



Administrator's Brief to the Media

07 May 2020

Good morning all!

Let me take this opportunity to welcome everyone who has joined us for this important media brief, here at Umjantshi House and online. We are in the middle of a global crises which has far reaching implications on us individually as well as on entities such as Passenger Rail Agency of South Africa (PRASA). I trust that you are all adhering to the Regulations & Directions as issued by our Cabinet and thus staying safe.

A special greeting this morning to all PRASA employees who are committed to the turnaround of the organization as well as those who have had to work throughout the lockdown.

I have been at PRASA for just over 4 months now. Soon after my first month in office, I took the opportunity to outline to the South African Public our plans for the 12 months. During the same briefing, I undertook to provide regular updates on our programmes which is what brings us here today.

I will therefore for ease of reference structure this briefing as follows:

- Touch on Some Key Actions Taken
- Our Financial Situation
- Provide an update on our Priority Programmes
- Update on the Corridor Recovery Programmes
- COVID-19 impact and readiness
- Highlight our Capital Investment Programme

So, let me begin...

In January after my assessment of PRASA, I characterized it as a broken business. This, I indicated was largely due to the **Systematic Erosion** of value, the business had experienced over a number of years. I then made the commitment that we as PRASA officials, **do not have a choice** but to bring a **Semblance of Order** to this important institution, whilst striving to **deliver Value to our customers**. Towards this end, I must say that we are registering steady progress but there remains a lot of work to be done, as I will demonstrate during the course of this briefing.

KEY ACTIONS TAKEN

Allow me first to update you on a few key actions that we have taken to ensure that we set the foundations for stability in this organization. We have set up a robust **EXCO Structure** that meets every two weeks since January. EXCO is supported by **5 Sub-Committees** that also convene bi-weekly in order to feed into the EXCO agenda. You will note during this briefing that the progress update is structured along these Sub-Committees. I raise this here as it is a fundamental requirement for instilling **proper Governance** at PRASA, which had for all intents and purposes been compromised over the last few years.

As alluded to in January, I have now bolstered the office of the Administrator by appointing a team of seasoned **Technical Advisors**. These professionals hail from Government Departments, a State Research Institution and industry. These Technical Advisors and their focus areas are as follows:

- Finance – Mr. Krishna Govender CA (SA)
- Supply Chain Management – Mr. Willie Mathebula (National Treasury)
- Legal Advisory – Mr. Sifiso Simelane (Department of Transport)
- Stakeholder Management, Communication & Business Performance – Ms. Phelisa Nkomo (Economist)

- Rail & Bus Operations – Dr. Mathetha Mokonyama (Transportation Engineer: CSIR)
- Technical & Engineering – Mr. Themba Camane (Civil Engineer)

These professionals have also strengthened EXCO capacity as there were a number of deficiencies at this level.

We have also triggered a number of key **Partnerships** which seek to build strong operational relationships with other entities of State that we interface with. Some of those worth a mention here are the following:

Transnet

- Historically there have been a number of unresolved issues between Transnet and PRASA, since the separation of passenger services from Transnet. This has had a detrimental effect on both parties as a result. Recently, the CEO of Transnet and I met and we have set up a number of workstreams, that are focusing on mutually agreed business critical areas and these are Technical, Operations, Property and Assets Manufacturing and Commercial.
- This process is going to strengthen the operational areas between our entities and I'm confident that our collaboration will be for the benefit of the South African public.

Eskom

- Eskom plays a very important role in our economy and one of those is to provide energy to our trains. Furthermore, there are a number of common areas that require us to join forces such as cable theft as well technical assessments and monitoring of substations. The CEO of Eskom and I have agreed to work together and we have set up a number of workstreams that will enhance our synergies.

SAPS

- With regards to enhancing our security capability, we have engaged the South African Police Service (SAPS) with the purpose of strengthening our relationship, as per the MOU we entered into in 2019. As such, they will be a force multiplier in our environment through some special operations. It is important to emphasize that PRASA's rail and station infrastructure serves as an enabler to various economic sectors. It therefore goes without saying that it is in all our interests to protect these assets of national importance. There are arrests that we have managed to effect over the past few weeks and this is testament to some of the hard working colleagues in our security service at PRASA, and the respective communities that have been of assistance. We are going to escalate efforts to keep these unscrupulous criminals away from our assets and those that do happen to lay their hands on our infrastructure will experience the full might of the law.
- We appeal to community members to continue working with us in exposing these criminal elements for the benefit of protecting our national assets.

It is noteworthy to mention that as promised, we have moved to institute **consequence management** on a number of matters cited in various investigation reports at PRASA. To this end, we have instituted charges and suspended 12 senior members who will be undergoing disciplinary action soon. Where instances of possible corruption arise, these will be promptly handed over to the National Prosecuting Authority (NPA) for processing. Furthermore, there are still a number of matters that are being processed by ourselves, the Special Investigations Unit (SIU) as well as the Directorate for Priority Crime Investigations (DCPI) better known as the Hawks. Announcements will be made as progress is registered on these matters.

I take pleasure in indicating that whilst there have been quite a number of vacancies at **Executive level**, we have completed the process of filling most of these. Over the last two months, we have undertaken a fairly rigorous process of identifying and assessing suitable candidates. We will in the course of this month make announcements for the following positions:

- PRASA Rail CEO
- PRASA Tech CEO
- Autopax CEO
- Chief Information Officer
- Company Secretary

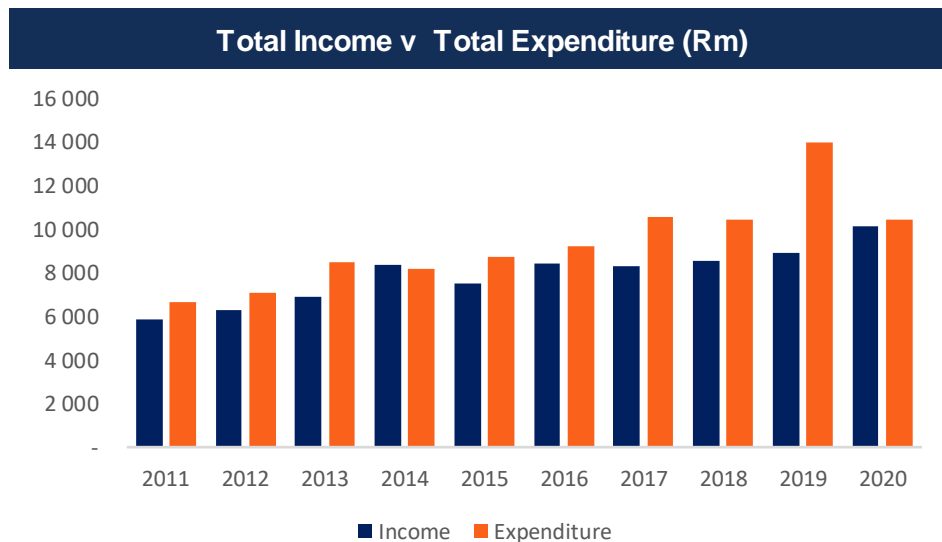
Stability at Executive level will further enhance our turnaround efforts and thus ensure the sustainability of PRASA.

FINANCIAL SITUATION

I deem it important to remind the South African public of our challenging financial situation. PRASA essentially has four streams that make up its revenue and these are:

- Rail fare revenue
- Bus fare revenue
- Rental income
- Operating subsidy

Over the past 10 years, we have seen a **steady and sharp decline in fare revenue** which has necessitated an increase in the operating subsidy. On the other hand, our **expenses have increased** unabated. From this one can glean that the organization was always faced with an unavoidable cash crunch at some point.



This ladies and gentlemen is the dire situation we are earnestly working on arresting and thus seeking to reverse. As we work on initiatives aimed at improving revenue over time, it is of primary importance that we reduce unnecessary costs. Towards this end, we are paying particular attention to the following cost items:

- Overtime
- Allowances
- Casual/Risk labour pool
- Fleet usage related costs – fuel, maintenance, etc.
- Train operations costs which are variable, but also with regards to fixed costs where we can negotiate elimination, reduced rates or deferrals
- Traction/Energy related costs
- Municipal related costs
- Any ticket sales/office related costs
- Negotiating reduced rentals for leased properties or deferral
- Training
- Travel and accommodation

Furthermore, it has become an accepted practice at PRASA to budget for a deficit. The process I have outlined above seeks to change this unacceptable budgeting culture and this is one of the very important elements towards creating a sustainable business model.

Let me now turn to the plan

TURNAROUND PLAN

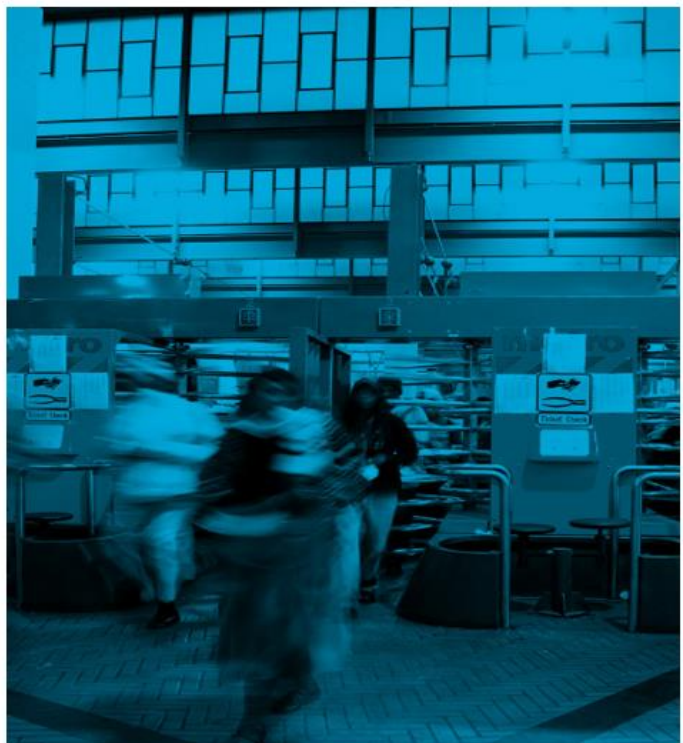
During my presentation to the media on 15 January 2020, I outlined the turnaround plan which I structured into **three execution periods**, with the rallying themes being;



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Areas of Focus

- 01** | 3 Months priorities: January-March 2020
STABILITY & ORDER
- 02** | 6 Months Priorities: January-June 2020
EXECUTION
- 03** | 12 Months Priorities: January-December 2020
**COMMISSIONING,
CONTINUITY & HANDOVER**



I will now provide an update on the priority programmes as outlined in the plan beginning with the 3-month and then moving on to the 6-month period.

PRIORITY PROGRAMMES: 3-months

Service Recovery	
Delivery of Critical Components.	We have been receiving critical components particularly in the Gauteng region and we will be advertising a more comprehensive tender by Mid-June 2020.
Rolling Stock Renewal Programme. 5-6 Trains provisionally accepted (Jan – Mar).	4 new trains have been provisionally accepted from the Local Factory during the January – March 2020 period.
Develop Passenger Service Charter.	2013 Passenger Service Charter has been redrafted and approved by EXCO. We are now in the process of rolling it out.
Revenue Enhancement & Cost Containment	
New Operating Model and Organisational Structure to be developed by in-house team.	The operating model review has confirmed structural impediments that have worsened since PRASA creation in 2009. By design PRASA delivers its mandate inefficiently across divisions and subsidiaries. Strong internal focus has also stunted value creation for customers and stakeholders. The operating model review to date suggests streamlining of functions to service delivery and revenue generation mandates through removal of duplicated efforts, strengthening regions, accountability through measurable performance to enforce service value chain. Final recommendations are due at the end of May 2020.

Capital Programme & Modernisation Acceleration	
National Station Upgrades – Cape Town Station Tenant installation Project.	Parade Concourse is delayed however the project is 69% complete.
Reviewing of Enterprise Programme Management Office.	The EPMO Plan has been developed and approved by EXCO. This is being rolled out and will ensure close monitoring of project delivery.
Safety & Security	
Source uniform clothing for security personnel.	Specifications have been compiled for Bid Specification Committee in preparation for tender advertisement.
Develop Security Strategy.	The Security Strategy aimed at Integrated Security Management has been developed. I have further appointed Brigadier General Tebogo Rakau (retired), to lead and stabilise the Security Department.
Governance	
Update all policies.	Policies that have been developed and approved by EXCO include: Supply Chain Management, Fraud & Corruption Prevention Policy, Fraud & Prevention Plan, 3-year Internal Audit Plan, Internal Audit Policy, Lifestyle and Audit, Ethics, Incapacity, Overtime, Recruitment and Selection, Asset Disposal, Competency Management, Workload Planning, Human Factors Management Policy, Disciplinary Policies., Property Leasing Policy, Security Policy and Charter, Declaration of Interest Policy, Legal Policy, Policy Development and Approval Framework and Delegation of Authority Framework.

	Review of policies is being conducted as and when gaps are identified.
Implement controls through the activation of dormant SAP modules.	Specifications have been compiled for Bid Specification Committee in preparation for tender advertisement. Modules to be implemented include Real Estate, Plant Maintenance, Project Management, Employee Self Service and Recruitment.
Track and attend to audit findings in particular repeat findings.	I have approved for implementation, a fundamental structural intervention that reports to my Office that will ensure management responses to Audit findings: <ul style="list-style-type: none"> • Are dealt with as part of a root cause analysis • Are complete in terms of key control points applied against a standardised internal control framework • Identify accountable executives and process owners, aligned to performance and consequence management • Undergo a quality assurance process
Set-up Panel of Service Providers to provide capacity to Capital Programme implementation.	Specifications have been compiled for Bid Specification in preparation for tender advertisement.
Conduct lifestyle audits on all employees in finance, supply chain and the top 300 of PRASA management employees.	186 names of Senior PRASA employees have been provided to SSA for Vetting which will include Lifestyle Audits. These comprise of the following: <ul style="list-style-type: none"> • Group Executives; • Subsidiary & Divisional CEOs; • General Managers; • Regional Managers;

	<ul style="list-style-type: none"> • Senior & Executive Managers; • Company Secretariat; • Internal Audit; <p>We have provided office space for SSA to undertake this exercise and are experiencing some delays with the advent of COVID-19.</p>
<p>Ensure consequence management is instituted.</p>	<p>27 Matters currently under investigation by the SIU.</p> <ul style="list-style-type: none"> • The SIU is currently assisting PRASA to collect evidence to effect internal disciplinary matters due to lack of capacity internally. • Six (6) Senior and Executive matters currently under investigation, lockdown created an impediment on face to face investigator interviews. • Twelve (12) Senior Managers' have been suspended (9 charged). Process in place with SCM to appoint a panel to start disciplinary process. • Four (4) Senior Managers' disciplinary matters are awaiting sanction from appointed attorneys. <p>The HAWKS are working on 23 PRASA matters and are in the process of collating information, 16 matters have been sent on 5 May 2020 by the HAWKS to the NPA Specialized Commercial Crime Court (SCCC), Johannesburg for allocation. Two Matters will be sent to the NPA Specialized Commercial Crime Court (SCCC) on Friday, 8 May 2020.</p>

<p>Ensure consequence management is instituted.</p>	<p>CCMA</p> <ul style="list-style-type: none"> All PRASA matters at the CCMA have been suspended during the Lockdown. There are 58 cases at the CCMA, some Conciliations, some Arbitrations and some Pre-dismissal Arbitrations CCMA issued an advisory on 1 May 2020, stating that it is not an essential service and therefore its offices will remain closed. Users and stakeholders can therefore not access any of the CCMA offices. <p>Labour Court</p> <ul style="list-style-type: none"> PRASA has 49 matters at the Labour Court, at various stages. Matters are pending, awaiting dates for hearings
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PRIORITY PROGRAMMES: 6-months

<p style="text-align: center;">Service Recovery</p>	
<p>Implement Cashless Ticketing.</p>	<p>Specifications for the appointment of the service provider have been compiled for Bid Specification Committee in preparation for tender advertisement.</p>
<p>Automatic Fare Collection.</p>	<p>Market analysis on available systems is being conducted. A benchmark exercise is being conducted with Gautrain and other international rail operators.</p>
<p>Integration of Rail and Bus Service.</p>	<p>Short-term recovery plan for Autopax has been completed and approved by EXCO. A longer term positioning strategy for Autopax</p>

	to fully integrate with rail services is underway.
Improved and predictable time table for train service.	Timetables are being systematically reviewed for Metrorail, MLPS, and Autopax to ensure accuracy, consistency, ease of communication, and direct linkage to infrastructure and fleet availability. These are informed by the Service Charter that has been approved by EXCO.
New Train Service Provided on Pretoria - Ring Rail Line (East Corridor , Tshwane Metrorail) Cape Town – Heathfield line (Southern Corridor, Western Cape)	The RSR is considering a submission on the extension of the already operating Mamelodi (Pienaarspoort) to Pretoria Corridor. The RSR has approved movement of further 8 train sets to the Western Cape (2 already delivered in 2019).
Revenue Enhancement & Cost Containment	
Re-negotiate Eskom Tariffs.	Engagements with Eskom have commended. <ul style="list-style-type: none"> • Exploring joint submission to NERSA on tariff review • Exploring sharing of technical and security expertise
Implement Shared Services Model.	Development of the Shared Services Model is in progress with support departments (HCM, Supply chain, Finance and ICT). The realignment of reporting lines is underway.
Capital Programme & Modernisation Acceleration	
Recovery of Key Corridors : Western Cape: Central Line Corridor Gauteng: Mabopane - Johannesburg Kwazulu Natal: Umlazi – Durban Corridor	Specifications for the Procurement of Professional Service Provider being finalised. Tenders for construction of the fencing / walling will follow on completion of specialist studies and design.

	<p>The encroachment is a major risk for the Central line.</p> <p>Lockdown is negatively impacting the recovery schedule.</p>
Consolidation of Engineering and Technical Functions.	Steering Committee has been set up to oversee implementation.
Safety & Security	
Construction of modern control rooms	Specifications are being developed and should be out on tender in the next two months.
Implementation of security measures (fencing and technology) at priority corridors and hot spots	<p>The specifications are being developed for Security technology.</p> <p>Depot Fencing designs have been concluded.</p> <p>Tender for the appointment of Depot fencing contractor will be advertised by June 2020.</p> <p>Tender for the appointment of the design consultant for the corridor walling design will be going to the market before the end of June 2020.</p>
Appoint Long-Term Security.	<p>SAPS has assisted PRASA in developing tender security specification for the appointment of private security firms.</p> <p>Motivation for funding for internal PRASA security personnel during COVID-19 was sent to DoT and approval is pending.</p>
Governance	
Implement Document Management System.	<p>Records Management Policy is under review.</p> <p>ICT is collating system requirements.</p> <p>Office 365 is being explored as an immediate solution in the short term.</p>

<p>Set-up Panel of Service Providers to provide capacity to Capital Programme implementation.</p>	<p>The SCM Policy has been reviewed to strengthen governance and transparency with the necessary agility to expedite infrastructure and capital projects delivery. Draft SOPs have been developed and will be finalised during this month. Delegation of Authority has been reviewed and being aligned to necessary thresholds to assist with clearing backlog on approval processes</p>
<p>Performance Management system (PMS) strictly adhered to.</p>	<p>Cascading of Performance Management scorecards for 2020/21 has been completed up to General Manager Level at the end of April 2020. Cascading of Performance Management scorecards to assistant management level will be completed 30 May 2020.</p>
<p>Implement Employee recognition and Reward programme.</p>	<p>Employee Recognition and Rewards Programme is currently being developed and will be completed at the end of June 2020.</p>

CORRIDOR RECOVERY PROGRAMME

During the state of the Nation, President Cyril Ramaphosa announced that PRASA will be recovering services in the Central Line in Cape Town and Mabopane line in Tshwane. Subsequent to this announcement, Minister Fikile Mbalula and I announced the plans for the recovery of these lines. I now will present here an update on these programmes:

- The programme has been reviewed in light of the lockdown, walling programme, and increased theft and vandalism. The revised dates are provided in the table below.

Corridor	Interim (Bus) Service	Phase 1: Limited Service	Phase 2:
Central Line (Initial)	August 2020	September/October 2020	April 2021
Central Line (Revised)	November 2020	February/March 2021	August 2021
Mabopane (Initial)	August 2020	September/October 2020	April 2021
Mabopane (Revised)	November 2020	April 2021	August 2021

- It should however be noted that the above programme / timeframes will continue to be reviewed, as the impact of the COVID-19 Lockdown on the procurement and construction programme is not fully known at this stage. Weekly progress reports are prepared in this regard.
- Teams have utilized the lockdown period to improve and finalise specification for the various infrastructure packages (electrical).
- Procurement schedule for the corridor programmes have also been developed.
- Specific SCM Committees (Specification and Evaluation) are being established to ensure the fast-tracking of specifications and tender evaluations. Advertising of projects under Level 4 lockdown being considered through deviations where applicable.

- Stakeholder plan being developed to ensure effective communication and involvement of key stakeholders in the programme.
- With regards to the Interim (Bus) service, consideration is being given to the repair and utilisation of some of the Autopax bus fleet.
- The Central Line has been severely impacted by illegal settlements in the rail reserve in Langa, Philippi and Nonkqubela on Khayelitsha. The Minister of Transport is leading a process that is comprised of the National Department of Public Works, the Western Cape Provincial Departments of Human Settlement and Transport and the City of Cape Town. The intention is to find a solution through joints efforts to find alternative accommodation for these illegal settlers.

COVID-19

Financial Impact

- PRASA terminated all services during the Lockdown period Level 5 and Level 4 in line with Regulations
- Revenue loss due to lockdown period April to end May estimated R199m resulting in further cash constraints on an already strained financial situation. The estimated revenue loss for the year at this stage is R757m.

Revenue Loss	Amount	March	April	May
Fare revenue: Metrorail	38 836 271.07	7 019 218.22	15 908 526.43	15 908 526.43
Fare reevnue: MLPS	13 567 896.60		6 783 948.30	6 783 948.30
Fare revenue: Autopax	60 988 134.16	-	30 494 067.08	30 494 067.08
Rental income	86 517 633.19	-	43 258 816.59	43 258 816.59
TOTAL	199 909 935.02	7 019 218.22	96 445 358.40	96 445 358.40

Impact on Key Projects

- Overall negative impact on planned project timelines and capital intervention programmes
- Priority corridors i.e. Central Line in Cape Town and Mabopane Corridor in Tshwane, negatively impacted
- No Bids advertised during the lock down period as directed by the National Treasury
- Closed Bids not evaluated, bid validities to be extended where required
- No construction activity (only essential / emergency works) during initial lockdown and limited work under Level 4,
- Active projects to be extended
- Planned critical maintenance work severely affected due to the continued shortage of required commodities, key suppliers / service providers to PRASA were closed during this period

Service Resumption

Train operations will commence under Alert Level 3

- Precautions to limit community transmission and outbreaks.
 - Screening and testing at stations in collaborations with Dep of Health
 - Crowd management & Social distancing will be practised with clear commuter use protocols (wearing of masks/no eating& drinking on trains)
 - Sanitation booths are in process of being sourced for Super-core and Core Stations, large depots and offices to handle mass numbers
 - Deep Cleaning and disinfection programme has commenced for depots and stations.
 - Trains disinfection commenced and all trains in use will be disinfected after every trip

- Continuous announcements & Communication of hygiene measures (Washing of hands, wearing of mask, social distancing)
- Simulations will be run to ensure teams are familiar with the handling of crowds at the stations and on-board the trains before the resumption dates
- Weekly inspections undertaken on trains
 - monitor any theft and vandalism activity,
 - start-up the trainsets, in order to keep them road worthy,
 - maintenance schedule developed for the resumption of service
 - Readiness
- We are considering a corridor by corridor resumption.

CAPITAL PROGRAMME

Over the last couple of years, PRASA has not delivered on its own capital programme for a myriad of reasons. This has had a detrimental impact on PRASA operations as well as the industry that services the organization, resulting in a lose-lose situation. We have been working to package and repackage these projects where required in order for us to release these tenders to go to market. This will serve a number of important objectives:

- Improve PRASA operations
- Stimulate the industry
- Contribute to boosting an ailing economy

We are of the opinion that this effort will act as a counter cyclical move to the economic downturn and thus be a welcome contribution. We therefore urge industry players to ready themselves as PRASA rolls out its infrastructure programme over the next few months. The typical projects in question are the following:

Capital Programme	Project Description	Date to Market
Depot Modernisation Programme	Depot upgrades including high tech machinery such as Under floor wheel lathe, synchronised lifting jacks, yard signalling.	Appointments: June 2020: Wolmerton, Salt River and Durban Tender Adverts: Braamfontein, Paarden Eiland and Benrose depots
Depot Fencing	Installation of fencing and CCTV Cameras Rolling Stock Depots	Tender Adverts: June 2020
General Overhaul	Major Maintenance interventions on Metrorail and Shosholoza Meyl rolling stock	Tender Advert: May 2020.
Rolling Stock Components	Procurement of components for rolling maintenance including wheels and rotating machines	Tender Adverts: June 2020
Corridor Walling	Erecting walls in between stations	Tender advert for Consultants: June 2020 Tender for Contactors:
Signalling	Installation of new signalling system through complex programme of multi-disciplinary projects	Tender Advert: KZN PRASA Train Control System Design and Construct - July 2020 Tender Advert: GP&WC Optic Fibre Design and Construct - July 2020 Tender Advert: GP&WC PRASA Train Control System Design and Construct August 2020 Tender Advert: National GSM-R Design and Construct - June 2020 - September 2020 Tender Advert: GP&WC Electronic Authorisation System Design and Construct - September 2020
Mabopane & Central Line Corridors	Recovery of train Services	Tender adverts: Tenders for various packages will be advertised starting in June 2020 until August 2020.
OHTE Refurbishment	Refurbishment of OHTE	Tender Advert: July 2020
Perway Rehabilitation	Procurement of Rails	Appointments: June 2020
Perway Rehabilitation	On-Track Machines	Appointments: June 2020 (6 months contract) Jan 2021 (3 yr contract)

Security Programme	Procurement of Security Technologies, Fencing, Control Rooms, Specialised Investigations, Specialised Security Vehicles, Armored vehicles, Drones, Armed Response and Physical Security	Tender Adverts: June 2020
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The estimated Capex budget for these projects in FY 2020/21 is R7bn.

In **CONCLUSION** ladies and gentlemen...

- The **turnaround of PRASA is on track**, albeit with delays partly due to the situation brought about by the COVID-19 pandemic.
- Soon enough, the face of PRASA will be unrecognizable from its troubled past.
- We owe it to our customers and the citizens of this country to ensure that PRASA is stabilized and geared towards being the **backbone of South Africa's transportation system**.
- We are working hard to ensure that PRASA:
 - Is Customer centric
 - Instils pride in professionals and staff broadly
 - Becomes a Centre of Excellence
- Lastly, let me express my appreciation to the hard working PRASA employees who are dedicated to seeing the turnaround of this important entity of state. I further would like to acknowledge my EXCO colleagues as well as my Technical Advisory Team.

I would like to assure you again that the Turnaround of PRASA is possible and it will be achieved!

I thank you!