

Business Plan for the Assignment of Urban Rail

October 2017

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1 Introduction

1.1 Rail in Cape Town

Rail services in Cape Town are of paramount importance to those that live and work in the city. With rail accounting for 54% of passenger journeys, it is the backbone of Cape Town's public transport system. Rail is also integral to three key strategies for the City of Cape Town:

- the delivery of integrated transport;
- the use of Transit Oriented Development (TOD) to bring about the spatial transformation of Cape Town and to build sustainable communities; and
- the implementation of the green agenda.

Against this backdrop, the City has been considering its approach to the management and operation of rail services over the last two years. It is clear, however, that the City needs to decide on its course of action expeditiously because rail has now reached crisis point. While the rail service in Cape Town has been getting worse for many years, this has recently declined much more sharply. In just the last year, rail passenger numbers in Cape Town have fallen by about a further 30%. Inevitably, the vast majority of these passengers have gone on to the road network leading to gridlock at peak periods with all its associated economic cost to commuters, as well as to the City and its economy.

This crisis in rail has therefore crystallised the urgency for the City to make a decision on its approach to rail. The crisis in rail is also relevant in that it may mean that the City is required to absorb a greater level of risk in tackling the issues to bring about faster solutions. Any such approach would, however, need to be supported by an appropriate risk management strategy.

1.2 Contents of this Business Plan

This Business Plan for the Assignment of Urban Rail (Business Plan) has been prepared to respond to the circumstances described above. In this Business Plan, references to "urban rail" mean passenger rail within Cape Town and its functional area.

In particular, this Business Plan:

- highlights the significance of rail to the City if it is to deliver the three key strategies referred to above;
- describes how the urban rail services in Cape Town and its functional area are in a critical condition and heading to total collapse;
- analyses the City's options for addressing urban rail;
- recommends that the City immediately proceeds with the option to have the urban rail function assigned to it in a structured and incremental manner but only on the basis that such assignment is undertaken in accordance with:

- the recommended assignment methodology; and
- the proposed implementation plan for each functional component of the rail system (these are set out in paragraph 13.1) (together, the Assignment Implementation Plan); and
- shows how the City, through its assignment methodology, will grow the capacity to deliver a solution for urban rail in Cape Town and its functional area on a sustainable basis.

1.3 The proposed Assignment Implementation Plan and future steps

The proposed Assignment Implementation Plan that will be actioned upon assignment is, at this stage, necessarily relatively high level. Nonetheless, it outlines the overall proposed approach to each functional component and, importantly, includes a first implementation step for each one. TDA will develop the Assignment Implementation Plan into a detailed Rail Masterplan for Cape Town and its functional area, with comprehensive further implementation steps for each functional component.

1.4 TDA's plans for urban rail in the context of the White Paper

While TDA has been planning how to address urban rail in Cape Town over the last two years, National rail policy has also been developing and is now moving in a similar direction to TDA's thinking. This has culminated in the release of the Department of Transport's (DoT) National Rail Policy Draft White Paper of June 2017 (White Paper).

The White Paper states that "around the world, urban rail generally has always been a local government function. It is better managed at local level by people who are in touch with local needs". As described later in this Business Plan, the White Paper sets out a route map for the full assignment of the urban rail function to municipalities, commencing with the enactment of National Rail Policy in 2019 and the completion of such assignments by 2025.

This Business Plan sets out TDA's reasoning for the assignment to it of the urban rail function and, crucially, how the White Paper's vision could be achieved more sustainably by starting the assignment process immediately.

2 Integrated Transport

2.1 Introduction

The City's responsibility to deliver integrated transport in Cape Town stems in the first instance from the National Land Transport Act, No 5 of 2009 (NLTA). The NLTA provides that local government, especially metropolitan municipalities, are tasked with achieving integrated land transport and related urban development.

In particular, section 11(1)(c) of the NLTA sets out the transport functions of a municipality. These are as follows (using the same lettering and incorporating the proposed amendments from the National Land Transport Amendment Bill, 2016 (NLTAB)):

- (i) land transport policy and strategy, including its vision for the area, densification and infilling along development corridors;
- (v) financial planning of land transport matters, in consultation with state-owned rail operators in the case of rail matters, with particular reference to transport planning, infrastructure, operations, services, maintenance, monitoring and administration;
- (vi) managing the movement of persons and goods within its area;
- (vii) encouraging and promoting the use of available transport modes so as to enhance the effectiveness of the transport system and reduce travelling time and costs;
- (viii) minimising or reducing the adverse impact of land transport on the environment;
- (ix) land transport information system;
- (x) public participation and consultation;
- (xi) marketing and promotion of public transport;
- (xii) providing information to users and potential users;
- (xiii) safety and security in public transport;
- (xiv) provision of public transport for targeted categories of passengers (universal access);
- (xvi) improved road traffic movement;
- (xvii) municipal road management;
- (xviii)/(xix) integrated public transport network (IPTN) for the City and its functional area, including the rail network – this should provide for service level planning for passenger rail on a corridor network basis in agreement with the Passenger Rail Agency of South Africa (PRASA);
- (xx) integrated ticket system, including regulation and control;
- (xxi) subject to the standards set by the Minister (if any), setting standards for interoperability between fare collection and ticketing systems in its area;
- (xxii) travel demand management;
- (xxiii) in the case of gross cost contracts (where revenue comes to the City), determining fare structures and fare levels;
- (xxiv) determining concessionary fares for targeted categories of passengers;
- (xxv) exercising control over service delivery through setting operational and technical standards, and monitoring compliance with them, and monitoring contracts;

- (xxvi) concluding subsidised service, commercial service, negotiated and stopgap contracts with operators; and
- (xxvii) developing and managing intelligent transport systems.

Some of these functions imposed by the NLTA (such as the densification, intensification and infilling of development corridors referred to in section 11(1)(c)(i)) are in effect manifestations of TOD. As TDA's mandate extends to urban development as well as integrated transport, it will be better placed than its predecessor, Transport for Cape Town (TCT), to deliver the full benefit of TOD. This broader mandate was given to TDA in terms of the Constitution of the Transport and Urban Development Authority for Cape Town Amendment By-law, No 7716 of 2017 (TDA By-law). The significance of rail to the City's delivery of TOD is described in more detail in paragraph 3.

2.2 Why deliver integrated transport?

It is worth briefly describing why the City regards achieving integrated transport as being so important to maximising the efficiency and effectiveness of its urban environment. In short, this is for the following reasons:

Mobility	integration facilitates increased mobility and more opportunities for the public transport user group as it enables an integrated ticket, integrated timetable and rationalised service
Accessibility	integration enables equitable access to public transport so as to improve the quality of life and drive down the costs of access
Modal Choice	integration helps promote innovation and provide a choice of mode
Service Excellence	integration supports the commitment to safety, reliability, brand loyalty and benefits to the passenger through targeted, performance oriented service delivery
Sustainability	integration enables a sustainable transport system for the benefit of all users

2.3 Importance of rail to integrated transport

It is self-evident that it is not possible to deliver true integrated transport without an effective rail component. In Cape Town, this is exacerbated because rail is the dominant mode within public transport. As mentioned above, 54% of public transport passenger journeys are by way of rail. It follows therefore that TDA will not be able to meet its challenge of delivering integrated transport without rail and road being managed collectively. It also means that the commuter will continually be placed at a financial and interconnectivity disadvantage.

The Financial and Fiscal Commission also concluded that the City should have the function of rail in Cape Town transferred to it. In its submission "Assignment of contracting authority and municipal regulatory entity functions to the City of Cape

Town" dated 8 July 2014, it said "the municipality would also need to manage all modes of transport to achieve the full benefits of transport integration".

The table below sets out the key transport functions of a municipality from section 11(1)(c) of the NLTA that rail potentially has a bearing on. It then describes why a municipality cannot fully achieve all these functions without also having control over rail, as well as highlighting those areas where the poor performance of rail has an adverse impact.

The table uses the same lettering as the NLTA and also incorporates the proposed amendments from the NLTAB.

Table 1: Extracts from the NLTA

No	Parameters of section 11(1)(c) of the NLTA	Problem Statement in relation to Rail
(i)	Land transport policy and strategy, including its vision for the area, densification and infilling along development corridors	<ul style="list-style-type: none"> Especially within an urban context, the interrelationship between transport and development is closely entwined. Research has revealed that there are no economically sustainable cities that do not have an integrated transport system with rail as the backbone The City has recently approved its TOD Strategic Framework, 2016. One of the key interventions proposed (which will be undertaken by TDA) is to leverage commercial value and development opportunities around rail and Bus Rapid Transit (BRT) stations. The problem with the rail stations is that the City has little to no influence over their functionality or the surrounding land holdings of PRASA. This makes it virtually impossible for the City to implement the station related TOD initiative PRASA and the City have undertaken a joint station typology analysis which has reference to one of the rail corridors. This analysis, however, has not been able to be implemented due to governance constraints and different financial management systems
(iv)	In its capacity as planning authority, prepare a Comprehensive Integrated Transport Plan (CITP) for the municipality's area of	<ul style="list-style-type: none"> The City's land transport policy (set out in the CITP and IPTN) does acknowledge rail and, to a certain degree, attempts to integrate road and rail but in relation to rail, the policy does not have any teeth. This means that successful implementation is very rarely realised. In addition, there is no accountability because

No	Parameters of section 11(1)(c) of the NLTA	Problem Statement in relation to Rail
	jurisdiction, ensuring the implementation of the CITP and monitoring performance in achieving the goals and objectives	<p>PRASA is not under a legal or financial obligation to give effect to the policy</p> <ul style="list-style-type: none"> Moreover, even though there is a Memorandum of Action (MoA) (which is attached in Appendix A) in place between the City and PRASA, the parties continue to fall short of true sustainable and effective implementation
(v)	Financial planning of land transport matters, in consultation with state-owned rail operators in the case of rail matters, with particular reference to transport planning, infrastructure, operations, services, maintenance, monitoring and administration	<p>The City has attempted to develop a positive working relationship with PRASA with specific reference to the Land Transport Advisory Board (LTAB), Intermodal Planning Committee (IPC) and Rail Management Subcommittee. It has also signed an MoA with PRASA. This has begun to influence some of the planning processes but still falls substantially short of any intervention or transformation in relation to financial planning, operations, infrastructure, services, maintenance, monitoring or administration</p> <p>It should also be acknowledged that the MoA, while being a very good starting point, is unlikely to deliver integrated transport because it is not legally binding and relies on goodwill instead</p> <ul style="list-style-type: none"> Further, the MoA's focus is on planning and relationship building and does not deal with the detail of implementation and related financial management
(vi)	Managing the movement of persons and goods within its area	<ul style="list-style-type: none"> From a rail perspective, there are currently conflicting agendas and resulting implementations between PRASA and Transnet. This has a negative impact on the efficient movement of persons and goods by rail. Due to these inefficiencies and conflict, there is an increased use of the road network that has contributed to the current critical levels of congestion There are different operational management systems on the PRASA and Transnet networks. For example, the northern line is owned by

No	Parameters of section 11(1)(c) of the NLTA	Problem Statement in relation to Rail
		Transnet but passenger rail gets priority. As a result of the signalling system at the harbour being in disrepair, freight is being significantly delayed at Belcon. This then leads to much of the freight being decanted and moved onto the City's roads
(vii)	Encouraging and promoting the use of available transport modes so as to enhance the effectiveness of the transport system and reduce travelling time and costs	<ul style="list-style-type: none"> The IPTN has determined the most appropriate hierarchy of public transport mode per corridor so as to reduce the travelling time and cost of commuters. In the case of rail, there are, however, only recommendations and PRASA can either choose to address or ignore these In Cape Town, the passenger rail system has experienced severe problems, including overcrowding, lack of maintenance, major delays and vandalism. This has resulted in the road based public transport system being enormously overburdened and commuters badly affected
(viii)	Minimising or reducing the adverse impact of land transport on the environment	<ul style="list-style-type: none"> Rail use is undeniably better for the environment than road use. The City's ability to influence commuters to use rail is severely constrained because it does not control it. As determined by Cape Town Energy 2040, 64% of energy consumption and 34% of carbon emissions are by the transport sector. The City has targets to reduce these but its hands are currently tied in relation to interventions in rail
(ix)	Land transport information system	<ul style="list-style-type: none"> At present, the information obtained for rail is second hand and delayed. In some cases, there is a reluctance to provide the information and therefore the City is constrained not only in the planning environment but also in relation to the dissemination of comprehensive information to commuters Examples include the inability to obtain information on the following so as to compile the necessary interventions programmes: <ul style="list-style-type: none"> transport enforcement programme to assist in

No	Parameters of section 11(1)(c) of the NLTA	Problem Statement in relation to Rail
		<p>infrastructure security and reduction of vandalism</p> <ul style="list-style-type: none"> • data on the Business Express (southern and northern lines) in order to develop an investment programme for the expansion of these services • real time information on operations in order to compile an integrated schedule with the road based services for the benefit of commuters
(x)	Public participation and consultation	<ul style="list-style-type: none"> • Lack of cohesive framework to enable effective and comprehensive participation due to the road and rail responsibilities being at different spheres of government
(xi)	Marketing and promotion of public transport	<ul style="list-style-type: none"> • In terms of the NLTA, the City is required to market and promote integrated public transport. In reality, however, the focus is inevitably on road based public transport with rail being excluded because it is seen as the responsibility of PRASA • In addition, the City is often blamed for the poor and ever declining rail service. This adversely affects the City's brand, as well as giving rise to the perception by commuters that the City is not a caring or well-run city
(xii)	Providing information to users and potential users	<ul style="list-style-type: none"> • The City does not have access to real time information on operations in order to compile an integrated schedule (timetable) with the road based services for the benefit of commuters • This also affects the overall functionality of the TDA App, TDA Website and information required for the effective operations of the Transport Management Centre (TMC) and the Transport Information Centre (TIC)
(xiii)	Safety and security in public transport	<ul style="list-style-type: none"> • Safety and security is at the heart of operations and so must be managed on the ground

No	Parameters of section 11(1)(c) of the NLTA	Problem Statement in relation to Rail
		<p>rather than remotely. It follows that local government is best placed to take this responsibility on. For rail, there are serious problems relating to the safety and security of the network, infrastructure and passengers which are not being addressed as a result of remote management, including:</p> <ul style="list-style-type: none"> • lack of safety and security at park and rides • vandalism and graffiti both inside and outside the trains • vandalism of the signalling system • security at stations for passengers and infrastructure • lack of management of the CCTV network • The City, alongside Province and PRASA, have now made numerous attempts to initiate a transversal safety and security plan but to no avail. There are two major stumbling blocks: joint funding and ultimate management logistics. An MoA is not a strong enough governance mechanism to enable such joint ventures
(xiv)	Provision of public transport for targeted categories of passengers (universal access)	<ul style="list-style-type: none"> • The City has an approved Universal Access Policy which covers all aspects of public transport across Cape Town. This, in theory, should cover rail but to date has not been able to do so • One of the major problems is that the policies are in conflict in relation to non-motorised transport. In addition, the older infrastructure does not cater for universal access in many cases
(xvi)	Improved road traffic movement	<ul style="list-style-type: none"> • Cape Town is experiencing critical levels of road congestion. This has been exacerbated due to the collapse of rail services, including delays, old rolling stock, overcrowding and lack of safety
(xvii)	Municipal road	<ul style="list-style-type: none"> • While road damage is mainly caused by the

No	Parameters of section 11(1)(c) of the NLTA	Problem Statement in relation to Rail
	management and road damage minimisation	movement of goods, it is being made worse by the significant numbers of passengers moving from rail to road
(xviii) / (xix)	IPTN for the City and its functional area, including the rail network - this can provide for service level planning on a corridor network basis in agreement with PRASA	<ul style="list-style-type: none"> The approved IPTN network plan does include rail. The City is experiencing difficulties, however, in obtaining detailed rail information as it relates to the City and its functional area Even though the NLTAB now tasks municipalities to have corridor agreements with PRASA, this would be extremely difficult if only the planning function is the responsibility of the City because such an agreement with PRASA requires performance of all aspects (such as planning, operations, infrastructure and financial management) of that corridor
(xx)	Integrated ticket system, including regulation and control	<ul style="list-style-type: none"> There cannot be a true integrated ticket system without including rail. Such a system requires regulation and control of the fare box and this is virtually impossible if the management of all scheduled modes is not at one sphere of government The City has started consultation with PRASA in relation to the integrated ticket as part of the IPC/LTAB structures. These discussions, however, are theoretical in nature and have not gained momentum.
(xxi)	Subject to the standards set by the Minister (if any), setting standards for interoperability between fare collection and ticketing systems in its area	<ul style="list-style-type: none"> The concept of interoperability means the seamless integration at a system level and therefore a seamless functioning of that system. This cannot be achieved unless there is one principal agent, namely the municipality As referred to in (xx) above, this is practically impossible without the inclusion of rail. In addition, although the Minister has set standards for local government in relation to BRT, they have not been seriously enforced by any of the rail agencies
(xxii)	Travel demand management (TDM)	<ul style="list-style-type: none"> TDM is the management and balancing of travel demand across the City. Without rail, such balancing cannot truly be achieved and therefore TDM will be less effective

No	Parameters of section 11(1)(c) of the NLTA	Problem Statement in relation to Rail
		<ul style="list-style-type: none"> TDM also manifests itself in the relationship between transport and land development. The aim of the City is to start these interventions at stations (both BRT and rail). Such a strategy will be less effective without the City having authority over rail and the related land around its stations
(xxiv)	Determining concessionary fares for targeted categories of passengers	<ul style="list-style-type: none"> At present, the City does not have any jurisdiction and therefore authority over determining concessionary fares for rail
(xxv)	Exercising control over service delivery through setting operational and technical standards, and monitoring compliance with them, and monitoring contracts	<ul style="list-style-type: none"> The NLTA requires local government to achieve integrated public transport within its area of jurisdiction. One of the key elements of performing this mandate is the setting of standards, controlling their implementation and monitoring performance. All of this is currently not permitted for rail
(xxvii)	Developing and managing intelligent transport systems	<ul style="list-style-type: none"> Intelligent transport systems relate to efficient and targeted movement, risk mitigation, sustainability and efficiency. Beyond the planning realm, this cannot be achieved without rail being included The City has over the past two years worked in cooperation with PRASA so that the TMC now has access to the cameras of the Cape Town Central Station. The management and integration of data into the operations has not, however, been effective because of the lack of agreement about security interventions

3 Significance of Rail to the City's TOD Strategic Framework

The issues with rail seriously challenge the City's TOD Strategic Framework because rail is a fundamental component of it. The City's IPTN 2032, which covers both road and rail, is underpinned by the comprehensive TOD land use model from the TOD Strategic Framework. Under the TOD Strategic Framework, the City has determined that for the next five years all service delivery and interventions in relation to the built environment must be on the basis of TOD. This has the overall objective of giving effect to spatial transformation and re-engineering using rail and BRT stations as the starting point.

Rail is critical for enabling TOD not just because of its importance as a transport mode but also because of its significance for the spatial form of Cape Town. Under the TOD Strategic Framework, development should be consolidated within the three integration zones (as determined by the Built Environment Performance Plan 2017/18 (BEPP)) that overlay Cape Town's urban core. These integration zones and the urban core are shown in Figure 1 below. All the sides of the urban core are framed by the rail network. The aim therefore is to develop business plans for the development and re-engineering of each of the integration zones, with the rail corridors being the backbone and using TOD as the main driver to achieve spatial transformation. This is also the logic behind the City's strategy to enable the rail development of the Blue Downs Rail Link and then intensify and densify the land use within that Corridor on TOD principles. The focus of this development will be on the stations.

The TOD Strategic Framework highlights the significance of rail for Cape Town. Rail is not just the backbone of the transport system but also of Cape Town's spatial form as well. This means that if rail does collapse then the City's spatial strategy and associated investment are severely compromised also.

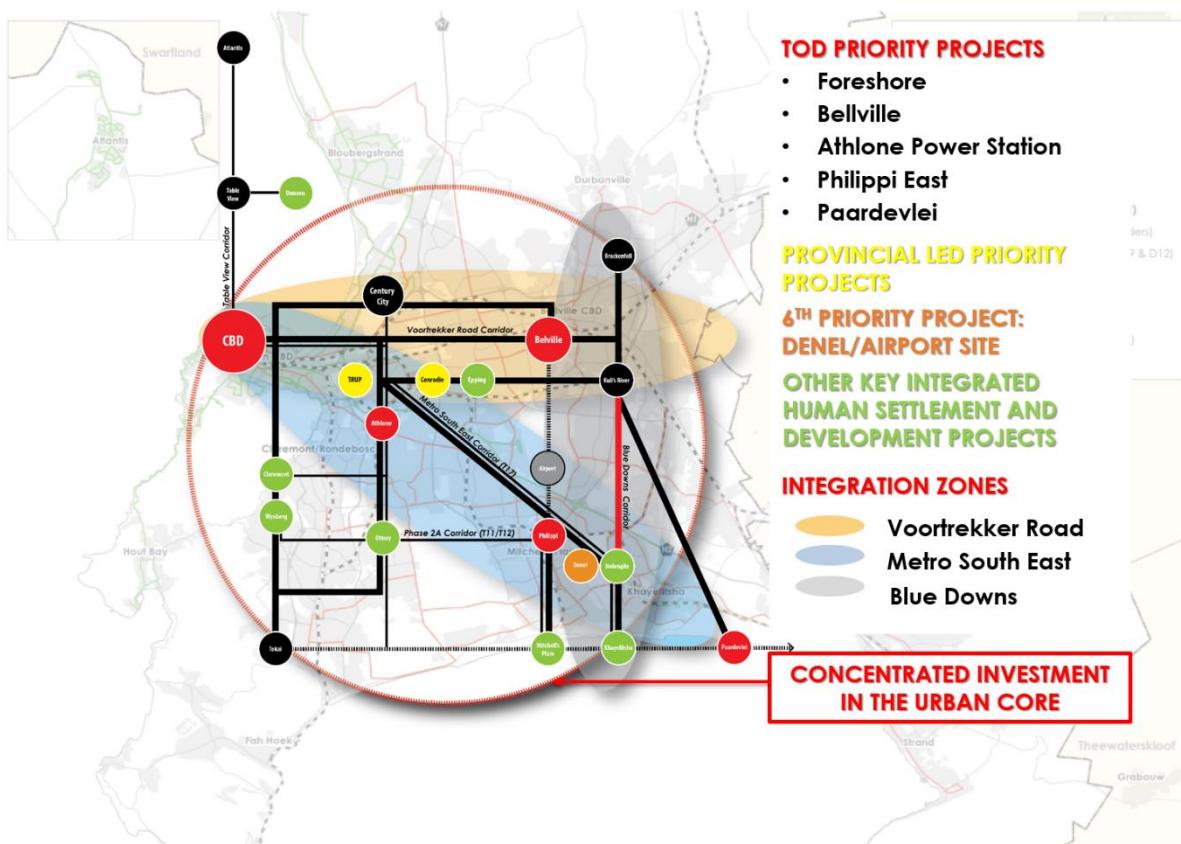


Figure 1: Overlay of the Three Integration Zones on the Urban Core

4 The City's Green Agenda and Urban Rail

The City is committed to a wide ranging green agenda across its activities. Transport is particularly significant because, as mentioned above, Cape Town Energy 2014 showed that 64% of energy consumption and 34% of carbon emissions are by the transport sector. Within transport, the re-engineering and rehabilitation of rail is especially important for the green agenda. Rail use is clearly more environmentally friendly than road use and so moving commuters from road to rail

is a key objective. It follows therefore that if the City does gain control over the rail function then it will be able to use the green agenda to optimise the restructuring and rehabilitation of this core public transport service. This could include:

- new technologies such as alternative rail, including light rail, skyrail and monorail, as part of the development of new rail infrastructure;
- new green forms of rolling stock for heavy rail;
- new green developments around stations based on TOD principles; and
- alternative energy use in the management of stations.

In other words, urban rail can be a highly effective lever for the City to use to achieve its green objectives, as well as to reduce the lifecycle costs of the service and related facilities.

5 Challenges affecting Urban Rail

The enormous problems associated with rail services in South Africa are well documented. In brief, rail infrastructure and related technology have over the years been unable to service the ever increasing demand for passenger and commuter travel. The last train sets were purchased in the 1980s. The average age of the current coaches is over 40 years. A summary of the key problems is as follows:

- very poor levels of reliability, punctuality and service predictability, with less than 73% of trains running on time;
- reduced and operationally ineffective fleet due to losses arising from arson, vandalism and a lack of spares - as at January 2017, only 72 train sets were operational whereas the minimum required is 88;
- vandalism to the rail infrastructure, such as cable theft, which often leads to severe delays or cancellations, and a loss of confidence in the service - at present, more than 7% of the trains that are operational are being cancelled;
- informal household encroachment onto the property of PRASA (e.g. informal dwellings at Bellville were removed twice during August 2016 alone), increasing operational risk and maintenance complexity;
- high cost and poor maintenance levels due to the age of the rail assets;
- a resultant inability to contribute to an efficient transport system (with overcrowding, slow journey times, poor modal integration and lack of off-peak services, ticketing and irregular timetables);
- inadequate security for passengers;
- the inability to support economic activity through the provision of reliable rail services; and
- limited access to socio economic opportunities for the rural and urban poor.

All these issues have become more acute in Cape Town over the last 12 months. As mentioned above, rail passenger numbers have fallen by a further 30% during that period. Inevitably, the vast majority of these have shifted to the road network leading to serious gridlock at peak periods. Peak congestion periods have in the last year increased, in some instances, to five hours from two and half to four hours previously. This level of inefficiency carries with it a very significant economic cost and is simply not sustainable for any city.

By way of further background to the issues referred to above, the following tables are taken from information provided by Metrorail:

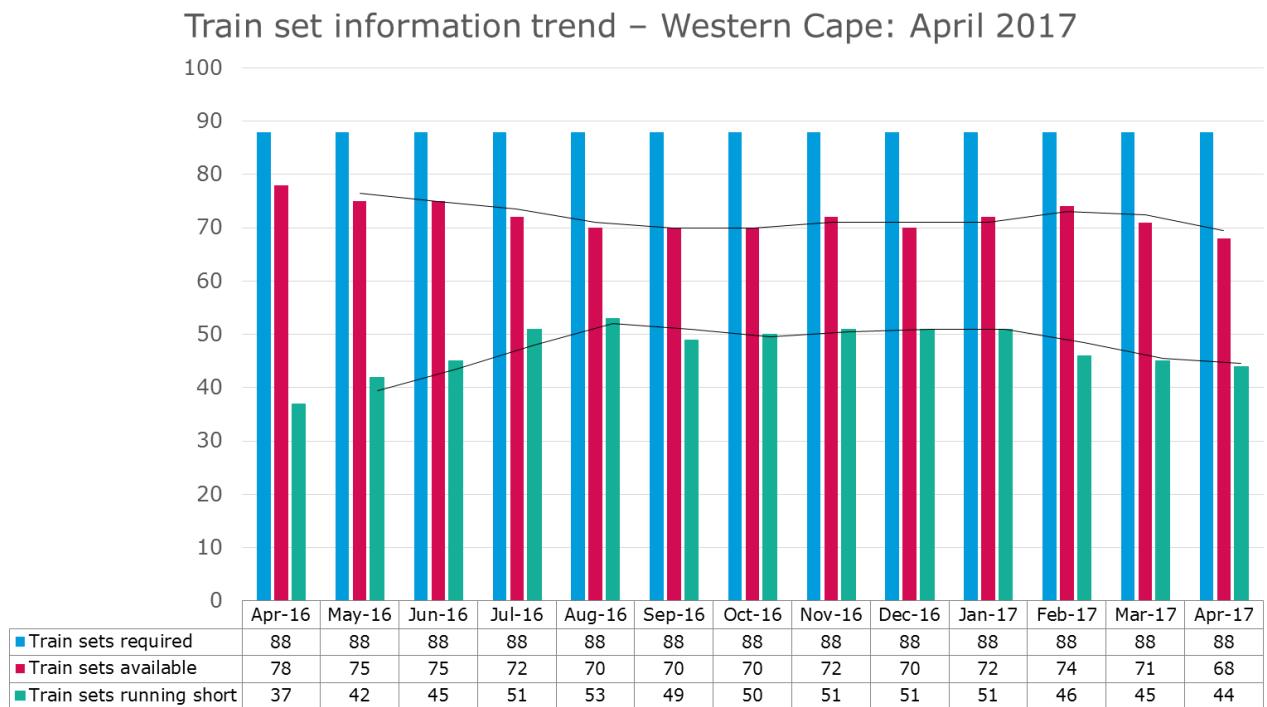


Figure 2: Train Set Availability

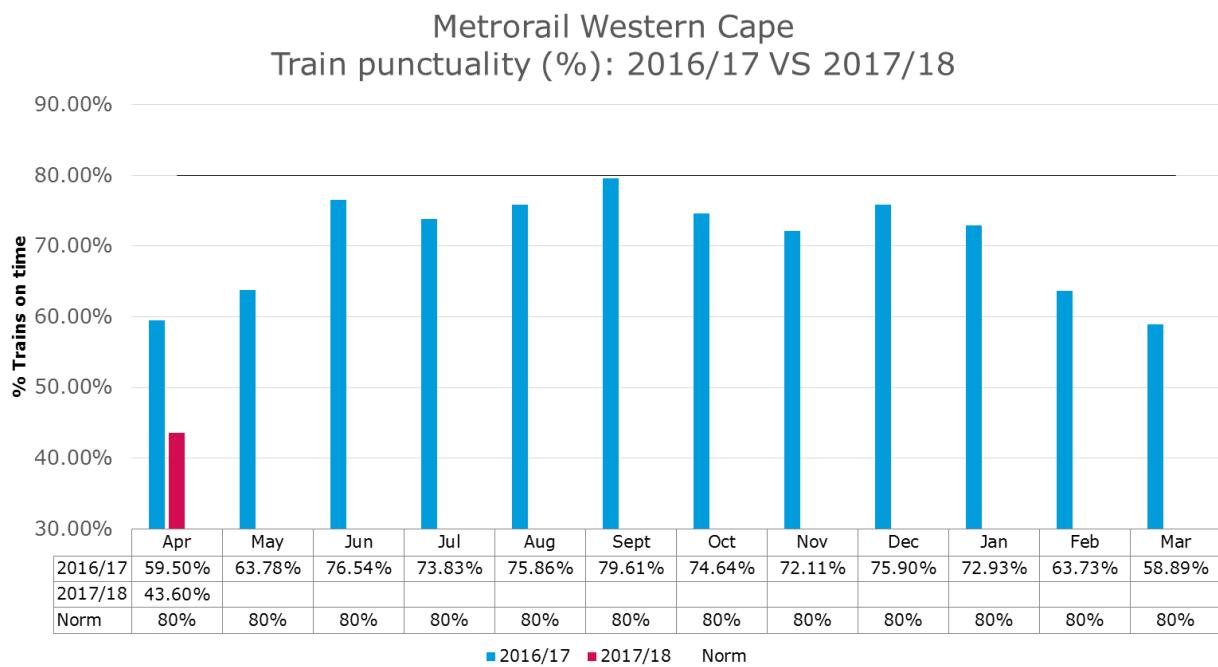


Figure 3: Train Punctuality

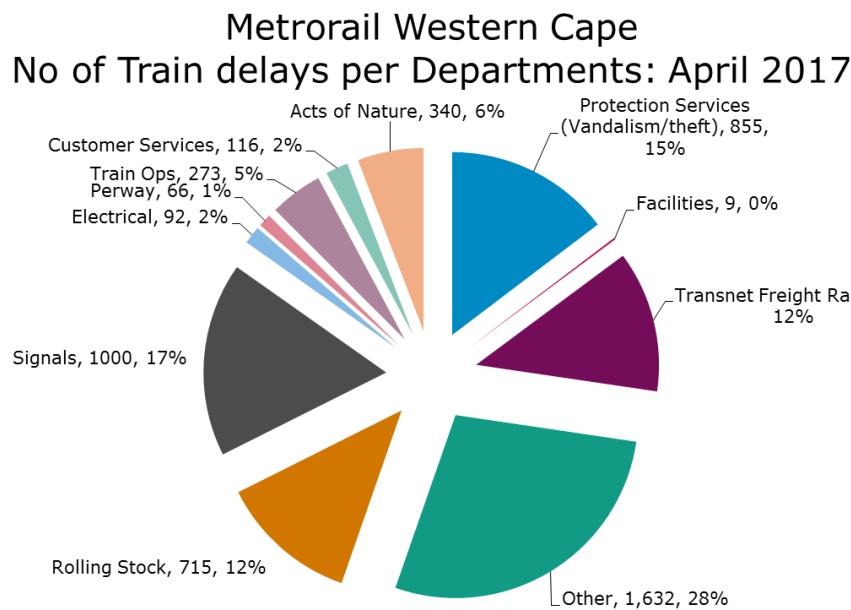


Figure 4: Train Delays: April 2017

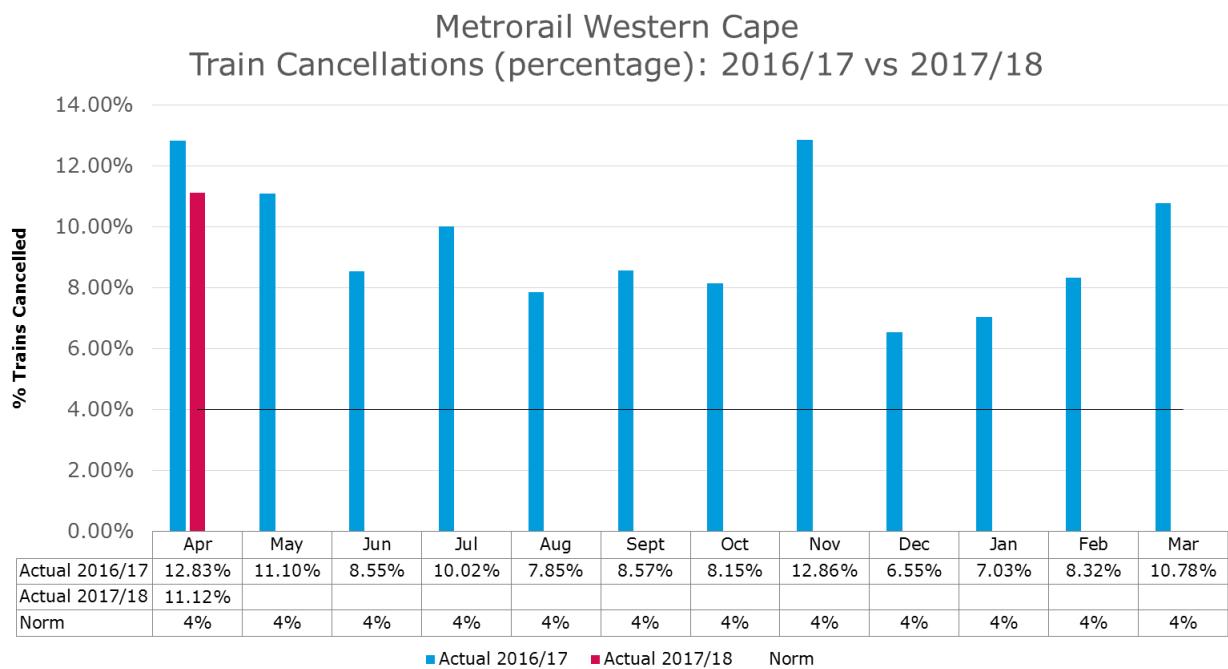


Figure 5: Train Cancellations

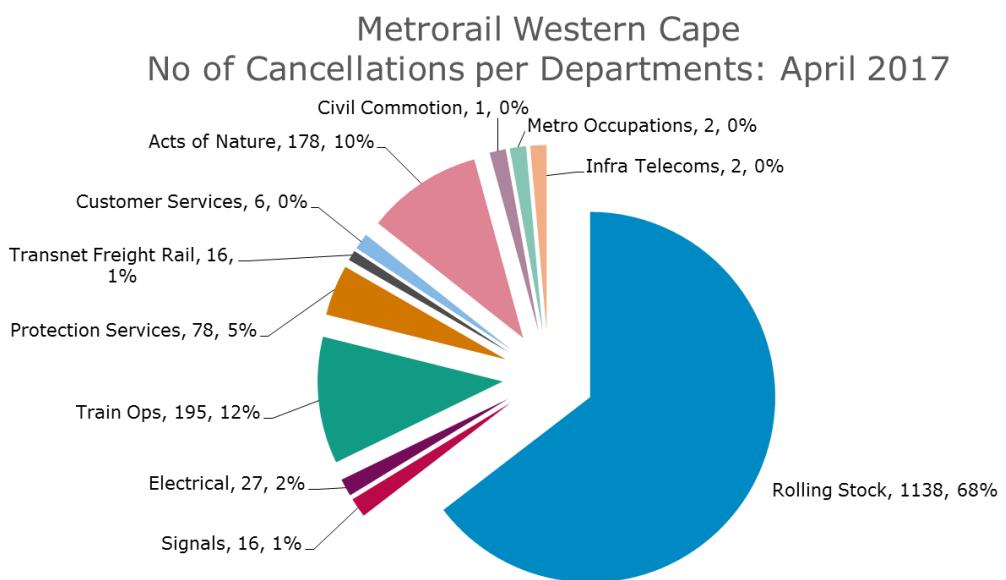


Figure 6: Number of Cancellations: April 2017

Metrorail Western Cape Passenger Journeys: April 2017 (Source: Head Office)

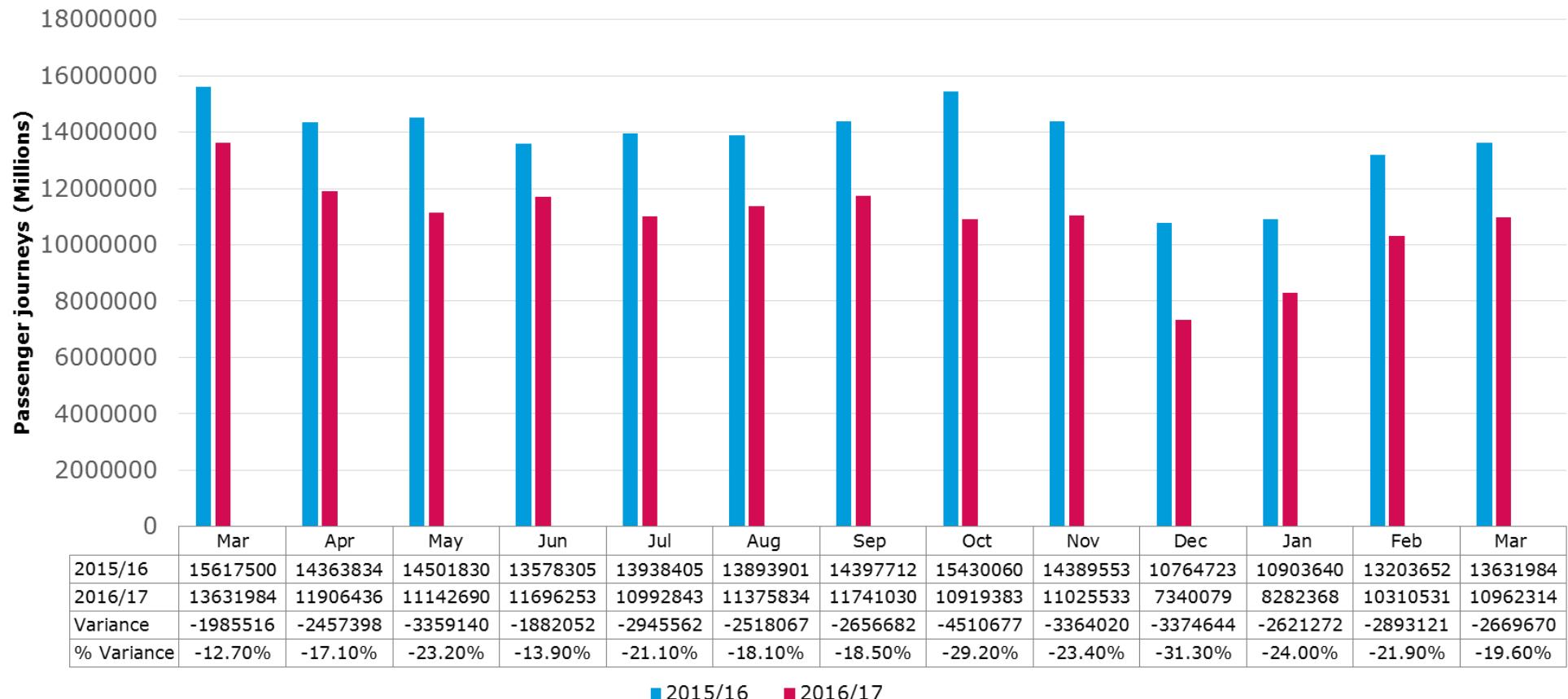


Figure 7: Metrorail Patronage

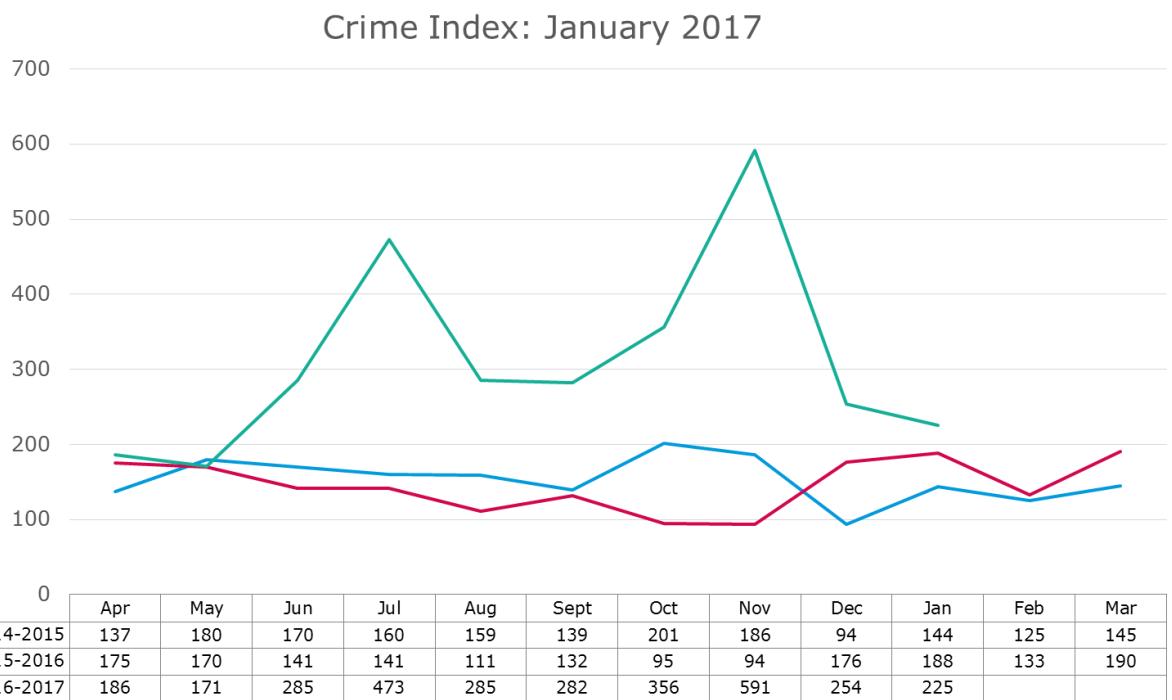


Figure 8: Crime Incidents



Figure 9: Crime against Passengers

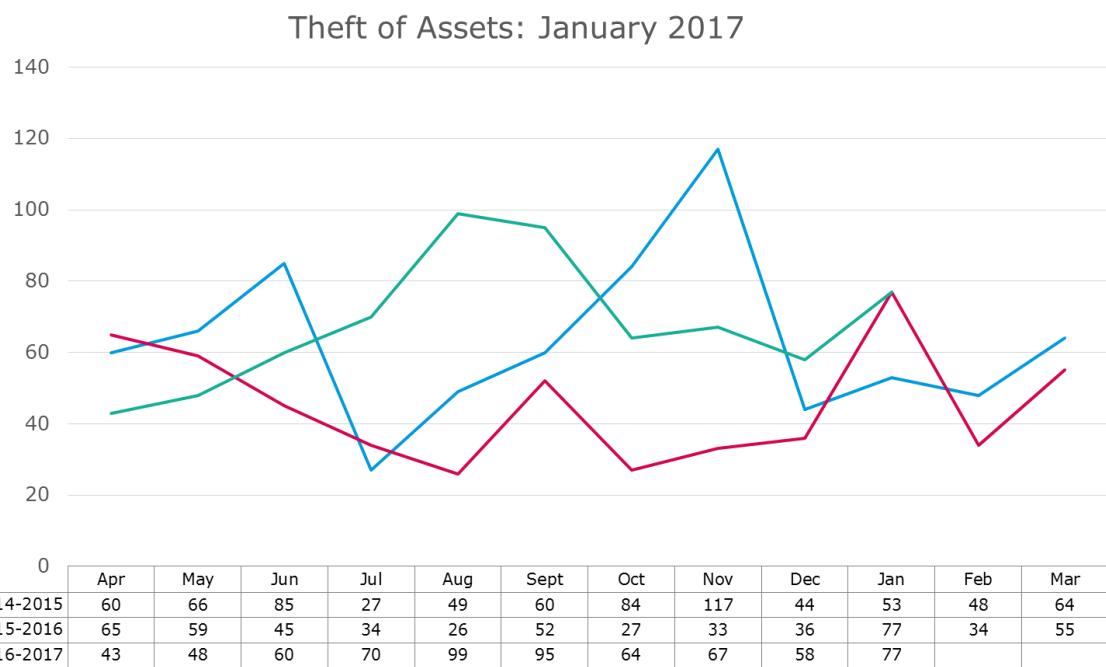


Figure 10: Theft of Assets

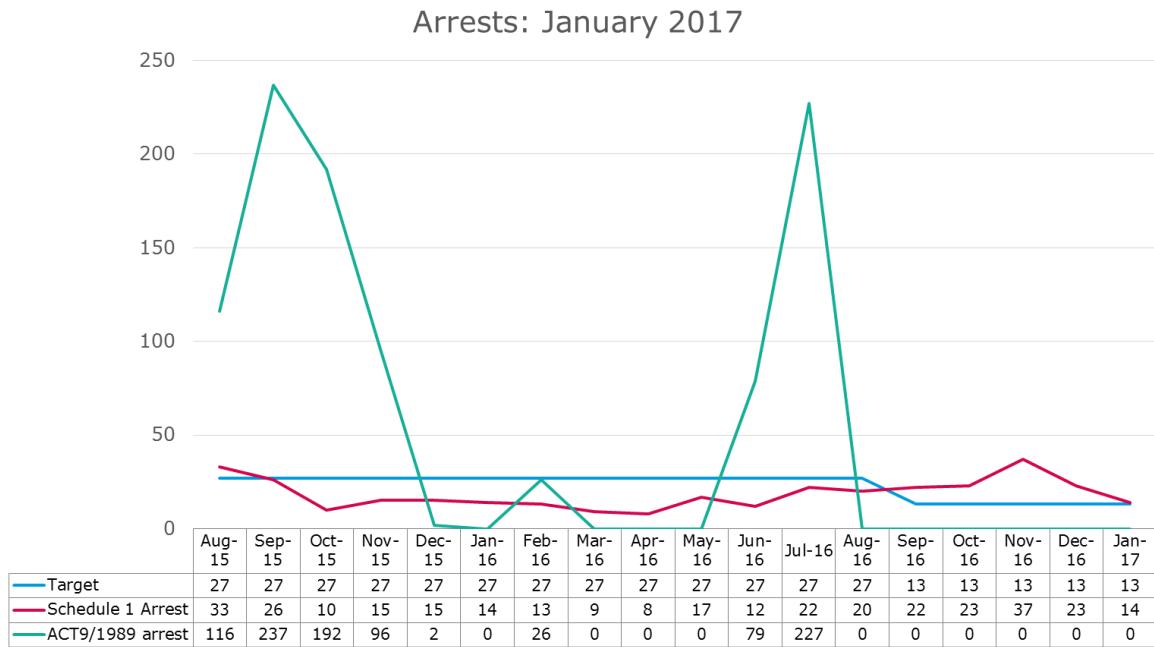


Figure 11: Arrests

TOP 5 Complaints: April 2017 (Source: TIC Report)

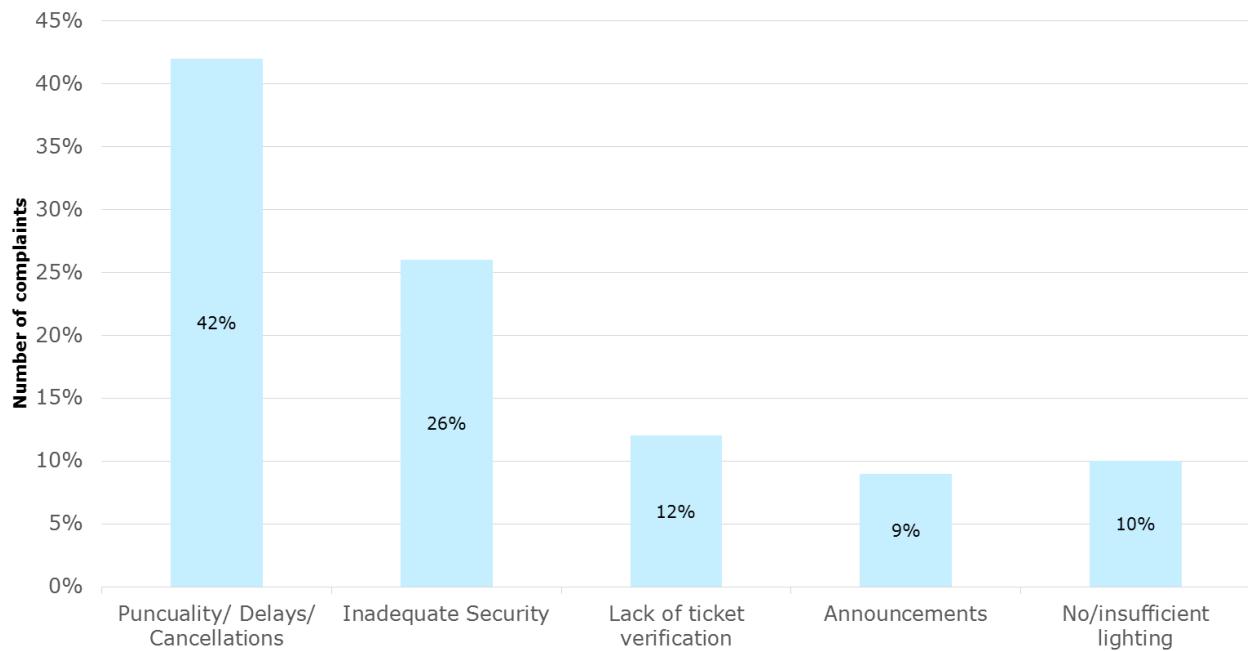


Figure 12: Top 5 Customer Complaints

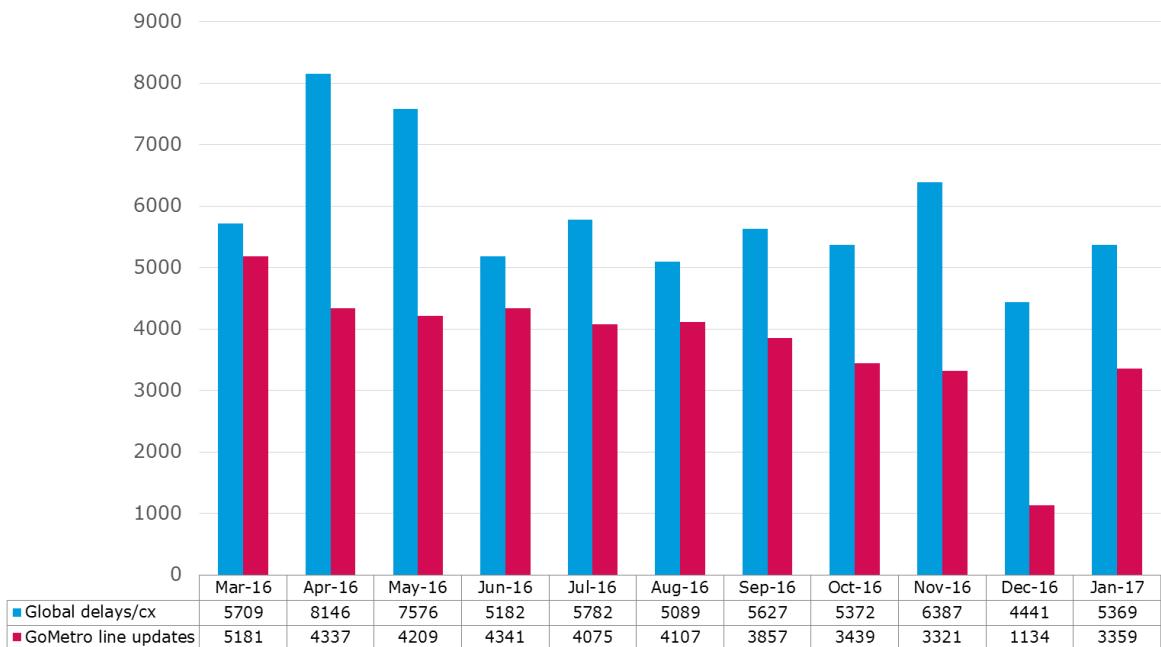


Figure 13: Customer Complaints: GoMetro Line

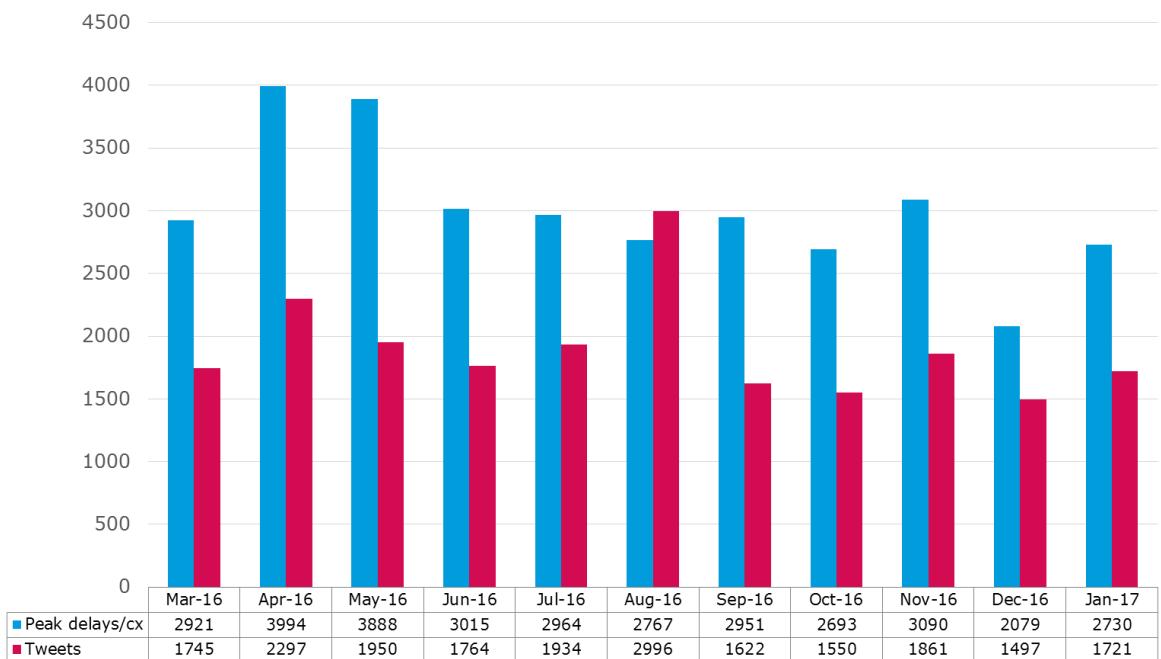


Figure 14: Customer Complaints: Social Media

	August 31, 2016					Indicator	Aug 2015 - YTD		August 2016- Year to Date				Indicator
	ACTUAL R'000S	ACTUAL R'000S	BUDGET R'000S	VARIANCE R'000S	VARIANCE %		ACTUAL R'000S	ACTUAL R'000S	BUDGET R'000S	VARIANCE R'000S	VARIANCE %		
Fare Revenue per Area	300 704	53 000	75 691	(22 691)	(29.98)	•	300 704	254 659	364 303	(109 644)	(30.10)	•	
North	101 235	18 332	24 978	(6 646)	(26.61)	•	101 235	89 247	120 220	(30 973)	(25.76)	•	
Central	86 366	12 869	24 221	(11 352)	(46.87)	•	86 366	62 992	116 577	(53 585)	(45.97)	•	
South	69 653	12 822	15 895	(3 073)	(19.33)	•	69 653	60 871	76 504	(15 633)	(20.43)	•	
Ikapa	43 450	8 977	10 597	(1 620)	(15.29)	•	43 450	41 550	51 002	(9 453)	(18.53)	•	

Revenue per Area - YTD

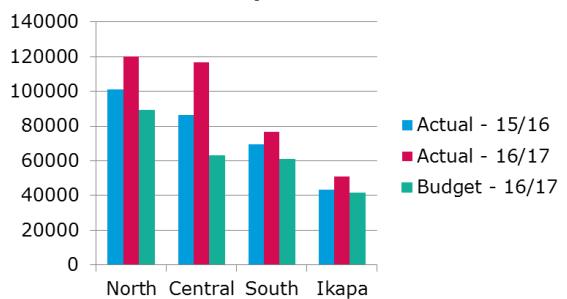


Figure 15: Financial Information

Given the challenges rail is presenting to the City successfully delivering its integrated transport, TOD and green agenda strategies, the City has three main options:

- Option 1: do nothing (paragraph 7);
- Option 2: take the assignment of urban rail on the basis and timing currently envisaged by the White Paper (paragraph 8); or
- Option 3: follow a three pronged approach to the sustainable assignment of urban rail:
 - expedite and continue to operate the MoA with PRASA;
 - immediately commence the process to take the assignment of the urban rail function in a structured and incremental manner so that the vision for urban rail set out in the White Paper is achieved in a sustainable fashion; and
 - immediately commence a detailed exploration of the feasibility for alternative rail solutions in Cape Town and its functional area (paragraph 9).

Each of these options is considered below.

7 Option 1: Do Nothing

7.1 Doing nothing

Doing nothing is simply not a viable option for the City. Without an effective rail service, the City cannot deliver its three key strategies referred to above.

Moreover, doing nothing will continue to severely affect the road infrastructure, increase congestion and place an undue burden on the road based public transport system. This burden on the public transport system will not only cause overcrowding and safety issues but will also create a financial strain on the City which will have to provide more services that should otherwise have been taken up by the rail mode. At the same time, the cost to the citizen of a wholly inadequate rail service is painfully apparent.

The current crisis in rail means therefore that the pressure on the City to take decisive action is acute. As a result, doing nothing is in effect not an option at all.

7.2 Option1: Recommendation

It is recommended therefore that this option is not taken forward.

8 Option 2: Take the Assignment of Urban Rail on the Basis and Timing Currently Envisaged by the White Paper

8.1 Introduction

In this paragraph 8, the option of the City taking the assignment of the urban rail function on the basis and timing currently envisaged in the White Paper is considered.

8.2 White Paper

8.2.1 Assignment of urban rail function to municipalities

The Policy Statement in the White Paper on the assignment of urban rail is as follows:

"In accordance with National Land Transport Act and National Development Plan provisions, that transport functions be assigned to the most appropriate sphere of Government, the DoT will, together with provincial governments where necessary, proactively identify capacity gaps within the metropolitan municipalities, if any.

The Department will develop a devolution strategy in alignment with the Integrated Urban Development Framework. Thereafter it will capacitate Municipalities, as necessary and devolve operational subsidies for urban commuter rail to all of them to be managed as part of their Comprehensive Integrated Transport Plans. Up to this stage PRASA shall manage operations and maintenance of their urban rail systems.

Government recognises PRASA's substantial commitments to recapitalise the commuter rail fleet, and that the project development phase requires a stable setting. Hence the next phase of urban rail positioning, assignment of responsibility for managing all urban rail functions to metropolitan municipalities, including planning, funding, procurement, operations and maintenance, shall be achieved after completion of PRASA's current phase of the rolling stock recapitalisation plan.

Noting however that intolerable road congestion may require acceleration of UGT investment before completion of PRASA's present recapitalisation commitments, requests from metropolitan municipalities for assignment of the urban rail function to them will be considered sympathetically. This acceleration will enable them to increase the contribution of rail-based UGT capacity to their Comprehensive Integrated Transport Plans.

The lighter UGT sub-modes Light Rail, Automated Light Metro, Automated Guided Transit and Monorail are not present in the country, so no sphere of government has experience thereof. Nevertheless, to exploit all opportunities for urban guided transit and to initiate movement toward assignment, the aforementioned sub-modes shall, as for BRT, be assigned directly to the municipal sphere of government, as well as to provinces where coordination between municipalities is required. This policy position intends to provide opportunities for building rail and urban guided transit capacity in local government."

The White Paper defines UGT as "Urban Guided Transit, which subsumes Heavy Metro, Automated Light Metro, Light Rail, Automated Guided Transit, Monorail and Bus Rapid Transit."

8.2.2 TDA's analysis of the White Paper's proposals

TDA welcomes the direction of travel set out in the White Paper. In many instances, it echoes TDA's thinking to date.

That said, TDA considers that the City should not simply rely on the proposals in the White Paper to take their course. This is on the following basis:

- even assuming that the White Paper's proposals come into force as envisaged and on time, the current rail crisis in Cape Town means that the City cannot afford to wait this long;
- by starting the assignment process immediately (as is envisaged by Option 3 below), the City has more time to take the assignment in a measured fashion; and
- an earlier assignment of the urban rail function will enable the City to carry out the much needed upgrading of the existing rolling stock – this should help encourage commuters back to the rail service and so ease road congestion, as well as avoid the inevitable overcrowding (and resulting damage) of the new rolling stock when this comes into service.

8.3 Option 2: Recommendation

It is recommended therefore that the option of the City taking the assignment of the urban rail function on the basis and timing currently envisaged in the White Paper is not pursued in its own terms. Instead, the City should give effect to the principles underpinning the White Paper's proposals in the manner described in Option 3.

9 Option 3: Follow a Three Pronged Approach to the Sustainable Assignment of Urban Rail

9.1 Introduction

It is clear that the do nothing option is not adequate for the City's needs, even given PRASA's modernisation programme, referred to in paragraph 10 below. While the White Paper's proposals are welcomed and clearly moving in the right direction, the City should take more positive steps now to ensure that the assignment of the urban rail function to it is as efficient and effective as possible. Implicit in this is the recognition that the manner in which such assignment is effected is of critical importance. In particular, this should be done in a structured and incremental basis. This is captured in the recommendation below.

9.2 Option 3: Recommendation

It is recommended that the City has the urban rail function assigned to it using the following three pronged approach:

- expedite and continue to operate the MoA with PRASA;
- immediately commence the process to take the assignment of the urban rail function in a structured and incremental manner so that the vision for urban rail set out in the White Paper is achieved in a sustainable fashion; and

- immediately commence a detailed exploration of the feasibility for alternative rail solutions in Cape Town and its functional area.

Each of these elements is explored further below in paragraphs 10 to 13.

10 Expedite and Continue to Operate the MoA with PRASA

The first element of TDA's proposed three pronged approach to the assignment of urban rail (under Option 3 in this Business Plan) is set out in this paragraph.

While it is recognised that the MoA, which includes PRASA's modernisation programme, on its own has its limitations as a long term solution to the challenges in rail, it is nonetheless a very useful tool in the shorter term. As the City prepares to take the assignment of urban rail, as envisaged by the White Paper, it will both expedite and intensify its activities with PRASA under the MoA, particularly with respect to the access to information that will enable the City to identify initial areas of intervention, strategic and operational risks as well as any gaps in the City's initial assessment regarding the scope and cost of the assignment.

Included under the auspices of the MoA is PRASA's modernisation programme which must continue to run concurrently with the assignment process, as will the other MoA projects until their conclusion or assimilation into the overall Assignment Implementation Plan.

11 Immediately Commence the Process to Take the Assignment of the Urban Rail Function in a Structured and Incremental Manner

The second element of TDA's proposed three pronged approach to the assignment of the urban rail function is to commence immediately the process of the assignment in a structured and incremental manner, but only on the basis of:

- the recommended assignment methodology; and
- the proposed Assignment Implementation Plan,

in each case, as set out in this Business Plan.

The recommended assignment methodology is set out in paragraph 12 and the proposed Assignment Implementation Plan in paragraph 13.

12 Assignment Methodology for Urban rail

The assignment methodology for urban rail is as follows:

- *Take a systemic approach:* rail should not be looked at as a separate mode but rather as part of an integrated transport system. This systemic approach will help improve transport efficiency, accessibility and accountability.
- *Divide rail into its key functional component parts:* the starting point is to divide the urban rail system into its functional component parts. A strategy for each functional component, together with the first steps to implement that strategy, will then be developed. These are set out in paragraph 13 below.
- *Prioritise:* within each functional component, each of the City's proposed interventions must be prioritised. This will ensure that there is an evolutionary

transformation in urban rail that shows improvement as well as value for money. The initial aim of the Assignment Implementation Plan is to stabilise the service and prevent and prevent any further decline. Thereafter, the recovery and growth phase of service delivery will commence in order to achieve a sustainable, integrated service.

- *Look beyond transport for solutions:* transport should not be regarded as the only solution. This is especially the case for sustainability, integration and interoperability. Instead, other areas such as the land use, energy and tourism sectors for example should be explored for investment solutions.
- *Drive behavioural change:* this is critical for reducing the environmental, social and economic costs associated with transport.
- *Be data driven:* all the City's solutions that relate to urban rail must be data driven.
- *Use TDA's institutional structure:* the City should continue to use the functional structure of TDA as established by the TDA By-law, until such time as national legislation is amended to permit the establishment of a transport authority in accordance with international best practice. This means that additional staff from the rail sector will be recruited and deployed to each of the relevant functions of TDA.
- *Take a prudent financial assessment:* The financial implications of taking on the assignment will need to be fully addressed. Further the City would need to be certain that future grant appropriations to undertake the assignment function, including future expansions and upgrades of the rail system will be secure. As such, stage gates will be incorporated in the assignment process to ensure certainty for funding. These financial stage gates will be developed in the Assignment Implementation Plan and incorporated in the comprehensive Rail Masterplan.

By applying the assignment methodology in this way, TDA has started to develop an Assignment Implementation Plan for urban rail. This is set out in paragraph 13.

13 Proposed Assignment Implementation Plan for Urban Rail

13.1 Key functional components of Urban Rail

As stated above, the assignment methodology includes the identification of the key functional components of rail and then the development of a strategy, together with the prioritised and costed actions, for each of them.

In accordance with this methodology, TDA has developed a high level Assignment Implementation Plan (which is set out in the paragraphs below) that demonstrates that TDA's approach to the assignment of the urban rail function is deliverable and sustainable. It outlines the overall proposed approach to each functional component and, importantly, includes a first implementation step for each one. TDA will then develop this Assignment Implementation Plan into a detailed Rail Masterplan for Cape Town, with comprehensive implementation steps for each functional component.

This approach will enable the City to implement the Rail Masterplan in a structured and incremental manner.

The 16 functional components of rail are as follows:

- Functional Component 1: Transport planning;
- Functional Component 2: Network;
- Functional Component 3: Train operations;
- Functional Component 4: Signalling;
- Functional Component 5: Stations;
- Functional Component 6: Land investment;
- Functional Component 7: Ticketing, fares and revenue management;
- Functional Component 8: Transport enforcement;
- Functional Component 9: Rolling stock;
- Functional Component 10: Universal access;
- Functional Component 11: Regulations;
- Functional Component 12: Human resources;
- Functional Component 13: Change management;
- Functional Component 14: Marketing and communications;
- Functional Component 15: Investment opportunities; and
- Functional Component 16: Financial management.

For each functional component, the major risks are identified, together with a mitigation strategy. These are set out in more detail in the Risk Register for this Assignment Implementation Plan, which is included in Appendix B.

In the Risk Register, the probability and impact of each risk occurring are assessed and scored. The effect of the proposed mitigation strategy on these scores is then assessed so that the residual risk to the City can be identified.

The Risk Register highlights two important risk elements in addition to those that relate to the functional components themselves:

- the risk that the costs to the City of assignment are greater in the aggregate than it has assumed because data is not available in relation to the City and in many cases has not even been disaggregated to Provincial level; and
- the risk that the level of funding provided to the City from various sources is not as much in the aggregate as the City has estimated. The City has had to make these estimates by reference to alternative methodologies (such

as the World Bank maintenance approach referred to in paragraph 13.6.2) because of the lack of available data.

In either case, the City would be left with a shortfall and would have to apply for its funding to be increased. For this reason, the Risk Register shows that it is not realistic to reduce these risks to "low" even after mitigation has been applied to them.

Nonetheless, the Risk Register shows that the residual risks the City would be holding post mitigation are considerably more acceptable than the risks associated with either the do nothing option or waiting for the White Paper's proposals to take effect.

Although it is not specifically referred to in the Risk Register, there is a further more generalised risk that the City should also recognise in relation to the assignment. This is that the current crisis in rail is so severe that the assignment to the City should really be regarded as akin to a business rescue. As with any business rescue, longstanding problems cannot be rectified instantly. Resolving the issues with the urban rail function will take time and inevitably there will be setbacks. More funding may well be required at various points. All of this is to be expected. It is for this reason that the assignment of rail to the City by way of a "big bang" on a single day is not being recommended. Instead, having the rail function assigned over a number of years in a structured and incremental manner is a more realistic and ultimately sustainable approach for dealing with the challenges that the City will inevitably face along the way.

This is why TDA recommends, as part of the second element of Option 3, that the process of assignment starts sooner than that envisaged by the White Paper.

Against this background of risk and mitigation, the City's strategies for each functional component (and their first implementation steps) are set out below. The City would, of course, consider alternative strategies provided that they achieve the assignment of urban rail in at least the equivalent or more sustainable way from an economic and performance perspective.

13.2 Functional Component 1: Transport planning

13.2.1 Significance of rail to transport planning

To date, the City has arguably not been directional enough on the transport planning aspects of urban rail. Under the NLTA, municipalities, as the planning authorities, must determine all aspects of transport and in particular public transport. Although this clearly includes rail, and rail has been referred to in the City's CITP and IPTN in the past, no significant progress with interventions and action planning for rail has been made. The current crisis in rail means that this approach is no longer tenable and change is urgently needed.

Some steps, however, have already been taken. For example, the City's new BEPP highlights the three integration zones referred to in paragraph 3 and these are all then based on rail service corridors. The assignment of rail envisaged by the Assignment Implementation Plan builds on the progress made in the IPTN, the TOD Strategic Framework and the BEPP.

13.2.2 Rail service corridor plans

Under the MoA, the City was already starting to apply a service corridor approach to rail transport planning. The BEPP extends this approach to include the land surrounding the stations as well so that this can be developed on TOD principles. There are six rail service corridors:

- Central Line (Cape Town - Metro South East: Kapteins Klip, via Lenteggeur & Chris Hani, via Stock Road);
- Cape Flats Line (Cape Town – Retreat, via Athlone);
- Southern Suburbs Line (Cape Town – Simon's Town, via Wynberg);
- Northern Line (Cape Town – Bellville, via Mutual; via Monte Vista);
- Northern Line (Cape Town – Somerset West & Strand, via Kuils River);
- Blue Downs Rail Link Line;
- Stellenbosch Loop (Eersterivier – Stellenbosch - Muldersvlei);
- Malmesbury Line (Bellville – Malmesbury, via Fisantekraal); and
- Worcester Line (Bellville – Wellington – Worcester)

The latter three lines, while not necessarily part of the metropolitan area, will be investigated and factored in to the service design, rolling stock allocation and one of the six rail service corridor plans.

As the transport planning authority, TDA will prepare full performance service plans for each rail service corridor. These rail service corridor plans will analyse matters such as demand, supply, quantity and quality of rolling stock, and the state and condition of the rail infrastructure, including the stations and signalling systems. The outcomes of these plans will then be supported by the contractual commitments of the various operators. These operating contracts are described in more detail in paragraph 13. 4.1 below.

13.2.3 First implementation step

The first step to implement this strategy for Functional Component 1 will be for TDA to expedite a process for the development of the six rail service corridor plans. It is recommended that Council request that an appropriate authorisation be given to TDA by DoT so that it can commence this work immediately.

13.3 Functional Component 2: Network

13.3.1 Network ownership

International best practice shows that in many instances the optimum solution is for the network to be owned by the municipality in question. The current lack of information about the network in Cape Town, however, means that it is not clear whether this should be the case for the City. As a result, the starting point should be for TDA, in consultation with PRASA and Transnet (the owners of the network), to carry out a detailed review of all the relevant assets, liabilities and contracts which relate to the network. Based on this information, TDA would then make a recommendation for the way forward after year two of the first Medium Term

Revenue and Expenditure Framework (MTREF) following assignment. This would enable the City to determine whether it is viable to take over ownership of the tracks and related infrastructure but with full knowledge of the risks involved. Further, an assessment of the implications of devolving certain of PRASA's national corporate functions to the City would need to be considered.

If the City does decide to take over ownership, the proposal would be that, within its functional area or to the nearest station outside the functional area, the City should ultimately become the owner of the tracks and related infrastructure that are currently owned by PRASA and Transnet. It is recognised that the precise location of the boundaries will need to be determined and gazetted in consultation with PRASA and Transnet, Province and the adjoining municipalities in question.

The City recognises that a sizable portion of the urban rail network is owned by Transnet, a State-Owned Enterprise (SOE), where the Department of Public Enterprise is the shareholder. The Transnet network is part of a national strategic heavy freight rail network, with trains being operated by Transnet Freight Rail and there is no incentive for Transnet to fall in line with the City's requirements. As such, the City recognises that issues relating to Transnet's network ownership will need to be addressed.

The City also recognises that if it does decide to take over ownership of the network, access charges and conditions for various operators sharing the network may be determined by the Rail Economic Regulator, or the single Transport Economic Regulator, as the case may be. It has also been noted that Shosholoza Meyl (mainline passenger operations) is also operated by PRASA and has access rights to Cape Town station as well as the mainline to Bellville and onwards. While not a commuter service, it operates out of the same facilities and on the same corridor as commuter rail. This will need to be dealt with in conjunction with the Transport Economic Regulator.

Should the City decide to take over the network and its maintenance, it will therefore become the licensed Network Operator in terms of the Railway Safety Regulator Act, No 16 of 2002.

So far as timing is concerned, the City would take over ownership in year four of the implementation of the Rail Masterplan if it is then ready to do so, with year three being used to give effect to such a change. This would be confirmed to DoT and would be accompanied by a supporting costed business plan for the tracks and related infrastructure. If the City is not ready at that time, its taking over of the tracks will be deferred to an appropriate date in the future.

Until the City does take over ownership, the intention would be for the City to have a binding service contract with PRASA and Transnet respectively under which they maintain their tracks and infrastructure, as mentioned in paragraph 13.3.2 below.

13.3.2 Maintenance

- Agreements with PRASA and Transnet

As mentioned above, until the City takes over ownership of the tracks and infrastructure, it would have binding maintenance contracts (with service levels and performance standards) with PRASA and Transnet respectively.

When the City does take over ownership of these tracks, it will also need to take over any existing maintenance contracts that relate to them. As part of its review referred to above, TDA will carry out any necessary improvements to these contracts to ensure that they are appropriately performance driven.

At the same time, the City will take over PRASA's maintenance staff in terms of section 197 of the Labour Relations Act, No 66 of 1995 (as amended) (Labour Relations Act) to ensure that it is fully resourced for this function.

In order to meet its maintenance obligations, the City will need to be funded accordingly. TDA will, therefore, included a costed business plan for this element with its recommendation as to ownership of the tracks and infrastructure, as referred to in paragraph 13.3.1.

- *Contractual step-in rights*

If PRASA persistently fail to perform their maintenance obligations under their service contracts with the City, the City will be entitled under these contracts to step-in and carry out their maintenance obligations itself. In order to fund this, the City will claim the monies from Dot that would otherwise have gone to PRASA for this purpose. This approach reflects the performance driven ethos of TDA. TDA would like to explore the same methodology with Transnet and its shareholder.

13.3.3 First implementation step

The first step (which is made up of two parts) to implement this strategy for Functional Component 2 will be for TDA to:

- draw up comprehensive maintenance contracts between the City, and PRASA and Transnet respectively; and
- detail, analyse and assess the assets in each of the rail service corridor plans referred to in paragraph 13.2.2.

13.4 Functional Component 3: Train operations

13.4.1 Operating contracts

Subject to the conclusions of the rail service corridor plans being prepared by TDA (as referred to in paragraph 13.2.2) as the transport planning authority, each rail service corridor will have a performance based operating contract between the City and the train operator. For the existing lines, Metrorail will be the initial train operator unless it does not wish to take some or all of these contracts.

If Metrorail does not take any of the contracts, this will only be on the basis that the labour force must be transferred to the new train operator. In this way, the City

can ensure that the labour force will be protected whether or not Metrorail takes over the contracts.

In order to ensure that the City is ready to have the urban rail function assigned to it, TDA will ensure that there is a standardised performance contract in place for all corridors.

High level issues to be addressed in these contracts include:

- the allocation of train sets per contract;
- the responsibility for operation of the schedule;
- the performance requirements and related penalties and incentives; and
- the operational customer service issues.

Under these contracts, the City will be entitled to make deductions from the payments if performance does not meet the required standards. This is predicated on the basis that the City will receive the rail subsidy so that it will be the City that is both making the payments and, if appropriate, these deductions.

In addition, the City will be entitled to receive the ticket revenue from these services. The train operating contracts will need to be structured to ensure that the train operators are sufficiently incentivised to avoid fare evasion.

The duration of the contracts is likely to be between 15 and 20 years (or perhaps even longer) depending on whether new rolling stock is allocated or purchased for the corridor in question.

If either Metrorail does not wish to take all of the contracts or it takes them but its poor performance ultimately leads to termination by the City, then those contracts will be offered to the market. These resultant contracts may be on the basis of a concession structure and will include conditions to protect the labour force.

13.4.2 Future train operating contracts

The City will offer all new train operating contracts to the market on a build, operate and maintain concession structure. These new contracts will again contain provisions to protect employment and promote local job creation. A similar approach may apply to the Blue Downs Rail Link. Metrorail will also be able to bid for all new contracts on an equal basis. The duration of the contracts is again likely to be between 15 and 20 years.

13.4.3 Extensions and upgrading of lines

Where there are extensions or upgrading of lines, the then current operator will have the first option of including the resultant extension to the operations within their contracts with the City. If this operator does not wish to do so, then the extension will be offered to the market.

13.4.4 Passenger Charter

In the future, the City intends to develop an Urban Rail Passenger Charter and develop mechanisms to incentivise performance of the train operators. This is

consistent with the concept that the commuter should be placed at the centre of the City's transport activities. This would only be implemented once appropriate performance agreements between the City and the train operators have come into effect.

13.4.5 Interface Agreements

The City notes that while elements of the network are local, significant portions are part of a wider national network and cannot be isolated in terms of technical standards or operating standards. The City will ensure that its train operating rules are acceptable to the Railway Safety Regulator.

The City will then, in terms of the safety permits, enter into interface agreements with the other operators including Transnet Freight Rail, Shosholoza Meyl, Blue Train and Rovos Rail.

13.4.6 First implementation step

The first step to implement this strategy for Functional Component 3 will be for TDA to develop a standardised, performance based train operations contract for each of the corridors in accordance with their respective rail service corridor plans.

13.5 Functional Component 4: Signalling

13.5.1 Signalling ownership, maintenance and operations

Signalling is a vital component of any rail system. As a result and subject to further investigation into the technical implications, the City will have all the signalling system that relates to urban rail within Cape Town and its functional area transferred to it, irrespective of the network ownership. Such transfer could either be at zero Rand or for value provided that the City is funded for such value. The same will apply to all the assets, contracts and staff which relate to the signalling system. This will enable the City to own, maintain and operate the system. Subject also to further investigation into the technical implications, the City will also have the right to change or extend the signalling system. In order to fund these activities, the City will receive the full budget allocation related to them, as well as the funding for their upgrading should this still be in progress.

In particular, the City will need to take over the Bellville Control Centre. In the first instance, the City will need immediate access to the Centre. This will then be followed by a transfer to the City of the buildings, facilities, assets, contracts and staff that relate to the Centre once TDA has reviewed these.

All affected staff will be transferred in terms of section 197 of the Labour Relations Act to ensure they are fully protected.

13.5.2 Innovation in signalling

TDA aims to address the key challenges that the current signalling system has, including operational inefficiencies as well as external issues such as vandalism and theft of lineside equipment. In-cab signalling systems might be one future solution to this and so TDA will explore the application of this technology as well as others.

13.5.3 Timing

PRASA is currently engaged in an upgrading and modernisation programme of the signalling system. The City's approach will be for TDA to review where this programme has reached, including any tenders and awarded contracts. A decision will then be taken as to how and when the new signalling system can be taken over. Key considerations for the City will be to ensure that sufficient technological innovation is used and that the contracts are fully funded.

13.5.4 First implementation step

The first step to implement this strategy for Functional Component 4 will be for TDA to be given access to the signalling contracts as part of the authorisation referred to in paragraph 13.2.3 and for it to assess PRASA's modernisation programme.

13.6 Functional Component 5: Stations

13.6.1 Station ownership

The intention is that all passenger stations (both land and improvements), as referred to in Appendix C, will be transferred to the City. Again, this will either be for zero Rand or for value provided that the City is funded for such value. In addition, the land upon which the network (perway) is situated, together with other land parcels and related improvements immediately adjoining the perway, will also be transferred to the City on a similar zero Rand or for value basis. Before such transfers take place, TDA will develop an asset register for all these land holdings and the related improvements.

Where land and improvements required for the City's urban rail system are owned by Transnet, these will be identified and mechanisms to acquire them at no or minimal cost explored

TDA will then review the valuations and suitability of the assets and land holdings both for rail and wider TOD and related investment purposes. Following that, TDA will recommend to the City which assets and land holdings should be transferred to it. In this way, the City will be comfortable that it is only acquiring the assets and land necessary for it to support the management of rail, generate revenue or to deliver TOD.

Similarly, TDA will also review any commercial contracts that are in place in relation to the stations and decide whether these should be continued, amended or terminated.

13.6.2 Station maintenance

In order for the City to maintain the stations and their adjoining land, it will require funding by reference to the World Bank's maintenance funding methodology. This means that 2.5% of the land and improvement value of the stations and the immediately adjoining land will be valued in accordance with paragraph 13.6.1. 2.5% of those sums will then be transferred to the MLTF annually for maintenance.

These valuations will be repeated on an annual basis and the City's budget increased accordingly.

TDA, in partnership with the Valuation Department, has carried out a land and improvement valuation exercise across all 98 stations in Cape Town. A list of these stations and their values are set out in Appendix C. The maintenance budget is calculated by applying the 2.5% increase each year to the value as determined in Appendix C (2016 figures). This increased sum is then indexed each year by reference to movements in appropriate escalation indices in that year.

The City will be obliged to report annually to DoT on its maintenance performance and the efficiencies it has achieved.

As a result of this maintenance funding being put into the MLTF, it will not be treated as a normal operating budget that is susceptible to being lost if it is not spent by the end of the financial year. Further, by the City using the MLTF, funds and related revenues will have to be directed for their intended transport related purposes.

The maintenance work itself will be contracted out by the City through competitive tendering. The intention is that both operators and other bidders will be able to bid for this on a level playing field, with a performance oriented premise.

As the Assignment Implementation Plan is developed into the Rail Masterplan, details such as the interface between the maintenance of the stations and station operations (such as ticketing) will need to be unpacked.

13.6.3 Station operations

With the fare box accruing to the City, the station operations will be managed by the City and will include the provision of the ticketing system, access control infrastructure, as well as the access control and fare evasion operations. The City will also be the station operator in terms of the safety permit issued by the Railway Safety Regulator. Security on and around stations, including the provision and management of CCTV, will be the responsibility of the City.

11.6.4 First implementation step

The first step (which is made up of a number of parts) to implement this strategy for Functional Component 5 will be for TDA to:

- undertake and verify the station inventory (land and improvements);
- develop maintenance standards and related operating procedures for stations; and
- develop a costed asset register, an asset condition assessment and a maintenance and refurbishment programme.

13.7 Functional Component 6: Land investment

13.7.1 Two land use zones to be modified

As described in paragraph 13.6, it is important for the City to help promote economic activities at and around the stations and other facilities as part of its TOD

and revenue generation initiatives. To achieve this, two land use zones for transport will need to be modified in the City of Cape Town Municipal Planning By-law, No 7414 of 2015 (as amended) (Municipal Planning By-law) to allow for economic activities such as retail and wider commerce on rail and its related facilities. Appendix D determines a methodology for identifying various stations typologies and this can be used for determining the extent of potential investment.

13.7.2 First implementation step

The first step (which is made up of two parts) to implement this strategy for Functional Component 6 is for TDA to:

- undertake and verify the land inventory; and
- immediately commence the process to amend the Municipal Planning By-law.

13.8 Functional Component 7: Ticketing, fares and revenue management

13.8.1 The City to receive ticketing revenue

All the revenue from ticketing and revenue management will accrue to the City.

13.8.2 Use of integrated ticketing

The intention is that the City will initiate and implement a new integrated ticketing system that will include rail. Under the MoA, TDA is already taking the lead in investigating the solution for this. It is anticipated that moving to such new system could take two to three years from assignment to roll out fully. In the light of this, TDA will explore how to expand the use of MyConnect to include the integrated solution by means of new technologies. It is likely that any solution will be smartphone based. A key requirement of any solution is that it must address the interfaces between rail and road.

Upon assignment, TDA will investigate and implement different ways of mitigating fare evasion. Currently, passenger trains use paper tickets only and experience high levels of fare evasion. At the moment, Metrorail's fare evasion rate is between 40% and 50%. By comparison, MyCiTi's is only 2%. Train fare evasion cannot, of course, be tackled through integrated ticketing alone. The City recognises that station infrastructure (e.g. station barriers), operating and law enforcement practices, as well as marketing and communication, will need to be reviewed to address the apparent culture of rail fare evasion in Cape Town and its functional area.

13.8.3 Setting of rail fares and collection

Where lawful to do so, TDA will make recommendations as to the level of rail fares payable by commuters to the body responsible for setting these for Council's approval. TDA will also ensure the collection of rail fares on behalf of the City. The books for revenue collection will be set up so that they are fully auditable and integrated into the City's Annual Report.

TDA will be responsible for checking the revenue collection and performance of each rail corridor. By measuring revenue and performance in this way, TDA will

then be able to establish where improvements need to be made and put in place appropriate interventions.

13.8.4 Advertising

Upon assignment, the City is to have the right to control all advertising on the network, at stations, and on and in the rolling stock. TDA will develop its advertising strategy that will include identifying where advertising will be permitted such as at stations, trackside, on the wider rail related land holdings now transferred to the City, and on the interior and exterior of rolling stock. All the revenue from such advertising will go into the MLTF.

The City will be responsible for setting the standards of permitted advertising to ensure that it is of the appropriate quality and in accordance with its new Outdoor Advertising By-law.

13.8.5 First implementation step

The first step (which is made up of two parts) to implement this strategy for Functional Component 7 will be for TDA:

- to continue to develop and implement the integrated ticket for scheduled public transport, including rail; and
- to carry out an assessment of the status quo regarding advertising on all stations and throughout the network, as well as the potential for additional advertising opportunities.

13.9 Functional Component 8: Transport enforcement

13.9.1 TDA and the Safety and Security Directorate

Under the TDA By-law, the City is responsible for transport enforcement. This is based on the principle that the commuter must come first and transport enforcement is central to achieving that principle.

In order to do this, TDA will apply to the rail network the intent behind the current agreement it has in place with the Safety and Security Directorate (Safety and Security). This will be done in conjunction with the SAPS Rapid Rail Police to ensure a cohesive enforcement strategy is put in place.

13.9.2 Decriminalising offences

As is intended with road based public transport offences, TDA will investigate a range of offences to determine if it is appropriate for any of them to be decriminalised. For example, it may be that trespass on the rail network could safely be decriminalised and enforced by TDA instead. The City would then take the revenue from that enforcement and, through the MLTF, invest it in providing further enforcement. In this way, TDA will be able to provide better enforcement but in an economically sustainable manner.

13.9.3 TDA's enforcement intelligence activities

TDA will extend its enforcement intelligence responsibilities to the rail network and its related facilities, as undertaken by the Transport Enforcement Unit (TEU). It will

then liaise with Safety and Security and direct them as to how they should follow up on the results of that intelligence. This will be done in close cooperation with the SAPS Rapid Rail Police.

13.9.4 Safety and security services on rail

Currently, Metrorail provides safety and security services through a series of contracts. TDA will review these contracts against appropriate service delivery standards that it will set. It will also consider whether it is appropriate for security services for the whole network to be packaged into a single contract or whether an alternative approach is appropriate. It will then cancel, amend or extend these contracts. Through the mechanisms under the TEU, Safety and Security will then operate the contracts. These contracts will be fully funded by DoT. All services will then be integrated into the TEU's operations so as to provide for an integrated safety and security service for all public transport.

The absorption and supplementing of PRASA's security staff will be addressed in the assessment of the extension of the TEU. Further, the role of the SAPS Rapid Rail Police will similarly be integrated into the TEU to ensure cohesive, comprehensive enforcement on urban rail.

TDA will also implement the requirements of the two sets of draft Regulations that have been issued under the National Railway Safety Regulator Act, 2002 (Act No.16 of 2002) when they come into force. It is assumed that TDA will be fully funded to comply with these new requirements, including for the identification of railway reserves, fencing and prevention of encroachment.

13.9.5 TMC

As mentioned in paragraph 13.5, the City will require immediate access to the Bellville Control Centre before taking it over fully in due course. TDA will ensure that the rail safety and security functions of the TMC will be fully integrated with this Centre, as well as with the other functions of the TMC.

13.9.6 Transnet network

TDA will enter into agreements with Transnet regarding the safety and security of those parts of their network where TDA's urban rail services are required to operate. This is to ensure that safety and security services are maintained and that these functions are fully integrated at the TMC.

13.9.7 First implementation step

The first step to implement this strategy for Functional Component 8 will be for TDA, once the authorisation has been received, to undertake a detailed assessment of the safety and security contracts and resources to determine their viability and appropriateness.

13.10 Functional Component 9: Rolling stock

13.10.1 Categories of rolling stock

Rolling stock can be divided into the following categories:

- existing rolling stock;

- new rolling stock already allocated by DoT to replace existing stock; and
- additional new rolling stock.

13.10.2 Existing rolling stock

On assignment, PRASA will transfer the existing rolling stock to the City. This includes all operational rolling stock, rolling stock that may have undergone in the last two years or is undergoing PRASA's planned general overhaul programme, and rolling stock that is currently non-operational. Such transfer could either be at zero Rand or for value provided that the City is funded for such value.

For the operational rolling stock, the City will undertake an upgrading programme at a cost to DoT of R10 million for each train set.

For rolling stock that has undergone in the last two years or is undergoing a general overhaul by PRASA, this cost will be borne by PRASA.

For rolling stock that is currently not operational, the City will undertake a substantial overhaul at a cost to DoT of R35 million per train set.

TDA will carry out the upgrading work over three to five years and PRASA must conclude their overhaul programme within three years to the satisfaction of the City.

To show value for money, the City will be under an obligation to restore the rolling stock to a standard that is acceptable to DoT.

The City will then lease the rolling stock to the operator in question. The operator will then be responsible for maintenance and insurance.

13.10.3 New rolling stock already allocated by DoT to replace existing stock

This refers to the new rolling stock (which is currently being purchased) that is already allocated by DoT to Cape Town, to replace the existing stock that is no longer fit for purpose. In order to have the rail function assigned to it, the City will need to receive Province's share of the national rolling stock allocation made by DoT. The City will then lease the rolling stock to the operators as part of their contacts in the same way as with the existing stock.

As part of PRASA's modernisation programme, certain maintenance depots are being upgraded to enable the new rolling stock to operate. The modernisation programme must be completed and DoT must provide assurance to this effect.

13.10.4 Additional new stock

This refers to rolling stock that is additional to DoT's allocation at any given time. The City is to be allowed to purchase additional rolling stock should demand justify it. Such purchases of additional rolling stock will not, however, affect the City's other allocations of existing and replacement rolling stock. This additional rolling stock can either be acquired by way of a direct purchase or alternatively, for particular projects, the operators could finance the new rolling stock themselves as part of a concession structure. This could be the case for the new Airport Rail Link project. It might also be the case for the Blue Downs Rail Link and so allow the new rolling stock to be deployed elsewhere.

If there is adequate demand on particular corridors, TDA will investigate whether there could more than one concession operating on the same corridor if this demonstrates better value for money and increases competition and capacity.

13.10.5 Gauges

For heavy rail, TDA will follow the national recommendation of remaining with the Cape Gauge as opposed to the Standard Gauge. This is on the basis that the lower average speeds on the Cape Gauge are acceptable within an urban environment. In any event, the cost of changing the entire system would be prohibitive.

This does not, however, preclude TDA from exploring different gauge solutions for track infrastructure for alternative rail solutions such as light rail. In these circumstances, TDA will ensure that such alternative solutions would interface appropriately with heavy rail so as to maximise the opportunities for integration.

13.10.6 Depot and marshalling yards

- *Depot and marshalling yards ownership*

Ownership of the maintenance depot and marshalling yards is to be transferred to the City. Such transfer could either be at zero Rand or for value provided that the City is funded for such value. These facilities will then be leased to the relevant operator so that they can carry out the routine staging and maintenance of the rolling stock. TDA will set the standards for such maintenance.

Where more substantial refurbishment or repairs are required, the operators will need to engage specialist contractors. For example, there are currently two body building contractors that are used by Metrorail. TDA will be responsible, together with the Railway Safety Regulator, for setting the necessary standards.

The refurbishment regime referred to in paragraph 13.10.2 will be undertaken in terms of a programme agreed in consultation with the operator.

- *Depot and marshalling yards maintenance and management*

The maintenance and management of the depot and marshalling yards will be undertaken by the operators under their contracts with the City. TDA will set the performance standards to be adopted and enforce them by operating an appropriate penalty regime. This would result in deductions being made from the sums that would otherwise be paid to the operators by the City.

13.10.7 First implementation step

The first step to implement this strategy for Functional Component 9 will be for TDA to be authorised to undertake an assessment of the rolling stock and develop an upgrading and maintenance regime that can be actioned on assignment.

13.11 Functional Component 10: Universal access

13.11.1 Extending the City's Universal Access Policy to encompass urban rail

The City has an approved Universal Access Policy which covers all aspects of public transport across Cape Town. As mentioned earlier, this should cover urban rail but to date has not been able to do so due to the nature of the current rail management arrangements. The fact that the older urban rail infrastructure does not cater for universal access in many cases is also a major impediment.

13.11.2 First implementation step

The White Paper states that “*all new transport systems and work related to new transport systems must be universally accessible. Existing systems must be upgraded over time to the same standard or to provide the same outcome.... In addition, any funds provided for public transport; whether rail, or any other mode, shall meet the same goal. Thus a universal design access plan is required for any form of public transport that uses funds provided by government.*”

Upon assignment, the City will therefore:

- determine the status quo of universal access of all urban rail facilities, as well as establish the funding requirements to bring these facilities up to acceptable standards; and
- extend its Universal Access Policy (and universal access design plans) to include urban rail on the assumption that it will receive government funding for this purpose.

13.12 Functional Component 11: Safety Regulations

13.12.1 Railway Safety Regulator's requirements

TDA will fully engage with the Railway Safety Regulator. This will enable the City to work up the detail of its responsibilities so that it can satisfy all the safety requirements imposed on it by the Railway Safety Regulator, particularly in relation to the specific operating permits that it must apply for

13.12.2 First implementation step

The first step to implement this strategy for Functional Component 11 will be for TDA, once this Business Plan has been approved by Council, to commence the consultation process with the Railway Safety Regulator.

13.13 Functional Component 12: Human resources

13.13.1 Employees

Whether staff currently employed by PRASA (Metrorail, Intersite and PRASACres) will become the City's employees as part of the assignment of rail will depend on their particular roles. In essence, if their roles are part of the functions being assigned, they will transfer to the City under the employment legislation. The details of which staff will be affected will be worked up as part of the business planning for the rail service corridor plans. Where staff are unaffected by the assignment, then their current employment will similarly be unaffected.

It is possible that the operators may choose to retain staff that would otherwise transfer to the City. In these circumstances, the budgetary allocation for those staff will still be assigned to the City.

As referred to in paragraph 13.4, where any operating contracts are offered to the market as a result of Metrorail no longer being the operator, it will be made clear that all the labour force will transfer to the new operator so that they are fully protected in accordance with their current conditions of employment. In this instance, section 197 of the Labour Relations Act will only apply to the labour force and not to management. The transfer of management will be at the sole discretion of the new operator.

The City aims to increase and improve services, as well as to increase local employment opportunities wherever possible.

The above staff relate to current operations. Additional staff will be recruited to TDA as referred to in paragraph 13.17.4.

13.13.2 Labour legislation

All employee related procedures will be conducted in accordance with the labour related legislation, and in particular section 197 of the Labour Relations Act, and the relevant Bargaining Council procedures. TDA will need access to information on all staff and their related conditions of employment, as well as on any disciplinary procedures that may be under way. In addition, the registration of the section 197 process will need to be jointly actioned by DoT/PRASA and the City/TDA.

13.13.3 Labour unions

The labour unions representing workers in the rail industry are a major stakeholder and it is essential that communication with the unions commences early in the assignment process.

13.13.4 Training

TDA will provide a training programme under its Training Academy to ensure that all the transferring staff are fully trained for their roles in TDA after assignment. TDA will undertake an assessment to identify these training needs.

13.13.5 First implementation step

The first step to implement this strategy for Functional Component 12 will be for TDA, through the appropriate authorisation, to access the basic employee database, together with the conditions of employment, so that it can commence compiling the necessary HR Plan, Training Plan and Change Management Plan.

13.14 Functional Component 13: Change management

13.14.1 Change management programme

TDA will undertake a full change management programme. This will include all personnel, key stakeholders and commuters. The latter category is particularly important to ensure that all of TDA's actions on behalf of the City are genuinely commuter facing.

In order to ensure that the change management programme is carried out as efficiently as possible, TDA will recruit a programme manager to run it for a period of at least three years after assignment.

13.14.2 First implementation step

The first step (which is made up of two parts) to implement this strategy for Functional Component 13 will be for TDA, upon assignment, to:

- commence with internal change management as the section 197 process is rolled out; and
- in accordance with its community profiling, undertake a change management process for all affected stakeholders.

13.15 Functional Component 14: Marketing and communications

13.15.1 Additional communication actions

General communication with and queries from the public already reside under TDA. The function is performed at the TMC and TIC. Upon assignment, however, the following will come into effect:

- overall communication (such as press releases, media coverage, event management and stakeholder communication) will be the responsibility of the Mayoral Committee Member for TDA;
- the operator's performance on each rail service corridor will be communicated on a monthly basis through the TDA Website so as to ensure accountability to the commuter once the performance based contracts take effect; and
- the operator will be required to deal with day to day customer service issues to ensure it meets TDA's standards and the requirements of the TDA Corporate Identity Manual (CI Manual).

13.15.2 Branding

All branding will be consistent with the methodology set out in the TDA By-law and further described in the CI Manual.

In terms of the branding hierarchy, the operator will fall under the branding of MyCiTi, albeit as MyCiTi Rail. Stations will be branded as TDA while the trains will be branded MyCiTi Rail. Examples of the proposed branding are given in Appendix E.

13.15.3 First implementation step

The first step to implement this strategy for Functional Component 14 will, in preparation for assignment, be for TDA to draft and cost the rail related components of the CI Manual.

13.16 Functional Component 15: Investment opportunities

13.16.1 Additional investment projects

Upon approval of this Business Plan, TDA will explore the opportunities for additional investment projects, together with the specific actions related to assignment.

These will include for example:

- alternative rail initiatives (these are described further in paragraph 14 below);
- the improvement to and provision of additional services - this will include the Business Express, together with its potential funding (with one possible source being congestion charging); and
- planned future rail corridor developments such as the Atlantis line, Fisantekraal/Malmesbury line and the North-South (central) link.

13.16.2 First implementation step

The first step to implement this strategy for Functional Component 15 will be for TDA, upon approval of this Business Plan, to:

- explore alternative rail solutions as set out in paragraph 14; and
- commence feasibility studies for the Business Express and its possible funding sources.

13.17 Functional Component 16: Financial management

13.17.1 Introduction

This deals with the day to day financial aspects of managing rail. As part of the assignment process, much of the activity associated with the transfer of a business as a going concern will need to be undertaken. This means that contracts will need to be assigned or novated to the City, and assets transferred, together with the employees. In particular, the employees will need to be transferred together with their supporting budgets. The Division of Revenue Act allocation will also need to be transferred.

13.17.2 Subsidy allocation

In order to ensure an equitable allocation of the national PRASA subsidy received from National Treasury, the City will engage with the DoT and National Treasury to determine an objective formula for the allocation of the subsidy to the various Metrorail regions. The operational subsidy is received by PRASA at a national level and is not devolved to the regions in the form of a subsidy but as a budget allocation which changes as other demands are made on the available funds.

13.17.3 Financial planning

In order to support the structured assignment of rail to the City on a financially sustainable basis, TDA will use the same financial planning methodology that it employed for the application for the assignment of the contracting authority function. In particular, this methodology is designed to ensure that the rail function will not become an unfunded mandate for the City.

The plan is divided into two stages:

- Stage 1 deals with those financial requirements that can be identified at the start of the assignment process; and
- Stage 2 deals with those financial requirements that cannot be identified in sufficient detail at the outset but must be developed and analysed by TDA.

Further details on both Stages 1 and 2 are set out below.

13.17.4 Stage 1

The City has the following identified financial requirements at the outset of the assignment and which will need to be included in the first MTREF plus indicative amounts for the two outer years:

- the maximum available amount of the operational subsidy (budget) that is currently allocated to PRASA Metrorail Western Cape. In addition, this operational subsidy should be indexed annually by reference to CPI but should also include two transport related indices for fuel and labour costs;
- a start-up costs budget for the first three years of R45 million per annum (being R30 million from DoT/National Treasury and R15 million from the City) and R30 million per annum (being R15 million from DoT/National Treasury and R15 million from the City) for the two subsequent years. This will cover the costs of personnel required to execute the assignment process, research, change management, communications, business planning, as well as the costs of the process of land and asset verification and transfer;
- start-up costs with specific emphasis being placed on the safety and security components. This should come from Province, namely an allocation of R15 million for each of the five years. The City should supplement this allocation by R5 million for the TEU;
- the valuation of the stations and adjoining land in accordance with the methodology referred to in paragraph 13.6;
- the upgrading of rolling stock in accordance with paragraph 13.10.2 (this excludes those train sets that are damaged beyond economic repair); and
- the costs of delivering the rail component of the integrated ticket, including planning and systems (technology, infrastructure, cards and card readers). The budget for this is estimated at R45 million for year one, R85 million for each of years two, three and four, and R70 million for year five.

13.17.5 Stage 2

As mentioned above, Stage 2 deals with those financial requirements needed to deliver the Rail Masterplan that cannot be identified in sufficient detail at the beginning of the assignment. TDA will work these up during the first three years after receipt of the appropriate authorisation.

13.17.6 Additional funding requirements

There are two further issues that need to be addressed as part of the Financial Management Functional Component:

- funding for additional rail personnel under TDA; and
- how the City will work with Province in relation to the Rail Masterplan.

Funding for additional rail personnel

Before assignment, an allocation of R20 million in 2018/19, R35 million in 2019/20 and R40 million in 2020/21 is to be sourced from a combination of the Public Transport Network Grant (PTNG), the Integrated Cities Development Grant (ICDG) and the City's own funds (i.e. interest) in order to carry out the Assignment Implementation Plan and ultimately the Rail Masterplan in accordance with international best practice.

Role of Province

The City recognises that having the rail function assigned to it is a very substantial task. Province can help the City with this task in the following manner:

- providing legislative mechanisms to establish the performance service level standards for operations and safety on the rail network; and
- engaging in specific programmes and projects. This is especially the case where those programmes or projects relate to the City's functional area, with particular reference to the services to Wellington, Malmesbury and Stellenbosch.

To this end, it is proposed that Province allocates at least R15 million per annum for a five-year period to enable this assignment of rail to be expedited for the benefit of commuters and with a specific focus on the security aspects.

A summary of the start-up financial requirements for the City to have the rail function assigned to it is set out in paragraph 17.

13.17.7 First implementation step

The first step to implement this strategy for Functional Component 16 will be for TDA to unpack and itemise the sums referred to in this paragraph 13.17.

14 Alternative Rail

The third element of TDA's proposed three pronged approach to the assignment of the urban rail function is to commence immediately with a detailed exploration of the feasibility of alternative rail solutions in Cape Town and its functional area.

Where these solutions are appropriate, TDA will consider light rail, skyrail, monorail and urban cable car, as well as other leading edge technologies. In particular, TDA will address the following with immediate effect:

- the Airport Rail Link;

- opportunities where alternative rail might be more economically viable in order to expedite the implementation of the IPTN on particular routes; and
- opportunities where alternative rail could be introduced as a further public transport mode to alleviate road based congestion. It should be noted that TDA will be exploring alternative rail solutions as a priority, in accordance with the IPTN Business Plan and its related phasing, with Phase 2A being the first to be rolled out.

For example, TDA will investigate the viability and ultimately business plan for the introduction of:

- an urban cable car solution as part of a comprehensive urban development solution that could be applied to the Phase 2A route, so as to optimise the provision of public transport within the existing urban fabric - the intention is to fund this from sources such as the Green Climate Fund; and
- alternative rail solution in our urban corridors so as to reduce congestion through increasing the capacity of the rail market share. Dedicated road based solutions would not be viable because of land constraints. The focus areas for this investigation will be around the four main access routes to the City that are experiencing serious congestion, namely the N1, N2, M3 and M5 routes. Most of the investments will revolve around a build-operate-transfer model.

15 Action Plan for Blue Downs Rail Link

Having set out above the proposed approach to the assignment of the urban rail function, this section outlines the Action Plan for the Blue Downs Rail Link which will be running in parallel to the assignment and PRASA's modernisation processes. Funding for the Blue Downs Rail Link has now been secured by PRASA (Appendix F). This will commence in the 2017/18 financial year with the development of the detailed design. TDA will action the indicative steps described in the paragraph below to ensure that this project is expedited.

This Action Plan assumes that PRASA finances the development of the new rail network infrastructure, station facilities and rolling stock. The indicative steps referred to above are as follows:

- *Transport planning:* TDA will develop, in consultation with PRASA, a full business plan for the design, costing and implementation of the new Blue Downs Rail Link service corridor, related road based infrastructure and development. Blue Downs is particularly important because it is one of the three new integration zones highlighted in the BEPP. The design will also need to be adapted to include giving effect to TOD and enabling integrated communities.
- *Network:* Subject to the assignment, ownership of the Blue Downs tracks and related infrastructure would be transferred to the City on completion of their construction at zero Rand or for value provided that the City is funded for such value. This would be confirmed to DoT and would be accompanied by a supporting costed business plan for the tracks and

related infrastructure. At the same time, TDA will be responsible for the supporting road infrastructure and public transport feeder network.

- *Operations:* TDA could offer an operating contract for Blue Downs to Metrorail or to the market (whether on its own or with other lines). This would be in TDA's standard form for these contracts and would be a test case for the rail corridor service plan and related operations.
- *Signalling:* As part of the assignment and subject to further investigation into the technical implications, TDA would take over the signalling operations for Blue Downs.
- *Stations:* The intention would be that the station facilities and related land holdings for Blue Downs would be transferred to the City on completion of construction for zero Rand or for value provided that the City is funded for such value. At the same time, the City would take over their maintenance. The City would require appropriate funding for this, recognising that the Blue Downs station facilities are new build. The City would be intricately involved in the station designs so as to ensure the implementation of TOD and land use optimisation, as well as the City's Universal Access Policy. Importantly, TDA would immediately implement developments on TOD principles around the Blue Downs station facilities.
- *Ticketing, fares and revenue management:* As with other parts of the rail services, all the revenue from ticketing and revenue management for Blue Downs would, on assignment, accrue to the City. TDA would make recommendations as to the level of the fares to Council for approval. The City would also control all advertising on the Blue Downs Corridor. All revenue from Blue Downs would go into the MLTF.
- *Transport enforcement:* As with the rest of the rail services, transport enforcement on Blue Downs would be delivered through a combination of the Bellville Control Centre and the TMC, and agreements with SAPS Rapid Rail Police and Safety and Security.
- *Other key functional components:* For Blue Downs, other key functional components such as regulations, marketing and communications, investment opportunities and financial management would be run by TDA on behalf of the City in the same way as for the rest of the rail services.

For convenience, all the proposed first steps from the Assignment Implementation Plan are summarised in the table below.

On approval of this Business Plan for assignment, TDA will undertake the following on behalf of the City:

- submit to DoT this Business Plan as the City's approved business case for the assignment of the urban rail function;
- determine an allocation of R20 million in 2018/19, R35 million in 2019/20 and R40 million in 2020/21, which is to be sourced from a combination of PTNG, ICDG and the City's own funds (i.e. interest), in order to develop

and carry out the Assignment Implementation Plan and ultimately the Rail Masterplan in accordance with international best practice; and

- constitute a multidisciplinary working team that will include other spheres of government and SOEs and which will regularly report on progress of the assignment through the IPC and the LTAB.

Table 2: Summary of Assignment Implementation Plan First Steps

Summary of Assignment Implementation Plan First Steps		
No.	Functional Component	Action
1	Transport Planning	Employ the staff required to undertake the first implementation steps of the Assignment Implementation Plan under the Network Operations Management function of TDA as well as in relation to the other elements of this Business Plan
2	Network	TDA to expedite a process for the development of the six rail service corridor plans. Council recommended to request that authorisation be given to TDA by DoT so that it can commence this work immediately TDA to draw up comprehensive maintenance contracts between the City, and PRASA and Transnet respectively TDA to detail, analyse and assess the assets in each of the six identified rail service corridor plans
3	Operations	TDA to develop a standardised, performance based train operations contract for each of the identified corridors in accordance with their respective rail service corridor plans
4	Signalling	TDA to be given access to the signalling contracts under an appropriate authorisation and to assess PRASA's modernisation programme
5	Stations	TDA to undertake and verify the station inventory (land and improvements) TDA to develop maintenance standards and related

		<p>operating procedures for stations</p> <p>TDA to develop a costed asset register, an asset condition assessment and a maintenance and refurbishment programme</p>
6	Land investment	<p>TDA to undertake and verify the land inventory</p> <p>TDA to commence immediately the process to amend the Municipal Planning By-law</p>
7	Ticketing, fares and revenue management	<p>TDA to continue to develop and implement the integrated ticket for scheduled public transport, including rail</p> <p>TDA to carry out an assessment of the status quo regarding advertising on all stations and throughout the network, as well as the potential for additional advertising opportunities</p>
9	Rolling stock	TDA to be authorised to undertake an assessment of the rolling stock and develop an upgrading and maintenance regime that can be actioned on assignment
10	Universal access	<p>Upon assignment, the City to determine the status quo of universal access of all urban rail facilities, as well as establish the funding requirements to bring these facilities up to acceptable standards</p> <p>Upon assignment, the City to extend its Universal Access Policy (and universal access design plans) to include urban rail on the assumption that it will receive government funding for this purpose</p>
11	Regulations	Following approval of this Business Plan, TDA to commence the consultation process with the Railway Safety Regulator
12	Human resources	TDA, through appropriate authorisation, to access the basic employee database, together with the conditions of employment, so that it can commence compiling the necessary HR Plan, Training Plan and Change Management Plan
13	Change management	<p>Upon assignment, TDA to:</p> <ul style="list-style-type: none"> • commence with internal change management as the section 197 process is rolled out; and • in accordance with its community profiling, undertake a change management process for all affected stakeholders
14	Marketing and communications	In preparation for assignment, TDA to draft and cost the rail related components of the CI Manual
15	Investment opportunities	Upon approval of this Business Plan, TDA to explore alternative rail solutions and commence feasibility studies for the Business Express and its possible funding sources
16	Financial management	TDA to unpack and itemise all identified sums required to fund the assignment

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In order to ensure that the City is accountable for the first implementation steps of the Assignment Implementation Plan as well as in relation to the other elements of this Business Plan, its progress on all the actions set out in the table above will be included in the separate chapter on TDA in the City's Annual Report. This separate chapter on TDA's performance across its activities is one of the requirements of the TDA By-law.

17 Summary of the Proposed Financial Plan for Assignment

The table below summarises the financial recommendations that are being put forward as part of this Business Plan, in addition to the full assignment of the operating subsidy for the rail operations and including the proposal for CPI plus the two transport related indices (labour and fuel).

Table 2: Pre-Assignment Costs for Urban Rail Assignment

Budget	2018/19	2019/20	2020/21
Pre-assignment costs	R20m	R35m	R40m
Funding source from PTNG, ICDG and City funds (interest)			

Table 3: Start-Up Costs for Urban Rail Assignment: Operational Costs

Funding to commence from year 1 of Assignment		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Inclusive of transfer costs for land, stations and other facilities, contingencies and legal fees	DoT/Treasury	R30m	R25m	R20m	R20m	R15m
Rail management oversight, implementation project team and general administration	City of Cape Town	R20m	R22m	R24m	R25m	R26m
General administrative assistance	Province	R5m	R5m	R5m	R5m	R5m
Additional TEU staff for Urban Rail	City of Cape	R5m	R6m	R6m	R6m	R6m

	Town					
	Province	R10m	R10m	R10m	R10m	R10m
It should be noted that the entire operational subsidy that is currently allocated to the Western Cape will at least be allocated on assignment to the City for the operational management of urban rail for Cape Town and its functional area						

Table 4: Start-Up Costs for Urban Rail Assignment: Capital

Funding to commence from year 1 of Assignment		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Refurbishment of the existing rolling stock	DoT/ Treasury	<ul style="list-style-type: none"> For the operational rolling stock, the City will undertake an upgrading programme at a cost to DoT of R10 million for each train set For rolling stock that has undergone in the last two years or is undergoing general overhaul by PRASA, that cost will be borne by PRASA For rolling stock that is currently not operational, the City will undertake a substantial overhaul at a cost to DoT of R35 million per train set <p>The quantum of train sets for each category will be determined in the Assignment Implementation Plan</p>				
Rollout of the rail portion of the integrated ticket	DOT / Treasury	R45m	R85m	R85m	R85m	R70m

Appendix A: Memorandum of Action between PRASA and the City

Appendix B: Risk Register for the Assignment Implementation Plan

Appendix C: Land Values of Stations in Cape Town

Appendix D: Station Typologies

Appendix E : MyCiTi Rail Branding

Appendix F: Funding Commitment to the Blue Downs Rail Corridor