

BUFFALO CITY METROPOLITAN MUNICIPALITY

APPROPRIATIONS ON THE TERMINATION
OF THE INTEGRATED PUBLIC TRANSPORT
NETWORK GRANT FUNDING AND ITS
POSSIBLE SERVICE DELIVERY IMPLICATIONS

26 JANUARY 2022



BUFFALO CITY
METROPOLITAN MUNICIPALITY



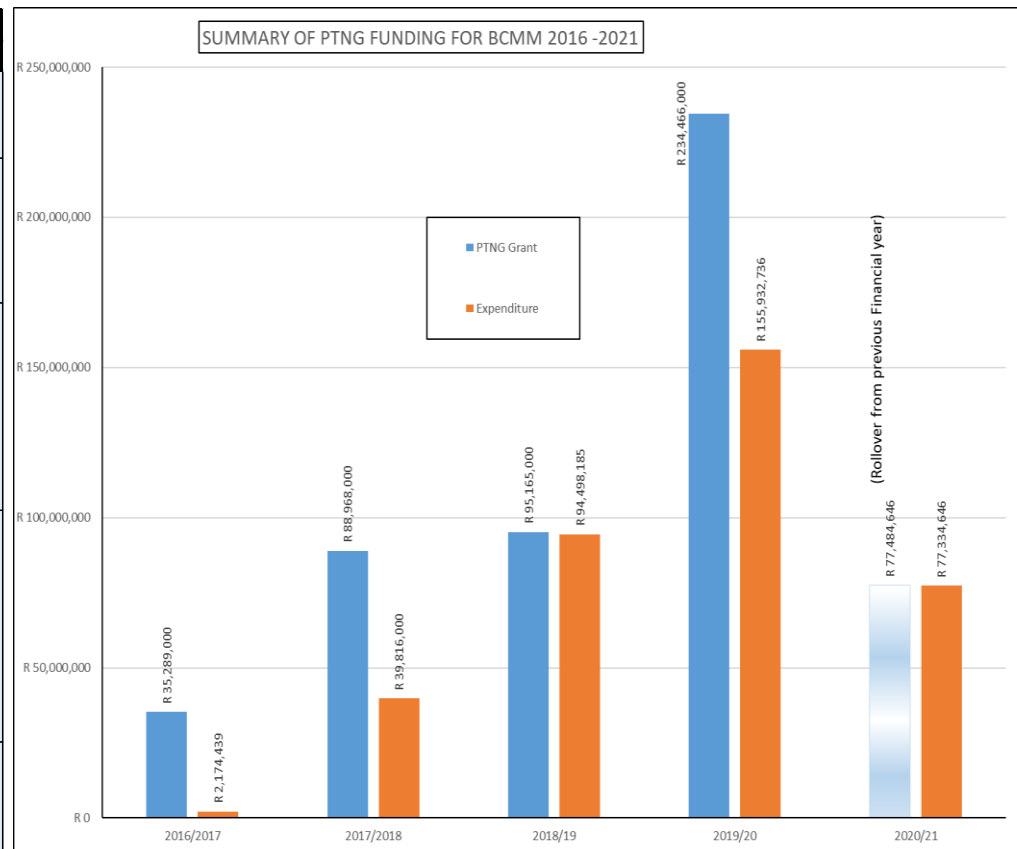
CONTENTS

- Overview IPTN expenditure over past 5 years
- Challenges faced in spending grant
- Service delivery implications grant termination
- Assistance from other government structures
- Discussions between National Treasury and BCMM on spending
- Practical, measurable and measurable solutions
- Additional information for the committee



BUFFALO CITY
METROPOLITAN MUNICIPALITY

SUMMARY OF PTNG FUNDING FOR BCMM 2016 -2021				
Financial Year	PTNG Grant	Expenditure	Description	Comments
2016/2017	R 35,289,000	R 2,174,439	Planning & Construction	R33.1m rollover to 2017/18. Under expenditure due to need to procure services
2017/2018	R 88,968,000	R 39,816,000	Planning & Construction	Committed to Qumza Highway, Transport Register and the Operational Plan. Under expenditure due to non-performance of Contractor
2018/19	R 95,165,000	R 94,498,185	Planning & Construction	Operation Plan Review and Development of IPTN Plan, Industry Transition Plan, Public Transport Plan, UDAP and Qumza Highway Upgrade. For Qumza Highway additional budget of R 32 076 563 from USDG and R 9 455 082 from municipal funds
2019/20	R 234,466,000	R 155,932,736	Planning & Construction	Operation Plan Review and Development of IPTN Plan, Industry Transition Plan, Public Transport Plan, UDAP. CIP Review and Qumza Highway Upgrade. Under expenditure due to termination of PTNG funding thereby impacting appointment of service providers
2020/21	Rollover from 2019/2020	R 77,334,646	Planning & Construction	Review Ops & Business Plan focusing on CIP Review, Qumza Highway Upgrade and Mdantsane Access Road Upgrade.



OVERVIEW IPTN EXPENDITURE OVER PAST 5 YEARS

2. CHALLENGES FACED IN SPENDING GRANT



- **2016/2017 Financial year:** This was the first year for the municipality to receive public transport grant after battling with a court case from the then Bus Rapid Transit System from 2010/2011 financial year until 2013/14 financial year. Procurement of service providers could only be initiated after budget approval and that resulted in limited time for project implementation and that affected the expenditure, hence 6.16% of the budget was spent.
- The municipality spent quite some time in procuring and appointing service providers to assist BCMM with the development of an Integrated Public Transport Network Plan for the Entire City. Tender specifications were prepared and service providers appointed through Supply Chain Management processes.



2. CHALLENGES FACED IN SPENDING GRANT (cont.)

- **2017/2018 Financial Year:** The initial contractor appointed for the upgrading of the Qumza Highway Phase 7-1 and 7-2 was unable to perform the required works and the contract was cancelled. New procurement process undertaken for the replacement contractor. Expenditure of **44,26%** was realised.
- **2018/2019 Financial Year:** No challenges were experienced in spending the grant, expenditure of **99,30%** (R94 498 185) from PTNG was realised. Additional expenditure cofounded from USDG and OWN FUNDS totaling to R 41 531 645 was spent as well. Implemented projects included the development of the Mdantsane/East London Development Corridor's Operational and Business Plan as well as the widening of the Qumza Highway Phase 1 & 2.

2. CHALLENGES FACED IN SPENDING GRANT (cont.)



- **2019/2020 Financial Year:** Municipality in December 2019 was informed by the Department of Transport that the grant would be suspended for 3 years from the 2020/2021 financial year. The municipality had to suspend a number of contracts that were in procurement stage , hence the expenditure was **66,50%**.
- The PTNG budget could not be redirected to any other project due to grant conditions. The municipality in responding to Department of Transport and National Treasury highlighted projects that were going to be completed beyond 2019/20 financial year and requested approval for the projects to continue in the 2020/2021 financial year. Approval was granted.

2. CHALLENGES FACED IN SPENDING GRANT (cont.)

- **2019/2020 Financial Year:** (Continues)

Projects that were in procurement stage at the time of the grant suspension are the following:

1. Qumza Highway Phase 7-1 remaining 1.54km, bid document was completed and was ready to be presented to the Bid Specifications Committee in November 2019,
2. Development of Terms of Reference for the Universal Access Development Plan,
3. Development of Terms of Reference for the procurement of 24 buses for the Mdantsane East London Development corridor,



BUFFALO CITY
METROPOLITAN MUNICIPALITY

2. CHALLENGES FACED IN SPENDING GRANT **(cont.)**

- **2019/2020 Financial Year:** (Continues)
- 4. Legal Services
 - The bid for the legal services was considered by the Bid Evaluation Committee on the 19 December 2019. However, the bid had to cancelled due to the grant suspension.
- 5. Transport Specialist
 - The bid closed on the 6th December 2019. However, the bid had to cancelled due to the grant suspension.



2. CHALLENGES FACED IN SPENDING GRANT (cont.)

- **2019/2020 Financial Year: (Continues)**
- 6. Finance Specialist
-
- The bid document was approved by the Specifications Committee and was scheduled to be advertised in January 2020. However, the bid had to be cancelled due to the grant suspension.
- **2019/2020 Financial Year: (Continues)**
- The PTNG budget could not be redirected to any other project due to grant conditions.



BUFFALO CITY
METROPOLITAN MUNICIPALITY

2. CHALLENGES FACED IN SPENDING GRANT (cont.)

- The municipality in responding to Department of Transport and National Treasury after receiving notice for the suspension of the grant highlighted projects that were going to be completed beyond 2019/20 financial year and requested approval for the projects to continue in the 2020/2021 financial year. Approval was granted.



2. CHALLENGES FACED IN SPENDING GRANT (cont.)



- 2020/2021 Financial Year: **No challenges** were experienced and expenditure of **98,41%** was realised.
- Implemented projects was the completion of the widening of Qumza Highway and was completed six months ahead of programme. January 2021 commenced with the widening of 2 km of the Mdantsane Access Road in the Reeston area to provide for safer commuter access to Public transport facilities. Continuation of detail design of MAR widening.

3. SERVICE DELIVERY IMPLICATIONS OWING TO GRANT TERMINATION



- **INCOMPLETION OF THE UPGRADING OF QUMZA HIGHWAY PHASE 7-1 & 2**
- Phase 1 & 2 with a contract value of R268 898 726.42 was completed in August 2020 six month ahead of contract end date. The scope of works consisted of upgrading the road from a two lane into a four lane road with pedestrian facilities on both sides of the road.
- The tender document for the Remaining Portion of Phase 7-1 (1.54km) from Mazidlekaya to the Golden Highway was completed and was scheduled to be advertised in January 2020, however, that would not be implemented due to the suspension of the Public Transport Network Grant (PTNG). This resulted in the projects objectives of improving traffic flow along this route not to be realised.

3. SERVICE DELIVERY IMPLICATIONS OWING TO GRANT TERMINATION **(CONT.)**

Incompletion of the Upgrading of Qumza Highway Phase 7-1 & 2 **(Continues)**

The tender document for the Remaining Portion of Phase 7-1 (1.54km) is going to be advertised during the month of September 2021. The project is going to be funded from the USDG and OWN FUNDS and be implemented over a three year period due to budget constraints whereas it could be implemented over an 18 months period if enough budget was available.



3. SERVICE DELIVERY IMPLICATIONS OWING TO GRANT TERMINATION (cont.)



DELAYS TO INDUSTRY TRANSITION

Termination of bids for specialist service providers resulted in the suspension of engagements with all affected parties. This has created negative trust issues of government by the taxi industry in particular. This is the critical stage of the project and experience from other cities has shown that this could be a time consuming exercise.

The resuscitation of the programme at the end of the three year suspension would have to start with this key stage and be given the time it needs for the success of the project.

3. SERVICE DELIVERY IMPLICATIONS OWING TO GRANT TERMINATION (cont.)

Delays to industry transition (continues)

Other bids related to the industry transition that would have to be resuscitated once budget is confirmed are:

- Legal Services
- Transport Specialist
- Finance Specialist





4. ASSISTANCE FROM OTHER GOVERNMENT STRUCTURES

-
- Eastern Cape Department of Transport formed part of the project steering committee that monitored project progress on quarterly basis
 - Eastern Cape Treasury was also provided with progress reports as and when required. Also provided individual progress site visits to confirm reported progress.

5. DISCUSSIONS BETWEEN NATIONAL TREASURY AND BCMM ON SPENDING



- Annual budget engagements with National Treasury are held before each financial year starts, to approve the proposed municipal budget inclusive of the public transport grant,
- Middle of the year performance of the municipality in terms of set targets and related expenditure with National Treasury is held on annual basis, inclusive of the public transport grant,
- Monthly reports are also submitted by the municipality to National Treasury on all the grants that are received by the municipality.

5. MEETINGS BETWEEN NATIONAL DEPARTMENT OF TRANSPORT AND BCMM ON SPENDING (cont.)



5.1 Meetings between the Municipality and the National Department of Transport

- The National Department of Transport is mandated to oversee the Public Transport Infrastructure report and in turn reports to National Treasury.
- Quarterly meetings between National Department of Transport and the municipality to discuss both technical and financial issue were held as shown below. Reports were submitted where meetings could not be held due to various reasons.

5.1 MEETINGS BETWEEN NATIONAL DEPARTMENT OF TRANSPORT AND BCMM ON SF



BUFFALO CITY
METROPOLITAN MUNICIPALITY

2016/2017 Meeting Dates	2017/2018 Meeting Dates	2018/2019 Meeting Dates
21 July 2016	31 August 2017	2 July 2018
19 June 2017	10 November 2017	25 October 2018
	23 January 2018	31 January 2019
		14 March 2019
		31 May 2019

5.1 MEETINGS BETWEEN NATIONAL DEPARTMENT OF TRANSPORT AND BCMM ON SPENDING
(CONT.)

2019/2020 Meeting Dates & Progress Reports	2020/2021 Meeting Dates & Progress Reports
24 July 2019	26 November 2020
31 October 2019	16 March 2020
31 January 2020	
26 March 2020	
30 June 2020	



6. PRACTICAL, IMPLEMENTABLE AND MEASURABLE SOLUTIONS



- **6.1 Business and Operational Plans for IPTN in the Mdantsane/East London Corridor**
- BCMM has progressed with the development of the plan. This plan was presented to National Department of Transport in October 2019 however, it was still to be refined and approved by the Department and National Treasury.
- It would therefore be beneficial for BCMM to receive PTNG funding to finalise and acquire approval of the plans and future budget requirements from National Department of Transport and National Treasury so as to allow BCMM to further engage public transport stakeholders.

6. PRACTICAL, IMPLEMENTABLE AND MEASURABLE SOLUTIONS (cont.)

6.1 Business and Operational Plans for IPTN in the Mdantsane/East London Corridor

- BCMM requests that approval be granted during the 2021/2022 financial year, to allow enough time for the procurement such that the projects could start during the 2022/2023 financial year.
- Once plans are approved by NDoT, this will allow BCMM to further engage with the public transport industry as a whole, to commence with negotiations and contract development. Any delays in this process could stall proposed public transport operations to the detriment of the citizens of BCMM and surrounding areas. Budget of R 30 million over a three period for planning is estimated.



BUFFALO CITY
METROPOLITAN MUNICIPALITY

6. PRACTICAL, IMPLEMENTABLE AND MEASURABLE SOLUTIONS (CONT.)

6.2 Widening of the remaining portion of Qumza High Phase 7-1 (1.54km)

- The procurement is going to be concluded in the current financial year, although the budget from the alternative funding sources is limited resulting in prolonged construction period. Co-funding of R 100 million for the 2022/2023 financial year from the month of July 2022 and R 50 million for the 2023/2024 financial year, would assist in getting the project completed on time and traffic flow to be drastically improved once the project is completed.



7. ADDITIONAL INFORMATION FOR THE COMMITTEE

- 7.1 COMPLETED SECTION OF QUMZA HIGHWAY PHASE 7-1 & 2



7. ADDITIONAL INFORMATION FOR THE COMMITTEE (cont.)



7.2 Study Tours

The municipality has conducted study tours in order to learn from the other cities and visited the following municipalities:

- Polokwane Municipality
- Nelson Mandela Bay Metropolitan Municipality
- George Municipality

7.3 Municipal Financial Contribution

- The Council has approved that a financial contribution be made as it is a requirement of the grant.



THANK YOU
