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LEGISLATIVE MANDATE

PRASA, as the implementation arm of the National Department of Transport, the sole shareholder, is primarily focused on the mandate contained in the Legal Succession Act of South African Transport Services (‘SATS’) Act of 1989 as amended in November 2008.

The main objective and main business of PRASA is to:

A. Ensure that, at the request of the Department of Transport, rail commuter services are provided within, to and from the Republic in the public interest, and
B. provide, in consultation with the Department of Transport, for a 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 Transition Act, 2000 (Act no 22 of 2000).

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

As a public entity, Government initiatives remain a strategic driver for PRASA. This is manifested through legislation, government policies and strategies such as:

- National Transport Policy
- Public Transport Strategy
- Legislation such as the National Land Transport Act
- National Rail Policy Green Paper
- Economic Strategy and Job creation initiatives
- National Development Plan
- Public Finance Management Act

STATEMENT OF PURPOSE

The launch of the Passenger Rail Agency of South Africa (PRASA) in March 2009 brought forth a new era in passenger transport that saw the former South African Rail Commuter Corporation (SARCC) transformed into PRASA. Metrorail, Shosholoza Meyi, Autopax (the subsidiary company operating Translux and City to City bus services), as well as Intersite Asset Investments (formerly under SARCC and Transnet) are now part of PRASA. The consolidation of entities followed a decision of the Cabinet of 1 December 2004. The consolidation of these entities was done to offer integrated passenger services that prioritise customer needs, provide better mobility and accessibility to transport by masses of the South African population in need of safe and affordable transport.

As a wholly owned Government public entity, reporting to the Minister of Transport, PRASA’s main responsibility is to deliver commuter rail services in the Metropolitan areas of South Africa, long-distance (inter-city) rail and bus services within, to and from the borders of the Republic of South Africa. This mandate is implemented in consultation with and under the guidance of the Minister of Transport.

The focus of the Corporate Plan is to ensure that, in the medium to long term, PRASA remains a leader in passenger transport solutions and that, as a modern public entity, it continues to deliver high quality passenger services in a safe and secure environment which is underpinned by its commitment to delivering Public Value.
## VISION, MISSION AND VALUES

### VISION
To be the Leader in Passenger Transport Solutions.

### MISSION
To strive for High-Quality and Sustainable Passenger Services through Service Excellence, Innovation and Modal Integration

The **VALUES** are:

- **Fairness and Integrity**
  - Treating our customers and our colleagues the way we would like to be treated.
- **Service Excellence**
  - Providing the kind of services that meet and exceed customer expectation.
- **Performance Driven**
  - Developing the ability to venture into new areas of opportunity whilst offering quality products to our customers.
- **Safety**
  - Ensuring our customers and colleagues enjoy their journey and arrive safely and refreshed.
- **Communication**
  - Sharing information with our customers and colleagues in an open and honest way.
- **Teamwork**
  - Working together with our customers to achieve a common goal and recognizing each other's strengths and contribution.

### Five PRINCIPLES underpin the PRASA Vision and Mission:

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<td>Mobility</td>
<td>PRASA shall contribute to sustainable public transport solutions through providing high-quality passenger services founded on an integrated network of mobility routes.</td>
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<td>Accessibility</td>
<td>PRASA shall provide quality rail, bus property management services that enable individuals and communities to access socio-economic opportunities and contribute to a better quality of life of the people as a whole.</td>
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<td>Modal Integration</td>
<td>Reframing the basis of business delivery, favouring innovation, seamless integration and partnerships.</td>
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<td>Service Excellence</td>
<td>A deep commitment to superior performance that is safe, reliable and affordable, provide a dignified travel experience that makes a lasting impression, and builds brand loyalty – both internally (employees) and externally (customers) – that adds benefit to the passenger.</td>
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<tr>
<td>Sustainability</td>
<td>A focus on sustainable development in business that considers not just the financial 'bottom line' of prosperity, but the environmental quality and social equity.</td>
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LEGAL OPERATING STRUCTURE

ORGANISATIONAL STRUCTURE

*new structure to be finalised during 2016/17 financial year*
OPERATING ENVIRONMENT

Legislative & Regulatory Environment

The crafting of the PRASA strategy and plan takes cognisance of the legislative environment with specific reference to:

- The National Land Transport Act (Act 5 of 2009) as government’s transport policy driver as well as the Public Transport Strategy and Green Paper on Rail.
- Rail Safety Regulator Act of 2003
- Labour Relations Act, Employment Equity Act and Conditions of Employment Act
- National Development Plan as the platform for 2014/15 – 2016/17 Platform
- National Rail Policy Green Paper
In delivering on the objectives as outlined in the Corporate Plan, PRASA also pays due regard to socio-economic and policy imperatives as outlined by the Government and as they pertain to advancing the socio-economic development of various sectors of our society.

**National Development Plan (NDP)**

For the National Development Plan, mobility is one of the key dimensions of human capacity. Transportation cuts across the economy, environmental sustainability, spatial transformation, global connectivity, state capability, social cohesion and health. To function optimally, South Africa needs reliable, economical, and smooth-flowing corridors linking its various modes of transport (road, rail, air, sea ports and pipelines).

The National Development Plan calls for Integrated, holistic, long-term perspective on all transport networks informed by growth priorities, the environment, inclusivity and access.

Where people live and work matters. Apartheid spatial planning has led to the majority of South Africans living far from places of work, with poor access to basic services and low levels of participation in the economy. The need for people to live closer to their places of work and with better quality public transport allows them to access work opportunities and in the most affordable manner.

The National Development Plan assumes that by 2030, investment in the transport sector will:

a. Bridge geographic distances affordably, foster reliability and safety so that all South Africans can access previously inaccessible economic opportunities, social spaces and services.

b. Support economic development by allowing the transportation of goods from points of production to where they are concerned, whilst facilitating regional and international trade.

c. Promote low-carbon economy by offering transport alternatives that minimise environmental harm.

The NDP notes that currently outdated, malfunction-prone railway technology and poor intermodal linkages dominate these corridors. PRASA is aware of the need for reliable, economical and smooth-flowing corridors linking various modes of transport (road, rail, air, sea ports and pipelines). In realising the objectives outlined in the NDP, PRASA plays a crucial role in providing suitable public transport solution that is safe, efficient, reliable and cost-effective.

The development and deployment of the total transport network, which will help improve transport efficiency and accessibility, while reducing the overall environmental, social and economic costs, is key to attainment of the NDP imperatives.

PRASA has noted the NDP strategic focus areas and planning priorities, which focuses on creation of workable urban transit solutions that will streamline an effective urban transport system, particularly as it pertains to PRASA, through:

- Increasing investment in public transport and resolving existing public-transport policy issues
- Provision of affordable, faster, reliable and safe transport
- Transport plans that are aligned with spatial development
- Devolving transport management to local government
- Providing incentives for public transport use
- Renewing the commuter train fleet
- Property Development
- Broadband Connectivity

PRASA also takes into account the multi-dimensional aspect of the NDP regarding employment, housing, environment and skill development and training.

**Employment:** Metrorail, as a rail commuter service, plays a major role in reducing costs of living through affordable rail fares for people travelling to and from places of employment. An effective public transport system that contributes to the movement of people facilitates employment and labour force participations thereby increasing commuter and passenger numbers and social demographics.

**Environment:** Environmental sustainability is key to the development and upgrades of PRASA facilities as well as the reduction of greenhouse gas emissions with the aim of zero emissions on buildings by 2030. PRASA also addresses clean environments in its stations rail operations and bus services as well as safety and security of passengers.
Housing: PRASA’s approach to integrated transport planning takes into account future human settlements and transport corridors and cities’ urban planning and densification strategy. The current and future network expansions are informed by the organisation’s National Strategic Plan that supports investments in safe, reliable and affordable public transport supported by spatial development frameworks that balance location of jobs and human settlements. This is at the heart of PRASA’s 20-year strategy where developments for commuter rail are based on demand patterns and spatial plans. The Company, through its division PRASA CRES and subsidiary Intersite, also contributes to housing as part of its real estate strategy, supported by other chapters of the NDP around densification of cities to enable better public transport services.

Education: Skills development and training for PRASA employees as well as future employees are close to the heart of the rail business. PRASA through various initiatives support development of learners towards engineering fields for rail, development and training of rail specific artisans and other transport related skills. In addition the organisation supports transport, engineering and public service management development through partnerships with South African universities such as UCT, University of Stellenbosch, Wits Business School and UNISA. PRASA also uses its modernisation programmes to elicit the support of the private sector in skills development and employment to address social protection as contained in the NDP.

PRASA’s National Strategic Plan

PRASA’s Strategic Plan provides a transformational, integrated and holistic approach to developing rail and other public transport services in South Africa over the next years up to 2050. It builds on the 2006 National Rail Plan and widens the scope to include all PRASA’s entities. It provides a roadmap for PRASA’s individual rail, bus/coach and real estate businesses to combine to improve the service provided to the travelling public and seeks to capitalise on the opportunity provided by planned Government investment in new rolling stock, new signalling, stations and three pilot modernisation Corridors, demonstrating the impact of an integrated approach to investment on rail corridors.

The National Strategic Plan brings together a set of individual Strategic Plans prepared for the most populated provinces of Gauteng, the Western Cape, KwaZulu-Natal and the Eastern Cape, and the long-distance passenger market. It describes the changes and investment that will need to be made in the future if passenger rail is to achieve the exciting future strategic vision that PRASA and its stakeholders have identified. It identifies how the Strategic Plan can be delivered. There has been significant interaction between PRASA and national, provincial, city and municipal stakeholders in the preparation of this plan to ensure alignment with parallel planning processes such as Provincial Land Transport Frameworks, Integrated Public Transport Networks and Integrated Rapid Public Transport Networks.

The development of the Corporate Plan for MTEF 2016/17-2018/19 is aligned with PRASA’s Strategic Plan that focuses on the key points pertaining to:

- A prioritised list of rail services and network expansion interventions that provides more capacity to accommodate forecast growth, transforms the rail product on many corridors, seeks to make better use of the network and proposes corridor extensions to new or growing settlements.
- Clear proposals for improving integration between rail and other public transport modes to make it easier for passengers to use railway services as part of the wider integrated transport systems.
- The proposals include enhanced city distribution, improved intermodal interchange, use of Autopax to feed into and complement rail services and priority hubs on the network.
- A review of the corridor classification in the 2006 National Rail Plan to reconfirm priorities.
- The identification of key redevelopment sites to contribute funding for the implementation of the Strategic Plan.
- Identified actions that we will need to take to deliver the Strategic Plan.

Industrial Policy Action Plan (IPAP2)

Driving Industrialisation

The rail industry is a key component of any functioning industrial economy, from transportation of people to moving goods and services as part of a logistics chain, it is integral to any economy. The rail industry has been identified as key to the future of South Africa and industrialisation.
PRASA’s current procurement of 600 train sets, coupled with rail industrialisation contractual obligations, will attempt to stem the tide and reindustrialise the sector. However, such measures, although critical are not sufficient to sustain a rail industry in the long term. Sustainability requires an industry that does not only rely on demand from South Africa but has export potential, as well as the ability to be part of a global supply chain.

Under the auspices of the Ekurhuleni Metropolitan, PRASA’s reindustrialisation plan is premised on restoring the once dominant role of rail manufacturing to Gauteng’s East Rand – a role that the services sector has replaced, becoming the major contributor to the regional economy. The reindustrialisation plan will include improved support for and responsiveness to manufacturing enterprises and upgraded infrastructure networks.

Amongst others, the acquisition of New Rolling Stock has been established to achieve the following:

1. A high proportion of the value of the train originating from South Africa and in line with the Government’s local content objectives, a target of over 65% local content has been set by the end of the 10 year programme;
2. The creation of a sustainable and competitive local rolling stock manufacturing sector;
3. A strong focus on job creation and job retention;
4. The transfer and development of rail related skills to the South African labour force;
5. Meaningful black equity ownership at the contractor and subcontractor level;
6. The use and enhancement of existing entities/plants and workforce where possible, and
7. A high priority on safety and reliability of the procured rolling stock.

PRASA has leveraged the procurement to ensure that industrialisation and transformation objectives can be met. PRASA developed a localisation and transformation strategy within the procurement where Gibela has committed to various obligations. These obligations include:

- Local content percentage commitments based on the expenditure on the new trains;
- Skills development commitments based on contract value as well as commitments on number of individuals skilled; and
- Transformation commitments including job creation, enterprise development and other transformation elements based on Broad-Based Black Economic Empowerment criteria.

The demand for rail is set to continue globally and South Africa’s budding rail industry can play a critical role in global supply chains. Thus, the need to revitalise the industry and to use the current PRASA rolling stock programme to drive industrialisation has been recognised.

**Economic Empowerment and Skills Development**

In enabling the Government’s national agenda guided by the National Development Plan vision 2030, BBBEE ACT Skills Development ACT and Employment Equity ACT; PRASA will implement a number of developmental programmes aimed at reversing the triple challenge of unemployment, poverty and inequality.

PRASA in collaboration with Academia, Government departments and government agencies and the private sector will, in the next five years, ensure economic empowerment and skills development of four key focus groups:

- Women
- Youth
- People living with disabilities and
- Military veterans

Through its Capital Programme, PRASA’s human capital management and corporate social investment will ensure that the key focus groups identified mainly participate in the core technical areas of the business namely Rail Engineering, Property and Construction. Other key areas of participation will include Information communication technology, professional services, general services and bursary awards.

PRASA will amend the Supply Chain Management Policy to include the empowerment of the key focus groups. Key to this amendment are the pronouncements on preferential procurement, developmental programmes, enterprise and supplier development.

**Contributing to Regional Transport Requirement (SADC)**

PRASA will align its support for capacity development on the Continent with the government’s policy statements and the pronouncement by the African Union towards the creation of a manufacturing hub to service the Continent. The entity will further engage the Department of Transport in this regard.
MARKET DEVELOPMENT AND INDUSTRY
OVERVIEW

"South Africa has been at risk of a recession as the global economic slowdown and commodity slump, together with domestic constraints, translated into an industrial recession, so slowing real disposable income growth and weakening consumer demand. A mere 0.7% in economic growth in the last quarter has however saved the South African economy from tipping into a recession. The largest contributors to the growth were the manufacturing industry, finance, real estate and business services, wholesale, retail and motor trade as well as the catering and accommodation industries.

The inflationary effect the drought could have on food prices would be of concern. The weakening of the rand is likely to continue, especially with the increased need to import food as a result of the drought. Eskom’s announcement that there will be no load-shedding until April has prompted concerns that slowing electricity demand is directly linked to slowing economic activity. The reduction in energy demand will most likely reveal a severe effect on economic growth."

The global economy is suffering from the effects of economic recession. The effect of quantitative easing by the United States Federal Reserve Bank, may limit foreign direct investment in the rand i.e. bond market. At stake will be the funding for major state owned key infrastructure suppliers. The depressed economic growth presents challenges, which may impact on investments. Growth of the South African economy is expected to be slow, further compounded by the electricity crisis, the inflationary impact caused by increases in administered prices (electricity, toll roads, fuel levy, municipal rates, interest rate hikes etc). This will affect the household consumption, which may adversely impact economic growth.

The weak economic performances which has caused, and may continue to cause, downgrading of the Government credit worthiness by credit rating agencies, will burden the ability of Government to raise money in the capital market. The negative investor sentiments, particularly in the mining industry, may inhibit investment appetite coupled with the loss of income and jobs, will have an impact on the spending power in the economy. Government backed initiatives to support infrastructure projects and urbanisation, which are envisaged to create jobs, will face serious challenges.

The property sector in South Africa, and indeed worldwide, has been the best performing asset class over the last ten years, significantly outperforming equities, bonds and cash. The market in South Africa is showing signs of slowing down, but is still expected to outperform inflation and other asset classes. There are signs of slight recovery in the economy judging by household and private sector spending. There is an indication of positive growth in the construction sector based on the approved building plans. The Real Estate Investment Trust structure, which has aligned South African property structure to internationally recognised standard, gives impetus to foreign direct investment into the economy.

Government funding for state entities will be prioritised to meet key economic challenges, including alleviating energy supply challenges and improving the competitiveness of our economy. Investment in transport and communication infrastructure has grown. Cities are looking to create special economic zones to spur investments.

The growth of cities, the middle class and resultant urbanisation are catalysts for socio-economic growth.

The current listed property market indicates a return well in excess of equities and bonds.
The 2016-2019 PRASA Corporate Plan is a continuation of the organisation’s strategy and Annual Performance Plan submitted in the previous MTEF period, and it is developed in accordance with Section 52 of the PFMA. The Corporate Plan contains information regarding PRASA’s strategic intent, direction and action leading to the achievement predetermined objectives.

The Corporate Plan informed by PRASA’s strategic journey since the organisation’s inception and is guided by the company’s ambition to assume leadership in public transport solutions, which is underpinned by its commitment to ensure that its services deliver public value to the general public, in particular the marginalised groups of our society.

The Corporate Plan builds on PRASA’s strategy which seeks to create a modern public entity that would be able to deliver quality passenger services on a more sustainable basis. The Corporate Plan takes into account that sustaining the current operations and growing the business, underpinned by customer service excellence, would require:

1. growing the revenue base and containing the cost of doing business,
2. addressing operational efficiencies and improving service delivery,
3. sweating PRASA’s non-operational and strategic assets,
4. growing the property portfolio,
5. revenue generation through a robust real estate strategy,
6. skills development necessary for the rolling out of PRASA’s modernisation program,
7. securing future business through introducing new services and expanding the current network, as well as
8. developing a viable funding model and redefining PRASA’s operating model

Focus on ”Getting the Basics” Right

This Corporate Plan is presented at the time when PRASA has had to contend with public scrutiny regarding its adherence or lack thereof to corporate governance processes and compliance with supply chain management procedures, including human capital practices.

The continued and consistent decline in the company’s overall performance, both in terms of meeting its predetermined performance objectives (financial and operational), as well the organisation’s failure to adhere to strict governance processes, will demand that management identifies the areas requiring attention.

In getting the basics right or fixing the business, certain operational inefficiencies have been identified including weakness in supply chain management processes, performance and consequence management, project planning and execution, including contracts management, as well as procurement planning and determination of the true cost of operating the business. Rightsising the business in accordance with the demands of the business and requirements of delivering on the mandate will form part of getting the basics right.

Furthermore, in executing the real estate strategy, PRASA will structure its assets and capital allocation to provide Intersite with the funding required to harvest investment opportunities on its properties to create and generate a market related long term sustainable revenue stream in line with practices of successful international rail entities elsewhere.

Towards a Modern Public Entity

The transformation of passenger rail infrastructure and services is well underway, with a number of key strategic projects having entered the implementation phase. Programmes in the implementation phase include the Rolling Stock Fleet Renewal for the acquisition of 600 new coaches over the next 10 years, installation of new signaling system, including the construction of Centralised Train Control Centres (CTCC) across the three regions, 120 km/h perway, station modernisation including commercialisation. In addition, the planning for rail extensions has gained significant momentum, with new plans already in place for rail lines such as Motherwell rail extension, with construction of the Greenview-Pienarspoort rail extension at an advance stage. PRASA is also completing outstanding works on the Bridge City Rail Link, which is the last phase of the development.

The impact on the work carried out by PRASA towards the modernisation of passenger rail infrastructure will be felt by the general public, in particular the passengers and other users of the entity’s facility. The introduction of the first modern passenger train in the latter part of the year is the culmination of
Government’s R172 billion investment programme towards rolling out the train system of the future. Such investment will ensure that rail becomes the backbone of public transportation as the mass carrier supported by all other modes of public transportation.

The modernisation programme is aimed at reversing decades of under-investment in public transport and focuses on the following:

**Introducing a World-Class Train System**

The introduction of a World-Class Metro System, which began a few years back, include the installation of new signaling system, the construction of Centralized Train Control Centres (CTCC) across the three regions, 120 km/h perway, station modernisation including commercialisation, is designed to offer differentiated customer serve experience.

The visible outcome of this system is introduction to the commuter of a new set of trains supported by a corridor-based service introduction. The deployment of its first passenger train in October 2016, as part of the first 20 trains currently being manufactured in Brazil, will have a huge impact on passenger rail transport and have massive benefits on commuter train service, such as:

- New modern, safe and reliable trains for metro line services
- Faster and more reliable trains with increased passenger trips
- Improved overall safety of the trains and service that PRASA provides
- Improved overall service to passengers

The Phase 1 Corridor train deployment strategy begins with the introduction of the modern passenger train in Gauteng, starting with Pretoria to Pienaarspoort, which will be immediately followed by Pretoria to Johannesburg. The Corridor-based rollout programme is designed to allow PRASA to test the service of the future, make any necessary adjustments and develop a best-practice model that will be the basis for the rolling out of the new train system to the other four provinces, these: Eastern Cape, Kwazulu-Natal, Western Cape and Gauteng

**Train Manufacturing Plant**

The first year of the MTEF period will see the construction of the local factory which will be a catalyst for the manufacturing of 580 trains in South Africa, with the goal to develop a sustainable rail manufacturing industry, which is globally competitive. The local Factory will be built in the City of Ekurhuleni, Dunnotar Park, 10km north of the town of Nigel, and will have the following impact:

- The manufacture of 580 trains, resulting in the creation of a train manufacturing hub in line with Government’s Industrialisation Plan.
- The local manufacturing plant will achieve an average of 67% local content over the delivery Period and will increase to 75% Local Content by year 10 and have approximately an 80% local employee base by year 5 of its establishment.
- A total of 65 000 direct and indirect jobs will be created over 20 years, with a 65% localisation on the manufacturing further boosting the economy.
- This plant and its employees will benefit from a transfer of technology and skills from one of the leading rolling stock supplier in the world.
- This will in turn mean a rebirth of the rail industry in South Africa, allowing the country to become self-sufficient for future demands and able to compete on the whole African railway market and beyond.
- This revitalisation is part of what the Government has adopted as its Industrial Policy Action Plan (IPAP2).

**Committed to Human Capital Development**

With a total staff compliment of more than 17 000 people, human capital development continues to be a key feature in ensuring that PRASA is geared for change and has the capacity to build a modern public entity. The massive capital investment programme amounting to billions of rands will require a calibre of employee who is capable not only of delivering on the brand promise, but also understand their role in positioning PRASA as an admired public entity capable of delivery public value.

The development of human capital to support the modernisation programme is designed to make PRASA a centre of excellence in the identification and development of critical skills in the rail-engineering sector, particularly the mechanical and electrical engineers, including technicians and artisans. The focus on skills development and capacity building will also help PRASA to deliver customer-centric solutions in a changing environment where passengers, commuters, and users of the organisation’s facilities are increasingly demanding a high quality service on a sustainable basis.

PRASA requires that all employees are willing and geared for change.

The road map to a new PRASA – a modern public entity – that delivers public value will be driven by an employee that is Focused, Prepared, Reliable, Aware, Modern, Dynamic, Communicative, Professional, Honest and is Geared for Change.
Towards A PRASA We All Want

This period will be defined by an unwavering commitment by all PRASA employees to focus on delivering on the mandate entrusted to the organisation by Government on behalf of the people of South Africa. The modernisation journey requires that all PRASA employees focus on providing high-quality passenger services underpinned by a deep sense of commitment to delivering public value.

A PRASA We All Want will be characterised by an organisation that is perceived to be:
- Customer-centric
- Dynamic and Responsive
- Solutions driven
- Ethical and Transparent
- Performance-driven
- Mandate-driven, and
- Delivering Public Value

A PRASA We All Want will seek to go beyond simply obeying the law to embracing the spirit of integrity.

Delivering Public Value

PRASA’s Corporate Plan puts the delivery of public value and public good at the centre of its public transport solutions. To be a modern entity, delivering high quality passenger services, means PRASA must prioritise the provision of public transport services and the needs of the community it serves as the primary focus of its mandate.

Delivering public value means that PRASA must understand and respond to:

1. The transport needs of households and travellers.
2. The provision of affordable and subsidised transport solutions to the passengers.
3. Improving accessibility and connectivity to marginalised communities.
5. Supporting economic growth and development through the provision of access to major employment areas.
6. Public employment initiatives
7. Localisation and Industrialisation.
8. Social corporate investment.
9. Contributing to emissions reduction and cleaner cities.

Financial Overview

PRASA is forecasting a shortfall of R393 million in the 2016 financial year, after transferring R800 million from capital subsidy to operational subsidy. The shortfall for 2016/17 is budgeted at R358 million after depreciation and capital subsidy amortisation. The Group had a profit of R285 million and a shortfall of R1.180 billion for the 2013/14 and 2014/15 years respectively. The continued shortfall is as a result of the Metrorail services being underfunded. A portion of The Metrorail subsidy was transferred to MLPS for the 2015/16 financial year. In prior years Mainline Passenger Services (MLPS) was not funded. This is with the exception of the 2013/14 financial year when a R650 million was re-allocated from the capital allocation to fund MLPS. The group is underfunded, significant cost containment measures are in place, but with fixed costs such as employment costs, the group faces challenges to ensure a break even budget and still provide an excellent service.
PRASA's total operating expenses currently exceed the revenue as mentioned above. The current cost coverage ratio is however expected to improve to 100% in 2016/17 financial year. In real terms, on average costs are increasing at a rate much higher than inflation. Key costs with a noticeable increase above inflation include personnel costs and energy. Energy is expected to increase by over 13% year on year, mostly due to Eskom electricity tariffs and opening of new facilities (depots and stations). The company has introduced significant cost cutting measures that have reduced costs. The introduction of these measures has resulted in key operating costs decreasing by 3%. While personnel costs are increasing at about 8% due to negotiated increases with the Bargaining Council, in 2016/17 overall increase will be 2.3% on personnel costs due to reduction of overtime and other employee benefits.

Customer- Centric Journey

The Corporate Plan is presented at the time when it is difficult to meet customer expectations because of legacy problems and inherent structural problems impacting on delivering on the mandate, as a result of the following:

- Old rolling stock (availability and reliability challenges).
- Infrastructure reliability (signalling and perway track condition).
- Security, theft and vandalism affecting the system.

Meeting customer expectations and delivering on the mandate demands that PRASA does away with the old system and fast tracks the rollout of a modern train system. However, doing away with the old system will take years and our customers will continue to experience challenges of a system that is unreliable because of the inherent historical legacy problems. Introducing the new system whilst running the old also demands proper alignment and prioritisation of initiatives, projects, interventions and interactions to benefit the customer. It means alignment of the business towards improved customer service experience.
Since its inception, PRASA has embarked on a systematic and sustained programme to redress some of the legacy programmes arising out of decades of under investment in public transport infrastructure and services.

The strategic horizon of PRASA extends beyond this MTEF period. It is linked to the organisation’s National Strategic Plan, which is transformational, integrated and has a holistic approach to developing rail and other public transport services in South Africa over the years up to 2050. The evolution of the PRASA strategy is based on promoting effective integration between land use and transport, where a modern, integrated, high quality, accessible, efficient, affordable, customer responsive public transport system is offered to the majority of South Africans.

The evolution of the PRASA strategy has been defined in three periods of transition:

- **2010-2012:** Stabilization of Commuter Rail
- **2012-2014:** Refurbishment to Replacement
- **2015+:** Recapitalisation, Growth and Expansion

Included in the Growth and Expansion phase is the real estate strategy which seeks to emulate successful Rail and Property strategies employed by entities elsewhere and the restructuring of its property assets. Investment funding will allow this to be realised over the coming years.

There continues to be an overlap between the previous and subsequent periods where PRASA still runs the current system whilst changing the business. Running the old system requires maintenance and recapitalisation to prevent the system from grinding to a halt. The period of refurbishment to replacement will continue to run concurrent with recapitalisation, growth and expansion.

Notable highlights, including challenges have been recorded along the way since PRASA embarked on its strategic journey. The major milestone throughout this strategic journey has been investment in new capacity that has seen PRASA addressing decades of under-investment in passenger rail infrastructure. The investment will continue to support PRASA’s effort to position rail as a backbone of the country’s public transport system.

The programme, which include (i) Rolling Stock Fleet Renewal Programme, (ii) Signalling, (iii) 120km/h Perway improvement, Station and Depot modernisation will be the catalyst for PRASA’s strategic journey for at least the next 10 years. Any growth and expansion of the PRASA business will be underpinned by how well the organisation succeeds in rolling out this massive modernisation programme.

Key Highlights of PRASA’s Strategic Journey
Notable highlights of PRASA’s strategic journey pertain to the following:

a. Constructing a modern train system
b. The completion of the state-of-the-art signalling System
c. The rollout of the new passenger trains
d. The completion of the test track facility
e. The building of the train manufacturing plant
f. The realisation of the real estate Commercialisation strategy
g. Increasing the value of the property portfolio and exploitation of non-operational assets
h. Introducing new technologies.

Key Challenges

Notwithstanding the successes in arresting the decline in and sustaining train services around the country as well as advances in modernising and investing in new capacity, huge challenges face PRASA.

PRASA has not yet entered a stage in its development where customer expectations are satisfactorily met and the organisation is said to be delivering world-class, high-quality (affordable, reliable and safe) passenger services.

The existing, obsolete rail system is unable to deliver train services that are reliable and predictable, yet the costs associated with the operations and maintenance of this system are disproportionately high. Despite high costs, the rail system in its current form will not deliver significant public value, measured in terms of:

- meeting customer expectations
- contribution towards an efficient transport system,
- significant rail share of public transport,
- subsidy per passenger,
- facilitating greater access to economic and employment opportunities for the rural and urban poor,
- maintaining relevance in a demanding public transport environment.

PRASA Rail Operations also does not generate adequate resources from operations, resulting in a huge funding gap that impacts negatively on the financial and cash position of the Group as a whole, and planning assumes that this funding gap will remain for the next five years at least.
Building a Modern Public Entity

2016-2019 Corporate Plan does not depart from PRASA’s Growth and Expansion Phase as the end goal towards ensuring that rail becomes the backbone of public transport. However, positioning rail as the preferred mass carrier requires that the business put in mechanisms that will ensure a reliable, safe and predictable service that meets customer expectations.

Whilst this Corporate Plan will be executed at the time when PRASA is rolling out a modern train system, the organisation still has to run the current business and deliver on the mandate.

Whilst PRASA focuses on its growth and expansion programme, supported by its modernisation drive, the Plan also recognises that there are elements that cut across the Strategic Journey since PRASA’s inception in 2009 that have still not been completed.

The Growth and Expansion Phase, towards building a modern public entity, which will be expressed in the following key Strategic Priorities, defines PRASA’s 2016-2019 MTEF Corporate Plan:

1. Delivering on the mandate
2. Rolling out a Train System of the Future
3. Expanding PRASA Networks and Services, including Telecommunication
4. Executing the Real Estate Strategy
5. Embarking on a Robust Assets Investment Programme

However, management is fully aware of the challenges in pursuing of the strategic ambitions

External Challenges
- Understand the changing preference of commuters, passenger and users of our facilities.
- Maintaining relevance in a highly competitive public passenger transport environment
- Striking a balance between the current services and planned future offerings

PRASA Ambitions
- Position Rail as a Mode of Choice
- Deliver a Reliable, Safe, and Efficient modern Metro service
- Build a Modern Public Entity
- Deliver Public Value
- Become a Leader in Public Passenger Transport Solutions
- Grow the Customer base
- Improve Financial Position

External Challenges
- Stabilise the current service
- Deliver the modernisation programme
- Roll out the Train System of the Future
- Provide Integrated Transport Network
- Unlock the Value of Assets
- Offer Differentiated Customer Services

The above key priorities are supported by the following STRATEGIC PILLARS:

- Customer-centric performance
- Performance and People focused management
- Efficiencies and Cost reduction mechanisms
- Instilling the right Organisational Culture
- Engaged and supportive Stakeholders
- A Viable Funding Model
- Appropriate Operating Model and Organisational Structure.
A FOUR-PRONGED APPROACH TO EXECUTING THE CORPORATE PLAN

The Corporate Plan identifies four focus areas, in three-year strategic outlook which, whilst complementing each other, are independent yet concurrent.

This Corporate Plan is now underpinned by management’s commitment to ‘getting the basics right’ and fixing the business processes and systems that threaten the delivery of an efficient service and unparalleled performance. It is against this background that PRASA has adopted an over-arching and inter-linked four-pronged strategy that will ensure that preparing for a modern public will also require getting back to basics, running the current business whilst modernising and rolling out a train system of the future, through modernisation.

These strategic focus areas are informed by the need for PRASA to deal with the inherent challenges of running the current business thus impacting on delivering on the mandate and meeting customer expectations.

Whilst getting the basics right, running the business and changing the business at the same time is critical in delivering a ‘modern public entity, the Corporate Plan is futuristic in its approach, and requires management to ensure it identifies and secures the future business of the organisation, which is informed by new corridor expansions supported by a commercialisation strategy through the exploitation of non-operational assets and the creation of ‘destination stations’ operating as commercial hubs. Relevance today, tomorrow and into the future requires that PRASA works with city planning authorities to decide on network expansions informed by the rate of urbanisation, densification and future human settlements.

Each of the divisions and business units has developed and presented its business plans to align with the four-pronged strategy in delivering on the objectives.

Getting the Basics Right (Fixing the Business)

PRASA’s modernisation is designed to deliver high quality service and improve operational effectiveness and efficiencies requires a dedicated focus on fixing the current business. Fixing the current business demands that the organisation commits itself in going back to basics.

Fixing the business and getting the basic right will be achieved through the following four areas:

- **Governance and Compliance**: Procedures to ensure strict adherence to supply chain management processes will ensure delivery of the desired business objectives. The Corporate Plan puts emphasis and priority in promoting robust governance, compliance and risk management systems and processes. Control systems through strengthening the procurement function as well as ensuring the adequacy of the control environment through internal audit and risk management function have been put in place.

- **Performance and Consequence Management**: Strict performance management, monitoring and evaluation will ensure delivery against pre-determined objectives as well as delivery on the mandate. Management responsible for overseeing delivery of business objectives will ensure the existence of performance contracts at various levels of the organisation. Regular and scheduled performance evaluation and reporting will help detect red flags where
failure to meet expected deliverables is envisaged. Consequence management will be applied in the event of ill-discipline, resulting in the failure to deliver in accordance with stated performance objectives.

- **Project Execution and Contracts Management:** The implementation of a project management cycle, from initiation, planning, execution, closure, as well as the application of stringent contract management will ensure the timeous implementation and delivery of projects are within budget and aligned with procurement planning. Proper project contract and project management will alleviate escalation of project costs and contract variations.

- **Operational Efficiencies and Effectiveness:** A focus on delivering a reliable, safe and predictable service, as well faster turnaround times in business decisions and project execution, will improve organisational effectiveness. Structuring assets and capital correctly within the Group will allow for funding and investment in PRASA properties.

- **Organisational Culture and Behaviour:** Management is aware of the challenges lying ahead in creating a modern public entity that is professional and is committed to delivering a quality and reliable service whilst meeting customer expectations. Mobilising people around a set of collective values, beliefs and principles requires a drive towards a shared vision and pursuit of a common objective to deliver a PRASA the country wants. A PRASA that prides itself in working towards the attainment of the organisation’s goal will rely on each employee’s understanding and appreciation for national and public service agenda and selflessness in advancing the interest of the country’s democratic dispensation.

Instilling the right organisational culture and a PRASA We All Want will demand unconditional:

- Professionalism and ethical conduct
- Honesty and integrity
- Transparency and adherence to governance control measures
- Excellence in customer service
- Performance excellence and accountability
- Dynamism and resolve in delivering on the mandate.

Achieving the desired organisational culture and requisite behavioural characteristics will be measured against how customer-centric, citizen-centric, dynamic, responsive and solutions driven PRASA employees are in delivering on the organisation’s mandate.

**Running the Business**

PRASA is cognisant of the fact that whilst it embarks on the modernisation programme, focusing on the deployment of new rail infrastructure and services, the organisation still has to contend with running the current operations and improving the customer service experience.

To run the current business effectively and efficiently requires a commitment to delivering quality services with increased frequencies, safe operations, and ensuring personal security of passengers, as well as a significant increase in patronage on PRASA’s rail and bus systems.

PRASA has not yet entered a stage in its development where customer expectations are satisfactorily met and the organisation is said to be delivering world-class, high quality and affordable, reliable and safe passenger services.
As an organisation, modernisation and changing the business cannot happen at the expense of running the current business. Running the current business has to be against the backdrop that in its current form, the organisation continues to struggle to deliver quality and reliable services, resulting in customer expectations not being met.

This will require a dedicated and closely monitored focus on ensuring the following:

1. Delivering on the mandate
2. Delivering value for customers
3. Revenue collection and reduced fraud and fare evasion
4. Efficient deployment of resources
5. Managing and rewarding performance
6. Building positive stakeholder relations

This requires proper alignment and prioritisation of the organisation’s initiatives, projects, interventions and interactions that are meant to benefit the customer.

**Changing the Business**

Over the next 20 years, PRASA will roll out a bold program aimed at transforming and modernising passenger rail services. This is in line with PRASA’s vision to ensure that Rail becomes the backbone of public transportation and a mode of choice over other modes of public transportation.

The modernisation programme will change the PRASA business to that of a modern public entity and a leader in public transport solutions.

The rollout of the modernisation programme begins at a crucial time of this MTEF period, as PRASA will be introducing a new trains system in the latter part of 2016, which will change the commuter travel experience.

This modernisation programme follows decades of underinvestment in passenger rail services resulting in numerous challenges in the effective delivery of passenger rail services, which is a critical component in growing the South African economy.

This is part of a R172 billion investment in the acquisition of modern state-of-the-art passenger trains and the support infrastructure over a period of 10 years, of which R59 billion is for the acquisition and manufacture of 600 new trains for Metrorail Services over a 10 year delivery Period.

At the centre of PRASA creating a modern public entity is the modernisation readiness delivered through:

- Infrastructure Readiness
- Rolling Stock Fleet Renewal
- Deployment Corridor Strategy
- Future Skills and Capacity Development
- Instilling the Right Organisational Culture
- Marketing and Communication of PRASA’s modernisation programme
- Stakeholder Engagement and Managing Expectations

**Securing the Business of the Future**

PRASA recognises that whilst the organisation has to focus on strengthening its operations through fixing that which threatens mandate delivery and customer satisfaction, it still has to focus on growing the current business and securing its future.

The vision of creating a modern public entity that assumes leadership in public transport solutions will be tested against how well it rollout its modernisation programme and still be capable of running the old system without compromising quality of service.

For PRASA to maintain relevance in public transport solutions and to secure the future business, it has to focus on:

- Successfully delivering on its **Modernisation Programme**
- Expanding **PRASA Networks and Services**
- **Integrated Public Transport Network Planning** aligned with other Transport Authorities
- **Growing the Revenue** base through Retail and Property
- Delivering on National **Government Imperatives**
- A **Viable Funding Model**
- An **Appropriate Operating Model**
- Delivering on its **Brand Promise**

The ‘future business state’ requires that all PRASA public transport solutions are interlinked and that planning for future growth and expansion adopts a triangular relationship where rail/bus operations, real estate and property work together in developing a business case for network expansions that:

1. supports economic growth and development, particularly by providing access to major employment areas;
2. connects current and new economic or growth nodes
3. supports the main economic development corridors;
4. improves accessibility and connectivity to marginalised communities [transport and telecommunications]
5. promotes better integration between land-use
planning and railway development to promote densification and sustainable development and to play to rail’s strength in supporting high volumes of travel.

Securing the future of a transformed and modern PRASA will primarily be defined by the following attributes:

- A growing property and real estate portfolio that contributes to close the funding gap and whilst driving future investment requirements
- Quality facilities within new generation stations as Commercial Hubs and destination stations
- Metrorail becoming the backbone of metropolitan transport systems
- Bus operations operating within an integrated transport network and supporting rail.

Network Expansion and Extension of Services for Future Growth

PRASA’s National Strategic Plan has, as its strategic focus, a prioritised list of rail service and network expansion interventions that in the future will:

- provide more capacity to accommodate forecasted growth,
- transform the rail product on many corridors,
- seek to make better use of the network, and
- propose corridor extensions to new or growing settlements.

Positioning rail as the backbone of public transport, in particular during the planning for future human settlements, requires an integrated public transport planning focus with the respective municipalities.

Real Estate Strategy: Corridor expansions and extensions to new and/or growing settlements and the transformation of the rail product provide new opportunities for PRASA’s real estate strategy to create economic hubs at flagship (existing and new) stations, making them destination stations. Co-investing with third-party developers at stations and precincts will help to grow passenger demand and increase income generated to support the funding required by PRASA in executing its first primary mandate.

Investment can help create new patronage from enhanced facilities on or around stations that help to make them a destination of choice for passengers and to build demand volumes.

Autopax has identified key strategic interventions and plans to grow the bus service through expanding into new markets and services, such as cross the border routes, commuter services, and a feeder route service between stations and the last mile.
With urbanisation progressing at breakneck speed, particularly in urban areas, PRASA is at the forefront in ensuring that it seeks to revive rail, as a backbone of public transport through upgrading and modernisation of existing infrastructure and stations, as well as rail technology advancements.

A number of issues are affecting the rail service in the main urban centres, many owing to the age and condition of the asset, including:

- existing operational performance and rolling-stock availability issues;
- over-crowding on many corridors at peak periods with forecast growth set only to make it worse;
- slow journey times, especially compared with road-based transport;
- lack of off-peak service provision;
- variable timetables which are not easy for sporadic users to remember and understand;
- poor integration with other modes of transport at many stations;
- while offering a new service, Business Express trains make limited journeys that disrupt the basic service pattern;
- lack of flexibility in the current ticketing system;
- the station and on-train environment needs improvement, with way-finding and signage a particular concern at stations; and
- growing and emerging centres are not always adequately connected to the rail network.

In addition, the planning for rail extensions has gained significant momentum, with new plans already in place for rail lines such as the Motherwell rail extension, with construction of the Greenview-Pienarspoort rail extension at an advanced stage. PRASA is also completing outstanding works on the Bridge City Rail Link, which is the last phase of the development.

This investment programme will carve the way towards positioning rail as the backbone of public transport and a mode of choice. The modernisation programme will ensure that PRASA achieves its objective of rolling out the train system of the future, which is supported by: (i) rolling stock fleet renewal programme, (ii) signalling, (iii) depot modernisation, (iv) station modernisation, and (v) skills development.

Rolling Stock Fleet Renewal Programme

Significant progress has been made on the manufacturing of the new trains under the Rolling Stock Fleet Renewal Programme, with key milestones achieved in line with the schedule, which include the delivery of the first train from Brazil to South Africa (SA). By the end of December 2015, Gibela had manufactured 53 car-body shells (8.8 train sets), 28 cars (4.6 train sets) are in the fitting line and 24 cars (4 trains) have completed the handover phase to testing. All static tests on the first train have been completed successfully in Brazil and now the first train is undergoing static and dynamic testing in SA. The first train reached the port of Richards Bays on 19 October 2015, and the second test train arrived in February 2016. The first passenger train is expected to begin commercial operation in October 2016.
### Salient features of the programme

<table>
<thead>
<tr>
<th>Number</th>
<th>Economic Development</th>
<th>Technical Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>65% minimum local commitment</td>
<td>1 344 passengers per 6-car train (Metro); 1 184 passengers per 6-car train (Metro Express)</td>
</tr>
<tr>
<td>2</td>
<td>8 088 direct jobs to be created over the next 10 years</td>
<td>Fitted with CCTV</td>
</tr>
<tr>
<td>3</td>
<td>Skilling of 19 527 individuals over the next 10 years, covering artisans, engineers, train drivers, designers and technicians</td>
<td>Real time diagnostic data for maintenance planning (Traintracer)</td>
</tr>
<tr>
<td>4</td>
<td>Build a new factory on the 350 000 m² land at (Dunnottar Park, Nigel, Ekurhuleni) Additional 250 000 square land to be developed for the suppliers and training academy</td>
<td>Passenger counting for operations planning Universal access Infotainment (on Metro Express)</td>
</tr>
<tr>
<td>5</td>
<td>B-BBEE skills development spends of R 923 million throughout the programme;</td>
<td>Real-time Passenger Information System (RTPIS)</td>
</tr>
<tr>
<td>6</td>
<td>Spending of R35.8 billion on empowered entities</td>
<td>Automatic doors Air conditioning</td>
</tr>
<tr>
<td>7</td>
<td>Qualifying small enterprises and exempted micro enterprises (SMMEs) R5.4 billion</td>
<td>Wi-Fi Access (on Metro Express)</td>
</tr>
</tbody>
</table>
Industrialisation
Focus on industrialisation through long-term procurement aiming for above 65% of the value of a coach to be produced locally

Job Creation
• Creating 65,000 direct and indirect jobs

Programme Requirements
• New fleet requirement 7224 procurement at 360 coaches per year for two x 10 year contracts
• Total 123.5bn over 20 years

Modern Fleet
• PRASA wants to migrate from 1950s technology to a modern fleet which is up to world standards

Local Train Manufacturing Plant
The Rolling Stock Fleet Renewal Programme includes the development of a local factory for the manufacture of the new trains. This factory is to be the foundation for achieving revitalisation of the rail industry and will be established at Dunnottar Park in Ekurhuleni. Approximately 288 hectares for the site is earmarked for this development which includes 78 hectares for the local factory and direct supplier park whilst the remainder of the site will be developed as an industrial economic hub for the rail industry.

To date, the following have been achieved:
• PRASA and the City of Ekurhuleni signed the head lease agreement for the local factory Site located at Dunnottar Park.
• The Council Approval for Township Establishment was obtained at the end of February 2015. Furthermore, PRASA has obtained the following for the factory site:
  • Approval of the general plan;
  • Approval of conditions of establishment; and
  • Gibela has developed the site development plan.
• PRASA and Gibela have finalised the local factory sublease agreement which will allow Gibela to start construction of the factory once the Factory site is compliant with all relevant regulations.
• PRASA received the record of Decision (RoD) for Environmental Authorization on 27 March 2015. However, a wetlands study was conducted as part of the EIA process, and it was found that the current design and layout of the factory encroaches on the wetland area, which required an amendment of the site layouts.
• PRASA received the approval of the final RoD for environmental authorisation on 17 of August 2015.
• PRASA received the water use license 1 December 2015.
• PRASA provided Gibela with access to the site on 8 December 2015.

Number Economic Development Technical Features
8 Enterprises owned by black women of R1.64 billion Spending of R323 million has been committed to socio-economic development contributions Crashworthiness designed to raise the top-speed to 160 km/h
9 Spending of R892 million on the development of enterprises in the rail sector. Automatic train protection/ERTMS level 2

Crashworthiness designed to raise the top-speed to 160 km/h

8 Enterprises owned by black women of R1.64 billion Spending of R323 million has been committed to socio-economic development contributions

9 Spending of R892 million on the development of enterprises in the rail sector.
Skills Development and Job Creation

The Rolling Stock Fleet Renewal Programme is expected to create approximately 65 000 direct and indirect jobs over a 20 year period, with 33 000 direct and indirect jobs expected to be created in the first 10 years of the programme. This is based on a target to achieve a minimum of 65% local content on the new trains. As part of the first phase of the Programme, the local factory will directly employ approximately 1 500 employees whom 99% of the labour force will be South Africans, with a target of employing 85% historically disadvantaged South Africans and 25% females. These commitments have been captured in the Manufacture and Supply Agreement under Schedule 4, Part B (Economic Development).

To date, Gibela has created the following jobs:
- Overall 150 jobs for Citizens (achievement of 93% of target);
- Of which, 129 Jobs were for Black Citizens (achievement of 111% of target);
- Of which 128 Jobs were for Skilled Black Citizens (achievement of 108% of target);
- Of which 71 Jobs were for Women (achievement of 152% of target); and
- Of which 99 Jobs were for Youth (achievement of 192% of target).

Skills Development is critical to enable the creation of meaningful sustainable jobs and as such, the Rolling Stock Fleet Renewal Programme has a strong focus on skills development. The contractual commitments of skills development are captured in the Manufacture and Supply Agreement. Overall, Gibela is contracted to up-skilling 19 527 individuals during the implementation of the programme. The breakdown is as follows.

Figure 1: Skills development commitment
There is strong focus on skilling artisans and engineers as a result of the train manufacturing process. By the end of the programme, Gibela would have, at minimum, achieved to train 6,766 artisans, 1,957 engineering technicians and 596 Professional engineers. To enable this, Gibela is expected to spend 1.75% of the contract value (approximately R928 million) towards skills development. This will include the development of training centres as well as providing bursaries across the different disciplines. Gibela has started the process of training and up-skilling newly appointed employees. To date, approximately 22 Engineers are receiving training through Alstom in Europe and Brazil. Furthermore, Gibela has initiated a bursary drive to award approximately 100 bursaries initially for the various disciplines with institutions of Higher Education across Gauteng.

Gauteng Region

Siemens was appointed in February 2011 to implement the modernisation of the signalling system in Gauteng. This work includes the upgrading of the trackside equipment, which will help develop the densely populated province of Gauteng as an economic region, as the advanced track systems are designed to reduce the headway between successive trains from 15 minutes to approximately 2.5 minutes, thus increasing operating capacity and ensuring greater flexibility, a higher level of safety and fewer train delays. In addition, the scope includes the construction of the centralised control centre (known as the Gauteng Nerve Centre). The new Gauteng Nerve Centre (GNC) building covers an area of around 3,400 m², and acts as the “eye” overlooking the entire PRASA network in Gauteng. The control room at the heart of the GNC is equipped with a video wall over 52 meters long and two meters high, monitoring all train movements and displaying traction power supply, weather information and operational data.

Progress to date

The rollout of the Signalling Programme in Gauteng continues to progress well, with the construction of the Gauteng Nerve Centre (GNC) already completed and was officially opened by the Minister of Transport on the 6th October 2015. The overall signalling work in Gauteng is currently at 26% completion. Five of the total 92 stations to be modernised namely Midway, Lenz, Lawley, Grasmere and Stretford are now up and running with new interlocking technology. It is anticipated that the Midway Centralized Control Centre will be migrated to the GNC by end of March 2016.

Modern Signalling and Train Control System

PRASA has embarked on a process to replace all existing signalling interlocking, which consists mainly of obsolete mechanical and electro-mechanical systems, with electronic interlocking as the technology of choice. The project is divided into stages and phase due to funds being a constraint and operations and time playing a major role when embarking on a project of this magnitude. PRASA has signed three major contracts (with Siemens for Gauteng Bombardier for Durban and Thales-Maziya for Western Cape.) All these contracts are currently in the implementation phase. The scope of the re-signalling programme includes re-routing of services and elimination of bottle neck sections where possible; re-signalling the network using fully bi-directional signaling to increase operational flexibility; increase signalling headway capacity; and increase service speed in the A and B corridors.
<table>
<thead>
<tr>
<th>Activities</th>
<th>Completion Target Date</th>
<th>Planned Target</th>
<th>Actual Progress</th>
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<tr>
<td>GNC building finish date</td>
<td>31 July 2015</td>
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<tr>
<td>Phase 1: Midway – Residensia</td>
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<td>Phase 2: Leralla – Kaalfontein - Irene</td>
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<td>Phase 3: Roodepoort – Randfontein</td>
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<td>Phase 4: Boksburg – Dunswart – Daveyton - Apex, Brakpan - Springs</td>
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<td>Phase 5: Johannesburg - Geldenhuys</td>
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<td>Phase 6: Crown – Kaserne West, India</td>
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<td>Phase 7: Florida – Langlaagt – Braamfontein, Croesus</td>
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<td>Phase 10: Rosslyn, Mabopane – Hercules - Pretoria – Centurion</td>
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<td>Phase 11: De Wildt</td>
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<td>Phase 12: Capital Park – Eerste Fabrieka, Rissik</td>
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<td>Phase 13: Cor Delfos – Saulsville Phase 14: Kliptown – Nancefield – Orlando</td>
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<td>Phase 14: Kliptown – Nancefield – Orlando</td>
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<td>7%</td>
</tr>
<tr>
<td>Phase 15: Drieoek – Germiston – Oosrand, Elsburg – Kwesine</td>
<td>30 July 2019</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Overall project progress</td>
<td>30 July 2019</td>
<td>31%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Skills Development and Job Creation

As part of implementing the Gauteng Signalling Project, Siemens created approximately 521 direct and indirect jobs between 2011 and 2015. The table on page 29 depicts the male and female as well as foreign jobs created to date:
Skills development is critical to enable the creation of meaningful sustainable jobs and, as such, the Gauteng Signalling Project has a strong focus on skills development. Overall, Siemens is contracted to up-skill 100 signalling maintenance personnel and 50 telecoms maintenance personnel during the implementation of the project. There is strong focus on maintenance personnel as a result of the new electronic interlocking and centralisation of the Centralised Train Control (CTC) to the Gauteng Nerve Centre (GNC) by 2020. To enable this, Siemens will invest within the contract value R8 million towards providing a complete signaling simulator infrastructure to be commissioned at a training centre within Gauteng. Siemens has started the process of training and up-skilling the existing employees both for train operations and Infrastructure maintenance.

### COURSE 2014 2015 Incumbents

<table>
<thead>
<tr>
<th>COURSE</th>
<th>2014</th>
<th>2015</th>
<th>Incumbents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Electrical</td>
<td>-</td>
<td>15</td>
<td>Electrical</td>
</tr>
<tr>
<td>Access Control</td>
<td>-</td>
<td>9</td>
<td>ICT, Security</td>
</tr>
<tr>
<td>Electric Fencing</td>
<td>-</td>
<td>8</td>
<td>ICT, Security</td>
</tr>
<tr>
<td>Control lighting, Mechanical Audio-Visual Automation Systems</td>
<td>-</td>
<td>6</td>
<td>Electrical</td>
</tr>
<tr>
<td>Barco Video Wall</td>
<td>-</td>
<td>21</td>
<td>ICT, Facilities, Security</td>
</tr>
<tr>
<td>Diesel Generator</td>
<td>-</td>
<td>4</td>
<td>Electrical Personnel</td>
</tr>
<tr>
<td>Switch Gear</td>
<td>-</td>
<td>14</td>
<td>Electrical Personnel</td>
</tr>
<tr>
<td>SATCOS OPS</td>
<td>10</td>
<td>10</td>
<td>Train Operations</td>
</tr>
<tr>
<td>SATCOS Technician</td>
<td>-</td>
<td>10</td>
<td>Signalling Personnel</td>
</tr>
<tr>
<td>Electronic Interlocking</td>
<td>5</td>
<td>5</td>
<td>Signalling Personnel</td>
</tr>
<tr>
<td>Signal Visibility</td>
<td>-</td>
<td>35</td>
<td>Train Operations</td>
</tr>
<tr>
<td>Points Machine</td>
<td>-</td>
<td>4</td>
<td>Signalling Personnel</td>
</tr>
<tr>
<td>Axle Counter</td>
<td>5</td>
<td>5</td>
<td>Signalling Personnel</td>
</tr>
<tr>
<td>Introduction to Programmable Logic Controller</td>
<td>5</td>
<td>5</td>
<td>Signalling Personnel</td>
</tr>
</tbody>
</table>
Maintenance Support

PRASA is currently engaging Siemens on the possibility of entering into a maintenance agreement where Siemens will provide maintenance support to PRASA in the critical areas (areas that are prone to disruptions) while the roll out of the new signalling system is underway.

<table>
<thead>
<tr>
<th>Occupation Level</th>
<th>Male</th>
<th>Female</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td>4</td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Senior Management</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Professionally qualified &amp; experienced specialists &amp; middle management</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td></td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Skilled technical &amp; academically qualified workers, junior management supervisors, foremen &amp; superintendents</td>
<td>16</td>
<td>4</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision making</td>
<td>46</td>
<td>3</td>
<td></td>
<td>49</td>
</tr>
<tr>
<td>Unskilled &amp; defined decision making</td>
<td>68</td>
<td>2</td>
<td></td>
<td>71</td>
</tr>
<tr>
<td>Total Permanent</td>
<td>138</td>
<td>2</td>
<td>7</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>191</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialised Sub-contractors</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td></td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Local Sub-contractors &amp; temporary employees</td>
<td>12</td>
<td>5</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Grand Total</td>
<td>149</td>
<td>3</td>
<td>14</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>1</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>220</td>
</tr>
</tbody>
</table>

As part of implementing the KwaZulu-Natal signalling Project, Bombardier Alliance has created approximately 220 direct and indirect jobs to date. The above table provides the labour statistics breakdown.

KwaZulu-Natal Region

The overall Signaling work in KwaZulu-Natal is at 46.8% completion against a planned target of 48.9% consisting of detailed designs, track work installations, civil works, ordering of bulk material items and installation of first new point sets and signalling equipment.

Western Cape Region

The scope of work of the project includes the establishment of the Cape Metrorail Control Centre (CMCC) at Bellville and the installation of new interlocking systems. In addition, the scope of work includes telecoms, power supply, OHTC and perway adjustments. The estimated duration for the project is five years, with a total cost amounting to approximately R1.86 billion. The contract was signed in May 2013 and scheduled for completion by May 2018.

Progress to date

- Design works for the first three phases has commenced and is progressing well, with perway designs progressing ahead of schedule.
- The overall progress is at 40.4% complete, against a planned target of 56.1%. These
include design work, ordering of long lead items, pilot installations of signalling and communication. Current delays of 19 days were recorded due to telecoms designs.

- A system development workshop was held between PRASA and Thales Maziya Consortium from the 23 November 2015 to 3 December 2015 to address the progress made with regard to the software development. This dealt with the validation of the interlocking system, safety application in the PRASA environment and functionality of the system. Thales was able to demonstrate that its interlocking system could achieve critical functionality in the suburban setup as required by PRASA.

- The illegal encroachments into rail reserve (Philippi staging yard) remain an issue for the project. Further, theft and vandalism on railway signalling cables and equipment which affect approximately 20km of rail network continues to be a challenge. PRASA has now resolved to fence the line to protect the rail reserve, signals and electrical cabling.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activities</th>
<th>Completion Target Date</th>
<th>Planned Target</th>
<th>Actual Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signing of Contract</td>
<td>10 May 2013</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Project Management Plans</td>
<td>31 July 2014</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Generic Development</td>
<td>22 Feb 2017</td>
<td>67.22%</td>
<td>67.22%</td>
<td></td>
</tr>
<tr>
<td>Site Establishment – Pilot Phase</td>
<td>31 July 2015</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Completion of Bellville CTCC</td>
<td>13 Nov 2018</td>
<td>15%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Installation of CTCC systems</td>
<td>12 Oct 2018</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Somerset West - Firgrove</td>
<td>13 Jan 2017</td>
<td>95.57%</td>
<td>95.57%</td>
<td></td>
</tr>
<tr>
<td>Phase 1.1</td>
<td>Chris Hani to Phillipi &amp; Kapteinskloep to Phillipi</td>
<td>23 March 2017</td>
<td>84.25%</td>
<td>84.25%</td>
</tr>
<tr>
<td>Phase 1.2</td>
<td>Simontown to Heathfield, Heathfield to Athlone &amp; Heathfield to Wynberg</td>
<td>26 Sept 2016</td>
<td>95.57%</td>
<td>95.57%</td>
</tr>
<tr>
<td>Phase 1.3</td>
<td>Kenilworth to Southriver</td>
<td>16 Jan 2017</td>
<td>77.31%</td>
<td>77.31%</td>
</tr>
<tr>
<td>Phase 1.4</td>
<td>Hazendal to Koebergweg</td>
<td>18 Jan 2017</td>
<td>75.75%</td>
<td>75.75%</td>
</tr>
<tr>
<td>Phase 2.1</td>
<td>Langa to Nyanga &amp; Bonthuwe to Serepta</td>
<td>20 April 2018</td>
<td>24.87%</td>
<td>24.87%</td>
</tr>
<tr>
<td>Phase 2.2</td>
<td>Ysterplaat to Parow</td>
<td>20 Nov 2017</td>
<td>29.74%</td>
<td>29.74%</td>
</tr>
<tr>
<td>Phase 2.3</td>
<td>Esplanade to Paarden Eiland</td>
<td>28 Aug 2017</td>
<td>24.32%</td>
<td>24.32%</td>
</tr>
<tr>
<td>Phase 3.1</td>
<td>Cape Town (platforms 1 to 17) to Woodstock</td>
<td>24 May 2017</td>
<td>64.89%</td>
<td>64.89%</td>
</tr>
<tr>
<td>Phase 3.2</td>
<td>Cape Town (platforms 18 to 24)</td>
<td>12 July 2017</td>
<td>57.33%</td>
<td>57.33%</td>
</tr>
<tr>
<td>Phase 4.1</td>
<td>Tygerberg to Bellville</td>
<td>10 April 2018</td>
<td>4.95%</td>
<td>3.47%</td>
</tr>
<tr>
<td>Phase 4.2</td>
<td>Strand to Kuilsrivier &amp; Eersterivier to Muidervei</td>
<td>5 Oct 2018</td>
<td>0%</td>
<td>5.57%</td>
</tr>
</tbody>
</table>

| Overall Project Progress | 15 | 56 | 40 |
Skills Development and Job Creation

As part of implementing the Western Cape Signalling Project, Thales Maziya Consortium (TMC) has committed to creating at least 120 jobs during the project. To further support job creation and industrialisation, TMC has committed to local content targets of 40% during the project and to achieve this, South African manufactured materials, components and equipment will be sourced from high level BBBEE suppliers. In addition, TMC has committed that the subcontractors will be drawn from black owned and black women owned enterprises.

To date, TMC has created 64 jobs. The following table provides the labour statistics breakdown:

<table>
<thead>
<tr>
<th>Occupation Level</th>
<th>Male</th>
<th>Female</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>C</td>
<td>I</td>
<td>W</td>
</tr>
<tr>
<td>Top Management</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Senior Management</td>
<td>1</td>
<td>2</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Professionally qualified &amp; experienced specialists &amp; middle management</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Skilled technical &amp; academically qualified workers, junior management supervisors, foreman &amp; superintendents</td>
<td>9</td>
<td>5</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision making</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Unskilled &amp; defined decision making</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Permanent</td>
<td>13</td>
<td>10</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>Specialised Subcontractors</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Subcontractors &amp; temporary employees</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>13</td>
<td>10</td>
<td>0</td>
<td>13</td>
</tr>
</tbody>
</table>

120km/h Perway Improvement

PRASA’s current infrastructure allows for section speeds of up to 90km/h. In anticipation of the new rolling stock fleet, infrastructure upgrades need to be undertaken to increase section speeds to 120km/h. The programme includes the upgrading of the ballast profile for better stability, re-railing, re-sleepering, upgrading of turnouts, replacement of single and double slips, replacement of scissors and diamond crossings, drainage upgrading, ballast screening, refurbishment of rails via grinding and the re-alignment of track via continuous tamping.

Progress to date

- PRASA has conducted 95% of assessment of the impacted rail corridors. This assessment determines the full detail scope of the project (bottlenecks, curves for realignment etc.) In parallel, to this process the team is developing the technical specifications for perway material (Turnouts) and for on track machines [these machines assist in getting the track ready for the higher speeds].
• PRASA is further developing a turnkey request for proposal for the detail design and construction of a deployment corridor between Pretoria and Johannesburg for operations of the new trains. This turnkey approach provides the benefits of appointing both contractors and professional consultants resulting in expedition of the detailed designs and construction of the corridor.
• An Operational Master Plan has been drafted and is currently being finalised.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Timelines</th>
<th>% Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify sections with limitations for 120km/h and recommend corrective action (alignment changes etc.) Determine the required work and quantities.</td>
<td>Apr 2013 to Sept 2014</td>
<td>100%</td>
</tr>
<tr>
<td>Germiston to Pretoria</td>
<td>Pretoria to Mabopane</td>
<td>100%</td>
</tr>
<tr>
<td>New Canada to Naledi</td>
<td>Cape Town (to follow)</td>
<td>100%</td>
</tr>
<tr>
<td>Durban (to follow)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Design Phase:**
- a. Upgrading of PRASA perway design parameters (120km/h).
- c. Frameworks contracts for perway material, supplier development.
- d. Frameworks contracts for supplier development for OHTES and Substations.
- e. Specifications for Acquisition/Lease of On-track-machines, renewal and maintenance, supplier development.
- f. Aerial survey layout plans 1:1000.
- g. Introduction of PRASA Operation Plan for track capacity. (Plan needs to be formally accepted for implementation by PRASA Rail)
- h. Detail design rectification of track alignment in lines and stations to line speed. (Aerial survey information being used to smoothen curves) (Current focus is on the test section: Germiston-Pretoria)
- i. Geotechnical Rehabilitation Proposal (Germiston-Pretoria)
- 01 May 2013 - 31 March 2015 | 100%       |
- 01 May 2013 - 31 March 2015 | 90%        |
- 01 May 2013 - 31 March 2015 | 100%       |
- 01 May 2013 - 31 March 2015 | 80%        |
- 01 May 2013 - 31 March 2015 | 93%        |
- 01 May 2013 - 31 March 2015 | 91%        |
- 01 May 2013 - 31 March 2015 | 10%        |
- 01 May 2013 - 31 March 2015 | 75%        |
- 01 May 2013 - 31 March 2015 | 100%       |
- 01 May 2013 - 31 March 2015 | 67%        |
- 01 May 2013 - 31 March 2015 | 70%        |
- 01 May 2013 - 31 March 2015 | 0%         |
- 01 May 2013 - 31 March 2015 | 0%         |
- 01 May 2013 - 31 March 2015 | 0%         |
## Deliverable Kwa-Zulu Natal Western Cape Gauteng

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Kwa-Zulu Natal</th>
<th>Western Cape</th>
<th>Gauteng</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drainage rehabilitation (condition assessment)</td>
<td>20%</td>
<td>10%</td>
<td>90% design</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>35% (execution)</td>
</tr>
<tr>
<td>Re-railing</td>
<td>0%</td>
<td>15% of needed rails off-loaded</td>
<td>100% of needed rails off-loaded</td>
</tr>
<tr>
<td>Gauteng: 40km/h</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cape Town: 20km/h</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durban: 20km/h</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replacement of turnouts</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Refurbishment of track sub-structure via screening.</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Depot Modernisation

- Design and construct five fully functional modern maintenance depots that will be able to support and service:
  - PRASA’s new metro trains as from 2016 when new trains are introduced.
  - PRASA’s existing metro trains up until 2034.

### Station Modernisation

This programme focuses on the modernization of stations in the Priority Corridors of the Rail network. One hundred and thirty five stations [135] were prioritized for Modernization. PRASA has concentrated on stations, which have a high volume of commuters and have the potential to increase revenue. Any improvements on these stations will translate into real benefit for commuters, improving the overall customer experience and adding value to the service offering by PRASA. The station modernization programme has been allocated R 2.2 billion over the 2015 MTEF cycle, with R 723 million allocated for the 2015/16 financial year, R 764 million for the 2016/17 financial year and R 740 million for the 2017/18 financial year. From the current 135 stations identified as priority stations, 28 stations are at various stages of development inclusive of the 4 third party (co-funded) projects. These include Leralla, Germiston, Roodepoort and Vereeniging. Progress to date and planned activities:

15 Stations Prioritised for construction in the MTEF and three Stations already in construction.
### Progress to date and planned activities

#### 15 stations prioritized for construction in the MTEF and three stations already in construction

<table>
<thead>
<tr>
<th>Stations</th>
<th>Project Phase</th>
<th>Construction Due date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippi</td>
<td>Execution</td>
<td>Start Date, April 2016</td>
<td>Construction work is 76% complete.</td>
</tr>
<tr>
<td>Duffs Road</td>
<td>Execution</td>
<td>October 2013, April 2016</td>
<td>Station construction works are 81% complete.</td>
</tr>
<tr>
<td>Berea</td>
<td>Detail Design</td>
<td>October 2014, TBA</td>
<td>Tender documentation stage 95% complete.</td>
</tr>
<tr>
<td>Oakmoor</td>
<td>Execution</td>
<td>TBA, TBD</td>
<td>Construction at 27% progress. Contractual issues have stalled the progress of the programme. The due date will be determined once the issues have been resolved.</td>
</tr>
<tr>
<td>Limindlela</td>
<td>Procurement of contractor</td>
<td>January 2014, TBA</td>
<td>Tender has been cancelled. To be re-advertised.</td>
</tr>
<tr>
<td>Kempton Park</td>
<td>Procurement of contractor</td>
<td>TBA, TBA</td>
<td>Tender has been cancelled. To be re-advertised.</td>
</tr>
<tr>
<td>Oifantsfontein</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Project is 95% in detailed design stage</td>
</tr>
<tr>
<td>Nolungile</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Tender has been cancelled. To be re-advertised.</td>
</tr>
<tr>
<td>Leralla</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Detailed designs have been completed.</td>
</tr>
<tr>
<td>Vereeniging</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Detailed designs 100% complete.</td>
</tr>
<tr>
<td>Germiston</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Detailed designs 100% complete.</td>
</tr>
<tr>
<td>Pretoria</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Detailed designs 95% complete.</td>
</tr>
<tr>
<td>Tembisa</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Detailed designs 95% complete.</td>
</tr>
<tr>
<td>Umlazi</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Concept design phase being finalised.</td>
</tr>
<tr>
<td>Roodepoort</td>
<td>Detail design</td>
<td>TBA, TBA</td>
<td>Detailed designs 95% complete.</td>
</tr>
</tbody>
</table>

Station modernisation will be supported by investment from Intersite to harvest opportunities around these stations.

### Operations and Service Improvements

These investments support PRASA’s effort to position passenger rail as a backbone of South Africa’s modern transport system. Spending will continue to be prioritised in these areas, mainly to support the Metrorail service. The Group capital spending will reach R46.5 billion over the next three years, which is largely driven by the Rolling Stock Fleet Renewal and Signalling programmes. The following have been highlighted as special focus areas for PRASA Rail’s Readiness Committee:

- Facilitate and confirm deployment of first trains.
- Ensure corridor focus system readiness plan and sign-off.
- Manage expectations and culture change.
- Develop a corridor focused management/business model for PRASA Rail.
SECURING THE FUTURE BUSINESS

Assuming Leadership in Suburban Rail Travel

Securing the future business for PRASA is informed by the organisation’s Strategic Plan, which provides a transformational, integrated and holistic approach to developing rail and all PRASA entities over the next 40 years up to 2050. It builds on the 2006 National Rail Plan and widens the scope to include all PRASA’s entities.

To secure the business, the plan provides a road map for PRASA’s individual rail, bus/coach and real estate businesses to combine to improve the service provided to the travelling public and seeks to capitalize on the opportunity provided by planned Government investment in new rolling stock, new signalling, stations and three pilot modernisation corridors, demonstrating the impact of an integrated approach to investment on rail corridors.

The National Strategic Plan brings together a set of individual Strategic Plans prepared for the most populated provinces of Gauteng, the Western Cape, KwaZulu-Natal and the Eastern Cape, and the long-distance passenger market. It describes the changes and investment that will need to be made in the future if passenger rail is to achieve the exciting future strategic vision that PRASA and its stakeholders have identified. It identifies how the Strategic Plan can be delivered. There has been significant interaction between PRASA, national, provincial, city and municipal stakeholders in the preparation of this plan to ensure alignment with parallel planning processes such as Provincial Land Transport Frameworks, Integrated Public Transport Networks and Integrated Rapid Public Transport Networks.

The key points within the Strategic Plan are:

- A prioritised list of rail services and network expansion interventions that provides more capacity to accommodate forecast growth, transforms the rail product on many corridors, seeks to make better use of the network and proposes corridor extensions to new or growing settlements.
- Clear proposals for improving integration between rail and other public transport modes to make it easier for passengers to use railway services as part of the wider integrated transport systems.

The proposals include:

- improving the safety, security, resilience, reliability and efficiency of the network;
- supporting economic growth and development, particularly by providing access to major employment areas;
- connecting current and new economic or growth nodes (including major airports, ports and industrial development zones), particularly by enhancing connectivity into the main cities of Johannesburg, Tshwane, Ekurhuleni, Durban, Cape Town, East London and Port Elizabeth;
- supporting the main economic development corridors;
- improving accessibility and connectivity to marginalised communities;
- promoting better integration between land-use planning and railway development to promote densification and sustainable development and to play to rail’s strength in supporting high volumes of travel;
- developing rail as the high-volume backbone of each province’s integrated transport network, thereby contributing to the development of a modern, integrated, high-quality, affordable and customer-focused public transport system that will improve people’s quality of life and promote social inclusion;
- providing strategic connectivity between provinces where this is appropriate, particularly supporting connections from KwaZulu-Natal, the Western Cape and Eastern Cape to Gauteng.

Expanding PRASA Networks and Services

Suburban rail travel is PRASA’s most significant market and contributes significantly to the economies and society of Gauteng, the Western Cape, the Eastern Cape and KwaZulu-Natal.

The overall objective for PRASA Rail is the repositioning of passenger rail services as the backbone of the public transport system in South Africa, and getting the passenger rail system to work for the country.

PRASA’s strategic focus is ensuring the provision of an efficient and reliable rail and bus passenger network informed by future growth through (i) linking coastal cities, (ii) develop rural rail networks/services, (iii) linking with feeder bus services in rural areas, (iv) re-developing branch lines, and (v) expanding with high speed and light rail networks.

This strategy is also guided by the new draft national green paper that deals with the ownership and regulation of the future strategic national rail network between PRASA and Transnet.
For Rail operations the provision of quality rail network and services will be heavily influenced by the deployment of a safe, predictable, reliable, high quality rail commuter and passenger services in high volume key corridors.

Western Cape

The Western Cape has an internationally high mode share for rail transport (55% of public transport travel), reflecting its developed and extensive rail network focused on the important city of Cape Town; and a small number of other key stations, such as Bellville, with its surrounding growing employment opportunities. As in Gauteng, significant overcrowding of some services, and lengthy journey times on some corridors, are beginning to restrict railway development, and place strain on its critically important role in the public transport network.

Our strategy proposes a number of changes to build on rail’s success in the province by increasing service frequencies on key corridors, using a regular-interval timetable to improve good connections between services at key junction stations (such as Mutual and Bellville), and some train lengthening, accelerating services from the outermost stations and extending the network to serve emerging large settlements. Improved connections between Cape Town and other key regional centres across the province are also proposed to enhance connections between major towns and Cape Town, particularly to the two Western Cape “regional motors” of economic development around Saldhana and in the South Cape.

Blue Downs Rail Link

The proposed Blue Downs Rail Link consists of a rail connection between the existing Khayelitsha and Bellville–Strand Lines. The preferred route alignment, as identified during earlier planning, takes off between Nolungile and Nonquabela stations on the Khayelitsha Line thereafter passing thorough the Mfuleni residential area and the Blue Downs CBD before linking up to the south of Kuils River Station on the Bellville–Strand Line. The preferred route alignment is approximately 9.5km in length and consists of a double line with the possibility of three to four stations.

The Blue Downs Rail Link will not only service the greater Blue Downs community, but also form a fundamental component of the future metropolitan rail and transport network of Cape Town. It will allow the established communities of Khayelitsha and Mitchell’s Plain direct access to the Bellville corridor of activity. Equally, it will form the second of three sectors of rail, enabling east–west linkage of a southerly rail corridor from Bellville via the Blue Downs Rail Link, Philippi Corridor (existing) and the future Philippi – Southfield link to the commercial corridor of Wynberg, Claremont and Rosebank in the west.

The City of Cape Town undertook a planning study during 1987, which supported the need for the line. More recently, the City of Cape Town’s Integrated Development Plan (IDP) identifies Access and Mobility as one of its five strategic themes focusing on socio-economic development and improved service delivery to attain its vision and goals. Drawing on this strategic theme, the City has adopted the concept of putting Public Transport, People and Quality of Life First. Rail is the predominant public transport mode in Cape Town that rail remains the backbone of the transport system.

Cape Town International Airport Rail Link

The provision of a rail connection to the Cape Town airport will be achieved by building a ±4.5km rail link between the airport and the existing Bellville – Sarepta line to the north. The rail link will enable the movement of people between the airport and Cape Town Central Business District, as the main destination/originator of trips. In addition to maximizing the use of existing infrastructure this rail solution makes it possible to access the greater network should the train stop at Mutual station. Future phases of this solution will enable more direct access to the Bellville area and surrounds, and potentially linking more directly with the Metro south east (Khayelitsha, Mitchells Plain, etc.). The Cape Town rail network is considered the backbone of the public transport system for the City. The existing Sarepta-Bellville rail line is situated approximately 2-3 km north of the airport. The new ±4 km link between the existing railway line and the airport ensures that existing infrastructure is used optimally and also improves the reach and accessibility of the rail network. The review of the feasibility study for the project focusing on the operational and funding scenarios was considered.

Some considerations were the funding concepts in the form of commercial banking, development banking, commercial paper, equity, government guarantees and non-fare revenue streams. Even though this has been considered, detailed examination of funding scenarios is yet to be finalised. From an operational viewpoint, the PRASA developed four alternative route options with a view to proposing a viable route both from a financial and operational point of view.
KwaZulu-Natal

Durban is a major city of South Africa. There are significant flows of people into Durban from surrounding towns and settlements (the rest of the province being relatively rural). Existing demand from rail passengers focuses on the strategically important north–south link through Durban between Umlazi and KwaMashu (and soon, Bridge City). The eThekwini Transport Authority (ETA) regards rail as the backbone of the public transport system. However, rail is particularly disadvantaged by the remoteness of Durban station from the city centre. It also suffers from existing overcrowding with further future growth forecasted, relatively long journey times from the outermost stations and some extremely lightly used passenger-railway corridors. Our strategy focuses on strengthening rail’s role, particularly around Durban, by improving frequencies to provide more capacity and improve connectivity, reducing journey times from the outermost stations and converting and integrating the lightly used railway lines from their existing state into a new light rapid-transit system that would improve access into the city centre. The strategy also seeks to support development corridors and nodes identified across the province.

King Shaka and Northern Links

Significant growth is experienced in the north of eThekwini, together with the Dube Trade Port development. The port will contain various developments including a passenger and freight hub (King Shaka), accommodating 50 000 residential units and housing over 200 000 people. Rail based solution is being investigated to serve the airport and the Cornubia development. Due to large scale developments in areas like Dube Trade Port, Umhlanga and Ballito, the north has rapidly developed as a major commercial and retail hub, thereby firmly establishing itself as a major investment area. As development continues in this area, a northwards investment direction is very evident.

The northward development trend is further reinforced with another key development proposal, viz the Cornubia mixed-use development. The development is set to be eThekwini and the province’s largest sustainable integrated human settlement initiative. This 1200ha multi-billion rand project has the potential to accommodate more than 50 000 dwelling units, 80ha industrial platform, and over 1.5 million square metres for commercial uses. In the area of Ballito, a mixed-use development comprising 1.187 million m² of bulk has been proposed. This development is proposed to include a new international conference centre, residential, light industrial and retail/office uses.

A number of other public and private projects have also been proposed for the northern area. Given the significance and scale of the existing and proposed developments in the north, an ideal opportunity exists to expand rail, to ensure it plays a vital role in the provision of efficient and effective public transport in this area.

Bridge City

The Bridge City Development is located in the Inanda, Ntuzuma and Kwa-Mashu area. The development on the approximately 60-hectare site comprises high-density mixed-use development and equates to approximately 700 000m² building area. The overall developments in the area include a regional hospital, retail, residential, magistrate’s court and other commercial facilities. As part of PRASA and eThekwini Municipality strategy to facilitate a better movement of commuters in the area, the Bridge City Rail Link was implemented. This included the construction of a railway station (situated in Kwa-Mashu) and a 3.5 km rail extension project for the Metrorail Durban region. The rail line is servicing the newly constructed Bridge City Shopping Centre and the surrounding areas. The rail service will be complemented by an integrated bus and taxi interchange located adjacent to the railway station. The Metrorail service has since commenced.

Progress to date

- Phase 1 – Station Box (100% complete);
- Phase 2 - Construction of the new station building (100% complete); and
- Phase 3 – Construction of the new rail link (100% complete). The project was completed in October 2013 and then commissioning and testing commenced in October 2013 and was completed on the 24 January 2014. The actual start of the service commenced on the 3 February 2014.
- The Taxi Intermodal Facility has to be redesigned with a portion funded by the eThekwini Transport Authority (ETA) and the work is expected to be completed by June 2016.
- Duffs Road By-Pass, which formed part of the Bridge City Rail Link project was also completed with the rail link;
- The Umlazi Service Separation and the Turnaround Facility for the new Bridge City train service is 100% complete and has been operational since end of December 2014; and
- The Bridge City contract has been extended to include the rehabilitation of Piessangs River, which runs under the rail track to Bridge City Station, upgrading of the Dalbridge Pedestrian Bridge over the M4 highway to Umlazi and the crossover points at Berea Station. The Rehabilitation of the Piessangs River is 100% complete. Construction on
the Dalbridge Pedestrian Bridge is targeted to be completed by March 2017. The design drawings for the bridge have been submitted to the municipality for approval. Berea Crossover point’s designs are complete and the designers are in the process of signing off with the relevant operations departments.

■ Eastern Cape

Today there are two independent PRASA-operated passenger-rail services in the Eastern Cape in Nelson Mandela Bay and Buffalo City. One links Port Elizabeth to Uitenhage in Nelson Mandela Bay and the other links East London to Berlin. Frequencies are relatively limited, particularly off-peak, journey times are slow compared with road on the East London corridor, and the Port Elizabeth corridor has relatively low levels of demand for a heavy-rail service (despite the city being larger and rail journey times being more competitive with parallel roads).

Our strategy focuses on increasing the role and relevance of rail, particularly to the under-utilised Port Elizabeth corridor, through service upgrades to better serve local communities, better integrate with other transport modes and network extensions to nearby major settlements and developments.

- From East London

The Strategic Plan proposes to increase East London to Berlin frequencies six trains per hour in the peak), enhance off-peak frequencies, and accelerate journey times by skipping some station stops. A number of stations should be the focus for improvement including Berlin, Fort Jackson, Mount Ruth, Egerton, Mdantsane, East London, Southernwood and Vincent. The service improvements could provide the basis for extending services in the future beyond Berlin to Bisho and King William’s Town.

- From Port Elizabeth

More fundamental changes are required to increase the attractiveness of rail for trips into Port Elizabeth. Frequency improvements are proposed (up to four trains per hour in the peak) but with shorter trains reflecting usage. A number of stations on the route should be enhanced, including Port Elizabeth, Uitenhage and New Brighton. In the future, the large and growing settlement of Motherwell could be connected by a spur from Swartkops, which might become a loop through the settlement eventually extended to Coega, with its port-related employment opportunities. This should significantly increase demand and refocus rail onto the Motherwell corridor.

Motherwell Rail Link

Motherwell is situated 20km north of Nelson Mandela Bay CBD, and has expanded rapidly with over 2 000 dense settlements with low per capita income. The Motherwell extension will enhance the role of rail in Nelson Mandela Bay with 15 000 – 20 000 new daily passenger in the short term and increasing to 35 000 daily passengers by 2020. In this regard, the Motherwell Rail extension is confirmed as a category A corridor in the 2006 Rail Plan and Local ITP. The Motherwell Rail Spur is considered the first phase of the full Motherwell Loop (17.5km). The development of the full “Loop” becomes more attractive in the medium to long term with the Coega Development has reached greater density. The Motherwell Spur is proposed as the first phase of the Motherwell Loop and will include the construction of three to four new stations, double electrified line, central train control, and route length of 7.5km new spur.

The Motherwell Spur is proposed as the first phase of the Motherwell Loop and has the following characteristics:
- four stations (stations M2, M3, M4, and S1 – PRASA 2000);
- It is a double electrified line [25kv AC electrification], except for the existing line section between Aloes and Swartkops, which is a single electrified line;
- It includes the diversion around the Swartkops Power Station to accommodate station S1;
- The route length of the new spur into Motherwell is 7.5km;
- The route length of the diversion around the Power station is 5km;
- It uses new (or second-hand) electric motorised units (EMU) powered from the overhead electricity services of 25 kV AC; and
- It has a centralised train control and signalling system.

The Motherwell Rail Spur is considered the preferred transport solution by the relevant role players, as captured in PRASA’s Rail Plan, Comprehensive Integrated Transport Plan (CITP) of Nelson Mandela Bay Municipality, and the Eastern Cape Provincial Department of Transport 10 year Rail Plan. The total estimated cost for the project is R1.5 billion.

■ Gauteng

Gauteng has the greatest concentration of population and economic activity in South Africa. As a result, the Gauteng rail network is the busiest in the country. It feeds a number of centres in addition to central Pretoria and Johannesburg, reflecting the polycentric nature of growth in the province (for example, centres...
of employment such as Germiston and Kempton Park are important destinations). Without action, forecasted growth will only worsen current overcrowding, and long journeys will continue to make rail less attractive than road.

PRASA strategy focuses on enhancing rail’s role in the province by providing more capacity on the busiest corridors, reducing journey times on the longest journeys and investigating network extensions to support emerging larger and higher-density settlements. Rail has an important future role to play in supporting urban expansion and densification through developing new rail corridors. Opportunities that could be developed further include new rail corridors to Etwatwa and beyond from Daveyton, Tembisa to Ivory Park, and the Baralink from Nasrec. In Ekurhuleni, there may be an opportunity to develop new rapid-transit corridors serving development adjacent to Oliver Tambo International Airport.

**Daveyton – Etwatwa Rail Corridor**
The project entails the extension of the rail corridor from the Daveyton Station into the areas of Chris Hani, Etwatwa and Knoppiesfontein. The extension is approximately 11km, which will also include the construction of four new stations. The first feasibility study for this extension was undertaken in 1999 and is captured as a priority rail extension in both the City’s Integrated Transport Plan and PRASA’s Rail Plan. In 2014, PRASA undertook a review of the feasibility study and has since updated the demand projections. The study investigated three alternatives for the rail alignment between Daveyton and Etwatwa. The proposed extension of the Daveyton rail line connects along the southern edge of Daveyton across the Blesbokspruit, into the Sentra-Rand Corridor and into Etwatwa Extension 23. The total estimated cost for the project is R2.1 billion.

**Hammanskraal**
The Hammanskraal to Pretoria Rail Corridor (HPRC) was served by a limited passenger train service until 1987. At that time, approximately 10 000 one-way passengers used the service on a daily basis. Of these, approximately 8 000 passengers travelled in the peak period. Due to the long travel times (approximately 105 minutes) the service became unpopular with commuters. Based on the recommendation of a study done by the Department of Transport and the Council for Scientific and Industrial Research (CSIR) in 1986, the service was terminated towards the end of 1987. The current public transport services along the HPRC are provided by Bothlaba Bus Service and minibus taxis. The vast majority of commuters (over 90%) travel by bus.

A pre-feasibility study done in 2004 and subsequent feasibility study in 2010 found that a passenger train service could be viable only if the parallel competing bus service is terminated.

Hammanskraal is situated approximately 40 km to the north of the City of Tshwane (COT) which renders it fairly isolated from the rest of Tshwane, especially since it is separated from the more central areas by a large expanse of agricultural land. The area holds a total population of about 206 000 people (Census 2001) (2). Estimates showed that the population in the study area was approximately 240 000 by 2005 and could have increased to approximately 264 000 in 2010 and by 2025 it could be 358 000(2).

The Spatial Development Framework (SDF) (June 2005)(2) for Hammanskraal and the Northern Cross Border Area identified the Hammanskraal precinct as an activity node and stated that it “is essential that the proposed major road and rail network be constructed and or upgraded as a top priority in the area”. National Treasury (NT) has approved funding for the development of the precinct as part of COT’s Tsosoloso Programme on the condition that the PRASA commits itself to the reintroduction of the train passenger service.

**Mafikeng**
The corridor/route inspection and assessment have been completed for the JHB–Mafikeng route, as first priority for implementation and review of the regional services concept.

Due to the freight orientation of the corridor, the current running time will be six hours and not entirely competitive as per business/travel requirements without some investment in infrastructure to increase speeds/running times. Total distance is 302km and will be diesel locomotive operated, with 700-passenger capacity per train. Although tested rail travel time is currently not competitive against road running times, the rail options provide significant benefits in terms of affordability, safety and comfort above road transport options on the Mafikeng corridor, especially if regular services are introduced on a weekly basis.

Stations to be served include:
- Johannesburg
- Krugersdorp
- Magaliesburg
- Koster
- Swartruggens
- Zeerust
- Mahikeng (also note future identified route linking Mahikeng to Bloemfontein/Kimberley, which will extend the regional connectivity across provinces).
The Moloto Rail Corridor involves a new integrated multi-modal transport system that is to serve as a spine and a catalyst for economic development connecting Gauteng, Mpumalanga and Limpopo. The Minister of Transport gave a mandate for the project in 2006 and also indicated that it must be treated as part of the priority corridor strategy of the National Passenger Rail Plan.

The project is a joint inter-governmental initiative consisting of the Department of Transport, PRASA and the provincial governments of Gauteng, Limpopo and Mpumalanga. The district municipalities of Nkangala, Sekhukhune and Metsweding and Tshwane Metro are also part of the initiative.

The Moloto Corridor is situated in the western region of Mpumalanga. Its name is derived from the R573 (Moloto Road), which connects Tshwane Metro to Nkangala, Sekhukhune and Metsweding districts. The road suffers from a systematic deterioration due to the movement of large numbers of people to Gauteng. Increased commuting patterns result in traffic congestion, long travel times and loss of life through accidents.

In 2008, a feasibility study was commissioned by the Mpumalanga Provincial Department of Roads and Transport and subsequently approved by Cabinet. However, the project was not implemented due to lack of funding. In addition, it was felt that the study did not consider all the options. In July 2012, a rigorous feasibility study was conducted, which complied with the requirements of the public private partnership (PPP) guidelines. The results of the feasibility study concluded that the rail option was the preferred option. The Rail option was further approved by the relevant Political Oversight Committee comprising of but not limited to the following: Minister of Transport, Minister of Finance, Minister of Economic Development, Ministers of Rural Development and Land Reform, Minister of Human Settlements, Minister of Water and Environmental Affairs, Minister of Public Enterprise, Minister of National Planning, Premier of Gauteng, Premier of Mpumalanga, Premier of Limpopo, Mayor of Tshwane, Mayor of Nkangala and Mayor of Sekhukhune.

The project was identified as a flagship project in the Department’s strategic plan for 2013/14. The project is monitored by the Presidential Infrastructure Coordinating Committee (PICC). The Department of Transport has since handed over the project to PRASA for the implementation and all project documentation were made available to PRASA.

Progress to date and planned activities

The project was registered with the PPP Unit of the National Treasury (Treasury) and was submitted for Treasury Approval 1. On 3 December 2015, Treasury did not grant Treasury Approval 1 on the following basis:

- The economic analysis undertaken does not provide sufficient justification for the proposed new investment in a railway link through the Moloto Corridor route, but rather provides grounds for continuing improvements in the present road infrastructure and transport services, while pursuing broader settlement and economic development options for the Moloto Corridor.
- Treasury is uncertain about the cost estimates and therefore identifies a material risk of cost overruns and delays in implementation.
- Even though private sector parties will be allocated design, build and maintenance risk on the rail
infrastructure, PRASA (thus Government) will take on operational risk for both infrastructure and train service. Treasury prefers existing bus service arrangements as, in its view, the greater transfer of risk is to the private sector.

- Treasury has highlighted that, in its view, the separation of operations from design, build and maintenance limits the scope for innovation and raises integration risk concerns, and associated risks of unanticipated cost increases.
- The final assessment is that the rail option is not likely to be affordable and the envisaged transport investments will not yield value for money in economic terms.

Treasury has proposed that the Minister of Finance convene a discussion with the Minister of Transport to consider a way forward on the development challenges in the Moloto area.

LIGHT RAIL SOLUTIONS

Light rail has been identified as the preferred technology by which to improve rails service specific and identified corridors. Light rail can provide more relevant local services compared to heavy rail and make it possible to match service provision with current and potential future passenger numbers.

Using benchmarking and best practice case studies PRASA has studied a number of cities around the world that have made better use of light rail in certain corridors. Examples include Manchester Metrolink in the UK and Karlsruhe in Germany.

The priority and implementation timescales of the proposed light rail network (see PRASA National Strategic Plan) is in the medium and long term.

During the MTEF Period, PRASA shall develop options for each of the identified corridors with a view to producing fully worked through business plans for each proposal.

HIGH-SPEED PROJECT

Air completion and the distance around the country offer the potential to investigate creating high speed rail corridors operating at around 400kph. Experience in Europe and Asia has shown that high speed rail are critically dependent on the size of the overall travel market between key cities and the potential to achieve mode shift from air to high speed rail.

PRASA has identified two routes with sufficiently sized travel markets – from Gauteng to Cape Town to Durban. Although Cape Town – Gauteng has the larger travel market (when air), its distance of 1400km makes it difficult to be air competitive when city centre – city centre air and high speed rail journey times are compared. In contrast Durban–Gauteng is only 640km creating a real potential for a rail to capture a significant proportion of the air market in the future and a potentially stronger base case.

For high-speed rail to be successful a large travel market over 1 000 passengers per hour needs to be present and end to end journey times will be a maximum of four hours to be competitive with air. Journey times of 3 hours, Johannesburg to Durban, and 4.5 hours to Cape Town would need to be achieved to make the service competitive in terms of time travelled.

Eventual implementation will be dependent on growth in demand making high speed rail a longer term aim in the country. The early identification of corridors will be essential to safeguard future implementation and to identify how spatial and economic policy decisions might support future high speed rail development. A feasibility study will conducted by PRASA during the MTEF period.

INTEGRATED TICKETING

A new ticketing system, which integrates with other modes of transport and for use across all platforms,
offering a standard solution is being investigated for development and implementation.

PRASA intends to introduce an integrated system, that is:

a. An electronic ticketing system which would be compatible with other local transport providers
b. More flexible and allows users to buy a ticket for a period of consecutive days rather defined calendar months or providing reduced fares outside the peak period
c. Passenger friendly gating systems which will improve the appearance of stations, support access control and help to reduce ticketless travel
d. Helping to spread demand by incentivising travel on less busy services
e. Addressing ticketless travel by providing low income passengers and special needs groups with concessionary passes to allow them to travel for reduced fares or free of charge outside the peak period; and
f. Providing much more accurate data to PRASA and stakeholders on travel patterns and journeys to help make service planning more responsive to passenger needs.

Systems & Sub-Systems Integration of the Existing and the New

The transition from the old to the new system would require systems integration that will encompass both technology and process integration. But, more important is the management of change during the transition period. The management of the human element in the new environment is critical.

This period will be defined by a change and transformation process that will, amongst other things, ensure that PRASA is a modern public entity that delivers Public Value and characterised by the following:

- Customer-centric
- Dynamic
- Solutions driven
- Systems and technology driven
- High performance teams
- Thought leader
- Learning Organisation
- Financial sustainability
- Environmental sustainability

Executing Real Estate and Property Strategy

A suburban rail development and expansion will be supported by real estate and property development plan that identifies future commercial hubs and destination stations. Investment in real estate and property development will help create new patronage from enhanced facilities in and around stations that help to make them a destination of choice for passengers and to build demand volumes. Business cases have been developed supporting lucrative investments in both Cape Town Station and Umgeni Business Park 2 development projects.

The Strategic Plan proposes a number of targets for investment including interchange and linkages with land-use proposals in the surrounding area. Such developments are important in contributing to rail becoming the backbone of public transport, particularly as travel demand becomes more discretionary.

Encouraging third-party investment and development at the busiest stations in the future will help to grow demand and to support the Strategic Plan’s emphasis on developing off-peak travel on the suburban rail network.

Commercialisation of Telecommunications and Information Communications

PRASA has access capacity of optic fibre, in excess of 1,600 km, thus presenting a lucrative opportunity for commercialisation which is currently being implemented by Intersite.

Creating Destination Stations

Railway stations are evolving from being just commuter / transport hubs to destinations where people meet, work, eat, drink and travel. Railway stations are now bringing convenience through retail and or essential services not only to commuters but to communities and household in and around the stations.

The need to plan for future growth and to cater for differentiated customer needs and services demands a long-term strategic view aimed at creating an integrated development framework and implementation plan that proposes realistic property development opportunities for implementation action in collaboration with relevant internal and external role players.

In 2013, PRASA Cres in collaboration with Intersite Asset Investment (SoC) initiated a process to develop a Station Precinct Master Plan for three key stations – Johannesburg Park Station (JPS), Pretoria Station (PTA) and Cape Town Station (CTN). This is informed by PRASA’s broad developmental goals geared towards ensuring long-term revenue benefits from its assets, whilst creating destination nodes underpinned by the strategy to position rail as the backbone of public transport.
The proposed development will increase the capacity of the station precinct by more than 180 000 m². This will be achieved through the conversion of existing buildings and creation of new facilities. 

- Office Space: 21 000 m²
- Retail space: 20 000 m²
- Hotel space: 10 000 m²
- Residential: 2 000 m²
- Other: 128 000 m²

The objective is to create station precincts that will promote the development of spatially and economically integrated transport precincts that are attractive, efficient, convenient, safe and effectively managed.

PRASA owned stations, taxi ranks and other inter-modal facilities become landmark gateways that promote urban restructuring, sustainable communities, the use of public transport, walking, economic development, poverty alleviation and environmental sustainability.

The Master Plans developed are as follows:

- To prepare a road map of where PRASA real estate entities want to go
- To anticipate future developmental requirements whilst addressing current demands
- To prepare for sustainable future growth
- To address the current and future demand through economic indicators
- To create an engaging environment that contributes to the realistic station development
- To ensure that the station character embraces the vision and mission of the station owner and the local authority

Potential Third Party Developments

Fig. 1: Park Station Johannesburg

The proposed development will increase the capacity of the station precinct by more than 180 000 m². This will be achieved through the conversion of existing buildings and creation of new facilities. Office Space: 21 000 m². Retail space: 20 000 m². Hotel space: 10 000 m². Residential: 2 000 m². Other: 128 000 m².
This will increase the capacity of the station precinct by more than 185 000 sqm. To be achieved through the conversion of existing buildings and creation of new facilities.
- Office Space: 36 000 m²
- Retail space: 24 000 m²
- Hotel space: 12 900 m²
- Residential: 20 000 m²
- Other: 91 900 m²

Fig. 2: Cape Town Station

Increase the capacity of the station precinct by more than 180 000 sqm. This will be achieved through the conversion of existing buildings and creation of new facilities.
- Office Space: 21 000 m²
- Retail space: 20 000 m²
- Hotel space: 10 000 m²
- Residential: 2 000 m²
- Other: 128 000 m²

Fig. 3: Pretoria Station

The station development of 12 000 m² with a commercial and or retail offering.
- Daily Feet: + 18 000
- Gross Lettable Area: 10 000 m²
- Business opportunities: food, fashion, banking & financial, health and government services
- Project Phase: Construction to start April 2016
- Occupation: March 2019

Fig. 5: Isipingo Station Durban

The fact that PRASA stations have a captive market based on the commuter numbers has a positive impact and makes the property portfolio desirable over that of other property owners. However, land owners adjacent to PRASA stations represent significant competition and a viable alternative for commuters.

The commuter living standard measure (LSM) profiles differ and this needs to be taken into consideration in terms of the attractiveness of the portfolio.

Commercial Property Upgrades (PRASA)

Fig. 4: Mapopane Station Pretoria

Private sector professionals are not seen as direct competitors. Intersite’s experience and expertise provide the necessary competitive advantage coupled with the advantage of public-to-public business opportunity. Intersite has developed relationship with National Treasury’s Neighbourhood Development Programme Grand (NDPG) and various designated municipalities, which may be beneficiaries of the NDPG.
Growing and Expanding Bus Operations

PRASA’s future business, underpinned by a prioritised list of network expansion and extension of services takes into a future where Autopax provides services within and outside the country’s border and extends its service to more corridors. The future of Autopax bus operations takes cognisance of proposed rail network and corridor extensions to new or growing settlements, where bus services provide on-time feeder services to rail in an integrated fashion.

Offering Bus Feeder Services to Rail

The alignment of future rail expansions with a vibrant bus feeder service will contribute to an improved integration between rail and other public transport modes, thus making it easier for passengers to use railway services as part of the wider integrated transport systems.

Future plans make provision for enhanced city distribution, improved intermodal interchange, and use of Autopax to feed into and complement rail services and priority hubs on the network.

The mandate is to support rail operations through effective feeder and distribution services to supplement and support rail operations. Autopax has allocated a total of 65 buses to Rail as a stand-by support for all derailments incidents, to mitigate against prolonged disruption of services.

Increasing Cross-Border Routes

As part of its growth and expansion strategy for bus services, Autopax is considering expanding long distance road transport operations to selected countries in the SADC region. A study has been conducted to investigate the feasibility of expanding services to six countries; Democratic Republic of Congo (DRC), Namibia, Malawi, Mozambique, Zambia, and Zimbabwe. For the next three years, Autopax will implement 1 additional cross border route per year to complement existing routes as part of its growth strategy and expansion of services.

Informing the Cross-Border Route Strategy: Market Analysis

On average, a single cross border bus traveller uses a bus to and from South Africa up to two times in a year, with Zambia, Mozambique at 10.4 and 8.8repeat travel rates, respectively, followed by Zimbabwe at 7.2 and DRC and Namibia being the lowest at 4.6 and 2.3 repeat rates, respectively.

Based on the 2012 South African Tourism figures, the estimated total travelling population to South Africa from the six target countries was 3.44 million, of which 3.28 million (95%) arrived by road. Of the 3.2 million cross border travellers, 0.4 million travelled by bus, representing 12.3% of the total road travelling population.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Population travelling to RSA</th>
<th>Population travelling to RSA by Road</th>
<th>Populations travelling to RSA by Bus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3 437 185</td>
<td>3 259 832</td>
<td>400 109</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1 847 973</td>
<td>1 823 282</td>
<td>166 318</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1 076 753</td>
<td>1 064 485</td>
<td>104 445</td>
</tr>
<tr>
<td>Namibia</td>
<td>200 841</td>
<td>112 689</td>
<td>6 025</td>
</tr>
<tr>
<td>Zambia</td>
<td>169 555</td>
<td>139 035</td>
<td>57 649</td>
</tr>
<tr>
<td>Malawi</td>
<td>142 063</td>
<td>109 389</td>
<td>61 087</td>
</tr>
<tr>
<td>DRC</td>
<td>32 582</td>
<td>10 752</td>
<td>8 602</td>
</tr>
</tbody>
</table>

Cross-Border Route Market Value

The existing cross border bus market value in the six countries is about R445 million, with Malawi and Zimbabwe offering the biggest value at about R134.98 million each.

Autopax, even a 10% market share gain would be significant based on the overall market segment below:

<table>
<thead>
<tr>
<th>Country</th>
<th>Current</th>
<th>Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Existing bus travelling market value (ZAR)</td>
<td>Total road travelling market value (ZAR)</td>
</tr>
<tr>
<td>Total</td>
<td>445 315 546</td>
<td>2 779 570 302</td>
</tr>
<tr>
<td>Malawi</td>
<td>134 757 922</td>
<td>241 312 134</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>134 717 580</td>
<td>1 478 858 420</td>
</tr>
<tr>
<td>Zambia</td>
<td>82 899 262</td>
<td>199 932 330</td>
</tr>
<tr>
<td>Mozambique</td>
<td>59 533 650</td>
<td>606 870 450</td>
</tr>
<tr>
<td>DRC</td>
<td>21 212 532</td>
<td>26 514 432</td>
</tr>
<tr>
<td>Namibia</td>
<td>12 194 600</td>
<td>228 082 536</td>
</tr>
</tbody>
</table>
The potential market value is markedly higher at approximately R2.8 billion and therefore the value of current crossborder bus business represents only 16% of potential value, suggesting non-optimal utilisation of the available market by current crossborder bus service providers.

**Autopax Bus Service Appeal**

Market research indicates that there is an appetite for Autopax bus services with more than 56% of travellers expressing likelihood to use City to City bus services if they were introduced. The DRC has 66% of travellers willing to utilise City to City bus services, followed by Malawi at 65% and Zimbabwe and Zambia at 56% and 50%, respectively.

Six (6) out ten travellers have expressed willingness to utilise Translux bus services in the DRC at 70% and with Malawi at 69%, whilst Zimbabwe has close to a 63% likelihood.

In Mozambique, 43% of travellers, currently not utilising City to City bus services are open to switch, whilst 52% are also willing to switch to Translux bus services.

**Potential Market for Autopax**

The estimated total road travel market value between South Africa and the six targeted markets is approximately R2.8 billion and current cross-border bus business is taking only 16% of that value.

An opportunity therefore exists for the conversion of part of the available R2.3 billion worth of the road travelling market into a bus travelling market.

<table>
<thead>
<tr>
<th>Country</th>
<th>Un-captured road travelling market value (ZAR)</th>
<th>Percentage of Road Travellers Switching to Bus Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>5% 10% 15%</td>
</tr>
<tr>
<td></td>
<td>2 334 254 756</td>
<td>116 712 738 233 425 476 350 138 213</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1 342 140 840</td>
<td>67 107 042 134 214 084 201 321 126</td>
</tr>
<tr>
<td>Mozambique</td>
<td>547 336 800</td>
<td>27 366 840 54 733 680 82 100 520</td>
</tr>
<tr>
<td>Namibia</td>
<td>215 887 936</td>
<td>10 794 397 21 588 794 32 383 190</td>
</tr>
<tr>
<td>Zambia</td>
<td>117 044 068</td>
<td>5 851 653 11 703 307 17 554 960</td>
</tr>
<tr>
<td>Malawi</td>
<td>106 554 212</td>
<td>5 327 711 10 655 421 15 983 132</td>
</tr>
<tr>
<td>DRC</td>
<td>5 301 900</td>
<td>265 095 530 190 795 285</td>
</tr>
</tbody>
</table>

The table above shows that even at a conservative 5% capture of the available road travelling market in the short term, the potential additional market value approximately R116 million per year. In the long term, this value could grow to about R350 million per year.

**Pursuing and Competing with Private Bus Operators**

Through its charter service implementation strategy, Autopax will continue to explore tender opportunities in the bus transport market such as employee staff transport, mining industry, commuter services etc. Currently Autopax is operating a commuter service on behalf of the Gauteng Provincial Department of Roads and Transport in three areas; namely: Mamelodi, Vosloorus and Evaton. This has created an opportunity to look at expansion of services beyond a three years period. Autopax currently operates employee transport services to Transnet transporting employees to its Sentra Rand facilities in Johannesburg.

All possible bus tender business is continually monitored and Autopax is targeting 2 additional opportunities by 2019.
PRASA Business Units, which include Divisions and Subsidiaries, including all of PRASA’s Corporate Office Functions, are responsible for the delivery of the organisation’s objectives as articulated in the organisation’s strategic ambitions below:

- Delivering on the Mandate
- Rolling Out a Train System of the Future
- Expanding PRASA Networks and Services
- Executing the Real Estate Strategy
- Embarking on a Robust Assets Investment Programme
- Enhancing Organisational Capacity
- Public Employment Creation
- Improving Financial Position
- Delivering on the Brand Promise to Stakeholders
- Ensuring Good Corporate Governance
- Supporting and contributing to the Govt National Imperatives

PRASA RAIL: Train Operations

PRASA Rail as the rail operating division of PRASA is true custodian of the mandate to deliver commuter rail services in the metropolitan areas of South Africa, long-distance (inter-city) rail services within, to and from the borders of the Republic of South Africa. As a division, PRASA Rail operates the Metrorail and main line passenger services.

As mass public transport carrier, PRASA Rail is entrusted with the responsibility of ensuring that the organisation:

- Deploys a safe, predictable, reliable rail commuter and passenger services
- Provides quality rail network and services
- Positions passenger rail services as the backbone of public transport and a mode of choice
- Gears itself for the deployment of a train system of the future.

PRASA Rail Operating Environment

The Corporate Plan is presented at a time when PRASA Rail faces major challenges in delivering a reliable and consistent train service. After a steady increase in passenger numbers over recent years, Metrorail has experienced a decrease in patronage over the past financial year and there are indications that the trend will not change.

The consistent decline in passenger numbers is attributed to decreased service capacity and quality of services offered to the public, general economic conditions, as well as the increasing competitive environment where passengers are opting for alternative modes of transport such as taxis and Bus Rapid Transit solutions being implemented by cities.

Rail Contribution to the Corporate Plan

- Rolling stock and infrastructure recovery.
- Customer experience improvements through service excellence.
- MLPS turn around.

PRASA Rail Core Services

Metrorail remains the most affordable public transport service offering at R3 per trip over an average travelling distance of 27km, and recording over 516m passenger journeys per annum and the transporting majority of poor South Africans dependent on affordable public transport.

- Modernisation readiness preparations.
- People management (HR capacity, change management and performance management),
- Securitisation of the system.
- Efficiency programme.
- Improved business planning.

**Metrorail**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Passenger Trips</td>
<td>540m – 580m per annum</td>
</tr>
<tr>
<td>Total Passenger Coaches</td>
<td>4 560 (380 12 - car train sets)</td>
</tr>
<tr>
<td>Electrified Track Metrorail</td>
<td>2 200km</td>
</tr>
<tr>
<td>Trains Scheduled Metrorail</td>
<td>97 000 per annum</td>
</tr>
<tr>
<td>Operating Train km Metrorail</td>
<td>21 000 000</td>
</tr>
<tr>
<td>Stations Metrorail</td>
<td>490</td>
</tr>
<tr>
<td>Staff complement Metrorail</td>
<td>13 200</td>
</tr>
<tr>
<td>Average Travel Distance</td>
<td>26km (Internationally 13km)</td>
</tr>
<tr>
<td>Market share Metrorail</td>
<td>13%</td>
</tr>
</tbody>
</table>

**PRASA Rail Core Services**

Metrorail remains the most affordable public transport service offering at R3 per trip over an average travelling distance of 27km, and recording over 516m passenger journeys per annum and the transporting majority of poor South Africans dependent on affordable public transport.
Rail critical success factors

- Restore service capacity.
- Customer centricity.
- Provide reliable services.
- Automated ticket verification.
- Cost effective security.
- HR capacity and change management.
- Quality management system

Factors Contribution to Under-Performance by Rail Operations

The continued underperformance of Rail operations is due mainly to the following operating conditions:

1. Age and condition catching up despite efforts to sustain the system.
2. Old rolling stock (availability and reliability challenges).
3. Infrastructure reliability (signalling and perway track condition).
4. Limited resources for locomotives impacting on service offering.
5. Increased passenger riots and burning of trains due to poor service.
7. Impact of modernisation projects while sustaining current operations.
8. Cross-subsidisation of Main Line Passenger Services (MLPS) by Metrorail over the past three years affecting effectiveness of Metrorail operations.
9. Influence of external environment – crime, service delivery protests, settlements along the corridors.

As a result of the above operating conditions, the business unit will continue to experience:

- Loss of Metrorail’s public transport market share
- Insufficient revenue generation from operations

Rolling Stock and Infrastructure Performance

Availability of rolling stock: 40% of trains operate under the required capacity configuration (vandalism has a major impact) – 68% in service: 3100 coaches operational, 740 in repairs/upgrades, 720 out of service.

Train delay causes

| Rolling stock | 40% – 65% (Reliability - nationally) |
| Signalling    | 30% - 40% (Gauteng) |

Train cancellation causes

| Rolling Stock | 80% - 90% [Availability] |
| Perway (track) | 5% - 10% [Poor track condition, formation and drainage] |

Mainline Passenger Service

The main line passenger rail business has been running reduced services over the years due to a shortage in locomotives and the lack of subsidy allocation to run a full and expanded service schedule. The decline to below 1 million passenger numbers per annum is a serious concern to PRASA as this affects its ambition of offering frequent transport for rural masses.

Security Incidents

Security related incidents have increased drastically during the past financial year following a steady decline experienced in security related incidents over the previous three years. Asset related incidents in the form of vandalism and theft have increased dramatically and these have a negative impact on the reliability and effectiveness of rail services.

Train Accidents

Notable high levels of incidents where people have been struck by trains, platform interchange injuries, and signals passed at danger (SPADS) and level crossing incidents pose a threat. The accelerated fencing and asset protection programme intends to also secure depots and key infrastructure installations affecting service delivery. The PRASA Rail fencing and asset protection programme will be aligned with hotspot areas where passengers and public illegally access the operational environment.

Rail Operations Turn around Plan

A number of issues are affecting the rail service in the main urban centres, many owing to the age and condition of the asset, including:

- delivering transformational timetable changes in terms of speed and frequency to strengthen rail’s role in the integrated transport network, and better response to demand growth and the needs of users;
- introducing new rolling stock with an appropriate on-train environment to the journey being made by passengers;
- introducing a more user-friendly and comprehensive timetable operating at regular intervals and including off-peak services;
- providing more flexible ticketing and a revised premium offer;
• strengthening passenger safety and security;
• introducing network extensions to support urban growth or to fill gaps in the current network, but only where rail is the most appropriate mode to meet the transport need.

Stabilising the passenger rail system requires drastic interventions. Rail Operations has identified key interventions that will bring stability and offer a reliable service.

Fixing the Business

• Five Point Operational Efficiency Plan
  • Service re-design to improve journey times and manage capacity/overcrowding.
  • Rolling stock availability and reliability.
  • Infrastructure capacity and reliability.
  • Security of passengers and assets.
  • Operational Safety Management (SMS).

• Specific Attention and Acceleration
  • Rolling Stock and Infrastructure Recovery Plan.
  • Securitisation of assets (Fencing).
  • Modernisation management – catalyst for change.

<table>
<thead>
<tr>
<th>PRASA STRATEGIC PILLARS</th>
<th>PRASA RAIL CHALLENGES</th>
<th>PRASA RAIL CRITICAL SUCCESS FACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing funding gap</td>
<td>• MLPS funding.</td>
<td>• PRASA Rail cost coverage</td>
</tr>
<tr>
<td></td>
<td>• Modernisation</td>
<td>improvement.</td>
</tr>
<tr>
<td></td>
<td>operational</td>
<td>• Revenue protection.</td>
</tr>
<tr>
<td></td>
<td>budget.</td>
<td>• Cost efficiencies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• MLPS turn around</td>
</tr>
<tr>
<td>Meeting customer expectation</td>
<td>• Reduced service capacity.</td>
<td>• Restore rolling stock and infrastructure capacity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Service/performance/excellence.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customer centrity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Align investments to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>operational needs and customer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>expectations.</td>
</tr>
<tr>
<td>Focus on high performance</td>
<td>• Condition and age of system.</td>
<td>• Performance management.</td>
</tr>
<tr>
<td></td>
<td>• Funding shortfall.</td>
<td>• Restore rolling stock and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>infrastructure capacity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Improve ICT systems.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• HR development.</td>
</tr>
<tr>
<td>Managing stakeholder perceptions</td>
<td>• Poor service performance.</td>
<td>• Service excellence.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Stakeholder communication.</td>
</tr>
<tr>
<td>Delivering public value</td>
<td>• Poor service offering in integrated public transport model.</td>
<td>• Align rail services with IRPTNs and ITPs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increase value and destiny of subsidies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Align capital investment with operational and customer needs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Improve cost coverage.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rail efficiency programme.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• HR development.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Communicate value of subsidy.</td>
</tr>
</tbody>
</table>
PRASA TECH
PRASA Technical is an integral part of the strategy of the PRASA Group in ensuring the delivery of a modern transport system to all South Africans. As a division PRASA Tech is tasked with the responsibility to
• provide reliable overhauled rolling stock,
• improve depots facilities to be compatible with the new Rolling stock technology,
• enhance capacity, efficiency and safety at staging yards, stations and rail network,
• modernise stations and rail network,
• Extend Rail networks, and
• build human capital technical capacity.
This mandate will be achieved by implementing an integrated modernisation programme which covers, depot modernisation, perway upgrades, electrical sub-station upgrades, telecommunication system upgrades, platform correction to achieve the objective improved passenger travel experience.

PRASA Technical Core Services
• Infrastructure
• Depot upgrade/renovation
• Development of walkway bridges and perway
• General overhaul of old rolling stock

Contributing to the Corporate Plan
PRASA Tech is at the forefront of ensuring that the organisation continues to run the current business whilst changing and preparing the business for the future. PRASA Tech supports of the Corporate Plan two of the four key focus areas; ‘running the business’ whilst ‘changing the business’.

For PRASA to run an efficient and reliable service, whilst modernising the business, PRASA Tech has to ensure that the business has sufficient rolling stock to operate an efficient and reliable service, whilst modernising itself.

Accelerated Rolling Stock Programme
Refurbishment is a necessary part of the life cycle management of the rolling stock asset. With exploitation in service, the performance of the asset degrades to levels that cannot be addressed through routine maintenance, and therefore requires heavier maintenance.
The current refurbishment programme is concerned with the current fleet. As part of the refurbishment, some of the fleet has been upgraded due to its age, in order to ensure the asset is exploited economically and safely over its entire life. While PRASA has embarked on the procurement of replacement of new rolling stock, the current fleet is expected to remain operational and will be retired progressively until complete removal in about 2033.

Strategic Infrastructure
The primary focus of Strategic Infrastructure (SI) is the Total Life Cycle Management (LCM) of PRASA’s asset base. The Unit is responsible for developing and driving new investment projects in PRASA’s infrastructure to meet long-term requirements of the Business Plan. Functions also include the LCM phases of commissioning, upgrading and disposal.

SI is responsible for some 2240 km of rail network, 90% of it electrified and more than 470 stations countrywide, which exclude Port Elizabeth and East London where Transnet Freight Rail (TFR) owns the infrastructure.

The future network will be expanded by between 500 – 700 km of additional new track, with a major portion represented by the various phases of the Moloto Rail Development Corridor. In this total there are also plans to extend existing services such as Hammanskraal in Tshwane and extensions such as Motherwell in Port Elizabeth and CTIA Rail Link. The National Rail Passenger Plan proposes 40 future rail extensions.

The department is responsible for the execution of projects in electrical, perway, Signalling & telecommunications, corridor modernisation and mega projects. The perway Portfolio is broken further into three subsections viz. drainage and platforms, footbridges, level crossings and structures and trackwork. mega projects portfolio includes bridge City, Greenview-Pienaarspoort, Queenstown-Umtata and Stray Currents projects.

Depot Modernisation
PRASA Tech has embarked on a major fleet renewal programme in order to replace all its obsolete and dilapidated rolling stock fleet during the next 20 years.
The new technology brought by the new fleet as well as the improved and enhanced maintenance practices envisaged for this new fleet will require either new, or refurbished or upgraded maintenance depots.

to support the new fleet, a Depot Modernisation Programme is required to upgrade the existing rolling stock maintenance depots at:

**Project Objectives:**
The project objectives are to design and construct a fully functional depot that:

- Will be able to service PRASA’s new fleet by the time they are delivered in December 2015 and will cater for the increased new fleet maintenance demand required by the full fleet deployment up until 2034.
- Will be able to service PRASA’s existing metro trains until the new fleet deployment is completed in 2034.
### Running the business

<table>
<thead>
<tr>
<th>GO Programme Metrorail</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>Forecast</th>
<th>2015/16</th>
<th>Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>324</td>
<td>385</td>
<td>385</td>
</tr>
<tr>
<td>GO Programme MLPS</td>
<td>3</td>
<td>32</td>
<td>57</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
</tbody>
</table>

### Delivering on the Modernisation Programme

<table>
<thead>
<tr>
<th>Station Modernisation</th>
<th>Number of projects in construction</th>
<th>3</th>
<th>8</th>
<th>10</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of projects to be completed</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>120km/h perway project</td>
<td>Number of projects in construction (Phases)</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Number of projects to be completed</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

### Other Key programmes as per the Capex programme

<table>
<thead>
<tr>
<th>Electrical</th>
<th>Number of projects in construction</th>
<th>5</th>
<th>10</th>
<th>10</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of projects to be completed</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Platforms</td>
<td>Number of projects in construction</td>
<td>20</td>
<td>81</td>
<td>80</td>
<td>160</td>
</tr>
<tr>
<td></td>
<td>Number of projects to be completed</td>
<td>10</td>
<td>20</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>Level Crossings and Footbridges</td>
<td>Number of projects in construction</td>
<td>1</td>
<td>4</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Number of projects to be completed</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Drainage</td>
<td>Number of projects in construction</td>
<td>1</td>
<td>5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Number of projects to be completed</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>
PRASA CRES: Real Estate Solutions

As a property management division of the organisation, PRASA CRES is responsible for efficiently and effectively managing the rail property portfolio so to enhance customer experience. Established in October 2010 to oversee PRASA's property portfolio, CRES will this financial year enter its sixth year as a Property Management Division of PRASA. In managing the portfolio, the mandate has been to improve and maintain the condition of the properties in order to provide passengers with improved rail public transport facilities whilst growing the real estate portfolio value through commercialisation.

The portfolio is vast and has a national footprint of 4,643 registered land parcels and over 10,000 buildings. Despite almost 70% of the stock being currently utilised for operational purposes (railway stations, depots, and Office Buildings) non-operational properties (land and residential) are being earmarked and exploited for commercial opportunities and these would include excess space from the stations. In the long-term, it is anticipated that the portfolio would grow its Gross Lettable Area (GLA) of 30% through the implementation of the real estate strategy, to exceed the current operational utilised space thus contributing towards the sustainability of PRASA.

Outlined below are categories of stock available within the portfolio;
- Railway stations (530)
- Residential units (762)
- Corporate office buildings (5) and Depots (85)
- Land parcels

Delivering on the Mandate

Supporting the Corporate Strategy and ensuring delivery against the Corporate Plan, PRASA CRES mandate contributes to the following PRASA objectives;
- Positioning rail as the backbone and mode of choice for public transport by offering improved and well maintained public transport facilities (railway stations)

National Station Upgrade Programme (NSUP):
Intended for major station upgrades, which addresses both service excellence and revenue generation.

Station Improvement Programme (NSIP):
Intended for quick visible station improvements and aimed at improving the commuter experience at stations.

- Improve financial position of PRASA by growing the property portfolio size to at least R1 billion by 2019

i. Acquisition of high yielding Development leases (DL).
ii. Commercialisation and Optimisation of vacant land.
iii. Disposal of superfluous properties, facilitated by Intersite investments,
iv. Investing in third party developments facilitated by Intersite investments.

Key Focus Areas:
Enhancing passengers travel experience travelling through PRASA managed environment, train stations and bus terminus, through efficiently and effectively running the business and focusing on three core areas:
- Real Estate Asset Management
- Facilities Management
- Advertising Portfolio Management.

Contributing to the Corporate Plan

Revenue Generation

The purpose of the programme is to generate income for the portfolio with two key sub-programmes (Commercialisation and Acquisition of Development Leases). The annual revenue target for the 2016/17 FY is R601 million. This represents a 10% increase from the 2015/16 FY revenue. CRES expects to see a gradual improvement revenue performance primarily through the implementation of the above Real Estate Strategy (RES) initiatives.

Property Improvement

The purpose of the programme is to improve condition of facilities into a modern and functional state. In this regard National Station Improvement and Upgrade (NSIP & NSUP) will deliver 55 and 15 stations respectively, whilst Workplace Improvement will complete a total of 20 projects.

National Station Upgrade Programme (NSUP): The programme manages PRASA’s ongoing investment in the development of 600 stations around the country, involving infrastructure improvements. In addition, the programme also is responsible for the construction and development of exciting new commercial and entertainment spaces at stations.

National Station Improvement Programme (NSIP): The programme encompasses all stations in various phases and focuses on maintenance and cosmetic improvements, such as painting, tiling, roof and window repairs, fencing and station branding.
Facilities and Utilities Management
Facilities Management will endeavor to prioritise providing daily cleaning to super-core and core stations with clean trains for the financial year. On Repairs and maintenance services scheduled and statutory compliance will be prioritised.

Energy management programme aimed at reducing the cost of utilities and contributing towards a sustainable environment will also be prioritised going forward. The focus will be on solar installation for facilities with high consumption rate.

Clean, Safe and Functional Facilities

The delivery of a clean, safe and functional station environment remains one of the key success factors for the Division. Below is an image of Muizenberg station in the Western Cape.

PRASA CRES has made significant progress in the management and maintenance of the portfolio facilities which is characterised by ensuring consistent delivery of municipal services, facility repairs, cleaning and horticultural services. This to an extent is attributed to the effectiveness of the upgrades and improvement programmes. The delivery of a functional and clean station environment remains one of the key success factors for the Division.

Improving the Financial Position

An increase in the GLA by an additional 14 000 m² and portfolio value has been seen as a result of the Real Estate Strategy initiatives that commenced in the 2013/14 financial year. In this regard a total of 11 Development leases have to date been acquired and more than six commercial initiatives came to realisation. Together, these initiatives have grown the portfolio value from R2.5 billion in 2012/13 FY to approximately R3.9 billion in the 2014/15 FY. Furthermore, CRES operational revenue has also seen a significant increase of approximately 40% as it moved from R258 million in 2012/13 FY to R439 million in the 2014/2015 FY. The anticipated revenues for the 2015/16 FY and 2016/17 FY are R548 million and R601 million respectively.

A total of 342 prioritised stations, depots and office building improvements were completed in the last three years and these accounted for a capital investment of approximately R2.5 billion. In the 2015/16 FY, a total of a 100 property improvements projects are expected to be completed.

The Division’s overall financial performance has improved over the years and this is evidenced by a drastic reduction in incurred losses over the past two financial years and it is anticipated that a breakeven performance budget by the 2016/17 financial year will be achieved. The successes points to the gains of consistent implementation of cost reduction and revenue generation programmes. The introduction of a
new rolling stock deployment corridor in Gauteng during the 2016/17 FY will however increase the cleaning and maintenance requirements for the line and cost base thereof.

Significant progress has also been noted in the management and maintenance of the portfolio facilities which deliver municipal services (water, electricity, rates and taxes) facility repairs, cleaning and Horticultural services. The provision of these services ensures minimum disruptions in the day to day running of operations.

PRASA CRES revenue, excluding subsidy, is expected to peak at R601mil for 2016/2017 representing a movement of R22mil (4%) on 2015/2016 budget of R579mil. However, in comparison the 2015/16 forecast to year end (R546mil), the revenue is improving by R55mil (10%).

Below is a reflection of the improved revenue performance, achieved in the past few years, which is aligned to the implementation of PRASA CRES's mandate. The revenue growth did not grow as anticipated during the previous financial year due to delays associated with the commercialisation projects. Such delays have impacted on the creation of Gross Lettable Area (GLA) space in order to increase revenue as envisaged.
A Growing Investment Portfolio

The value of the investment portfolio has grown drastically, from R924 million in March 2012 to R3.9 billion in March 2015. The investment portfolio is made out of acquired development leases [11] a few stations with commercialised space and land.

Consolidating the Advertising Portfolio

The business unit has managed to increase revenue from the portfolio from a budget of R12m in 2014/15 to the projected budget of R24m in 2016/17, which is 4% of its total revenue of R601m. The business is forecasting that the advertising portfolio will surpass the current 2015/16 budget of R19m by just over R2m. The consolidation of all advertising activities and introduction of effective governance structures to manage the various concession agreements are fast bearing positive results.

Specific key initiatives driving the improvement in revenue for this portfolio include:

- Audit and verification of billboards and associated ownership
- Review of all advertising agreements with various concessionaires
- Aggressive business development initiatives (directly sourcing business from the market)
- Introduction of standard processes in the portfolio
- Inclusion of regional personnel in verifying billboards and advertising campaigns
- Advertising boards – electricity recovery and synergy with PRASA CRES Metering Project
- Clean-up of old advertising structures.

In comparison to the 2015/16 forecast revenue will grow by 10%, and by 4% on the budget which is mainly as a result of development leases bought back this year resulting in increased income of R21mil. No additional buybacks have been factored into the 2016/17 budget. The advertising portfolio is projected to generate R24mil, with initiatives of the following:

- New product/market development
- Price increases on activations
- Advertising on large and small digital formats
- 2016 local government elections
- Increased rental income from old concessionaires
- Aggressive direct ‘go to market’ strategy

The business unit also projects that current leases will increase by 18% based on escalations and renewals in lease agreements. New commercialisation projects projected will generate an additional R20.7mil in revenue, whilst utility recoveries will increase by R6m or 7% due to the investment in installation of electricity and water meters in tenant premises.

Bus billing revenue is expected to increase by 34% due to additional bus operators at Park Station. Residential and Informal traders’ revenue is expected to increase by 6%, in line with its agreement.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Revaluation</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>924 269 650.00</td>
<td>0.00</td>
<td>924 269 650.00</td>
</tr>
<tr>
<td>2013</td>
<td>2 544 147 050.00</td>
<td>0.00</td>
<td>2 544 147 050.00</td>
</tr>
<tr>
<td>2014</td>
<td>3 249 243 988.37</td>
<td>0.00</td>
<td>3 249 243 988.37</td>
</tr>
<tr>
<td>2015</td>
<td>3 996 644 008.60</td>
<td>0.00</td>
<td>3 996 644 008.60</td>
</tr>
</tbody>
</table>
The advertising portfolio has significant potential to grow and requires a deliberate effort and strategic support in order to realize its full potential. Other less exploited opportunities include train, bus advertising and on-board entertainment as well as the rollout of digital screens that PRASA CRES is currently acquiring.

Development Leases

Through the implementation of the Real Estate Strategy, which, amongst other focuses on Commercialisation and Acquiring high yielding development leases, the income profile of this area over time would increase significantly as it could potentially generate the bulk of income for the portfolio. The acquisition of development Leases is at implementation phase and progressing well. To this effect, at least 11 development leases have been acquired thus far and additional two will generate 14% of the 2016/17 budgeted revenue of R601 million.

INTERSITE: Asset Investments (a subsidiary of PRASA)

Intersite’s mandate is the execution of PRASA’s secondary business objective, which is the generating of income through the exploitation of assets of PRASA.

Intersite’s objective is to provide property and asset investment solutions to PRASA through a range of innovative and entrepreneurial solutions. In addition, Intersite undertakes project services to third parties; linked to transport oriented developments, (under the auspices of the Neighbourhood Development Programme Grant (NDPG) an infrastructure grant linked to the Urban Network Strategy geared towards raising the rate of investment by private investors by lowering the costs of business and broadband services linked to PRASA telecommunication infrastructure.

Competitive advantage that Intersite currently has, is its exclusive rights to developments of PRASA owned land, the large captive commuter / passenger consumer base, entrenched relationships and knowledge of rail related property developments.

Delivering on the Mandate

Its aim it is to leverage the Group’s large asset base by generating income from the exploitation of assets acquired by PRASA. Station modernisation will be supported by investment from Intersite to harvest opportunities around these stations.

Key Focus Areas:

Responsible for sweating PRASA’s assets, Intersite is responsible for the following key strategic areas: The facilitation of investment by strategic partners;

- Development of PRASA properties and assets;
- Commercialisation of select and approved PRASA assets, including facilitating private sector investment;
- Undertaking project management services related to transport related projects;
- Leveraging PRASA telecommunication infrastructure, and
- Providing telecommunication services to the market and to meet PRASA information communication and technology needs.

Contributing to the Corporate Plan

Intersite has developed a comprehensive business plan to support PRASA’s Corporate Plan focusing on:

- Investment by strategic partner/s in the development of properties and assets;
- Capital raising for the funding of Intersite participation into PRASA properties/assets investments;
- Commercialisation of PRASA telecommunication infrastructure, which entails Dark Fibre leasing,
- Implementation of the Value Added Services offering; and
- Growth and development of the property portfolio and assets of PRASA.

Property and asset development and facilitation for private sector investment in PRASA’s assets:

- Leasing of assets/services
- Develop a business case for raising debt funding for investments
- Private sector participation facilitation through new property development leases
- Grow the investment portfolio
- Telecommunication assets commercialization and leveraging.

Increase the Value of the Property Portfolio

Facilitate developments by private sector investors/developers and invest in New Developments.
Leveraging PRASA’s Assets

Growing the investment portfolio:

- To leverage the commercial property assets to secure funding through borrowing capital to develop its stations and precincts.
- PRASA to receive monthly cash flows in the form of interest on its loan to Intersite rather than the commercial rentals.
- The ownership of the underlying assets still belongs to PRASA and is not transferred; just the rights to the income and developments are transferred for a defined period and later they revert back to PRASA.

Embark on Robust Asset Investment Programme

- Investment funds raising - raise funding as required for investment; from PRASA or off the back of Intersite balance sheet.
- Revenue sharing - operate along commercial lines and a participation interest i.e. revenue share in developments on the property portfolio going forward.
- Revenue generation - Intersite would pay PRASA monthly based on the profit generated, and it is expected that there will be no negative cash flow impact for the Group.

Sustainability and Additional Revenue

The strategy is to achieve sustainability and deliver additional revenues sources to PRASA by focusing primarily on long-term asset based commercial transactions.

Property Development Feasibility

Having regard to the risks indicated above, the focus is to position Intersite to obtain and hold the required property development rights.

Commercialisation of Telecommunications and ICT Assets

The feasibility of commercialising Telecommunications and ICT assets is enabled by:

- The existing optic-fibre and GSMr telecoms infrastructure (excess capacity) and further deployment of the same under the re-Signalling projects.
- PRASA rail infrastructure, where telecommunication assets are located, forms an integral part of the transit corridors.
- Urbanisation and transit oriented developments requires ICT infrastructure and services.

- Broadband access - Approximately 86% of the South African population is within 10km of fibre. However, it is expected that current backhaul fibre capacity is not likely to be sufficient to meet future demand.

Fiber Market breakdown by ownership, South Africa 2013

Transit Oriented Developments

The aim is to secure more projects for the Neighbourhood Development Partnership Grant ("NDPG") of the National Treasury ("NT") and this is now the anchor upon which Public Projects Services department’s efforts will pivot.

The strategic objective of this partnership is not only to provide technical strategic urban planning services to the municipalities, but to also leverage the PRASA brand in Municipalities and thus win various parcels of work, mainly work aimed at playing an integrating function across Government spheres and using public transport and transit oriented developments ("ToDs") to ensure that South Africa’s cities are properly planned using the Urban Network Strategy as a tool in the future. Once this planning phase for each project is complete, the aim is to ensure that Intersite plays a critical role in the implementation of select projects of high value, thus earn fees from implementing these high value infrastructure projects.

The shortage of housing creates a spur for residential developments. The proximity of PRASA land to rail commuter transport, creates a potential for transit-oriented developments.

Critical Success Factors

- Funding for the required strategic and defined planning and asset identification cost;
- Regulatory approvals from the relevant authorities;
- Available select and approved investment assets and properties ready to be taken to market;
- Support for the implementation of the approved Investment Strategy by PRASA Group;
- Transfer of the select rights and assets [on leasehold bases] from PRASA to Intersite for leveraging.
AUTOPAX Long Distance Bus Services (a Subsidiary of PRASA).

Autopax Passenger Services (SOC) Ltd (Autopax) has its origins in the passenger services provided by the former South African Road Transport Services, under the names of Transtate and Translux. During the period after 1990, these two businesses were consolidated into the Passenger Services Division of Autonet, a division of Transnet. Autonet was corporatised into the legal entity Autopax Passenger Services (Pty) Ltd.

Autopax Passenger Services (SOC) Ltd is a wholly owned subsidiary of the PRASA. Autopax operates two bus services, the luxury brand Translux and semi luxury brand City to City. In an effort to diversify revenue streams Autopax also operates a tailor made bus hire solution known as Autopax Charters.

Translux is long distance scheduled inter-city operator, servicing more than 100 destinations throughout Southern Africa. City to City provides no-frills regional services to various destinations across South Africa and neighbouring countries.

During the financial year 2015/16, the Gauteng Provincial Department of Transport approached Autopax to take up the subsidised commuter bus services in three Municipalities, namely Tshwane, Ekurhuleni and Sedibeng. Commuter bus services have been adopted as a strategic thrust area of operation for Autopax onwards.

Delivering on the Mandate

As a wholly owned subsidiary of PRASA, Autopax’s mandate is to:
- Consolidate its market share and to operate as a fully commercial entity;
- Support rail operations through effective and feeder distribution services
- Offer services to cities and municipalities in rural areas.

Delivering on the Corporate Plan

Investing in New Capacity
- Modernisation and capacity enhancement of strategic assets
- Rollout of new ticketing system.

Unlocking the Value of Assets
- Deploying access assets
- Special hires
- New routes
- Optimal utilisation of assets
- Seeking business opportunities.
Sustaining Current Operations

- Implementing the identified turnaround plans and deliver visible short-term improvements that change commuter the passenger experience
- Operationalising current business plan objectives.

In terms of the latest market size estimation for long-distance bus operations, it has been established that Autopax has 22% market share on the long-distance bus market by number of buses. Autopax has a total fleet of 546 utilised for both long distance, charter and commuter operations.

A comparative market share with other bus operators is available monthly, but it might not serve the purpose to inform the strategic thrust for Autopax as it’s based on the statistics provided by ticket sales agents and further, Autopax does not operate the same routes as its competitors.

The commuter baseline information shall be included as part of business overview below. Another key focus area for Autopax is cross-border bus operations in SADEC neighbouring countries. The current portfolio of this market is outlined as follows:

In line with their self-employed status, more than a third of travellers come to South Africa to buy goods for resale back in their home countries. Price and affordability are the main drivers for choosing the bus as a mode of cross-border travel to and from South Africa.

The cost of bus trips between South Africa and the other countries is a combination of distance and luxury category of the bus used. The average prices of two-way (return) trips are: DRC (R2 466), Malawi (R2 206), Namibia (R2 204), Zambia (R1 438), Zimbabwe (R810) and Mozambique (R570). On average, a single cross-border bus traveller uses a bus to and from South Africa up to seven times in a year. The three countries with the highest repeat travel rates are Zambia (10.4), Mozambique (8.8), and Zimbabwe (7.2) and lowest for DRC (4.6) and Namibia (2.3).

Calculated from the number of trips per year and the average price of a two-way ticket, the mean annual spend on bus travel per traveller per country is higher for Malawi (R15 00), Zambia (R14 955), and DRC (R11 344) in comparison to Namibia (R4 655), Mozambique (R5 026) and Zimbabwe (R5 832). The estimated total travelling population to South Africa from the six target countries is about 3.44 million, based on the 2012 South African Tourism figures, and about 3.26 million (95%) of the total travelling population arrive by road. However, the total of 0.4 million who travel by bus represents only 12.3% of the total road travelling population.
HUMAN CAPITAL INVESTMENT: BUILDING CAPACITY

“Reactive organisations are very costly whilst proactive organisations reduce cost, eliminate duplication and eliminate non-value added processes...”

-Ron Higgins (Transformational Specialist)-

Human capital development will be a critical feature during the growth and expansion phase of PRASA’s strategy deployment. The massive capital investment programme amounting to billions of rands will require a calibre of employee who is capable not only of delivering such infrastructure and services deployment, but is capable of sustaining and ensuring that the organisation is future proof and built to last.

PRASA is poised to be a centre of excellence in the identification and development of critical skills in the rail-engineering sector, particularly mechanical and electrical engineers, including technicians and artisans.

Modernisation and a focus on growth and expansion in the next three years will require a particular focus on human development that will ensure that PRASA is responsive to the fast and changing environment and the changing needs of the passengers, commuters, and users of the organisation’s facilities in what also has become a highly competitive environment.

Building and sustaining a modern public entity capable of delivering public value will be driven by the following factors:

- Customer-centric
- Dynamic
- Solutions driven
- Systems and technology driven
- High performance teams
- Thought leader
- Learning organisation.

During the Growth and Expansion phase PRASA’s human capital development and management strategy will focus on the following:

- Future Skills development
- Leadership Calibration and Development
- Transformation Management

- Culture management (model PRASA Employee)
- Employer of choice.

In ensuring the implementation of an effective capacity development plan for the future, PRASA has identified the following as the key pillars:

- Funding (capital and operational Funding)
- Identification of employees to be trained
- The establishment of the future capacity project office and the training centre of excellence
- Communication of the transition journey through the planned change initiatives
- Business readiness forums (across the organisation)
- A well structured learnership and internship programme
- Leadership participation.

Developing Critical Skills

The transition from the old to the new requires a detailed competency profiling and skills analysis exercise that will help the organisation to answers the following questions:

a. Who is in PRASA workforce?
b. What is the current skills mix?
c. What skill sets are required for the PRASA future business?
d. Who should be re-skilled, up-skilled, re-deployed or recruited from the external market.
e. What are the characteristics of the model PRASA employee?
f. Does PRASA have employees who have the passion, the right attitude to help fulfil its strategy?

Why Future Priority Skills Project

To focus on future skills requirements; the Future Priority Skills FPS project team will provide an integration role for PRASA Technical, PRASA Rail and PRASA Corporate, by coordinating all skills transfer and Skills upgrade requirements for each of the key Capital Projects i.e. STEP, depot and training facilities upgrade, New Rolling Stock programmes, etc.

In preparing for and rolling out a world-class train system of the Future, PRASA will train a total of 1,185 employees in key and critical skills as depicted in the following:
Technical Skills required to match Modernisation Programme (~1 285)

### Moving from the Old to the New

<table>
<thead>
<tr>
<th>Step</th>
<th>New Rollingstock</th>
<th>Depot / Facilities Upgrade</th>
</tr>
</thead>
</table>
| Employees | • Job profile changes (output & qualification)  
| | • Employee migration  
| | • Priority on higher skill levels  
| | • Changes in working conditions  
| | • Up-Skilling/Training on new technology  
| | • Employee Attitude/perceptions  
| | • Acquiring new skills during transition  
| | • Culture change management  
| | • Contractor and staff interface  | • Up-skilling/Training on new technology  
| | | • Changes in working conditions  
| | | • Improved facilities  
| | | • Employee Attitude/perceptions  
| | | • Staff relocation during depot upgrades  
| | | • Culture change management  
| | | • Job security due to changes  
| | | • Contractor and staff interface  |
With the modernisation underway, PRASA is conducting a competency profiling and skills identification process in key departments that will be impacted by the change. The following clearly identifies critical skills for the specific modernisation projects currently underway.

- **Modern Commuter trains:**
  - Engineers – rolling stock
  - Maintenance Engineers
  - Train drivers
  - Metro Guards
  - Customer services agents (product knowledge)
  - ICT
  - Managers

- **Modern depot’s stations –**
  - Infrastructure
  - Customer services agents
  - Managers

- **Modern Signaling, Telecom and Energy:**
  - Signalling and telecoms engineers
  - TCO’s
  - Train Drivers
  - Managers
  - ICT.

Priority Skills: Streams
Streams for each Priority Skills Programme have been identified and categorised according to their area of emphasis, as per the following:

- Stream 1 New rolling stock
- Stream 2 STEP
- Stream 3 Depot and station upgrade
- Stream 4 CTC
- Stream 5 training Centres and training material review
- Stream 6 HCM Architecture Review and Re-Design (scope to be defined)
- Stream 7 operational safety and security (scope to be defined)
- Stream 8 ICT (Scope to be defined)
- Stream 9 customer services and marketing & comms (scope to be defined)

Leadership development
In building a future proof organisation, critical questions will need to be asked:

a. Do we have the right calibre of leaders who can lead the transition?
b. Is the leadership aware that we are already in the transition journey?
c. What are the aspects of the business are to be transitioned (old – new)? And by when?
d. Is each leader making the relevant and required transition decision?
e. What leadership development is required?

For PRASA to realise these strategic business programmes it will require dynamic leadership skills, authentic leaders, leaders with integrity, driven by business interest and performance, leaders who are ready and willing to take the organisation to the future. The leadership development academy will enable the organisation to build the required leadership skills and competencies, providing structured and personalised development solutions for the railways leaders of the future.

The proposed leadership development strategy aims to build a legacy of rail founded by solid leadership development programmes and commitment to service excellence as an anchor to the curriculum development of PRASA leadership programme, ensuring that we have the right leaders in positions at the right time. The leadership development strategy will be elevated and supported by bold practical programmes to ensure that the most marketable individuals are not lost to competition, and that there is sufficient supply of leadership in the pipeline to ensure that demands are met to fill vacancies resulting from natural attrition, promotion or other movements.

The organisational culture change shall be driven by leadership: PRASA senior leadership needs to create this expectation, this can’t be delegated, and organisational leaders need a set of skills*, other than intellectual and technical skills, to help their employees respond effectively to company challenges. Hence, irrespective of one’s core business, such core leadership skills would span across functions.

Leadership development rationale
- To build a PRASA leadership brand supported and valued by all PRASA leaders
- To introduce a leadership development strategy that will focus not only on traditional mainstream development.
- Ensuring consistent execution of PRASA leadership Strategy
- Strategy that will link day-to-day leadership, performance and business strategy
- Leadership development programme aligned to organisational vision and mission
- Leadership development programme defined by PRASA Values and Leadership ethos
- Desired end state
- Build thought leadership, leaders who are game changers.
• Build coercive leaders
• Build leadership mindset aligned to modernised business
• Build a leadership pipeline and competent leadership bench strength
• Build Leadership commitment through leadership ethos
• Build leadership confidence and accountability
• Improve decision making and leadership ability to see opportunities
• Build leadership to effectively execute business strategy.

The project will be looking into how best the organisation can assist the current leadership through structured, personalised leadership development programme. Develop a PRASA leadership competency framework to help build leadership bench strength and position leadership recruitment, as key element in driving the organisations strategy will also look at presenting the idea of establishing Rail Leadership School in partnership with other strategic partners at institutions in leadership development.

Change Management

A change management and transformation programme has been developed for implementation and rolling out throughout the organisation, involving the following:

• Identification and nurturing of the model PRASA employee.
• Inculcating high customer service standards
• Managing the PRASA transitioning Process
• Communicating the change to employees, customers and key stakeholders

In a new and modern environment a PRASA BEe employee will be defined as:

- Focused
- Prepared
- Reliable
- Being On The Ball
- Being Aware
- Modern
- Dynamic
- Communicative
- Professional
- Honest

The roadmap to a new PRASA – a modern public entity – that delivers Public Value will be driven by a change management campaign called the BEe.
Introduction

PRASA’s perception of the spirit of the Employment Equity initiative is to ensure the establishment of a healthy context within which all South Africans will both develop the competence required for life-long employability and enjoy the opportunity to be able to reap the rewards of being an integral part of a successful and profitable world-class organisation. We realise and acknowledge that in the past there have been inequalities in this regard and that a significant challenge now faces businesses and Government to rectify the situation.

Central to the challenge is the removal of barriers to entry by previously disadvantaged groups where such competence exists, as well as the development of competence in such groups where this has previously been neglected. Both goals must be achieved as quickly as possible without compromising the competitiveness and thus the sustainable profitability of businesses in the process.

To achieve this delicate balance requires a committed partnership between business and those tasked with the execution of the Employment Equity legislation. Both parties must be sensitised to each other’s needs and priorities to ensure an optimal working relationship, which will generate both a healthy, constructive database and creativity in developing innovative solutions to this enormous challenge.

Guiding Principles

Fairness and Integrity – Treating our customers and our colleagues the same as we would like to be treated.

Service Excellence – Provide the kind of service that ensures that our customer leaves with a smile.

Performance Driven – Developing the ability to venture into new breakthrough areas of opportunity whilst offering quality products to our customers.

Safety – Ensuring our customers and colleagues enjoy their journey and arrive safely and refreshed.

Communication – Sharing information with our customers and colleagues in an open and honest way.

Teamwork – Working together with our customers to achieve a common goal and recognising each other’s worth.

Purpose of Employment Equity

To realise PRASA’s vision, deliberate and pervasive action throughout the organisation is required. Affirmative action is a necessary stage of the process. Our strategy document addresses the procedural steps necessary to create a fair and just environment. The intention is to implement a Code of Best Practice to counteract any bias that favours certain groups over others while ensuring continuous improvements in standards within the group. The Code thus combines equitable people management with improved business standards.

The Code will apply until critical mass is achieved within time frames decided upon after consultation with all relevant stakeholders. In this document, “critical mass” implies that the targets set according to the EE plan are met and the overall percentage of employees from the designated groups mirrors our customer base in terms of race. EE Committees will monitor the process and report to the EE Office on progress.

It is PRASA’s commitment to identify, develop, reward and retain each employee who demonstrates the qualities of individual initiative, enterprise, hard work and loyalty. PRASA will prioritise the advancement of those severely disadvantaged. In prioritising this process, line management should be guided by the general consensus within South Africa that the list below illustrates the order of disadvantages to overcome.

Priority order:

- Females of all races including women with disabilities (African/coloured/Indian and white)
- African/coloured/Indian male including males of all races with disabilities
- People with disabilities all races
- People with disabilities all races
- white males

Conditions of the Environment
The EE planning aims to create an environment conducive to the implementation of EE values and changing of attitudes within the organisation through:

a. The establishment of a diversity and EE programme.
b. EE Targets for every division/regional office and subsidiary of PRASA.
c. Introduction of diversity management workshops that will prepare all employees at all levels with regards to the negative impact of discrimination and stereotyping.
d. The integration of the diversity philosophy into all management and leadership training.
e. EE Training at all levels and establishment of EE committees to address diversity interventions.

**Employment equity variables**

The following variables are taken into account when determining EE targets:

a. Growth per level based on projected financial and/or operational growth.
b. Labour turnover annually, people from disadvantaged groups and whites.
c. Promotability refers to the approximate length of time that an employee may function at a level before being suitably qualified to be promoted to the next level.
d. Individuals irrespective of race and gender may be promoted in a shorter or longer time period in line with the PRASA EE plan and actual reports from time to time.
e. New appointments, which refers to employees that would have to be appointed from outside the organisation in order to meet targets.
Objectives/Affirmative Action Measures for 2016/17

a. To achieve numerical goals and targets of the plan.
b. To implement properly designed mentorship programmes.
c. To provide training for EE Committee members (ongoing)
d. To promote diversity in the workplace.
e. To ensure that retention strategy for designated groups is in place
f. To implement appropriate training measures to provide for the skills required.
g. To design programmes to deal with people with disabilities so as to ensure that they enjoy equal opportunities.
h. To constantly monitor workforce movement.
i. To advocate EE to all employees, including managers.
j. To capture targets for Year 2016 and develop a new EE plan.

Monitoring the EE Plan

Monitoring and control mechanisms will be implemented to assess and regulate the progress towards targets on a regular basis so that corrective measures are taken timeously.

- Divisional CEO’s and the Group CEO are directly accountable for implementing corrective measures aimed at correcting negative variances within the group particularly on female and disability representation.
- Divisional and Regional HR jointly with the EE Committees are responsible for the implementation and monitoring of the Divisional/Regional Employment Equity Plan
- The National Employment Equity and Diversity Manager is responsible for the overall Monitoring and implementation of the National EE Strategy and the EE Plan at a national level.
- Dispute Resolution
  The committee shall attempt to reach consensus on the following:
  - All analysis as required by the Employment Equity Act and Skills development Act
  - The preparation and implementation of the EE Plan and The Skills development Plan
  - The submission of EE Reports and WSP to the Department of Labour and SETA.
  - Failing consensus, any disputes in respect of 6.1 will be referred to an independent source for conciliation, mediation or arbitration. Any agreements and/or awards will be final and binding on all parties.

- Any dispute in respect of Unfair Discrimination (Chap I of the Employment Equity Act) must be referred to the appropriate body for conciliation, arbitration or adjudication in terms of the Labour Relations Act (Chap VIII).

The budget for the implementation of the EE Plan concerned, this must be reasonable and appropriate. The company retains the right to allocate resources within its normal financial and budgetary disciplines.

Acknowledgement of the PRASA Employment Equity Plan

- PRASA Group EXCO - including the Group CEO
- SATAWU – PRASA National Employment Equity Committee
- UNTU – PRASA National Employment Equity Committee
- The PRASA National Employment Equity Committee
- The National Employment Equity and Diversity Manager for PRASA.
FRAUD PREVENTION PLAN

PRASA recognises the potential negative effects of fraud to the achievement of its mandate and objectives. PRASA hereby intends to promote consistent organisational behaviour by providing guidelines and assigning responsibility for the management of fraud in the organisation. These guidelines are to act as enablers to allow effective fraud prevention within PRASA. It is the responsibility of management to assess their environment and implement these guidelines in their areas of responsibility. Fraud and corruption prevention like any other risks, is the responsibility of everyone in PRASA.

Purpose

The purpose of this Fraud Prevention Plan is:

- To highlight practical steps that PRASA will implement to ensure that its employees, suppliers and other stakeholders behave ethically in their dealings with, or on behalf of PRASA.
- To ensure that appropriate steps are put in place to create a culture, that is intolerant to fraud and corruption.
- To provide direction and identify various areas of training on fraud and corruption to deter employees, suppliers and other stakeholders from committing fraud and corruption.
- To provide a framework for investigating all suspected cases of fraud, theft or corruption where:
  - the value of PRASA has suffered or may have suffered; or
  - has been misrepresented for personal gain as a result of the actions or omissions of directors and staff employed by PRASA and/or Customers, contractors and other external stakeholders.

Scope

The Fraud Prevention Plan applies throughout PRASA including its divisions and subsidiaries. It also applies to the Board of PRASA, the Board of Directors of Intersite and Autopax, and to all the employees.

Definitions

a. Fraud

Fraud is commonly defined as the unlawful and intentional making of a misrepresentation which causes actual prejudice or which is potentially prejudicial to another.

Fraud prevention/fraud risk management

Fraud prevention/fraud risk management is a process that puts mechanisms in place, to manage an Institution’s vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

<table>
<thead>
<tr>
<th>Board</th>
<th>PRASA’s accounting authority as per section of the Public Finance management Act 29 of 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCEO</td>
<td>Group Chief Executive Office PRASA</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Financial Management Act 29 of 1999</td>
</tr>
<tr>
<td>GMS</td>
<td>General Manager Security Corporate</td>
</tr>
<tr>
<td>GCRO</td>
<td>Group Chief Risk Officer</td>
</tr>
<tr>
<td>GCIE</td>
<td>Group Chief Audit Executive</td>
</tr>
<tr>
<td>PRASA Group</td>
<td>Passenger Rail Agency of South Africa</td>
</tr>
<tr>
<td>PRASA Group Policy</td>
<td>PRASA Corporate, PRASA Rail, PRASA Cres, Intersite</td>
</tr>
<tr>
<td>PRASA Group Code</td>
<td>Code of ethics for PRASA Group</td>
</tr>
</tbody>
</table>

General actions constituting fraud

The following are examples only and should not be seen as exhaustive:

- Corruption
- Forgery
- Money laundering
» Bribery
» Embezzlement;
» Misappropriation;
» Theft;
» Overstatement of assets and income to conceal unauthorised transactions;
» Understatement of liabilities and expenses to conceal illegal transactions;
» False and/or omitted disclosure, etc.
» Undeclared Conflict of interest
» Circumvention of internal controls
» Tender and other procurement irregularities
» Misuse of assets
» Other financial malpractice.

Fraud Framework

PRASA’s Fraud Management Framework is based on the National Treasury Fraud Prevention Plan guideline and consists of the following pillars: Fraud prevention, fraud detection, fraud investigation, fraud response and communication.

Fraud Prevention

Prevention of fraud is the primary focus of the fraud prevention plan as the effects of fraud are costly, time-consuming, disruptive and unpleasant. The following are the measures to be taken to prevent Fraud:

Awareness, training and education
- To create awareness amongst employees a continuous training programme throughout the group will be developed and implemented.
- The fraud awareness programme will include promoting policies that must be adhered to, including the code of ethics

Ethics policy
PRASA shall maintain a code of ethics that shall be availed to all employees through the intranet and other areas that are accessible to all employees. Induction programs for newly recruited employees shall include training on the company’s ethics.

Fraud risk assessments
- Any risk assessments at operational, business and corporate level will include the assessment of fraud and identification of mitigating action plans and controls.
- Top 10 fraud risk areas will be identified and monitored at EXCO level.
- As part of risk monitoring, management will be required to report periodically on the risk control effectiveness.
- Fraud risk indicators will be identified and monitored for all identified fraud risks.

Denial of opportunity
- Management will put in place basic internal controls to prevent and detect fraud and corruption.
- Management will ensure that the following internal controls are in place:
  a. physical controls over assets
  b. Information security and
  c. general controls and supervisory controls.
- Management will ensure the adherence to internal controls that prevent and/or eliminate the opportunity for Fraud
- As part of strengthening internal controls, Management will ensure adequate segregation of duties is maintained in processing transactions.
- All business units within PRASA will have to align their financial and business internal control systems to the Fraud Prevention Plan by putting in place key controls that specifically address the risk of fraud.
- PRASA will implement common financial, human resources and other business policies and procedures that must be applied consistently throughout the group.
- Management will ensure that there is awareness and knowledge of PFMA and common policies and procedures including S
- i. supply chain management and other related policies throughout the group.
- j. The anti-fraud policies and procedures will include information security and other technological considerations and will be reviewed annually.
- k. The internal audit departments continuously monitor the effectiveness of the internal controls.
- l. Management continuously improves the design of the controls.
- m. The system of financial and business controls will be reviewed annually to determine its effectiveness in preventing and detecting fraudulent activities by process owners including finance and internal audit.
- n. All employees recruited to key positions will be vetted by the corporate security and human resources departments.
- o. Business process owners from executives will be responsible for implementation of the Fraud Prevention Plan within their area of responsibility.
- p. At various risk committees the risk of fraud shall
be part of the agenda and minutes of how fraud risk is being dealt with shall be kept for review by the internal and external auditors.

q. A fraud policy shall be reviewed annually by the Audit and Risk Management Committee and approved by the Board and Board Members shall highlight the importance of fraud prevention in their communications to employees.

Fraud detection

No amount of prevention systems can guarantee the absence of fraud. Managers should remain vigilant to detect any suspicious activities from employees. The following are the measures to be followed to detect fraud:

- Trend analyses should be performed on all fraud risk indicators to detect any fraudulent activities.
- Systems must be in place to detect any transactions that did not follow procedure.
- Employees will be encouraged to report any fraudulent and corrupt activities.
- A response plan will be developed and consistently applied throughout the group.

- The response plan will include the roles and responsibilities, reporting of fraud and investigation.
- A whistle blowing policy will be implemented in line with the fraud policy to encourage employees and the public to report any fraudulent activities and provide mechanisms that will ensure that those who report fraudulent and corrupt activities are not victimised.
- An independently run hotline will be established. The hotline will be marketed extensively throughout the group by the Marketing and Communications Department.
- All reported incidents will be investigated jointly by the internal audit and corporate security Departments.
- Periodic reports of all reported incidents will be presented to the Audit and Risk Management Committee, including the outcomes of any investigation.
- A fraud register will be maintained by the Group Risk Department.
You suspect fraud or other illegal act involving the organization by an employee or perpetrated on the organisation

Either/ or

Discuss with your line manager/head of department

If suspicions appear well grounded, department head or head of HR tells the (GMS/CAE)

GMS/CAE records details immediately in a log

Fraud and other illegal acts log

GMS/CAE considers need to inform/or Group Chief Executive Officer, external auditor and police

Log reviewed by audit committee

Where applicable GMS/CAE to initiate action to end loss, and correct any weaknesses in controls or supervision any weaknesses

To Chart 2
Fraud Investigation

Fraud investigation process [see Chart 2 – managing the investigation]

- Investigations seek to establish at an early stage whether a criminal act has taken place.
- If it appears that a criminal act has not taken place, an internal investigation will be undertaken to:
  - determine the facts
  - consider what, if any, action should be taken against those involved
  - consider what may be done to recover any loss incurred and identify any weaknesses in the system and look at how internal controls can be improved to prevent a recurrence.

The Group Chief Audit Executive will present the findings of his investigation to the Chief Group Executive Officer, who will make the necessary decisions and maintain a record of the subsequent actions in relation to closing the case. Once concluded, details of such cases will be reported to the Audit and Risk Management Committee on a quarterly.

Where an investigation involves a member of staff and it is determined that no criminal act has taken place the General Manager Human Capital will liaise with the head of human resources and appropriate line manager to determine which of the following has occurred and therefore whether, under the circumstances, disciplinary action is appropriate:

- gross misconduct (i.e. acting dishonestly but without criminal intent)
- negligence or error of judgment was seen to be exercised nothing untoward occurred and therefore there is no case to answer.

The disciplinary procedures of PRASA will be followed in any disciplinary action taken towards an employee. This will usually involve a disciplinary hearing at which the results of the investigation will be considered.

Where, after having sought legal advice, the General Manager Human Capital judges it cost effective to do so, PRASA will normally pursue civil action to recover any losses. The General Manager Human Capital will refer the case to PRASA’s legal department for action.

Where initial investigations point to the likelihood of a criminal act having taken place the Chief Audit Executive will, with the agreement of the General Manager Corporate Security, contact the police and PRASA’s legal advisers at once. The advice of the police will be followed in taking forward the investigation.

Where there are sufficient grounds, the organisation will, in addition to seeking recovery of losses through civil proceedings, also seek a criminal prosecution. The General Manager Corporate Security will be guided by the police in arriving at his decision on whether a criminal prosecution is to be pursued. Where appropriate, the General Manager Corporate Security will consider the possibility of recovering losses from PRASA’s insurers.
Chart 2

1. CMS/CAE informs GM security to oversee and start investigation
2. Does it appear that a criminal act has taken place?
   - No case to answer
   - No
     - Consider possibility of making good the loss
     - Consider possibility of making good the loss
   - Yes
     - In conjunction with head of HR, implement disciplinary procedures if appropriate
     - Initiate dismissal procedures
   - Or
     - Error of judgment/negligent conduct
     - Loss recovered
     - Loss recovered
     - Gross misconduct
     - Gross misconduct
     - From Chart 4A
     - From Chart 4B
     - Consider possibility of making good the loss including a civil action for recovery
3. Diary of events
4. Inform police and external auditors
5. To Chart 3
6. To Chart 2

FRAUD AND OTHER ILLEGAL ACTS LOG
Interviewing suspect(s)

If the Group Chief Audit Executive/General Manager Corporate Security decides to proceed with interviewing a suspect, and where the suspect is an employee of PRASA, the interview will usually be carried out by the Group Chief Audit Executive/General Manager Corporate Security and Group Executive Human Resources.

The individual being interviewed should be informed of the reason for the interview and a contemporaneous record will be made of all that is said. He should also be advised that he is not under arrest and is free to leave at any time.

The individual(s) being interviewed will also be given the opportunity to be supported by a friend or trade union official. This type of interview will not take place under caution. If the need for caution arises during the interview, the interview will be terminated immediately after the caution is given and the individual concerned advised to seek legal advice. The Group Chief Risk Officer will be notified and police advice sought at this point. Once the interview is over, the suspect will be given the opportunity to read the written record and sign each page in acknowledgement of its accuracy. All other persons present will also be asked to sign to acknowledge accuracy. Where external PRASA/individuals are involved, interviews will generally be undertaken by the police unless the Group Chief Audit Executive is able to gain the co-operation of PRASA’s management or auditors.
Chart 3

From Chart

Criminal act believed to have taken place

Is there any physical evidence?

No

Collect evidence with documentary record of time and place

Are there any witness

No

Discuss events with witnesses

Investigation manager to obtain written statement(s) if the events

Are witnesses prepared to give a written statement?

Make a written note of any discussion

Chief Audit Executive to report to GMS/CAE

GMS/CAE to consider if suspect should be interviewed

To Chart 4
Fraud Resolution

Through the risk committees the PRASA Group will share any learning’s from fraudulent activities within the group. The Risk Committee will review all controls and measures put in place post any fraudulent event within the group.

Communication

The Group Executive Committee (EXCO) shall continuously review the fraud statement and ensure that it is adequately communicated throughout the Group. Communication of fraud prevention and actions necessary to prevent fraud will be communicated to every employee within PRASA through the Group Marketing and Communication department.

The Group Marketing and Communication department will devise appropriate communication channels to ensure that all employees remain alert and are continuously made aware of possible fraudulent activities.

APPENDIX A

FRAUD RISK LIBRARY

Risk associated with procurement

Risks associated with the operation of purchasing systems include:

a. The false input of invoices, the diversion of payments and misappropriation of purchases.

b. Unauthorised use of purchasing systems in order to misappropriate goods or use services for personal gain.

c. Short deliveries of goods or services may be accepted as a result of collusion

d. Acceptance of unsolicited goods or expanded orders as a result of fraudulent acceptance.

e. Misuse of Procurement Cards/Credit Cards.

f. Orders placed on the Internet fail to be delivered or goods received are not of desired quality.

Risks associated with the use of contractors

a. A contractor could be selected as a result of favoritism or who does not offer best value for money.

b. Payments made for work not carried result out as a result of collusion between the contractor and official.

Risks associated with assets

Risks in this area include

a. Use of assets for personal gain, or misappropriation of assets.

b. Theft or unauthorised use of assets, Risks associated with sensitive information

c. Theft of sensitive/restricted documentation or information.

Risks associated with travel

a. Making false claims for allowances, travel and subsistence.
1. INTRODUCTION

1.1 PRASA’s strategic objectives can be achieved by managing or reducing risks and enhancing the quality of management decision-making through proper planning and optimal allocation of the organisation’s resources. The Enterprise Risk Management (ERM) Strategic Plan outlines the activities that the ERM Department will be implementing to support and ensure the successful implementation of the PRASA Corporate Plan.

1.2 ERM arrangements define the decisions, the involvement by various stakeholders, and the structures, processes, responsibilities and other mechanisms required to make decisions. This involves building the right capacity, processes and structures in order to make the right decisions that achieve alignment, manage risks, improve business performance and manage costs.

1.3 ERM will be implemented in accordance with the ISO 31000 Standard and the King 111 Report as outlined below:

1.3.1 ISO 31000 Standard
The Standard contains a systematic and logical way of risk management activities. The process outlines how PRASA should manage risks by anticipating, understanding and mitigating risks that have been identified. The process further indicates the importance of communicating and consulting with stakeholders and monitoring and reviewing the risks and the controls.

1.3.2 King 111
King 111 emphasises that the Board of Control should appreciate that strategy, risk, performance and sustainability are inseparable. It also provides that the Board of Control is responsible for governance of risk and should ensure that there is an effective risk-based Internal Audit. Therefore, the Board of Control must ensure that ERM is embedded in the governance processes of the organisation, to achieve performance through the effective and efficient provision of services.

King 111 also advises on the following issues regarding risk management:
- Risk governance
- Risk appetite and tolerance
- Linking performance and risk management
- Compliance risk
- Combined Assurance Framework
- Fraud risk
- ICT Governance

All the above factors have been taken into account in the development of the ERM Strategic Plan, Policy, Framework and Methodology.

2. SCOPE
The ERM Strategic Plan applies to PRASA the entire Enterprise which is made up of PRASA Corporate, PRASA Rail, PRAS CRES, PRASA Technical, Intersite and Autopax.

3. RISK MANAGEMENT TOOLS AND TECHNIQUES

Risk Management Policy
The Board of Control must ensure that there is a policy in place, and that it is reviewed annually to ensure relevance.

The Risk Management Policy outlines PRASA’s commitment to the effective and efficient promotion and management of stakeholder value and undertakes to do so in a way that minimises exposure that could adversely impact on its reputation and ability to fulfil its legislative mandate as contained in the Legal Succession Act.

The Board of Control ensures that there is effective and efficient risk management in the organization and that the ERM methodology and techniques are embedded in strategy setting, planning and business processes to safeguard performance and sustainability. The rigours of risk management provide responses and interactions that strive to create an appropriate balance between risk and reward.

Risk Management Framework and Methodology
The greater emphasis and guidance on how risk management should be implemented and integrated into the organisation is guided by the Risk Management
Framework and Methodology, which is based on the ISO 31000 Standard. Thus the ERM Department follows guidelines and principles from the Standard to achieve effective risk management implementation.

**Combined Assurance Model**

Combined assurance will establish an integrated and coordinated approach that can be the bases of the Board of Control in assessing whether the organisation will be able to execute its strategies successfully to achieve its organisational objectives. This will be achieved through the establishment of the Combined Assurance Steering Committee, Combined Assurance Model and the Combined Assurance Plan.

Combined assurance is the focusing of all assurance processes on the key risks facing the organisation in an integrated manner such that they complement one another in their efforts to ensure the mitigation of the company’s risks. Combined assurance defines three assurance levels i.e. Management, oversight functions and Independent assurance providers, including external Audit.

By effectively implementing combined assurance a number of benefits can be realised, including:

- More coordinated and relevant assurance efforts focusing on key risk exposure
- Minimising business or operational disruptions
- A comprehensive and prioritised approach in tracking of remedial actions on identified improvement opportunities or weakness
- Improved reporting to the Board
- A possible reduction in assurance costs.

**Fraud Prevention Policy and Plan**

PRASA is committed to preventing fraud and corruption and to creating an anti-fraud culture. To achieve this, PRASA will comply with the relevant requirements of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) [as amended by Act No. 29 of 1999] and the principles of corporate governance. The Fraud policy is intended to:

- Define fraud and highlight duties and responsibilities of the Board, management and all employees.
- Develop and maintain effective internal controls to prevent fraud.
- Ensure that when fraud occurs vigorous and prompt investigations are undertaken.

**Key Risk Indicator Guidelines**

The purpose of key risk indicators is to develop a tool within ERM to facilitate the monitoring and control of risk. This will be used to support risk management activities and processes, including risk identification, risk and control assessment, and implementation of risk appetite. Key risk indicators can be used in the management of operational risk, also in a wider context in the overall management of PRASA.

Key risk indicators are metrics used to monitor identified risk exposure over time. They are measurement tools that indicates the following:

- Amount of exposure to a given risk
- Emerging risk
- Effectiveness of mitigating controls
- Whether a risk has occurred
- How well risk exposure is being managed.

**Comparison between Key Risk Indicators (KRIs) and Key Performance Indicators (KPIs)**

KRIs are measurement tools used to assist management to identify emerging risks or determine where risks have materialised or not, and then implement corrective measures at an early stage, while KPIs help management understand how well their departments are performing in relation to their strategic goals and objectives. KPIs provides the most important information that enables the PRASA to understand whether the organisation is on track or not.
### Examples of KRIs and KPIs

<table>
<thead>
<tr>
<th>No</th>
<th>Asset Management</th>
<th>Key Risk Indicators</th>
<th>Key Performance Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Asset Management</td>
<td>Number of investment guideline breaches detected</td>
<td>Percentage improvement in the accuracy of asset information</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Number of orders executed without required authorisation</td>
<td>Identification of individuals outside the asset team modifying asset information</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Number of maintenance events missed</td>
<td>Identification of configuration items having the most incidents</td>
</tr>
<tr>
<td></td>
<td>Finance</td>
<td>Total number of payment fails</td>
<td>Measure total amount of debt relative to assets</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>Number of disputed card transactions</td>
<td>Measure number of business days to resolve credit balances</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Number of online ticketing accounts compromised by phishing and Trojan</td>
<td>Measure the ratio of current liabilities</td>
</tr>
</tbody>
</table>

### Risk Appetite Framework

In line with the PRASA ERM Framework and Methodology it is the responsibility of PRASA to establish a clearly stated and articulated risk appetite in the various areas of operation to inform management decisions. A risk appetite is critical, as it is a driver of strategic risk decisions at Board level. At executive level it translates into a set of procedures to inform tactical decisions and at operational level dictates for procedures routine activities.

A Risk Appetite Framework is the overall approach that governs the establishment, communication and monitoring of Risk Appetite within PRASA. It includes the Risk Appetite Statement, risk limits and outlines the roles and responsibilities of those overseeing Risk Appetite Statement implementation and monitoring.
ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Risk Management Process provides a description for the approach taken to identify and manage the risks associated with the organisation. The approach is informed by the Risk Management Process outlined in the ERM Framework and ISO 31000.
ENTERPRISE RISK MANAGEMENT METHODOLOGY

Understanding of the Corporate Plan (establish context)

The risk context may be summarised as follows:
The external context: All external factors that must be taken into account in risk management, such as laws and regulations, contracts, trends in business drivers, political and socio-economic factors.

The internal context: All internal factors that must be taken into account such as capabilities, resources, people, business processes, systems, policies. Therefore, Corporate objectives are then used to give effect to context and risk criteria.

Development of Risk Profiles (Identify, Analyse and evaluate risks)
The development of a Risk Profile involves the following three tasks:
Risk identification, i.e. all risks associated with a decision must be identified and placed in a risk register.

Risk analysis - the purpose of risk analysis is to provide the decision maker with sufficient understanding of the risk.
Risk evaluation - Each risk once analysed is evaluated by comparing the residual risk after risk treatment or with existing controls.

The risk evaluation phase is used to make a decision concerning which risks need treatment and the treatment priorities based on the foregoing analysis.
Risk Treatment

Ongoing Management of Risks (risk treatment)

Risk treatment involves the identification of control options, selection of a control option and implementation of a control option. There are four risk treatments that can be selected to mitigate against a particular risk, namely:

- Avoid – an activity in order to not to be exposed to a particular risk.
- Transfer – form of risk treatment involving the agree distribution of risk.
- Accept – informed decision to take a particular risk.
- Reduce - process that is modifying risk.

Monitoring and Reporting (monitor, review, Consistent with IS31000, every aspect of the risk management process must be monitored and reviewed, including:

- Has the risk changed in character with trends and are new risks emerging?
- Has the context for the risk management changed?
- Is the risk treatment plan being implemented as planned?
- Are controls effective?

What is the appropriate frequency of monitoring?
- Was the risk assessment accurate based on the objectives?
- Can monitoring be improved by identifying better Key Performance Indicators (KPIs) and Key Performance Indicators (KRI)?

PRASA Group Risk Profile

The value of the risk management analysis approach derives from the diversity of participants, the quality of the facilitated discussions and the consensus reached. The ERM Department facilitated discussions and workshops with Group EXCO, following which the below Group Risk Profile was developed.

The objective of developing a risk profile is:

- To evaluate the risks and develop a risk register that can be used for effective risk reporting and monitoring of PRASA Group risk exposure;
- To enable management to prioritise risk management efforts towards the development and implementation of PRASA Group objectives; and
- To be able to identify risk mitigation plans related to the PRASA Group.
ERM OBJECTIVES

In response to the Corporate Plan and the analysis of the PRASA environment, the ERM Department developed objectives which outline how ERM will be implemented and how foreseeable risks will be managed in a manner that is proactive, effective and appropriate, to assist PRASA to achieve its objectives, while maintaining risk exposure at an acceptable level.

The ERM objectives focus on the consequential and significant risk to PRASA shareholder value. This will outline management’s view on the most consequential risks the organisation faces, their likelihood, their potential effect, the frequency, the nature of updating the identification of such top risks and the role of risk management in strategic decision making.

Risk is associated with human error, system failures and inadequate procedures and controls. Risk management will provide risk controls that will provide good management and involves consistent alertness and continuous improvement. This is a value-adding risk management activity that impacts, either directly or indirectly on bottom-line performance.

It must be borne in mind that risk management is ultimately the responsibility of the Board and therefore the objectives were developed on the premise that the governance structure of the Board is in place to deal with ERM.

5.1 Provide an Effective and Efficient ERM Infrastructure

- Establish Risk Steering Committee (RISCOM)

Group EXCO will re-establish a Risk Steering Committee (RISCOM), which will be responsible for assisting its members, Divisional EXCO’s and EXCO’s at the Subsidiaries in the effective discharge of their accountability for Risk management by reviewing the effectiveness of the PRASA’s risk management systems, practices and procedures, and providing recommendations for improvement.

- Ensure optimised utilisation of the ERM Information System

The ERM Department has implemented a Risk Management Tool (GRC) which consists of Risk management, audit and compliance. The main benefits of the tool are the integration of the three modules, information repository and reporting functionalities.

- 5.1.3 Develop and implement Risk Appetite Framework

The current Risk Appetite Framework will be reviewed in order for executive management to define or set risk tolerance levels as per the current Corporate Plan. The defined risk tolerance levels will be used to manage risks across PRASA.

As stated in the ERM methodology, it is the
Responsibility of the Board to establish a risk appetite. In accordance with the provision of PFMA, PRASA shall have a low appetite for all forms of loss resulting from negligence, wasteful and fruitless expenditure.

Instil Risk Culture Across PRASA

- Risk Training and Awareness Programme
  Risk training will be conducted across PRASA as per the Training Plan. The training plan will cover Risk Managers, Group EXCO, and Board of Control. As part of risk profiling exercise within PRASA, the ERM Department conducts risk awareness. This process will continue to ensure increase in maturity level for risk management.

The following key elements will be implemented to develop a strong risk culture within PRASA:

- Strong support from the Board and Management
  The Board will be responsible for setting the stage for culture change and establishing the vision and firm-wide rules and guidelines related to risks. The roles and responsibilities of the Board, executives, Business units management and the Operational Management from a risk management point of view will be strengthened and clarified.

- Accountability and ownership
  The Board is ultimately accountable for risk management within PRASA. Through the Audit and Risk Committee (ARC), the Board will ensure compliance to the ERM Policy, Framework and Methodology. The Board and management have to review risk appetite from which the ERM Department will engage management across PRASA in dialogue on risk implications on business strategies. Management should consider risk in the recruitment process and adhere to clear communication and understanding of business expectations and performance measurement implications. The ERM Department will enhance risk awareness through training.

- Risk transparency
  This element will ensure that risk positions are consistent with risk appetite and are understood by risk owners. Risk reporting, risk dashboard and risk analytics will be improved. Risk advisory or discussion forums at senior management level will be created, to create a culture of performance.

- Communication and training
  Risk appetite will be communicated across the organisation for a better understanding of risks pursued by risk owners. The ERM Department and the HCM Department can jointly create workshop programs to increase knowledge and understanding of risk throughout PRASA.

- Risk-adjusted Return on Capital Optimisation
  Engage management to put risk at the centre of discussions during periodical strategic planning and to consider risk-return as an integral part of decision making.

- Partnership and collaboration
  Improve cooperation and dialogue with risk owners to enable the pursuit of sustainable profitable growth opportunities. ERM Department will work proactively with business to establish trust and open conversation about risk related issues and ensure that risk information is shared with business lines. ERM Department in consultation with EXCO will also establish risk champions across PRASA.

Embed Risk Management within daily operations of PRASA

- Facilitate Risk Assessments across the organisation
  Development and management of strategic and operational Risk Profiles at Group business units and Departmental levels through assessments is critical. The management of these risk profiles will be guided by the Risk Management Policy, ERM Framework, and Risk Appetite Framework. This will be outlined in the ERM Implementation Plan.

- Develop Risk Mitigation Strategies
  The ERM Department will assist Management to develop adequate and effective mitigating controls in order to manage risks properly. Internal audit shall develop its internal audit plan on the basis of the key risks identified. The Internal Audit function shall provide an independent, objective assurance on the effectiveness of the system of risk management, and on the adequacy and effectiveness of the adopted controls.
Empower PRASA to Proactively Respond to Project Risks

Project Risk Management delivers a number of values including producing better business outcomes through more informed decision making, having a positive influence on creative thinking and innovation, creating better project control and contributing to project success. This will also provide guidance to the risk manager, project managers and Project Stakeholders on the application of standard risk management process for all business programs and projects within PRASA.

All projects that have an impact on the successful implementation of business objectives will be identified and the risk management process will be embedded as part of the project management process. This will ensure that project managers manage risks within their projects as per the ERM Framework and Methodology.

For all business projects, a project management plan defining the following will be developed and maintained:

- Risk management methodology to be used
- Assumptions that have a significant impact on a project
- Roles and responsibilities unique to risk management function
- Risk Management milestones
- Risk rating techniques
- Risk thresholds
- Risk communication
- Risk Tracking processing

Reduce the cost of risk and cost of risk management processes

Risk financing techniques will be implemented to ensure that the cost of risk and the cost of risk management process do not exceed the potential benefit they provide for PRASA. Risk Financing will provide for the financial consequences of losses that occur despite risk control efforts. This is a process of arranging a source of finance to cater for the effect of fortuitous loss in PRASAs business cycle. The source of finance can be obtained from internal sources such as cash flow, provisions, reserves and equity or from external financing sources.

The cost of risk model consisting of the following elements, will be developed and implemented:

- Maintenance and management costs
- Internal controls and loss prevention expenses
- Unreimbursed and unrecovered operational losses
- Internal funding
- External insurance premiums

Improve Risk Management Reporting

Identified risks will be continuously reviewed and updated, and this process will enable management to identify new risks as soon as possible, decide where and how to handle those risks and look for other risks that might be reduced or eliminated and no longer require coverage.

To ensure integration and alignment of assurance processes in PRASA and to maximise governance oversight and control efficiencies, a Combined assurance framework will be developed and implemented. The purpose of a Combined Assurance is to optimise the assurance to the Board of Control and Audit and Risk Management Committee (ARM) by management, internal assurance providers and external assurance providers on the risk areas affecting the company. To coordinate the appropriate level of assurance or controls over significant risk areas identified by the organisation and to provide appropriate report.

Benefits of a combined assurance framework include amongst other:

- More coordinated efforts focusing on key risk exposure
- Minimising business disruptions
- Reducing repetition of reports being reviewed by different committees
- Support the ARM Committee in making their control statements in the integrated report
- Continuous review and update of risks.

CONTINUOUS IMPROVEMENT

The ERM Department will conduct periodic review of the risk management system in order to ensure its continuing stability and effectiveness in satisfying requirements of the PRASA strategies. Records of such reviews will be maintained.

Continuous Risk Management Steps
## RISK MANAGEMENT IMPLEMENTATION

<table>
<thead>
<tr>
<th>PRASA Objectives</th>
<th>ERM Objectives</th>
<th>Activity</th>
<th>Responsible Person</th>
<th>Due Date</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position PRASA as a Modern Public Entity that Delivers Public Value</td>
<td>Provide ERM Infrastructure</td>
<td>Re-establish RISCOM</td>
<td>CRO Group CEO</td>
<td>31-Mar-16</td>
<td>Effective risk management processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide training and awareness for the Risk Management Tool to Risk Managers and all EXCO's and Management</td>
<td>CRO</td>
<td>30-Apr-16</td>
<td>Risk repository and enhanced reporting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review and implement Risk Appetite Framework to reflect current tolerance levels</td>
<td>CRO Group EXCO</td>
<td>30-Mar-16</td>
<td>Defined tolerance levels for PRASA which will determine risk management decisions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review Risk Management Policy and Framework</td>
<td>CRO</td>
<td>31-Mar-16</td>
<td>Alignment with business and improved ERM Governance</td>
</tr>
<tr>
<td>Human Capital Development and Talent Management</td>
<td>Instil Risk Culture across the organisation</td>
<td>Implement Risk Training Plan</td>
<td>CRO</td>
<td>30-Oct-16</td>
<td>Reinforced importance of risk management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop and implement Risk Awareness Plan</td>
<td>CRO</td>
<td>31-Sep-16</td>
<td>Reinforced importance of risk management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Facilitate Risk Assessments within PRASA</td>
<td>CRO</td>
<td>Ongoing</td>
<td>Embedded risk management processes within the business</td>
</tr>
<tr>
<td>Positioning</td>
<td>PRASA as the backbone and mode of choice for public transport</td>
<td>Entrrench Risk Management within daily operations of PRASA</td>
<td></td>
<td></td>
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<tr>
<td>-------------</td>
<td>---------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop and review Strategic and Operational Risk Profiles</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Group EXCO Management</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>30-Jul-16</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Defined and understood nature of risk exposure</td>
<td></td>
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<tr>
<td>Develop risk mitigation strategies</td>
<td></td>
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<tr>
<td>Group EXCO Management</td>
<td></td>
<td></td>
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<tr>
<td>30-Jul-16</td>
<td></td>
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<td></td>
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<tr>
<td>Improved risk control processes</td>
<td></td>
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</tr>
<tr>
<td>Review and ensure the adequacy of mitigating controls provided by Management</td>
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<tr>
<td>CRO</td>
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<tr>
<td>Ongoing</td>
<td></td>
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<tr>
<td>Effective controls and reduced risk exposure</td>
<td></td>
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<td></td>
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<tr>
<td>Review and implement Fraud Prevention Plan</td>
<td></td>
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</tr>
<tr>
<td>CRO</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>31-Jul-16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detected, reduced and prevented fraudulent activities</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Develop and maintain monitoring and reporting processes</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>CRO</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Ongoing</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Communication on current status and emerging threats</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>PRASA as a Modern Public Entity that Delivers Public Value</th>
<th>Empower PRASA to proactively respond to Project Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify all projects that have major impact on the business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRO Management EPMO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-Apr-16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prioritised investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop risk profiles for identified projects and manage risks thereof</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Managers ERM Team</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ongoing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced exposure to project threats or risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Position PRASA as a Modern Public Entity that Delivers Public Value</td>
<td>Empower PRASA to proactively respond to Project Risks</td>
<td></td>
</tr>
<tr>
<td>---</td>
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<td></td>
</tr>
<tr>
<td>Identify all projects that have major impact on the business</td>
<td>CRO Management EPMO</td>
<td></td>
</tr>
<tr>
<td>Develop risk profiles for identified projects and manage risks thereof</td>
<td>Project Managers ERM Team</td>
<td></td>
</tr>
<tr>
<td>30-Apr-16</td>
<td>Ongoing</td>
<td></td>
</tr>
<tr>
<td>Prioritised investments</td>
<td>Reduced exposure to project threats or risks</td>
<td></td>
</tr>
<tr>
<td>Provide risk management training for all project managers</td>
<td>CRO</td>
<td></td>
</tr>
<tr>
<td>Ongoing</td>
<td>Improved Project Governance</td>
<td></td>
</tr>
<tr>
<td>Participate in project management processes</td>
<td>CRO</td>
<td></td>
</tr>
<tr>
<td>Ongoing</td>
<td>Reduced exposure to threats or risks</td>
<td></td>
</tr>
<tr>
<td>Develop and maintain project risk management plans for critical business projects</td>
<td>CRO</td>
<td></td>
</tr>
<tr>
<td>Ongoing</td>
<td>Reduced exposure to threats or risks</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strengthening the Financial position</th>
<th>Reduce the Cost of Risk and Cost of Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop and implement Cost of Risk Framework across PRASA</td>
<td>CRO</td>
</tr>
<tr>
<td>Implement and ensure Compliance</td>
<td>CRO</td>
</tr>
<tr>
<td>30-Aug-16</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Controlled risk costs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position PRASA as a Modern Public Entity that Delivers Public Value</th>
<th>Improve Risk Management Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re-Establish Combined Assurance Committee</td>
<td>Group CEO CRO</td>
</tr>
<tr>
<td>Review and implement Combined Assurance Framework Monitoring and Evaluation of risk controls Provide progress reports to EXCO, ARC and the Board Ensure risk treatment actions are adequate and effective</td>
<td>CRO EXCO, CRO CRO Risk Owners</td>
</tr>
<tr>
<td>31-Mar-16</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Effective Reporting</td>
<td></td>
</tr>
<tr>
<td>Monthly &amp; Quarterly Ongoing</td>
<td>Effective Reporting</td>
</tr>
</tbody>
</table>
MATERIALITY AND SIGNIFICANCE FRAMEWORK

This document was developed to give effect to the March 2005 amendment to the Treasury Regulations (TR), whereby the following new requirement was placed on public entities:

Section 28.3.1 – “For purposes of material [sections 55(2) of the Public Finance Management Act [Act]] and significant [section 54(2) of the Act], the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority.”

From a financial statement perspective, IAS 1 Par 7, defines “material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

To arrive at the materiality framework, we considered the following:

• Nature and risks associated with PRASA’s business;
• Statutory requirements;
• Quantitative and qualitative factors; and
• Material impact of the omission or misstatement on decision making.

These considerations are to be discussed and agreed with members of the Board of Control, members of executive management as well as supported by the relevant documentation such as the Corporate Plan 2016/17 – 2018/19, Shareholder Compact and the PRASA budget. In addition, the materiality framework will be discussed with the external auditors. Also required will be the preparation of appropriate and relevant mitigation strategy to elimination of probable omission.

Accordingly, this framework deals with materiality aspects in two main categories, quantitative and qualitative. The policy set out hereunder should be appropriately presented in the annual report as required.

Implications of a materiality framework for PRASA
The materiality framework provides a guideline against which PRASA can identify, measure and evaluate any losses or irregular, fruitless or wasteful expenditure as and when they occur during the financial year. PRASA will then review these items individually and aggregated against the materiality framework to ensure that the annual report materially reflects the financial position of the Group.

As a public entity, PRASA is required by law and Treasury Regulations to include the materiality framework in the following documents to be submitted to the entity’s executive authority:

• Annual Report [section 28.3.1 of the Treasury Regulation] – Including Financial Statements
• Strategic plan [section 30.1.3 of the Treasury Regulation] – Three-year plan.

QUANTITATIVE ASPECTS

Group materiality
Gross operational expenditure will be used as the basis for the materiality calculation due to the following:

• PRASA is unable to be profitable as its fare revenue income generated is significantly less than its operational expenditure required to execute its mandate, hence receives a subsidy allocation from Government to sustain itself;
• Gross operational expenditure is therefore a more representative measure of the economic activities undertaken in PRASA than income received including the subsidy allocation;
• This method is a stable basis of measure and is consistent with the prior years;
• The use of net assets as a measure would provide a materiality level that is significantly higher than that calculated using operational expenditure and PRASA wishes to be prudent in its approach to determining its materiality level.

The percentage utilised (namely, 0.5%) of gross operational expenditure as audited for the 2014/15 financial year to calculate the materiality level takes into account the following considerations:

• The agency received an unqualified audit report for the year ended 31 March 2015.
• The primary users of the financial statements are Board of Directors, Management, the Auditor-General, National Treasury, the Department of Transport, SCOPA and Parliament.
• The control and inherent risks associated with the Agency.
• The statutory requirements laid down to regulate the business activities of the Agency with specific reference to:
  • The Legal Succession to the South African Transport Services Act, (Act No. 38 of 2008), as amended;
  • The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended 31 December 2010; and
  • The Treasury Regulations as amended 15 March 2005

Materiality level calculation

The total materiality level for the Group of R43 091 633 has been calculated in Annexure A and been divided into the relevant individual business units and subsidiaries.

QUALITATIVE ASPECTS

Misstatements and/or omissions either individually or in aggregate could influence the economic decisions of a user. Materiality is not solely limited to the quantum of the assertions contained in its financial statements, but is also affected by the nature of business operation and environment, the impact can be implied and/or explicit. The nature of the misstatement and/or omissions may also influence the economic decisions of a user even though the quantum is below the materiality threshold. Qualitative aspects include:

• Endorsement of the mandate and the interpretation on the mandate;
• Sustainability of the agency considering its mandate, corporate plan and funding requirements;
• Environmental practices and impacts on the business;
• Contingent liabilities;
• Potentially damaging legal actions pending;
• Level of compliance with relevant legislation;
• Transactions entered into, including fraudulent and dishonest behaviour, that could result in a reputational risk and damage to PRASA;
• The impact of political decisions on PRASA such as its mandate and the required funding;
• Conflict of interest disclosures by directors, management and staff; and
• Potential competitor(s).

SUBSIDIARIES

Annexure A shows the inclusion of Intersite Assets Investments (SOC) Ltd and Autopax Passenger Services (SOC) Ltd. The rationale for the exclusion of subsidiaries in the main document is informed by the independence of their respective audit sub-committees, and of their boards of control or directors.

ACQUISITION OR DISPOSAL OF SIGNIFICANT SHAREHOLDING OR MATERIAL ASSET(S)

In terms of section 54(2) of the PFMA, PRASA would inform the Executive authority and the relevant Treasury promptly and in writing of any transition to acquire or dispose of shareholding or assets. The relevant particulars of the transaction would be provided. Again, in line with section 51(1)(g) of the PFMA, PRASA would inform the executive authority and Treasury on any intention to establish a new entity or subsidiary.
## ANNEXURE A MATERIALITY AND SIGNIFICANCE FRAMEWORK CALCULATION

<table>
<thead>
<tr>
<th>Materiality excluding Subsidiaries</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AFS 2014/15</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Operating Expenditure</strong></td>
<td><strong>Materiality</strong></td>
</tr>
<tr>
<td>Corporate</td>
<td>1 087 961 588</td>
</tr>
<tr>
<td>PRASA Rail</td>
<td>5 778 138 599</td>
</tr>
<tr>
<td>PRASA CRES</td>
<td>840 556 966</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7 706 657 153</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Materiality including Subsidiaries</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AFS 2014/15</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Operating Expenditure</strong></td>
<td><strong>Materiality</strong></td>
</tr>
<tr>
<td>Corporate</td>
<td>1 087 961 588</td>
</tr>
<tr>
<td>PRASA Rail</td>
<td>5 778 138 599</td>
</tr>
<tr>
<td>PRASA CRES</td>
<td>840 556 966</td>
</tr>
<tr>
<td>Intersite</td>
<td>31 985 698</td>
</tr>
<tr>
<td>Autopax</td>
<td>879 683 806</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8 618 326 657</strong></td>
</tr>
</tbody>
</table>
FINANCIAL POSITION

Projections of revenue, expenditure and borrowings

<table>
<thead>
<tr>
<th>PASSENGER RAIL AGENCY OF SOUTH AFRICA</th>
<th>INCOME STATEMENT FOR PERIODS ENDING 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Draft Budget</td>
</tr>
<tr>
<td></td>
<td>2016/17 R '000</td>
</tr>
<tr>
<td>OPERATIONAL INCOME</td>
<td></td>
</tr>
<tr>
<td>RENTAL INCOME</td>
<td>670 677</td>
</tr>
<tr>
<td>FARE REVENUE</td>
<td>3 426 405</td>
</tr>
<tr>
<td>GOVERNMENT SUBSIDY</td>
<td>4 281 666</td>
</tr>
<tr>
<td>OTHER INCOME</td>
<td>359 069</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td>8 737 817</td>
</tr>
<tr>
<td>TOTAL OPERATING COSTS</td>
<td>9 364 709</td>
</tr>
<tr>
<td>OPERATING SURPLUS/ SHORTFALL BEFORE INTEREST</td>
<td>(626 892)</td>
</tr>
<tr>
<td>FINANCE INCOME</td>
<td>196 197</td>
</tr>
<tr>
<td>PRASA TECHNICAL RETAINER</td>
<td>(81 430)</td>
</tr>
<tr>
<td>INTERSITE RETAINER</td>
<td>(37 291)</td>
</tr>
<tr>
<td>FINANCE COSTS</td>
<td>(349 353)</td>
</tr>
<tr>
<td>OPERATING SURPLUS/ SHORTFALL BEFORE DEPRECIATION AND AMORTISATION</td>
<td>(896 769)</td>
</tr>
<tr>
<td>PROFIT/(LOSS) ON DISPOSAL OF ASSETS</td>
<td>-</td>
</tr>
<tr>
<td>CAPITAL SUBSIDY AND AMORTISATION</td>
<td>1 999 557</td>
</tr>
<tr>
<td>DEPRECIATION/ IMPAIRMENT</td>
<td>(2 121 656)</td>
</tr>
<tr>
<td>OPERATING SURPLUS/ SHORTFALL</td>
<td>(1 020 868)</td>
</tr>
</tbody>
</table>

Group Revenue Streams

2016/17 Group Revenue

- RENTAL INCOME: 49%
- FARE REVENUE: 4%
- GOVERNMENT SUBSIDY: 30%
- OTHER INCOME: 8%
Major Income Streams

- Operational subsidy (From Department Of Transport)
- Fare revenue (Autopax and PRASA Rail)
- Rental income (PRASA CRES and PRASA Rail)

Major revenue lines show an upward trend. The increases are due to:

- Inflation increase
- Return on investment
- Fare revenue increase strategies (collection)
- Real estate strategies
- Reduced fare evasion and eliminates fraud
- Improved cash management controls
- Completion and commissioning of fencing projects
- Commissioning of ISAMS Phase 1
- Continuation with the implementation of TSM to increase supervision and accountability at stations and corridor level
- Clean stations and improved customer touch points

Group subsidy showed an increase above 5.0% during the MTEF period.
Subsidy growth is below National Treasury projected inflation.
No additional subsidy was allocated for MLPS on National Treasury allocation. However, Rail subsidy was reduced to provide for MLPS.
Group Fare Revenue

<table>
<thead>
<tr>
<th>Fare revenue</th>
<th>2015/16 Forecast</th>
<th>2015/16 Budget</th>
<th>2016/17 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro Rail</td>
<td>1 910 388 000</td>
<td>2 218 400 000</td>
<td>2 353 258 099</td>
</tr>
<tr>
<td>Autopax</td>
<td>838 013 754</td>
<td>900 267 000</td>
<td>882 969 202</td>
</tr>
<tr>
<td>MLPS</td>
<td>181 513 000</td>
<td>400 767 000</td>
<td>267 574 767</td>
</tr>
<tr>
<td>Total</td>
<td>2 929 914 754</td>
<td>3 519 434 000</td>
<td>3 503 802 068</td>
</tr>
</tbody>
</table>

• Fare revenue is driven by PRASA Rail (Metrorail and MLPS) and Autopax, with Rail contributing 74% of the Group’s fare revenue.

• Overall 2016/17 fare revenue will increase by 19% against 2015/16 forecast and will approximate 2015/16 budgeted fare revenue of R3.5 billion.

Group Rental Income

<table>
<thead>
<tr>
<th>Rental Income</th>
<th>2015/16 Forecast</th>
<th>2015/16 Budget</th>
<th>2016/17 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro Rail</td>
<td>66 250 000</td>
<td>62 911 000</td>
<td>68 001 651</td>
</tr>
<tr>
<td>PRASA CRES</td>
<td>515 478 000</td>
<td>559 712 000</td>
<td>591 175 508</td>
</tr>
<tr>
<td>PRASA Corporate</td>
<td>8 588 000</td>
<td>8 353 000</td>
<td>11 500 000</td>
</tr>
<tr>
<td>Total</td>
<td>590 316 000</td>
<td>630 976 000</td>
<td>670 677 159</td>
</tr>
</tbody>
</table>

• Of the property related income, 88% is contributed by PRASA CRES.
• 2016/17 rental income will increase by 13% compared to 2015/16 forecast.
Group Cost Coverage

- Group shows a total cost coverage of 93% when including subsidy in 2016/17 breakeven budget.
- The cost coverage when looking at amounts excluding subsidy increases to 48% in 2016/17.
- The implication of a lower cost coverage ratio is a liquidity problem.

### 2016/17 Key Operating Costs Per Business Unit

<table>
<thead>
<tr>
<th>Description</th>
<th>Corporate</th>
<th>Metrorail</th>
<th>MPLS</th>
<th>CRES</th>
<th>Technical</th>
<th>Company</th>
<th>Intercity</th>
<th>Autopax</th>
<th>Group As % of Total Group Costs</th>
<th>Increase/(Decrease) Against 2015/16 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
<td>358 665 101</td>
<td>8 666 236 267</td>
<td>897 844 470</td>
<td>265 111 921</td>
<td>41 620 092</td>
<td>4 886 462 532</td>
<td>10 347 362</td>
<td>34 814 979</td>
<td>2 345 624 803</td>
<td>56.7%</td>
</tr>
<tr>
<td>Training</td>
<td>-</td>
<td>256 730 594</td>
<td>18 180 000</td>
<td>5 498 555</td>
<td>-</td>
<td>227 581 394</td>
<td>-</td>
<td>41 124 110</td>
<td>285 505 325</td>
<td>2.8%</td>
</tr>
<tr>
<td>Material Costs</td>
<td>-</td>
<td>216 996 259</td>
<td>34 540 913</td>
<td>2 893 213</td>
<td>-</td>
<td>588 589 462</td>
<td>-</td>
<td>234 862 948</td>
<td>705 602 300</td>
<td>8.6%</td>
</tr>
<tr>
<td>Haulage Costs</td>
<td>-</td>
<td>133 474 710</td>
<td>1 971 000</td>
<td>3 300 041</td>
<td>-</td>
<td>138 275 812</td>
<td>-</td>
<td>32 206 862</td>
<td>217 527 755</td>
<td>2.3%</td>
</tr>
<tr>
<td>Security-Excluding Internal Personnel</td>
<td>71 560</td>
<td>62 134 049</td>
<td>24 556 000</td>
<td>24 265 200</td>
<td>-</td>
<td>71 801 159</td>
<td>-</td>
<td>79 359 694</td>
<td>158 166 129</td>
<td>2.1%</td>
</tr>
<tr>
<td>Health and Risk</td>
<td>-</td>
<td>492 757 637</td>
<td>18 500 000</td>
<td>14 300 549</td>
<td>-</td>
<td>472 538 198</td>
<td>-</td>
<td>19 804 024</td>
<td>491 942 271</td>
<td>5.3%</td>
</tr>
<tr>
<td>Computer Costs</td>
<td>287 703 811</td>
<td>26 376 745</td>
<td>144 000</td>
<td>139 200</td>
<td>-</td>
<td>209 563 745</td>
<td>-</td>
<td>784 006</td>
<td>217 127 849</td>
<td>2.3%</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>20 000 000</td>
<td>6 982 000</td>
<td>4 247 262</td>
<td>6 699 000</td>
<td>44 090 461</td>
<td>10 291 704</td>
<td>7 347 272</td>
<td>84 056 475</td>
<td>1.7%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Security Costs</td>
<td>-</td>
<td>168 856 027</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>168 856 027</td>
<td>-</td>
<td>-</td>
<td>168 856 027</td>
<td>1.8%</td>
</tr>
<tr>
<td>NCO</td>
<td>-</td>
<td>108 615 193</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>108 615 193</td>
<td>-</td>
<td>-</td>
<td>108 615 193</td>
<td>1.1%</td>
</tr>
<tr>
<td>Home and Accommodation</td>
<td>15 603 553</td>
<td>12 826 191</td>
<td>25 865 110</td>
<td>2 989 505</td>
<td>1 124 412</td>
<td>1 275 000</td>
<td>31 240 201</td>
<td>31 240 201</td>
<td>65 656 674</td>
<td>0.8%</td>
</tr>
<tr>
<td>Other Operating Costs</td>
<td>1 708 001</td>
<td>33 076 090</td>
<td>486 000</td>
<td>717 470</td>
<td>1 597 110</td>
<td>30 276 671</td>
<td>2 467 504</td>
<td>95 960 624</td>
<td>134 704 901</td>
<td>1.5%</td>
</tr>
<tr>
<td>Total</td>
<td>545 216 382</td>
<td>6 432 906 711</td>
<td>726 539 465</td>
<td>881 397 583</td>
<td>58 774 724</td>
<td>6 446 566 784</td>
<td>87 870 123</td>
<td>835 504 594</td>
<td>8 637 752 507</td>
<td>93.3%</td>
</tr>
</tbody>
</table>

- Group key costs have decreased by 3% compared to 2015/16 forecasted expenditure.
### Detailed 2016 MTEF

#### PRASA GROUP

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental income</td>
<td>670 677 159</td>
<td>769 107 469</td>
<td>815 517 543</td>
</tr>
<tr>
<td>Fare Revenue</td>
<td>3 426 404 625</td>
<td>3 604 169 430</td>
<td>3 763 677 516</td>
</tr>
<tr>
<td>Government subsidy</td>
<td>4 281 666 000</td>
<td>4 511 742 469</td>
<td>4 765 960 585</td>
</tr>
<tr>
<td>Total Third party income</td>
<td>39 597 608</td>
<td>39 993 584</td>
<td>40 193 552</td>
</tr>
<tr>
<td><strong>Total Management fees</strong></td>
<td>26 715 323</td>
<td>27 979 174</td>
<td>29 316 328</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance recoveries</td>
<td>30 017 418</td>
<td>30 018 428</td>
<td>30 019 497</td>
</tr>
<tr>
<td>On board sales</td>
<td>12 663 661</td>
<td>13 296 845</td>
<td>13 762 234</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>8 737 816 976</td>
<td>9 252 727 180</td>
<td>9 759 804 613</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenditure</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel costs: Existing (Filled Posts)</strong></td>
<td>5 288 098 575</td>
<td>5 683 523 941</td>
<td>6 065 936 660</td>
</tr>
<tr>
<td><strong>Personnel costs: Vacancies (Critical Posts)</strong></td>
<td>13 357 700</td>
<td>14 231 655</td>
<td>15 157 129</td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td>83 523 679</td>
<td>86 864 570</td>
<td>89 388 660</td>
</tr>
<tr>
<td><strong>Material</strong></td>
<td>269 505 327</td>
<td>317 427 853</td>
<td>335 838 669</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td>857 726 838</td>
<td>934 502 017</td>
<td>1 026 316 733</td>
</tr>
<tr>
<td><strong>Municipality costs</strong></td>
<td>373 265 930</td>
<td>432 932 678</td>
<td>458 042 773</td>
</tr>
<tr>
<td><strong>Leases</strong></td>
<td>190 160 729</td>
<td>254 090 052</td>
<td>268 827 275</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td>63 141 505</td>
<td>66 802 715</td>
<td>70 674 467</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>161 114 770</td>
<td>171 602 067</td>
<td>181 554 987</td>
</tr>
<tr>
<td><strong>Insurance claims</strong></td>
<td>129 656 444</td>
<td>117 726 518</td>
<td>126 280 256</td>
</tr>
<tr>
<td><strong>Audit fees:External</strong></td>
<td>16 385 349</td>
<td>17 362 894</td>
<td>18 398 773</td>
</tr>
<tr>
<td><strong>Audit fees:Internal</strong></td>
<td>8 020 000</td>
<td>5 000 000</td>
<td>5 000 000</td>
</tr>
<tr>
<td><strong>Professional services</strong></td>
<td>64 546 475</td>
<td>92 045 959</td>
<td>101 633 042</td>
</tr>
<tr>
<td><strong>TCO</strong></td>
<td>105 615 133</td>
<td>111 740 811</td>
<td>118 221 778</td>
</tr>
<tr>
<td><strong>Security services</strong></td>
<td>229 992 874</td>
<td>263 600 658</td>
<td>278 889 497</td>
</tr>
<tr>
<td><strong>Health &amp; Risk</strong></td>
<td>19 906 740</td>
<td>24 281 466</td>
<td>24 683 921</td>
</tr>
<tr>
<td><strong>On Board services: Cost of trading</strong></td>
<td>19 906 740</td>
<td>24 281 466</td>
<td>24 683 921</td>
</tr>
<tr>
<td><strong>Travel &amp; Accommodation: Staff</strong></td>
<td>47 266 492</td>
<td>48 821 701</td>
<td>50 877 691</td>
</tr>
<tr>
<td><strong>Auxiliary transport</strong></td>
<td>491 842 210</td>
<td>618 237 166</td>
<td>654 094 922</td>
</tr>
<tr>
<td><strong>Bank charges, penalties &amp; levies</strong></td>
<td>18 001 719</td>
<td>19 045 567</td>
<td>20 149 501</td>
</tr>
<tr>
<td><strong>Office expenditure</strong></td>
<td>7 906 215</td>
<td>8 370 428</td>
<td>8 856 183</td>
</tr>
<tr>
<td><strong>Travel &amp; Accommodation: Other</strong></td>
<td>37 299 222</td>
<td>41 237 932</td>
<td>41 310 028</td>
</tr>
<tr>
<td><strong>Haulage costs</strong></td>
<td>86 400 000</td>
<td>15 315 079</td>
<td>16 203 354</td>
</tr>
<tr>
<td><strong>Computer costs</strong></td>
<td>195 727 847</td>
<td>251 192 531</td>
<td>265 761 698</td>
</tr>
<tr>
<td><strong>Professional services</strong></td>
<td>136 704 996</td>
<td>145 744 585</td>
<td>154 197 201</td>
</tr>
<tr>
<td><strong>Total Operating expenditure</strong></td>
<td>9 364 708 575</td>
<td>10 433 146 287</td>
<td>11 135 458 431</td>
</tr>
</tbody>
</table>

#### OPERATING SURPLUS OR (SHORTFALL) BEFORE INTEREST

<table>
<thead>
<tr>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>(626 891 599)</td>
<td>(1 180 419 107)</td>
<td>(1 375 653 818)</td>
</tr>
</tbody>
</table>

#### OPERATING SURPLUS OR (SHORTFALL) BEFORE DEPRECIATION

<table>
<thead>
<tr>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>898 768 064</td>
<td>(1 479 675 822)</td>
<td>(1 699 163 658)</td>
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</tbody>
</table>

#### OPERATING SURPLUS OR (SHORTFALL)

<table>
<thead>
<tr>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1 020 867 388)</td>
<td>(1 597 286 785)</td>
<td>(1 888 997 152)</td>
</tr>
</tbody>
</table>
### Asset and Liability Management

**PASSENGER RAIL AGENCY OF SOUTH AFRICA**

**STATEMENT OF FINANCIAL POSITION AS AT 2016/17**

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R '000</td>
<td>R '000</td>
<td>R '000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Current Assets</td>
<td>61 702 354</td>
<td>77 328 637</td>
<td>93 757 087</td>
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<tr>
<td>Fixed Assets</td>
<td>50 262 975</td>
<td>63 281 222</td>
<td>78 834 974</td>
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<tr>
<td>Defined Benefit Plan Assets</td>
<td>4 163</td>
<td>2 017</td>
<td>2 017</td>
</tr>
<tr>
<td>Prepayment on Capital Expenditure</td>
<td>11 525 246</td>
<td>14 044 894</td>
<td>14 920 096</td>
</tr>
<tr>
<td>Current Asset</td>
<td>6 562 539</td>
<td>3 043 400</td>
<td>3 896 769</td>
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<tr>
<td>Inventories</td>
<td>303 680</td>
<td>288 496</td>
<td>290 055</td>
</tr>
<tr>
<td>Accounts Receivables</td>
<td>444 638</td>
<td>583 191</td>
<td>784 055</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>5 834 221</td>
<td>2 211 803</td>
<td>2 834 884</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>68 374 923</td>
<td>80 412 127</td>
<td>97 655 867</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and Reserves</td>
<td>(703 022)</td>
<td>(2 316 303)</td>
<td>(4 148 519)</td>
</tr>
<tr>
<td>Share Capital</td>
<td>4 248 258</td>
<td>4 248 258</td>
<td>4 248 258</td>
</tr>
<tr>
<td>Distributable Reserves (Deficit)</td>
<td>(4 951 280)</td>
<td>(6 564 561)</td>
<td>(8 396 777)</td>
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<tr>
<td>Non Current Liabilities</td>
<td>65 730 741</td>
<td>78 204 813</td>
<td>95 881 897</td>
</tr>
<tr>
<td>Loans and Borrowings</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital Subsidy and Grants</td>
<td>62 360 597</td>
<td>74 696 395</td>
<td>92 240 617</td>
</tr>
<tr>
<td>Finance Lease</td>
<td>2 697 501</td>
<td>2 805 401</td>
<td>2 917 617</td>
</tr>
<tr>
<td>Provision for Claims</td>
<td>677 828</td>
<td>688 202</td>
<td>708 846</td>
</tr>
<tr>
<td>Post Retirement Obligations</td>
<td>14 815</td>
<td>14 815</td>
<td>14 815</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>3 327 204</td>
<td>4 523 617</td>
<td>5 922 489</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>3 327 204</td>
<td>4 523 617</td>
<td>5 922 489</td>
</tr>
<tr>
<td>Short Term Portion on Loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td>68 374 923</td>
<td>80 412 127</td>
<td>97 655 867</td>
</tr>
</tbody>
</table>

### Cash Flow Statement;

**PASSENGER RAIL AGENCY OF SOUTH AFRICA**

**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 2016/17**

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R '000</td>
<td>R '000</td>
<td>R '000</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flows before Working Capital Changes</td>
<td>(549 419)</td>
<td>(1 132 988)</td>
<td>(1 339 523)</td>
</tr>
<tr>
<td>Changes in Working Capital</td>
<td>656 857</td>
<td>1 042 676</td>
<td>1 189 353</td>
</tr>
<tr>
<td>Cash (Utilised)/Generated from Operations</td>
<td>107 441</td>
<td>(89 912)</td>
<td>(150 170)</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>(3 856)</td>
<td>(444)</td>
<td>464</td>
</tr>
<tr>
<td>Net Cash (Used)/Generated from Operating Activities</td>
<td>103 585</td>
<td>(90 356)</td>
<td>(149 706)</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income - Interest Received</td>
<td>196 197</td>
<td>204 349</td>
<td>204 607</td>
</tr>
<tr>
<td>Acquisition of Property, Plant and Equipment</td>
<td>(19 390 138)</td>
<td>(16 439 446)</td>
<td>(14 699 271)</td>
</tr>
<tr>
<td>Acquisition of Investment Property</td>
<td>(426 121)</td>
<td>(433 488)</td>
<td>(419 163)</td>
</tr>
<tr>
<td>Prepayment Moved to Capital</td>
<td>(1 392 124)</td>
<td>(2 519 648)</td>
<td>(2 917 466)</td>
</tr>
<tr>
<td>Net Cash Used in Investing Activities</td>
<td>(17 912 180)</td>
<td>(19 188 231)</td>
<td>(15 789 320)</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of Other Financial Liabilities</td>
<td>-</td>
<td>107 900</td>
<td>112 216</td>
</tr>
<tr>
<td>Repayment on Insurance Claims</td>
<td>-</td>
<td>10 374</td>
<td>20 646</td>
</tr>
<tr>
<td>Capital Subsidy and Grants Received</td>
<td>14 688 601</td>
<td>15 537 895</td>
<td>16 429 954</td>
</tr>
<tr>
<td>Net Cash Flows from Financing Activities</td>
<td>14 688 601</td>
<td>15 656 169</td>
<td>16 561 818</td>
</tr>
<tr>
<td><strong>Net Increase in Cash and Cash Equivalents</strong></td>
<td>(2 300 000)</td>
<td>(3 622 418)</td>
<td>623 081</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at the End of the Year</td>
<td>5 834 221</td>
<td>2 211 803</td>
<td>2 834 884</td>
</tr>
</tbody>
</table>
## Context

1. During the capital budgeting process for the 2016 MTEF, the Enterprise Programme Management Office (EPMO) received 92 capital funding requests (153 projects) from various business units and corporate departments, with a total value of R65 billion over the next three years. As part of the evaluation process, a detailed prioritisation assessment was undertaken of all the funding requests received. In general, the evaluation team assessed the following key areas:

- 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;
- Associated risk assessments and proposed mitigation measures;
- Implementation readiness of each programme/project;
- Strategic intent in line with the approved Corporate Plan; and
- Due consideration was taken in determining various options and whether the proposed investment will have an impact on operational efficiency, modernisation, improvement of the financial position and service sustainability.

2. Furthermore, the analysis was focused on projects and programmes that are aligned to the priority corridor for the deployment of the new trains (Pienaarspoort – Pretoria – Saulsville). The programmes and projects are mainly related to infrastructure in areas such as signalling, electrical, stations, fencing, platforms and perway. Focus was also given towards the works to be undertaken for open line tests.

3. Crafting PRASA’s response to the approved capital allocation from the Department of Transport, the evaluation prioritized projects/programmes in line with the following business priorities:

- Supporting the urgent priorities of PRASA to achieve modernisation objectives such as Rolling Stock Fleet Renewal Programme, station modernization, depots Modernisation, signalling and telecommunication;
- Initiatives to increase operational effectiveness which include locomotives, drainage projects, national Station Improvement Programme, Capital Intervention programme, perway, security Systems, Electrical and Information Communication Technology (ICT);
- Projects and programmes to improve financial performance. These include network rail extensions, fencing, national station upgrade and investments in large stations such as Park and Mabopane;
- Projects and programmes already committed from previous financial years for finalisation; and
- Projects and programmes demonstrating readiness to spend particularly on the priority corridors for the deployment of the new train service.

4. With these considerations, the prioritised projects and programmes are aligned with business priorities that should demonstrate sustained business growth over the period ahead.

5. The sections below outline the budget framework, projected financial commitments into the 2016/17 financial year, general observations and funding recommendations.

## Budget Framework

6. The total PRASA Group capital baseline amounts to about R46.6 billion over the next three years as shown in Table 1. The 2016 MTEF capital budget allocation from the Department of Transport depicts a reduction of R710 million from the baseline over the next three years. The earmarked programmes have remained as previously allocated. There is no additional funding approved for the new projects in the capital programme. However, overall growth in capital expenditure has increased by 3.9% when comparing the 2015 MTEF (R44.8 billion) with 2016 MTEF (R46.6 billion).

7. Over the medium term, PRASA’s capital expenditure is expected to reach R14.6 billion in 2016/17, R15.6 billion in 2017/18 and R16.4 billion in 2018/19, bringing the total expenditure to R46.6 billion.
8. The budget framework further reflects a projected financial commitment of R10.5 billion carried forward into the 2016/17 financial year. The budget framework makes provision for these financial commitments before new projects are considered for funding.

Projected financial commitments into the

Table 1: Budget Framework over the 2016 MTEF

<table>
<thead>
<tr>
<th>Budget Framework</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>MTEF</th>
</tr>
</thead>
<tbody>
<tr>
<td>R thousands</td>
<td>Main Budget</td>
<td>Medium-Term Expenditure Framework</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016 MTEF Baseline (after reduction)</td>
<td>14 155 687</td>
<td>14 608 601</td>
<td>15 537 895</td>
<td>16 428 954</td>
<td>46 575 450</td>
</tr>
<tr>
<td>2016 MTEF Baseline (before reduction)</td>
<td>14 155 687</td>
<td>14 608 601</td>
<td>15 537 895</td>
<td>16 428 954</td>
<td>47 285 450</td>
</tr>
<tr>
<td>Capital Baseline Reduction</td>
<td>-350 000</td>
<td>-170 000</td>
<td>-190 000</td>
<td>-710 000</td>
<td></td>
</tr>
<tr>
<td>Other PRASA Capital</td>
<td>8 234 603</td>
<td>7 566 878</td>
<td>7 862 629</td>
<td>8 318 683</td>
<td>23 738 170</td>
</tr>
<tr>
<td>Year-on-year increase</td>
<td>3.2%</td>
<td>6.4%</td>
<td>9.7%</td>
<td>6.7%</td>
<td></td>
</tr>
<tr>
<td>*Earmarked Funds</td>
<td>5 921 284</td>
<td>7 401 723</td>
<td>7 846 266</td>
<td>8 300 291</td>
<td>23 547 280</td>
</tr>
<tr>
<td>New Rolling Stock</td>
<td>2 560 508</td>
<td>4 170 266</td>
<td>4 420 482</td>
<td>4 676 870</td>
<td>13 267 566</td>
</tr>
<tr>
<td>Signalling</td>
<td>1 875 973</td>
<td>1 844 184</td>
<td>1 912 635</td>
<td>2 023 779</td>
<td>5 780 798</td>
</tr>
<tr>
<td>General Overhaul of Motoral Coaches</td>
<td>1 267 474</td>
<td>1 263 523</td>
<td>1 369 534</td>
<td>1 439 445</td>
<td>4 083 502</td>
</tr>
<tr>
<td>General Overhaul of Mainline Coaches</td>
<td>217 329</td>
<td>103 750</td>
<td>151 415</td>
<td>160 167</td>
<td>415 362</td>
</tr>
<tr>
<td>Commitments</td>
<td>10 457 321</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10 457 321</td>
</tr>
<tr>
<td>Available budget</td>
<td>14 155 687</td>
<td>14 608 601</td>
<td>15 537 895</td>
<td>16 428 954</td>
<td>46 575 450</td>
</tr>
</tbody>
</table>

2016/17 financial year

9. There are currently projects and programmes that are already committed from the previous financial year and will be carried forward into the new financial year – these are multi-year projects and programmes. The total projected financial commitment amounts to R10.5 billion (contracts are already in place). These include projects and programmes such as signalling and telecommunications, rolling stock fleet renewal programme, accelerated rollingstock programme, Rolling Stock Ad-hoc Condition Work and Mission Critical Components, Depot Machinery and equipment, station modernisation, 120 km/h Perway programme and Green View, Bridge City, Integrated station access management System (ISAMS), Park Station, Mabopane Station amongst others. Taking into account these commitments, the budget framework makes provision for these projects before allocating to other areas of priority for the business.

Business Drivers and Benefit Analysis

10. Over the 2016 MTEF, the largest share of the capital funding requests received (53 per cent) from the business units relate to Modernization which includes programmes such as New Rolling Stock, Signalling and Telecommunication, Station Modernization, 120 km/h Perway Programme, Depot Modernization, with about 26% relating to programmes aimed at improving Service Reliability. These programmes include Capital Intervention Programme, electrical works, 120 km/h perway as well as drainage projects. Capital requests for programmes relating to Increase in Revenue, Safety and Operational Efficiencies accounts for 21% and include National Station Upgrade Programme, Park Station, Mabopane Station, Network Rail Extensions, Level Crossings, Platform Rectification and Fencing.
Figure 1: Benefit Distribution

Summary of Divisional Capital Requests (Including Corporate Office)

Funding Recommendations

11. The proposed capital budget over the next three years is reflected in Table 3 below. The proposed allocations are in line with the business priorities of PRASA, i.e. the modernisation programme, improving financial performance, increasing operational effectiveness and managing business risks. This is all about improving PRASA’s service offering to the customer. The prioritization framework continues to support key programmes which include depots modernisation, Station upgrades, signalling and telecommunications, 120km/h perway, electrical capacity in the substations, overhead lines, station improvements, accelerated rolling stock, security projects and other related infrastructure.

12. The planned spending on the rolling stock fleet renewal programme is the largest single category and will continue to grow strongly over the 10 year period ahead, together with further investment in accelerated rolling stock programme, signalling, station improvement and other related infrastructure. The robust growth in infrastructure development and upgrade is in line with PRASA’s priority to modernize the infrastructure, which will be compatible with the new rolling stock for Metrorail service.
### 2016 Capital Programme (Proposed Allocations)

<table>
<thead>
<tr>
<th>Capital Programme</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>Total MTEF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRASA Corporate</strong></td>
<td>6,961,160</td>
<td>7,503,399</td>
<td>7,460,059</td>
<td>21,908,558</td>
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<tr>
<td>Rolling Stock Fleet Renewal Programme</td>
<td>4,170,266</td>
<td>4,420,452</td>
<td>4,676,070</td>
<td>13,267,780</td>
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<tr>
<td>Signalling and Telecommunications Programme</td>
<td>1,944,184</td>
<td>1,912,835</td>
<td>2,023,770</td>
<td>5,880,898</td>
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<tr>
<td>Locomotives</td>
<td>360,000</td>
<td>451,249</td>
<td>482,482</td>
<td>1,393,731</td>
</tr>
<tr>
<td>ICT Systems</td>
<td>266,734</td>
<td>303,938</td>
<td>319,135</td>
<td>909,807</td>
</tr>
<tr>
<td>Enterprise Resource Planning (ERP)</td>
<td>40,794</td>
<td>43,241</td>
<td>45,403</td>
<td>129,438</td>
</tr>
<tr>
<td>Automatic Ticketing System</td>
<td>20,000</td>
<td>170,000</td>
<td>177,200</td>
<td>370,200</td>
</tr>
<tr>
<td>Asset Protection</td>
<td>190,181</td>
<td>201,591</td>
<td>211,671</td>
<td>603,444</td>
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<tr>
<td><strong>Total</strong></td>
<td>1,441,424</td>
<td>1,560,600</td>
<td>1,632,828</td>
<td>5,050,041</td>
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<tr>
<td><strong>PRASA Technical</strong></td>
<td>4,108,904</td>
<td>4,345,695</td>
<td>5,247,822</td>
<td>13,702,223</td>
</tr>
<tr>
<td>Capital Intervention Programme (Safety, Emergency &amp; Special Needs projects)</td>
<td>403,720</td>
<td>427,944</td>
<td>577,944</td>
<td>1,409,608</td>
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<tr>
<td>Depots Machinery and Equipments</td>
<td>80,000</td>
<td>84,800</td>
<td>89,940</td>
<td>254,740</td>
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<tr>
<td>Capital Prediction Programme</td>
<td>166,000</td>
<td>179,776</td>
<td>188,704</td>
<td>534,480</td>
</tr>
<tr>
<td>Rolling Stock Adhesive Condition Work</td>
<td>318,000</td>
<td>337,080</td>
<td>353,934</td>
<td>1,009,014</td>
</tr>
<tr>
<td>Fencing Programme (stations and corridors)</td>
<td>250,103</td>
<td>306,000</td>
<td>555,000</td>
<td>1,101,103</td>
</tr>
<tr>
<td>Substations, Ophelisation</td>
<td>220,000</td>
<td>231,000</td>
<td>242,550</td>
<td>695,550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,108,904</td>
<td>4,345,695</td>
<td>5,247,822</td>
<td>13,702,223</td>
</tr>
<tr>
<td><strong>PRASA Corporate Real Estate Solutions</strong></td>
<td>2,107,412</td>
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<td>2,125,199</td>
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<tr>
<td>Station Improvement Programme</td>
<td>370,572</td>
<td>392,806</td>
<td>422,446</td>
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<tr>
<td>Upgrade Programme</td>
<td>385,350</td>
<td>408,471</td>
<td>428,894</td>
<td>1,222,715</td>
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<tr>
<td>Park Station Upgrade</td>
<td>426,121</td>
<td>433,488</td>
<td>419,162</td>
<td>1,278,771</td>
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<tr>
<td>Metrobuses Station Upgrade</td>
<td>116,000</td>
<td>127,000</td>
<td>118,600</td>
<td>361,600</td>
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<tr>
<td>Workplace Improvement Programme, (including facilities)</td>
<td>414,003</td>
<td>413,938</td>
<td>355,835</td>
<td>1,183,776</td>
</tr>
<tr>
<td>Energy Renewable Programme</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Integrated Station Access Management System (ISAMS)</td>
<td>294,670</td>
<td>379,556</td>
<td>376,232</td>
<td>1,040,462</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,608,601</td>
<td>15,537,895</td>
<td>16,420,904</td>
<td>46,575,400</td>
</tr>
<tr>
<td><strong>2016 MTEF Allocation</strong></td>
<td>14,008,601</td>
<td>15,537,895</td>
<td>16,420,904</td>
<td>46,575,400</td>
</tr>
<tr>
<td>Unallocated</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Year-on-year growth</td>
<td>32.1%</td>
<td>6.4%</td>
<td>8.7%</td>
<td>-</td>
</tr>
</tbody>
</table>

PRASA CORPORATE PLAN MTEF 2016 - 2019  103
Percentage Share of Allocation per Division
Figure 2

Percentage Share of the Proposed Allocation
Figure 3
Infrastructure Investment and Rolling stock over the next three years

Figure 4

### Acquisition of New Rolling Stock for Metro Rail Service

13. A revised capital baseline of R13.3 billion is earmarked for spending over the next three years for the implementation of rolling stock fleet renewal programme. This investment will give impetus on this programme to sustainable delivery of the first 20 trains from Brazil. The delivery of the 3600 new rolling stock over the next 10 years is well underway and on track. The new rolling stock programme is a critical component of PRASA’s mandate to provide for modernisation and growth. PRASA has since made considerable progress to achieve this objective. Targeted key milestones have been achieved with the first train already delivered at Wolmerton Depot for static and dynamic testing. The provisional acceptance of the first new train expected in September 2016, with the first operation expected to commence in October 2016. Overall, PRASA is expected to spend R59 billion over a 10 year period between 2015 and 2025, (subject to indexation).

14. PRASA has paid Gibela Rail Transport Company an advance payment amounting to R5.7 billion in 2014/15 financial year. A further payment of R2.6 billion will be made during the last quarter of the 2015/16 financial year, bringing total payments to R8.3 billion. PRASA will further spend R4.2 billion in 2016/17, R4.4 billion in 2017/18, before reaching R4.7 billion in 2018/19. By the end of the 2016 MTEF (end of March 2018), PRASA expects to have provisionally accepted 105 New Trains as per the original programme. However some delays have been experienced related to the handover of a compliant local factory site to Gibela. The main reason was the delay in obtaining the Record of Decision (ROD) which is an output of the Environmental Impact Assessment (EIA) which was subjected to also obtaining a Water Use License (WUL) as part of the process.

15. Overall, the rolling stock fleet renewal programme will deliver 5256 vehicles to satisfy existing rail passenger demand on the current network until the year 2020, 456 vehicles to satisfy growth in rail passenger demand to the year 2030 on the existing network and a possible further 1512 vehicles to satisfy long-term rolling stock needs on new corridors to be constructed as part of a possible future expansion of the existing network and the development of a new network. However, the strategy to procure the remaining 3600 trains will be formulated after five years of the delivery of the new trains. This will allow PRASA to analyse the current capabilities within the South African market based on building new trains resulting from PRASA’s initial contract.

### Accelerated Rolling Stock Programme

16. The capital baseline for the accelerated rolling stock fleet renewal programme for meeting the objectives of rolling stock upgrade and refurbishment programme is supported. It must be noted that the allocation to PRASA for this specific line item is earmarked and therefore will not be utilised for any purposes other than what is stated by the National
The refurbishment and upgrading of the existing rolling stock for metro and long-distance rail services have the primary aim of improving the quality of service and predictability over the short to medium term. Although not adding additional service, the programme addresses the needs of the Regional Integrated Transport Plans with provinces and the Rail Plan.

The contribution of the programme must continue to significantly improve the rolling stock availability and improve train set availability for commuters. Even with the new rolling stock recapitalisation programme implemented in full and new train sets to be acquired at the rate of 40 train-sets per annum for the next 20 years, it is expected that the refurbishment programme will continue since the old fleet has surpassed its design life. However, new general overhaul concepts must be introduced to enhance the current refurbishment and upgrade programme in order to realise full value for money. This can be done by introducing modern technology to improve train performance and reliability. It is also essential for PRASA to review the maintenance strategy in line with the future operational requirements of the Metrorail service.

17. The proposed baseline for the general overhaul (GO) of Metrorail Coaches allows for R1.28 billion in 2016/17, R1.36 billion in 2017/18 and R1.44 billion in 2018/19. This brings the total to R4.1 billion over the next three years. This investment will allow for approximately a further 1 155 coaches to be refurbished/upgraded including the purchasing of critical components.

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<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Metrorail Coach Quantities</td>
<td>579</td>
<td>552</td>
<td>554</td>
<td>450</td>
<td>385</td>
<td>385</td>
<td>385</td>
</tr>
</tbody>
</table>

Acquisition of Locomotives and Refurbishment of Mainline Coaches

20. There is a need to replace the locomotives fleet to improve operational performance and reliability of MLPS. Furthermore, PRASA needs to curtail the cost related to hiring Transnet Freight Rail (TFR) locomotives and eliminate the dependency on TFR for the MLPS service offering to commuters. In 2013, PRASA contracted Swifambo Rail to supply a total of 70 diesel electric locomotives for the five years at a capped cost of R3.5 billion. However, due to problems regarding the procurement of this tender, PRASA issued a notification to Swifambo to cease all production activities, effectively halting the delivery of locomotives. The matter was referred to the High Court by PRASA seeking termination of the transaction. Court judgement is awaited.

21. Taking into account the current operational requirements, PRASA requires additional 24 hybrid locomotives (8 of 25kV+3kV models and 16 of 3kV+diesel) to meet the short to medium term requirements. These numbers are informed by the current operational requirements of the long-distance rail service. The operational footprint of Shosholoza Meyl covers corridors such as Johannesburg – Komatipoort, Johannesburg – Bloemfontein – East London, Johannesburg – Bloemfontein – Port Elizabeth, Johannesburg to Durban, Cape Town to Johannesburg and Cape Town – Queenstown – East London.

22. In support of current operational pressures, a capital baseline over the next two years is proposed for the acquisition or leasing of locomotives. Further, the capital baseline for the refurbishment of Shosholoza Meyl coaches is supported.
23. Proposed allocation allows for R850 million over the next three years for the acquisition or leasing of locomotives. A further R415 million is proposed for the refurbishment of the existing Shosholoza Meyl coaches over the next three years. This brings the total allocation to R1.4 billion over the next three years to support MLPS.

24. The funding allocation of R415 million for Shosholoza Meyl will allow for the delivery of 198 coaches under the Shosholoza Meyl general overhaul programme over the next three years.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Locomotives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shosholoza-Meyl Coach Quantities</td>
<td>3</td>
<td>10</td>
<td>60</td>
<td>60</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
</tbody>
</table>

**Corridor Modernisation Programme**

**Signalling**

25. A revised capital baseline of R1.84 billion in 2016/17, R1.91 billion in 2017/18 and R2.02 billion in 2018/19 is sustained to further support the rollout of the signalling modernisation programme, bringing the total revised allocation to R5.8 billion over the next three years across all three regions (Gauteng, KwaZulu-Natal and Western Cape). This investment is about bringing the modern signalling system that will give PRASA additional operational capacity and flexibility. The majority of signalling is old and yields an inherently low inefficiency in the train service level and increases the potential risk for accidents and delays. It is PRASA’s intention to replace all existing signalling interlockings, which consist mainly of obsolete mechanical and electro-mechanical systems, with electronic interlockings as the technology of choice. This is to improve the safety of commuters and ensure reliability of the network.

26. All three major signalling contracts (with Siemens for Gauteng, Bombardier Alliance for KwaZulu-Natal, and Thales Maziya Consortium for Western Cape) are currently in the implementation phase. Siemens is currently implementing the first and second phase of the signalling programme. The scope of work includes the replacement of existing signalling interlockings, and re-signalling the network using fully bi-directional signalling to increase operational flexibility. Siemens has since completed the construction of the GNC. New interlocking systemz at Midway, Lenz, Lawley, Grasmere and Stretford have been installed and validated. It is now anticipated that the Midway Centralized Control Centre will be migrated and operated at the Gauteng Nerve Centre.

27. PRASA is currently engaging Siemens on the possibility of entering into a maintenance agreement where Siemens will provide maintenance support to PRASA in the critical areas that are prone to disruptions while the rollout of the new signalling system is underway.

**Station Modernisation Programme**

28. A capital baseline amounting to R614 million in 2016/17, R640 million in 2017/18 and R672 million in 2018/19 is proposed for the rollout of the station modernisation programme, bringing the total allocation to R1.9 billion over the 2016 MTEF. It is anticipated that over the medium to long term, 135 stations will be modernised as part of the Corridor modernisation programme. These stations are in the three modernisation corridors that have a high volume of commuters. Stations such as Duff’s Road, Phillipi, Loftus and Oakmoor are already in the construction stage. These planned activities will also allow for improvement on universal access, security enhancements, platform heights and rebranding. This is in line with PRASA’s plan to improve accessibility and create modern stations that are customer friendly.
120km/h Perway Programme

29. Funding amounting to R1 billion is proposed for the upgrade of perway infrastructure over the next three years. This allows for a funding space of R328 million in 2016/17, R307 million in 2017/18 and R375 million in 2018/19. The 120km/h perway programme aims to revitalise the track infrastructure in the three modernisation corridors to enable new trains to achieve 120km/h speed. Amongst others, the works will include the rehabilitation of drainage system, re-railing of the track and replacement of the turnouts. PRASA’s current infrastructure allows for section speeds of up to 90km/h. In anticipation of the new rolling stock fleet, infrastructure upgrades need to be undertaken to increase section speeds to 120km/h. The programme includes the upgrading of the ballast profile for better stability, re-railing, re-sleepering, upgrading of turnouts, replacement of single and double slips, replacement of scissors and diamond crossings, drainage upgrading, ballast screening, refurbishment rails via grinding and the re-alignment of track via continuous tamping.

Asset Protection and Safety

30. A capital baseline of R603 million to support the security environment is proposed over the next three years. This will allow for a funding space of R190 million in 2016/17, R202 million in 2017/18 and R212 million in 2018/19. The proposed allocation will support corporate security to rollout CCTV cameras, access control, early detection systems, integrated control rooms, alarm systems, fire detections, amongst others. The works are mainly targeted at key PRASA office buildings, depots, corridors and stations. In addition, this will support the acquisition of specialised vehicles for rapid response, specifically on rough terrain.

31. Even though the proposed spending is R603 million over the next three years, the overall PRASA Capital Programme includes a number of security initiatives that are not part of this security capital baseline. These include spending on depots fencing which is part of PRASA Technical infrastructure rollout as well as the fencing programme. There is also further spending on Integrated Station Access Management System, which includes CCTV and access points. Spending on footbridges, level crossings and structures is proposed which will eliminate high risk level crossings and improve the safety of pedestrians.

32. As part of protecting the assets and loss of revenue, the Fencing Programme is prioritized over the next three years. PRASA has experienced many incidents of persons being run over by trains, staff and customer safety, cable theft and fare evasion, resulting from operating in an unsecured environment. The programme will be targeted at securing the stations and the rail network. A capital baseline amounting to R250 million in 2016/17, R300 million in 2017/18 and R550 million in 2018/19 is proposed for the rollout.

33. The re-signalling programme also places emphasis on the security of the signal components. This includes the cabling trench, which is more secure compared to the current system – axle counters are now secured concrete cluster. The signal points, backup supply (batteries and generators), including new interlocking cables are fitted in secured signalling equipment rooms with alarm systems, linking with the central control centres. All these investments support PRASA’s plan to secure assets and reduce fare evasion.

34. Overall investment targeted towards projects and programmes relating to safety and assets protection amounts to R1.7 billion over the next three years.

Corporate Real Estate Solutions (CRES)

Station Upgrade/Transit Oriented Developments Programme, Station Improvement Programme and Workplace Improvement Programme

35. PRASA continues to prioritise spending on stations, with the primary goal of creating precincts that are commuter friendly. It is, therefore proposed that PRASA CRES receives R1.2 billion over the next three years for the station upgrade programme at various stations across the country, and station improvement programme, providing immediate improvements at the stations. A new programme focusing on green/clean energy has been introduced to reduce the dependency and cost of power supply from Eskom hence R309 million has been prioritised for the project over the 2016 MTEF period.

36. Furthermore, funding amounting to R1.3 billion is proposed for the upgrade of Park Station over the next three years. The planning and conceptual designs for the station commenced in the 2013/14 financial year. Over the same period, the electrical and plumbing works were implemented. Amongst others, the scope of the upgrade includes the creation of additional parking bays, bus ticketing offices, resurfacing of platforms, and commercial space.
37. Funding amounting to R674 million is proposed to further support the implementation of the ISAMS over the next three years. Even though the contract is currently under review the investment remains a priority for PRASA. Lastly, R1.2 billion is recommended for the workplace improvement programme over the next three years. This programme involves the improvement of the office accommodation, depots facilities and workshops. This is in line with PRASAs strategy to improve the working condition of staff across the Group.

38. The revised capital baseline brings the total funding to R6 billion for PRASA CRES over the next three years. This allows for a funding space of R2.1 billion in 2016/17, R2.1 billion in 2017/18 and R1.7 billion in 2018/19. It is anticipated that over the medium term, 195 stations will be upgraded and improved under the station improvement programme and station upgrade programme.

Energy Management

39. The energy cost of offices, depots and stations within the property portfolio amounts approximately R380 million in the Group per annum. Furthermore, the energy costs have been increasing by an average of 15% per annum. A capital baseline for the energy efficiency and renewable energy initiatives is supported to drive the reduction of the costs of energy through the retrofitting of the energy efficient lighting and heating, ventilation and air conditioning equipment, and the installation of solar panels to generate electrical energy to supplement for the existing Eskom supply system.

40. PRASA CRES embarked on initiatives directed to energy saving in 2011, and from that time there has been a reduction of over 800 kW. This translated to an annual cost saving of R2.5 million per annum on the cost of electricity.

41. In support of these initiatives, PRASA supports innovative solutions that look at alternative, cost effective, renewable energy sources. Funding has been allocated to promote initiatives that are aimed at reducing the cost of doing business thus targeting to spend R309 million over the next three years.

Infrastructure and Capital Intervention Programme

42. Investment in infrastructure (perway, electrical, network expansion, telecommunications, bridges and structures) continues to be critical in the Group. To renewing ageing infrastructure in these areas will go a long way in addressing modernisation as well as sustaining the service. It is also a strategy to renew the entire infrastructure to support effective operation of the new rolling stock.

43. Over the next three years, R1 billion is proposed for the National Electrical Programme. The condition of some of the electrical structures is a risk from a safety point of view which could potentially endanger the lives of commuters and the general public. Funding in this area is therefore critical for the restoration of infrastructure and increased power capacity. A further R442 million is proposed for footbridges, level crossings and structures. This will eliminate high risk level crossings and improve the safety of pedestrians.

44. Allocation amounting to R3 billion is proposed for the modernisation of maintenance depots. These include Braamfontein (Gauteng), Wolmerton (Gauteng), Salt River (Western Cape) and Springfield and Durban Yard (KwaZulu-Natal). The allocated capital will also cover costs for the interim measures to cater for lost capacity during the upgrades in Braamfontein and Salt River. The targeted depots that are to absorb such lost capacity are Benrose and Furgrove depots, respectively.

45. It is further proposed that the capital intervention programme receives a capital funding of R1.4 billion over the next three years for minor works, emergency works, special needs and safety projects.

Rail Network Extensions

46. Additional funding amounting to R117 million is proposed for the Green View-Pienaarspoort project, expected to be completed during the 2016/17 financial year. The Green View project allows for doubling of the rail line between Eerste Fabrieke and Mamelodi Gardens section in the Mamelodi area. In addition, the project includes the provision of new platforms at Green View station and construction of the piling and foundations for the new overhead station buildings at Mamelodi Gardens and Green View. The project was earlier delayed due to resettlement issues and community unrest.

47. The doubling of the line from Eerste Fabrieke to Mamelodi Gardens is 100% complete, with the construction of the Green View station currently at 95% completion.

48. Allocation of R1.4 billion for Motherwell rail extension is proposed over the next three years. This allows for a funding space of R218 million in 2016/17 and R406 million in 2017/18 and R 726 million in 2018/19. Preliminary designs are well underway and targeted
for completion in June 2016. Subsequently detailed designs and tender documentation for construction are scheduled to be completed in August and September 2016, respectively.

49. Allocation of R184 million on the upgrade of Queenstown station and East London – Berlin Corridor is proposed over the medium term. The feasibility study of the Queenstown-Umtata Rail Link indicated it will not be feasible to provide a metro service as buses and taxis services are more efficient to service the route. PRASA has since prioritised the upgrade of Queenstown Station as an intermodal facility to support the long distance rail service, long distance bus service and taxis. Furthermore, PRASA is prioritising spending to upgrade East London-Berlin rail lines including stations to support the commuter rail service.

50. Additional funding amounting to R65 million is proposed for the Bridge City project. This will support the rehabilitation of Piesangs River, which runs along the rail track, upgrading of the Dalbridge Pedestrian Bridge over the M4 highway to uMlazi, crossover points at berea station and the completion of the duffs Road station upgrade. It is anticipated that the work will be completed by 2016/17.

**Information Communication Technology (ICT)**

**Automatic Fare Collection Ticketing**

51. The proposed automated ticketing system seeks to improve systems used to collect revenue from ticket sales. An automated solution is much more reliable and efficient than a manual verification process which is prone to human error and fraud. It is against this background that PRASA seeks to implement an automated solution for ticket sales that will assist PRASA to reduce loss of revenue and fraud.

52. It is therefore proposed that a capital baseline of R367 million over the next three years be supported.

53. Enterprise Resource Planning (ERP)

54. This programme aims to maximise the PRASA’s potential through the use of an ERP system running on SAP, ensuring integration of the business environment for PRASA, this can be achieved seamlessly by using a best of suite ERP. PRASA has already invested in the core modules of Finance, HCM and SCM, so this will be a continuation of the programme. The continuation involves implementation of the business management modules such as Plant Maintenance for rolling stock, Real Estate and Facilities Management module for the property management business and enhancement of the Human Capital Management module to allow PRASA to maximise the value from its human resources.

55. The business objective is to implement core business modules to meet the business and operational requirements of PRASA, taking advantage of the core finance, SCM and HCM modules that have already been implemented. The ERP (SAP) will form the central software component of the ICT landscape, thus automating and enabling all the business processes that will assist the organisation to achieve its objectives. It is therefore, proposed that a total allocation of R129 million be supported over the next three years. This is in line with the demonstration of readiness to spend the allocated funds.

56. Our commitment to good corporate governance through strict adherence to PFMA and a clean audit will remain a pillar of our operations. This plan will come to life with the full support of PRASA staff and all stakeholders.
ANNUAL PERFORMANCE PLAN
2016/17 TO 2018/19
2 PRASA proposed Annual Performance Plan for the shareholder compact:

The Annual Performance Plan Measurements per strategic focus areas of Getting the basics right, running the business, changing the business and securing the business of the future are as follows:

1.1 getting the basics right

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Key Performance Area</th>
<th>Key Performance Outcome</th>
<th>Key Performance Indicators</th>
<th>Audited/Actual performance</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure strict adherence to governance processes</td>
<td>Corporate Governance and compliance</td>
<td>Robust governance, compliance and risk management</td>
<td>Audit opinion in Annual Audit report</td>
<td>Unqualified audit Unqualified audit Unqualified audit Unqualified audit</td>
<td>Unqualified audit with no matters affecting the audit report.</td>
<td>Unqualified audit with no compliance and performance matters raised and no matters affecting the audit report.</td>
<td></td>
</tr>
</tbody>
</table>
### 1.2 Running the business

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Key Performance Outcome</th>
<th>Key Performance Indicators</th>
<th>Audited/Actual performance</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering value for customers</td>
<td>Improve the customer satisfaction rating</td>
<td>Customer Satisfaction Rating for PRASA Passenger entities (Metrorail, MLPS and Autopax)</td>
<td>65.1% customer satisfaction for passenger entities PRASA</td>
<td>70.3% customer satisfaction for passenger entities PRASA</td>
<td>65.95% customer satisfaction for passenger entities PRASA</td>
<td>62.8% customer satisfaction for passenger entities PRASA</td>
</tr>
<tr>
<td>Deliver on mandate of public transport</td>
<td>Increase Metrorail commuters over the MTEF period</td>
<td>Metrorail commuters</td>
<td>528 million</td>
<td>543 million</td>
<td>516 million</td>
<td>541 million</td>
</tr>
<tr>
<td>MLPS passengers per annum over the MTEF</td>
<td>MLPS passengers</td>
<td>1.263 million passengers</td>
<td>930 893 million passengers</td>
<td>854 164 passengers</td>
<td>900 000 passengers on MLPS</td>
<td>Between 398 580 and 56 9400 passengers</td>
</tr>
<tr>
<td>Increase Autopax long distance passengers over the MTEF period</td>
<td>Autopax long distance passengers</td>
<td>3.15 million</td>
<td>2.74 million</td>
<td>2.78 million</td>
<td>2.78 million</td>
<td>Between 2.5 million and 2.6 million passengers</td>
</tr>
</tbody>
</table>
### Strategic Objective
Provide a reliable service for commuters

### Key Performance Outcome
Deliver on mandate of public transport

### Key Performance Indicators
- Metrorail trains service performance trains on time
- Metrorail Train Service Availability
- Metrorail coaches refurbished
- MLPS coaches refurbished
- Breakdowns on buses per 45 000 km travelled.

### Audited/Actual performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>81.8%</td>
<td>82.5%</td>
<td>81.2%</td>
<td>80%</td>
<td>Between 79% - 83%</td>
<td>Between 81% to 83%</td>
<td>Between 82% to 85%</td>
</tr>
<tr>
<td>trains run on time</td>
<td>trains run on time</td>
<td>trains run on time</td>
<td>trains run on time</td>
<td>trains run on time</td>
<td>trains run on time</td>
<td>trains run on time</td>
</tr>
<tr>
<td>96.6%</td>
<td>96.6%</td>
<td>95.5%</td>
<td>95%</td>
<td>Availability of between 94% and 98%</td>
<td>Availability of between 95% - 98%</td>
<td>Availability of between 95% - 98%</td>
</tr>
<tr>
<td>Availability of 96.6%</td>
<td>Availability of 96.6%</td>
<td>Availability of 95.5%</td>
<td>Availability of 94% and 98%</td>
<td>Availability of between 95% - 98%</td>
<td>Availability of between 95% - 98%</td>
<td>Availability of between 95% - 98%</td>
</tr>
<tr>
<td>2966</td>
<td>2105</td>
<td>1886</td>
<td>1921</td>
<td>Between 1800 and 1818</td>
<td>Between 1092 and 1560 trains</td>
<td>Between 780 and 1092 trains</td>
</tr>
<tr>
<td>579</td>
<td>566</td>
<td>436</td>
<td>450</td>
<td>Between 315 and 385 coaches refurbished</td>
<td>Between 315 and 385 coaches refurbished</td>
<td>Between 315 and 385 coaches refurbished</td>
</tr>
<tr>
<td>3 MLPS coaches refurbished</td>
<td>32 MLPS coaches refurbished</td>
<td>57 MLPS coaches refurbished</td>
<td>60 refurbished</td>
<td>Between 54 and 66 coaches refurbished</td>
<td>Between 54 and 66 coaches refurbished</td>
<td>Between 54 and 66 coaches refurbished</td>
</tr>
<tr>
<td>1.3 breakdowns per 45 000 kms</td>
<td>1.1 breakdowns per 45 000 kms</td>
<td>0</td>
<td>1 breakdown per 45 000 kms</td>
<td>1.09 breakdowns per 45 000 kms</td>
<td>Between 1 to 1.1 breakdowns per 45 000 kms</td>
<td>Between 1 to 1.1 breakdowns per 45 000 kms</td>
</tr>
</tbody>
</table>

### Reliable buses for long distance buses

- Between 79% - 83% of trains run on time
- Availability of 96.6%
- Between 54 and 66 coaches refurbished
- Between 1 to 1.1 breakdowns per 45 000 kms
### Strategic Focus: Running the business by delivering value for the customer

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Key Performance Outcome</th>
<th>Key Performance Indicators</th>
<th>Audited/Actual performance</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver on mandate of public transport</td>
<td>Improve the level of rail passenger safety</td>
<td>Passenger injuries and fatalities per million passengers [Rail]</td>
<td>2012/13: 2.50; 2013/14: 2.18; 2014/15: 2.4</td>
<td>2016/17: Between 4.43 and 5.01</td>
<td>2017/18: Between 4.22 and 4.78</td>
<td>2018/19: Between 3.7 and 5.0</td>
</tr>
<tr>
<td>Improve the level of public safety in the rail operating tunnel</td>
<td>Public injuries and fatalities</td>
<td>2012/13: 0.91; 2013/14: 1.03; 2014/15: 1.32</td>
<td>2016/17: Between 1.05 and 2.3</td>
<td>2017/18: Between 0.99 and 1.24</td>
<td>2018/19: Between 0.87 and 1.29</td>
<td></td>
</tr>
<tr>
<td>Reduce bus passenger injuries</td>
<td>Bus passenger injuries per 100 000 passengers transported</td>
<td>2012/13: 2.6</td>
<td>2016/17: Between 3.0 and 4.5</td>
<td>2017/18: Between 2.8 and 3.7</td>
<td>2018/19: Between 2.6 and 3.5</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** The table above includes key performance indicators and targets for various aspects of PRASA’s operations, focusing on improving the level of public safety, managing crime incidents, and ensuring on-time train services.
### 1.3 Changing the business

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Key Performance Outcome</th>
<th>Audited/Actual performance</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deployment corridor strategy</td>
<td>Delivering the new trains on the first deployment corridors in Gauteng</td>
<td>Readiness for deploying the new EMU trains in Gauteng corridors</td>
<td></td>
<td></td>
<td>Oct 2016 - Mar 2017 Pretoria - Pienaarspoort corridor</td>
</tr>
<tr>
<td>Rolling Stock Renewal</td>
<td>National Fleet Renewal Programme</td>
<td>Train sets delivered and commissioned</td>
<td>1 train set delivered in SA for testing as per contract</td>
<td>From 11 - 13 train sets accepted as per contract</td>
<td>From 4 - 5 train sets accepted as per contract</td>
</tr>
<tr>
<td>Infrastructure readiness</td>
<td>Roll-out of signaling system as per contract</td>
<td>Traffic control centres completed</td>
<td>Complete Gauteng Nerve Centre Construction (Building) - 98%</td>
<td>Completed Gauteng Nerve Centre Construction</td>
<td>Completion of the buildings of 1 - 2 regions (Durban, Bellville)</td>
</tr>
<tr>
<td>Roll-out of signaling system as per contract</td>
<td>Signal interlockings completed (Gauteng, KZN and Western Cape)</td>
<td>Complete Midway - Lenz</td>
<td>6 interlocking commissions completed</td>
<td>Between 11 - 14 signal interlocking commissions completed</td>
<td>Between 33 - 44 signal interlocking commissions completed</td>
</tr>
</tbody>
</table>
### Strategic Objective: Infrastructure readiness

<table>
<thead>
<tr>
<th>Key Performance Objective</th>
<th>Key Performance Indicators</th>
<th>Audited/Actual performance</th>
<th>Target Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernisation of 135 stations [Phase 1: 14 stations by 2019]</td>
<td>Modernisation stations completed</td>
<td>0 0</td>
<td>2 stations commenced construction [Philippi &amp; Duff's Road]</td>
<td>Between 1 - 2 stations completed [Duff's Road and Philippi or Oakmoor] as per contract.</td>
</tr>
</tbody>
</table>

### Strategic Objective: Modernisation of depots for the new rolling stock

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Audited/Actual performance</th>
<th>Target Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depot modernisation projects commencing, in construction and complete.</td>
<td></td>
<td></td>
<td>Commence main depot construction at Salt River</td>
</tr>
<tr>
<td>Demolition work on Braamfontein &amp; Salt River completed by end 2015/15</td>
<td></td>
<td></td>
<td>Commence Main depot construction at Braamfontein</td>
</tr>
<tr>
<td>Alternative Test Facility at Wolmerton depot complete and handover to Gibela &amp; Maintenance Facility at Wolmerton completed for 20 new production trains.</td>
<td></td>
<td></td>
<td>Commence Main depot construction at Salt River</td>
</tr>
</tbody>
</table>

### Strategic Objective: Upgraded track on deployment corridors

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Audited/Actual performance</th>
<th>Target Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Track upgrade projects for 120km/h</td>
<td></td>
<td></td>
<td>Complete tender process for Track preparation for new Rolling Stock with placement of contract[s] for work.</td>
</tr>
<tr>
<td>Contract[s] for Track upgrade for modernisation continues</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Changing the business Continued**
### Strategic Objective

Clean, functional and modern stations and facilities through number of improved & upgraded stations and workplaces

### Key Performance Outcome

Station Improvement projects

### Key Performance Indicators

<table>
<thead>
<tr>
<th></th>
<th>Audited/Actual performance</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Station Improvement projects</td>
<td>80 station improvement projects completed</td>
<td>80 station improvement projects completed</td>
<td>58 station improvement projects completed</td>
<td>50 station improvement projects completed</td>
</tr>
</tbody>
</table>

Station upgrade projects for service excellence and revenue generation

<table>
<thead>
<tr>
<th></th>
<th>Audited/Actual performance</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Station Improvement projects</td>
<td>8 station upgrade projects completed</td>
<td>14 station upgrade projects completed</td>
<td>11 station upgrade projects completed</td>
<td>15 station upgrade projects completed</td>
</tr>
</tbody>
</table>

Workplace improvement projects

<table>
<thead>
<tr>
<th></th>
<th>Audited/Actual performance</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Station Improvement projects</td>
<td>12 workplace improvement projects completed</td>
<td>28 workplace improvement projects completed</td>
<td>38 workplace improvement projects completed</td>
<td>35 workplace improvement projects completed</td>
</tr>
</tbody>
</table>

Future Skills and Capacity Development

<table>
<thead>
<tr>
<th></th>
<th>Audited/Actual performance</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled staff for deployment on the modernisation corridors</td>
<td>154 employees completed training or enrolled for training in specific technical and operational skills</td>
<td>150 employees completed training or enrolled for training in specific technical and operational skills</td>
<td>300 employees completed training or enrolled for training in specific technical and operational skills</td>
<td>207 employees completed training or enrolled for training in specific technical and operational skills</td>
</tr>
</tbody>
</table>
### 1.4 Securing the business of the future

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Key performance Outcome</th>
<th>Key Performance Indicators</th>
<th>Audited/Actual performance 2012/13</th>
<th>Target</th>
<th>Forecast</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Public Transport Network Planning</td>
<td>Formalise and secure partnership agreements with Transport authorities</td>
<td>Memorandum of Agreement or Memorandum of Understanding with Metropolitan Transport Authorities</td>
<td></td>
<td>Signed Agreement with City of Cape Town</td>
<td>Developed and submitted a draft agreement with 1 and 2 TA’s to the GCEO / Group Exco by March 2017</td>
<td>Negotiated Agreement with the 1 and 2 Transport Authorities by March 2018</td>
</tr>
<tr>
<td>Delivering on government imperatives</td>
<td>Improve women development through procurement in PRASA especially Rail</td>
<td>Spend on Black Women Owned Companies</td>
<td>R1.083bn</td>
<td>R1.2bn</td>
<td>Between R1.1bn to R1.2bn</td>
<td>Between R1.1bn to R1.2bn</td>
</tr>
<tr>
<td>Expanding PRASA networks and services</td>
<td>Increased revenue from the bus commuter contract</td>
<td>Increase Autopax commuter passengers over the MTEF period</td>
<td>2.21 million commuters</td>
<td>Between 2.0 million and 2.4 million bus commuters</td>
<td>Between 2.2 million and 2.6 million bus commuters</td>
<td></td>
</tr>
<tr>
<td>Growing the revenue base through retail and property</td>
<td>Increase revenue from commercialisation through additional space at stations and property</td>
<td>Increase the Gross Lettable area (GLA) through commercialisation projects</td>
<td>Increased GLA by 10000 m²</td>
<td>Increased GLA by 14666 m²</td>
<td>Increased GLA by 3000 m² - 6000 m²</td>
<td>Increased GLA by 3000 m² - 6000 m²</td>
</tr>
<tr>
<td>Invest in New Property Developments on PRASA precincts to generate future revenue</td>
<td>Partner with private sector to create value from assets</td>
<td>Commence construction on 2 developments</td>
<td>Commence construction on 2 developments (Umlazi phase 1 / Cape Town Phase 1A / Umgeni)</td>
<td>Commence construction on 2 key developments (Umlazi phase 1 / Cape Town Phase 1A / Umgeni)</td>
<td>Construction on 2 key developments (Umlazi phase 1 / Cape Town Phase 1A / Umgeni)</td>
<td></td>
</tr>
</tbody>
</table>

Note: GLA = Gross Lettable Area, TA = Transport Authority, GCEO = Group Executive Committee, Exco = Executive Committee.
CONCLUSION

The Corporate Plan is a total commitment by the organisation to deliver not only on its strategic ambitions and priorities but on the Government’s imperative, driven by the National Development Plan. PRASA’s commitment to increase its rail share is not a competitive strategy but a key driver that ensure access and mobility of the multitudes of South Africans who currently do not have access to public transport.

More important is PRASA’s contribution to job creation through its investment in public employment programmes, which will be delivered through specific and dedicated projects such as the local manufacture of trains which will create more than 33 000. The Women in Rail project will provide much needed opportunities for women in the transport sector with a huge potential to create more jobs for women.

With its massive modernisation programme PRASA will revitilise the rail engineering industry and mobilise critical skills much needed in the transport industry. The introduction of Regional Services for the rural masses remains PRASA’s key commitment in ensuring that rail becomes the backbone and mode of choice for public passenger transport.