



## ***Integrated Rapid Transit Project***

**Contracts forming part of  
Phase 1A  
and that extend beyond three financial years**

***Information document as required by Section 33 of  
the Municipal Finance Management Act***

25 June 2010



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

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THIS CITY WORKS FOR YOU

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## 1 Executive summary

Cape Town's Integrated Rapid Transit (IRT) system is a bold initiative to transform the public transport sector over time by integrating all public transport modes into a vastly improved and coherent system for the user. Among the modes to be integrated are road-based rapid bus services on trunk and feeder routes, Metrorail passenger rail services, minibus-taxi and conventional scheduled bus services and metered taxi services. Improved pedestrian, bicycle access and park-and-ride facilities are integral elements of the system.

Forming part of the multi-modal IRT system will be a Bus Rapid Transit (BRT) system, to be implemented as the rapid bus component of the IRT system. It will consist of a network, provided throughout the City, of trunk bus and feeder bus services that will integrate with the Metrorail passenger rail services and other modes.

In the long term all public transport modes forming part of the IRT system are proposed to be branded as MyCiTi services. A small IRT bus service with MyCiTi branding, between the Cape Town airport and the inner city, was introduced in May 2010, prior to the 2010 Soccer World Cup. This is the beginning of the implementation of Phase 1A of the IRT system. Phase 1 is the first of four envisaged phases to complete BRT throughout the City of Cape Town.

Phase 1A will provide bus services that will link the inner city area with the airport and service a corridor between Atlantis, Blaauwberg / Table View, Dunoon, Montague Gardens and the inner city (the Atlantis corridor). It includes feeder services in the inner city and elsewhere in this corridor and includes newly developed high-density residential areas and low-income communities.

A key motivation for starting with this corridor within the City is that no rail service currently exists in that part of the city. The main Phase 1 trunk route intersects with the rail network at Woodstock station. Given the way the City's rail system functions, all rail routes pass through this station. This results in the Phase 1 service creating a very significant linkage of the west coast area of the city to the rail network.

The purpose of this document is for the City to provide information to the public and certain key government departments regarding IRT-related contracts for a period spanning more than three municipal financial years. This is linked to an invitation to these parties to comment on this proposal, forming part of a statutory process in terms of Section 33 of the Municipal Finance Management Act.

Four contracts that in combination comprise the operation of the IRT system are proposed to be concluded between the City of Cape Town and private sector service providers. These contracts are proposed to extend over a period

exceeding three financial years. This is necessary to ensure continuity of service and for financial advantage to the City.

### 1.1 The Section 33 process

Where a contract is intended to span more than three municipal financial years, Section 33 of the Municipal Finance Management Act requires the municipality to provide background information and to invite written comment from the local community, and to write to specific government departments to obtain their comments. The City is required to initiate the public information process by advertising the matter at least 60 days prior to the Council meeting at which any of the relevant contracts are to be approved.

### 1.2 Why the contracts are to extend beyond three years

Reasons differ slightly for each of the contracts, however a common reason is the need for complex operational skills to be built by the contractors, and contracts of short duration will negatively affect high standards of delivery of their services. Additional reasons are:

- **Vehicle Operating contractors – 12 years**  
The contract duration corresponds with the expected commercial lifespan of buses, which are to be acquired by the City and leased to the vehicle operating companies. This arrangement has financial benefits for the City but will also ensure that the companies maintain the vehicles in good condition.
- **Automatic Fare Collection contractor – 7 years**  
The contract involves the design, installation, and establishment of a fare management system over a period of about three years. This will include access control equipment and a system to provide electronic cards and to top up credit on these cards. Once installed, the contractor will maintain the hardware and software. The system will further keep detailed electronic records of sales and use of the system, as a control upon the station services contractor, who will be responsible for sales and access control on stations. It is important that the installing company remains responsible for the high-tech infrastructure and banking systems it installs for a significant period, which is key to the financial viability of the system.
- **Control Centre contractor – 7 years**  
This contract is similar to the Automatic Fare Collection contract, in that the contractor must install high-tech electronic hardware and software systems, which require maintenance, replacement and software updates continuously. The system will also keep electronic records on a range of elements, such as the location and movement of the vehicles, number of passengers physically boarding vehicles, and a system for fault reporting and tracking of all elements, also those outside the installation ambit of this contractor. The contractor must remain responsible for the system for an extended period to reduce risk to the City.

- Station Services contractor – 6 years  
This contract involves the employment of large numbers of personnel to manage stations, comprising among others cashiers, security personnel and cleaning staff. The first two categories of staff are specialized functions, and given that the company will recruit and skill its staff over a period of at least three years (as it upscales operations during the three years as the different components of Phase 1A comes on line), the contract period should extend for a longer period that provides some stability and continuity of operation of IRT. There is also logic in this period coinciding with the periods of the Fare System and Control Centre contracts, since this will allow issues of integration and alignment between the contracts to be addressed at the same time.

### **1.3 Financial implications for the City**

Section 33 of the MFMA requires that the City's Council must be assured that contracts to be concluded for a period spanning more than three financial years will, once awarded, be financially sustainable and affordable to the City for the full period of the contracts. This implies that the services delivered by these contracts must generate sufficient income to cover costs, or alternatively, the City must make provision for deficits expected to be incurred by the contracts to be funded through other funding sources, such as from its own revenue or grants from National and Provincial spheres of government.

The capital costs of implementing infrastructure and systems necessary to commence operations of Phase 1A of IRT will be R 4.3 billion, of which R 3.41 billion has been covered by the National Public Transport Infrastructure and Systems Grant (PTISG) funding and the remaining R 0.38 billion by the City's own funds. It is expected that the additional funds required will be sourced from the PTISG. The amount of R 4.3 billion may escalate by up to R 0.31 billion arising from a potential adverse decision regarding the VAT treatment of municipally provided public transport infrastructure. This matter is subject to discussions between National Treasury and SARS.

After extensive modelling of expected costs and revenues and further system design optimisation a potential deficit range has been identified. Based on a conservative approach to risk it has been concluded that a deficit of approximately R 116 million per year can reasonably be expected once Phase 1A is fully rolled out. This is based on estimated revenues from fares and advertising of R 275 million per annum and estimated expenditure of R 391 million.

Regulations issued in terms of the National Land Transport Act require that existing scheduled bus subsidies be transferred to new services replacing currently subsidised services. In Phase 1A this can be expected to result in approximately R 55 million being available annually from this source towards covering the deficit. Assuming receipt of this amount, and so long as the actual deficit does not exceed the estimated deficit, the City has already provided for sufficient funds to cover this deficit. To the extent that the R 55 million is not

available or the deficit exceeds the estimated deficit it has been established that PTISG funding can be used to address the shortfall on a transitional basis while adjustments are made to costs and revenues. This could include adjustments to service levels, changes to fares and development of additional revenue sources.

The City is supporting initiatives by national government departments and the Financial and Fiscal Commission as well as other Cities to provide for sufficient and predictable funding sources other than rates income for both municipal transport implementation and operations. Modelling indicates that once the system is fully rolled out across the city, existing bus subsidies to be transferred to MyCiTi will fully cover the projected operating deficit.

#### **1.4 Programme**

It is intended that the Section 33 process will be focussed on allowing for the commencement of start-up services in the first part of 2011 (beyond the very small service between Cape Town Airport and the inner city, and any other limited related services), which requires that certain of the contracts must commence in September 2010. Following this public consultation process and the receipt of comment, and when the relevant contracts are ready to be awarded and contracts to be signed with the relevant contractors, reports regarding each or all of these contracts will be submitted to Council. The first such report is expected to be submitted to the Council meeting scheduled for 25 August 2010. This will be after the minimum statutory period of 60 days between the date of advertising and the date of a possible decision of Council.

## 2 Introduction

The purpose of this document is to inform the public, certain government departments and other stakeholders, as required by the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA), of the intention of the City to award contracts for a period spanning more than three municipal financial years to service providers it needs to help operate the IRT System.

Where a municipality intends to award a contract to a service provider and the financial obligations to the contractor span more than three municipal financial years, it must follow a procedure set out under Section 33 of the MFMA. This Information Document sets out the requirements of Section 33 and outlines the content, objectives and estimated costs of the projects involved.

The implementation of the Integrated Rapid Transit (IRT) system by the City of Cape Town will require the City to procure the goods and services needed through a number of contracts to be awarded to services providers. These contracts will in combination provide the necessary infrastructure and vehicles, and procure service providers to undertake the operations of vehicles and supporting services.

Infrastructure contracts include the construction of busways, stations and depots, which are essentially civil engineering projects with contract periods planned to be less than three years in duration, and thus Section 33 do not apply to them.

Operations contracts affected by this process include the four contracts types dealt with in this Information Document, which together provide for the operation of vehicles, management of the fare system, maintenance of the control centre, manning of stations and the provision of the security necessary to protect passengers and project management services required to administer Phase 1A of the IRT system.

### 2.1 Projects dealt with in this document

The specific projects dealt with under this application are:

- The Vehicle Operating contracts – 12 years
- The Control Centre contract – 7 years
- The Automatic Fare Collection System contract – 7 years
- The Station Services contract – 6 years.

The descriptions of these projects are provided in Chapter 6.

## 2.2 Requirements of Section 33 of the MFMA

Annex 1 to this document contains the full text of Section 33, for reference purposes.

Section 33 requires as follows:

- Section 33(1)(a) The municipal manager must, at least 60 days before the Council meeting where a contract is to approved, inform certain parties of the intention to award the contract by:
- Section 33(1)(a)(i) Issuing an information statement summarizing the municipality's obligations and draft contract documents to the public and inviting comments and representations; and
- Section 33(1)(a)(ii) Soliciting the views of –
- National and Provincial Treasury
  - National Department responsible for local government
  - National Department having functional responsibility related to the service being delivered (in this case the National DOT).
- Section 33(1)(b) The Council must prior to the award by the Municipal Manager of the contract, take into account:
- Section 33(1)(b)(i) The financial obligations on the Council for each financial year of the contract;
- Section 33(1)(b)(ii) The impacts of these obligations on its revenue;
- Section 33(1)(b)(iii) Any comments received from the local community and other interested persons;
- Section 33(1)(b)(iv) Written views and recommendations of the National and Provincial departments referred to above.
- Section 33(1)(c) The Council must adopt a resolution in which it:
- Determines that it will have sufficient budget or revenue to pay for the contract;
  - Approves the entire specific contract document to be awarded; and
  - Authorizes the municipal manager to sign the contract.
- Section 33(2), (3) and (4) These sections specify exclusions from the Section 33 process and do not apply to the IRT contracts, or have provisions that repeat provisions summarised above.

## 3 The vision of an integrated public transport system for Cape Town

### 3.1 The City of Cape Town's responsibility for public transport

Public transport is a key mechanism for achieving the City's transport vision of providing a sustainable transport system that moves all its people and goods effectively, efficiently and safely without compromising people, the economy or the environment. Provision of a quality public transport service is essential to ensure a substantial shift from private to public transportation, thus increasing public transport market share and revenue generation.

It is increasingly acknowledged that effective and efficient public transport is critical to the social and economic development of South African major urban areas, and by implication, of the country as a whole. Currently much of public transport in South Africa is unsafe and inconvenient to both citizens and visitors. National, provincial and city government have, accordingly, made the improvement of public transport a high strategic priority. This growing awareness of the importance of improving public transport is occurring alongside an understanding that responsibility for public transport in the major cities in South Africa is best devolved to metropolitan governments.

The rationale for such devolution is that metropolitan governments are the sphere of government primarily responsible for the servicing and management of the urban 'built environment'. Cities make the key planning decisions influencing urban form; and they are responsible for most of the infrastructure related services which, in reality, determine such urban form. Public transport is integral to the management of the 'built environment' and thus needs to be run in a manner which is fully consistent with other 'built environment' related services.

The National Land Transport Act of 2009 as well as a variety of national government policy statements and initiatives gives substance to this trend towards devolution of public transport responsibilities. This devolution will have major impact on the nature of metropolitan governments since once responsibility for public transport is fully devolved – and particularly if the rail services are included – the service will be significantly larger in scale than the current electricity function in the cities.

The existing system, for which the City will increasingly become responsible, is widely regarded as inadequate. Subsidised bus and rail systems have relatively low fares but peak services are uncomfortable and off-peak services are inconvenient – where they exist at all. Direct subsidies are not provided to the minibus-taxi industry, which disadvantages this industry as compared to scheduled bus and rail services, and adds to the cost of its passengers. This results in minibus taxi operators chasing down passengers and competing for ridership in a manner that is dangerous, whilst the phenomenon whereby taxis

wait in off-peak periods to fill the vehicle with passengers before moving is frustrating and unpredictable for users. This is resulting in burgeoning private motor car use and a sharp rise in traffic congestion with pressures for costly road expansions.

### 3.2 Cape Town's IRT system

Cape Town's IRT system is a bold initiative to transform the public transport sector over time by integrating all public transport modes into a vastly improved and coherent system for the user. This must clearly be done hand-in-glove with other service providers, such as Metrorail. Among the modes to be integrated are road-based rapid bus services on trunk and feeder routes, Metrorail passenger rail services, minibus-taxi and conventional scheduled bus services and metered taxi services. Improved pedestrian, bicycle access and park-and-ride facilities are integral elements of the system.

Forming part of the multi-modal IRT system will be a Bus Rapid Transit (BRT) system, to be implemented as the rapid bus component of the IRT system. It will consist of a network, provided throughout the City, of trunk bus and feeder bus services that will integrate with the Metrorail passenger rail services and other modes.

#### *MyCiTi branding*

In the long term all public transport modes forming part of the IRT system are proposed to be branded as MyCiTi services. A small IRT bus service with MyCiTi branding, between the Cape Town airport and the inner city, was introduced in May 2010, prior to the 2010 Soccer World Cup. This is the beginning of the implementation of Phase 1A of the IRT system. Phase 1 is the first of four envisaged phases to complete BRT throughout the City of Cape Town.

Phase 1A will provide bus services that will link the inner city area with the airport and service a corridor between Atlantis, Blaauwberg / Table View, Dunoon, Montague Gardens and the inner city (the Atlantis corridor). It includes feeder services in the inner city and elsewhere in this corridor and include newly developed high-density residential areas and low-income communities.

#### *BRT in context*

Key amongst the strengths of BRT is its *flexibility* both in serving varying passenger demand levels as well as penetrating the existing urban fabric.

- By easily combining different vehicle sizes and frequencies it can be tailored to serve a wide range of demand levels conveniently and cost effectively.
- As a road based system it is able to capitalize on the extensive road based urban growth experienced in recent decades and with its network of trunk

and feeder routes is able to penetrate at a much finer level into the urban fabric.

- Unlike rail, which tends to divide urban space, BRT permits much greater ease of movement across transport routes, thereby facilitating growth along corridors; it tends to 'knit up' rather than 'cut up' urban space.

At the same time, BRT is able to provide a *high quality* of service which, as indicated above, is essential to facilitate a growing move of passengers from cars to public transport:

- Dedicated busways along trunk routes permit fast movement along congested corridors.
- Enclosed stations with pre-boarding fare collection and verification enables large numbers of passengers to board and alight in quick time permitting a rapid service.
- Level boarding and high quality fittings widen access to the disabled while offering a comfortable service to all.
- Short waiting times between buses add to convenience and should encourage more people to use public transport.

The business model for running BRT systems has been refined internationally over the years to *maximize efficiencies* while accommodating pre-existing operators in the running of new systems:

- Modern information and communications technology permits vehicle movements to be monitored and controlled centrally and services continually tailored to better suit passenger needs.
- Centralised vehicle control and automatic fare management enables vehicle operations to be outsourced to more than one company fostering competition to serve the market while avoiding the chasing down of passengers which arises from current competitive practices.
- Existing minibus-taxi and scheduled bus operators are able to be accommodated competitively within the new system providing opportunities for economic empowerment of informal service providers.

Based on these capabilities BRT is increasingly viewed internationally as the most sophisticated and effective form of road based public transport available and by national government in South Africa as an appropriate and cost effective approach especially in the context of lower density South African cities. This has led to significant funding support through the Public Transport Infrastructure and Systems Grant (PTSIG) to metropolitan governments embarking on such initiatives.

### **3.3 BRT to combine with rail to form the IRT system**

Cape Town already has a substantial rail network. While low urban densities make it costly and inappropriate – other than in a few limited cases – to seek to extend public transport services through expansion of this rail network, the new road based systems need to be thoroughly integrated with the rail services as

well as other forms of feeder services. The City's vision is thus not mode-based but driven by a need for integration of the various public transport modes into the most effective possible single seamless system, with the vision of it operating under the MyCiTi corporate identity and branding.

For this reason the City has decided to start by implementing the rapid bus component of the IRT system. It is hoped that the system will be in place throughout the City over the next 15 to 20 years. This would involve the establishment of a full public transport network, encompassing high quality rail and road services, which will place at least 75% of Cape Town's population within 500 metres of the system.

### 3.4 Design principles

The planning of the system is guided by a number of principles:

**Quality** – delivering a car-competitive service that is based around customer needs, including rapid travel times and frequent services, few transfers, safety and security, service integration, universal access, comfort and convenience, clean vehicles, and helpful staff.

**Equity** – ensuring that all segments of society receive an equal, high-quality public transport experience, especially through consideration of the special needs of low income earners, women, children, the elderly, and those with physical disabilities.

**Security** – a system which gives customers full confidence in their personal safety and security.

**Sustainability** – a system that is sustainable in terms of economic viability, the environment, and social equity.

**Integrity** – implementation in an open, transparent, and participatory manner

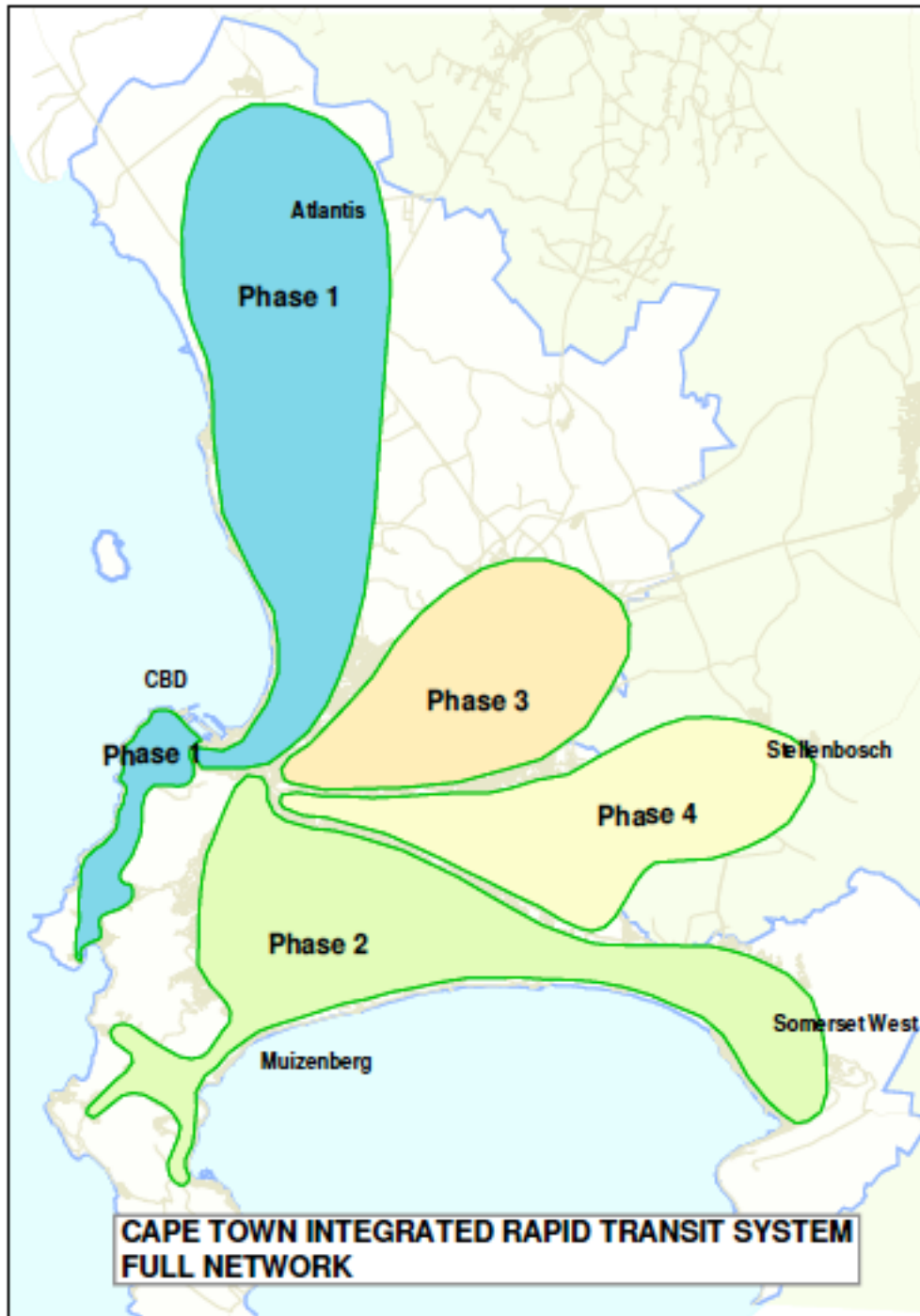
### 3.5 Phased implementation

The full implementation of the bus component of the IRT system has been divided into four Phases. Phase 1 focuses on the central city and the corridor towards Blaauwberg, Dunoon and Atlantis. It is currently intended that this will then be followed in Phase 2 by the more pressing public transport needs of the metro south east, including Khayelitsha and Mitchells Plain. This would then be followed by Phases 3 and 4 to include the Durbanville area and Delft/Helderberg area respectively as shown below. However, the precise order of roll-out is subject to consultation and investigation and will depend to some degree on the need to serve routes that pay for themselves first so as to establish a financial base for extending to less profitable routes.

In parallel, the IRT will seek to integrate other modes, such as rail, into a seamless and effective public transport system.

Phase 1 has been divided into two parts: Phase 1A and Phase 1B. Phase 1A includes the inner city and extends up the west coast to include the rapidly

growing residential area in Blaauwberg north of the Diep River, as well as the low-income communities of Atlantis, Mamre, Dunoon and Doornbach and the industrial areas of Montague Gardens and Paarden Island. This corridor faces some of the worst peak period congestion levels in the City, especially to the south and east of the bridges over the Diep River.



**Phased implementation of the IRT bus network**

A key motivation for starting with this corridor within the City is that no rail service currently exists in that part of the city. The main Phase 1 trunk route intersects with the rail network at Woodstock station. Given the way the City's rail system functions, all rail routes pass through this station. This results in the Phase 1 service creating a very significant linkage of the west coast area of the city to the rail network.

### 3.6 Factors affecting the financial viability of operations

IRT rapid bus services will offer a considerably higher level of service and quality of service than is provided by the current road-based public transport system at fare levels that are more or less comparable. Key considerations include:

- The degree to which a service is *available* at certain locations (i.e. coverage, service frequency, hours of operation.)
- The *quality* of the service provided to passengers (i.e. speed, attractiveness, comfort, convenience, safety, security, and system coherence).

Vehicles will be safer and more comfortable than most of those used in the current scheduled bus services and minibus-taxi industry; travel times will be lower because of the dedicated busways and stations allowing for pre-boarding fare collection; and the off peak service will be more frequent. IRT represents a shift from the current system aimed at peak period commuter travel to an all day public transport system. The following features allow the IRT bus service to be provided more cost-effectively than the current service during peak demand periods:

- Fleet size can be optimally matched with projected demand while maintaining relatively high service frequencies.
- The dedicated roadways allow vehicles to run faster in peak periods than would otherwise be the case often providing scope for more than one trip per vehicle in the peak period. This reduces the required trunk vehicle fleet size and maximises the use of current fleet.
- Rapid boarding and alighting of all passengers including the disabled minimises dwell times at stations which reduces operational costs.
- The control centre tracks all vehicles, using sophisticated technology, and monitors compliance with the planned schedule. This minimises any wastage and ensures optimum operations where demand and supply is continuously optimised.
- Providing a higher level of public transport service, patronage will increase through choice users shifting from private transport which will result in reduction of operating cost per passenger through economies of scale. This factor also reduces pressure for increased road space provision, which over time represents considerable saving. Furthermore, providing continuously increasing road space for private car users is not a sustainable or viable option.

On the other hand, there are features which will increase costs when compared with the current system. These include:

- Dedicated roadways and other fixed infrastructure must be provided and maintained;
- Higher frequency of service during off-peak periods increases operational cost;
- Stations and an independent fare collection system need to be operated and extensive security provided on the system, thus increasing costs;
- There are additional costs associated with the control centre, which controls and schedules vehicles in real time, as well as the municipal entity or department required to manage the various contracts and the system as a whole;
- By replacing current informal business practices with a more formal system employment conditions of staff are improved, thus increasing costs.

A critical contributor to cost effectiveness is the difference between peak and off-peak demand. The overall capacity of the system is driven by the requirements of the peak. But much of this is idle during the off-peak period. By smoothing the peaks and increasing off-peak demand, overall costs can be reduced and income to the system increased.

The current system seeks to deal with low demand in the off-peak period by cutting back severely on services. On many routes the existing bus system does not provide any off-peak services. Minibus-taxis wait to fill up with passengers before proceeding. It is intended that IRT bus services will provide an acceptable and predictable level of service in the off-peak periods providing the basis over time to smooth the peaks and increase off-peak usage.

## 4 Description of Phase 1A of IRT system

### 4.1 Background

In February 2007 the City undertook a scoping study for an integrated public transport network, and prepared a report entitled, “City of Cape Town – Public Transport Implementation Framework.” The report identified the potential for BRT services across the City to complement the existing rail system as part of an integrated public transport system. The concept for the BRT component of the IRT system was modelled on the highly successful projects implemented in a number of cities worldwide, including Beijing, Bogotá, Curitiba, Guayaquil, Los Angeles, Ottawa, Paris, Pereira, Quito, and Seoul.

In October 2007, the City formed a project office to undertake the development of the BRT system in Cape Town and in 2008 the City appointed experienced consultant teams to develop the Operations Plan and Business Plan for the system.

To finance the development and implementation of Phase 1A, the City has received funds from National Government’s PTISG, and has made further budgetary provisions from its own funding to cover the total costs. The PTISG fund was established by the National Treasury to improve public transport country-wide in support of the hosting of the 2010 FIFA World Cup, but with a clear focus for a lasting legacy of improved public transport. The very initial services using IRT vehicles and infrastructure assisted the City to meet the requirements for the 2010 Host City Transport Operations Plan.

On 27 August 2008, the City Council gave approval for the implementation of Phase 1A of the IRT System. Phase 1A includes the Inner City, airport services, and certain routes in a corridor serving Atlantis, Dunoon, Montague Gardens and the Blaauwberg area.

### 4.2 Research and modelling

Extensive modelling has been done in order to optimise Phase 1A of IRT operations. This has revealed that, while vehicle operations are likely to be covered by fare revenues, the other elements of the system, including stations and station services, the control centre, the automatic fare collection system and the overall management of the system require some additional financing from other sources to a greater or lesser degree. Operation of Phase 1A on its own is likely to result in a relatively high operational deficit.

However, as the system is rolled out the size of the operational deficit relative to turnover falls. Preliminary modelling of the whole system indicates that it will be possible to fund operations, including the purchase of vehicles, from a combination of fare revenues and a level of subsidy similar to that currently being provided to the subsidised conventional bus services in the Cape Town

area. This also means that the need for operational subsidy per passenger will fall significantly as the system expands.

See Chapter 7 for further details on financial implications of IRT.

### 4.3 Description of Phase 1A

The limited MyCiTi bus service forming part of Phase 1A and geared to serve the 2010 FIFA World Cup commenced service in June 2010. This will be followed by the rollout of a starter service from the inner city along a corridor to Bayside Mall in Table View / Blaauwberg early in 2011 and additional sub-phases to Dunoon, Montague Gardens and Atlantis will be implemented thereafter until the completion of Phase 1A has been accomplished in 2013.

Phase 1A will link the airport and the inner city area and service the Atlantis Corridor. It includes the inner city and airport services, and extends up the West Coast of the metropolitan area to include newly developed high-density residential areas and low-income communities, industrial and commercial areas.

#### *The inner city service*

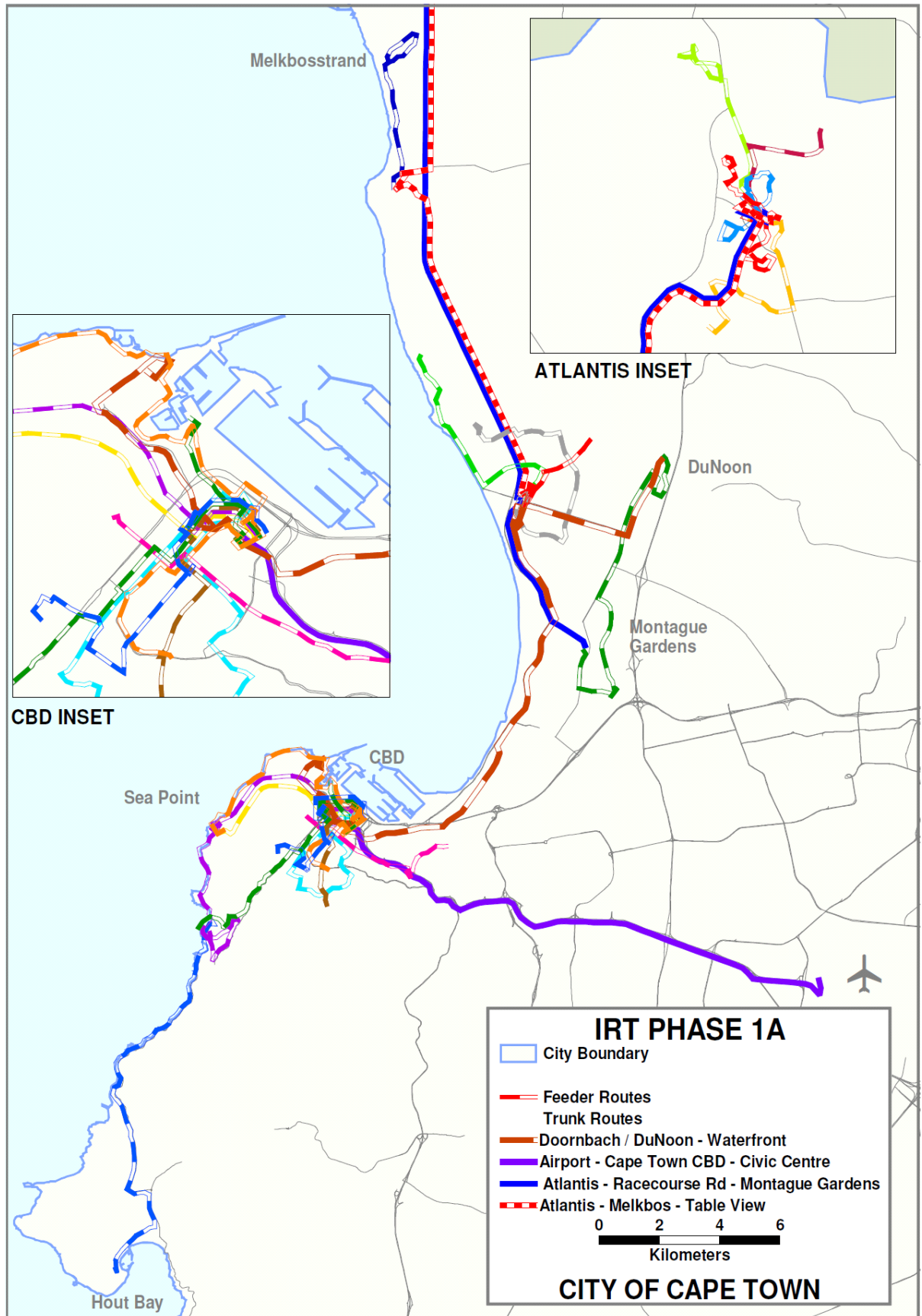
The inner city service will provide a convenient, cost-effective way of getting around the CBD and city bowl areas for the many thousands of people who live and work in this economic hub. Key destinations include the Central Station, V&A Waterfront, Long Street, Sea Point, Camps Bay and Hout Bay. Smaller feeder vehicles will service surrounding communities such as Tamboerskloof, Oranjezicht, Vredehoek and Gardens.

#### *Airport service*

This part of the system will provide rapid, high frequency services between the airport and the CBD and Green Point, initially using the N2 BMT (Bus and Minibus Taxi) lane.

#### *Atlantis corridor*

The Atlantis corridor is home to several low-income communities, such as Mamre, Atlantis, Doornbach and Du Noon. Currently, areas such as Mamre and Atlantis do not have a convenient and fast public transport alternative to allow its residents access to jobs and public services. This corridor also has some of the highest congestion levels in Cape Town. Parts of Blaauwberg Road and Marine Drive (R27) experience near gridlock conditions at peak periods. It is expected that there will be high demand for the new service with a significant move away from private vehicles to public transport.



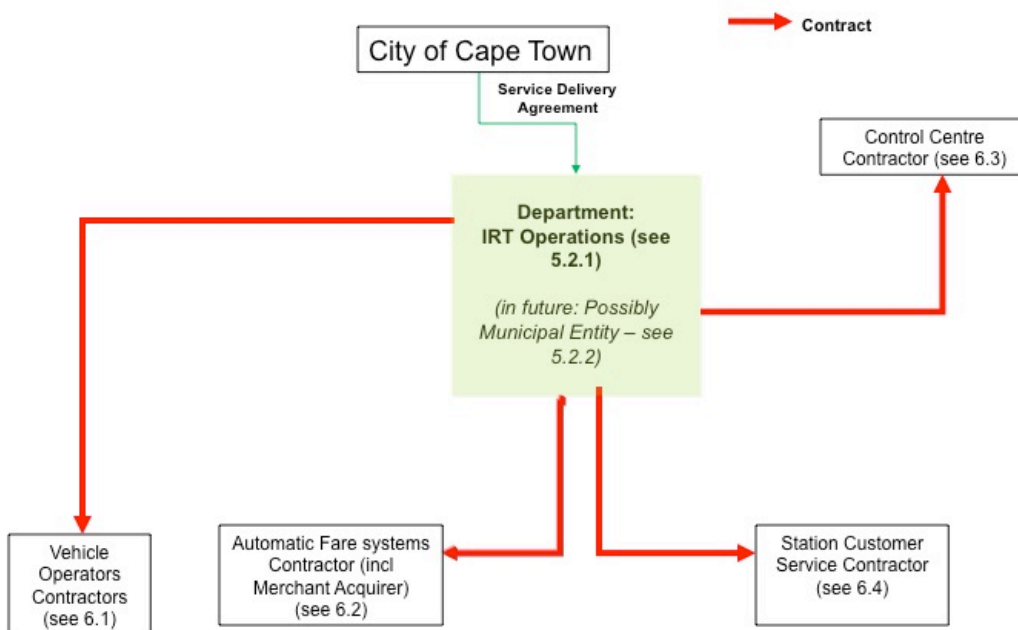
Phase 1A routes

## 5 Business structure of the IRT system and the contracting process

There are six main entities / contractors comprising the business structure of the City's anticipated Phase 1A of the IRT system, which together will be responsible for operating the system:

- the City of Cape Town;
- a proposed Municipal Entity responsible for public transport that will manage and control the system for the City – a function which initially is proposed to be fulfilled by an IRT operations department within the City;
- two vehicle operating contractors;
- the Fare System contractor;
- the Control Centre contractor; and
- the Station Services contractor.

This Chapter of the Information Document will outline the roles to be played by the first two entities on the above list. The roles of the remaining four are explained in Chapter 6. The organisational chart below illustrates contract structure and the interrelationship between the entities.



**IRT Contract Structure**

## 5.1 The City of Cape Town

The City is constitutionally responsible for the provision of municipal public transport in the Cape Town metropolitan area.

During 2008, the City considered the issue of whether to carry out its public transport obligations itself (for example through one of its existing departments) or whether to set up a separate entity to do so. Before making this decision, the City was required to comply with two pieces of local government law, namely the Municipal Systems Act and the Municipal Finance Management Act. Since the vehicle operations proposed to be provided will be a new municipal service, the City was required in terms of sections 77 and 78 of the Municipal Systems Act to review and decide on the appropriate mechanism to provide this service. In December 2008 the City decided, subject to the outcome of the assessment and public participation procedures prescribed by the Municipal Finance Management Act, to establish a municipal entity (ME) for public transport services to carry out certain of its public transport-related functions on the City's behalf. A key public transport function planned to be assigned to the ME was operations of the IRT. The City is currently dealing with the requirements and steps set out in the Municipal Finance Management Act.

If the City does decide, after having complied with the requirements of the Municipal Finance Management Act, to establish a ME, the City will enter into a service delivery agreement with that entity.

Various essential contracts, including most of those described in this Information Document, will initially be concluded by the City, but administration and management of these contracts will be assigned through the service delivery agreement to the ME as soon as possible after the ME's establishment. In this agreement, the City may also assign to the ME certain of its other responsibilities in relation to the proposed MyCiTi BRT and related system, but not all. The City will remain responsible for the fulfilment of a number of BRT system functions, including the construction of the system infrastructure, roadway maintenance and cleaning, traffic signal control maintenance, property and land acquisition, ownership of the infrastructure and broader transport planning functions. The City will also be responsible for managing the performance of the Entity and ensuring that it complies with the standards set out in the service delivery agreement.

The City will remain responsible for ensuring that the service is provided to the local community in terms of the Municipal Systems Act and will ensure that everything done by the ME is in accordance with the City's Integrated Transport Plan, which is in accordance with the City's IDP.

## 5.2 Operational Management of MyCiTi system

### *Interim internal management*

The City will itself operate and manage the MyCiTi operations for an interim period until the ME is established and assigned these functions.

### *The Municipal Entity for Public Transport Services*

Subject to the process issues, one of the key responsibilities of the ME is proposed to be the operation and management of the MyCiTi system and ensuring quality control of the services. The ME will have a decision-making role to update the initial routes and define the routes, services and kilometres to be provide by vehicle operators, subject to the service delivery agreement.

The ME's activities include the bidding and tendering process for the contracts to the private operators that will provide the relevant parts of the service (apart from the initial contracts, which will be handled by the City), as well as managing the contracts once signed. The ME will also be in charge of scheduling and controlling the bus operations, and developing quarterly, monthly, weekly and daily basis schedules.

Once established, the ME will be governed by a board of directors, all of whom will be appointed by the City in terms of their specific expertise and experience. No councillors or city officials will be entitled to serve on the board. The ME will be run by a chief executive officer who will have a team of employees sufficient to fulfil all the functions assigned to the Entity. The offices of the ME will include the facilities necessary for the scheduling and monitoring of the MyCiTi vehicles.

Upon its establishment, the initial contracts entered into by the City will be assigned by the City to the ME.

## 6 Description of Section 33 contracts for the MyCiTi system

Only the proposed MyCiTi-related operational contracts that are proposed to span more than three municipal financial years are described below. Excluded are contracts involving busway and station infrastructure and the procurement of vehicles, each of which involve construction or procurement planned not to span more than three financial years. A project management services contract limited to three years will also be procured to provide professional and technical resources to plan for the future phases of the MyCiTi system and to assist the proposed Municipal Entity (ME) with certain duties.

The description below is subject to the approval by the Council of the business plan of the MyCiTi rapid bus and related services.

### 6.1 Vehicle operating contracts

#### *Description of contract*

At the centre of the MyCiTi system will be the vehicle operating contractors (the VOs) responsible for operating the vehicles necessary to service both the trunk routes and the feeder routes of the MyCiTi system.

For Phase 1A, the City will award contracts to two VOs, both of which will be consortia established as private companies.

It is proposed that both VOs for the initial 12 year period will be appointed through a negotiation process as contemplated in the National Land Transport Act, to be administered by the City, provided agreement is reached within a reasonable period. These negotiations will be with directly affected public transport operators within the Phase 1A corridor, and their partners. *Directly affected operators* refer to those operators whose services are proposed to be replaced and upgraded by the IRT, namely minibus-taxis and scheduled buses in the Phase 1A area. They will be expected to give up their current rights in the Phase 1A area in return for shares in the companies contracted to operate the new system or for compensation. The operators will form the core of these companies.

After the initial 12 year period VOs will be appointed through a tender process.

The VOs will be required to prove to the City that they have the required expertise to run vehicles operations as contemplated.

Each VO will be contracted to provide both trunk and feeder services and the contracts will be paid by way of a fee per kilometre of service provided. The VOs must ensure that the amount that they are paid per kilometre is sufficient to cover all operational costs and insurance cover and excess payments, plus a reasonable rate of return on their investment, which is a core element of the

negotiation between the City and these VOs – other than those costs that the City explicitly agree will be paid on a different basis.

The City will procure and pay the full cost of vehicles to be operated by the VOs out of available capital funds. Subject to detailed contract agreements, the City then intends that the vehicles be leased to the VOs through a financial institution, with ownership of the vehicles passing to the VOs at the end of the vehicle operator contract period. The terms of the lease will ensure that the vehicles are used solely for the purposes of providing services in terms of the agreement with the City. The lease arrangement involving a financial institution has been determined as optimal from both a financial and risk management perspective.

The VOs must be ready to test and train the drivers at least two months in advance of the system opening and will need to work with the City or the ME on coordination of vehicle procurement, infrastructure construction, and system opening.

In terms of these obligations, each VO will be responsible primarily for operating trunk vehicles on specified trunk routes and feeder vehicles on specified feeder routes. The detailed programming of services to be provided, the actual routes and the frequency of services will be determined by the City/ME, subject to the terms of the contracts with the VOs. The final payment of kilometres will be subject to deductions for fines for non-compliance of quality of service.

The contract will give nonexclusive rights to the VOs on the trunk routes and they may be required to operate on any route within MyCiTi as determined by the City/ME. A specific set of fixed feeder routes will be assigned to each of the VOs.

The depots will be owned by the City and provided at no cost to the operator. The depots will be provided with all major fixed infrastructure such as buildings, parking areas, maintenance pits, wash bays, fuel tanks, fencing, service connections, etc. The operator will be responsible for the light maintenance of the depot and for the supply of all the required staff and equipment such as tooling, office equipment, and payment for all services such as water, electricity, etc, as well as security.

The space and buildings for the administrative offices of the VOs, and the maintenance yards will be provided at the depots but owned by the City. All of the equipment, furniture, maintenance tools and other costs associated with outfitting the depots will be borne by the VOs. The City will be responsible for providing all the utility connections such as water, electricity, telephone, etc, but the user charges will be the responsibility of the VOs.

The City retains responsibility for insurance of the infrastructure it provides, and the VO for all its equipment, although payment of insurance excesses will generally be the responsibility of the VOs.

Each of the vehicles will be fitted with the necessary equipment, such as GPS transponders and on-board computers, to enable the Control Centre or City/ME to schedule the departure and arrival times of vehicles at particular points and to monitor their movement. The scheduling and monitoring equipment will also be utilised to ensure compliance with the requirements stipulated by the City. This equipment will be provided for through the Control Centre contract.

The VOs will be responsible for the maintenance of the vehicles (except potentially for an initial period after the supply of the vehicles) and will be fully responsible for driver management. The City/ME will specify the training requirements and carry out regular checks and examinations.

The Automatic Fare Collection System contractor will be responsible for managing income paid by passengers to use the MyCiTi system. Fare collection for trunk buses will occur mainly on the trunk stations through the use of smartcards, and not in the buses. For feeder services, the buses will have smart card readers on board, provided by the Automatic Fare Collection System contractor. The VOs will not be responsible for fare collection on trunk and feeder services, but they will be responsible to take steps regarding fare evasion on buses. Feeder vehicles (and potentially some trunk buses) will have electronic cash boxes where passengers without smart cards can pay the cash fare, but the driver will not manage cash.

The VOs will not manage the process of advertising on vehicles, since such advertising revenue will be used for providing income to the system as a whole. Advertising and revenue earned will be managed by the City or ME or a company contracted for this purpose. The VOs must allow access to vehicles to the City/ME and advertising service providers, within the limited and specified spaces in the vehicle set aside for this, and facilitate installation of facilities for infotainment.

#### *Why contracts should be 12 years*

The duration of VO contracts will be for 12 years.

In order to obtain the best service out of the investment of the buses, the contract period for the VO is made to co-incide with the expected commercial life of the vehicles used, namely between one and one-and-a-half million kilometres for trunk vehicles and about one million kilometres for feeder vehicles. VO will have the incentive to ensure that buses are properly maintained, as inadequate care and maintenance will result in more breakdowns and consequently reduced income to the VO. Furthermore, buses that are well maintained and cared for during the 12-year contract period will have higher residual value at the end of the contract when they will be transferred to the VO for a nominal amount. This is proposed to encourage the VOs to continue a high level of maintenance also towards the end of the contract period, thereby to reduce downtime and thus a negative impact on operations.

## 6.2 The Automatic Fare Collection System contract

### *Description of contract*

An Automatic Fare Collection System contractor will be responsible to install and operate a simple-to-use, effective, efficient and transparent fare collection system. This Automatic Fare Collection System contractor will supply all access control hardware at stations and on buses, consisting of turnstiles, smartcard card readers and ticket machines, as well as the electronic and communication hardware and software to run the fare system.

The Automatic Fare Collection System contractor will procure a network of retailers to sell smartcards, to supply smartcards to the City, to supply fare transaction data to the City and to provide additional services such as training, maintenance, software upgrades, etc. The contractor will need to provide timely and accurate information about daily fares collected and any other relevant commuter information as requested by the City/ME for decision making and planning purposes.

The Automatic Fare Collection System contractor will be responsible for establishing and enforcing the day-to-day management of the fare collection function and will have to adhere to the system's goals for good customer service and experience.

The contract is proposed to comprise of two components: firstly, the contractor will be responsible for the detailed design, manufacture and installation of the hardware and software systems of the automatic fare collection system. This part of the contract will comprise capital implementation of systems. Once installed, ownership of such systems is proposed to be taken over by the City preceded by a process during which the hardware and software systems are tested, commissioned and handed over by the contractor.

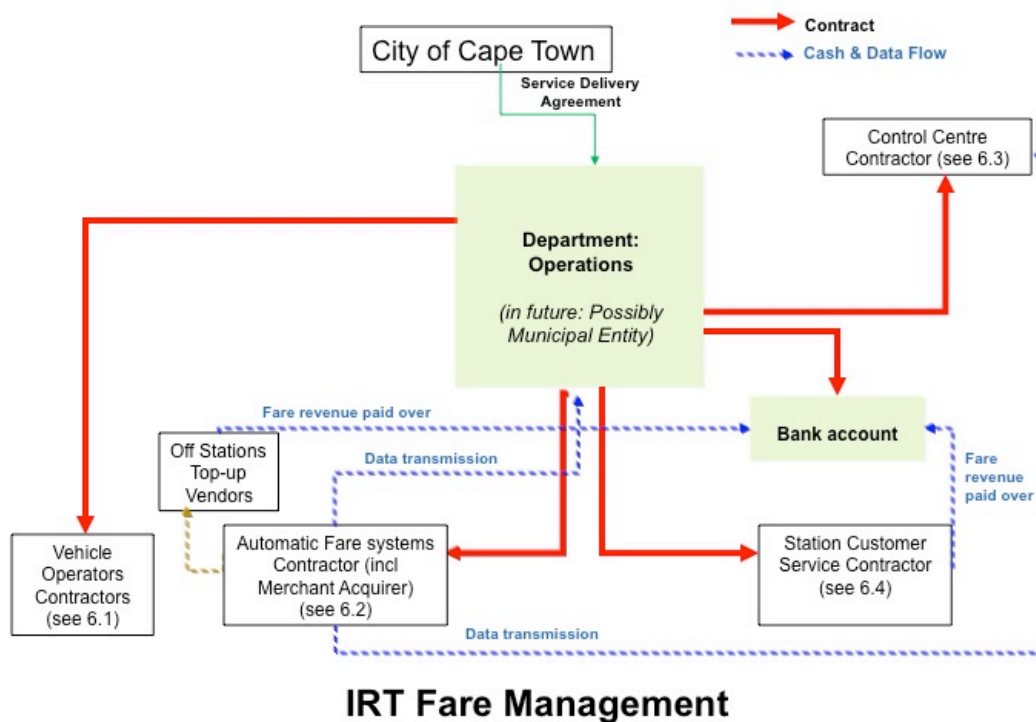
The second part of the contract involves the operation and maintenance of the system during which the contractor is responsible for issuing smartcards to the City/ME, for collecting and paying over revenue, and for maintaining hardware and software systems. This part of the contract will comprise the annual recurrent maintenance costs that will form part of the operating costs of the system. The City plans to contract a set monthly rate for maintenance and minor repairs with the Automatic Fare Collection System contractor, to ensure that substandard equipment is not provided and to reduce the City's risk regarding excessive maintenance and repair needs. Regarding major repairs, the City plans to contract with the operator set rates for different kinds of repairs.

### *Why contract should be 7 years*

It is important that the contractor responsible for the installation of the hardware, software and banking systems continues its involvement for a suitable lengthy period of time after hand-over, and continues to be responsible for maintenance and repairs at a set rate, thereby reducing risk to the City. This is also because the contractor will be intimately familiar with the operation and

maintenance systems comprising complex proprietary software, hardware and electronic components, and it will further have a contractual relationship with a banking institution that manages the fare cash flow between customer and the City/ME. Both operation and maintenance aspects are best continued for a reasonable period after hand-over in order to promote transfer of skills and stability of the MyCiTi system as a whole, while being a period sufficiently contained so as to allow the City/ME to tender for a replacement contractor towards the end of the contract period.

Therefore, the contract with the Fare System contractor is proposed to be awarded for a period of about seven years.



### 6.3 The Control Centre contract

#### *Description of contract*

The City/ME will enter into a contract with the Control Centre contractor, who will be responsible for the supply of the fleet management system (both equipment and the software), the supply of certain CCTV systems (cameras, terminals and software), the supply of an information display system (control terminal, in vehicles and station and bus stop displays and software) and the provision of various services such as training, maintenance, software upgrades, etc. It will also have to install other equipment on the vehicles, such as the GPS transponders and on-board computers. It will be required to set up and equip an operations control centre in the City's Traffic Management Centre and to ensure

there is a system that will allow smooth operational communication between all contractors and the City/ME.

The City/ME will in due course be doing the actual control and scheduling of the bus services, and the Control Centre contractor will enable the City/ME to fulfil its scheduling, monitoring and control functions. The Control Centre contractor will operate the control centre during the first 12 to 24 months of operation, depending on readiness of the City/ME, once the system is installed. A testing-and-training period will take place prior to hand-over to the relevant officials. The Control Centre contractor will be responsible for replacing any faulty or damaged equipment and providing software upgrades during the term of the contract.

As in the case of the Automatic Fare Collection System contractor, the contract with the Control Centre contractor is proposed to consist of two components: an initial period of approximately two years during which the hardware and software systems are designed, installed, tested, commissioned and thereafter handed over to the City as asset owner.

Once all hardware and software systems are operational the Control Centre contractor will have a continuing role in the second part of the contract which involves the operation and maintenance of the system, commencing on hand-over. This component of the contract will form part of the operating budget of MyCiTi. The City plans to contract a set monthly rate for maintenance and minor repairs with the operator, to ensure that substandard equipment is not provided and to reduce the City's risk regarding excessive maintenance and repair needs. Regarding major repairs, the City plans to contract with the operator set rates for different kinds of repairs.

#### *Why contract should be 7 years*

It is important that the contractor responsible for the installation of the hardware, software and banking systems continues its involvement for a suitable lengthy period of time after hand-over, and continues to be responsible for maintenance and repairs at a set rate, thereby reducing risk to the City. This is also because the operation and maintenance of these systems will comprise complex proprietary software, hardware and electronic components with which the contractor will be intimately familiar. These aspects are best continued for a reasonable period after hand-over in order to promote transfer of skills and stability of City/ME operation while allowing for a period sufficiently contained so as to allow the City/ME to tender for a replacement contractor towards the end of the contract period.

Therefore, the contract with the Control Centre contractor is proposed to be awarded for a period of about seven years.

## 6.4 Station Services contract

### *Description of contract*

A single contract will be entered into with the Station Services contractor. The Station Services contractor will be responsible for access control onto stations, for ticket sales at stations, for security on vehicles and stations, and for general management services on the stations and for delivering the City's/ME's quality goals of good customer service and experience. It will make use of CCTV surveillance cameras and a communication system linking security personnel and the control centre installed by the Control Centre contractor and others. An additional responsibility of the Station Services contractor is proposed to be to manage parking and park-and-ride facilities within the precincts of MyCiTi stations and stops and potentially elsewhere in the relevant corridor, and to collect parking fares from MyCiTi passengers.

The Station Services contractor will be responsible for hiring and training cashiers and customer service agents at the stations and providing a level of service that exceeds customer expectations.

While the Automatic Fare Collection System contractor is responsible for procuring, installing, and maintaining the equipment in the stations for fare collection, the Station Services contractor will need to coordinate with the Automatic Fare Collection System contractor for maintenance and upkeep of the fare collection equipment within the station.

The Station Services contractor will be responsible for security in the station, for both passengers and the money collected at stations from ticket sales, and for collecting cash from vehicles installed with electronic cash boxes, where passengers without smart cards can pay the cash fare. This includes controlling fraud and fare evasion. The company will be liable for any money lost or stolen and will ensure cash received at station kiosks is deposited in accordance with the Automatic Fare Collection System procedures.

The contractor will also be responsible for the cleaning of the stations and the bus and cycle ways, for landscaping and for minor maintenance of the stations. Major maintenance and upgrading will be the responsibility of the City.

### *Why contract should be 6 years*

The contract for the Station Services is proposed to run for six years after award, with the first 12 months being a period when recruitment and training of personnel takes place and allows the Station Services contractor to develop its management responsibilities efficiently. The Station Services contractor will be required to hire a considerable number of personnel to perform its functions, all requiring training and management over a significant period so as to ensure consistently high standards of performance.

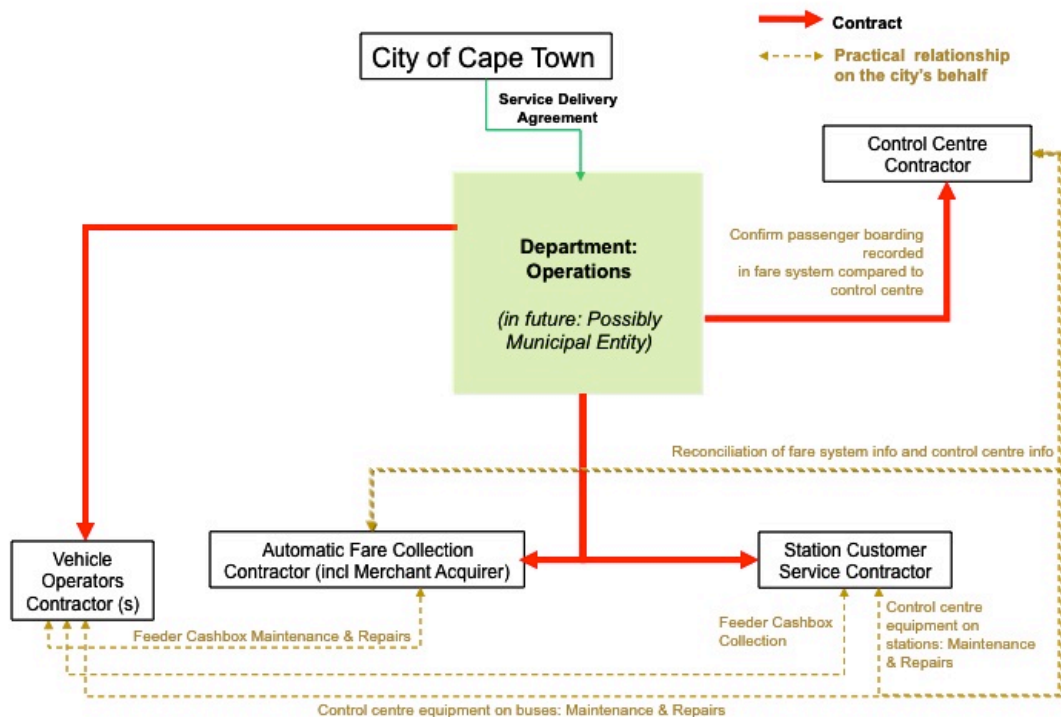
Cashiers and security personnel make up the largest number of persons to be employed. Of importance is that security personnel must be multi-skilled so as

to provide customer care and to deal with fare evasion in addition to their tasks related to security. The cashiers at stations will, in addition to selling tickets and being responsible for cash, will be given overall leadership responsibility for all aspects of the station at which they are located, and will thus be trained to manage the station asset, security, fare evasion, customer care and management of personnel.

A contract period of shorter than three years will not provide the stability of service needed for the MyCiTi, especially during the initial slower roll-out period of Phase 1A, and thus a period of about half the length of the VO contractors' contract period is proposed. The contract length of six years will still afford the City/ME the opportunity of re-tendering the Station Services contract to ensure that competitive rates are obtained, and subsequent Station Services contracts may be for shorter periods to enhance regular competition.

### 6.5 Integration between these contracts

The interrelation between the four contracts and with the City/ME is shown below. The various independent entities will require detailed operational integration so the whole MyCiTi system operates as a unit with regard to responsibilities, reporting of information, faults, repairs and other operational matters.



**IRT Contract Integration**

## 7 Financial Implications of MyCiTi IRT contracts

Section 33 of the MFMA requires that the City's Council must be assured that contracts to be concluded for Phase 1A of MyCiTi beyond three financial years will, once awarded, be financially sustainable and affordable to the City for the full period of the contracts. This implies that the services delivered by these contracts must generate sufficient income to cover costs, or alternatively, the City must make provision for deficits incurred by the contracts through other funding sources, namely from its own revenue or grants from National and Provincial spheres of government.

The Section 33 process currently being undertaken is specifically aimed at contracts that will allow Phase 1A of MyCiTi to be implemented and operated for the contract periods intended. As described earlier in this document the City intends to continue with the rollout of the subsequent phases of the BRT throughout the City. Financial implications of the four contracts needed for Phase 1A of MyCiTi are therefore described in 7.1 while broad indications of the financial implications of the complete system are provided in section 7.2.

Future phases will, of course, require their own operating contracts and this aspect will be considered at a later stage.

### 7.1 Implications of Phase 1A of MyCiTi

An assessment of the financial implications of Phase 1A of MyCiTi must logically consider the costs of building infrastructure to allow the BRT to commence as well as the operational management of the system.

#### *Capital implementation expenditure*

While not directly relevant to the financial administration of the four contracts being considered here and though not required in terms of the MFMA, it is useful to place in context the costs of infrastructure implemented for the MyCiTi Phase 1A services. These include the bus ways, stations and intelligent transport systems required to allow services to commence. The larger part of the funding for the implementation of Phase 1A is being provided by National Government grants through the Public Transport Infrastructure and Systems Grant (PTISG), while the City provides the balance through loan funding and its other own sources of revenue.

The total cost of Phase 1A will be R 4,3 billion, with the contributions by the National Government and the City currently standing at R 3,41 billion and R 0,38 billion respectively. These amounts are being provided for in the City's capital budgets for the financial years 2008/2009 to 2012/2013. It is expected that the additional funds required will be sourced from the PTISG. The amount of R 4,3 billion may escalate by up to R 0,31 billion arising from a potential adverse decision regarding the VAT treatment of municipally provided public transport infrastructure. This matter is subject to discussions between National Treasury and SARS.

***Operational expenditure, income and subsidies (annual recurrent)***

During the years of operation that the contracts are active, payments to contracted operating companies constitute the primary cost implications. Additional costs will be incurred by the MyCiTi management unit within the City/ME.

After extensive modelling of expected costs and revenues and further system design optimisation a potential deficit range has been identified. Based on a conservative approach to risk it has been concluded that a deficit of approximately R 116 million per year can reasonably be expected once Phase 1A is fully rolled out. This is based on estimated revenues from fares and advertising of R 275 million per annum and estimated expenditure of R 391 million.

Regulations issued in terms of the National Land Transport Act require that existing scheduled bus subsidies be transferred to new services replacing currently subsidised services. In Phase 1A this can be expected to result in approximately R 55 million being available annually from this source towards covering the deficit.

Assuming receipt of the R 55 million, and so long as the actual deficit does not exceed the estimated deficit the City has already provided for sufficient funds to cover this deficit. To the extent that the R 55 million is not available or the deficit exceeds the estimated deficit it has been established that PTISG funding can be used to address the shortfall on a transitional basis while adjustments are made to costs and revenues. This could include adjustments to service levels, changes to fares and development of additional revenue sources.

The City is supporting initiatives by national government departments and the Financial and Fiscal Commission as well as other Cities to provide for sufficient and predictable funding sources other than rates income for both municipal transport implementation and operations.

<b>System appraisal of Phase 1A</b>	<b>Modelled annual operating costs of Phase 1A</b> <b>2010 Rands</b>
<b>Estimated total income</b>	<b>R 275 million</b>
<b>Estimated total expenses</b>	<b>R 391 million</b>
<b><i>Deficit</i></b>	<b><i>- R 116 million</i></b>

The above amounts exclude the services provided by the City, such as infrastructure maintenance. However, because of the nature of infrastructure investment these costs are minimal and covered by existing municipal service capabilities. Other maintenance costs are addressed within the four contracts discussed in this document.

As indicated in the following section, modelling indicates that once the system is fully rolled out across the city, existing bus subsidies to be transferred to MyCiTi will fully cover the projected operating deficit.

## 7.2 Implications of completed full MyCiTi system

In the report entitled “Project Status and Financial Strategic Assessment” adopted by Council in October 2009, it was reported that initial modelling results for the complete MyCiTi system would result in an annual deficit of R 440 million, as shown below:

<b>System appraisal of full IRT bus system (modelling scenario 57)</b>	<b>Modelled annual operating costs of full IRT bus system  2010 Rands</b>
<b>Estimated income</b>	<b>R 5 700 million</b>
<b>Estimated total expenses</b>	<b>R 6 140 million</b>
<b><i>Deficit</i></b>	<b><i>- R 440 million</i></b>

As the existing GABS/Sibanye scheduled bus services are phased out and replaced by the new MyCiTi system, the subsidies which presently exceed R 600 million and are currently paid for these services are anticipated – in terms of current national government policy and National Land Transport Act regulations – to be shifted across to the new system. Initial modelled figures indicate that once fully implemented the system operations would not require additional revenue sources over and above existing bus subsidies.

The reason for a lower proportional subsidy requirement once the whole system is in place arises from economies of scale, as well as higher passenger usage resulting from the convenience of a more comprehensive network. Furthermore, the Phase 1A route was chosen because of an absence of any rail network in that part of the City, combined with the fact that it is the City’s fastest growing area and is experiencing significant escalating traffic congestion. However, the long distance Atlantis routes and generally low current densities tend to make this a more costly area to serve. As development in the area proceeds and densities increase it could be anticipated that unit costs will be lowered.

## 8 Further documentation

In addition to this Information Document, persons wishing to comment may wish to access the draft contracts subject to the Section 33 process and further documents relevant to the MyCiTi Projects. Additional documents are available on the IRT page of the City's website and include:

- Draft tender/contract documents for –
  - Vehicle operating company contract
  - Automatic Fare System contract
  - Control centre contract
  - Station Services contract
- City of Cape Town – Public Transport Implementation Framework – February 2007
- Feasibility Study for the establishment of a Municipal Entity for the provision of municipal public transport services – City of Cape Town June 2009.
- Integrated Transport Plan (2006 – 2012)
- October 2009 Status Report
- IRT Progress Reports 1 -> 5 (Dec 2009 to April 2010)

The website link where the Information Document and the documents listed above may be download is <http://www.capetown.gov.za/en/irt>

## 9 Where to submit your comments

Written comments must be submitted by Friday July 30, 2010 to:

Mr Mike Marsden  
Executive Director: Transport, Roads and Major Projects  
(For attention: Ms Beverley Ball)  
City of Cape Town  
PO Box 298  
Cape Town  
8000  
Email: [Beverley.ball@capetown.gov.za](mailto:Beverley.ball@capetown.gov.za)  
Fax: 021 400 5697

Queries you may have about this Information Document should be directed to Beverley Ball at:

Telephone: 021 400 9139 or  
Email: [beverley.ball@capetown.gov.za](mailto:beverley.ball@capetown.gov.za)

## Annex 1: Extract from Municipal Finance Management Act, 53 of 2003

### Contracts having future budgetary implications

33. (1) A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if—
- (a) the municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved—
    - (i) has, in accordance with section 21A of the Municipal Systems Act—
      - (aa) made public the draft contract and an information statement summarising the municipality's obligations in terms of the proposed contract; and
      - (bb) invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and
    - (ii) has solicited the views and recommendations of—
      - (aa) the National Treasury and the relevant provincial treasury;
      - (bb) the national department responsible for local government; and
      - (cc) if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;
  - (b) the municipal council has taken into account—
    - (i) the municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;
    - (ii) the impact of those financial obligations on the municipality's future municipal tariffs and revenue;
    - (iii) any comments or representations on the proposed contract received from the local community and other interested persons; and
    - (iv) any written views and recommendations on the proposed contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph (a)(ii)(cc); and
  - (c) the municipal council has adopted a resolution in which—
    - (i) it determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;
    - (ii) it approves the entire contract exactly as it is to be executed; and
    - (iii) it authorises the municipal manager to sign the contract on behalf of the municipality.
- (2) The process set out in subsection (1) does not apply to—
- (a) contracts for long-term debt regulated in terms of section 46(3);
  - (b) employment contracts; or
  - (c) contracts—
    - (i) for categories of goods as may be prescribed; or
    - (ii) in terms of which the financial obligation on the municipality is below—
      - (aa) a prescribed value; or
      - (bb) a prescribed percentage of the municipality's approved budget for the year in which the contract is concluded.
- (3) (a) All contracts referred to in subsection (1) and all other contracts that impose a financial obligation on a municipality—
- (i) must be made available in their entirety to the municipal council; and
  - (ii) may not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
- (b) Paragraph (a)(i) does not apply to contracts in respect of which the financial obligation on the municipality is below a prescribed value.
- (4) This section may not be read as exempting the municipality from the provisions of Chapter 11 to the extent that those provisions are applicable in a particular case.