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Briefing to the Standing Committee on Appropriations:

Rollout of Phase 2A of the City of Cape Town's bus rapid transit system

City of Cape Town: Urban Mobility Directorate | 8 Feb 2022

Agenda

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2. Programme overview and scope
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10. Questions



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Introduction

Introduction

- Response to letter dated 19 January 2022 from Mr. S Buthelezi, Chairperson of the Standing Committee on Appropriations
 - Brief standing committee on the delays in the rollout of Phase 2a of the City of Cape Town's MyCiTi bus rapid transit system, resulting to declared under expenditure of R1.34 billion as presented in the 2021 Adjusted Estimates of National expenditure and its possible service delivery implications.

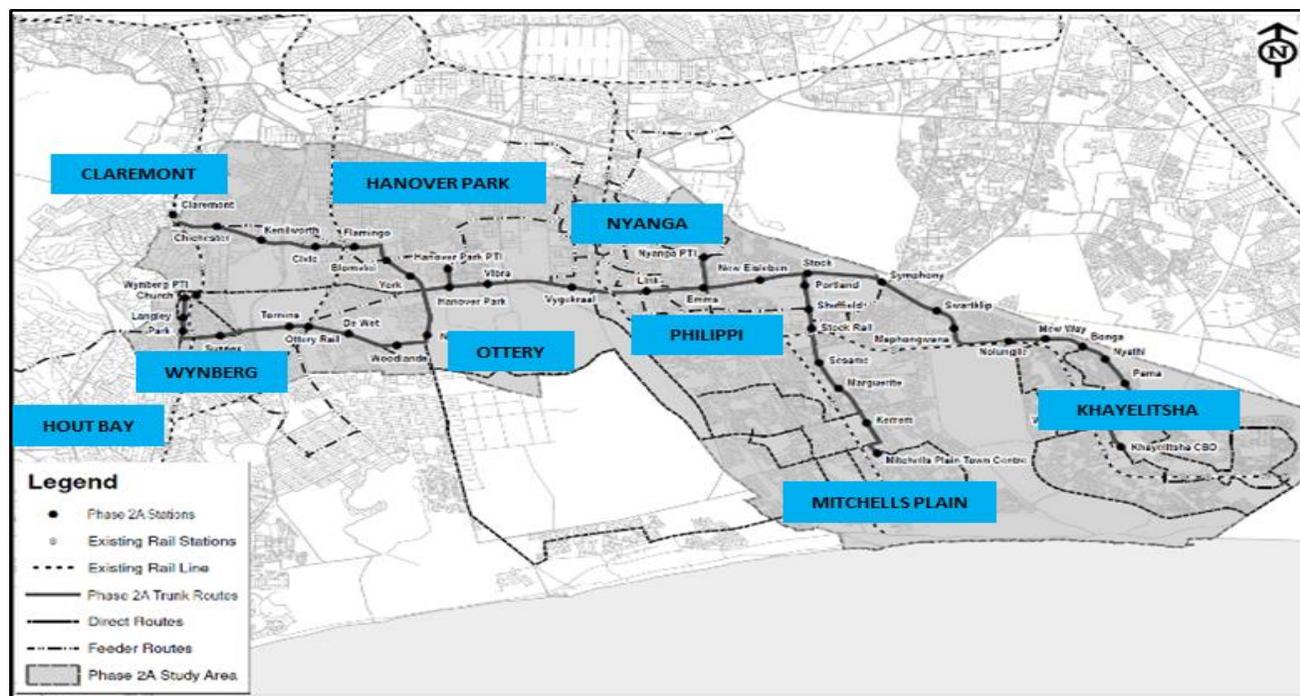


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Programme Overview

Phase 2A Programme Overview

- Phase 2A Objective: To improve the public transport offering between the residential and socio-economic hubs within the Phase 2A corridor, and beyond, through reliable services, predictable and shorter journeys throughout the day and more affordable fares.



Provide **safe, reliable, quality public transport** to high population density in metro south-east

Improve **access to economic opportunities** for residents in the metro south-east

Programme elements include:

Trunk routes, feeder routes, AFC/APTMS, Bus procurement, Industry engagement, PTI upgrades, NMT upgrades

Project location (2)

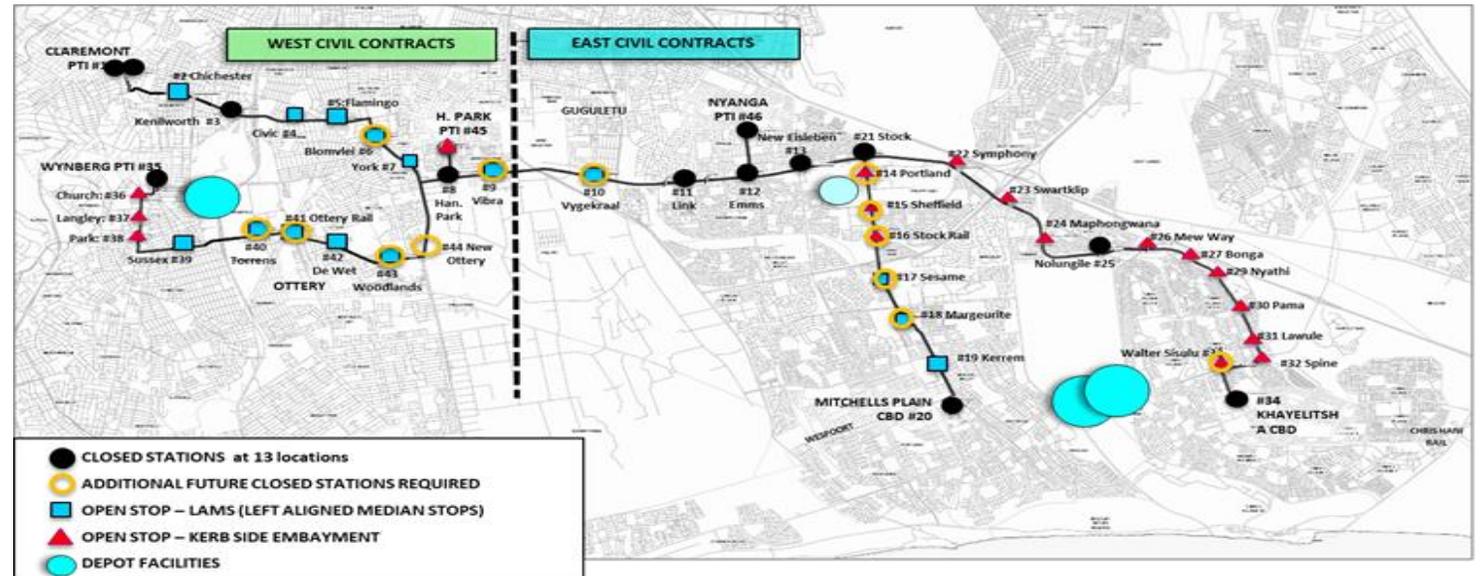


Project location – Work packages



Programme Scope

Description	Quantity
Trunks – Dedicated ROW	W1, W2, W3, W4, W5, South, E1, E2 (21.20 km)
Trunks – Mixed traffic ROW	E3, E4, E5, E6 and E7 (22.78 km)
Feeder routes	10 x feeder routes, Operated by MBTs (Total= 114.57 km)
No of Closed Stations	13 Stations
No of Open Stops	16 LAMS, 17 Kerbside (33 total)
KM NMT	Trunk NMT – 43.98 km Phase 2A Area: <ul style="list-style-type: none"> NMT improvements along Heideveld Avenue 4.4 km, NMT improvements in the Nyanga area along NY3A, Koornhof Road, 3rd Avenue and NY78. Jan Smuts Drive from Turfall Road to N2 freeway Area-wide NMT improvements Mitchells Plain area Area-wide NMT improvements Khayelitsha area NMT improvements in Hanover Park area Jan Smuts Drive: from Spine Road to Berkley Road





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Original BFI Funding Application

Original BFI Funding Application

- The 2017 Phase 2A project plan indicated that the then Public Transport Network Grant (PTNG) allocated to the City annually for both operating and capital costs, would be insufficient to construct the necessary infrastructure in a reasonable time.
- It was projected that **an additional R7.1bn of capital funding was needed** (in 2017 Rands), over the next decade.
- The City thus applied for then new Budget Facility for Infrastructure (BFI) for R7.1bn as a **top-up to the existing PTNG funding**, which was **required** to render the Ph2A project **viable**.
- The BFI was introduced by the National Treasury (NT) as a policy response to fund mega infrastructure projects of which funding applications under went external vetting and approved by the Ministers Committee on the Budget (MinComBud).
- Importantly to note, the BFI forms part of the Public Transport Network Grant (PTNG) gazette within the DoRA, and the perceived under expenditure R1,34 billion as per the letter from received from the Chair person of SONA **is not related to PTNG but BFI**.



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Background to rescheduling, performance to date, and lessons learnt

Background to rescheduling between 2018 – 2020

BFI Application

- In 2018 the City issued updated cashflow projections for BFI.
- Thereafter, the risk of long-term operational sustainability arose out of a further process of assessing lessons learnt with Phase 1 of the MyCiti, through the City's annual long-term financial operational plan.
- To include the lessons learnt and to ensure the plan was sustainable, **adjustments were required to Phase 2A, within the same capital envelope.**
- The in-depth process to achieve better operating outcomes resulted in rescheduling Phase 2A planning by approximately 18 months.
- **Updated Phase 2A plan was settled in 2020**
 - Although the detail of the plan changed, the overall extent of the project remained the same.
 - **The updated plan protects the City and residents by reducing the ongoing operating costs and risks** of the system.
- **Notwithstanding, concept and detail planning continued including some construction to the lead-up to 2020.**

BFI Performance Overview to Date

Overview of IPTN Grant framework – BFI Funding	2018-2019 Actual	2019-2020 Actual	2020-2021 Actual	2021-2022 Budget	2022-2023 Budget	2023-2024 Budget	2024-2025 Budget	2025-2026 Budget	2026-2027 Budget	2027-2028 Budget	Total
Original Application 14/08/2017	381	867	1 047	660	1 110	889	806	984	348		7 092
2018 Re-phasing request	33	354	1 045	1 433	1 089	874	953	929	380		7 090
2020 Re-phasing request	33	35	318	93	335	769	1 574	2 024	1 351	567	7 099
Nov 2021 Re-phasing request	33	35	293	93	584	934	2 125	2 656	321		7 099
Approved DORA Allocation	33	35	318	1 433	1 089	874					3 782
Adjustment DORA (Oct 2021)				93	?	?					93

- Rectification of 2021 DORA agreed to be dealt with in a 2-phase approach with NT, NDOT and the City as follows:
 - Current (2021/2022 municipal FY) allocation would be rectified in the October 2021 adjustment DORA (MTBPS) – **R1.34 billion reduction**
 - Outer years of 2021/22 MTREF to be rectified in the 2022 DORA based on revised BFI funding application – addressing FY's 2022/23, 2023/24, and 2024/25 financial years.

Challenges and lessons learnt on the programme to date

Challenges	Lessons learnt
<p>Full replacement approach as done in MyCiTi Phase 1 (where all existing services such as Minibus-Taxis were replaced) was costly and financially unsustainable, and created more instability</p>	<ul style="list-style-type: none"> • Hybrid approach adopted where only high-volume services in Phase 2A will be provided by MyCiTi – some Minibus-Taxis will remain and provide feeder services • MyCiTi services focus on trunk and direct services where the service has a competitive advantage – i.e. building exclusive public transport lanes in the median to prioritise high volume public transport in congested areas
<p>Integration of MyCiTi services with other services (such as MBTs)</p>	<ul style="list-style-type: none"> • Integration facilities to enhance integration of modes • City is pursuing an integrated ticketing strategy to assist with integration
<p>Infrastructure and system design was not flexible to changes in demand patterns</p>	<ul style="list-style-type: none"> • Stations built initially only where demand justified it. Stops will be converted to stations once demand has been proven • Use of low floor buses that can be used on all routes • Passenger demand projections more conservative
<p>High operating costs of the system</p>	<ul style="list-style-type: none"> • Review contracts for Vehicle Operating Companies (VOCs) for the next stage of MyCiTi Phase 1 to reduce operating cost and subsidy requirement • Lower costs of station management and AFC (Automated Fare Collection) system
<p>Transitioning the existing industry to become VOCs</p>	<ul style="list-style-type: none"> • Changes to Industry Transition strategies, subject to consultation with the industry

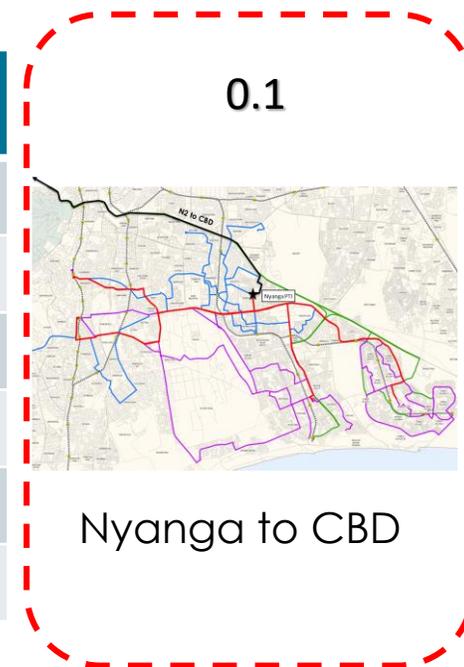


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Service Delivery Impact and Timelines

Service Delivery Impact and Timelines

Milestones	Current go-live date	Description
Milestone 0.1	05/02/2025	Nyanga to CBD
Milestone 0.2	30/05/2025	MP and Khay to Claremont and Wynberg
Milestone A	05/05/2027	Nyanga to Claremont
Milestone B	05/05/2027	Nolungile to Claremont
Milestone C	05/05/2027	MP to Claremont
Milestone D	14/08/2028	MP and Khay to Claremont and Wynberg



- Programme still achieves full operational roll-out by 2028
- Interventions and mitigations undertaken by the project team:
 - Reinstatement of the N2 Express
 - Interim contract options for operations under review in response to milestone 0.1 and 0.2
- Service delivery and objectives of the programme will still be achieved
 - Still plan on achieving 200,000 passenger trips per day
 - Still plan on construction of up to 21 km dedicated busways servicing routes from MP and Khay to Claremont and Wynberg
 - Still plan on providing safe, reliable, quality public transport to high population density in metro south-east



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Stakeholder Engagement – Intergovernmental Relations

Stakeholder and Intergovernmental Engagements (1)

- During 2019/20 Financial Year (April through to June 2022) the City Engaged with National Department of Transport (NDOT) and National Treasury (NT) as it relates to rephasing the rollout of IRT Phase 2A for reasons provided for in the previous slide, and more specifically the BFI funding envelope of R7.1 billion.
- The outcome of these engagements was a request for an updated BFI Funding Application with revised clear performance indicators including revised cash flows which responds to the BFI Funding envelope of R7.1 – importantly NT also required the support of NDOT to the updated BFI Funding Application.
- The revised BFI Funding Application was submitted to NDOT and NT on 24 August 2020.
- The Acting Deputy Director General Budget Office (NT) responded to the City in a letter dated 11 December 2020 and confirmed that the Updated BFI Funding Application was approved including the revised cash-flows (Please refer to Annexure A for ease of reference).
- Important to note that the objectives and deliverables of IRT Phase 2A as contained in the original BFI Funding did not change in the Revised BFI Funding Application – the primary difference between the two applications was the yearly cash-flows over the Programme Lifecycle.

Stakeholder and Intergovernmental Engagements (2)

- Extract from NT Letter dated 11 December 2020:

As you may remember that the National Treasury had a virtual meeting with the City on the 02nd October 2020, where the City presented its revised cashflow model and the plans the City has put in place to ensure that going forward, there are no delays and underspending. The National Treasury was satisfied with the revised cash flow. The plans put in place are likely to ensure that the project is delivered as scheduled without any further delays. The National Treasury understands that infrastructure projects usually go beyond the MTEF and therefore confirms that the BFI funding of R7.1 billion as approved in 2018 will still be allocated to the City as per the revised cashflow. This implies that funding for the project will be available beyond the MTEF as per the table below.

Year	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total
Revised cashflow (R million)	33	35	318	93	335	769	1574	2024	1351	567	7100

- Important to note, the requirement for the 2021/22 Municipal Financial Year was R93 million as per the approved revised cashflow.

Stakeholder and Intergovernmental Engagements (3)

- With the tabling of Division of Revenue Bill by the Minister of Finance in Parliament in February 2021, the City became aware that the revised cash-flows as discussed in the previous slide was not factored into the 2021/22 Medium-term Revenue and Expenditure Framework (2021/22, 2022/23 and 2023/24 financial years).
- The City proceeded to engage with NT and NDOT as it relates to the misalignment of the cash-flows and budget, being acutely aware that the misalignment was owing to the short time frames associated with the approval of the Updated BFI funding application and finalisation of the National Budget Process.
- The City also provided NT with correspondence in this regard of which the next slide provides as extract of such correspondence.

Stakeholder and Intergovernmental Engagements (4)

I refer to our earlier conversation relating to the BFI funding disparities emanating from the tabling of the Division of Revenue Bill (2021) by the Minister of Finance in Parliament during February 2021, as well as the engagement with colleagues from Public Finance, Budget Office, and NDOT held yesterday.

1) BFI Cash Flows

The City of Cape Town provided the National Treasury (Public Finance and Budget Office) with an Updated BFI Funding Application and associated revised cash flows for the implementation of Phase 2A of the IRT on 2 Oct 2020. In response, the Acting Deputy Director General formally responded to the City on 11 Dec 2020 confirming that Updated BFI application was approved, including the revised cash-flows (attached letter received from the Acting DDG). The following tables provides for a reconciliation between what was tabled, approved by NT in December 2021, and current capital expenditure projections:

MTEF Allocations - 2021 Division of Revenue Bill	BFI		
	2021/22 FY	2022/23 FY	2023/24 FY
Cape Town Allocations	1 433 000	1 089 000	874 000
Total - 2021 Division of Revenue Bill	1 433 000	1 089 000	874 000
Approved BFI Cash-Flows (NT Dec 2020)	93 000	335 000	769 000
Difference	(1 340 000)	(754 000)	(105 000)
Forecasted expenditure 8 April 2021	218 288	539 947	1 141 706

Stakeholder and Intergovernmental Engagements (5)

- From the previous slide it can be seen that the difference between the revised cash-flows as approved by NT on 11 December 2020 and the 2021 DoRA equates to R1,34 billion.
- The Deputy Director General: Intergovernmental Relations (NT) responded as follows (attached as Annexure B for ease of reference). The following extract from the mentioned letter:

I am writing this letter regarding your municipality's *myCiti phase 2A project allocations funded from the Budget Facility for Infrastructure (BFI)* for the 2021 MTEF. Annexure W5 of the 2021 Division of Revenue Bill (the Bill), tabled on 24 February 2021, reflects the previous baseline allocation of R3.4 billion. In a meeting between The National Treasury and the City of Cape Town on 7 April 2021, the City highlighted that this amount did not consider the final allocation letter issued by The National Treasury on 11 December 2020. To this end, the allocation tabled is R2.2 billion more than what should have been allocated to the municipality.

Section 16(1) of the Bill requires National Treasury to gazette, within 14 working days of the enactment of the Bill, the frameworks for the provincial and local government conditional grants, allocations per municipality for all conditional grants, as well as indirect grant allocations for each province. The Bill, including all of its annexures, has already been passed the by National Assembly and has been referred to the NCOP. Therefore, it will not be possible to correct the municipality's allocation in section 16(1) gazette.

The Department of Transport has been consulted on this matter, and it has been agreed that National Treasury will correct these allocations in two parts: the 2021/22 allocations will be corrected during the adjustment's budget in October, and the outer two years will be corrected as part of the normal 2022 national budget process.

Stakeholder and Intergovernmental Engagements (6)

- To ensure no reoccurrence, The City meets with NDOT and NT on a regular basis as it relates to this Mega Project; last meetings held as follows:
 - 20 January 2022 – High level delegation from Urban Mobility Directorate, including the Executive Director and officials of NT and NDOT.
 - 28 January 2022 – High level delegation from Urban Mobility Directorate, including the Executive Director, and officials of NT and NDOT.



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Way Forward

Way Forward - Phase 2A



- Major capital rollout to commence in the 2022/23 MTREF period – close to R1,0 billion.
- Team is busy with tender documents and final design documentation
- W4 and Spine road in final procurement phase
- Investigating the option to fast track E6, E1 and E2 with service relocation

Project Name	Value (Incl VAT and Esc)
IRT Ph2A:W1-Roadwy-Imam Haron/Chichester	R 401 890 480.00
IRT Ph2A:W2-Roadwy-Turfhall Road	R 240 666 282.00
IRT Ph2A:W4-Roadwy-Govan Mbeki	R 500 250 000.00
IRT Ph2A:W5-Roadwy-Ottery Road	R 490 920 455.00
IRT Ph2A:W6-Roadwy-Wynberg Couplet	R 73 423 452.00
IRT PH2A:South Road Construction (W8)	R 365 081 911.00
IRT Ph2A:Trunk-E1-M9 Heinz-Sheffield	R 702 326 739.00
IRT Ph2A:Trunk-E2-M9 Sheffield-Intsikizi	R 523 875 105.00
IRT Ph2A:Trunk-E3-M9 Intsikizi-MorningSt	R 432 852 485.00
IRT Ph2A:Trunk-E4-M9 Morning Star-Mew Wy	R 467 164 268.00
IRT Ph2A:Trunk-E5-Trunk Ext-Spine-C Hani	R 295 747 191.00
IRT Ph2A:Trunk-E6-AZ Berm Stock-MtchplTC	R 470 321 149.00
IRT Ph2A:Trunk-E7-M9 Mew Way-Spine	R 254 205 999.00
IRT Ph2A:Depot Bld Works-Mitchl&Khayelit	R 446 416 000.00



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Construction Completed

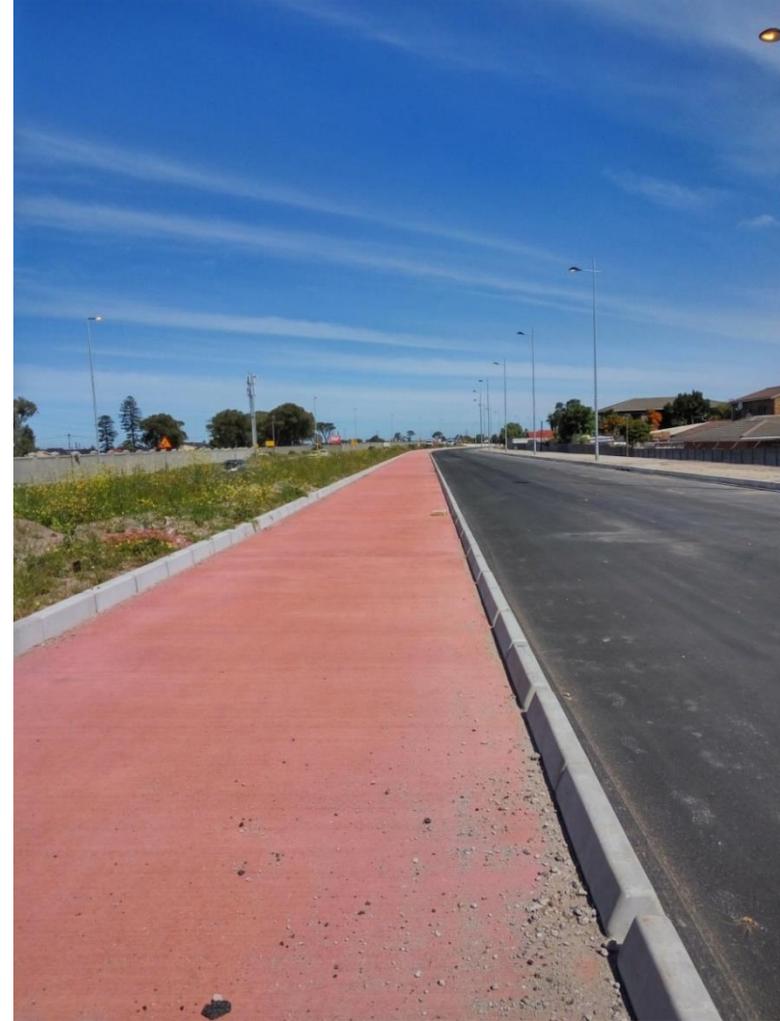
Construction Completed– W3: Jan Smuts road



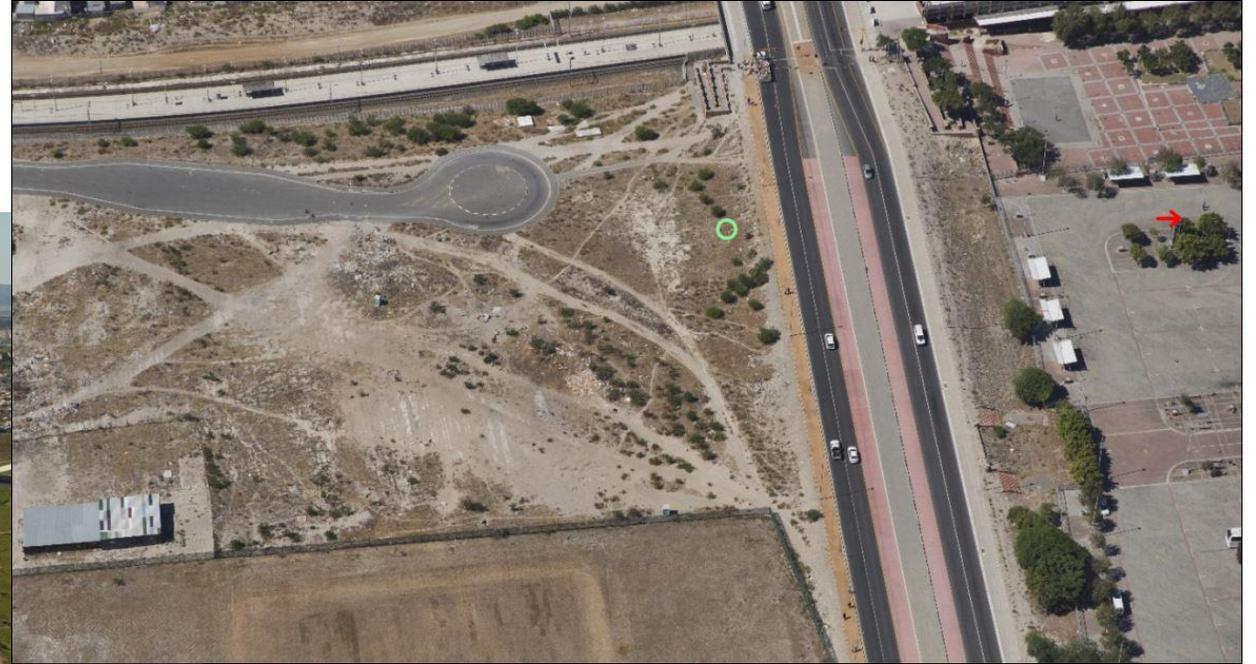
Construction Completed – MP/ Khay depot enabling works



Construction Completed – M17 Strandfontein Rd



Construction Completed – M36 Stock Road



Construction Completed– W3: Jan Smuts road





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Conclusion

Conclusion

- In conclusion:
 - The City of Cape Town is fully committed and ready to deliver against the service delivery objectives of the IRT Phase 2A Bus Rapid Transport Programme – the Programme is still on track and within the Master Programme.
 - There is a dedicated Programme Management Team for Phase 2A within the Urban Mobility Directorate of the City.
 - Supply Chain Management processes have been instituted and many of the Work Packages will be awarded to construction companies in due course – with close to R1.0 billion of construction already been awarded (commencing 1 July 2022).
 - The benefits of this Mega Project are not limited to only improving accessibility to much needed public transport to the metro south-east corridor, but will undoubtedly lead to a significant direct, and indirect economic injection into the economy of the Metro – especially post COVID-19 i.e. indirect and direct job creation.



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Questions