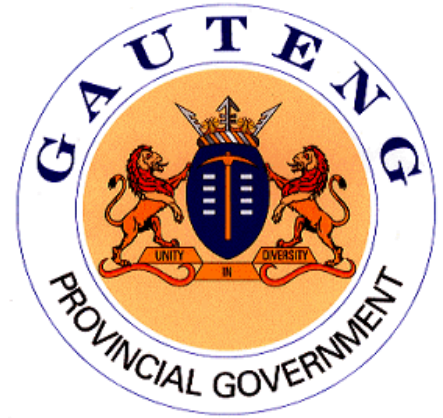


PROJECT DOCUMENTATION



BUSINESS CASE

Project: Public Transport Transformation

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1 Business Case History

Document Location

This document is only valid on the day it was printed.
The source of the document will be found on the project's PC in location.

Revision History

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Date of Next revision: 10 February 2009

Revision date	Previous revision date	Summary of Changes	Changes marked
		First issue	
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16-02-09	10-02-09	Update with further inputs from Task Team members	
17-02-09	16-02-09	Final inputs from Task Team members	

Approvals

This document requires the following approvals.
Signed approval forms are filed in the Management/Specialist/Quality section of the project files.

Name	Signature	Title	Date of Issue	Version
Eze Raboroko		Project Owner	18-02-09	V1.0
Noxolo Maninjwa		Project Sponsor	18-02-09	V1.0
Sibusiso Buthelezi		HOD	18-02-09	V1.0

Distribution

This document has been distributed to:

Name	Title	Date of Issue	Version
Ignatius Jacobs	MEC	18-02-09	V1.0
Sibusiso Buthelezi	HOD	18-02-09	V1.0
Noxolo Maninjwa	Project Sponsor	18-02-09	V1.0
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Sibusiso Mpanza	GDPTRW: PMU	18-02-09	V1.0
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Khuselo Mngaza	GTMA: CEO	18-02-09	V1.0

GDPTRW: Public Transport Transformation

Business Case

Date:

Name	Title	Date of Issue	Version
Chikane Chikane	UTF: CEO	18-02-09	V1.0

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Business Case

3 Purpose

The Head of the Gauteng Department of Public Transport, Roads and Works (GDPTWR) has provided a **mandate** for the project by establishing a task team to investigate the “Public Transport Transformation” within the Public Transport Programme of the Department.

The project **brief** that had been provided by the Head of the Department (HOD) was to investigate, via the preparation of a business case, the transformation of the current bus subsidies model, due to the unsustainability, unpredictability, operator focus and ongoing legal implications of the current model.

The **outcome** of this project is to have bus subsidies that adequately provide a fully integrated, efficient, safe, affordable, sustainable and accessible Public Transport service to the commuter in Gauteng.

As part of the consideration there are three scenarios presented to the Executive Management of the GDPTWR for evaluation, to assess the way forward in terms of the Public Transport Transformation.

4 Reasons

During the past weeks National Treasury (NT), National Department of Transport (NDOT) and GDPTWR have again been involved in court cases regarding the non payment of the private bus operators in Gauteng (the NDoT in terms of the National payment of bus subsidies).

In view of the most recent claims made in part B of the South African Bus Operators Association (“SABOA”) case, it is apparent that the GDPTWR and other provincial departments of transport will be forced to allocate funds out of its own coffers to finance a transport service that everyone concedes is not sustainable and not transformed.

GDPTWR therefore concluded that the current subsidy regime will perpetually lead to more court action between parties, as the current model for subsidising passengers is unsustainable over the short to long term. This situation cannot be tolerated any further, as valuable financial and other

resources are spent on counter challenges that are not in the interest of the state or users of public transport services.

Careful examination of the events that preceded the current crisis can be traced back to the initial implementation and decade's long disregard for the inherent flaws in the system. Over the past decade, government consistently found itself struggling to meet its obligations to private bus operators in terms of subsidies. This crisis should be utilised as the basis of for drastically restructuring the subsidised bus transport system in the country.

As an input to the proposed discussion (Intergovernmental Task Team) that will form the basis for a restructured public bus transport framework, the Gauteng Provincial Government has made a critical evaluation of the issues that negatively impacts on government's ability to meet its contractual obligations and is in the process of formulating a sustainable response to the matter.

In summary the problem statement therefore is:

- The subsidy funds received from NDOT are insufficient to meet the contractual obligations with the Service Providers.
- The unpredictability of the amount and date of receipt of the funding from NDOT, which made budgeting and cash-flow management difficult.
- The current service delivery does not meet value for money requirements in terms of the PFMA, resulting in an inefficient and ineffective service by bus operators and benefits to commuters. Specific examples of the abovementioned include:
 - Frequency of services
 - Routes where the service is delivered
 - Hours of service
 - Allocation of busses that need capacity requirements, i.e. Maxi, Midi & Mini busses
 - Standards of busses including the safety aspects thereof
 - Standards and safety of bus terminals
 - Exclusion of certain market sectors such as SMMEs, Taxi operators, etc.
 - GDPTRW not fulfilling its mandate in terms of the provision of an integrated Public Transport system.

5 Options

To successfully achieve the project outcome and adequately address the problem statement above there are three possible scenarios that should be considered.

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Scenario 1

To maintain the status quo regarding tendered and interim contracts with the only operational change being that, the funds meant for public transport bus subsidisation would be transferred to the provinces in accordance with the provisions of the Division of Revenue Act (“DORA”) in the new financial year.

Detailed description of Scenario 1

The maintenance of the status quo can be described as follows:

- There are 6 Interim Contract bus operators being:

Please note this is the average information for one (1) month.

	Name & Contract number	Average # of busses	Average # of passengers	Average cash revenue R	Average subsidy revenue R	Average total revenue R	Subsidy as % of Total revenue
1	Brakpan (IC56/97)	36	No Info	480,574	750,927	1,231,501	61%
2	North West Star						
	NWS Bothlaba (IC53/97)	228	961,719	273,420	26,973,309	27,246,729	99%
	NWS Batswana Gare (IC54/97)	230	784,283	6,995,600	10,974,500	17,970,100	61%
3	Putco KwaMhlanga						
	Putco Ekangala (IC51/96)	47	150,039	1,459,947	1,914,370	3,374,317	57%
	Putco Sandfontein (IC52/97)	600	3,138,333	21,914,000	40,917,000	62,831,000	65%
3 & 6	Putco Rosslyn (IC51/97) Putco Wits SATS (IC51/97)	234	No Info	8,485,962	12,117,281	20,603,243	59%
4	Putco Pta SATS (IC52/96)	38	117,900	1,507,514	2,224,364	3,731,878	60%
5	Putco Soweto (IC48/97)	420	1,428,987	15,687,688	24,426,225	40,113,913	61%
	TOTAL IC	1,833	6,581,261	56,804,705	120,297,976	177,102,681	68%

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The contracts stipulate that the bus operators are paid a passenger subsidy based on the number of tickets that are sold to commuters. There are no monitoring mechanisms in place in terms of service delivery and no verification of the actual tickets sold. There is a “killer” clause in the interim contract of 10% of 1st refusal, which means if another operator quotes less than 10% less in price then the service will remain with the current operator. The interim contracts consume between 80-82% of the bus subsidy paid to bus operators.

- There are 26 Tendered Contract bus operators being:

Please note this is the average information for one (1) month.

	Name & Contract number	Average # of busses	Average # of passengers	Average cash revenue R	Average subsidy revenue R	Average total revenue R	Subsidy as % of Total revenue
1	Amogelang (GT1062/3)	19	No Info	140,061	134,418	274,479	49%
2 & 17	Asibemunye (GT1062/5) Lekoa Transport Trust (GT1062/1)	75	215,893	2,324,595	4,684,753	7,009,348	67%
3 & 5	Attridgeville Bus service (D28-D30)	123	328,638	3,465,268	2,225,268	5,690,657	39%
6, 7, 8, 9	Comuta Eldorado park D17, D18, D19, D22)	23 5 5 19	42,898 10,129 7,975 31,214	282,637 59,372 15,417 432,583	928,967 196,995 101,046 726,067	1,211,604 256,367 116,463 1,158,650	77% 77% 87% 63%
10	Comuta Vaal (GT667/1)	62	183,790	1,426,906	1,330,532	2,757,438	48%
11, 12	Gauteng Coaches (GT1062/2, GT667/3)	43 8	No Info 26 898	2,209,394 258,664	1,638,791 402,411	3,848,185 661,075	43% 61%
13	GJTMC-MBS (D20)	8		65,476	223,796	289,272	77%
14, 15	Ipelegeng (GT667/2,	92	396 644	3,275,681	3,835,900	7,111,581	54%
16	JR Choeru (GT1187/4)	15	21,560	169,040	489,922	658,962	74%
18, 19	Moolas (GT1062/4, D21)	29 3	23,978 No Info	283,042 28,833	825,245 151,559	1,108,287 180,392	74% 84%
20-23	Putco Boksburg (GT1187/1 GT1187/2 GT1187/3)	8 39 9	24,664 128,153 28,150	216,735 1,204,484 255,916	337,100 1,507,880 382,897	553,835 2,712,364 638,813	56% 56% 60%
24-26	Putco Mamelodi (D23, D24, D25, D26)	16 55 17 10	93,158 220,597 86,279 24,301	828,601 1,655,637 649,972 181,806	508,804 1,222,762 452,770 267,043	1,336,865 2,878,399 1,102,742 448,849	38% 42% 41% 59%
	Total TC	683	1,471,377	19,430,120	22,574,926	42,004,627	54%

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The contracts stipulate that the bus operators are paid per km travelled at a specific rate. These contracts were entered into in 1996 after a tender process and the duration of the contracts was for 7 years (2003). These contracts have long expired and are renewed on a month-by-month basis.

The tender specified that there must be a separate monitor to verify the quality of the service provided by the bus operator. They are referred to as Supervisory Monitoring Firms (SMF). There are 6 of these firms and this is an additional cost to GDPTRW over and above the bus operator claims that must be paid.

- A summary of the financial situation for the past few years is as follows:

Description	%	FY 2008/09 YTD Nov 08 – 9 months	%	FY 2007/08 12 months
Claimed by IC Operators including escalation	81.7	R821 477 025	82	R1 017 866 360
Claimed by TC Operators including escalation	18.3	R183 810 279	18	R224 083 510
Total Subsidies claimed for the year	100	R1 005 287 304		R1 241 949 870
Total subsidy paid to GDPTRW		R965 883 298		R1 001 690 460
Difference (Shortfall that has to be funded by GDPTRW)		R39 404 006		R240 259 410
Additional cost for SMF (separate contract)		R3 794 956		R4 798 730
Total funding burden for GDPTRW		R43 198 962		R245 058 140

Besides the fact that there was a shortfall in the funds from NDOT, the funds did not come on a monthly basis, making financial planning – specifically cash-flow management – impossible.

Scenario 1 is therefore fundamentally continuing with the current subsidy regime where claims are submitted by the Interim and Tendered Contract bus operators on a month-to-month basis, without recourse regarding accuracy of number of tickets sold or actual kilometres travelled delivering a service, or a reliable verification of the standard of service delivered to commuters. The same service will therefore be received, the same issues will remain in terms of inadequate

and redundant routes, frequency of services, conditions of busses, etc. This model supports the notion where greater shortfalls will be generated and more court cases will take place.

Scenario 2

To terminate all existing month-to-month contracts with the current bus operators by 31 March 2009 and to renegotiate fixed contracts of between 12-24 months with the current bus operators, with new and very specific conditions such as:

- 30% taxi and 10% emerging operators' involvement in the bus subsidy industry.
- Upgrade of standards and conditions of busses and bus terminals to Euro 4 standards.
- Improvement in routes according to the Sept 08 SPTN specifications. These designs are currently being refined in accordance with the integrated network design approach as agreed to with NDOT and approved by MINMEC. The fully integrated network designs are due for submission to NDOT in July 2009.
- Improvement of frequency and hours of services.
- GTMA to fulfil oversight/monitoring function where no SMFs are in place.

Detailed description of Scenario 2

Scenario 2 can be described as follows:

- Bus Subsidies of R1.5 billion will be transferred to GDPTRW on 1 April 2009 in accordance with the provisions of DORA.
- Termination of the month-to-month interim and tendered contracts effective 31 March 2009, will take place by preparing termination letters for each of the bus operators giving them 6-weeks' notice of the intended termination. It must be noted that although the Department would be within its legal rights to terminate the contracts by providing an effective notice period of one month, it is advisable that what can concisely and objectively be termed as a reasonable period of notice in terms of the common law, this period being three months, be provided to operators.
- At the same time when the termination letters are being drawn up discussions will start with the Interim and Tendered contract bus operators to negotiate new 12-24 month contracts with them. As part of the discussions will be the inclusions of very specific requirements, which they will have to provide within the new contracts. These requirements include:
 - 30% taxi and 10% emerging operators' involvement in the bus subsidy industry.

- Upgrade of standards and conditions of busses and bus terminals to Euro 4 standards.
- Improvement in routes according to the Sept 08 SPTN specifications as revised per the integrated network design process. (Please see detailed description under scenario 4).
- Improvement of frequency and hours of services.
- Another matter for consideration is the fact that the SMF contracts expire at the end of May 2009 and it will mean that these must also be renegotiated. In the case where no SMF exists (Interim Contracts) SATS could be appointed as monitor, otherwise 82% of the expenditure in terms of bus subsidies will be unmonitored.
- In terms of taxi involvement negotiations will have to take place between SATS and the Department to enable the taxi operators to obtain an operating licence and belong to a taxi association. Furthermore, the operators would need to engage through the particular vehicle of a registered legal entity, which entity can take the form of a co-operative, a company or a closed corporation so as to ensure the efficient running of their business from the perspective of corporate governance.
- GDPTRW must prepare a detailed allocation of the subsidy funding, based on the history of the past 2 years, for example if Putco Sandfontein received 34% of the subsidies in previous years, the Department will allocate 34% for the new subsidy to them and clearly indicate that they have R510 million for the year or R42.5 million per month to run their service. No claims will be entertained over and above the allocated amount. This will be one of the conditions of the new contract.
- GDPTRW must ensure that there is a detailed, proactive communication and stakeholder management strategy in place when embarking on this process, as any wrong perceptions will worsen the current crisis to a catastrophe.

Scenario 3

To terminate all existing month-to-month contracts with the current bus operators by 31 May 2009 and to:

- Appoint UTF1 as the new bus operator effective 1 June 2009 with the following requirements:
 - 30% taxi and 10% emerging operator involvement in the bus subsidy industry with SATS as the facilitator in this process.

- Upgrade of standards and conditions of busses and bus terminals to Euro 4 standards.
- Improvement in routes according to the Sept 08 SPTN specifications, as per the revisions already referred to earlier on this document.
- Improvement of frequency and hours of services.
- Appoint G-Fleet to manage a partnership arrangement to focus on the subsidised bus fleet management from specification, procurement, financing, replacement and maintenance of such vehicles and other assets effective upon sign-off of the business case.
- Task the GTMA to fulfil oversight and funder function within its specified legal mandate.

Detailed description of Scenario 3

Scenario 3 can be described as follows:

- Bus Subsidies of R1.5 billion will be transferred to GDPTRW on 1 April 2009 in accordance with the provisions of DORA.
- Termination of the month-to-month interim and tendered contracts effective 31 May 2009, will take place by preparing termination letters for each of the bus operators giving them a minimum of 3 months' notice of the intended termination. These letters must still be sent to the operators the moment the business case is approved, to enable the other processes to start, i.e. ordering of busses, etc. It is important to note that this will ensure that the department is able to, not only in terms of the existing written month to month agreements, but also in terms of the common law of contract, comply with the principles of reasonable notice that should be provided when services are being terminated.
- At the same time when the termination letters are being drawn up discussions will start with UTF1 as the new Operator. The necessary contract must be concluded between GDPTRW and UTF1 to fulfil the function as per GDPTRW specifications. As part of the discussions will be the inclusion of very specific requirements, namely:
 - G-Fleet in conjunction with GDPTRW will specify, procure, maintain, evaluate and replace (when economically not viable any longer) the entire subsidised bus fleet on behalf of the Department for operational allocation to UTF1 and its operator support structures.
 - Absorption of current bus operator staff by UTF1.
 - 30% taxi and 10% emerging operators' involvement in the bus subsidy industry to be facilitated by SATS.
 - Upgrade of standards and conditions of busses and bus terminals to Euro 4 standards.

- Absorption of current operator assets that meet the specifications and operating requirements of G-Fleet and UTF1 if any.
- Improvement in routes according to the Sept 08 SPTN specifications as revised.
- Improvement of frequency and hours of services.

- From a legislative compliance perspective, it is important to note that there are no express legal barriers which prevent the Gauteng Province from operating the bus service utilising a public service provider. In fact, the legislative framework, in particular, the National Land Transport Transition Act No 22 of 2000 makes provision for a parastatal transport operator.

- Furthermore, any challenges that could be brought by the operators on the basis of administrative law are unlikely to succeed as there are sufficient substantive reasons for the new model of operating, and the process of issuing the letters of termination will be done in a manner that ensures that requirements of procedural fairness are adequately met. Thus all requirements in terms of the Constitution and the Promotion of Administrative Justice Act No 3 of 2000, will be met.

- For UTF1 to become an operator it would have to apply for an Operator license as a very first step as part of the transformation process.

- UTF1 will also have to prepare an absorption plan for taking over the current bus operator staff which can be as many as 12 500 people.

- Prepare a contract with G-Fleet & GTMA (funder) to appoint them as the fleet managers in line with the service that they are already delivering to GDPTRW. Their contract must specifically include and focus on the specification, procurement, maintenance, evaluation and replacement strategy of the vehicles supplied to UTF1 and its operators on behalf of GDPTRW.

- To enable G-Fleet to fulfil their function they will have to get the specifications for the busses, the number of busses and the scheduling of busses from GTMA to start the process. The lead time for the procurement of new busses is at least 3 months. They will have to prepare a detailed analysis of exactly how many busses will be required and where they can source the required number of busses that comply to Euro 4 Standards. In this regard G-Fleet may want

to contact NDOT for the Service providers that are now providing them with 1 500 new busses. All the bidders should be approached as they could assist G-Fleet.

- The improvement in routes, frequency and hours of services according to the Sept 08 SPTN framework prepared by MNS/GTMA must be used as a base for preparation of the public transport service to be delivered. The exact nature of the operational designs will be as per the revised integrated designs that will be submitted. Therefore special note should be taken of the report by both UTF1 and G-Fleet in determining the needs of commuters. These are the main categories of the report that would provide valuable input:
 - **Development of the SPTN**
 - Design of the SPTN
 - Network design
 - SPTN in Johannesburg
 - SPTN in Sedibeng
 - SPTN in West Rand
 - SPTN in Tshwane
 - SPTN in Ekurhuleni
 - Cross border Integration.
 - **Operational guidelines of the SPTN**
 - Operational Design guidelines
 - Type of service
 - Service capacity and speed
 - Service frequency
 - Hours of operation
 - Vehicle specification
 - Fare collection and ticketing technologies
 - Intelligent Transport systems (ITS)
 - Infrastructure design guidelines
 - Rail Infrastructure
 - Road Transport infrastructure
 - ✓ Road configuration
 - ✓ Road pavement
 - ✓ Bus Stations and stops
 - ✓ Interchange facilities

- ✓ Depots
- ✓ Accessibility to people with reduced mobility
- Service standards
 - Safety standards
 - Security standards
 - Operations standards
 - ✓ Reliability
 - ✓ Punctuality
 - ✓ Vehicle cleanliness and state of repair
 - ✓ Operator-Passenger-Public Interface
- System integration guidelines
 - Modal Integration
 - Service Integration
 - Infrastructure Integration
 - Fare Integration
 - Branding and Marketing Integration.
- In terms of current taxi and emerging operators' involvement in the industry, negotiations will have to take place between SATS and the Department to enable the taxi operators to obtain an operating licence and belong to a taxi association. Furthermore, the operators would need to engage through the particular vehicle of a registered legal entity, which entity can take the form of a co-operative, a company or a closed corporation so as to ensure the efficient running of their business from the perspective of corporate governance and their effective participation in the passenger subsidy scheme.
- To ensure that the taxi and emerging operators can meaningfully contribute the Sept 08 SPTN route requirements from MNS/GTMA as revised must be made available immediately for discussions with the taxi and emerging operators, to determine what they are able to contribute by 1 June 2009, 1 Aug 2009 and 1 October 09 so that the 30% for taxi involvement and 10% for emerging operators can be phased-in, if they are not immediately attainable. SATS will have to facilitate and assist in this process to determine the readiness of these organisations.

- GTMA must obtain permission from its Board to fund the Bus Subsidy Transformation project and prepare all the necessary norms and standards for implementation in terms of the following categories:
 - **Vehicles**
 - Vehicle specifications for 60 seater buses and larger 16 or 25 seater taxis that will be used in the scheduled service.
 - Specifications should be in terms of the Model Tender Documents and in terms of the acceptable public transport service
 - Destination Boards for the vehicles, along with route number standardization and destination coding
Linkage of route numbering and destination typology to the route scheduling and in terms of the timetabling for easy reference.
 - Safety and security standards for the vehicles, including maximum speed, chevrons, escape routes from the vehicle and safety and security devises on the vehicle (first aid kit and fire extinguisher)
Procure the necessary safety and security decals and equipment and ensure that they are placed on the vehicles in terms of the standards.
 - Accommodating persons with disabilities as well as percentages for persons in wheelchairs. This is in terms of the partially sighted, those utilizing crutches, the elderly and the infirm.
 - Addressing energy efficiency standards with the view if having Euro III and IV standards implemented.
 - Fuel for the vehicles (diesel and petrol). There is a need for clean diesel and unleaded petrol. It is recommended that BP be used as this is the cleanest. It is also recommended that the fuel Card system be entered into to ensure that there is a regulation on the amount of fuel used and the protection against siphoning of fuel.
 - GTMA to set the standard and ensure monitoring of fuel usage per bus on a monthly basis, in accordance with the distances travelled. This will also monitor and justify the maintenance processes.
 - Payment system on the vehicle needs to be specified in terms of the Level 3 Tender. This will include procuring, installing and operating the machines as well as setting up the Back Office. The Back Office needs to be set up with auditing functions, linked to the monitoring processes of the GTMA, compliance with the PFMA and linkage to the accounting processes. Reports will need to be formulated every month for submission to the National Department of Transport.

- **Depots**
 - Cleaning of vehicles. A standard will be developed for bus cleanliness. There is also a need to ensure that cleaning product used and correct for longevity of the vehicles. There is a need to assess the number of cleaning staff and then explore whether a cleaning contract can be entered into with a Company on a performance basis. The possibility also exists to enter into an arrangement for the cleaning staff to be transferred to that Company. The Company can then be paid in accordance with performance.
 - Maintenance of vehicles. The standards for maintenance, especially in relation to service mileages, and service typologies need to be determined. Focus should be on tyres, brakes, oil changes and internal maintenance.
 - Facilities for employees. There needs to be a facility at each of the depots for employees to be able to change, shower, eat and relax while they wait for shift changes or before they start. Enter into a contract for the supply of food for employees at the depots. Also have to have designated, lockable lockers for each employee.
 - Handing in of ticket and cash machines to the cashiers. Each depot has to have a secure facility where all ticket machines can be stored and where cash is collected, counted and stored. This facility will also need to include a safe that can house cash overnight.
 - A contract needs to be entered into with a Cash-in-Transit firm for a twice daily collect to an identified bank.
 - There will be a need to enter into a contract with a Security Company to ensure safety in the depots, management of the buses to and from the Depots and the equipment for the maintenance section. The Security Company could also be involved in safety and security components of the service.

- **Administration**
 - All documentation (waybills, information on buses, incident reports, inspector reports) to be standardised for utilisation by the staff in the various positions.
 - Once the forms have been standardized by the GTMA then a printing firm will need to be contracted with to print and supply these specialized documents.

- A computer programme needs to be developed to ensure that all information is captured on a daily basis by dedicated staff in relation to revenue management, operational details and bus related issues. Staff must be trained and monitored.
 - The schedule and timetable needs to be finalized, it must firstly be divided into a driver schedule per depot so that allocations can be finalized.
 - The next step is to develop a timetable for use by commuters. The timetable needs to be placed on the GTMA Website. Paper copies of the timetable also need to be developed and printed. It is proposed that the timetable be made available for each commuter at a reduced rate as a promotional tool for the new system.
 - There is a need for a monitoring system for the entire operation. The GTMA has already commenced with setting this system up. The contract of the Monitoring Firms (SMF Companies) that are currently employed by the Department needs to be revisited and transferred to the GTMA or a new system developed in accordance with the new GTMA Monitoring System.
 - A call centre for this system that can be extended / adapted once the Integrated Ticketing System must be implemented at the Integrated Transport Centre in Loveday Street. UTF to determine and source the specifications for the Call Centre. There should also be a linkage to the GTMA Website and the GTMA Monitoring System.
 - Design of the seasonal ticket and standardization of the costs in terms of the new fare management policy.
 - Enter into a contractual agreement with identified retail stores (Pick & Pay, SPAR, Checkers etc.) to sell the seasonal tickets and the top up of the smart cards. Also allow for advertising rights in exchange for reduction of costs.
 - Once the tickets have been designed, ensure communication of venues to the commuters and allow for discounts in the first month to ensure start-up.
 - A policy and process for private hire needs to be developed for implementation on commencement of the service in April 2009.
- **Labour**
- Identify all staff to be taken over in the new operations. The staff taken over are those not under suspension. They include the following categories:
 - Cleaners
 - Maintenance staff including depot hands, mechanics, workshop attendants, store staff, fuel attendees
 - Bus drivers

- Dispatchers
 - Inspectors
 - Cashiers
 - Administration staff
 - Superintendents
 - Call centre / communication personnel
-
- Should any of the management staff wish to be taken over into the new system then they would need to submit requests, which would have to be adjudicated.
 - Information dissemination to all staff via the union SATAWU in a two phased approach so as to ensure compliance with the standards and procedures.
Phase 1 will be to tell all staff as to what the process is and to obtain their employment files and records of employment. They should all be notified that they will keep their jobs and that they will receive uniforms. They should be asked to provide their sizes for uniforms as well as verify their employment numbers.
At the second session staff will need to sign a letter stating the basic conditions of employment, emphasizing that there is a zero tolerance policy GTMA will draft the standards for on theft or fraud.
 - All bus drivers will need to provide valid Public Driving Permits and the letters will need to be signed by the employer, employee and union representative.
 - Employees will then be issued with their winter uniforms once their letters have been signed and will need to wear them when working.
 - The GTMA is to design a very basic, comfortable uniform for staff and obtain quotes for the supply of uniforms for winter in March 2009 and then summer in August 2009. The suggestion is as follows:
 - **WINTER**
 - Pants
 - Long sleeve shirt
 - Peak cap
 - Shoes
 - Fleece anorak
 - **SUMMER**
 - Pants
 - Golf Shirt
 - Peak Cap

- Shoes
 - A contract for supply must be entered into with a uniform supplier for the delivery of uniforms in accordance with the sizes determined in the first information session with staff.
 - Maintenance staff need to be issued with special safety equipment and uniforms including steel tipped boots, fire retardant overalls, safety masks/goggles etc. that should be colour coded in terms of their positions / functions.
 - A policy in relation to how the employer is to deal with a death of a staff member, job description for all staff along with performance criteria, leave register, employment requirements, etc:
 - Working hours per week
 - Sick and annual leave arrangements
 - Working spread-over shifts for drivers
 - Overtime arrangements
 - Travel arrangements for staff starting work before 05h00 or ending work after 19h00
 - Working on Saturday and Sundays
 - Workmen's compensation
 - Allowances
 - Insurance for the operations to cover transportation of commuters. This is an essential element to the operation that needs to be arranged. This should also include cover for drivers should they be involved in an accident while at work. It should also cover damage due to riot, etc.
- **Communication**
- Internal communication to all staff on a regular basis, ensuring that there is a question and answer forum and that can be accessed. There is a need to ensure that the internal communication and discussion sessions are translated into the required languages.
 - Deal with the media, ensuring that there is regular communication to the print, audio and television media.
 - Ensure that there is a communication that staff / labour force is not going to lose their jobs.
 - Communication to commuters includes the following:

- Details as to why the Province is undertaking this change and the public transport objectives for Gauteng
 - Explanation of the Gauteng Intermodal Strategic Public Transport Network and the way the system will work
 - How the new destination boards and numbering of buses will work
 - Notification of ticket types and the costs per ticket type
 - Notification of the branding
 - Details of the new timetables and how to access them
 - Website and what information can be accessed from there
 - Information on the where season tickets can be purchased
 - General monthly news letter or media communication on the service as well as any special events, private hire, etc.
- **General**
- Determine standards for ticket types including costs for seasonal and cash tickets
 - Identify sales points
 - Revenue management for the operations
 - On board equipment
 - Back office
 - Bank account and arrangement with the Bank in relation to the transactions
 - Auditing system
 - Financial reporting.
 - GTMA to determine the branding of the vehicles, infrastructure and related communication materials for the public transport service operations.
 - Once the branding has been finalized and there is agreement with it, orders to be placed for the decals on the vehicles, stationery to be printed with the logos, communication material to be branded and uniforms to be printed.
 - Operating Licenses for all vehicles to be issues. This will mean determining the process for OL, vehicle registrations and roadworthy certificates.
- All the entities involved in scenario 4 have been assessed in terms of their readiness to fulfil their requirements for the Public Transport Transformation project. The detailed findings are reflected below:

GDPTRW: Public Transport Transformation

Business Case

Date:

Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
Description of the entity	UTF1 is a schedule 3 Public Entity (PFMA) with its own legislation in terms of the Urban Transport Act. It was established on the 5 th of May 2006.	G-Fleet is a trading entity (regulation 19 of the PFMA) within the GDPTRW, with its own bank account with the necessary approval from Provincial Treasury. G-Fleet (formerly known as GMT) was established in 2001. There is no allocation on the GDPTRW vote for G-Fleet and all its income is derived from fees charged for the use of the vehicles.	GTMA has applied for schedule 3 Public Entity status in terms for the PFMA. However, just before submission to National Treasury it was decided that it would be prudent to amalgamate with UTF2 (old Gauteng Transport Trading Entity - GTTE), a Regulation 19 (PFMA) Trading Entity and do a new submission with the combined organisations. The reason for this was the duplication in mandate of the 2 Acts governing the organisations namely the Urban Transport Act and the Gauteng Transport Framework	SATS Holdings (Pty) Limited is a majority black owned and managed company formed by the coming together of three consortiums appointed by the Gauteng Department of Public Transport, Roads and Works (GDPTRW) to establish, facilitate and manage a Strategic Business Partnership with the Taxi industry to implement a wide range of requirements associated with the Taxi Recapitalization Project and broader transformation of the

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Business Case

Date:

Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
			<p>Revision Amendment Act. The current status of the entity is therefore in the process to finalise their application to National Treasury for listing as a schedule 3 Provincial Public Entity. Until this process is complete GTMA/UTF2 remains a part of GDPTRW as a programme under the Departmental Vote.</p>	<p>public transportation sector.</p>
<p>Governance of the entity</p>	<p>The Urban Transport Board (UTB) was the original board, but is doubling up as GTMA Board as well.</p> <ul style="list-style-type: none"> • The Board of UTF2 (old UTB) is also now the Board of GTMA. Each of 	<ul style="list-style-type: none"> • G-Fleet has an Advisory Committee with members appointed by the MEC of GDPTRW. There are currently 8 members on the Committee including the CEO. Most of the members are experts in their field and are mostly non- 	<ul style="list-style-type: none"> • The Board of UTF2 (old UTB) is also now the Board of GTMA. Each of the members have been appointed by the MEC. There are currently 7 members as 1 has resigned. In terms of the Act there must be 8 	<ul style="list-style-type: none"> • The SATS Board consists of 5 Directors including the Chair and the CEO. • The Board of directors reports to the shareholders who are Gauteng National

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Business Case

Date:

Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
	<p>the members have been appointed by the MEC. There are currently 7 members as 1 has resigned. In terms of the Act there must be 8 board members and this must be done as soon as possible.</p> <ul style="list-style-type: none"> • There are 3 sub-committees: namely Audit Committee, Strategic and Projects. • There is a charter that governs the board. • The board meets every quarter. <p>Governance arrangements in terms of reporting include:</p> <ul style="list-style-type: none"> • The Board reports to the 	<p>executive members of the Committee.</p> <ul style="list-style-type: none"> • There are 3 sub-committees: namely Remuneration and HR, Strategic and Legal and Audit Committee. • The function of the Committee is to advise the CEO and give recommendations to the HOD of GDPTRW. • The Advisory Committee is governed by a charter. • The Advisory Committee meets once a month. <p>Governance arrangements in terms of reporting include:</p> <ul style="list-style-type: none"> • The Senior Management Team (SMT) (5 people) of 	<p>board members and this must be done as soon as possible.</p> <ul style="list-style-type: none"> • There are 3 sub-committees: namely Audit Committee, Strategic and Projects. • There is a charter that governs the board. • The board meets every quarter. <p>Governance arrangements in terms of reporting include:</p> <ul style="list-style-type: none"> • The Board reports to the MEC. • The CEO reports to the Board and the HOD. • Entity meeting with the HOD. • CEO and DDG forum 	<p>Taxi Alliance (GNTA), Gauteng Taxi Council (GATACO), TCT Consortium and LTE Consortium.</p> <ul style="list-style-type: none"> • The CEO reports to the Board. • There is no Audit Committee. • The external auditors of the company is Jeff & Associates.

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Business Case

Date:

Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
	<p>MEC.</p> <ul style="list-style-type: none"> • The CEO reports to the Board and the HOD. • Entity meeting with the HOD. • CEO and DDG forum meet fortnightly. • Part of EMT which meets monthly. • Part of BMT which meets quarterly. • Part of Trading Entities Acquisition Council (TEAC) which meets weekly. • Weekly office meetings are held with senior management. • Project meetings held as and when required. 	<p>G-Fleet meets weekly.</p> <ul style="list-style-type: none"> • Once a month the MANCOM of G-Fleet (18 people) meets. • One-on-one with HOD takes place quarterly or as and when required (CEO). • CEO and DDG forum meet fortnightly. • Part of EMT which meets monthly. • Part of BMT which meets quarterly. • Part of Trading Entities Acquisition Council (TEAC) which meets weekly. • Does the normal monthly and quarterly reporting. • Quantitative and qualitative reports on a monthly basis. 	<p>meet fortnightly.</p> <ul style="list-style-type: none"> • Part of EMT which meets monthly. • Part of BMT which meets quarterly. • Strategic Consultative Committee which meets quarterly. • Weekly office meetings are held with senior management. • Project meetings held as and when required. 	
Organisational	If the amalgamation between	• G-Fleet has an approved	• GTMA total approved	• The CEO has a

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Business Case

Date:

Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
development of the entity	<p>GTMA and UTF2 takes place there will be no staff in UTF1. The amalgamation is dependent on the due diligence report and legal opinions.</p> <ul style="list-style-type: none"> • UTF1 is basically only a Fund (bank account). • UTF2 has an approved organogram with a CEO, COO and 5 directors namely Business Management, Project Coordination, Corporate Support, Special Projects, Financial Management and the rest of the staff. • The approved establishment is for 42 staff and they currently 	<p>organogram with a CEO, COO and 3 managers (heads of sections Corporate Services, Finance and Operations), 4 regional managers (other provinces) and the rest of the staff.</p> <ul style="list-style-type: none"> • There is approximately 300 staff members. • There are only a few vacancies of which the most critical is that of the COO position. 	<p>establishment is 75 staff members. They are currently 19 staff members.</p>	<p>management team with a CFO, General Manager Corporate Services, General Manager Fleet Management, General Manager Bus Services, General Manager Consulting Services and General Manager Special Projects.</p> <ul style="list-style-type: none"> • The total staff complement is 26 with 5 vacant positions. • SATS was formed by a consortium of companies, the composite companies possess additional

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Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
	<p>have 12 staff members.</p>			<p>capacity that can be accessed by SATS as an when required, including:</p> <ul style="list-style-type: none"> ○ Engineering and construction ○ Transport Planning and management ○ Project management ○ Public Private Partnerships (PPP) ○ Stakeholder management ○ Capacity Building ○ Financial Management ○ Legal and Advisory services

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Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
				<ul style="list-style-type: none"> • Required capacity in terms of skilled resources (internally at SATS) can be procured within 2 months, on project basis (we have intentionally maintained a lean office, to minimise costs) • We have engaged a number of consultants that we bring in as per our requirements.
Internal systems of control	<ul style="list-style-type: none"> • BAS is the financial system. • PERSAL the Human Resources system. • UTF2 is essentially a 	<ul style="list-style-type: none"> • All the different subcommittees ensure that the system of internal control is functional. • The separation of duties 	<ul style="list-style-type: none"> • BAS and Pastel are being used as the accounting systems, with Pastel running parallel with BAS. 	<ul style="list-style-type: none"> • The financial system that is used is Pastel. • There is currently a manual HR system, but the company is

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Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
	<p>project organisation running 12 projects.</p> <ul style="list-style-type: none"> • The UTF1 budget is an Urban Transport act allocation, whilst UTF2 budget for I3S was ring-fenced during the Growth and development strategy. • There are delegations of authority. • Segregation of duties exists. 	<p>between GDPTRW and G-Fleet is effective.</p> <ul style="list-style-type: none"> • BAS and Pastel are being used as the accounting systems. • PERSAL and Pastel payroll is being used as the HR system. • A comprehensive list of policies and procedures exist, including a delegation of authority. • On the operational side there are 4 systems currently in use, namely the ELS (Electronic Log-in System which calculates the fees charged, has a maintenance component as well as accident, repairs and km travelled; the 	<ul style="list-style-type: none"> • All staff is currently contractors – so no one is on PERSAL. 	<p>planning to outsource this function.</p>

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Description	UTF1 as operator	G-Fleet as procurement and maintenance agent	GTMA/UTF2 as funder and oversight function	SATS as facilitator for taxi and emerging operators
		<p>Wesbank system which manages the fuel cards; Comprehensive Security/Surveillance system, Mobitrax system for the tracking of vehicles and the BAUD system for assets and stock.</p>		
<p>Overall Readiness</p>	<p>If the amalgamation between GTMA and UTF2 is approved, UTF1 will have to be capacitated to fulfil the role as operator. A possible solution could be to contract in an administrative management team with bus Operator experience, to build capacity and transfer skills for a specific period.</p>	<p>G-Fleet is ready to deliver the service as essentially they will continue to do the same business – it is only the size of the vehicle that will change. It has the dependency on GTMA to provide it with the specifications, number of busses and the actual order to start the process.</p>	<p>The entity application is important, but GTMA can fulfil its oversight function in terms of the regulatory requirements. It can also continue with its role as setting norms and standards.</p>	<p>SATS will be able to fulfil its function as facilitator.</p>

- GDPTRW must prepare a detailed allocation of the subsidy funding, based on the history of the past 2 years. Even though the service and information provided by current operators are not 100% accurate it is the only information that the Department has available to prepare a planned bus operating model reflecting the estimated cash-flow expenditure per month. A very specific resolution must be made to keep accurate records of the actual costs incurred to operate the public transport service. It may be necessary to prescribe formats of returns from UTF to the Department, as well as technology that will be utilised in the bus fleet that will provide verification information to the Department.
- GDPTRW must ensure that there is a detailed proactive communication and stakeholder management strategy in place when embarking on this process, as any wrong perceptions will worsen the current crisis to a catastrophe.

6 Benefits Expected

Scenario 1

Positive Benefits (advantages): The only benefit of Scenario 1 is the fact that there will be certainty in terms of the amount (R1.5 billion) and date (1 April 2009) of the subsidy being received.

Negative Benefits (disadvantages): The reasons for the current crisis in the bus subsidy industry will remain, namely services that do not comply with the value-for-money requirements of the PFMA, commuters demands and needs not being met in terms of public transport, inability of GDPTRW and the state in general, to fund the shortfalls in terms of the subsidy and the continuance of court cases against the state.

Scenario 2

Positive Benefits (advantages) of scenario 2 is as follows:

- GDPTRW will implement a solution that will be phased-in over a period no longer than the initial extension of the service, i.e. 12 to 24 month contracts.
- It is a focussed approach, guided by a project implementation team that will work towards providing a solution to the provision of subsidised public transport services to commuters

currently being services by subsidised operators in a sustainable, effective and economic manner.

- There will be some taxi and SMME involvement within the bus subsidy industry that will support the department to meet its integrated transport provision objectives.
- Bus and terminal conditions would have improved to Euro 4 standards.
- Frequency and hours of services will have improved.
- Routes would have changed to be in line with the Sept 08 SPTN requirements and as revised per the integrated network design process.
- More efficiency in terms of usage of busses for example using a high capacity vehicle (23) when required in off-peak times versus a 63 seater bus.
- An independent institution (SATS) will fulfil an oversight function.
- A phased in approach may provide G-Fleet with the necessary time to procure busses as they still have to be manufactured according to the specifications, number of busses and scheduling that will be provided by GTMA.

Negative Benefits (disadvantages):

- The current bus operators may reject the new conditions in the contract, due to their inability to comply with them.
- It is unlikely that they will meet all the new conditions and accept a lower income as GDPTRW would have allocated specific amounts per bus operator and not paid in full for claims.
- The levels of service and the number of passenger trips that they will do may also be reduced, leading to a deterioration of service delivery.

Scenario 3

Positive Benefits (advantages) of scenario 3 is as follows:

- GDPTRW will have control over its expenditure in terms of public transport.
- There will be some taxi and SMME involvement within the bus subsidy industry based on their capacity.
- Bus and terminal conditions would have improved to Euro 4 standards.
- Frequency and hours of services will have improved.
- Routes would have changed to be in line with the Sept 08 SPTN requirements as revised.
- More efficiency in terms of usage of busses for example using a high capacity vehicle (23) when required in off-peak times versus a 63 seater bus.

- G-Fleet, in conjunction with UTF1, will procure and maintain the fleet where minimum standards can form part of the SLA.
- The maintenance costs of the bus-fleet should be much lower than the current bus operator spending on maintenance, which is consuming the subsidy due to the old busses that are used. The reason for it being lower will be part of the procurement deal that could be negotiated (maintenance plans). It is estimated that maintenance of the new fleet would be in the region of R2.5 million per month on a fleet of 2 300 new busses.
- An independent institution (GTMA) will fulfil an oversight function.

Negative Benefits (disadvantages):

- The current bus operators may obtain a court interdict against the Department/UTF1 to deliver the service. This possibility needs to be mitigated by pro-active applications by the Department, such as an application for direct access to the Constitutional Court.
- G-Fleet could be forced, if the current bus operators go to court, to take over their busses, which may not be useful in some instances. However, the likelihood of same, from a legal perspective, is minimal.
- It is a radical intervention and not all the necessary information would be available immediately, but it could be managed by a phasing-in approach.
- Continuous proactive stakeholder management and communication will have to be done for at least the first year of implementation of this project.
- If there is not absolute management buy-in from departmental staff, this intervention will fail with enormous repercussions.
- The lack of capacity in UTF1 could be problematic, but it could be mitigated by appointing an administrative management team with “operator” experience for a specific period to transfer internal skills.
- The taxi and emerging operators may not be ready by 1 June 2009, but their involvement can be phased in.

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7 Risks

The risks of the 4 scenarios are reflected in the table below:

Description	Scenario 1		Scenario 2		Scenario 3	
	Probability	Impact	Probability	Impact	Probability	Impact
Court cases against state	High	Negative perception of Government ito failure to pay for services rendered	High	Negative perception of Government ito failure to pay adequately for services rendered	Medium to High, but it is capable of being effectively mitigated	Negative perception of Government ito continued court proceedings, but will be mitigated by positive perception ito government proactively solving a continuous problem and planning on delivering superior services in a more effective and efficient manner.
Shortfalls to be carried by GDPTRW	High	Unauthorised expenditure ito PFMA if funded by GDPTRW itself				
Service not meeting needs and demands of commuters	High	GDPTRW unable to fulfil its mandate ito public transport	High	GDPTRW unable to fulfil its mandate ito public transport		
Non acceptance of the 12-24 contract proposal by current bus operators			High	Court interdict against Department and strike action which will leave the commuter stranded and create a further negative perception of the inability of the		

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Description	Scenario 1		Scenario 2		Scenario 3	
	Probability	Impact	Probability	Impact	Probability	Impact
				Department to render an efficient and effective public transport service		
New contract specifications in terms of Euro 4 standards, routes, etc. too onerous for current operators. They will most likely argue that it is unfair to expect them to invest in new (very expensive at R1, 0 to R 1,5m per unit) busses and infrastructure while they will not be able to recover their cost of ownership over the new contract period. They may even be reluctant to share with other parties because of the duration of the contract.			High	Non acceptance of further negotiated 12-24 month contracts.	High	<p>Would have to settle for a lesser specification and phase –in as the new busses become available. Lead time of 3 months built in so some new busses will be in the fleet.</p> <p>To prevent court action G-Fleet may be forced to take over current operator stock (busses).</p>
Non-compliance with Euro 4 standards			High	The fuel in SA does not meet the criteria and the only thing would be to	High	The fuel in SA does not meet the criteria and the only thing would be to settle with Euro

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Description	Scenario 1		Scenario 2		Scenario 3	
	Probability	Impact	Probability	Impact	Probability	Impact
				settle with Euro 3 standards and engage the fuel industry in discussion to obtain dates for compliance.		3 standards and engage the fuel industry in discussion to obtain dates for compliance.
Lack of capacity by UTF1 to fulfil the role of the Operator by 1 June 2009					Medium	The entity is fully established. It may need to appoint an administrative management support with experience in the bus operator industry for a period whilst building its own capacity.
Taxi and emerging operators do not have capacity to fulfil their role						
GTMA not able to complete all norms and standards in time					Low	A further delay in the implementation of the scenario
Late placement of bus order					High	G-Fleet dependent on many parties and late placement will result in not G-Fleet not having busses by 1 June 2009.
Stakeholder facilitation inappropriate	Low	Status quo in place	High	Court cases against GDPTRW	High	Court cases against GDPTRW
Proactive communication lacking	Low	Status quo in place	High	Court cases against GDPTRW	High	Court cases against GDPTRW

8 Cost

The research portion of the Public Transport Transformation project is reflected below:

High-level summary of research & transformation costs	Excl VAT	Incl VAT
Ashira: Termination of contracts & ROD	3,024,000.00	3,447,360.00
Elements: External Communication	4,877,167.00	5,559,970.38
GTMA Expert Melissa Whitehead	411,300.00	468,882.00
NAC: Stakeholder facilitation and change management	5,490,215.00	6,258,845.10
NEXXT IS: Project office, Management Support & Services	6,808,464.18	7,761,649.17
SATS: Taxi and emerging operators facilitator	2,534,850.00	2,889,729.00
Total research cost	23,145,996.18	26,386,435.65
Total Passenger revenue R1.5bn (subsidy) + R795m (ticket sales)	2,295,000,000.00	
Research & Transformation portion of total market		1.01%

Note : MNS is currently engaged by the Department to undertake the bus transformation project which include the re-design of the current public transport services and implementation of an integrated fare management . This intervention is already part of of the larger Public Transport Transformation and will only be added later in the process when total transformation cost is calculated.

The total actual cost of the implementation of scenario 3 will be determined within the research period as more information becomes available.

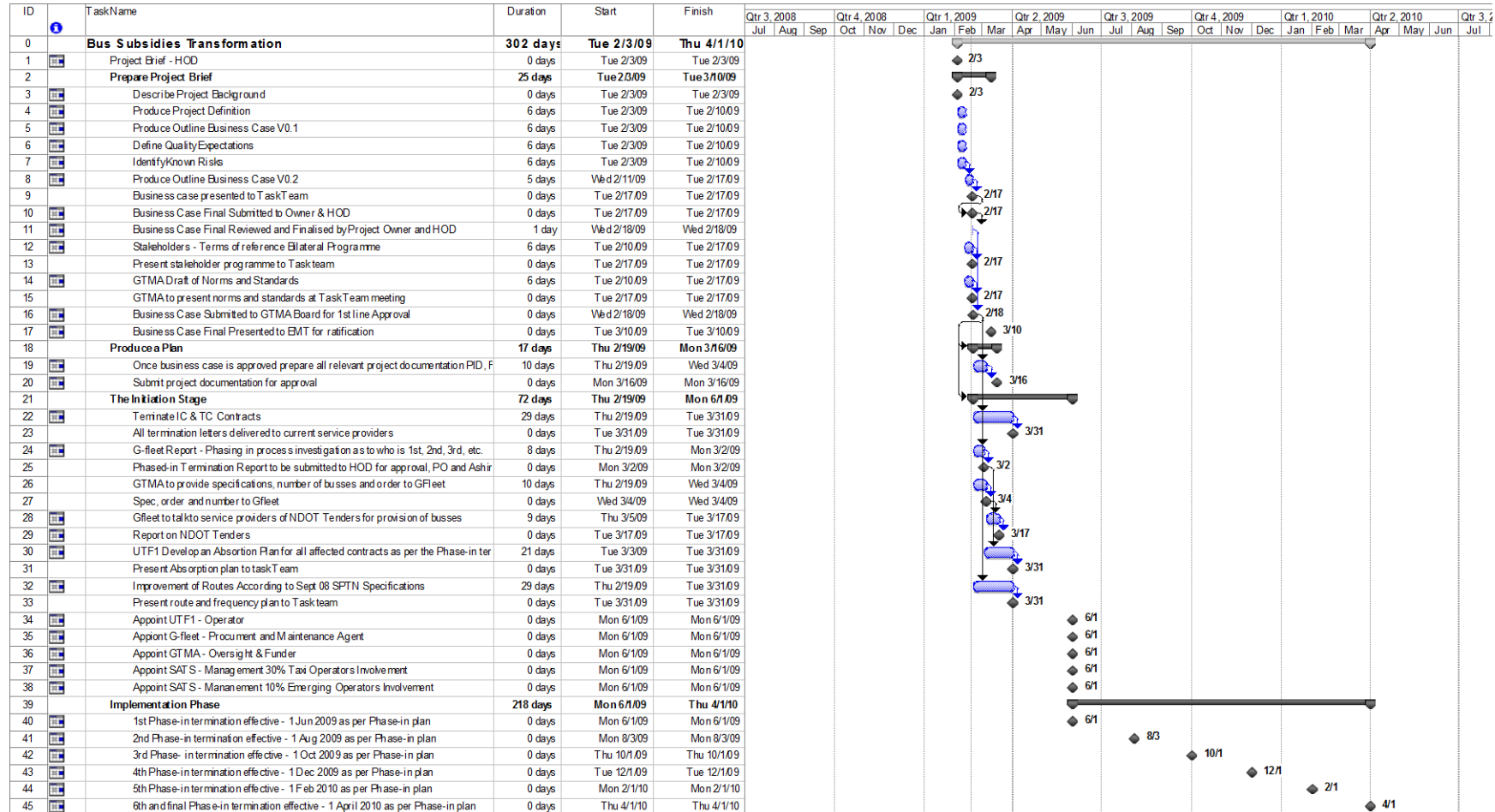
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9 Timescales

A high-level project plan is reflected below and provides some of the detail for the research period. A further detailed plan for implementation will be compiled during the research phase as more information is gathered.




10 Investment Appraisal

The financial implications of scenarios 2 and 3 are reflected below for comparative purposes.

Scenario 2

The financial implications associated with Scenario 2 is estimated to be as follows:

GAUTENG DEPARTMENT OF PUBLIC TRANSPORT, ROADS & WORKS								
PROJECTED INCOME STATEMENT								
Scenario 2 Current Contracts for 24 Months	Period 1 Year 1	Period 2 Year 2	Period 3 Year 3	Period 4 Year 4	Period 5 Year 5	5 Year Plan Total	% of Total	
Volumes	2,155	1,955	1,946	1,946	1,946	1,946	100.0%	
Number of Buses	2,000	1,800	1,791	1,791	1,791	1,791	92.0%	
Number of Support Vehicles	155	155	155	155	155	155	8.0%	
Assets	84,929,859	1,006,779,859	2,433,605,359	2,433,605,359	2,433,605,359	8,392,525,795	100.0%	
Buses		910,000,000	2,328,300,000	2,328,300,000	2,328,300,000	7,894,900,000	94.1%	
Support Vehicles	29,000,000	29,000,000	29,000,000	29,000,000	29,000,000	145,000,000	1.7%	
Other	55,929,859	67,779,859	76,305,359	76,305,359	76,305,359	352,625,795	4.2%	
Revenue	114,646,985	1,475,713,906	2,886,325,841	2,886,325,842	2,886,325,843	10,249,338,417	100.0%	
Ticket Sales		479,141,949	1,243,685,840	1,243,685,840	1,243,685,840	4,210,199,469	41.1%	
Subsidies	75,000,000	900,000,000	1,500,000,000	1,500,000,000	1,500,000,000	5,475,000,000	53.4%	
Other Bus Related	4,646,985	45,946,957	71,000,001	71,000,002	71,000,003	263,593,948	2.6%	
Advertising	35,000,000	50,625,000	71,640,000	71,640,000	71,640,000	300,545,000	2.9%	
G-Fleet/UTF-1 Lease & Maintenance	86,197,109	820,161,668	1,563,005,404	1,563,005,404	1,563,005,404	5,595,374,988	54.6%	
Asset Lease Cost	37,174,470	280,461,091	657,016,447	657,016,447	657,016,447	2,288,684,902	22.3%	
Insurance & Tracking	3,821,844	75,508,489	182,520,402	182,520,402	182,520,402	626,891,539	6.1%	
Administration & Standards	1,719,705	22,135,709	43,294,888	43,294,888	43,294,888	153,740,076	1.5%	
Maintenance	2,123,246	177,457,451	276,370,691	276,370,691	276,370,691	1,008,692,772	9.8%	
Depot Facilities	1,146,470	14,757,139	28,863,258	28,863,258	28,863,258	102,493,384	1.0%	
Fuel & Oil	84,930	212,948,941	331,644,830	331,644,830	331,644,830	1,207,968,360	11.8%	
Monitoring & Consulting	40,126,445	36,892,848	43,294,888	43,294,888	43,294,888	206,903,955	2.0%	
Operator Cost - Current Operators	21,617,491	620,731,986	1,215,041,039	1,215,041,039	1,215,041,040	4,287,472,594	41.83%	
Marketing & Branding	2,866,175	22,135,709	43,294,888	43,294,888	43,294,888	154,886,546	1.51%	
Call Centre	1,146,470	14,757,139	28,863,258	28,863,258	28,863,258	102,493,384	1.00%	
Salaries Driver & Related	5,732,349	516,499,867	1,010,214,044	1,010,214,045	1,010,214,045	3,552,874,351	34.66%	
Training	1,146,470	7,378,570	14,431,629	14,431,629	14,431,629	51,819,927	0.51%	
Travelling	573,235	7,378,570	14,431,629	14,431,629	14,431,629	51,246,692	0.50%	
Software Licenses	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000	45,000,000	0.44%	
Administration	2,866,175	36,892,848	72,158,146	72,158,146	72,158,146	256,233,460	2.50%	
Legal Fees	2,000,000	2,000,000	14,431,629	14,431,629	14,431,629	47,294,888	0.46%	
Auditing Fees	286,617	3,689,285	7,215,815	7,215,815	7,215,815	25,623,346	0.25%	
Operator Profit / (Loss)	6,832,385	34,820,251	108,279,399	108,279,399	108,279,400	366,490,835	3.58%	
Net P/(L)BT as % of Revenue	5.96%	2.36%	3.75%	3.75%	3.75%	3.58%	100.00%	

Assumptions:

1. All revenue & expenditure in February 2009 terms.
2. Average interest rate estimated at 11.5%.
3. Total "Busses" include a combination of 64, 25 & 16 seater vehicles.

GDPTRW: Public Transport Transformation

Business Case

Date: _____

Scenario 3

The financial implications associated with Scenario 3 is estimated to be as follows:

GAUTENG DEPARTMENT OF PUBLIC TRANSPORT, ROADS & WORKS							
PROJECTED INCOME STATEMENT							
Scenario 4 UTF-1 as Bus Operator	Period 1 Year 1	Period 2 Year 2	Period 3 Year 3	Period 4 Year 4	Period 5 Year 5	5 Year Plan Total	% of Total
Volumes	605	1,305	1,946	1,946	1,946	1,946	100.0%
Number of Buses	450	1,150	1,791	1,791	1,791	1,791	92.0%
Number of Support Vehicles	155	155	155	155	155	155	8.0%
Assets	725,859,718	1,647,709,718	2,489,535,218	2,489,535,218	2,489,535,218	9,842,175,091	100.0%
Busses	585,000,000	1,495,000,000	2,328,300,000	2,328,300,000	2,328,300,000	9,064,900,000	92.1%
Support Vehicles	29,000,000	29,000,000	29,000,000	29,000,000	29,000,000	145,000,000	1.5%
Other	111,859,718	123,709,718	132,235,218	132,235,218	132,235,218	632,275,091	6.4%
Revenue	725,956,241	1,853,665,950	2,886,325,841	2,886,325,842	2,886,325,843	11,238,599,718	100.0%
Ticket Sales	312,483,879	798,569,914	1,243,685,840	1,243,685,840	1,243,685,840	4,842,111,315	43.1%
Subsidies	376,884,422	963,149,079	1,500,000,000	1,500,000,000	1,500,000,000	5,840,033,501	52.0%
Other Bus Related	18,587,940	45,946,957	71,000,001	71,000,002	71,000,003	277,534,903	2.5%
Advertising	18,000,000	46,000,000	71,640,000	71,640,000	71,640,000	278,920,000	2.5%
G-Fleet/UTF-1 Lease & Maintenance	427,810,917	1,022,980,454	1,567,200,143	1,567,200,143	1,567,200,143	6,152,391,800	54.7%
Asset Lease Cost	191,562,573	434,849,195	657,016,447	657,016,447	657,016,447	2,597,461,110	23.1%
Insurance & Tracking	32,663,687	123,578,229	186,715,141	186,715,141	186,715,141	716,387,340	6.4%
Administration & Standards	7,259,562	27,804,989	43,294,888	43,294,888	43,294,888	164,949,215	1.5%
Maintenance	69,439,872	177,457,451	276,370,691	276,370,691	276,370,691	1,076,009,397	9.6%
Depot Facilities	7,259,562	18,536,659	28,863,258	28,863,258	28,863,258	112,385,997	1.0%
Fuel & Oil	83,327,847	212,948,941	331,644,830	331,644,830	331,644,830	1,291,211,277	11.5%
Monitoring & Consulting	36,297,812	27,804,989	43,294,888	43,294,888	43,294,888	193,987,464	1.7%
Gross Revenue	298,145,325	830,685,496	1,319,125,698	1,319,125,699	1,319,125,700	5,086,207,918	45.3%
Operator Cost - UTF-1	287,678,262	783,905,534	1,215,041,039	1,215,041,039	1,215,041,040	4,716,706,914	42.0%
Marketing & Branding	18,148,906	27,804,989	43,294,888	43,294,888	43,294,888	175,838,558	1.6%
Call Centre	7,259,562	18,536,659	28,863,258	28,863,258	28,863,258	112,385,997	1.0%
Salaries Driver & Related	217,786,872	648,783,082	1,010,214,044	1,010,214,045	1,010,214,045	3,897,212,089	34.7%
Training	7,259,562	9,268,330	14,431,629	14,431,629	14,431,629	59,822,780	0.5%
Travelling	3,629,781	9,268,330	14,431,629	14,431,629	14,431,629	56,192,999	0.5%
Software Licenses	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	50,000,000	0.4%
Administration	18,148,906	46,341,649	72,158,146	72,158,146	72,158,146	280,964,993	2.5%
Legal Fees	3,629,781	9,268,330	14,431,629	14,431,629	14,431,629	56,192,999	0.5%
Auditing Fees	1,814,891	4,634,165	7,215,815	7,215,815	7,215,815	28,096,499	0.3%
Operator Profit / (Loss)	10,467,062	46,779,962	104,084,659	104,084,660	104,084,661	369,501,004	3.3%
Net P/(L)BT as % of Revenue	1.4%	2.5%	3.6%	3.6%	3.6%	3.3%	100.00%

Assumptions:

1. All revenue & expenditure in February 2009 terms.
2. Average interest rate estimated at 11.5%.
3. Total "Busses" include a combination of 64, 25 & 16 seater vehicles.

11 Recommendation

Based on the information contained in the business case as a whole, the only scenario that will meet the project outcome as stated in the purpose, is scenario 3. It is therefore recommended that the GDPTRW initiates the processes of Public Transport Transformation in support of this scenario.