discipline/Policies with dotted lines to Executive / GM Compliance
- Develop a Policies Repository
- Embed remediation of Audit Findings related to Compliance with Laws, especially SCM Regulation
- Develop Top 20 Regulatory Universe and allied Compliance Risk Universe and Work plan
- Training on PFMA and key SCM Regulation
- Quarterly Monitoring and Reviews of High to Medium Compliance Risks

### Stabilize Service Choices - Phase 2: 2022 - 2023

#### Operational Safety

- Graduate to a three-year safety permit regime.
- Embed and maintain the corporate safety culture (training, reward and recognition, etc.).
- Evaluate and monitor the performance of all the SMS components utilizing the SMS (ICT) Tool.
- Move the organization to level 3 of the Safety Maturity Level – where safety risks are fully defined and understood organization wide.
- Strengthen the inspectorate function to regularly and proactively monitor the condition and degradation of assets to ensure that there is no deterioration in risk levels, either of safety or reliability
- Embed the SMS through safety workshops to socialize the procedures and monitoring the implementation related thereto

#### Security

- Coordinate Special Security Operations:
  - NATJOC (National Joint Operation Committee)
  - SAPS (South African Police)
  - NPA (National Prosecution Authority)
  - SSA (State Security Agency)
  - Private Security Companies
  - Communities (“Community Safety Patrollers”)
  - People’s Responsibility to Protect (PR2P)
  - Eskom, Transnet, and Telkom
- Technology Integration

### Stabilize Service Choices - Phase 2: 2022 - 2023

- Integrate all physical security capability management platforms into a PSIM (Physical Security Information Management System)
- Enable e-Guards and Armed Response
- Deployment of RPAS (Remotely Piloted Aircraft Systems)
- Enable Information Gathering Capability (investigations, legal, forensic laboratory support and Vetting and Screening)
- Implementation of Aerostat at Strategic Assets and Operational Hotspots for Cable Infrastructure Monitoring
- Implement Technical Surveillance Counter Measures
- Develop a plan for the migration of certain key assets for accreditation as National Key Points [NKP]

### Risk

- Improve risk management culture and embed risk management in decision making
- Implement a Combined Assurance on key risks
- Deepen the implementation of the quality management system.
- Reduce audit findings by the AGSA by a minimum of 50% from the previous year.

### Compliance

- Facilitate the Combined Assurance Model
- Embed and maintain Compliance and Corporate Governance culture through training
- Professionalize the Compliance Function as a Discipline i.e. recruitment of professional compliance practitioners / training of current
- Compliance Functionaries to be members of accredited Governance and Compliance professional bodies
- Continuous Improvement of PRASA compliance based on benchmarking and gap analysis.

### Sustain Service Choices - Phase 3: 2023 - 2026

#### Operational Safety

- Fully matured Safety culture and robust SMS.
- Continued optimisation of the SMS where management is constantly searching for ways to continue reducing the frequency of accidents.
- Employees are trained and motivated to look for ways of improving safety and are incentivised to provide ideas to improve safety.
- Regularly review the range of indicators to ensure that new trends are identified relatively quickly, and any negative trend is quickly mitigated

#### Security

"Proactive Alerts" – Tracking and Analysis through TI (Threat Intelligence) and CF (Cyber Forensics) and BI (Business Intelligence)

### Sustain Service Choices - Phase 3: 2023 - 2026

- Implement an iGRC (Integrated Governance, Risk and Compliance) Solution for Compliance and Risk Analysis)
- Integrate with Collaboration Partner Technology Systems (i.e. SAPS, SSA, Communities and Private Security) to have real-time communication
- Implement GIS (Geographical Information System) reporting and BI (Business Intelligence) and Analytics Platforms
- Peace Officers status
- Revenue Recovery or enhancement

### Risk

- ISO 9001: 2015 Certification
- Towards a clean audit outcome from the AGSA

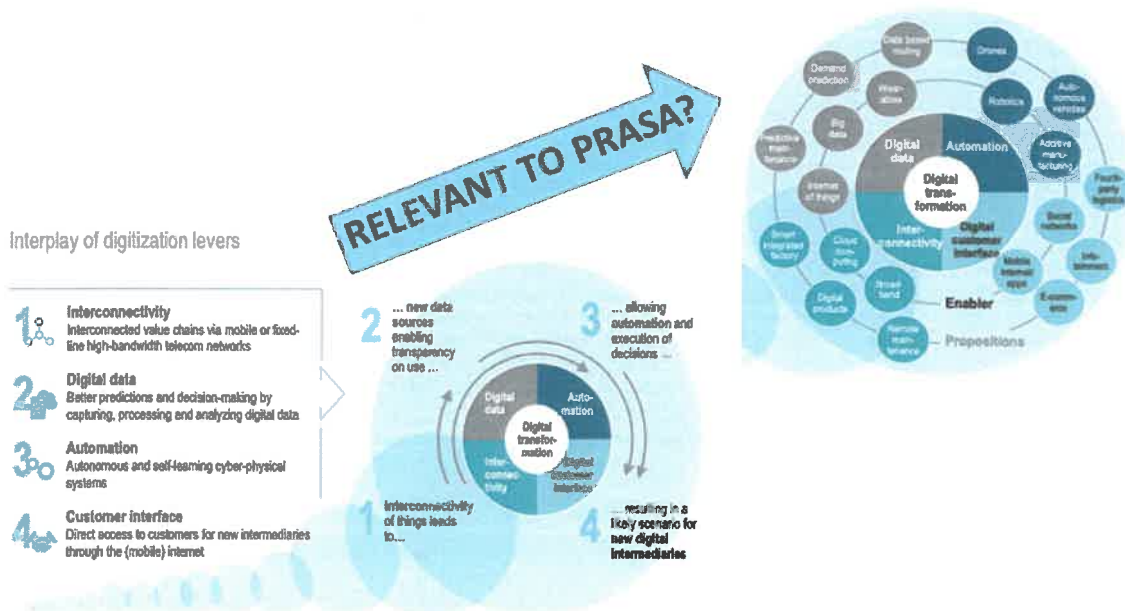
### Compliance

- Fully integrated Centralized Compliance Function reporting into Group
- Develop independent Compliance function
- Compliance Practitioners seconded to Business
- Review of the Compliance Manual

## 7.4 Pillar 4: Enable Transition to a digitally enabled organization

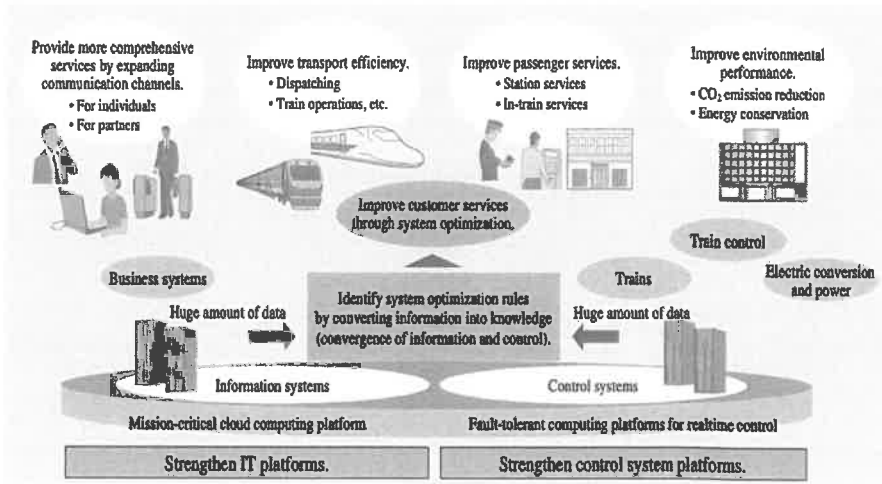
Focus of this pillar is to commence preparing for the 4<sup>th</sup> Industrial Revolution. Digitization in the rail industry and relevance for PRASA is depicted below:

Figure 4: Rail Industry Digitization and Relevance to PRASA



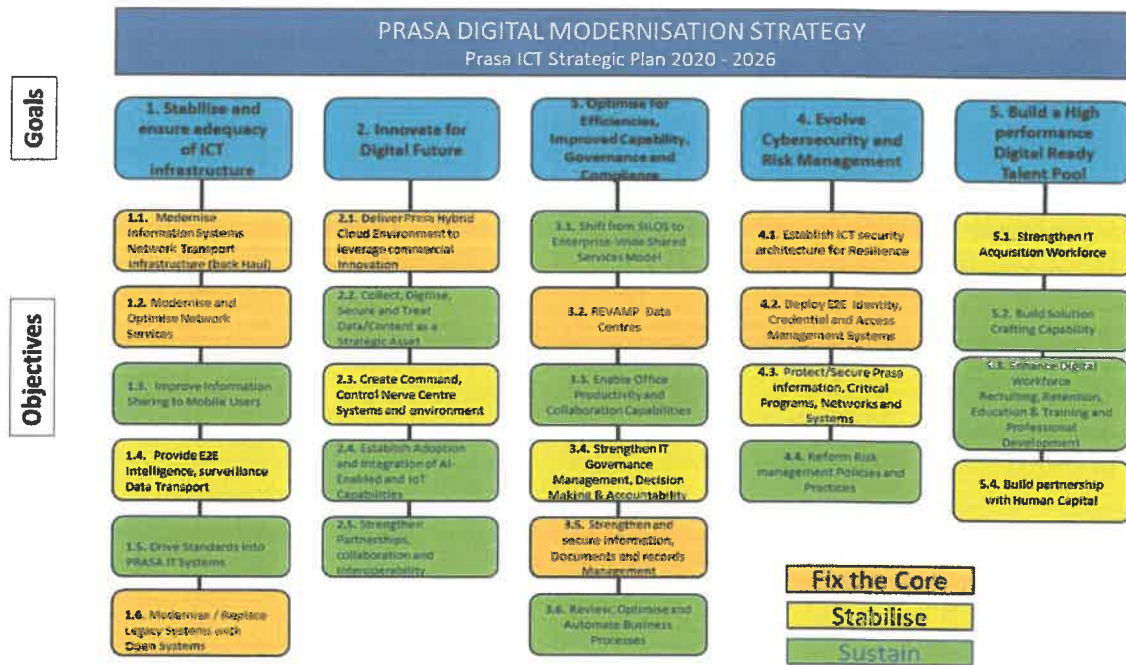
Digitization can help rail operators improve on-time performance and create a better connection with passengers, while advanced analytics can uncover new opportunities in the different locations and parts of the transportation value chain that they serve – BCG<sup>8</sup>. It is required that this is supported by robust and modern infrastructure and systems.

Figure 5: Potential Value of Transformation



A diagrammatical view of the ICT Strategy up to 2026/26 are depicted below:

<sup>8</sup> BCG – a research and consulting company in the IT Industry



Phase 1 of the ICT Strategic choices focuses primarily on rebuilding the ICT Base/Foundation Infrastructure and Capacity whilst phase 2 support business by building newer applications especially Revenue Support systems.

#### 7.4.1 Digitally Enabled MTEF Choices

Core Services Choices - Phase 1: 2021 to 2022
Modernize Information Systems Network Transport Infrastructure (back Haul)
Modernize and Optimise Network Services
Deliver PRASA Hybrid Cloud Environment to leverage commercial Innovation
Build Digital Capabilities to empower PRASA Workforce
Modernize / Replace Legacy Systems with Open Systems
Collect, Digitise, Secure and Treat Data/Content as a Strategic Asset
Protect/Secure PRASA information, Critical Programs, Networks and Systems
Create Command, Control Nerve Center Systems and environment
REVAMP/ Optimize Data Centres
Establish ICT security architecture for Resilience
Deploy E2E Identity, Credential and Access Management Systems
Strengthen and secure Information, Documents and records Management



### Core Services Choices - Phase 1: 2021 to 2022

Develop an SMS Tool (ICT) to captures the occurrences and monitor safety indicators

Development of an ICT platform for reporting and remediation of Irregular and Fruitless and Wasteful Expenditure Procedures – Compliance

Procure ICT System for Compliance to enable interactive Regulatory Updates

### Stabilize Service Choices - Phase 2: 2022 – 2023

Enable Information Sharing to Mobile Users (Commuters, Customers and Employees

Drive Standards into PRASA IT Systems

Establish Adoption and Integration of AI-Enabled and IoT Capabilities

Evaluation and review of the effectiveness of the SMS Tool (ICT).

Shift from SILOS to Enterprise-Wide Services Model (Central ICT Unit)

Enable Office Productivity and Collaboration Capabilities

Digitization/Automation of Processes

Build a Data Repository and Engine

Strengthen IT Governance Management, Decision Making and Accountability

Reform Risk management Policies and Practices

Strengthen IT Acquisition Workforce

BUILD Mobile Apps and Online Application Capabilities and Platform

Build Business Intelligence (BI) Capability – Data Driven PRASA

Procure and implementation of the Governance, Risk and Compliance tool. (GRC)

### Sustain Service Choices - Phase 3: 2023 – 2026

Build Solution Crafting Capability

Enhance Digital Workforce

Recruiting, Retention, Education and Training and Professional Development

Build partnership with Human Capital

Finalize the implementation of the GRC tool.

## 7.5 Pillar 5: Improve financial performance and business sustainability

### 7.5.1 Labour cost reduction strategies over 5 years

This will focus on

- Automation of Time and attendance (payroll) linked to Biometric Access Control
- Strategic use of overtime
- Review of conditions of service
- Review the 5-day worker and 6-day worker agreements and move to a 24hr and 7-day operations
- HCM Administration automation through Employee Self Service (ESS) and Management Self Service (MSS)
- Continuous improvement program (Productivity vs Efficiency using 6-sigma)
- Trade time off where a half-day for example can also work a few days equivalent to hours required,
- Identify and eliminate redundancies and duplications
- Cross train employees through multitasking and cross functional projects as examples

### 7.5.2 Financial Sustainability MTEF Choices

Core Services Choices - Phase 1: 2021 to 2022
Principles (cost drivers to be used and service level agreement) of on charge to other business units agreed upon including alignment to mandates. Other business unit determine costs.
Maximize advertising revenue (including Autopax on-board value-added services i.e. WiFi) and scrap sales to increase other income.
Tech and Rail to be consolidated at regional level for Regional Manager to have full control of product (service).
Review fare structure for Metrorail in light of improvements in frequency, predictability and reliability) and costing. As result of the new trains to be rolled out.
Labour Cost reduction Strategies
<ul style="list-style-type: none"><li>• Implement an ideal/optimal organizational structure with skilled personnel including Shared Services, Metrorail Service Design and uniformity including proposal by Autopax.</li><li>• Utilize low cost staffing options such as learnerships</li><li>• Financial sustainability to inform insourcing or outsourcing of services.</li><li>• Eliminate inefficiencies through identification of redundancies and restructuring</li><li>• Review legacy labour agreements to reduce allowances and overtime.</li><li>•</li></ul>
Improved staff supervision and performance management.
Implement Activity Based Costing (ABC) to assist in identifying redundancy and inefficiencies.
Review the property portfolio to ensure aggressive rental revenue generation.

**Core Services Choices - Phase 1: 2021 to 2022**

Business decisions must be on commercial consideration or terms taking into account financial stability of the business.

Commercialization of fibre and build higher towers (Telecom infrastructure) to contribute to other income/revenue sources through Intersite/CRES.

Set-off of Transnet and PRASA Debt

Review of SCM Policy to allow OEM acquisition of product specific parts e.g. bus and train parts.

Improved Autopax market share because of competitors closing business and lease buses.

Leasing additional buses to small operators in communities in exchange for retainer.

Maximize funding/subsidy utilization.

### Stabilize Service Choices - Phase 2: 2022 - 2023

Costing of corridors and business areas to enable treating corridors as profit centres

Revenue and costs accounted per stations and depots.

Automated ticketing, remission, and accounting to reduce personnel requirements, printing costs and effective revenue collection.

#### Metrorail Fares

- Different fare structure that limits discounted fares instead of direct Metrorail fare increases.
- Implement a simplified fare increase process – notices versus commuter forum engagement.
- Automated fare increases to cover difference in costs and subsidy (agree funding model with NT and DoT)

#### Labour Cost reduction Strategies

- Implemented electronic fare collection will bring benefit in terms of customer services, security and overtime cost savings.

Maximization of input VAT claims and write-off of debt.

Improved customer value and satisfaction as determined by customer surveys and customer relation management to improve quality reliable service based on customer needs.

Business/Divisional financial statements to ensure that business performance is measured

Eliminated legacy agreement to reduce allowances and overtime.

Measured the effectiveness of Activity Based Costing.

All support departments placed on shared services.

New revenue streams identified

Cost of running a train per km determined.

Fixed and variable costs analysis done.

### Sustain Service Choices - Phase 3: 2023 - 2026

Consider move to Schedule 2 from 3B vs Social Mandate so we can borrow providing cost coverage are very high and identified assets transferred to ring fenced Special Purpose Vehicle (SPV).

Strategic partnerships to develop properties in around rail and create more income streams.

New corridors identified and build in high-density areas where revenue generation can be maximized

Access debt funding to improve balance sheet.

Implemented SADC Routes through Autopax and MLPS

## 7.6 Pillar 6: Improve customer experience through service and operational excellence

The plans for this pillar are founded on the PRASA's Passenger Service Charter. The Passenger Service Charter is a declaration of PRASA's commitment to deliver acceptable service quality to all our customers. The minimum service levels are depicted below. Customers will at any time know how the service is performing relative to the minimum service levels.



**prasa**  
PUBLIC RAIL AND ROAD COMPANY OF SOUTH AFRICA

# PASSENGER SERVICE CHARTER

The Passenger Service Charter provides a set of aspirational norms and standards for service quality across all PRASA brands that include Metrorail, Premier Class, Translux, Shosholoza Meyl, and City to City. We endeavor to provide you with:

- Investigate reported incidents within 24h
- Cooperate fully with law enforcement and prosecutorial agencies.
- Provide an independent whistleblowing telephone line and email facility.
- Publicly publish the outcomes of investigations once they are concluded.
- Maintain our infrastructure, trains and vehicles in accordance with legal prescriptions.

### SAFETY AND SECURITY

- Where services deviate by more than 10 minutes from the published times, this will not be more than 10% of services provided in any given year.
- Passengers will be informed of any timetable deviation through all our official platforms.
- Where possible, an alternative service will be provided in case the primary service is experiencing a failure of more than 3 hours.
- Where external factors affect the punctuality and reliability of services, we will make every effort to minimise the inconvenience to customers.
- We will publish performance on service reliability on a weekly basis across all our official information platforms.

### CUSTOMER INFORMATION

- Disseminate service information across multiple platforms.
- Publish the most up to date timetables.
- Inform customers of service disruptions within 10 minutes of a verified disruption.
- Publish up to date fare structures.
- Provide adequate and clear signage within and around each station or stop.
- Provide timetable information and a map of services at each station and stop.
- Provide service information on-board all our services.
- Ensure that every Customer Services personnel and information desk has the most up to date information about the status of our services.
- Obtain information from customers on how to improve dissemination of information.

### UNIVERSAL ACCESSIBILITY

- We will coordinate our timetable with other operators to ensure that, at designated interchange facilities, where we have services with headways of more than one hour, the departure and arrival of our services allow for connection with other major services.
- We will maximise the number of available outlets to purchase journey tickets or load fare media. Tickets are available at stations and appointed agents, whose names and locations are available from our website ([www.prasa.com](http://www.prasa.com)).
- We will make every effort to match seat availability to customer demand.
- Seat reservation is only available on selected services that include Autopax, Premier Class, Shosholoza Meyl (Sitter and Sleeper) travel classes.

### CLEANLINESS AND CONDITIONS OF FACILITIES AND VEHICLES

- Stations will be cleaned daily.
- Our trains and buses will be cleaned daily.
- Out of service ablution facilities, lifts ramp, escalators, broken windows, station lighting, floor tiles, roller shutter doors and manhole covers and other unserviceable installations will be repaired within 72 hours of a reported incident.

### JOURNEY COMFORT

- Daily inspections will take place to ensure that all our trains and vehicles have adequate ventilation, heating and lighting.
- Our drivers have been fully trained in safe driving techniques to maximize customer comfort.
- All our trains and vehicles are driven with proper regard to the comfort and safety of our customers.
- Crowding does not exceed 5 persons per square metre.

### JOURNEY CONVENIENCE

- We will provide ticketing infrastructure that allows payment across multiple fare media.

### CUSTOMER COMMENTS AND COMPLAINTS

- Our employees will treat our customers in a courteous, respectful and fair manner in line with our Code of Conduct and established values.
- All our Customer Care Officials are clearly identifiable wearing full uniform with name badges bearing the company logo.
- We will respond within 72 hours to customer complaints and suggestions.

Scan the QR code to access the full Passenger Charter on the our website.

[www.prasa.com](http://www.prasa.com)  
0800 65 63 63 (toll-free)



 @prasa  
 Prasa Group

The Passenger Service Charter will be implemented through an integrated Customer Value Chain (CVC) model, depicted below, to ensure that the entire business is focused on creating value to our customers.

Figure 6: Customer Value Chain

Prepare for travel	En-route to station	Arrival & entering the station	Waiting at the platform and/or waiting area	Boarding train/bus	Onboard bus/train	Exit/transfer	En-route to destination	Arrive at destination
Reliable and accessible journey information	Functional coordination with other modes of transport	Safe station environment, clean station environment, informative signage & staff, accessible facilities, functional equipment	Safe waiting area, reliable real time information, clean station facilities and amenities, real-time incident reporting, functional equipment	Safe boarding, real-time incident reporting	Safe on-board experience, no overcrowding, safe-life incident reporting	Reliable and accessible real-time information, accessible facilities, functional equipment, real-time incident reporting	Functional coordination with other modes of transport	Ability for customer to provide feedback
ICT, Tech, Rail/BusOps	ICT, Rail/BusOps, Strategic Network Planning	Ops, ICT, Rail/BusOps	Ops, ICT, Security	Security, Rail/BusOps, Ops, Tech	Security, Tech, ICT, Rail/BusOps	ICT, Rail, Security, Ops, Strategic Network Planning	ICT, Rail/BusOps, Ops, Strategic Network Planning	ICT, Research
Other support functions								

### 7.6.1 Customer Services MTEF Choices

#### Core Services Choices - Phase 1: 2021 to 2022

##### Back to Basics Strategy focusing on customers and employees

- implementation and monitoring. The Passenger Service Charter and Condition of Carriage defines our value proposition to customers (availability, predictability, reliability, safety and security) including Covid-19 compliance (Customer Satisfaction Index (CSI) improvement to 60% (rail and buses)
- Enforcement of SLAs between Customer Services and key service delivery departments and highlighting Levels of Service (LOS) per corridor.
- Instil a culture of professionalism through the provision of necessary tools of trade
- Uniform for staff to instil a sense of pride and professionalism.
- Implement Rewards and Recognition Programme
- Enhance customer communication across all channels (e.g. migration to a single PRASA Contact Centre number)
- Fully operational PRASA Contact Centre
- Increase surveys from one to two surveys a year (CSI) to keep abreast of the changing customer needs and requirements.
- Ensuring management visibility onboard trains and stations
- Introduce Mystery Shopping and a research tool and part of service improvement
- Pilot Project of the automated ticketing system
- Digitization of timetables
- Reduce cash handling at stations
- Measure on time departures and arrivals as per the timetable/schedule

#### Stabilize Service Choices - Phase 2: 2022 - 2023

**Customer Services - Continue service delivery priorities, improve the CSI and extending services to other routes/lines**

#### Stabilize Service Choices - Phase 2: 2022 - 2023

- Ensure Service Level Agreements (SLA) are linked to performance contracts.
- Roll-out of the automated ticketing system
- Launch the customer mobile app
- Introduce quarterly surveys
- Explore Retail Strategic Partnerships that improve the accessibility and expansion of selling points.
- Increase patronage and expanding services to other routes
- Roll out speed points for card payments.
- Measure and Improve both the customer value, and service delivery
- Develop and Implement Customer Relationship Management (CRM) system

#### Sustain Service Choices - Phase 3: 2023 - 2026

##### Ensure a modernized service through the implementation of the following:

- Self Service Machines for ticketing to be piloted at super-core stations
- Introduce a Travel card
- Introduce a Loyalty Program to retain customers
- Implement continuous improvement standards and Standard Operating procedures
- Measure and Improve both the customer value, and service delivery
- Conduct on the job observations in operational areas.
- Identify and address gaps in the Customer Value Chain (CVC) to improve customer services.

#### 7.6.2 Marketing, Communications and Stakeholder Management Choices.

The aim for Marketing, Communications and Stakeholder Management is to identify key communication touch points and keep commuters/passengers and various stakeholders informed on any developments impacting, whether negative or positive on PRASA customers.

The marketing choices in Phase 1 is to **restore** customer confidence, then in phase 2 to **regain** the market and in phase 3 to **grow** the market.

#### Core Services Choices - Phase 1: 2021 to 2022

##### Garner public support for journey to restoration and recovery through

- Campaign to show the "AS IS" state of Rail
- Road to Recovery of corridors as they come on stream
- Publicize services of recovered corridors and passenger numbers
- Capital projects to recover and new
- MLPS- recovered routes
- Bus services- new fleet, attract passengers from competitors
- Safety and Security
- Infrastructure (Signalling, Perway, infrastructure)
- Trains (GO's)

## Core Services Choices - Phase 1: 2021 to 2022

- Modernization programme

Finalize Policies and Communication Standard Operation Procedures (SOP) for Spokesperson(s)

Restructure Unit to Shared Services in the second phase including skills/ qualification audits, and resourcing (budget and personnel)

Brand Architecture including corporate Identity, train and station branding

Internal Staff programmes to boost morale, performance, safety and lived values

### Reputation Management

- Promote Rail as the backbone for public transport and a mode of choice – give commuters a safe, reliable, efficient, and clean service
- Restore stakeholder confidence
- Drive and own the PRASA narrative – balance positive and negative news, highlight our wins
- Instil commitment to operational safety and security of infrastructure/assets & people
- Instil community ownership of PRASA Assets & Infrastructure
- Instil trust in PRASA as a public entity
- Increase positive media coverage of PRASA- micro media analysis- per area, per person and issue
- Boost staff morale and improve performance- change management, informed staff

### Marketing

- Understanding the changing preferences and demands of commuters, passengers and users of our facilities
- Maintaining relevance in a highly competitive public passenger transport environment
- Arrest declining stakeholder and public confidence
- Recover lost business and regain and grow patronage
- Allow for premium pricing- to increase revenue
- Increase Return on Investment
- Attract best employees

### Branding

- Affinity and alignment with one common PRASA Brand (Internal & External)
- Brand Architecture- House of Brands or Branded House
- Brand Equity- Value & value for money
- Update Corporate Identity Manuals
- Corporate Identity Policy

### Stakeholder Campaigns and Events

Engagements and Activations:

- Seek initiatives that increase contact with commuters and surrounding communities to encourage:
- Ownership and protection of assets by the community
- Interaction with commuters and community by the leadership of the Agency.
- Targeted events and initiatives at stations, corridors and communities
- Supports initiatives in partnership with local municipalities in areas where PRASA operates to improve the conditions of those communities

### Marketing and Branding of Autopax Services

- Rebuild Brand Trust and customer confidence



### Core Services Choices - Phase 1: 2021 to 2022

- Deliver on our brand promise of being a “reliable, affordable, Predictable and safe bus operator.
- Aggressive brand and revenue campaigns
- Form strategic media partnerships
- Leverage our social media platforms

### Stabilize Service Choices - Phase 2: 2022 - 2023

Showcase Progress/ wins- recovery programme

- Safety and Security

Market Capital programmes, Modernization and other investments

Market services of Rail, Bus, Cres as well as safety and security improvements

- Regain passenger numbers and revenue in new/recovered corridors
- MLPS - grow passenger numbers and revenue
- Bus services-- grow passenger numbers and revenue

Phase 2 - Shared Services structure for Marketing and Communications

Implement and monitor Rebranding processes and adherence to policies and guidelines

#### Reputation Management

##### External Marketing and Communication

- Ensure that PRASA’s business imperatives are understood and supported by stakeholders.
- Enhance the perception and reputation of PRASA.
- Build positive media and stakeholder relations
- Gain lost public and stakeholder confidence.
- Secure 80% positive media coverage and awareness

##### Internal Marketing and Communication

- Instil a culture of excellence.
- Boost morale and influence positive change
- Gain support from employees for the pursuit of common objectives
- Ensure that employees understand their role in the pursuit and delivery of the stated strategic objectives

#### Marketing

- Grow the customer base and increase patronage through promotion of
  - A reliable, predictable and safe commuter/passenger service
  - Destination stations for work, shop, play & dine
  - Transforming passenger rail travel

#### Branding

- Roll out common Branding at all PRASA touch points
- Implement and monitor Corporate Identity usage
- Implement and monitor Corporate Identity Policy

### Sustain Service Choices - Phase 3: 2023 - 2026

Grow number and attract new passengers to all services

Sustain Service Choices - Phase 3: 2023 - 2026
<ul style="list-style-type: none"> <li>• Market services of Rail, Bus, Cres</li> <li>• Safety and Security</li> </ul>
Market Capital programmes, Modernization and other investments
Share Services structure implemented
Monitor Rebranding processes and adherence to policies and guidelines
Support to organization strategy and growth path
<b>Reputation Management</b>
<p><b>Internal Marketing and Communication</b></p> <ul style="list-style-type: none"> <li>• Drive a culture of excellence.</li> <li>• Maintain high morale and influence positive change</li> <li>• Gain support from employees for the pursuit of common objectives</li> <li>• Ensure that employees understand their role in the pursuit and delivery of the stated strategic objectives</li> </ul>
<b>Marketing</b>
<ul style="list-style-type: none"> <li>• Regain and grow patronage</li> <li>• Increase revenue</li> <li>• Be the preferred mode of transport</li> </ul>
<b>Branding: Maintain Brand &amp; Branding integrity</b>

### 7.6.2.1 Campaign plans

#### The “STOP and Report” campaign

The message of this campaign is: “STOP” When trains don’t move, people lose jobs, children can’t get to school, and the economy suffers. Report all crimes to 0800-number



#### Stakeholder Campaigns through Wall Murals

“DANGER WALLS” with clear messaging discouraging Vandalism and Cable Theft. The messaging is painted as a DANGER STRIP, loudly pronouncing that:

- Cable Theft, KILLS
- Cable Theft, Delays Trains and YOU to work, and getting home
- Cable Theft, leads to slow economies, poverty and unemployment
- Report Cable THEFT IMMEDIATELY and save our people and our economy.



#### *Township wall media for Capital projects:*

This campaign utilizes vibrant and upbeat drawings showing the progress of PRASA stations, and the picture of the final product. This is to give audiences hope, and ability to look forward to something beautiful and progressive.

#### **New stations**



#### *Rebranding / Brand Alignment*

AN example of this is the General Overhaul rebranding.

Before General Overhaul (GO)



After General Overhaul (GO)



### *PRASA INTRA TV for Internal Communication*



### 7.6.3 Supply Chain Management MTEF Choices

#### Core Services Choices - Phase 1: 2021 to 2022

##### Efficient, effective and agile procurement process

- Short term: “Contractathon” for rapid execution through Transactional Advisory panel for focused delivery and thrive for agility
- Structural improvements
  - SCM modelling and structure consolidation to a centralized SCM

### Core Services Choices - Phase 1: 2021 to 2022

- Create Procurement Governance structures across the business supporting SCM practitioners and avoid nonresponsive bids whilst improving Procurement Lead-Times
- Establish sound Tender Administration and management offices for bid security
- Strengthen contract management by establishing centralized Contract administration function and its capacitation
- Capacitate structures with Proficient Practitioners
- Build inhouse future competency capability by on-boarding Graduate in Training programme with Engineering capability
- Job roles and naming conversion standardized with HCM across the organization
- Establishment of sound Logistics and Inventory management function and related policies
- Strengthen the control environment to eliminate audit findings.
  - Develop SCM Control framework (Business Critical Controls) for standardization
  - Strengthen and secure bid documents and records management
  - System Enhancement to enable Purchase-2-Pay, controls and reporting (SRM 5 Upgrade)
  - Provide regular training to bid committees to enhance knowledge and understanding of SCM prescripts and processes
- Fleet Management and recapitalisation
- Vendor Management and configuration of transformation reports (BBBEE)
- Automated Supply Chain Performance Dashboard

### Stabilize Service Choices - Phase 2: 2022 - 2023

#### Efficient, effective and agile procurement process

- Institutionalizing SCM Controls
- Adoption of centralized Strategic Sourcing and strengthen procurement for Capital Programmes
- Conduct SCM Competency assessments
- Establish SCM Role based induction
- Strengthen Supplier Development capability and supplier management
- Establishment of a Specification Registry
- Improve Material Planning and Replenishment to drive Commodity grouping
- Automation of procurement to enhance controls through e-tendering
- Implement vendor managed Inventory and consignment stock to strengthen availability of maintenance material

### Sustain Service Choices - Phase 3: 2023 - 2026

#### Efficient, effective and agile procurement process

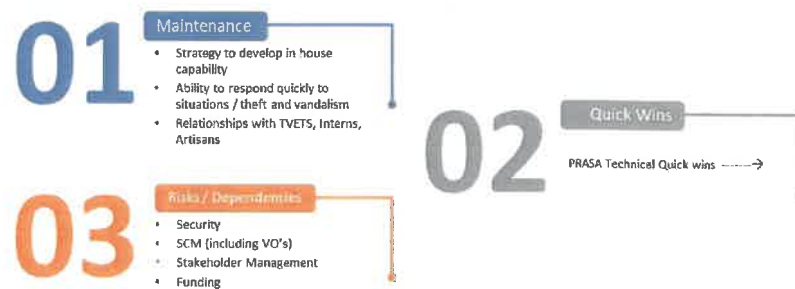
- Optimizing Long-Term Contracts
- Inventory / Stock Disposal incorporated into SAP
- Warehouse process re-engineering and optimization

## Sustain Service Choices - Phase 3: 2023 - 2026

- Smart contract management implementation

### 7.7 Pillar 7: Modernize Rail through Manufacturing, Infrastructure Development, Maintenance and Modernization

This pillar focus on



Quick wins for this pillar are:



The Maintenance Management philosophy of PRASA is premised on the integration of all the maintenance engineering tasks to ensure that optimum levels of availability and of overall performance of the facility/infrastructure are achieved. The aim is to move away from unplanned work to planned work. Therefore, the steps to attain this are

- Ensure availability of facility for operation
- Minimizing maintenance interference
- Provide the facility at appropriate standard within a required level of reliability
- Ensure economic and efficient maintenance input.
- Provide the above in a safe and responsible manner.

#### 7.7.1 Manufacturing, Infrastructure Development, Maintenance and Modernization MTEF Choices

Core Services Choices - Phase 1: 2021 to 2022
<b>Rolling Stock Fleet Renewal Programme</b>
<ul style="list-style-type: none"> <li>• Delivery of 44 new trains from Factory</li> <li>• Commence with the supplier park development</li> <li>• Generate PRASA's Strategy for taking over Gibela factory at the end of contract. This strategy will deal also with the eventual Rolling Stock orders from the African Continent.</li> </ul>
<b>Rolling Stock Accelerated Rolling Stock Programme</b>
<ul style="list-style-type: none"> <li>• Allocate 70% of the external heavy maintenance capacity (i.e. ≈ 280 coaches) to ad-hoc/vandalized coaches.</li> <li>• The remaining 30% capacity allocated to coaches overdue for General Overhaul maintenance (i.e. ≈ 120 coaches).</li> <li>• Restoration of wrecks and accident coaches be deferred to year 3 of the GO contract.</li> <li>• Develop a plan for in-house skills capacity</li> </ul> <p><b>NOTE:</b></p> <ul style="list-style-type: none"> <li>• Contractors Capacities as well as Contractors State of Readiness not known as contracts in award stage. Post award the Ramp up plans will be requested from contractors. This will enable an improved recovery plan.</li> </ul>
<b>Depot Modernization</b>
<ul style="list-style-type: none"> <li>• Wolmerton turnkey contractor - phase 3 awaiting award by end 2020/21</li> <li>• Springfield and Durban Yard-appointment of design team – accelerated work package</li> <li>• Salt River appointment of design team-accelerated work package</li> <li>• Paarden Eiland – turnkey project- tender out closes on 16 February 2020 - target completion end March 2022</li> <li>• Seven Depot Fencing Projects: out on tender and closed on 5th February</li> </ul>
<b>PERWAY Maintenance:</b>
<ul style="list-style-type: none"> <li>• Supply and delivery of rails nationally, following the award of the contract for 150km of 48kg/m rails</li> <li>• Rehabilitation of track geometry through the R150 mil on-track machines capacity (NT emergency RFQ waiting for award before end 2020/21) <ul style="list-style-type: none"> <li>○ Tamping (KZN: 132km, WC: 397, GP: 853 km)</li> <li>○ Screener (KZN: 18,5, WC: 90.6, GP: 141.5 km)</li> <li>○ Grinder (KZN: 38.4, WC: 76, GP: 626 km)</li> <li>○ Regulator (KZN: 106, WC: 397, GP: 853 km)</li> </ul> </li> <li>• Replacement of emergency 37km rails and seven 1:7 turnouts in KZN Durban-Umlazi (through NT emergency RFQ waiting for award before end 2020/21)</li> </ul>

### Core Services Choices - Phase 1: 2021 to 2022

- Repair of skid marks and replacement of perway material through RME.
- Gauteng:
  - Rerailing using internal capacity
  - Pretoria- Pienaarspoort: Rail Grinding and Track Tamping
  - Rehabilitation through on-track ballast tamping machine on an "As and When" required basis
  - Rail refurbishment through welding and grinding
  - Procure universal concrete sleepers to replace rotten wooden sleepers
  - Supply of sleepers and fastenings "As and When"-required
- **KZN:**
  - Durban-Kwamashu: Drainage and formation rehabilitation
  - Reunion-Kelso: Replace worn out 48kg/m rails
  - Reduce Perway related train delays by fast-tracking the procurement of on-track machines and resources
  - Fast-tracking the procurement of Rail and Rail components
  - Rehabilitation of structures of bridges and tunnels
  - Rehabilitate formation, drainage system and embankments at A corridors
- Western Cape:
  - Cape Town - Retreat (Athlone): Rehabilitation Work through On-Track Machines, rail grinding and track tamping

### Electrical Maintenance

- Put a contract in place for the supply of electrical tool and OHTE material nationally
- Put a contract in place for the supply of substation material and tools nationally
- Put a contract in place for an "as and when" supply and installation of OHTE equipment for all regions
- Appoint a panel of contractors for rehabilitation of 3kV DC substations, OHTE and signalling power supply
- Gauteng:
  - OHTE Rehabilitation: Replacement of vandalized contact, catenary and feeder wires: Pretoria-Pienaarspoort 46km . Pretoria-Saulsville – 14km , Pretoria-Kaalfontein: 32.45km, Leralla-JHB: 39.39km,JHB-Naledi: 29.1km . Total of 160.94km of OHTE to be refurbished.
  - Refurbishment and upgrade of traction substation at Geldenhuys
  - Rebuilding and Upgrading of Booyens 3kV DC Traction Substation
  - Supply and install traction transformers at Oakmore and Crown stations
  - Replacement of High -Speed Circuit Breakers (HSCB) at various substation
  - Mabopane, Randfontein: Supply, Install, Commission and Testing of Indoor-Outdoor Equipment for substations
  - Refurbishment of intake substations
  - 6.6 KV MOD at Centurion, Pretoria, Winternest, Mitchelle and Pinedene
  - Supply, Install, 5MVA and 6MVA Traction Transformers, 100KVA Auxiliary Transformers and 6MW Rectifiers at Cor Delfos and Centurion stations



## Core Services Choices - Phase 1: 2021 to 2022

- Refurbishment of 3KV DC and 11KV substations at Hercules, Mabopane, Wolmerton, Eerste Fabrieke, Pinedene, Pretoria, Mitchell Street and Winterneest stations
- KZN:
  - Repairs and replacement of various electrical components
  - Supply and Installation of Batteries and Chargers
  - Supply and Deliver Contact Wire
  - Put in place an “as and when” contract for OHTE
  - Retrofit High Speed Circuit Breakers
  - Replace of 6,6kV cables in various locations
  - Reinstating of lightning protection
  - Replacement of 6,6kV/400V Transformers and H Frames
  - Reunion-Kelso: Winkelspruit substation rehabilitation
  - OHTE Rehabilitation: Crossmoor-Merebank: 26.72km of OHTE be refurbished
  - Procure OHTE inspection and rehabilitation machines
  - Emergency repairs to substation at Booth, Reunion and Umlazi and Winkelspruit.
- Western Cape
  - Claremont: Upgrade substation (R8 mil)
  - Redesign, Relocation of Nyanga 3kV DC substation
  - Design and construction of Langa’s 3 kV DC traction Substation
  - Design and construction of Paarden Eiland’s 3 kV DC traction Substation
  - Replacement of 11kV Transmission Line: Langa-Phillipi- 16.34km, Phillipi-Chris Hani- 14.48km, Phillipi-Kapteinsklip-7.59km. Total of 38.41km

## Signalling Maintenance

- Signals Rehabilitation: Supply of signal cables and vandal-proofing of signal bases at Leralla-JHB-Naledi, PTA-Pienaarspoort
- Gauteng
  - Rehabilitate Signalling system
  - Supply and delivery of signalling tools and equipment
- KZN
  - Durban-Umlazi: Install Signal Cables, Testing and Commissioning of the Signalling System
  - Durban-Kwamashu: Install Signal Cables, Points Rodding and Testing and Commissioning of the Signalling System
  - Reunion-Kelso: Design and Install new Interlocking, Level Crossing, Axle Counters and Fail-Safe Data Transfer equipment
  - Crossmoor-Merebank: Vandal proof of trackside equipment
- Western Cape
  - Cape Town-Newlands-Simons Town: Signals Rehabilitation: Replacement of Cables and Vandal-proofing of Train Detection System: More than 30 axle counter heads to be equipped with Vandal proofing mechanism
  - Cape Town - Bellville (Mutual): Signals Rehabilitation: Replacement of Cables and Vandal-proofing of Train Detection System: About 10km of signal cable to be installed and vandal proofed: high strength concrete

### Core Services Choices - Phase 1: 2021 to 2022

- Cape Town - Retreat (Athlone): Signals Rehabilitation: Replacement of 6 vandalized points machines to create more flexibility for train operations.

### Telecoms Maintenance:

- National Projects
- Restoration of 10M and 5M2A Train Driver Simulator Restoration System (R8 mil) for training centres in all three regions
- GMS-R network firewall interface for remote support for KZN, Western Cape and Gauteng
- Rehabilitation of the fibred monitoring system (R1 mil) to cover 70 km from JHB to PTA
- Upgrade Data Logger firmware and recovery for Traction controller unit in Gauteng
- Gauteng
  - Rehabilitate GSM-R systems on an “as and when” basis 37 Sites
  - Procure telecommunications materials on an “as and when” basis
  - Procure Telecoms tools and equipment
  - Rehabilitate aerial, underground optic fibre network and optical transport network PTA-Piensaarspoort, Leralla to JHB, JHB-Naledi
  - Rehabilitate the public address (PA) systems and display boards for integrated communications system 140 stations
- KZN
  - Rehabilitate aerial, underground optic fibre network and optical transport network Reunion to Umlazi(10KM) and Umgeni to KwaMashu(8KM)
  - Rehabilitate the public address (PA) systems and display boards for integrated communications system Crossmoor, Bayview, Havenside, Rosburgh, Reunion
  - Refurbishment/Installation of Telecontrol systems, Substations (Ilfracombe, Park Rynie, Northdene, KwaMashu, Duff’s road, Umbilo)
- Western Cape:
  - Refurbishment of Fiber optic. Corridors are Cape Town to Simons Town(18KM), CT to Chris Hani (30KM) and CT to Strand (20KM)
  - Refurbishment/Installation of PA system. Corridors are Cape Town to Simons Town (5 Stations), CT to Chris Hani (25 stations) and CT to Strand (15 Stations)

### Infrastructure Modernization: Perway: Level Crossings and Footbridges

- Complete planning for the Construction of footbridges at Perseverance and Fort Jackson in the Eastern Cape
- Complete planning for the construction of footbridges at Umbilo, Congella and Renishaw in KwaZulu Natal
- Complete designs for the elimination of the level crossing at Berwyn
- Appointment of a turnkey contractor for the construction of temporary footbridges in Mamelodi

### Infrastructure Modernization: Platform Rectification

- Construction commencement at Atteridgeville station
- Appoint contractors – Twenty-one (21) stations - Turnkey in Gauteng North
- Complete Planning for Twenty-nine (29) stations for a national programme

### Infrastructure Modernization: 120 kmph Programme

#### Core Services Choices - Phase 1: 2021 to 2022

- Procurement for the Reviewer to ensure compliance with the FIDIC<sup>9</sup> contracting method
- Appoint a Turnkey contractor for the 120KPH Programme

#### Infrastructure Modernization: Electrical

- Complete Substation Designs (Nyanga / Langa/Paarden-Eiland)
- Complete Substation Refurbishment Designs (Booth/Northdene/Springfield)
- Appoint Service providers (Turnkey) for the replacement of High Circuit Breakers (HSCB) (National)
- Complete the project for the Replacement of foundations, structures and small part steel in Gauteng North

#### Infrastructure Modernization: Signalling

- Gauteng: Finalize 26 Interlockings
- Western Cape: Finalize 20 interlockings - provided security, power supply in place and occupations granted:
- KZN: Interim solution to rehabilitate current system (covered under Transnet projects)

#### Stabilize Service Choices - Phase 2: 2022 - 2023

##### Rolling Stock Fleet Renewal Programme

- Delivery of 51 new trains from factor
- Completion of supplier park

##### Rolling Stock Accelerated Rolling Stock Programme

- Allocate 60% of the external heavy maintenance capacity (i.e. ≈ 240 coaches) to ad-hoc/vandalized coaches.
- The remaining 40% capacity allocated to coaches overdue for General Overhaul maintenance (i.e. ≈ 160 coaches).
- Restoration of wrecks and accident coaches be deferred to year 3 of the GO contract.
- Implement/roll-out the plan

##### Depot Modernization

- Complete Benrose – Dec. 2022
- Complete Wolmerton – Dec. 2022
- Key Milestone: -phased completion for Salt river and Springfield: extension of existing maintenance depot facilities and construction of new facilities

##### PERWAY Maintenance:

- Rehabilitation of track through on-track machines on a 3-year contract basis
- Procurement of Perway material nationally: Sleepers and fastenings, turnouts, 57 kg/m and 48 g/m rails, rails and turnout components.
- Continue with projects started in 2021

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<sup>9</sup> FIDIC - French language acronym for Fédération Internationale Des Ingénieurs-Conseils for international federation of consulting engineers

### Stabilize Service Choices - Phase 2: 2022 - 2023

- Ensure that maintenance audits are re-instated and conducted annually through the provision to audit capacity
- Ensure all maintenance plans, processes and procedures are reviewed and updated.
- Adhere to annual maintenance schedule to reduce/eliminate the backlog.
- Management of material and components stock levels to support maintenance requirements.

### Electrical Maintenance

- As and When replacement of Substation Equipment or Power supply equipment
- Continue with projects started in 2021
- Ensure that maintenance audits are re-instated and conducted annually through the provision to audit capacity
- Ensure all maintenance plans, processes and procedures are reviewed and updated.
- Ensure all processes and procedures are reviewed and updated.
- Adhere to annual maintenance schedule to reduce/eliminate the backlog.
- Management of material and components stock levels to support maintenance requirements.

### Signalling Maintenance

- Continue with projects started in 2021
- Ensure that maintenance audits are re-instated and conducted annually through the provision to audit capacity
- Ensure all maintenance plans, processes and procedures are reviewed and updated.
- Ensure all processes and procedures are reviewed and updated.
- Adhere to annual maintenance schedule to reduce/eliminate the backlog.

### Telecoms Maintenance

- Upgrade data Logger firmware and recovery for Traction controller unit in KZN and WC
- Implementation of a train collision avoidance system (R200 mil)
- Continue with projects started in 2021
- Ensure that maintenance audits are re-instated and conducted annually through the provision to audit capacity
- Ensure all maintenance plans, processes and procedures are reviewed and updated.
- Adhere to annual maintenance schedule to reduce/eliminate the backlog.

### Infrastructure Modernization: Perway: Level Crossings and Footbridges

- Construction of footbridges at Perseverance and Fort Jackson in the Eastern Cape
- Construction of footbridges at Umbilo, Congella and Renishaw in KwaZulu Natal
- Commence with construction for elimination of the level crossing at Berwyn
- Construction of temporary footbridges in Mamelodi in Gauteng North

### Infrastructure Modernization: Platform Rectification

- Construction commencement for Platform Rectification - Turnkey
  - Bosman to Saulsville: Bosman street; Barracks; Pretoria West; Rebecca; Elektro; Cor Delfos; Kalafong ; Saulsville
  - Construction commencement for Platform Rectification - Turnkey

### Stabilize Service Choices - Phase 2: 2022 - 2023

- Pretoria to Pienaarspoort: Pretoria Station; Loftus Versveldpark; Hartebeesspruit; Koedoespoort; Silverton; Eersterus; Waltloo; Deneboom; Eerste Fabrieke; Pienaarspoort

### Infrastructure Modernization: 120 kmph Programme

#### Construction commencement

- (PHASE 1A) Olifantsfontein to Irene
- (PHASE 1B) Kaalfontein grade separation
- (PHASE 2A) Germiston to Knights new (excl. Germiston and Knights stations)
- (PHASE 2B) Olifantsfontein to Knights including Leralla line (excl. Leralla station)
- (PHASE 3) Germiston station upgrade
- (PHASE 4) Irene to Pretoria

### Infrastructure Modernization: Electrical

- Installation and commissioning for substations in the Western Cape (Nyanga/Langa/Paarden-Eiland)
- Appointment of service providers for Substation Refurbishment Programme in KwaZulu Natal (Booth/Northdene/Springfield)
- Commence with installation for the HSCB replacement programme

### Infrastructure Modernization: Signalling

- Central Traffic Control: established for Gauteng and Western Cape
- Complete the fibre network for PRASA (Gauteng and Western Cape)- tender will be out by beginning March
- Finalize Gauteng and Western Cape contracts
- Roll-out the modern Signalling programme in KZN

### Sustain Service Choices - Phase 3: 2023 - 2026

#### Rolling Stock Fleet Renewal Programme

- Delivery of 62 new trains in 2024 and potentially 70 train set per annum after that depending on PRASA request and export opportunities

#### Rolling Stock Accelerated Rolling Stock Programme

- Allocate 60% of the external heavy maintenance capacity to General Overhaul Maintenance (i.e. ≈ 360 coaches)
- Allocate 30% capacity to ad-hoc/vandalized coaches (i.e. ≈ 120 coaches).
- The remaining 10% of the capacity be allocated to wrecks and accident coaches (i.e. ≈ 40 coaches).
- Have a fully-fledged in-house maintenance skills capacity.

#### Depot Modernization

- Springfield and Durban Yard complete October 2023
- Salt River complete October 2023
- Braamfontein Complete 2024
- PE and East London Complete 2025

#### PERWAY, Electrical, Signal and Telecoms Maintenance:

- Ensure succession within grades of all technical personnel is in place to support long term maintenance requirements.

#### **Infrastructure Modernization: Perway: Level Crossings and Footbridges**

- Commissioning of footbridges at Perseverance, Fort Jackson Umbilo, Congella, Renishaw and Mamelodi
- Commissioning of level crossing at Berwyn

#### **Infrastructure Modernization: Platform Rectification**

- Platform Rectification Continuation
  - Koedoespoort; Silverton; Eersterus; Waltloo; Denneboom; Bosman street; Barracks; Pretoria West; Rebecca; Elektro; Cor Delfos; Kalafong; Saulsville;

#### **Infrastructure Modernization: 120 kmph Programme**

Complete 120kmph Programme

- (PHASE 1A) Olifantsfontein to Irene
- (PHASE 1B) Kaalfontein grade separation
- (PHASE 2A) Germiston to Knights new (excl. Germiston and Knights stations)
- (PHASE 2B) Olifantsfontein to Knights including Leralla line (excl. Leralla station)
- (PHASE 3) Germiston station upgrade
- (PHASE 4) Irene to Pretoria

#### **Infrastructure Modernization: Electrical**

- Construction commencement for Substation Refurbishment Programme in KwaZulu Natal (Booth/Northdene/Springfield)
- Continuation of the roll-out plan for the national HSCB replacement programme

#### **Infrastructure Modernization: Signalling**

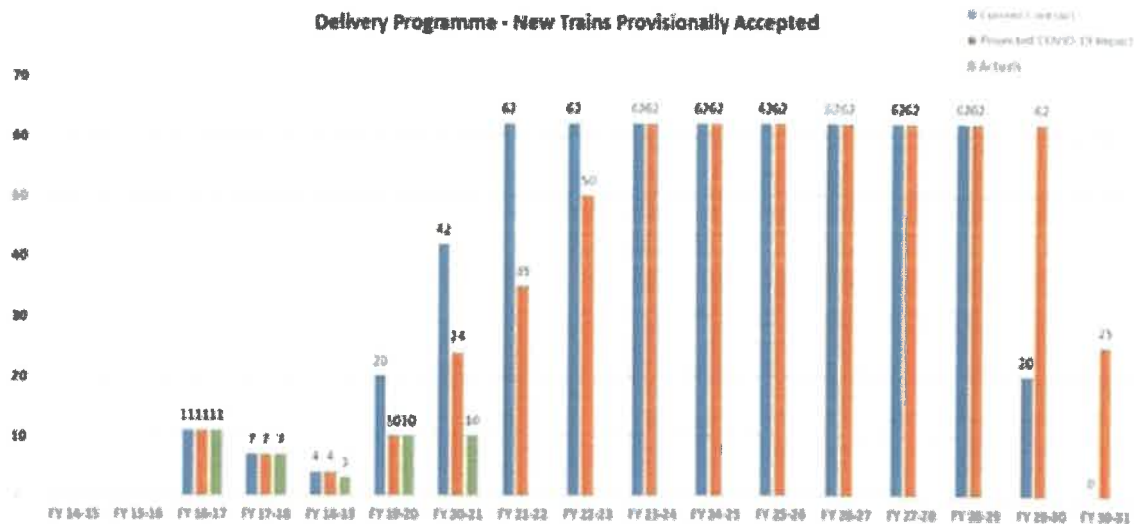
- Durban: Finalize signalling and telecoms design- Complete fibre network and commission 20 interlockings
  - 2023: 3 interlockings
  - 2024: 6 interlockings
  - 2025: 11 interlockings

## **7.7.2 Flagship Modernization Projects**

### **7.7.2.1 Rolling Stock Fleet Renewal Programme (RSFRP)**

The RSFRP will result in PRASA procuring approximately 7 224 new rolling stock with projected investment of R123.5 billion over a period of 20 years. New rolling stock is a critical component for modernization and growth of the current rail system. Gibela was appointed to supply 3600 new Metrorail coaches over a 10-year period (2015 – 2025). The first 18 train sets (6-coach sets) were manufactured in Brazil and subsequent train sets are produced in South Africa at the local factory in Nigel. To date 33 train sets from the local factory has been provisionally accepted by PRASA.

The Rolling Stock Fleet Renewal programme delivery schedule, showing the impact of COVID-19 on the schedule as well is indicated below.



### 7.7.2.2 Depot Modernization

The Depot Modernization Programme is interlinked with the requirements from the Rolling Stock Fleet Renewal Programme. The requirements for the depots are as follow:

Region	Trains Allocations	Depot	Current Capacities	Future Capacities (Depot End State)
Gauteng North	62*	Wolmerton	72**	131**
Gauteng South	202*	Braamfontein	114**	179**
		Benrose	52**	104**
KwaZulu Natal	101*	Durban	114**	133**
Western Cape	197*	Salt River	42**	113**
		Paarden E PRASA	30**	60**
		Paarden E TFR	-	52**
Eastern Cape	38*	PE and East London	TBC	TBC
<b>TOTAL</b>	<b>600 New 6-car set trains*</b>		<b>424**</b>	<b>772**</b>

\* Depot Facility Agreement (DFA), April 2014:  
 \*\*Staging Master Plan for the 2030 Metrorail fleet, Dec. 2012

The EMU capacities to be delivered by the Depot Modernization Programme:

DEPOT	2021/22				2022/23				2023/24			
	Trainset Capacity				Trainset Capacity				Trainset Capacity			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Wolmerton Phase 3	40			46				45				
Springfield/ Durban	2											
		8										
				30			40				53	
Paarden Eiland	10			50				52				
Salt River					30							
							40					43
DMP Depot Capacity (Cumulative)	52	60	60	186	216	216	296	393	393	393	446	489
Gibela Contractual Delivery	40					12	12	13	13	17	17	14
Gibela Delivery COVID-19 Impact	8	9	9	8	9							
Gibela Delivery Programme Cumulative	48	57	66	74	83	95	107	120	133	150	167	181
Capacity Utilisation (Gibela/ DMP)	92%	95%	110%	40%	38%	44%	36%	31%	34%	38%	37%	37%

### 7.7.2.3 Signalling Modernization

New long- and medium-term projects, to address RSR Directives, for the signalling modernization are:

- KZN PRASA Train Control System Design & Construct – 9 years including Maintenance & Defect Liability
- Gauteng & Western Cape Optical Transmission Network Design & Construct - 3 years
- National GSM-R Operational Portable Handheld Radios Supply & Maintain
- Gauteng & Western Cape PRASA Train Control System Design & Construct (ATP) - 7 years including Maintenance & Defect Liability
- National GSM-R Redundancy Network Design & Construct - 7 years including Maintenance & Defect Liability (Digital radio communication)
- National Electronic Authorisation System Design & Construct - 4 years to Eliminate manual train authorisation



These projects are anticipated to be advertised by March 2021.

## **7.8 Pillar 8: Restructure and Improve Performance of Secondary Mandate**

The PRASA Strategy is focused on ensuring that PRASA Group meets the requirements of its legislative mandate. One of the strategic focus areas is to increase the income generated from the property portfolio by unlocking embedded value so that becomes commercially viable and financially sustainable; thus, reducing the dependency levels on the subsidy required from the government.

### **7.8.1 Intersite:**

One of the priorities provided by the Minister of Transport to the Board in December 2020 is to finalize the merger of the subsidiary Intersite and PRASA CRES.

The consolidation of Intersite, PRASA CRES and all property functions that reside within PRASA TECH into a single consolidated entity, was approved by the PRASA Board of Control on 12 February 2020. The consolidation approved is a Hybrid Model i.e. all the assets are warehoused within a Division (PRASA CRES) with a Special Purpose Vehicle (Intersite) for purpose of deal execution and asset management.

The main reasons for this choice are

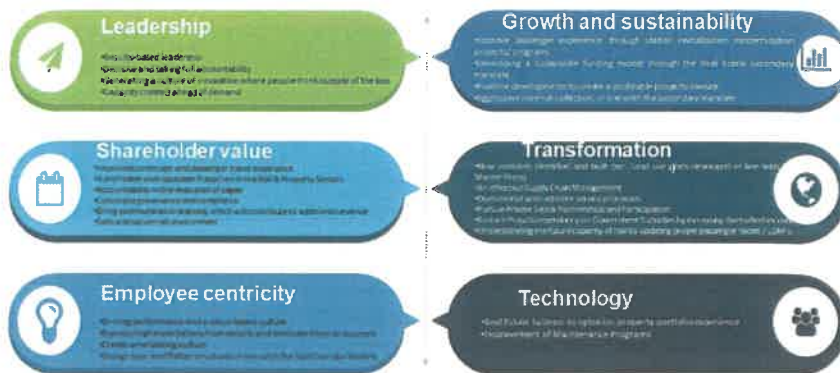
- the ease and simplicity of implementation and
- the realization that a separate legal form can be used to raise debt whilst mitigating risk and exposure to the PRASA balance sheet.

In terms of the Hybrid Model, Intersite personnel will be transferred out of the entity and given options of being absorbed into PRASA CRES, any area within PRASA Group or exercise a choice of severance. These options are presented to Intersite staff and management in order to ensure strategic fit and alignment to the 'new vision' of the consolidated entity; addresses duplications in roles and responsibilities and provides options to ensure best outcomes for both the employees and the organization.

The day-to-day management role over the Special Purpose Vehicle (SPV) entity will reside with PRASA CRES. The SPV will be used for revenue generation transactions and secondary mandate opportunities only. This will ensure that all risks associated with the transactions are ring fenced and that it delivers value to the Shareholder as per the initial intent. The SPV will still have its own Board of Directors as stipulated by the Company's Act, however the Board can be constituted with Board Members from PRASA BOC or senior management within CRES or PRASA Corporate.

### **7.8.2 Real Estate**

The response of Real Estate to the 8 PRASA Pillars is reflected in the strategic objectives for Real Estate:

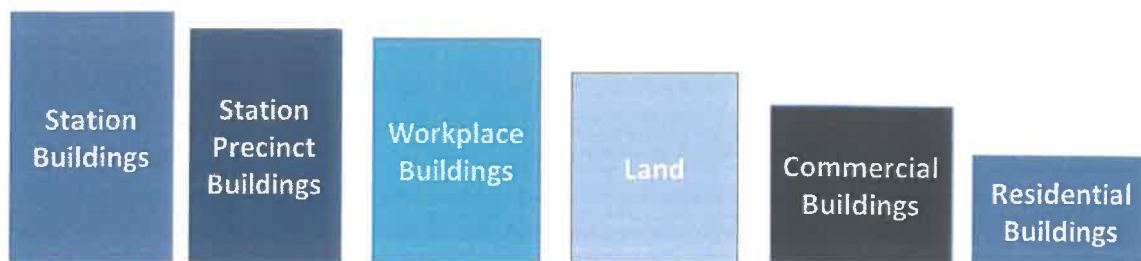


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The Real Estate function includes property upgrades and improvements, property development, station Modernization, property management and commercialisation, facilities and energy management. In responding to the strategy CRES and Intersite has embarked on various programmes to achieve this which is in the pipeline

- PRASA CRES embarked on a Request for Proposal (RFP) for leasing, upgrade and commercialization of 30 properties. 19 Proposals were received and have been approved
- Leases currently in process to be signed and it is a combination of
- Commercial (Retail, Hotel, Industrial etc.)
- Student Accommodation
- Social / Affordable Rental Housing
- Opportunities exist to improve the current rentals; and an analysis of the portfolio is being conducted.
- Various Commercial projects as part of NSUP is in construction
  - *Mabopane Station Retail*
  - *Saulsville Station Retail*
  - *Parade Concourse, Cape Town Station Retail*
  - *Isipingo Station Retail*
- Buy back of development leases: *Bellstar Center and Bellville*
- Development initiatives through Intersite (R1,8 Billion)
- Planned National Station Upgrade commercial projects
  - *Cape Town Station retail redevelopment*
  - *Cape Town Student accommodation*
  - *Firgrove Retail*

The Portfolio scope of CRES is depicted below:



### 7.8.3 Definitions Real Estate Programmes:

**National Station Improvement Programme (NSIP)** - Minor station improvement programme that addresses functional aspects of the stations, such as ticket offices, ablution facilities, shelters, benches and platform resurfacing,

**National Station Upgrade Programme (NSUP)** – Major upgrades of the stations addressing structural capacity, access and retail interventions in and around the station precinct,

**Workplace Improvement Programme (WPIP)** – Improvement and upgrade of the staff workplaces facilities at Campuses and Depots,

**Alternative Building Technology (ABT)** - Using repurposed containers and or similar structures to provide ticketing offices, ablutions and services possibly as a permanent solution for PRASA to run the train service and provide good customer services to commuters, and

**Capital Intervention Programme (CIP)** - Accelerated repair, restoration and general maintenance of station facilities (i.e. stolen and or vandalized ablutions, lighting, electrical wires, plumbing, etc.)

### 7.8.4 Modern Stations, Properties and Facilities MTEF Choices

Core Services Choices - Phase 1: 2021 to 2022
Delivered Facilities Management services in line with prioritized rail corridors
Corridor Densification program executed
Diversified income optimized <ul style="list-style-type: none"> <li>• Commercialization of assets</li> <li>• Advertising</li> <li>• Scrap</li> <li>• Renewable energy</li> <li>• Telecoms</li> </ul>
Real Estate Systems to optimize performance
Agree on Financial Performance Indicators to deliver secondary mandate and reduce dependency on subsidy
Provide capital investment to Intersite
Approval of the Consolidation of the CRES and Intersite functions
Develop long-term funding strategy, including necessary approvals

### Core Services Choices - Phase 1: 2021 to 2022

Revitalize and modernize stations (ABT, CIP, NSIP, NSUP)

Deliver WPIP in line with internal customer demand

Consolidate North and South Gauteng Support Functions

Execute SLA's with internal and external customers

Implementing an integrated risk management approach

Establish a centralized credit management system to maximize cashflow optimisation

Consolidated Station Modernization Programme under Real Estate Entity (e.g. Greenview, Philippi, Oakmoor)

Identify levers that can enable an Integrated Urban Development Framework to achieve densification around passenger rail stations.

#### **Professional services units to support Real Estate Project Management Unit**

- Source multidisciplinary 9-person team (registered and experienced Architect, Engineers, Quantity Surveyors) which will be fully available daily for 3 years,
- Available on demand, flexible allocation to any project without the SCM procurement delays
- All the costs will be assigned and capitalized on projects

### Stabilize Service Choices - Phase 2: 2022 - 2023

Stabilize project management capacity

Corridor Densification Program executed

Private Sector Optimisation to take advantage of Intersite opportunities that require investment outside of PRASA's affordability

Provide capital investment to Intersite

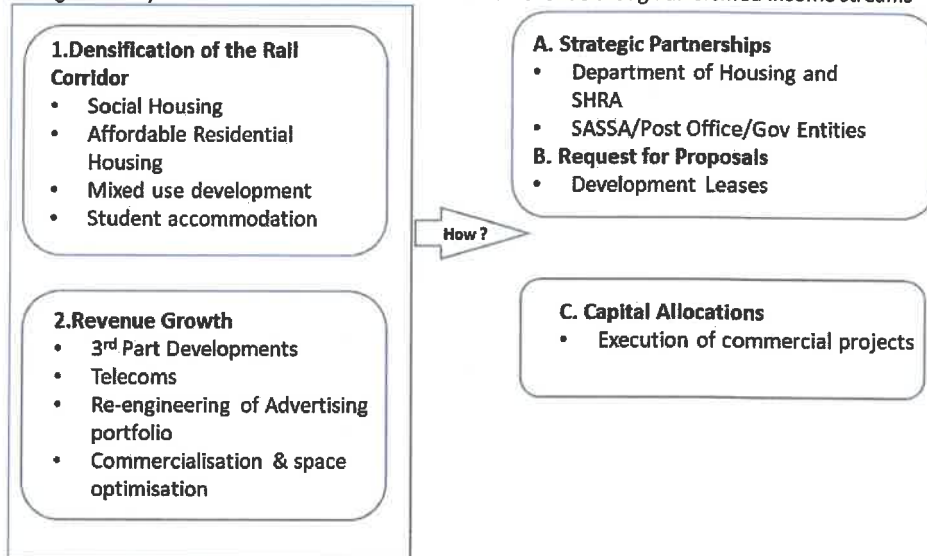
### Sustain Service Choices - Phase 3: 2023 - 2026

Land use management plans aligned to Rail master plans

- Support DOT in the Rail Master Plans development in line with Provincial and Municipal Transport Plans
- Land use management plans are then signed off to inform acquisition strategy for parcels of land / servitudes.

## 7.8.5 Diversified income streams

Figure 7: Key focus areas for increase of commercial revenue through diversified income streams



### 7.8.5.1 Examples of Precinct development through focus hub and precinct portfolios:



## 7.8.6 Status of corridor densification strategies

### 7.8.6.1 Social Housing developments

Site	Region and City	Development Proposal	No of Units	Retail m <sup>2</sup>	Occupation
Silverton Vacant land	NGR <sup>10</sup> Pretoria	Social Housing	189	-	Nov '23
Koedoespoort Vacant land	NGR Pretoria	Affordable Housing	508	-	Jun '24
Villeria Vacant land	NGR Pretoria	Social Housing	896		Jan '24
Woodstock Grey Street Vacant land	WCR Cape Town	Social Housing	247	-	Feb '24
Goodwood (Elsies River) Vacant Land	WCR Cape Town	Social Housing	848	-	Aug '23
Leralla Vacant land	SGR Soweto	Social Housing	1020	8276	Oct '24
Benoni Vacant land	SGR Ekurhuleni	Social Housing	630	3450	Aug '24
<b>Total</b>			<b>4 338</b>	<b>11 726</b>	

### 7.8.6.2 Student Accommodation and other residential developments

Site	Region and City	Development Proposal	No of Units/ beds	Retail m <sup>2</sup>	Occupation Date
Lab Building, Hatfield Conversion	NGR Pretoria	Residential Apartments	338	-	Jan '23
Tippet Building Conversion	SGR Johannesburg	Affordable Housing	262		Mar '23
Metropark and Rotunda Building Conversion	SGR Johannesburg	Residential and Hotel with retail	210 units & 123 hotel rooms	1 896	Dec '22

<sup>10</sup> NGR North Gauteng Region; SGR South Gauteng Region; WCR Western Cape Region

Site	Region and City	Development Proposal	No of Units/ beds	Retail m <sup>2</sup>	Occupation Date
Woodstock Market vacant land	WCR Cape Town	Residential	168	372	Jun '23
<b>Total</b>			<b>978</b>	<b>2 268</b>	
<b>Student Accommodation</b>					
Hercules Vacant Land	NGR Pretoria	Student Accommodation	1 248		May '24
Port Elizabeth Conversion of building	ECR <sup>11</sup> Port Elizabeth	Student Accommodation	196		Oct '22
# Lab Building, Braamfontein Conversion	SGR Johannesburg	Student accommodation	700		Jan '22
* Cape Town Station	WCR Cape Town	Student accommodation	3 200		Jan '24
<b>Total</b>			<b>5 344</b>		

### 7.8.6.3 Commercial developments

Site	Region and City	Development Proposal	GLA/m <sup>2</sup>	Occupation Date
Koedoespoort Vacant land	NGR Pretoria	Industrial Units	4 614	Apr '23
Saltriver Land and Building	WCR Cape Town	Industrial	6 421	Apr '22
Springfield Vacant Land	KZN Durban	Industrial	7 486	Oct' 22
<b>Total Industrial</b>			<b>18 521</b>	
Firgrove vacant land	WCR Cape Town	Retail	12 095	Oct '23
Cape Town Station redevelopment of existing retail	WCR Cape Town	Retail	7 000	Nov '23
<b>Total</b>			<b>19 095</b>	

<sup>11</sup> ECR Eastern Cape Region

#### 7.8.6.4 Progress on density planning approvals at Municipalities

Development Category	Projects	Construction Timelines	Key Enablers	Densification Required? (i.e. increase number of dwelling units/hectare)
New Mixed Use (Social Housing/Res, Student Acc, Retail, Hotel)	*Cape Town Station	2021	Planning Approvals	Yes
	Metropark/Rotunda	2022		Already Densified
	Leralla	2023	Conclusion of Long-term leases	Yes
	Benoni	2023		Yes
	*Firgrove Phase 2	2023		Yes
Woodstock Market Street	2023	*Blended Finance	Yes	
Retail Projects underway	Isipingo	2021	Capital allocation	N/A
	Firgrove Phase 1	2021		
	Parade Concourse (CTS)	2021	Planning Approvals	
	Mabopane Station retail	2021		
Saulsville Station	2021			
New and Existing Social Housing Projects	Goodwood Station	2021	Planning and environmental approvals	Yes (Approved)
	Villieria	2024		Yes
	Heideveld	2023	Tap into existing relationships (MoU)	Yes (Approved)
	Retreat	2023		Yes (Approved)
	Goodwood site 2	2024	Developers to obtain Grant Funding/Equity Grant funding SHRA	Yes
	Woodstock Grey	2024		Yes
	Silverton	2024		Yes
Naledi	2024	Yes		
Residential (Apartment)	Tippet Building	2023	Planning Approvals	No
	South Station Building	2023		No
	Hatfield Lab building	2023		Yes
	Diepsriver Station	2022		Yes
	Koedoespoort	2023		Yes
Industrial	Saltriver	2022	Planning approvals	No
	Springfield	2022	Capital allocation	No
	Koedoespoort Industrial	2023		No
	Umgeni			N/A



## 8 SUPPORT TO OTHER GOVERNMENT PRIORITIES

### 8.1 Addressing Gender Based Violence

PRASA is committed to protecting our female employees, female passengers in our trains, and all female recipients of our services from Gender Based Violence and Femicide (GBVF) when in our premises through an intensive programme for GBVF. Gender-based violence affects employees physical and mental health and well-being, leading to stress, anxiety, loss of self-esteem and motivation.

#### 8.1.1 PRASA GBVF Programme initiatives for 2021/22:

No	Initiative	Target Audience	Action	Frequency
1	PRASA GBVF Steering Committee	All commuters and employees	Establish Steering Committee to drive the GBVF programme	Monthly meetings
2	GBVF PRASA strategy / policy/procedure	All commuters and employees	Develop a GBVF strategy / policy/procedure/	Annual review
3	Dedicated toll-free number/email	All commuters and employees	Introduce a dedicated Telephone /Email address to report all GBVF incidents on PRASA premises	Monthly review
4	Campaign on education and awareness to prevent and condemn GBVF	All commuters and employees	A proposal for 365-day campaign to be developed through Emails, posters and flyers, billboards, TV, radio, social media, webinars etc.	Monthly
5	Violent free public rail transport spaces for women and children	All commuters	Increase visibility and availability of peace officers and SARPS on PRASA trains and stations through security deployment plan in relation to GBVF.	Monthly
6	Women and children only coaches	All female commuters	Engage internal stakeholders to investigate the viability of women and children only coaches	Daily
7	Increase GBVF safety initiatives on all PRASA premises	All commuters and employees	Link to upgrading programme of camera surveillance equipment	Annually
8	Women, youth and persons with disabilities equipped with employable skills	All female employees, eligible women and youth in the community who	Development of a proposal for learner ships/ internships/ scholarships and then adverts through various social media channels	Annually or bi-annually dependant on the type and duration of

No	Initiative	Target Audience	Action	Frequency
		meet the stipulated criteria		programme offered
9	Women in Rail empowerment and development programme	All female employees	Resuscitate Women in Rail through a pilot project	Annually or bi-annually dependant on the type and duration of programme offered
10	Essential psychosocial support, norms and standards for substance abuse, violence against women and children	All employees and their immediate family members	Through the EWP <sup>12</sup> service provider: Face to face and group sessions (post COVID)  Emails, Zoom and other available electronic channels (during COVID)	As and when required - dependant on participant availability and needs
11	Telephonic counselling / support for GBVF	All employees and immediate family members	Finalize EWP service provider procurement process and appoint a service provider	24/7 365 days

## 8.2 Job creation

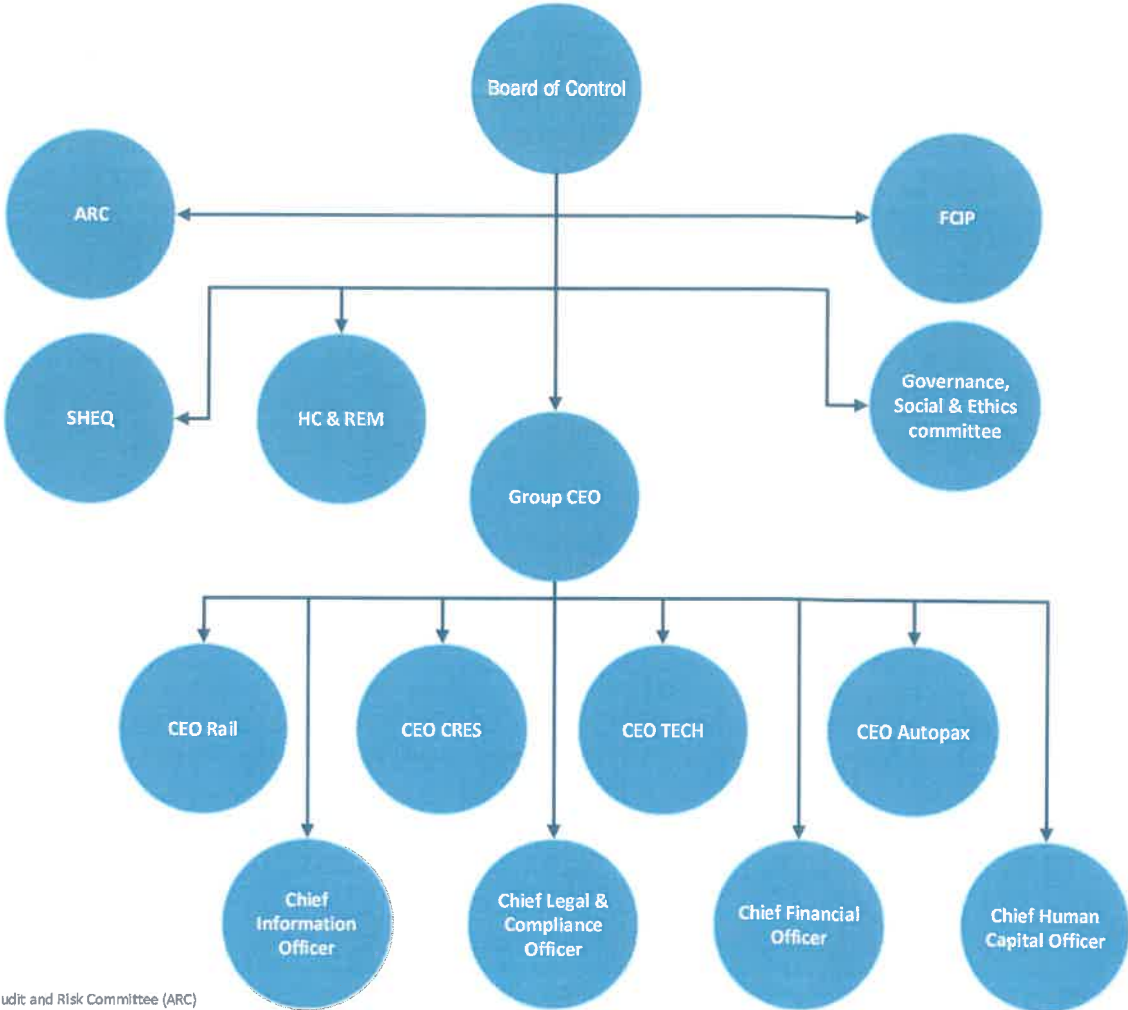
PRASA supports job creation in PRASA is mainly through Modernisation programmes and Projects. During 2020/21, jobs in the signalling upgrade program totalled 1 691 at end of Quarter 3 2020/21. As PRASA is in the process of awarding contracts and new baselines need to be established for the MTEF. Contracts that have opportunities to create jobs and are in the award process are the General Overhauls contracts, the Depot Modernisation projects for commencement of construction, station revitalisation and modernisation and walling projects. As part of implementation of the contracts, reporting on job creation per the targeted groups based on gender, youth and people with disabilities will be obtained from the contractors and suppliers. This will be aligned with the Government objectives of job growth and job creation and co-ordinated with other agencies of Government.

PRASA has employed 2133 new protection services staff for security by the end of 2020 and the intention is to employ a 1000 more employees for the Security Strategy Roll-out. This will reflect in the Employment Equity reports provided on a quarterly basis to the Shareholder.

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<sup>12</sup> EWP – Employee Wellness Program: Budget proposal of R18m.

# 9 GOVERNANCE STRUCTURE



- 1. Audit and Risk Committee (ARC)
- 2. Safety, health, Environment and Quality Assurance Committee (SHEQ)
- 3. Finance, Capital, Investment and Procurement Committee (FCIP)
- 4. Human Capital and Remuneration Committee (HC&REMCO)
- 5. Governance and Social & Ethics Committee

## 10 FINANCIAL PLANS

### 10.1 Statement of financial performance:

PRASA GROUP	2021 MTEF		
	2022	2023	2024
Statement of Financial Performance	R000	R000	R000
<b>Rental income</b>	<b>810,171</b>	<b>899,905</b>	<b>999,708</b>
<b>Fare Revenue</b>	<b>1,153,743</b>	<b>1,924,044</b>	<b>2,301,815</b>
<b>Government subsidy</b>	<b>6,923,253</b>	<b>7,240,066</b>	<b>7,515,518</b>
<b>Other income</b>	<b>113,705</b>	<b>126,229</b>	<b>131,146</b>
<b>Insurance recoveries</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
<b>Total Revenue</b>	<b>9,030,872</b>	<b>10,220,244</b>	<b>10,978,187</b>
<b>Personnel costs</b>	<b>6,573,116</b>	<b>6,956,600</b>	<b>7,341,495</b>
<i>Training</i>	157,960	156,137	156,441
<i>Material</i>	268,214	334,625	350,266
<i>Energy</i>	854,087	936,948	983,182
<b>Municipality costs</b>	<b>509,080</b>	<b>551,567</b>	<b>597,049</b>
<i>Leases</i>	420,194	437,649	454,316
<i>Maintenance</i>	818,099	883,639	915,039
<i>Communication</i>	91,705	95,986	100,361
<i>Insurance claims/Self-insurance</i>	300,651	315,683	329,889
<i>Insurance premiums</i>	316,965	348,348	382,856
<i>Audit fees:External</i>	33,532	35,188	36,926
<i>Audit fees:Internal</i>	33,088	34,676	36,202
<i>Professional services</i>	365,882	270,903	263,741
<i>TCO</i>	110,028	114,495	118,877
<i>Legal fees</i>	46,756	47,939	50,048
<i>Security services</i>	1,014,558	275,375	287,660
<i>Health &amp; Risk</i>	337,643	358,526	374,205
<i>Travel &amp; Accommodation: Other</i>	12,457	12,946	13,518
<i>Travel &amp; Accommodation: Staff</i>	30,966	32,283	33,575
<i>Auxiliary transport</i>	51,257	49,728	52,007
<i>Bank charges, penalties &amp; levies</i>	9,646	10,095	10,531
<i>Office expenditure</i>	5,095	5,427	5,754
<i>Publication &amp; Marketing</i>	158,355	163,647	176,684
<i>Printing costs</i>	14	15	16
<i>Haulage costs</i>	122,010	127,867	133,493
<i>Computer costs</i>	304,618	318,989	333,034
<i>Management Fees</i>	89,108	92,373	96,522
<b>Other Operating costs</b>	<b>116,602</b>	<b>120,560</b>	<b>126,322</b>
<b>Total Operating expenditure</b>	<b>13,151,688</b>	<b>13,088,217</b>	<b>13,760,014</b>
<b>OPERATING SURPLUS OR (SHORTFALL) BEFORE INTEREST</b>	<b>(4,120,816)</b>	<b>(2,867,973)</b>	<b>(2,781,827)</b>
<b>Finance income</b>	<b>661,614</b>	<b>358,865</b>	<b>220,000</b>
<b>OPERATING SURPLUS OR (SHORTFALL) BEFORE DEPRECIATION</b>	<b>(3,459,202)</b>	<b>(2,514,108)</b>	<b>(2,561,827)</b>
<b>Capital subsidy &amp; grants amortisation</b>	<b>6,480,761</b>	<b>10,821,908</b>	<b>13,003,019</b>
<b>Depredation</b>	<b>(3,027,314)</b>	<b>(3,718,629)</b>	<b>(4,496,820)</b>
<b>Loss/Profit on disposal of assets</b>	<b>(383,033)</b>	<b>(383,407)</b>	<b>(383,767)</b>
<b>Impairment losses/gain</b>	<b>(71,337)</b>	<b>(71,337)</b>	<b>(71,337)</b>
<b>OPERATING SURPLUS OR (SHORTFALL)</b>	<b>(460,124)</b>	<b>4,134,428</b>	<b>5,549,268</b>

## 10.2 Cash Flow Statement

FINANCIAL STATEMENTS	2021 MTEF		
	2022	2023	2024
<b>Cash Flow Statement</b>			
<b>R'000</b>			
<b>Operating Cash Flow</b>			
Net Earnings	(484,235)	4,108,215	5,521,673
Depreciation & Amortization	(2,999,078)	(6,648,536)	(8,111,095)
Interest Income	(661,614)	(353,865)	(220,000)
Other Non Cash Items	(90,773)	(95,174)	(99,456)
Changes in Working Capital (mainly increase in creditors)	1,923,654	11,615,688	15,764,526
<b>Cash from Operations</b>	<b>(2,312,045)</b>	<b>8,626,328</b>	<b>12,855,648</b>
Interest Income	661,614	353,865	220,000
<b>Net cash used from operating activities</b>	<b>(1,650,432)</b>	<b>8,980,194</b>	<b>13,075,648</b>
<b>Investing Cash Flow</b>			
Acquisition of PPE	(17,568,609)	(24,847,644)	(24,124,597)
Acquisition of Intangible asset	(287,000)	(940,000)	(996,000)
Acquisition of investment Property	(637,462)	(825,258)	(891,360)
<b>Cash from Investing</b>	<b>(18,493,070)</b>	<b>(26,612,903)</b>	<b>(26,011,957)</b>
Capital Subsidy and Grants Received	9,746,209	12,618,475	12,936,309
<b>Cash from Financing</b>	<b>9,746,209</b>	<b>12,618,475</b>	<b>12,936,309</b>
Net Increase (decrease) in Cash	(10,397,293)	(5,014,234)	(0)
Opening Cash Balance	15,411,527	5,014,234	0
<b>Closing Cash Balance</b>	<b>5,014,234</b>	<b>0</b>	<b>(0)</b>

### 10.3 Balance Sheet

FINANCIAL STATEMENTS	2021 MTEF		
	2022	2023	2024
<b>Statement of Financial Performance</b>			
<b>R'000</b>			
<b>Assets</b>			
Cash	5,014,234	0	(0)
Accounts Receivable	1,605,563	1,355,932	1,169,612
Inventory	552,933	466,266	442,953
Prepayment for Capital Expenditure	1,053,535	1,221,143	1,484,527
Property & Equipment	59,442,238	80,257,053	99,654,467
Prepayment for Capital Expenditure	11,164,054	9,942,910	8,458,383
Investment Property	5,545,769	6,371,027	7,262,387
Intangible Assets	471,772	1,271,229	2,102,488
Operating Lease Receivable	1,966,668	1,868,334	1,774,917
<b>Total Assets</b>	<b>86,816,765</b>	<b>102,753,894</b>	<b>122,349,735</b>
<b>Liabilities</b>			
Accounts Payable	7,466,840	21,527,675	39,782,167
Provision for Claims	416,382	437,201	459,061
Employee Benefit Obligations	979	1,028	1,079
Provision for Claims	1,852,064	1,944,668	2,041,901
Employee Benefit Obligations	6,705	7,041	7,393
Operating Lease Deferred Income	1,423,685	1,494,869	1,614,458
Capital Subsidy and Grants	50,969,963	48,553,052	44,133,641
<b>Total Liabilities</b>	<b>62,136,619</b>	<b>73,965,534</b>	<b>88,039,701</b>
<b>Shareholder's Equity</b>			
Equity Capital	4,248,258	4,248,258	4,248,258
Retained Earnings	20,431,888	24,540,103	30,061,776
<b>Shareholder's Equity</b>	<b>24,680,146</b>	<b>28,788,361</b>	<b>34,310,034</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>86,816,765</b>	<b>102,753,894</b>	<b>122,349,735</b>

## 10.4 Planned Capital Investment

During the capital budgeting process for the 2021 Medium Term Expenditure Framework (MTEF), the Enterprise Programme Management Office (EPMO) received 962 capital-funding including 6 new projects from Asset Protection and 1 from ICT. The projects was mainly from PRASA Technical and Rail Engineering Services contributing 308 projects, Corporate Real Estate Solutions at 629 projects (excluding new projects), 7 projects from Signalling and Telecommunications, one from Rolling Stock Fleet Renewal Programme (RSFRP), 5 from Information Communications and Technology (ICT), 7 projects from Security or Asset Protection and Intersite submitted 5 commercially oriented business cases

A detailed prioritization assessment is undertaken regarding funding requests received and in general, the following key areas were assessed:

- Alignment of each business case with the prescribed capital budgeting guidelines.
- The likely financial impact of the proposed programme/project, both capex and operational.
- The return on investment and/or socio-economic dividend.
- Associated risk assessments and proposed mitigation measures.
- Implementation readiness of each programme/project; and
- Strategic intent in line with the approved Corporate Plan.

The Capital Programme of PRASA is structured to give effect to the strategic direction of PRASA by selecting projects that are critical to the recovery of the Commuter and Passenger Rail System and to close the gap between strategy formulation and execution, through a focus on skills development and collaboration with entities such as Transnet. The Capital Programme is based on:

- Recover and Restore Metrorail, focusing on the Top Ten Critical and Core Corridors,
- Accelerate the modernization programme by driving the Depot modernization programme
- Rebuild and upgrade train stations and to fence and/or wall the rail corridors that will be a critical contributors to the recovery of Metrorail
- Projects and programmes aligned to the priority corridors for the deployment of the new trains mainly related to infrastructure such as Signalling, electrical, platforms and perway.

Crafting PRASA's response to the approved capital allocation from the Department of Transport, the evaluation process continues to prioritize projects/programmes in line with the following simplified business priorities (without necessarily excluding PRASA's main strategic objectives) and facilitate the requisite business growth over the period ahead:

- Supporting the urgent priorities that achieve **modernization of the Rail System performance** such as Rolling Stock Fleet Renewal Programme, Station Modernization, Depots Modernization, Signalling and Telecommunications.
- Initiatives to immediately **improve Customer Experience** which include rehabilitation of infrastructure which include Drainage Projects, National Station Improvement Programme, Capital Intervention Programme, Perway, Security Systems, Electrical and Information Communications and Technology (ICT);
- Projects and programmes to **Improve Rail System performance**. These include Network Rail Extensions, Fencing, National Station Upgrade and upgrade work in large stations such as Park and Mabopane.
- Exploit assets to generate additional **Revenue**.
- Ensure rail **Safety and Security**.
- Projects and programmes already committed from previous financial years for finalization; and
- Projects and programmes demonstrating readiness to spend particularly on the priority corridors for the deployment of the new train service.

#### 10.4.1 Budget Framework

The total PRASA Group capital baseline amounts to about R 35.3 billion over the next three years as shown in Table 1. The 2021 MTEF capital budget allocation from the DOT depicts a reduction of R 17.3 billion from the baseline over the next three years. All earmarked programmes have been increased substantially from previously allocated amounts, with significant increase in RSFRP and Signalling from no allocation to R 4.83 billion and R 1.97 billion respectively. There is additional funding approved for the new or other PRASA capital projects in the capital programme that increases from R 395 million to R 1.43 billion in the 2021/22 financial year.

Over the medium term, PRASA's capital expenditure is expected to reach R9.7 billion in 2021/22, R12.6 billion in 2022/23 and R 12.9 billion in 2023/24, bringing the anticipated total expenditure to R35.3 billion. The R9.7 billion allocation for the 2020/21 financial year basically caters for earmarked funds viz.:

- Rolling Stock Fleet Renewal (Specific and Exclusive);
- Signalling and Telecommunications;
- General Overhaul (GO) of Metrorail Coaches;
- General Overhaul (Refurbishment) of Mainline Coaches;



- The General Overhaul programme has been boosted by R 1. 2 billion from R 201 million to R 1. 4 billion, due to the delay in awarding the GO contracts since 2019 calendar year.

Table 1: Budget Framework over the MTEF

Budget Framework	2020/21	2021/22	2022/23	2023/24	Total
R thousands	Main Budget	Medium-Term Expenditure			MTEF
2020 MTEF Baseline (after reductions)	700,909	9,746,208	12,618,476	12,936,309	35,300,993
2020 MTEF Baseline (before reductions)	15,804,860	16,685,383	17,519,652	18,395,635	62,600,670
Capital Baseline Reduction	-6,910,770	-4,628,845	-335,530	-163,080	-5,127,455
Other PRASA Capital	395,172	1,439,864	1,707,516	1,769,442	4,916,822
Year-on-year increase		1290.5%	29.5%	2.5%	
<b>*Earmarked Funds</b>	<b>305,737</b>	<b>8,306,344</b>	<b>10,910,960</b>	<b>11,166,867</b>	<b>30,384,171</b>
New Rolling Stock (*Specific and Exclusive)	0	4,830,522	6,801,794	6,908,676	18,540,992
Signalling	0	1,965,689	2,323,866	2,408,144	6,697,699
General Overhaul of Metrorail Coaches	200,762	1,354,535	1,601,351	1,659,427	4,615,313
General Overhaul of Mainline Coaches (Refurbishment)	104,975	155,598	183,949	190,620	530,167
<b>Commitments</b>					
Projected commitments into the 2020/21	26,351,269	0	0	0	0
Available budget	700,909	9,746,208	12,618,476	12,936,309	35,300,993

The 2020/21 reduced Capital Baseline R 6.4 billion. A further R 2.3 reduction on RSFRP decreased Capital Baseline to R 4.1 billion on 25.05.2020.

16-11-2020 – 1.36 billion RSFRP and 1.33 billion from Signalling, leaving these programmes with no budget for 2020/21 financial year. A further R 713 million is deducted from R 914 million earmarked for Metrorail General Overhaul in the same period.

The total budget allocation since 2013/14 for Earmarked Funds amounts to R48.7 billion. These programmes are the RSFRP (Exclusive and Specific) of R27 billion, Signalling and Telecommunications of R11 billion, the General Overhaul of Metrorail Coaches of R8,8 billion and the Refurbishment of MLPS coaches of R1.7 billion. The detail over the period is as follow:

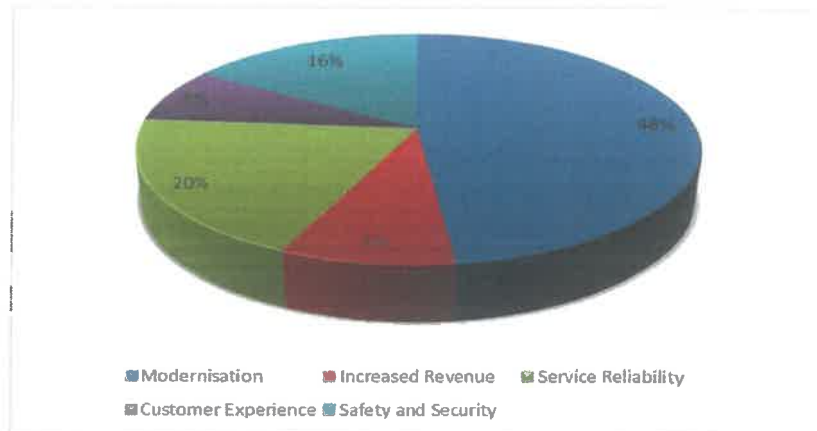
Year	RSFRP	Signalling & Telecoms	Metrorail General Overhaul	MLPS Refurbishment
	Rm	Rm	Rm	Rm
2013/14	0.00	814.00	2,109.97	681.52
2014/15	5,447.95	854.78	1,000.22	100.00
2015/16	2,560.51	1,875.97	1,267.47	217.33
2016/17	4,170.27	1,844.18	1,283.52	103.75
2017/18	4,420.48	1,912.84	1,360.53	151.42
2018/19	4,676.87	2,023.77	1,409.46	160.20
2019/20	5,823.27	1,789.11	180.00	169.17
2020/21	0.00	0.00	200.76	104.98
Total	27,099.34	11,114.66	8,811.94	1,688.35

The projected bank balance and committed reserves for the Capital Programme of PRASA for 2021/22 is R 19.3 billion. It is against this background that the PRASA Capital budget deficit for 2021/22 will be funded from the R 19.3 billion brought forward from the 2020/21 fiscal year.

Amounts in R Million	Rolling Stock Fleet Renewal S&E	Signalling Earmarked	Metrorail General Overhaul Earmarked	MLPS General Overhaul Earmarked	Other Capital Projects	Total
Included in March 2020 bank balance	11,831.79	3,702.97	-	-	5,412.79	20,947.55
Projected 2020/21 Spending to 31 March 2021 as of November 2020 (incl. R5.4 billion Gibela Advance payment)	8,337.40	1,047.92	91.74	45.20	2,569.35	12,091.60
2020/21 Projected capital receipts	-	-	200.76	104.98	395.17	700.91
Projected Balance as at 31 March 2021	3,494.38	2,655.06	109.03	59.78	3,238.62	9,556.86
2021/22 Allocation	4,830.52	1,965.69	1,354.54	155.60	1,439.86	9,746.21
2022/23 Allocation	6,801.79	2,323.87	1,601.35	183.95	1,707.52	12,618.48
2023/24 Allocation	6,908.68	2,408.14	1,659.43	190.62	1,769.44	12,936.31
2021 MTEF Projected available cash	22,035.38	9,352.75	4,724.34	589.94	8,155.44	44,857.85
Available for 2021/22	8,324.91	4,620.74	1,463.56	215.37	4,678.48	19,303.07
2021/22 Budget	4,830.52	1,965.69	1,354.54	155.60	10,186.73	18,493.07
2022/23 Budget	6,801.79	2,323.87	1,601.35	183.95	15,701.94	26,612.90
2023/24 Budget	6,908.68	2,408.14	1,659.43	190.62	14,840.09	26,006.96
2021/22 Cumulative Projected (Over)/Under spend	3,494.38	2,655.06	109.03	59.78	(5,508.24)	810.00
2022/23 Cumulative Projected (Over)/Under spend	3,494.38	2,655.06	109.03	59.78	(19,502.67)	(13,184.43)
2023/24 Cumulative Projected (Over)/Under spend	3,494.38	2,655.06	109.03	59.78	(32,573.32)	(26,255.08)

#### 10.4.2 Business Drivers and Benefit Analysis

Over the 2020 MTEF, the largest capital share relates to **Modernization objectives of Rail**, through programmes such as New Rolling Stock, Signalling and Telecommunication, Station Modernization, 120 kmph Perway Programme and Depot Modernization. This is followed by programmes aimed at **improving Service Reliability** which include the Capital Intervention Programme to sustain current operations, refurbishment of infrastructure focusing on electrical works, rail tracks, signalling, as well as drainage projects. Programmes that are aimed to **improving Safety and Security** includes Level Crossings, Platform Rectification as well as through initiatives such as Asset Protection and Fencing. **Increased revenue** is achieved through programmes such as National Station Upgrade, National Station Improvement as well as Park Station projects.



### 10.4.3 Capital Budget MTEF

The capital budget over the next three years is reflected in Table 2 below. The allocations are in line with the business priorities of PRASA to improve the service. This is all about improving PRASA's service offering to the customer.

The planned spending on the Rolling Stock Fleet Renewal Programme is the largest single category and will continue to grow strongly over a 10 year period ahead, together with investment in accelerated rolling stock programme for the old trainsets, Signalling, station improvement and other related infrastructure. The Capital Budget is aligned with the Ministerial mandate deliverables that encompasses Service Recovery or Re-instatement, Safety and Security management, accelerating Capital Programme and Modernization, enhancing Revenue at the same time reducing Costs and well as putting proper measures to ensure proper good Governance.

Other critical deliverables include but not limited to corridor protection, high-tech security deployment, recovery of verified components, rolling stock components at depots, electrical rehabilitation programme, on-track machines, perway rehabilitation programmes and overall security in general, that are key contributors to service recovery and re-instatement.

The prioritization framework continues to support key programmes which include Depot Modernization, Station Upgrades, Signalling and Telecommunications, 120km/h Perway, electrical capacity in the substations, overhead lines, station improvements, accelerated rolling stock, security projects, including fencing, Information Communication Technology and other related infrastructure.

Table 2: 2021 MTEF Capital Programme

Capital Programme (Rm)	2021/22	2022/23	2023/24	Total MTEF
<b>PRASA Corporate</b>	<b>9,042.229</b>	<b>10,621.639</b>	<b>10,903.078</b>	<b>30,566.946</b>
Rolling Stock Fleet Renewal Programme* (Specific and Exclusive)	4,830.522	6,801.794	6,908.676	18,540.992
Signalling and Telecommunications Programme*	1,965.689	2,323.865	2,408.144	6,697.698
Information and Communications Technology (ICT) Systems	600.130	242.480	149.008	991.618
Enterprise Resource Planning (ERP)	71.000	179.000	0.000	250.000
Automatic Ticketing System Programme	60.000	500.000	800.000	1,360.000
Railbound Programme (Rail Ops Management Solutions)	156.000	261.000	196.000	613.000
Asset Protection: Group Security Projects)	574.750	313.500	441.250	1,329.500
Vehicle Fleet Replacement Programme	784.138	0.000	0.000	784.138
<b>PRASA Technical (Engineering Services)</b>	<b>3,001.343</b>	<b>3,424.663</b>	<b>3,266.128</b>	<b>9,692.134</b>
Capital Intervention Programme	1,792.600	1,906.250	1,500.750	5,199.600
Depots Machinery and Equipments	62.410	57.150	61.150	180.710
Rolling Stock Adhoc Condition Work	150.000	150.000	150.000	450.000
Rolling Stock Components	387.333	387.333	387.333	1,161.999
Ontrack rehabilitation programme: Machines	10.000	283.000	481.100	774.100
Fencing Programme (Stations and Corridors)	599.000	640.930	685.795	1,925.725
<b>PRASA Technical</b>	<b>4,772.018</b>	<b>10,396.801</b>	<b>9,613.136</b>	<b>24,686.964</b>
General Overhaul of Metrorail Coaches*	1,354.535	1,601.351	1,659.427	4,615.313
Refurbishment of Smeyl Coaches*	155.599	183.949	190.620	530.168
Depots Modernization Programme: Hig-tech Fencing and Security	32.984	2.250	0.000	35.234
Bus Depot	0.090	0.000	0.000	0.090
Depots Upgrade Programme (9 Depots)	2,168.275	3,966.543	3,623.447	9,758.266
Station Modernization Programme (27 stations)	43.000	30.000	42.000	115.000
Electrical Programme: Substations	71.731	64.009	46.279	182.020
Electrical Programme: National Overhead Equipment & Transmission lines	19.401	12.671	23.302	55.373
Footbridges and Structures	101.520	92.280	57.000	250.800
Level Crossings	52.391	5.000	0.000	57.391
120km/h Perway Programme: Trackline Doubling and Infra Upgrade	50.000	200.000	500.000	750.000
120km/h Perway Programme: Trackwork & Platform Rectification	174.545	1,865.404	1,274.856	3,314.806
Locomotives	324.947	1,676.343	1,946.204	3,947.494
Green View - Flenaspoort Corridor (Mega Project)	70.000	100.000	150.000	320.000
Motherwell Rail Extension	148.000	592.000	0.000	740.000
Other: Office Furniture and Equipment	5.000	5.000	5.000	15.000
<b>Property Portfolio (CRES)</b>	<b>1,445.080</b>	<b>2,046.700</b>	<b>2,144.616</b>	<b>5,636.396</b>
National Station Improvement Programme (NSIP) - incl. CIP & NRIP	386.669	313.102	297.282	997.053
National Station Upgrade Programme (NSUP)	249.845	460.668	514.041	1,224.553
Park Station Upgrade	52.487	446.411	610.506	1,109.405
Mabopane Station Upgrade	250.828	244.007	88.209	583.044
Workplace Improvement Programme, (incl depots facilities)	298.450	445.772	447.755	1,191.977
Real Estate Asset Management (REAM)	101.747	11.740	12.644	126.131
Energy Renewable Programme	105.055	125.000	174.178	404.233
<b>Intersite Investments</b>	<b>232.400</b>	<b>123.100</b>	<b>180.000</b>	<b>635.500</b>
Umlazi station development	9.900	23.100	0.000	33.000
Umgweni Décor and lifestyle business park	97.600	0.000	0.000	97.600
Cape Town Station Mixed Use Development	40.000	100.000	180.000	320.000
Commercial Fibre Network Extension (WC)	33.300	0.000	0.000	33.300
Commercial Fibre Network Extension (KZN)	51.600	0.000	0.000	51.600
<b>Total</b>	<b>18,493.070</b>	<b>26,612.903</b>	<b>26,006.957</b>	<b>71,117.930</b>
<b>2021 MTEF Allocation</b>	<b>9,746.209</b>	<b>12,618.475</b>	<b>12,936.309</b>	<b>35,300.993</b>
<b>Reserves to Fund the Shortfall in the 2021/22, Fiscus to Fund outer years</b>	<b>-8,746.861</b>	<b>-13,994.428</b>	<b>-13,070.648</b>	<b>-35,816.937</b>
<b>Year-on-year growth/decline in MTEF Allocations</b>	<b>96.2%</b>	<b>22.8%</b>	<b>2.5%</b>	

## 11 RISK MANAGEMENT PLAN

The risk management function within PRASA has been practically non-existent over the past few years. During the 2020/21 financial year, a risk management strategy was developed and approved by the Board. The strategy sets out the areas of focus in rebuilding enterprise risk management function and position it as a business enabler.

Enterprise risk management within PRASA covers the following functional areas:

- Enterprise risk.
- Business continuity management.
- Fraud and corruption prevention plan.
- Safety, Health, Environment and Quality (SHEQ).

The Safety, Health and Environment part of SHEQ is being moved to the Office of the Nominated Manager or Operational Safety as part of developing an integrated safety management system within PRASA.

### 11.1 Risk Management Objectives

The rebuilding and implementation of enterprise risk management should afford PRASA to strategically think about the risks to strategic decisions on an ongoing basis and to be confident in its ability to manage these uncertain events. Accordingly, PRASA's risk management objectives are:

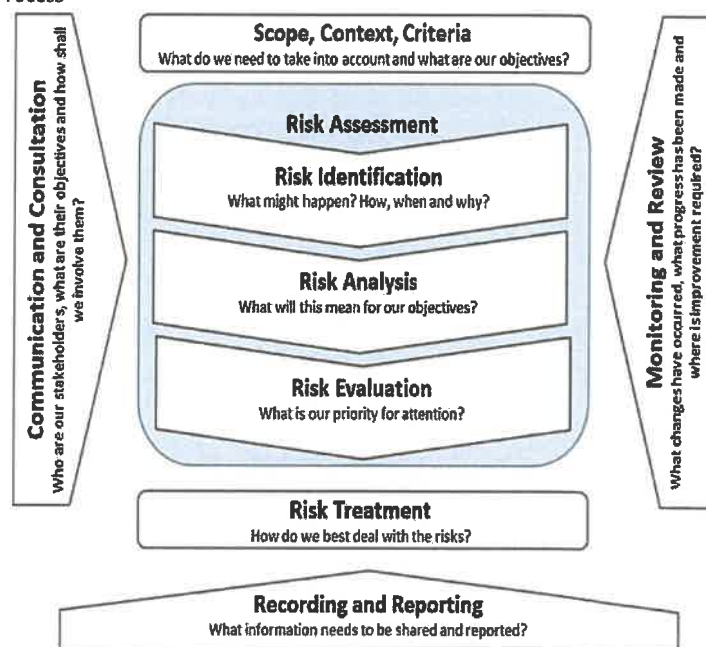
- Enabling the business through embedding risk management in decision making.
- Strengthen governance by inculcating an appropriate risk culture (maintaining a balance between conformance and performance).
- Strengthen the organizational resilience by ensuring that business/operational continuity and disaster management plans are an essential part of organizational planning and development.
- Support key projects by undertaking risk assessment thereon.
- Enhance operational efficiencies and effective through implementation of a quality management system (QMS).
- Facilitate the addressing of all the Qualifications and Significant findings by the Auditor-General South Africa (AGSA)

## 11.2 Approach to Risk Management

PRASA has adopted an enterprise-wide risk management approach, which requires that all risks and opportunities that could affect the organization in achieving its objectives are considered in a structured and systematic risk management process that aligns strategy, risk and performance.

This enterprise-wide approach is unpinned by a risk management process depicted in Figure 10 below:

Figure 8: Risk Management Process



The application of the enterprise risk management process is triggered by the following events:

- Cyclical event, i.e., time based, e.g., quarterly or annually reviews.
- Significant change which are either (internal to PRASA, e.g. strategy formulation or major organizational change or external such as changes in the operating environment).
- Project conceptualisation and implementation.
- Regulatory requirement, e.g., operational risk registers in support of the Annual Safety Improvement Plan submission to the Rail Safety Regulator (RSR).

### 11.3 Risks and Mitigations

Risk description	Mitigations
<b>Financial sustainability and working capital constraints</b>	<ul style="list-style-type: none"> <li>• Finalize the funding model</li> <li>• Address revenue leakages</li> <li>• Implement cost containment and revenue enhancement initiatives.</li> </ul>
<b>Loss or suspension of the operating permit</b>	<ul style="list-style-type: none"> <li>• Maintain an integrated safety management system.</li> <li>• Address the state of infrastructure.</li> <li>• Effective security plan</li> </ul>
<b>Skills and capacity to deliver on the mandate</b>	<ul style="list-style-type: none"> <li>• Finalize and implement operating model.</li> <li>• Undertake skills audit and address the skills gap</li> <li>• Outsource to other SOEs and third-party service providers.</li> </ul>
<b>Encroachment into the rail infrastructure and rail reserves.</b>	<ul style="list-style-type: none"> <li>• Implement and maintain responsive stakeholder management plan.</li> </ul>
<b>Theft, vandalism and destruction of the infrastructure</b>	<ul style="list-style-type: none"> <li>• Implementing effective security plan</li> <li>• Rehabilitation and Modernization of the infrastructure</li> <li>• Walling project implementation.</li> </ul>
<b>Non-compliance with the prescripts of the PFMA and National Treasury Regulations.</b>	<ul style="list-style-type: none"> <li>• Maintain an effective compliance management programme</li> </ul>
<b>Litigation</b>	<ul style="list-style-type: none"> <li>• Implement focused legal strategy to address contingent liabilities and related matters.</li> </ul>
<b>Ineffective asset management</b>	<ul style="list-style-type: none"> <li>• Implement and embed the asset management life-cycle principles.</li> <li>• Assign accountability and responsibility for asset management at appropriate levels.</li> <li>• Implement appropriate asset management system/tool.</li> </ul>
<b>Going concern status of Autopax</b>	<ul style="list-style-type: none"> <li>• Conclude on whether to divisionalize Autopax as a division of PRASA or retain Autopax in its current form.</li> <li>• Approve and implement Autopax short-term strategy.</li> <li>• Develop and implement a medium to long-term strategy for Autopax.</li> <li>• Effectively implement recommendations from the Industry Expert appointed to advise the Minister on the future business model of Autopax.</li> </ul>
<b>Adverse impact of COVID-19</b>	<ul style="list-style-type: none"> <li>• Developed and implementing the service resumption plan.</li> </ul>

Risk description	Mitigations
	<ul style="list-style-type: none"> <li>• Established a COVID Task Team and Steer Committee to monitor and manage COVID related issues.</li> <li>• Shareholder support for COVID related expenses</li> <li>• COVID implications are considered in planning and execution.</li> </ul>
<b>Fraud and corruption</b>	<ul style="list-style-type: none"> <li>• Effectively implement the Fraud and Corruption Prevention Plan</li> <li>• Maintain anonymous fraud and corruption reporting whistleblowing mechanism and awareness thereon.</li> <li>• Strengthen investigative capacity within the organization and ability to respond decisively on incidents of fraud, corruption and malfeasance.</li> </ul>
<b>Reputational risk</b>	<ul style="list-style-type: none"> <li>• Implement effective stakeholder management plan.</li> <li>• Restore governance.</li> <li>• Improve organizational performance.</li> <li>• Implement sustained PRASA branding campaigns.</li> </ul>



## Part B: Performance Plan

### 12 SHAREHOLDER COMPACT PERFORMANCE PLAN

The Shareholder Compact Performance Plan is aligned with indicators agreed at the Strategic Session of 15 – 16 January 2021.

Outcome	Output	Performance Indicator	Annual Targets		
			2021/22	2022/23	2023/24
Affordable safe and reliable public transport	Roll-out of new rolling stock deployed to priority corridors	Number of new train sets provisionally accepted per annum	44	50	62
	Number of stations revitalized and modernized	NSIP and NSUP projects completed per annum	43	45	75
	Number of Passenger trips	Number of Metrorail passenger trips per annum	69 million 183 000	238 million 387 000	311 million 417 000
		Number of Autopax passengers per annum	1.96 million	2.43 million	2.48 million
Improved transport safety and security	Number of rail safety occurrences reported	Number of safety occurrences for specified categories reported per annum (Open line collision/Derailments, Level crossing occurrence, SPADS, PSBT, PTI <sup>13</sup> )	748	708	671
	Number of rail security occurrences	Number of security occurrences 1-9 as per RSR categories reported per annum	4258	3832	3449

<sup>13</sup> SPAD – Signal Passed at Danger; PSTB – People Struck by Train; PTI – Platform Train Interchange

Outcome	Output	Performance Indicator	Annual Targets		
			2021/22	2022/23	2023/24
Affordable safe and reliable public transport - Infrastructure projects	Signalling Programme Completion of installations (commissioning of interlockings)	Number of Gauteng Interlockings commissioned for financial year	26		
		Number of Western Cape interlockings commissioned for financial year	16		
		Number of KZN interlockings commissioned for financial year			3
	Depot Modernization– EMU Capacity completed	Capacity in Depots completed per annum	186	393	489
		Depot Fencing for Depots and Yards completed in FY2021/22	7 sites completed		
	Recovery of Mabopane Corridor electrical train services	Full Electrical train service re-introduced between Mabopane and Pretoria	Qrt 3		
Recovery of Central Line electrical train services	Full Electrical train service re-introduced between Cape Town and Kapteinsklip and Chris Hani	Qrt 3			

## 12.1 Quarterly Targets

Outcome	Output	Performance Indicator	Annual Target	Quarterly Targets (Cumulative)			
			2021/22	Q1	Q2	Q3	Q4
Affordable safe and reliable public transport	Roll-out of new rolling stock deployed to priority corridors	Number of new train sets provisionally accepted per annum	44	Subject to finalization of Gibela revised commercial agreement			
	Number of stations revitalized and modernized	NSIP and NSUP projects completed per annum	43	0	2	9	34
	Number of Passengers	Number of Metrorail passenger trips per annum	69 million	6.69 million	14.32 million	39.66 million	69 million
		Number of MLPS passengers per annum	183 000	36 400	72 800	126 000	183 000
		Number of Autopax passengers per annum	1.95 million	440 000	901 000	1.43 million	1.95 million
Improved transport safety and security	Number of rail safety occurrences reported	Number of safety occurrences for specified categories reported per annum (Open line collision/Derailments, Level crossing occurrence, SPADS, PSBT, PTI <sup>14</sup> )	748	230	424	591	748

<sup>14</sup> SPAD – Signal Passed at Danger; PSTB – People Struck by Train; PTI – Platform Train Interchange

Outcome	Output	Performance Indicator	Annual Target	Quarterly Targets (Cumulative)			
			2021/22	Q1	Q2	Q3	Q4
	Number of rail security occurrences	Number of security occurrences 1-9 as per RSR categories reported per annum	4258	1065	2129	3193	4258
Affordable safe and reliable public transport - Infrastructure projects	Signalling Programme Completion of installations (commissioning of interlockings)	Number of Gauteng Interlockings commissioned for financial year	26	5	10	15	26
		Number of Western Cape interlockings commissioned for financial year	16	3	7	11	16
		Number of KZN interlockings commissioned for financial year					
	Depot Modernization– EMU Capacity completed	Capacity in Depots completed per annum	186	52	60	60	186
		Depot Fencing for Depots and Yards completed in FY2021/22	7 sites				7-sites
	Recovery of Mabopane Corridor electrical train services	Full Electrical train service re-introduced between Mabopane and Pretoria	Qrt 3			Nov 21	
Recovery of Central Line electrical train services	Full Electrical train service re-introduced between Cape Town and Kapteinsklip and Chris Hani	Qrt 3			Nov 21		

## **13 ANNEXURES TO THE CORPORATE PLAN**

The following are Annexures to the Corporate Plan:

1. Fraud and Corruption Prevention Plan
2. Significance and Materiality Framework
3. Subsidiary Business Plan: Intersite
4. Subsidiary Business Plan: Autopax

**BACKGROUND:** At the PRASA Board of Control (“PRASA BOC or PRASA Board”) strategy session held on the 8<sup>th</sup> and 9<sup>th</sup> of February 2021, the PRASA BOC approved the consolidation of Intersite, PRASA CRES and all those property functions that reside within PRASA TECH into a single consolidated entity. Of the 4 options presented by PRASA Management to the PRASA BOC i.e.

- Consolidate into a Hybrid Model [a Division (PRASA CRES) with an SPV (Intersite)].
- Consolidate into a Division (PRASA CRES absorbs over Intersite).
- Consolidate into a Subsidiary (Intersite absorbs over PRASA CRES); or
- Status Quo (maintain both PRASA CRES and Intersite).

Having considered the four options presented, the PRASA BOC opted to approve that the Consolidated entity should take the form of a Hybrid Model i.e., a Division (PRASA CRES) with a Special Purpose Vehicle (Intersite). One of the main reasons for this choice being the ease and simplicity of implementation, the other being the realization that a separate legal form can be used to raise debt whilst mitigating risk and exposure to the PRASA balance sheet. In terms of the Hybrid Model, Intersite personnel will be transferred out of the entity and given options of either going into PRASA CRES, any other entities within PRASA Group or given a Voluntary Severance Package (‘VSP’). These options are presented to Intersite staff and management in order to ensure strategic fit and alignment to the ‘new vision’ of the consolidated entity; addresses duplications in roles and responsibilities and provides options to ensure best outcomes for both the employees and the organization.

The day-to-day management role over the SPV entity will reside with PRASA CRES. The SPV will be used for revenue generation transactions and secondary mandate opportunities only. This will ensure that all risks associated with the transactions are ring fenced and that it delivers value to the Shareholder as per the initial intent. The SPV will still have its own Board of Directors as stipulated by the Company’s Act, however the Board can be constituted with Board Members from PRASA BOC or senior management within CRES or PRASA Corporate . In order to ensure strategic alignment, optimal cost structure, it is envisaged that the CEO of PRASA CRES will be the CEO of the SPV as well. The appointment of the CRES CEO needs to be ratified by the Intersite Board as an instruction from the resolution of the 12<sup>th</sup> February 2021.

This executive summary seeks to provide salient features of the SPV including

- Strategic objectives of the SPV within the Consolidated PRASA Property Division.
- Alignment and support to PRASA Strategic Objectives.
- Enabling the selected secondary mandate transactions through the SPV Intersite.
- The key focus areas of the SPV.
  - Capex Budget and funding of those focus areas over the upcoming FY and the MTEF period.
  - Quick wins that can be implemented immediately.
  - The functioning of the SPV going forward.

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- The management of the transition process from the current state into the new state including options for the current Intersite management and staff.
- Governance and strategic oversight over the SPV.

Each of these points is now discussed in more detail.

**STRATEGIC OBJECTIVES OF THE SPV INTERSITE:** The strategic objectives of the SPV Intersite are listed below and are:

Intersite Strategic Objectives	Key Focus Areas
1. Grow PRASA revenue through exploitation of PRASA assets	<ul style="list-style-type: none"> <li>• Real Estate Investments</li> <li>• ICT/Telecoms infrastructure commercialisation (Optic Fibre, Towers, Data Centres).</li> <li>• Harvesting the opportunities of secondary taxes via strategic structuring of transactions.</li> </ul>
2. Strategic partnerships for exploitation of assets with both public and private partners	<ul style="list-style-type: none"> <li>• Identify and secure new business opportunities for the exploitation of the PRASA assets.</li> <li>• Enter strategic partnerships that deliver shareholder value and benefit PRASA and other stakeholders (Government, SOC's, Commuters, Municipalities, etc.).</li> </ul>
3. Build a Strategic Balance Sheet that is attractive to Funders	<p>Achieve this through the following initiatives:</p> <ul style="list-style-type: none"> <li>• Use of leverage (debt) to achieve optimal funding mix</li> <li>• Direct access to PRASA capital grant funding that sits in the account of the entity</li> <li>• Transfer of selected assets through long term leases to acquire rights (leasehold) over those assets from PRASA to the SPV</li> </ul>

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**SUPPORT AND ALIGNMENT TO PRASA STRATEGIC OBJECTIVES:** In the execution of its mandate, Intersite will support PRASA strategic objective as follows:

PRASA' Objectives	Intersite's Support
1. Improve the customer experience	<ul style="list-style-type: none"> <li>• Roll out Free Wi-Fi at Top 40 stations</li> <li>• Free commuter Wi-Fi service</li> </ul>
2. Grow the rail commuters into the stations and transportation systems	<ul style="list-style-type: none"> <li>• Telecoms Infrastructure (Fibre, Towers &amp; Data Centres)</li> <li>• Lease out these assets for revenue generation</li> <li>• Deployment, Maintenance &amp; Monitoring of Fibre</li> </ul>
3. Re-align support functions to achieve an efficient rail business	<ul style="list-style-type: none"> <li>• Roll out of Wi-Fi at Top 40 stations</li> <li>• Risk Management aligned to the Business Plan</li> <li>• Good Corporate Governance in line with Governance framework</li> <li>• Ethical Business Conduct in line with the Code of Conduct and best practice</li> <li>• Corporate Social Investment Initiatives</li> </ul>
4. Driving the secondary mandate through the exploitation of assets to support primary mandate.	<ul style="list-style-type: none"> <li>• 3<sup>rd</sup> Party Real Estate Development and Investment</li> <li>• Leasing of Optic Fibre (dark optic fibre)</li> <li>• Commercialisation of Telecoms Towers</li> <li>• Wi-Fi Solutions</li> </ul>

**ENABLING THE SECONDARY MANDATE:** In October 2017, Intersite concluded an MOU with GTAC (a component of National Treasury) in terms of which GTAC was to assist Intersite in its quest to unlock the embedded value in PRASA's secondary mandate. That MOU can still be re-activated provided that PRASA BOC gives support to this initiative in pursuit of the realization of the strategic objectives of the secondary mandate. The MOU spells out in precise details exactly as to the measures that the PRASA BOC and Intersite Board need to take to enable the effective implementation of the secondary mandate. The table overleaf is an extract from that MOU that summarizes the key focus areas in which GTAC was & can assist the entity in this regard. The MOU needs to be evaluated in order for it to be relevant to the current business case



## **5 GTAC OBLIGATIONS**

5.1 GTAC undertakes, in line with its overall commitments and its best abilities to:

5.1.1. Support INTERSITE on the following specific matters—

- Assist in developing and designing institutional arrangements, systems and processes for the implementation of the INTERSITE Strategy (including identification of relevant stakeholders, drafting and commenting on commercial agreements);
- Assist with the repositioning of INTERSITE as a reorganized legal entity i.e. changing Intersite's PFMA scheduling from 3b to 2
- Assist with Intersite obtaining borrowing powers and raising funding for the implementation of strategic projects;
- Assist with PPP and S54 exemptions for certain and defined projects
- Assist with obtaining requisite regulatory approvals from relevant authorities;
- Assist and make available its database of consultants and transaction Advisors to undertake relevant work to ensure bankability of projects ;
- Assist with the setting up of Special Purpose vehicles (SPVs) related to specific projects;
- Assist with transferring select rights and assets from PRASA to INTERSITE;
- Assist with the creation of a reporting framework; and
- Assisting with GTAC support services as set out in a specific MOPA, including but not limited to transaction advisory and planning (e.g. feasibility study), procurement, institutionalization, implementing agent and programme and project management services.

**THE KEY FOCUS AREAS OF THE SPV INTERSITE:** The key focus areas of the SPV Intersite can be divided into Real Estate Developments and investments; as well as ICT and Telecommunications infrastructure

### **1. Real Estate Development and Investments**

- a. 3rd Party Developments & Investments

### **2. Information and Communication Technology (ICT)/Telecommunications Infrastructure**

- a. Optic Fibre deployment and leasing
- b. Tower deployment and leasing
- c. Wi-Fi provision
- d. Data Centre space leasing

It is important to note that in order to enable value realization from the above stated focus areas, the capital budget, the mandate, the borrowing powers must reside within the SPV. Such an arrangement will enable focus and agility in responding to market development.

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### CAPEX BUDGET AND FUNDING OF THE KEY FOCUS AREAS FOR THE CURRENT FY AND OVER THE MTEF:

Intersite has been allocated a CAPEX budget of R232m for the 2021/22 Financial Year and of R525m for the remainder of the MTEF period. It should be noted that in order to advance the objectives of building a strategic balance sheet, the capex budget allocation for Intersite has to sit in the balance sheet of the entity and be overseen from a governance point of view by the Intersite Board of Directors in line with the entity's existing policies that are aligned to those of PRASA, wherever applicable. The capex budget allocation for the entity as well as the areas of focus or application of this capex budget are listed below.

Intersite Investments	232,400	123,100	180,000	535,500
Umlazi station development	9,900	23,100	0,000	33,000
Umngeni Décor and lifestyle business park	97,600	0,000	0,000	97,600
Cape Town Station Mixed Use Development	40,000	100,000	180,000	320,000
Commercial Fibre Network Extension (WC)	33,300	0,000	0,000	33,300
Commercial Fibre Network Extension (KZN)	51,600	0,000	0,000	51,600

**QUICK WINS THAT CAN BE IMPLEMENTED IMMEDIATELY:** Due to lack of capex funding, Intersite forfeited several lucrative investments opportunities in the recent past. Prime examples of these being Umngeni Business Park Development and the KwaMnyandu Retail Mall Development. Intersite commitment to take up profit participation in these developments and the entity's subsequent failure to follow through on these options when they were called upon to do so, caused major reputational harm and financial pain for these developers. For instance, all the legal agreements that had been drafted with Intersite as a co-investor had to be re-drafted at the costs of the developers, which costs ran into hundreds of thousands of Rands.

However, Intersite Management is of the view that if capex funding can be made available to the entity immediately, there's a good probability that these opportunities can still be revived and secured. These projects are over and above the capex that has been already been allocated to Intersite by PRASA for the current and the next FY. As Management we are of the view that they can be successfully revived provided that capex is committed and transferred to Intersite's bank account on the back of which management can engage their counterparts from the developer's side.

- **Umngeni Business Park Development:** This is a light industrial development based in Springfield in Durban. It is over 67 000 square meters (sqm) of Gross Lettable Area (GLA) and is made up of 9 separate Development Companies (DevCos). Intersite forfeited its right to co-invest in DevCo 1 (Zebbies is anchor client) & DevCo 2 (CTM is anchor tenant), and the total capex investment required in this regard was R58m yielding 8.5%.
- **KwaMnyandu Retail Mall Development:** This is a retail shopping centre located at KwaMnyandu PRASA station in Umlazi, south of Durban. The mall is in excess of 23 00 sqm GLA. Pre-Covid, when

the option to buyback this development was discussed with the developer, the estimated value of the Mall was R430m and yielding in excess of 9%.

In order to expedite the process and ensure that funds are committed this financial year, Intersite can enter into commitment agreements with these developers for the above listed amounts subject to a due diligence process. Such an undertaking will give confidence to the developers contracted that we are committed to the transactions. In return, PRASA will advance its objective of building a strategic balance sheet and start contributing towards the self-sustainability of the entity.

**THE RESOURCING OF THE SPV:** The Accounting Officer or the CEO for the SPV i.e. the CRES CEO, will have to develop a plan for the optimum resourcing of the SPV in order to ensure that it remains lean and mean, agile, and responsive to market developments in order to fulfil its mandate. In this regard, the CEO will have to develop a 5 year funding strategy that will require the necessary approvals Staff to operate and manage the SPV on a day-to-day basis may most likely have to have a dedicated focus to that role only.

**THE TRANSITIONAL PERIOD:** The Intersite Board must adopt and rectify the resolution of the PRASA BOC to consolidate these entities and functions based on a Hybrid Model. This can be done at the next seating of the Intersite Board which is the 26<sup>th</sup> of February 2021. Having passed such a resolution, a consultation process can then be held with all the Intersite staff in line with the provisions of the LRA including s 189 & s 197.

**CHANGE MANAGEMENT PROCESS:** PRASA HCM will play a key role in the integration of Intersite personnel into CRES should be undertaken with due care and consideration to ensure that there is transparency, equitability and fairness in the process. Further than that any concerns that Intersite personnel will be put at a disadvantage as a result of the consolidation and those of PRASA CRES advantaged by virtue of incumbency are addressed.

**OPTIONS FOR INTERSITE STAFF AND MANAGEMENT:** There are three options that are available to Intersite Staff and Management as the entity is being merged into a Consolidated PRASA Property Entity. These options are:

- Transfer to PRASA CRES option
- Transfer to any other divisions within PRASA option

These options are being made available to staff and management in order to ensure there's proper alignment and strategic fit between the requirements of the SPV and PRASA in general vs. the skills sets of all the individuals concerned. The Intersite Board should pass a resolution at its next meeting on Friday approving the two options so that the implementation of the SPV's programs can be expedited.

**GOVERNANCE AND STRATEGIC OVERSIGHT OVER THE SPV:** The following are the key governance considerations:

- **Own dedicated and separate Board of Directors:** The SPV will have its own Board of Directors comprised in the main of PRASA BOC Directors and some independents in compliance with the Companies' Act, the PFMA and the King Code of good corporate governance. The PRASA GCEO must also form part of the Board of Directors of the entity as well. These Directors will be remunerated as has been the case with all previous boards subject to applicable government legislation.