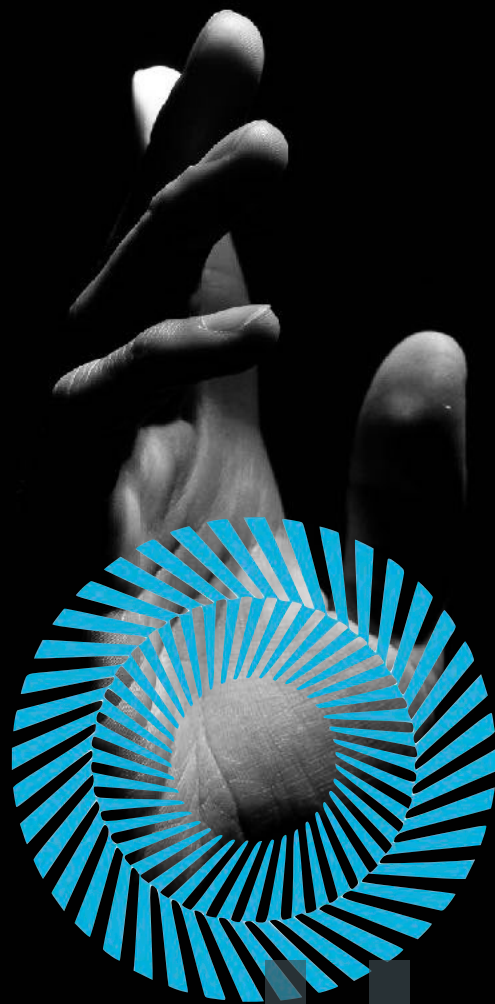




2023
2026

CORPORATE PLAN



Hello.

Corporate Plan 2023-2026

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ABBREVIATIONS AND TERMS

Abbreviation	Term
AGSA	Auditor - General of South Africa
BOC	Board of Control
CRES	Corporate Real Estate
EMU	Electrical Modular Unit
EPCM	Engineering, Procurement and Construction Management
ICT	Information Communication Technology
MLPS	Main Line Passenger Services
MTEF	Medium- Term Expenditure Framework
NDP	National Development Plan
NLTsf	National Land Transport Strategic Framework
OHTE	Overhead Traction Equipment
PRASA	Passenger Rail Agency of South Africa
RSR	Rail Safety Regulator
SCM	Supply Chain Management
SMS	Safety Management System
TFR	Transnet Freight Rail



STRATEGIC OVERVIEW





VISION

Be a recognised provider and manufacturer of safe and reliable public passenger services and products.

MISSION

Provide safe, predictable, consistent, affordable and quality commuter rail, long-haul passenger rail and long - haul intercity bus services.

VALUES



Fairness and Integrity

We treat our customers and our colleagues the same as we would like to be treated.



Teamwork

We work together with our colleagues to achieve a common goal and recognise each other's strengths and contributions.



Service Excellence

We provide the kind of service that meets and exceeds customer expectations.



Safety

We ensure that we work safely, and our customers and colleagues are safe.



Communication

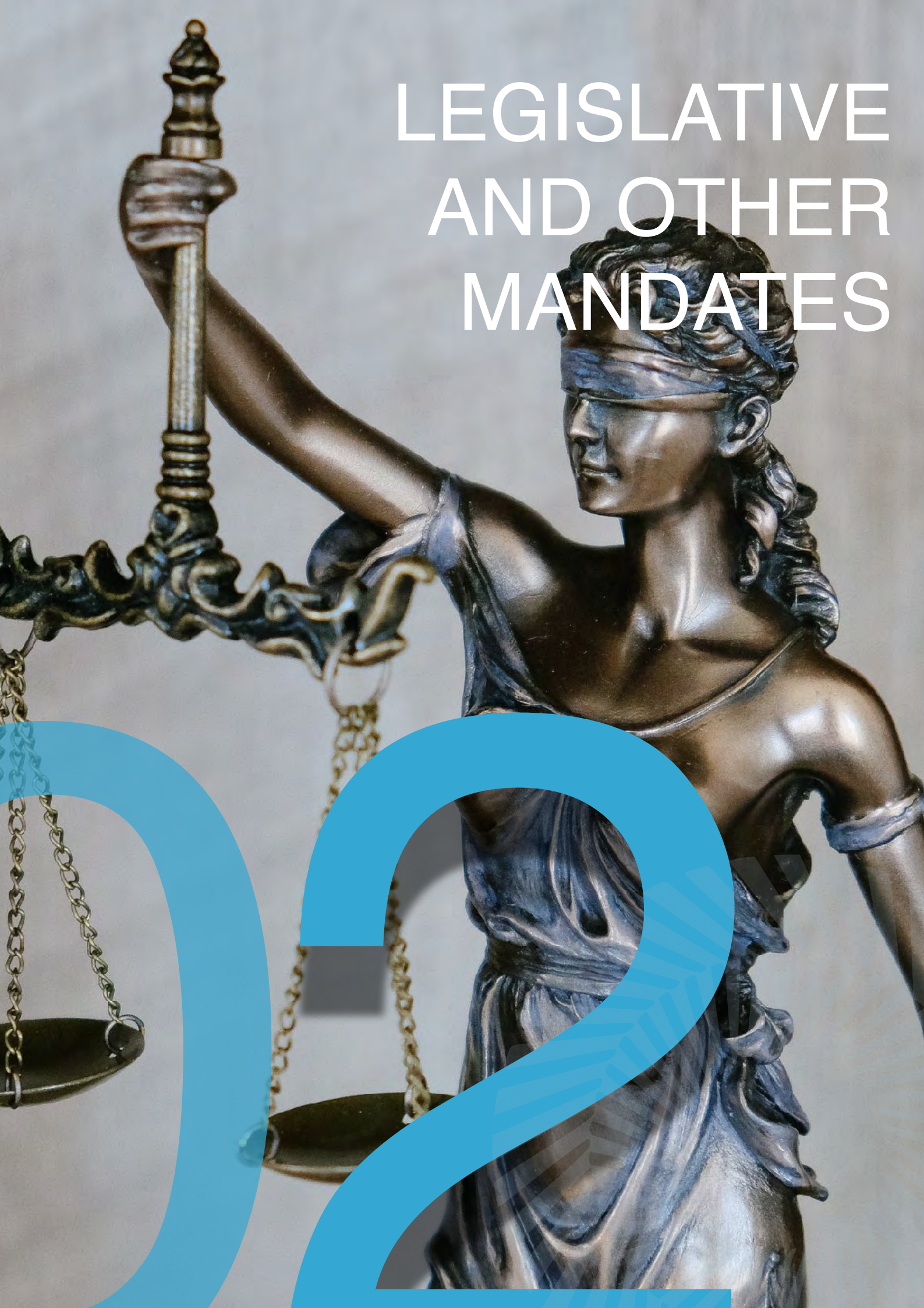
We share information with our customers and colleagues in an open and honest way.



Performance Driven

We are performance driven with the ability to venture into new areas of opportunity whilst offering a quality service to our customers.

LEGISLATIVE AND OTHER MANDATES





LEGISLATIVE MANDATE

PRASA is a Schedule 3B national government business enterprise reporting to the Minister of Transport. It derives its mandate from the Legal Succession to the South African Transport Services Act (1989), as amended.

PRASA's main objectives and business are to:

- a. Ensure that, at the request of the Department of Transport (the department), rail commuter services are provided within, to and from the Republic in the public interest; and
- b. Provide in consultation with the Department of Transport, for long-haul passenger rail and bus services within, and to and from the Republic in terms of the principles set out in section 4 of the National Land Transport Transition Act, 2000 (Act No. 22 of 2000, as amended).

PRASA, in its secondary business or mandate, shall generate income from the exploitation of assets acquired by it, which include real estate and property portfolio.

In addition, PRASA shall ensure due regard for key government includes social, economic and transport policy objectives, including the National Development Plan and the National Land Transport Strategic Framework.

OTHER POLICIES AND ACTS

Other legislation and policies that inform PRASA's mandate are the:

- National Land Transport Act 5 of 2009
- National Railway Safety Regulator Act 16 of 2002
- National Rail Policy White Paper, March 2022

IMPACT OF THE NATIONAL RAIL POLICY

The vision of the National Rail Policy White Paper 2022 is to position “Rail as an affordable, competitive, effective, integrated, reliable, safe, sustainable and valued transport mode that provides the backbone of South Africa’s freight logistics and passenger mobility systems and strengthens its economic growth and social development by 2050.”

The thrust of the policy is twofold. Its **primary intervention** is focused on the revitalisation of the rail sector. Revitalisation of rail will be made through substantial investment that will result in a high-performance rail sector, recapturing its proper contribution to the national transport task. In doing so the overall transport sector’s harmful emissions will be reduced.

For PRASA, the intervention seeks to initiate a railway renaissance by deploying high-speed, contemporary, urban and regional rapid transit, where rail offers the most economically, environmentally, financially and socially viable logistics and/or mobility solution.

The **secondary intervention** of the policy is focused on institutional repositioning.

For PRASA, this means the introduction of competition needs to be considered. This applies especially to concessioning commuter/passenger lines where PRASA cannot offer services, with favourable terms for the private sector to recoup investment over a long time.

In relation to PRASA’s long-distance passenger rail business - Main Line Passenger Services (MLPS) - the policy states that the Department of Transport will assess the ongoing value proposition and competitiveness of the current long-distance services and examine, robustly and objectively, the business case for further investments.

The notable National Rail Policy statements for PRASA are as follows:

- i. The National Rail Policy indicates that the Department of Transport will primarily be responsible for rail planning and oversight of strategic rail network planning as outlined in the published National Rail Master Plan, which is anchored in the NATMAP 2050 Synopsis (to be updated every five years).

Operators such as PRASA will provide information for a detailed knowledge base of passenger flows, network capacity, asset condition, rolling stock fleet, local content and available train slots. For concessioning a mandate, the department will secure a qualified mandate to concession non-core lines identified as strategic in the Rail Master Plan.



PRASA will continue to undertake its own planning for business operations, inclusive of investment business decisions, and will consult with the department to ensure alignment with the National Rail Master Plan and the National Land Transport Strategic Framework. This will impact PRASA's work of strategic network development.

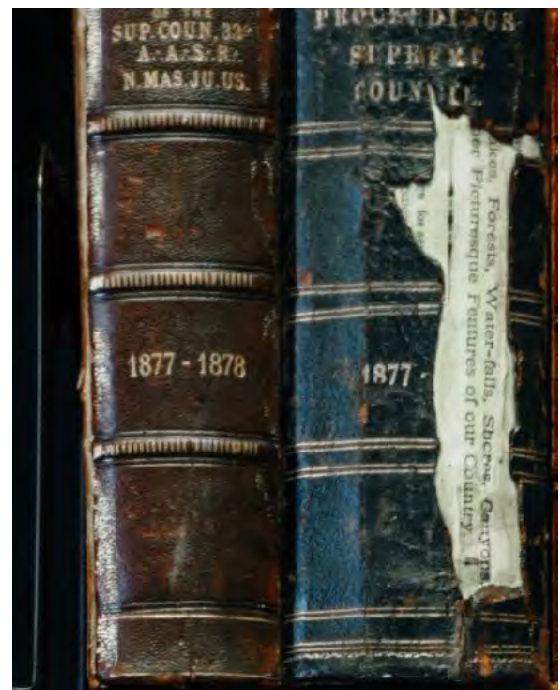
- ii. The rail policy provides a significant opportunity to build and strengthen local manufacturing capacity in South Africa through industrialisation and the local production of steel and other inputs, rail lines and supplies and rolling stock. This is promoted through policies that will require the state and private operators to procure all supplies from South African-based manufacturers. The implementation of this statement will impact the procurement of supplies for rail.
- iii. The policy statement around rolling stock to build and strengthen local manufacturing capacity in South Africa fits with PRASA's current Rolling Stock Renewal Programme. The programme will allow the Agency to create an additional funding source if extra capacity is provided to the private sector through leasing of rolling stock to other parties. This will be incorporated into PRASA's longer-term strategy.

The policy indicates several enabling interventions specific to passenger rail, namely:

- i. The expansion of the current urban rail network, where municipalities should consider the development of other light rail systems through flexible and guiding policy, strategy and grant frameworks. This will support the development and operation of viable and sustainable public transport within the full spectrum of urban guided transport modes. This will form part of PRASA's planning for investment in the future, in conjunction with local authorities and the central planning function at the Department of Transport.
- ii. The department will assess the ongoing value proposition and competitiveness of the current long-distance services (MLPS) and examine, in a robust and objective manner, the business case for further investments in long-distance services.

In terms of the future of urban rail, the policy interventions address the following:

- i. A devolution strategy to be developed by the department in alignment with the Integrated Urban Development Framework. This will be followed with the capacitation of municipalities as necessary, and devolve operational subsidies for urban commuter rail to be managed as part of their comprehensive, integrated transport plans.
- ii. PRASA will continue to manage the operations and maintenance of their urban rail systems until the devolution strategy is developed, promulgated and implemented. The government recognises PRASA's substantial commitments to recapitalise the commuter rail fleet and that a stable setting is required for the project development phase. The next phase of urban rail positioning through devolution will be initiated once the strategy for the devolution of urban rail has been concluded and approved.



- iii. Concessioneering of passenger rail lines in support of the government's strategic objective of the movement of passengers from road to rail is allowed with this policy and will be done in consultation with PRASA, which remains the owner of the rail infrastructure.
- iv. PRASA must develop the capability to attract and manage sophisticated funding vehicles, including with municipalities, provinces and private sector participation.

PRASA views the National Rail Policy as a facilitator of progressive strategic thinking in as far as the future of rail in South Africa is concerned. As such, the Agency's plans in the medium to long-term will be geared towards fulfilling the ambitions and goals of the policy. Within 2023/24 financial year, PRASA will commence with the identification of Metrorail and MLPS lines for concessioneering and develop proposals in this regard.





SITUATIONAL ANALYSIS

President Cyril Ramaphosa in his 2020 State of the Nation address stated that “a key priority of fixing commuter rail is vital to the economy and the quality of life of our people”. To this end, PRASA has been hard at work and continues to do so, to realise this commitment with progress being closely monitored by the Minister of Transport and other stakeholders on an on-going basis, including the users of this much needed service.

PRASA has suffered years of continuous vandalism and theft exacerbated by the COVID-19 pandemic further exposing the system, rendering it inoperable and negatively affecting scores of commuters who solely depend on commuter rail transportation.

The commitments made by the government led to the execution of the country’s major commuter rail Rebuild and Recovery Programme. The rebuilding work comprises major construction projects, whilst recovery work is to restore, in the main, Overhead Traction Equipment (OHE) and stations.

To mitigate the impact of lack of rail services on communities, PRASA has adopted an approach to reopen lines with limited or partial operations as soon as minimum safety requirements are met. This covers rebuilding, especially in Gauteng, as well as recovery of rail lines in KwaZulu-Natal following the devastating floods in April 2022.

Although several lines were re-opened in the Western Cape, two lines in the Central Line corridor still have illegal settlements which must be relocated. For a period of two and a half months from the end of August 2022, contractors halted work on the lines due to gang-related security incidents. Relocating illegal settlements remains a complex process that involves costly legal intervention and intergovernmental coordination.

However, significant progress has been made from January 2022 to January 2023, where several lines have been opened with partial operations. The table below reflects the lines in operation with electrical traction:

PROVINCE	RAIL LINE	DATE RE-OPENED	TRAIN SETS
Gauteng	Pretoria to Mabopane	17 Jan 2022	EMU
	Pretoria to Saulsville	29 Jan 2022	EMU
	Pretoria to Pienaarspoort	3 Oct 2022	EMU
	DeWildt to Hercules	24 Oct 2022	EMU
	Johannesburg to Naledi	28 Nov 2022	EMU
Western Cape	Cape Town to Simon's Town	3 Mar 2022	EMU
	Cape Town to Retreat via Athlone	3 Mar 2022	EMU
	Cape Town to Bellville via Goodwood	16 Mar 2022	Yellow & Grey
		29 Nov 2022	EMU
	Cape Town to Bellville via Monte Vista	13 Dec 2022	EMU
	Cape Town to Bellville via Sarepta	1 Aug 2022	Yellow & Grey
	Langa to Pinelands	1 Aug 2022	Yellow & Grey
	Bellville to Eerste Rivier	16 Jan 2023	Yellow & Grey
KwaZulu- Natal	Durban to Umbogintwini	15 Aug 2022	Yellow & Grey
	Durban to Cato Ridge	7 Nov 2022	Yellow & Grey
	Umlazi to Reunion	23 Jan 2023	Yellow & Grey

The table also reflects the progress made in reinstating services in KwaZulu Natal following the floods of April 2022.

The roll-out of the integrated security plan has been very successful and the number of occurrences of security incidents remains on a declining trend. Safety occurrences remain low, aided by the low level of services provided. Intensive work to enhance a safety culture in the organisation remains a focus.

The rolling stock fleet renewal programme remains one of the success stories for rejuvenation of commuter rail. At the end of Q3 2022/23 130 new train sets had been delivered in this programme.

Following its successful application to the Companies and Intellectual Property Commission, the business rescue process for Autopax is currently underway. An evaluation conducted by the business rescue practitioners indicated that the company's business plan is feasible and sustainable; however, this largely depends on shareholder funding and support. In order to support Autopax, the Board approved the recapitalisation of buses, which is awaiting approval by the shareholder.

Mainline Passenger Services depends on repairs to Transnet's infrastructure and reliable locomotives. Since December 2021, services have remained of poor quality in the main Transnet network. The cost of leasing locomotives was expensive, which combined with low occupancy levels during the year, resulted in services being limited to high peak periods coinciding with major holiday periods. A business case developed internally highlighted the supply side of the business and the need for a comprehensive market study to determine the future feasibility of long-distance rail. This also focuses on the National Rail Policy White Paper requirements that MLPS needs to be competitive. A robust and objective business case optimising and integrating services with that of Autopax will be required to determine decisions to optimise and consolidate longer term future investments in long-distance services.

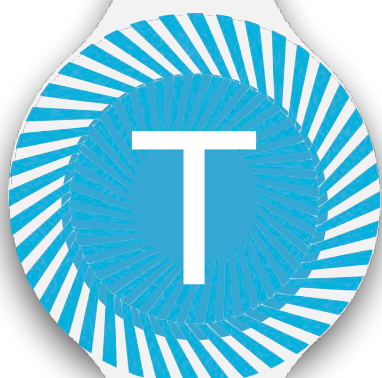
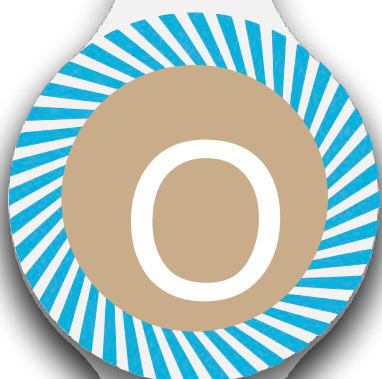
On the part of the secondary mandate, PRASA finalised, a co-investment into a commercial development in Cape Town, as part of Station Redevelopment. The co-investment of 25% (R351 million) undivided share in the development of the top structure, is of great significance for Intersite Investments as this is the first ever co-investment made by the Group. The top structure consists of student accommodation comprising 3 134 beds and around 7 000m² of retail space. The anticipated construction completion date is November 2023 and good progress has been made to date.

The related revenue flowing out of the co-investment will be realised as from January 2024.

From an operational expenses perspective, PRASA's financial position is precarious. While the agency is asset rich, it could be better in financial resources. Operating revenues declined significantly between 2013/14 and 2019/20 (pre COVID-19) by 72%, and after the lockdown between April 2020 and June 2020 by 88% due to the destruction of assets. This resulted in PRASA being able to transport 1% of its commuter passengers in 2020/21 and 2% in 2021/22 compared to 2013/14. This decline resulted in fare revenue from Metrorail making up only 5% of the revenue of R1,99 billion of 2013/14 in 2021/22. PRASA is dependent on most of its operational revenue from the interest on unspent capital and revenue from CRES and Autopax. With capital spending increasing as a result of re-opening lines, the interest will be affected, putting PRASA's operational finances on a knife edge.



SWOT ANALYSIS



- Continued support for PRASA's modernisation programme through the provision of capital grants
- Ability to articulate challenges and solutions
- Commitment of staff to improve operations
- Board stability and leadership
- Electrical Modular Units provide a quality service with recovered infrastructure and enhanced security
- Security strategy is paying off with few incidents on interventions implemented in Mabopane corridor and Central Line since November 2022
- National property portfolio with development opportunities and a captive market for retail at stations
- Inability to prioritise and sequence plans to ensure attainable timelines for implementation of capital programmes
- Budget constraints - personnel costs account for the bulk of expenditure, leaving minimal budget for other expenses. A large number of unproductive staff remain on the payroll, as only 17 corridors of Metrorail (of the original 40), are currently in operation and only two of seven corridors in MLPS are operational
- Loss of commuter and passenger base due to poor service prior to 2020, the COVID-19 pandemic and post 2020 destruction of corridors. This has resulted in significant loss of revenue and the inability to cover external costs associated with revenue collection
- Lengthy procurement processes
- Limited in-house capacity and capability, especially for implementation of capital programmes and maintenance (ICT and engineering disciplines)
- Irregular expenditure
- An open network that is vulnerable to vandalism, theft, fare evasion and trespassing
- One-year safety permit
- Technical insolvency from an operational funding perspective
- Lack of clear and concise re-positioning strategy
- Renewal of assets in addition to resignalling, fleet renewal and depot modernisation for improved services
- Building of closed operating tunnels that will protect assets, commuters and staff, prevent trespassing and reduce fare evasion
- Implementation of a operating model that will create efficiencies
- To alleviate some of the pressure on operational expenditure
- Promotion of the economic benefits of rail services
- Use of technology to improve efficiencies and improve security.
- Cost effectiveness of rail transport in comparison to other modes of transport and their related fuel costs
- Opportunities with the private sector on development of station precincts, commercialisation of stations as well as opportunities to generate money from other assets in PRASA
- Crime, theft and vandalism
- Actions of competitors in the public transport service when rail services recover and market grows
- Illegal occupation of PRASA land and reserves
- Climate change, particularly severe flooding, which results in extensive damage to infrastructure
- Severely constrained global supply chains that impact the Rolling Stock Renewal Programme, the Resignalling Programme, and the procurement of ICT equipment and commodities, such as steel and copper
- Wars/conflicts impacting supply chains, especially for equipment and parts in new rolling stock, signaling, electrical and information technology
- Tender Hijacking poses a significant threat to the timely execution of the capital programme
- Political unrest
- Increasing fuel prices

PESTLE ANALYSIS

Economic

- The continued increase in fuel prices has put strain on South Africans in transport costs and rising costs of consumer goods, especially food. This makes commuter rail more attractive to commuters. PRASA's rebuilding programme will therefore add value to the lives of communities as the services are rolled out. Recovering passengers in the short term will, however, be limited by the number of trains scheduled, especially in peak periods when most commuters travel
- Unemployment, especially among the youth, increased dramatically since COVID-19
- Electricity supply remains unstable. Although PRASA is an essential service, the areas where power is supplied by municipalities are at risk
- Structural deficiencies with electricity, rail, ports and water infrastructure in South Africa are a major constraint on economic growth
- The economic outlook for South Africa is well anchored in its macro economic policy. In the past, fiscal consolidation (e.g., budget discipline and tax collections) was higher than expected, driven by global commodities demand, which lowered the budget deficit and allowed implementation of more structural reforms. On the other hand, negative factors which will continue to put brakes on economic growth include increasing inflation, the high cost of living, reduced competitiveness of exports and fiscal risks such as the weakening financial position of state-owned entities, reliance on commodity prices for revenue collection and public sector wage increases

Political

- The ANC conference in December 2022 again elected the Honourable President, Mr C. Ramaphosa to remain its leader for the upcoming 2024 national elections. This means stability in the ruling party with stability in policy
- The current Minister of Transport, the Honourable Mr F. Mbalula, was elected as the ANC's Secretary-General. It is likely that this will result in a change in the Ministry of Transport.
- The Rail Policy approved by cabinet in March 2022 will ensure stability for the organisation



- Infrastructure investment previously driven by high private sector investment and low public sector investment is set to change, with the public spending on infrastructure in rail (PRASA included), road and water. Energy sector reforms will create an enabling environment for both domestic and foreign direct investment
- South Africa's economy will be affected by weakening global growth. Global growth in 2022 was negatively affected by China's zero tolerance to COVID-19, which blocked growth in the world's second largest economy. In addition, the Russia/Ukraine war has resulted in increased inflation in western economies, which also increased interest rates
- The hostilities between China and Taiwan remain volatile. Due to the impact of COVID-19 on China over the last few months, aggression by China will be tempered down

Social

- Rapid urbanisation and increasing land grabs in metropolitan areas on the one hand, and increased potential ridership on the other, also result in illegal occupancy of the rail
- Crime remains rampant as evidenced by the continued vandalism and theft. It will cost PRASA around R2,5 billion per annum to continue to secure rebuilt and recovered infrastructure.
- The prevalence of gang -controlled areas around rail services, especially in the Western Cape, resulted in additional security intervention units being deployed to ensure the Central Line is rebuilt. The security will remain in place after construction is completed
- Communities suffering from unemployment and impacted by the high cost of living and expensive transport are eager for job opportunities on projects PRASA is implementing.
- These opportunities are however limited and require, in some instances, specific skills that limit the ability of communities to access these jobs. All efforts are made through Stakeholder Management to ensure that agreements are reached with communities on job opportunities so that projects can be implemented

Technological

- Energy constraints, both electrical and fuel, are driving new solutions for energy.
- Alternative power generation through solar, wind and hydrogen provides for South Africa.
- From a rail perspective, generation of power through hydrogen is gaining momentum.
- Technology in signalling and interfaces with trains provides opportunities for autonomous trains in the future. Whilst PRASA is busy replacing its vandalised signalling and implementing new signalling for KwaZulu-Natal, other technology improvements such as in cab signalling are in the pipeline
- Growth in the use of technologies such as passenger information systems, ticketing management systems, security and surveillance systems, operations management systems and asset management systems will enable rail to contribute to demand for public transport and a reduced carbon footprint. PRASA has included the bulk of these technologies in its digitisation strategy
- Automation to improve asset efficiency, monitoring, maintenance, as well as delivering an improved passenger experience and reliability, will enable passenger rail services to exceed customer requirements
- Artificial intelligence will enable efficiencies in train scheduling and yard efficiency



Environmental

- Climate change is expected to increase the risk and severity of water scarcity and drought across South Africa in the long term (World Bank Report, 2021). The bank also projects increased frequency of intense rainfall events that will increase the risk of floods. The top three climate-related threats in South Africa are droughts, floods and wildfires. The primary challenges for South Africa are water resource availability, changing rainfall patterns and increasing population demands. PRASA's rail system has experienced the results of droughts (Western Cape) and floods (KwaZulu -Natal in the main), with floods resulting in significant damage to infrastructure. As the rail system is being modernised and rebuilt, the impact of climate disasters needs to be considered in the design and construction of the system.



Legal

PRASA's legal landscape is impacted by the following regulations:

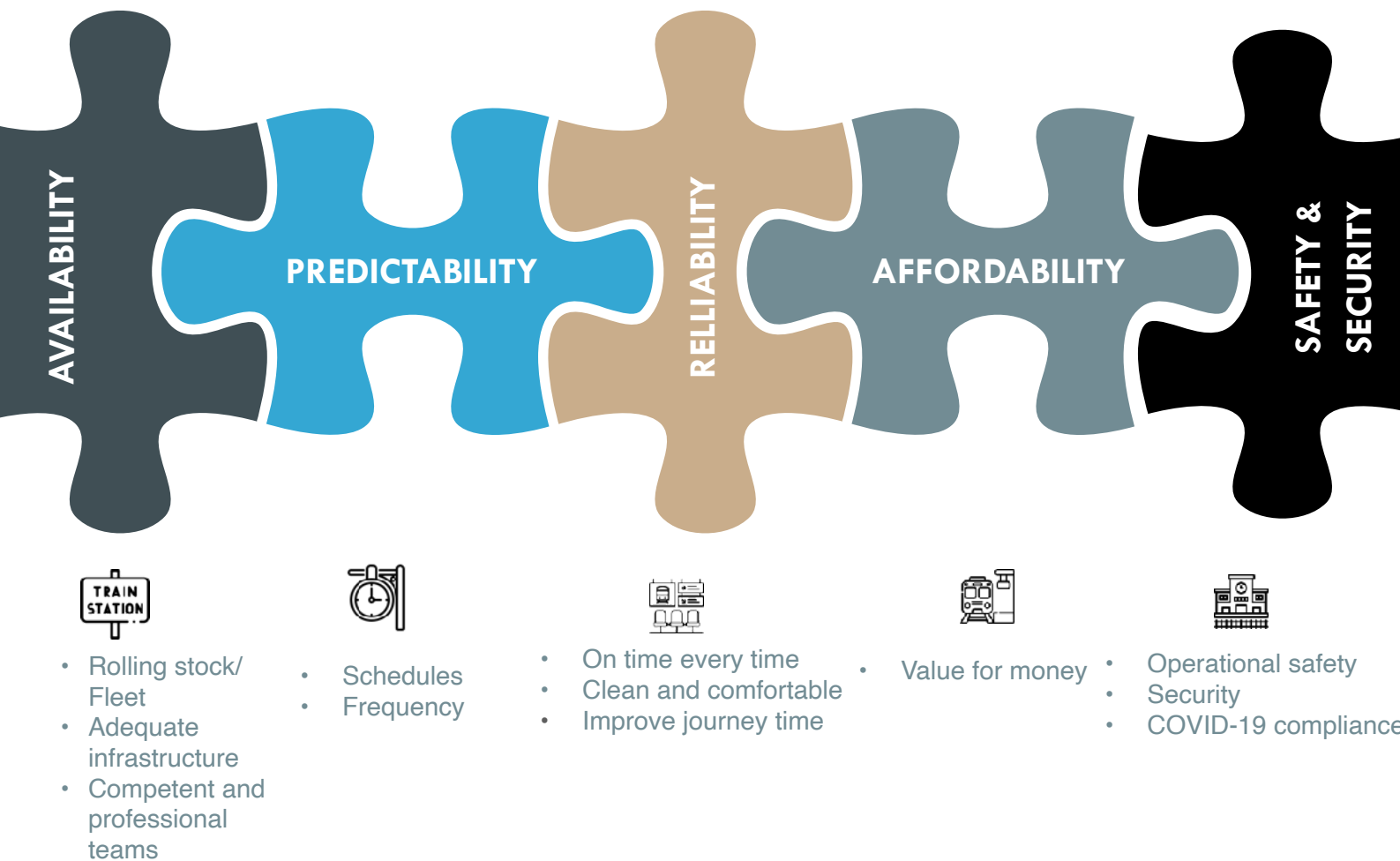
- New Railway Safety Act, which places the total burden of security on operators sector investment and effective economic regulation to enable equitable access to both the primary and secondary network.
- The Railway Safety Bill, 2021 - the National Railway Safety Regulator Act, 16 of 2002 (the "Act") is set to be amended by the Railway Safety Bill, 2021 ("the Bill"). The Bill retains the structure of the Act and operators such as PRASA are still expected to ensure the infrastructure security which has been the subjected to grave vandalism and destruction.
- The new Preferential Procurement Regulations 2022 and the Public Procurement Bill are expected to be legislated in 2023, starting with an introduction into Parliament in March 2023. The Bill will repeal the Preferential Procurement Policy Framework Act, 2000 and associated regulations
- Economic Regulation of the Transport Bill, 2020 is intended to bring competition and introduce private sector investors in public transport.

STRATEGIC INTENT



STRATEGIC INTENT

Service to the customer is at the heart of what PRASA is mandated to deliver. Through our service recovery, safety and security programme, modernisation and secondary mandate, our intent is to be the nucleus of passenger transport. PRASA endeavours to achieve a customer - centric culture where all functions of the business work towards fulfilling the needs of the communities we serve. The business is committed to prioritising and emphasising customer - centric programmes aimed at driving value for our customers and employees. The value proposition of consistently good services to passengers in both bus and rail is depicted below:





PASSENGER SERVICE CHARTER

The Passenger Service Charter provides a set of aspirational norms and standards for service quality across all PRASA brands that include Metrorail, Premier Classe, Translux, Shosholoz Meyl, and City to City. We endeavor to provide you with:

SAFETY AND SECURITY

- Investigate reported incidents within 24h
- Cooperate fully with law enforcement and prosecutorial agencies.
- Provide an independent whistleblower telephone line and email facility.
- Publicly publish the outcomes of investigations once they are concluded.
- Maintain our infrastructure, trains and vehicles in accordance with legal prescripts.

CUSTOMER INFORMATION

- Disseminate service information across multiple platforms.
- Publish the most up to date timetables.
- Inform customers of service disruptions within 10 minutes of a verified disruption.
- Publish up to date fare structures.
- Provide adequate and clear signage within and around each station or stop.
- Provide timetable information and a map of services at each station and stop.
- Provide service information on-board all our services.
- Ensure that every Customer Services personnel, and information desk has the most up to date information about the status of our services.
- Obtain information from customers on how to improve dissemination of information.

SERVICE RELIABILITY

- Departure and arrival times will not deviate from the timetable by more than 10 minutes.

- Where services deviate by more than 10 minutes from the published times, this will not be more than 10% of services provided in any given year.
- Passengers will be informed of any timetable deviation through all our official platforms.
- Where possible, an alternative service will be provided in case the primary service is experiencing a failure of more than 3 hours.
- Where external factors affect the punctuality and reliability of services, we will make every effort to minimise the inconvenience to customers.
- We will publish performance on service reliability on a weekly basis across all our official information platforms.

CLEANLINESS AND CONDITIONS OF FACILITIES AND VEHICLES

- Stations will be cleaned daily.
- Our trains and buses will be cleaned daily.
- Out of service ablution facilities, lifts ramp, escalators, broken windows, station lighting, floor tiles, roller shutter doors and manhole covers and other unserviceable installations will be repaired within 72 hours of a reported incident.

JOURNEY COMFORT

- Daily inspections will take place to ensure that all our trains and vehicles have adequate ventilation, heating and lighting.
- Our drivers have been fully trained in safe driving techniques to maximize customer comfort.
- All our trains and vehicles are driven with proper regard to the comfort and safety of our customers.
- Crowding does not exceed 5 persons per square metre.

JOURNEY CONVENIENCE

- We will provide ticketing infrastructure that allows payment across multiple fare media.

- We will coordinate our timetable with other operators to ensure that, at designated interchange facilities, where we have services with headways of more than one hour, the departure and arrival of our services allow for connection with other major services.
- We will maximise the number of available outlets to purchase journey tickets or load fare media. Tickets are available at stations and appointed agents, whose names and locations are available from our website (www.prasa.com).
- We will make every effort to match seat availability to customer demand.
- Seat reservation is only available on selected services that include Autopax, Premier Class, Shosholoz Meyl (Sitter and Sleeper) travel classes.

UNIVERSAL ACCESSIBILITY


- We will make every effort to ensure a high level of accessibility of our stations and stops at selected stations and stops.
- Selected stations will provide facilities for persons with reduced mobility.


CUSTOMER COMMENTS AND COMPLAINTS

- Our employees will treat our customers in a courteous, respectful and fair manner in line with our Code of Conduct and established values.
- All our Customer Care Officials are clearly identifiable wearing full uniform with name badges bearing the company logo.
- We will respond within 72 hours to customer complaints and suggestions.

Scan the QR code to access the full Passenger Charter on the our website.

www.prasa.com
0800 65 63 63 (toll-free)

 @PrasaGroup

 Prasa Group



STRATEGIC OBJECTIVES



The strategic objectives for the period of the Medium-Term Expenditure Framework (MTEF) are:

- i. Acceleration of service recovery through infrastructure rebuild and recovery, optimising recovered lines and route rationalisation that results in patronage increase, with due regard for available operational funding.
- ii. Enhance and embed a culture of safety in the organisation, particularly operational safety, resulting in PRASA's ability to earn and maintain credibility with the Railway Safety Regulator (RSR) and improve security operations to protect people and assets.
- iii. Modernise assets to enable future operations through fleet renewal, depot modernisation, resignalling as well as other infrastructure programmes renewals.
- iv. Achieve financial sustainability through real estate development, other revenue sources and cost structures that are fit for purpose.
- v. Enable transitioning to a digital organisation through stabilisation of the infrastructure, obtaining the technology and skills required, as well as rebuilding of the core systems (i.e., SAP, ticketing) and increasing productivity.
- vi. Ensure operational excellence in all support areas of the business that are efficient, effectively support the primary mandate and address governance and compliance.
- vii. Address external stakeholders' needs through communication and stakeholder management to benefit PRASA as well as communities, and ensure productivity of the workforce through performance management, consequence management and skills development.

PILLARS FOR STRATEGY EXECUTION



01.

Acceleration of
Service Recovery

02.

Enhancing Safety and
Security

03.

Modernisation of Assets

04.

Financial Sustainability

05.

Digital Transition

06.

Operational Excellence and
Governance

07.

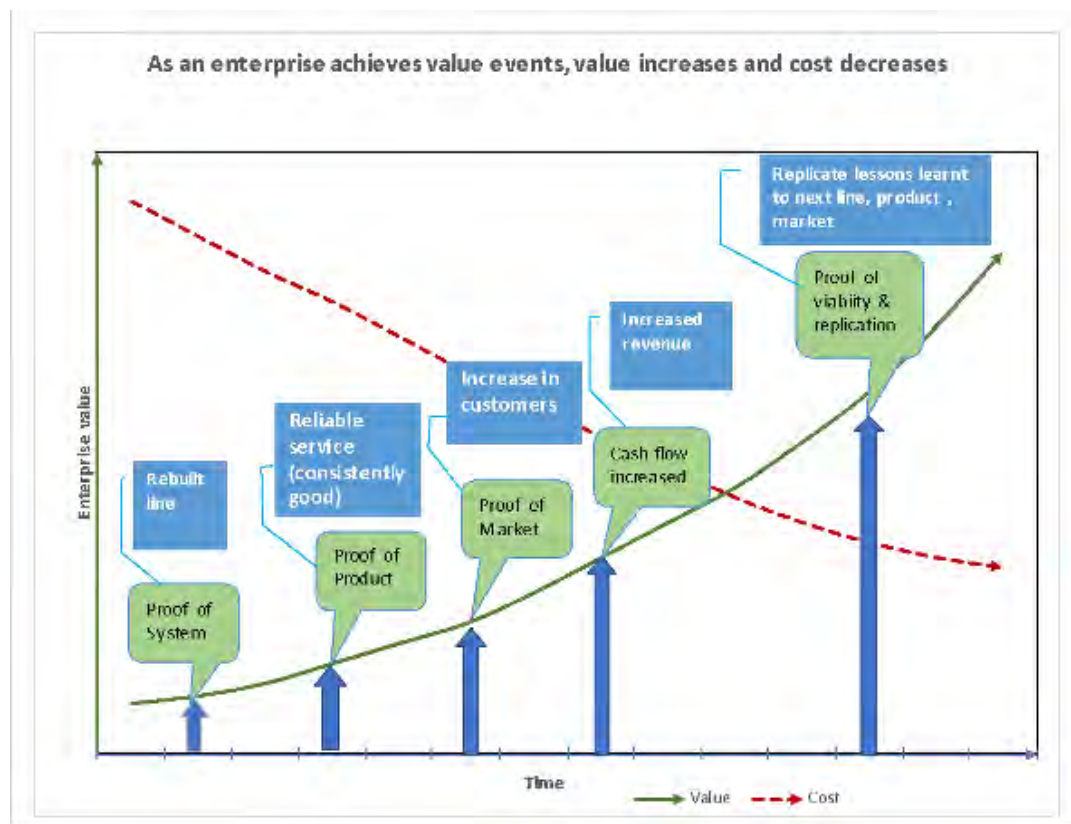
Human Capital and Stakeholder
Management

STRATEGIC EXECUTION PLANS

4

STRATEGIC EXECUTION PLANS

A value event approach has been adopted to achieve the value proposition for commuters and passengers, which forms part of PRASA's rebuild and recovery plan. Each event or phase creates viability on the journey, from rebuilding to service recovery capability. PRASA's value and credibility is expected to increase as phases are completed, which will be proven by evidence-based performance. The value event process is depicted in the figure below.



The value event process also reflects that PRASA needs to “proof” its system (rail/road) for each line or route before operation of commercial services begin. With the resumption of services, the proof of the product (a consistently good service) will be established and result in an increase in passengers (proof of market acceptance) that will drive cash flow.

ACCELERATING SERVICE RECOVERY

This objective focuses on acceleration of service recovery through infrastructure rebuild and recovery, optimising recovered lines and route rationalisation that results in patronage increase, with due regard for available operational funding. The objective includes the rebuild and recovery programme of rail lines.

REBUILD AND RECOVERY OF RAIL LINES

The phased Corridor Recovery Programme focuses on the execution and completion of critical capital programmes of replacing the OHTE, substations and perway. Station basic functionality with signalling and telecommunications and full station functionality form part of phase 2.

The table below shows the status of the corridors and lines from the period 2021/22 to 2022/23:

RAIL LINE	DATE RE-OPENED	TRAIN SETS
1. Pretoria to Mabopane	17 Jan 2022	EMU
2. Pretoria to Saulsville	29 Jan 2022	EMU
3. Pretoria to Pienaarspoort	3 Oct 2022	EMU
4. De Wildt to Hercules	24 Oct 2022	EMU
5. Johannesburg to Naledi	28 Nov 2022	EMU
6. Cape Town to Simon'sTown	3 Mar 2022	EMU
7. Cape Town to Retreat via Athlone	3 Mar 2022	EMU
8. Cape Town to Bellville via Goodwood	16 Mar 2022 29 Nov 2022	Yellow & Grey EMU
9. Cape Town to Bellville via Monte Vista	13 Dec 2022	Yellow & Grey EMU
10. Cape Town to Bellvila via Sarepta	1 Aug 2022	Yellow & Grey
11. Langa to Pinelands	1 Aug 2022	Yellow & Grey
12. Bellville to Eerste Rivier	16 Jan 2023	Yellow & Grey
13. Durban to Umbogintwini	15 Aug 2022	Yellow & Grey
14. Durban to Cato Ridge	7 Nov 2022	Yellow & Grey
15. Umlazi to Reunion	23 Jan 2023	Yellow & Grey
16. Pretoria to Kaalfontein	31 Mar 2023	Yellow & Grey
17. Langa to Nyanga	31 Mar 2023	Yellow & Grey

PRESIDENTIAL LINES

In Gauteng, a full service in-peak and off-peak hours on the Pretoria to Mabopane line was introduced on 17 January 2022, albeit with limited train frequencies and stations.

The intention is to increase the number of rebuilt stations and re-introduce full signalling between the Mitchel Street and Pretoria stations, the section of the line which is currently the main reason for limited train frequencies. After extensive negotiations, the lead time for signalling equipment is now ten (10) months. Completion of the works is expected by August 2023, subject to contract conclusion and finalisation of the dates. Therefore, an increase in train frequencies can be expected after Q3 of 2023/24.

The Central Line in Western Cape has several sections, with Cape Town to Langa in operation from 2021, Langa to Bellville via Sarepta, and Langa to Pinelands in operation from 1 August 2022. Construction is underway to extend the service between Langa and Nyanga for operation by the end March 2023. Work has commenced on the sections post Nyanga, which includes Philippi. However, the matter of illegal settlements in this line is still outstanding. Although removing the illegal settlements on the line has gained momentum since the start of the financial year, resistance to the move by communities remains. If the illegal settlements can be relocated PRASA will be able to render a service from Quarter 3 2023/24 on the lines Langa to Khayelitsha / Chris Hani and Langa to Kapteinsklip that will provide mobility access for communities to Cape Town.

The work on this line has been subject to additional risks from the criminal elements in the Western Cape that threaten the safety of contractors and progress. Between 29 August 2022 and 14 November 2022, contractors stopped work as a result of crime that threatened the safety of staff. A security intervention implemented by PRASA at the start of November 2022 resulted in stabilisation of the environment, enabling contractors to return on site.

This line provides full operations in peak and off-peak with abnormal train working rules that restrict

train frequencies for safety reasons. The contract for re-signalling of the line which stopped in June 2021 is expected to commence as soon as all processes for approval are complete. This will, however, be subject to the removal of the illegal settlements.

KWAZULU-NATAL FLOOD RECOVERY

In 2021, KwaZulu-Natal recovered services from Durban to Umkomaas, Cato Ridge, Umlazi, KwaMashu and Bridge City. The latter was reduced to Duffs Road after the riots in July 2021.

In April 2022, the region was hit by severe rains and flooding, which resulted in the destruction of rail infrastructure. The entire service was suspended at the end of April 2022.

Due to the extent of the damage to the infrastructure, the recovery of the affected lines has been delayed. The return of services from Durban to Merebank resumed on 1 June 2022, later to Isipingo on 25 July 2022, and finally extended to Umbogintwini on 15 August 2022. A single train service covering the morning and afternoon peak hours from Durban to KwaMashu was introduced on 6 June 2022, followed by a similar service to Tongaat on 5 August 2022. Both services are diesel hauled.

The Durban to Cato Ridge line was reintroduced on 7 November 2022. The introduction of this particular line was impacted negatively by the prolonged Transnet strike causing major delays on operations. This was later followed by the Durban to KwaMnyandu extended to Umlazi in January 2023.

The service between KwaMashu and Durban is currently operated with diesel traction between Dalbridge and Durban.

RAIL LINE REBUILDING AND RECOVERY OVER THE MTEF

The focus for the 2023/24 financial year will remain on the priority corridors. The corridors opened with limited services are prioritised to be completed in full in the ensuing years of the MTEF to enable PRASA to offer more trains, especially in peak periods, stopping at all stations to increase ridership and increase desperately needed fare revenue for the sustainability of the organisation.

Whilst the priority lines remain the focus, PRASA has also reinstated secondary lines where work was conducted by internal teams. The plan for the rebuild and recovery of some of the rail lines over the 2023/24 is as follows per region:

GAUTENG

LINE		PRIORITY	PLANNED RE-INTRODUCTION
1	Johannesburg – Leralla	1	Q1 23/24
2	New Canada – Residensia	1	Q4 23/24
3	Daveyton – Dunswart – Germiston**	1	Q4 23/24
4	Germiston – Elsburg - Kwesine	1	Q2 23/24
5	Johannesburg – Springs **	2	Q4 23/24
6	Johannesburg - Randfontein	2	Q4 23/24
7	Belle-Ombre – Capital Park – Koedoespoort	3	Q2 23/24
8	De Wildt- Belle-Ombre	3	Q3 23/24

** These two projects are dependent on the reconstruction of the bridge in Boksburg, destroyed in an explosion on 24 December 2022.

WESTERN CAPE

LINE		PRIORITY	PLANNED RE-INTRODUCTION
1	Cape Town – Khayelitsha / Chris Hani **	1	Q3 23/24
2	Cape Town to Kapteinsklip **	1	Q3 23/24
3	Cape Town – Eerste Rivier - Strand	2	Q3 23/24
4	Eerste Rivier - Muldersvlei	3	Q3 23/24

** These two projects are dependent on the removal of illegal settlements that have been in progress since 2020.

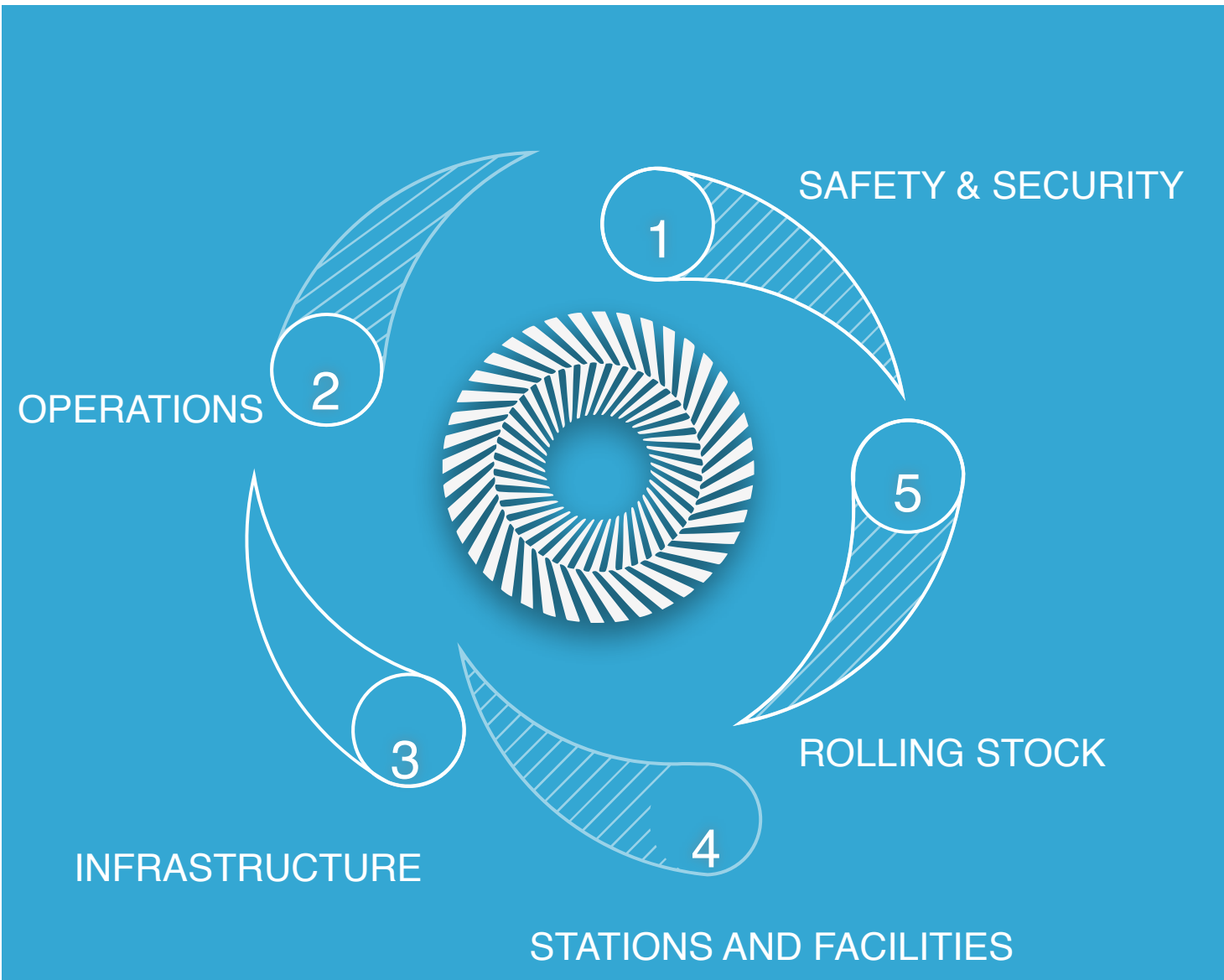
KWAZULU NATAL

LINE		PRIORITY	PLANNED RE-INTRODUCTION
1	Durban – Bridge City	1	Q3 23/24
2	Durban – Kelso (Umbogintwini)	2	Q4 23/24
3	Durban – Crossmoor	2	Q3 23/24
4	Durban – Pinetown	3	Q3 23/24

EXECUTION OF THE REBUILDING PROGRAMME

A war room has been established to bring planning, alignment and execution into one room with key decision makers in attendance.

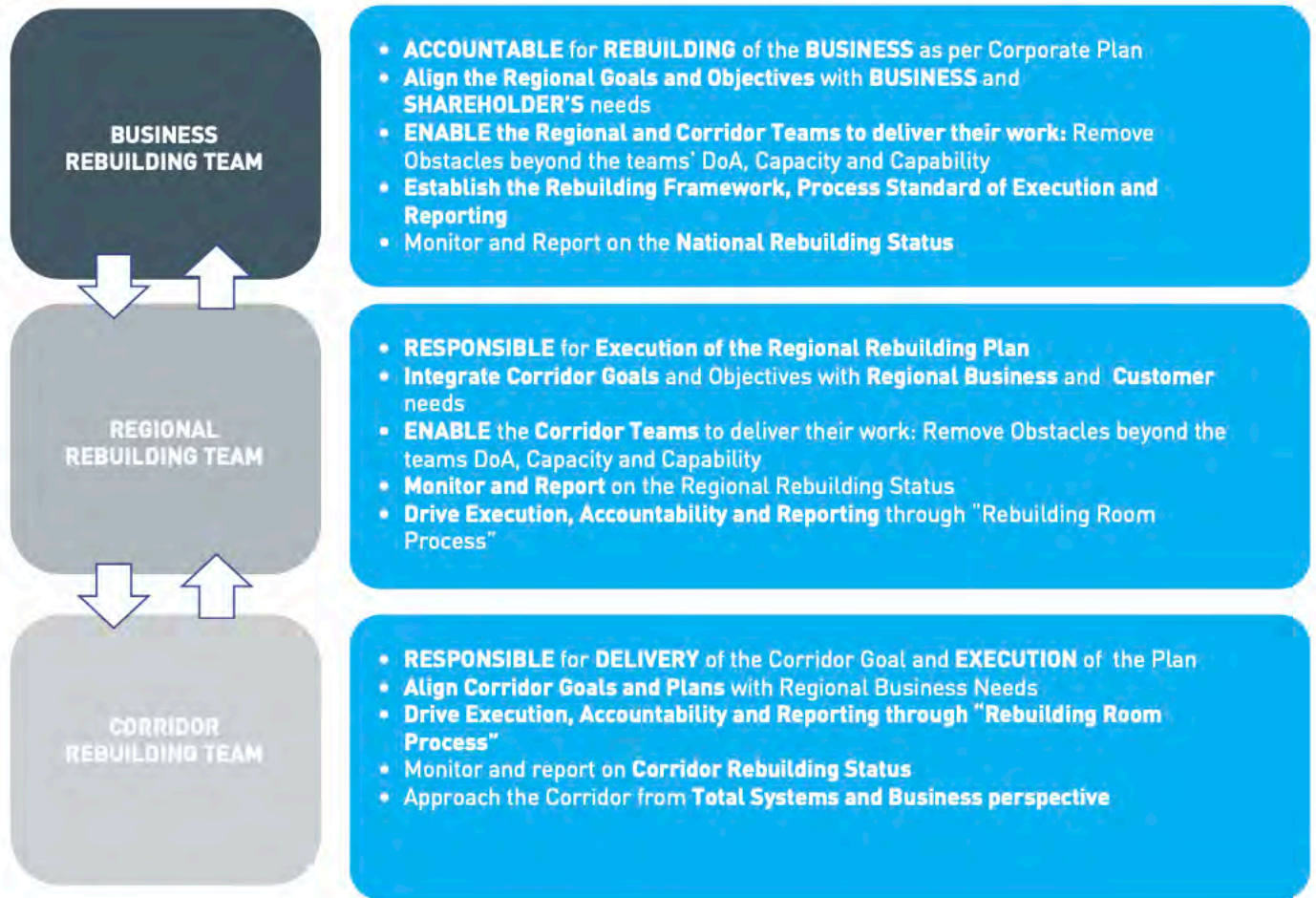
In the planning for the corridor recovery, the picture below captures the integrated and focused approach towards service resumptions. The significance of the message from the picture below is that the pillars are integrated and interdependent. The rebuilding process needs to be aligned with interdependencies, which the current PRASA structures may not support. The existing structures encouraged a silo and self-centred approach at the functional and divisional levels.



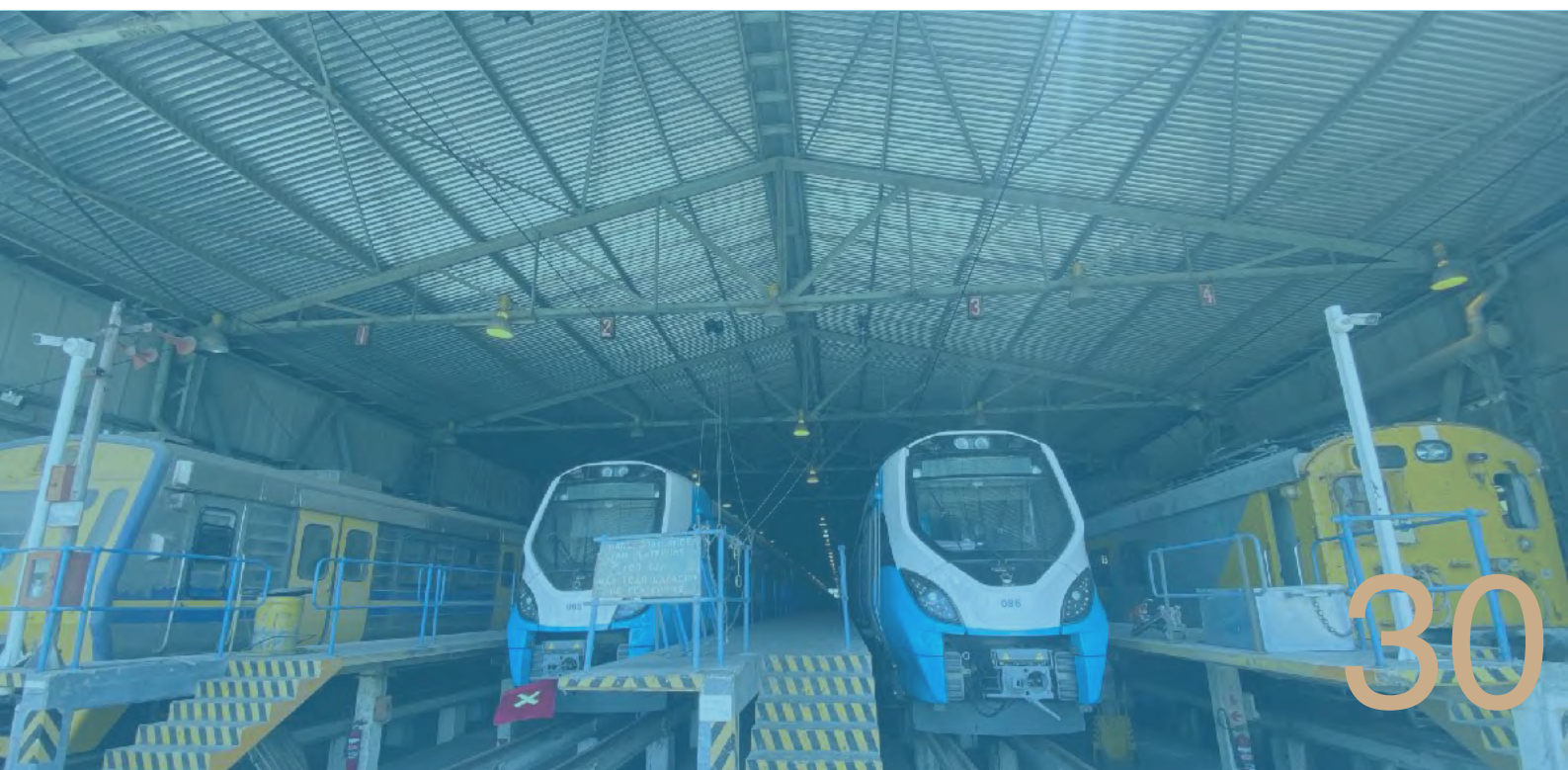
The infrastructure pillar includes the disciplines of electrical (OHTE and substations, including transformers), perway (track and associated equipment), telecommunications and signals. Electrical and perway rebuilding is done in the first phase to ensure the resumption of electrical train services. The stations and facilities being restored to basic functionality are also included in the first phase of rebuilding. With resumption of services after completion of phase 1 for a corridor, trains are provided with limited frequencies after the approval of the RSR through a 'no objection' certificate.

To ensure safety, limited frequencies are required as signals remain outstanding for replacement in phase 2. Signal equipment has long lead times as result of electronic component shortages across the globe. During construction PRASA requires suppliers to provide security and once services resume, the function is taken over by PRASA security. Rolling stock is part of the process to ensure that the required number of train sets, whether old or new fleet, are ready for rendering the service.

The framework for the business rebuilding process is as follows:



This work is being coordinated in the Office of the Group CEO, led by a Technical Advisor.



STATION REVITALISATION ON PRIORITY CORRIDORS

Great effort and focus has been placed on the Station Recovery Programme in line with the corridor recovery in 2022/23, however, more work is still required to recover and upgrade the stations to exceed the expected standards. The first phase is to restore basic functionality with interim station improvement interventions, followed by the total improvement and upgrading of stations.

At the end of December 2022, PRASA had recovered operational functionality on 197 of 495 stations for Metrorail and MLPS operations. This represents 43,5% of the total number of stations, with more work in progress.

Operational functionality was recovered on 10 out of 33 stations for MLPS (excluding stations co-used with Metrorail). This represents 30,3% of the total number of stations for MLPS.

PRASA CRES STATION SUMMARY			
REGION	NUMBER OF STATIONS	NUMBER OF STATIONS (Operationally Ready)	NUMBER OF STATIONS (Required for Operations)
Gauteng North	59	26	33
Gauteng South	150	26	124
Western Cape	123	86	37
KwaZulu-Natal	102	43	59
Eastern Cape	28	20	8
	462	201	261
		43.51%	56.49%

	FY 2023/24	FY 2024/25	FY 2025/26
Station Modernisation			
Gauteng North	9	13	0
Gauteng South	11	11	35
Western Cape	10	8	6
KwaZulu Natal	20	13	0
Eastern Cape	0	0	6
	1	5	4
Total	50	50	50

RELIABLE TRAIN SETS

To run train services, train set availability and reliability is a key prerequisite for consistently good services. The rolling stock availability programme consists of three sub programmes:

- i. General overhaul and heavy maintenance services, where the current fleet is re-certified for safety after an overhaul and specific heavy maintenance on plain trailers and motor coaches not possible in PRASA depots. The general overhaul tender was, as per the 2021/22 Shareholder Compact, accepted with by the Minister of Transport on 21 April 2022 and contracts finalised by the end of June 2022. The programme for the financial year therefore started three (3) months into the financial year, consequently pushing the delivery of coaches in the programme back by three (3) months. The main reason for this was suppliers needing time to re-establish their factories and personnel due to the extended period where no coaches were overhauled.
- ii. The second sub programme is the maintenance of rolling stock in PRASA depots. The tenders for wheels, rotating machines and other critical components are being finalised to enable the continued availability of train sets for the service offering without signalling.
- iii. The third sub programme that supports the availability of rolling stock is the delivery of Electrical Modular Units (EMUs). Since 2018 , 79 EMUs are active and 51 are in dynamic storage as at January 2023. Part of ensuring reliable train sets is ensuring maintenance of new EMUs is performed as per schedule. The new EMUs require upgraded maintenance facilities and this programme has been delayed for a long period. Interim arrangements are in place with Gibela and the details to ensure maintenance are included under the plans for the modernisation of depots.

OPERATIONAL READINESS

The completion of corridor rebuilding is followed by the process of obtaining authorisation from the RSR to operate. A commercial service is preceded by off-peak operations with paying passengers on board, followed by peak operations with passengers on board.

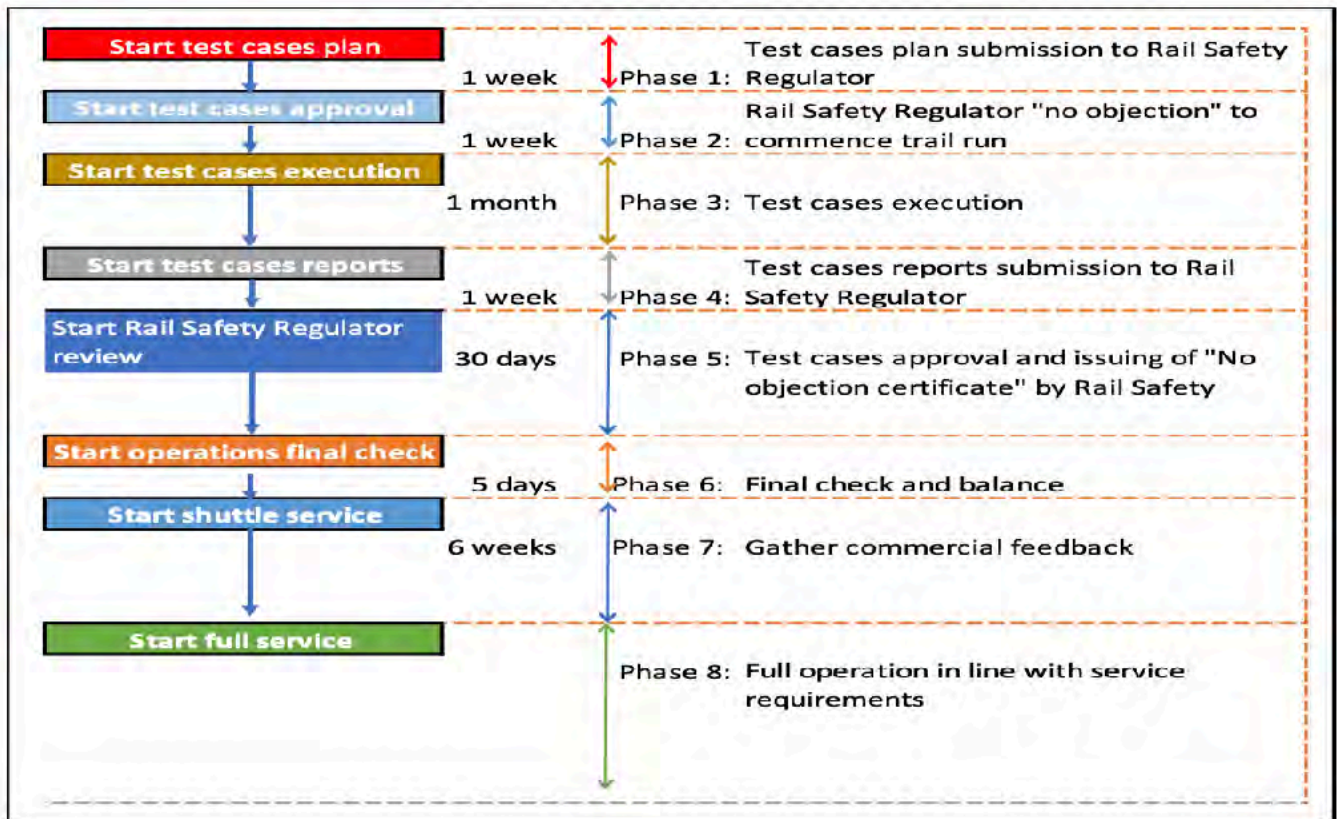
Key activities leading to full commercial service are:

- No objection to train certification process
- No objection to the trial run test case results
- No objection to run off-peak operations
- No objection to run peak operations
- No objection to full commercial licensed service

The train certification process confirms that train design, development and production by Gibela meet all agreed-upon safety and operation parameters. An independent assessor acting on behalf of PRASA, along with PRASA engineers, verifies and validates all parameters prior to the RSR's review process. Once the regulator is satisfied that all parameters meet all safety and operational requirements, a 'no-objection' certificate is issued, allowing PRASA to start trial operations.

The requirements of these trials are based on the need for PRASA to demonstrate to the regulator, commuters and any other interested parties, its readiness to operate and maintain the passenger railway with the new EMUs in a safe, efficient, reliable and sustainable manner. After obtaining authorisation from the regulator, PRASA needs to prove its ability to consistently provide a good service from off-peak operations until a full commercial service licence is issued.

The process for preparation for trial operations is as follows:



COMMUNICATION AND MARKETING

The actions from marketing and communications through this opportunity will focus on the following:

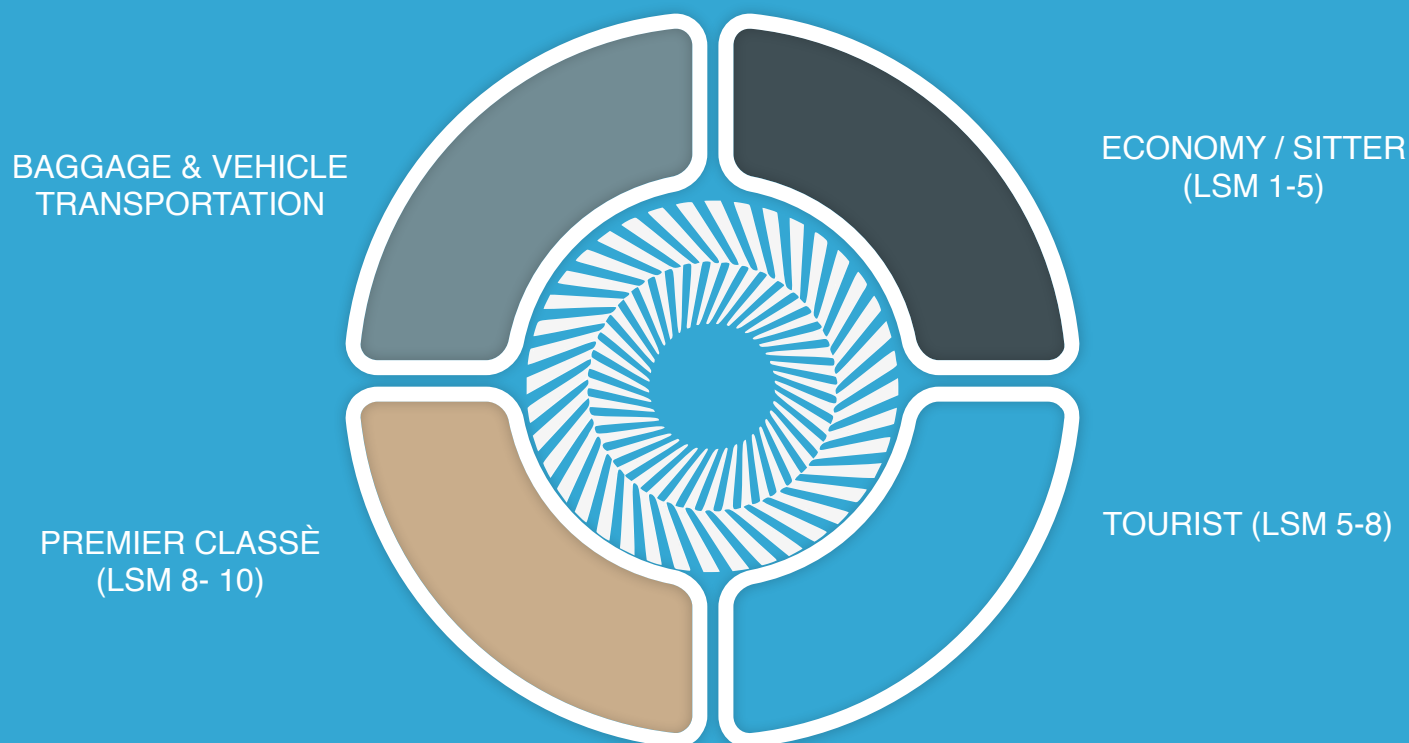
Priority Theme	Restore Stakeholder Confidence
Actions	<ul style="list-style-type: none"> Support corridor initiatives Communicate developments, key milestones and activities within a corridor
Tactics/Tools	<ul style="list-style-type: none"> Press releases Opinion pieces Media briefings Media tours Videos
Messaging	<p>PRASA is rebuilding, corridor by corridor</p> <ul style="list-style-type: none"> Resumption of services/corridors Showcasing revamped stations and infrastructure Educational campaigns on what it takes to rebuild corridors Women in Rail programme

LONG DISTANCE PASSENGER SERVICES

MAINLINE PASSENGER SERVICES

Mainline Passenger Services is responsible for delivering long distance passenger rail services within the South African borders, ensuring the provision of a safe, reliable, affordable and sustainable high-quality public transportation of choice.

Below is the product portfolio for MLPS:



MLPS historical facts and figures indicate a substantial decline in performance over the years.

	2009/10	2020/21
Number of routes	21	4
Passenger volumes	3.9 million	205 000
Train trips	6 600	99
Fare revenue	R228 million	R67 million

The table indicates a 93% loss in patronage, 86% decline in train trips, with a 71% loss in fare revenue and operational routes.

This decline can be attributed to the ageing fleet with 33% of coaches older than 30 years, reliance on Transnet Freight Rail for the provision of the railway tracks and support services, including locomotives, drivers and coach maintenance, as well as the effects of COVID-19. This has had a negative impact on the service quality and delivery, leading to a total loss of the market and inability of MLPS to sustain itself.

For MLPS to succeed in the short to medium term, the following key areas will be implemented in the FY2023/24 MTEF.

Area of Focus	Timelines
1. Conduct an in-depth feasibility study to determine the viability and likelihood of MLPS success and a justification for future investment in respect of market demand and opportunities. This will determine the routes to be operated in line with the National Rail Policy White Paper	Q2 – Q4
2. Leasing of locomotives to service the current operational routes	Q2
3. Rationalisation of services and re-launch of high demand and cost coverage routes for the 2023 calendar year – High Peak Period (HPP) <ul style="list-style-type: none"> • Johannesburg to Gqeberha • Johannesburg to East London • Johannesburg to Musina 	Q1; Q3; Q4 (April/December/January)
4. Tailor-made charter train service/special event trains subject to cost coverage: <ul style="list-style-type: none"> • Comrades Marathon (June) • Women's Day Celebrations (August) • Macufe Jazz Festival (October) 	As per request

MLPS needs to be strategically positioned in order to become demand responsive in key market areas such as migrant workers, small traders (hawkers), tourism, occasional and daily travellers, as determined by the feasibility study and within the boundaries of the Transnet Freight Rail network and the National Rail Policy. Execution of such plans will be for the medium to long term.

PRASA has made a decision to limit the services of MLPS to only High Peak Periods(HPP) based on a number of factors:

- The viability of the services are extremely low in periods other than HPP with train occupancies between 10 – 50 passengers, clearly indicating that the service is not suitable for heavy rail.
- The commuter services in Eastern Cape have been suspended since August 2022 as result of no diesel locomotives available to render the services. The need of the region for commuter transport presented PRASA with a higher priority. The volume of commuters in the region is below that of major regions however significantly exceeds the passenger numbers on the limited services of MLPS.
- Autopax long distance bus services, subject to permits where necessary, will be able to augment services of MLPS in the off-peak periods of long distance transport.

PRASA therefore is providing the limited diesel locomotives available to the Eastern Cape outside of the HPP, to provide economic and financial viable services for commuters. The HPP periods in MLPS correspond to low volume periods for commuter services.

A detailed study and a business plan to be compiled to optimise the synergies, efficiencies and integration of the MLPS services with that of Autopax by Q3 2023/24.



AUTOPAX

Autopax exists to service PRASA's primary mandate, which is to provide, in consultation with the Department of Transport, for **long-haul passenger** rail and **bus services** within, to and from South Africa in terms of the principles set out in section 23 of the Legal Succession to the South African Transport Services Act (1989).

PRASA has further mandated Autopax to provide feeder services to Metrorail operations and support PRASA rail operations in cases of emergencies and occupations. For the past seven (7) years, the company has been struggling to meet its financial obligations. This is indicated by the downward trajectory in the number of buses in operation, owing to the inability to sustain the company's maintenance regime, unavailability of spares, exacerbated by high mileage on the bus fleet and failure to pay off its debt due to cash flow constraints.

Autopax only provided 62% of the targeted number of bus trips, due to limited bus availability for operations, resulting in a 34% loss in patronage in FY 2022/23.

Fundamentally, Autopax remains in an extremely dire financial position due to the long outstanding debt, ongoing losses and ageing assets, particularly the fleet.

The table below indicates the current financial status of Autopax. The business is still unable to generate sufficient cash to cover its monthly operating costs and its long-term debt continues to increase. It is projected that the loss position for 2022/23 will be an improvement of 30% when compared to the average loss of the preceding four (4) years. This loss could have been reduced further had the funding required been approved as envisaged in the business plan.

AUTOPAX ANNUAL PERFORMANCE REVIEW: Revenue and Opex									
Actual: April 2014 – 31 March 2022 and Projected 1 April 2022 – 31 March 2023									
Total Revenue	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	R914m	R943m	R916m	R568m	R492m	R426m	R118m	R239m	R270m
Fare Revenue	R751m	R709m	R617m	R511m	R478m	R419m	R109m	R235m	R266m
Operating Expenses	R880m	R960m	R1 004m	R833m	R811m	R738m	R452m	R538m	R490m
Total Profit/(Loss)	R8m	(R25m)	(R212m)	(R344m)	(R443m)	(R328m)	(R404m)	(R368m)	(R271m)

Due to Autopax's inability to sustain itself, the following steps have been taken:

1. The company has been placed under business rescue from 18 November 2021. This process is ongoing and will only cease once the legal requirements as set out in the Companies Act are adhered to and due processes followed.
2. The business rescue proceedings of the company have not been concluded within three (3) months from the date of commencement thereof. A monthly update report is published for all interested parties, updating them on progress made, as is required by Section 132 (3) (a) of the Act.
3. The business rescue practitioners requested all affected parties, when required, to approve and support an extension to publish the business rescue plan at a later date. This is mainly due to the funding not being approved and made available as required in the approved operating model. The motion to have the business rescue plan published on 28 April 2023 was approved by most creditors.
4. The business rescue practitioners are still of the view that there is a reasonable prospect that Autopax can still be turned around, provided that the necessary funding as required per the approved business plan is committed to and made available. The funding will enable management to finalise the outstanding sections of the approved business plan which have not yet commenced. This will result in a further reduction in costs and losses, and improved service delivery to passengers.
5. Management has begun implementing portions of the business plan which are not solely reliant on the funding to be advanced by the shareholder, such as staff rightsizing, closing ticket sales offices, consolidating bus servicing maintenance in one depot, etc.
6. PRASA continues to assist Autopax with the payment of employees' monthly salaries while the monthly negative operating cash flow continues.

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2. PRASA continues to assist Autopax with the payment of employees' monthly salaries while the monthly negative operating cash flow continues.

BUSINESS PLAN AND TURNAROUND STRATEGY

The Autopax strategic plan has been compiled and updated with the assumptions that:

1. The staff rightsizing in line with the operational requirements will have been completed
2. The funding requested from the shareholder to recapitalise the fleet is secured and made available to Autopax
3. The business rescue process will have been concluded prior of the 2024 financial year

The securing of funding as requested from the shareholder is critical and has been included in PRASA's Capital Programme to ensure Autopax's continued operation.

The Autopax turnaround strategy seeks to achieve the following:

- Effective delivery on PRASA's primary mandate
- Financial viability and sustainability in the short to medium term
- Create shareholder value
- Reduce shareholder funding requirement – strategic investor in Autopax
- Finalise business rescue process as soon as possible
- Operational excellence in services rendered in SA and SADC region
- Optimise integration and efficiency of long distance services with MLPS
- Capacitated, committed and performance-driven employees
- High levels of customer-centricity
- Accessibility to services
- Contributing to socio-economic policies of Government
- Improved corporate governance

FUNDING

A funding motivation was submitted to the shareholder for the following funding requirements:

1. Funding requirement to resolve historical debt (R550.7 million)
2. Interim funding required for operations (R175.2 million)
3. Capital funding for 141 buses for maintenance and electronic monitoring (R738.5 million)

Staff rightsizing is in progress in line with operations with the following actions:

1. 287 employees applied for voluntary severance packages and are no longer in the employ of Autopax, reducing the employee costs by 33%
2. The remaining 145 excess employees' services are planned to be terminated through the Section 189 process before April 2023

Further actions concluded or still to be executed to improve financial performance are:

1. A total of 17 ticket sales offices have been closed
2. 278 excess / scrap / redundant buses sold for R37.2 million
3. Technical bus availability improved from 40 to 85 by end December 2022
4. Procurement of the new bus fleet is envisaged

ENHANCING OPERATIONAL AND WORKPLACE SAFETY AND SECURITY

Through this objective PRASA will enhance and embed a culture of safety in the organisation, particularly operational safety, resulting in PRASA's ability to earn and maintain credibility with the Railway Safety Regulator (RSR) and improve security operations to protect people and assets.

OPERATIONAL SAFETY

The development and effective implementation of the risk-based Safety Management System (SMS) by PRASA is critical for the improvement of its operational safety and security performance. The SMS provides a framework for employees, supervisors, managers at every level, passengers, other interfacing operators and contractors to follow the PRASA chosen pathway towards a safety culture and mindset across the organisation. The ten (10) key elements of the SMS centre around:

- Structures / policies / procedures
- Human factor management
- Contractor management
- Safety standards for engineering and operational systems
- Safety interface management
- Audits and compliance assessments
- Risk management
- Preventative actions
- Occurrence management
- Corrective actions

The RSR issued PRASA with an operating permit based on its ability to meet rail safety requirements. PRASA has allocated time and resources to ensure that employees, including supervisors and managers across all the levels within the agency, are trained on the various aspects of the SMS and have a thorough understanding of their roles and responsibilities in rail safety.

Following PRASA's loss of credibility with the RSR, communities and passengers, the case for increasing rail safety is grouped into three (3) main areas:

Legal and Regulatory	Protection of Revenue	Reputational Risk
RSR improvement directives	Service disruption leading to lost	Public harm
RSR prohibition directives	Legal and regulatory penalties	Pandemic super spreader
Risk of RSR withdrawing PRASA's operating permit	Increased cost of insurance	Eroded patronage base
	Litigation costs	
Risk of imprisonment	- Third-party claims	
	- Costs associated with injury on duty, overtime, etc.	

Priority Actions for 2023/24	Deliverables	Quarter to be Completed			
		Q1	Q2	Q3	Q4
Embed and maintain the culture of safety and the SMS through measures such as training, and reward and recognition	Human factor management standards workshops were conducted in Gauteng, Western Cape and Eastern Cape. Training of supervisors on PRASA SMS core elements will take place during 2023/24	25%	50%	75%	100%
	Implementation of non-monetary safety recognition schemes at the depots	Proof of concept	Depot sampling		100%
Evaluate and monitor the performance of all the SMS components to graduate to a three-year safety permit regime					Q4 (Awaiting RSR decision for 3-year permit)
Implement occurrence management processes such as reporting, investigation and analysis capabilities	Roll out of ICT tools for occurrence management in 2023/24				100%
Establish and maintain a robust human factors management programme to manage safety-critical grades for employees and their work environment	Conduct workload assessment studies in the regions Western Cape done, Gauteng and KwaZulu-Natal scheduled for 2023/24	Gauteng	Gauteng	KwaZulu-Natal	KwaZulu-Natal
Adopt multiple processes to promote and improve the awareness and knowledge of rail safety among employees, passengers and communities, by supporting the established safety inspectorate function This includes proactive measures to ensure operational and technical requirements	Conduct integrated safety audits and inspections at the depots Development and execution of the audits and inspection schedule/plan by the office of the nominated manager Conduct human factor management assessments System audits to be conducted in 2023/24	Wolmerton	Durban		Cape Town

Priority Actions for 2023/24	Deliverables	Quarter to be completed			
		Q1	Q2	Q3	Q4
Introduce technology to monitor and control human interventions in the management of rail safety and maintain the three-year safety permit regime. This includes automated points in shunting yards, the integration of the operations and assets condition monitoring systems, and the use of prediction and prevention analytics	Introduce the semi-automated system to reduce human errors (Automated points in yards.)	Identify the depots, project scoping and source the funding	Go to market	Evaluate	Appoint and execute
Move the organisation to safety maturity level 3, in which railway safety risks are fully defined and understood throughout the organisation	Depot safety health and environment risks are profiled In-house depots safety performance rating	Define rating criteria	Depot sampling	Depot sampling	100%

Priority Actions for 2024/25	Deliverables	Quarter to be completed			
		Q1	Q2	Q3	Q4
Ingrain a mature safety culture and robust safety management system where employees are trained and supported by the processes and systems, are motivated to look for ways to improve safety, and are incentivised to provide ideas to improve safety	SHE certification for depots	Select the targeted depots	Conduct internal system audits	Address the gaps	External audits and certification
Ensure that the safety management system is continually optimised through research and development for ways to reduce the frequency and impact of railway operations accidents. This includes the use of prediction and prevention technology	Collaboration with universities for technology utilisation to predict and prevent train accidents Automatic train protection technology Train anti-collision technology	Identify the lines, project scoping and source the funding	Go to market	Evaluate	Appoint and execute

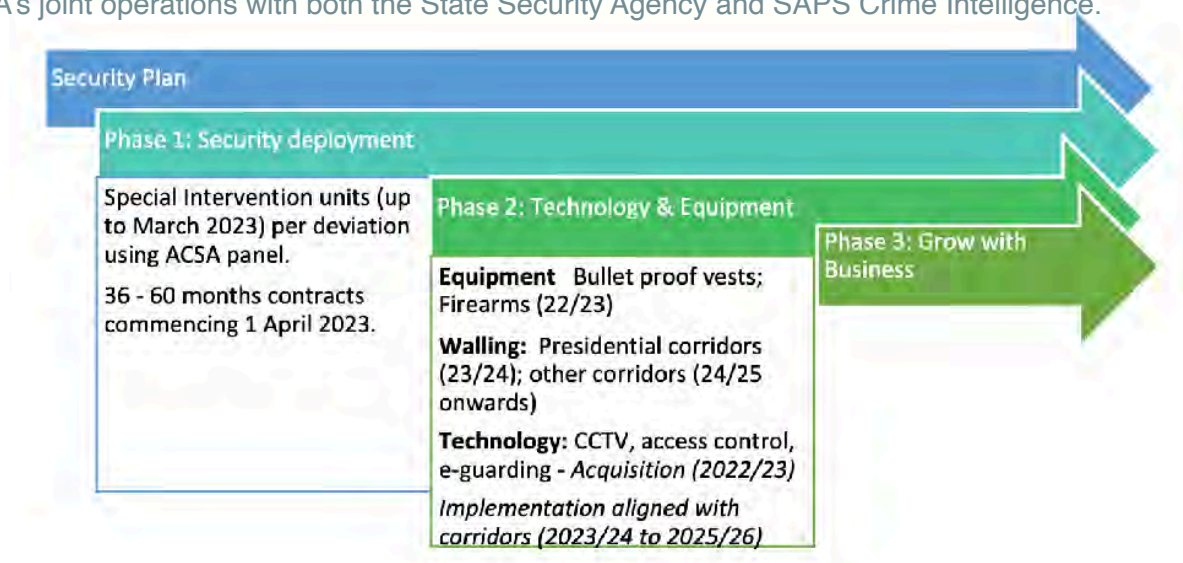
SECURITY PLAN

Security challenges, including theft and vandalism of railways, telecommunication and electricity conveying assets and infrastructure continue to destroy the asset base of organisations that share a similar mandate to PRASA. Both Transnet and Eskom have in recent months experienced massive theft of their assets and these acts of vandalism further affected PRASA's service delivery to passengers.

These challenges have not deterred PRASA's focus on continuing to ascertain safe operations based on sound management practices. Legal and regulatory compliance is also a key area for PRASA as a responsible corporate citizen within a highly regulated environment. PRASA began a massive security drive in 2020/21 to hire 3 100 security guards to build internal capacity and stabilise the environment. It would prove to be an enormous task, as prior to security contracts being cancelled, PRASA had a security complement of over 10 000 security guards.

Types of crimes in PRASA's environment vary. Constant intelligence and crime combating operations show different modus operandi in different regions. In the Western Cape, crime was driven by gangs operating in different sections of the province and the taxi industry sabotaging rail to keep their taxis full. Five (5) illegal taxi ranks have been established along the rail line in the Western Cape Central Line alone.

In KwaZulu-Natal, crime is driven by organised syndicates. They use the youth, especially those from poor backgrounds or with drug addiction vulnerability to carry out cable theft. There are also feeder bucket shops that then feed the larger scrap yards. Intelligence-driven projects and criminal syndication penetration operations have yielded positive results. This will need to be intensified by strengthening PRASA's joint operations with both the State Security Agency and SAPS Crime Intelligence.



The integrated security plan incorporating physical security deployment, security technology and equipment as force multipliers is rolled out in line with the service recovery through rebuilding and recovery of rail lines. The integrated plan is focused on the following key objectives:

1. Successful implementation of Presidential Projects:
 - Mabopane Project - Deployed December 2021 intervention
 - Central Line Project – Awarded 28 October 2022 with deployment from 1 – 15 November 2022
2. Physical security deployment:

Through the National Treasury approved deviation, PRASA used the ACSA panel of service providers until March 2023 to cover phase 1 and phase 2 deployment. Urgent funding is needed for phase 3 and extension of ACSA deviation to cover the handover to new service providers. A tender process for this is ready and will go to market once the ruling by Judge Hlophe Order/Judgment in the matter of security contract termination in Western Cape is addressed and funding is secured

3. Supporting the business with electrified train service resumption through physical security deployment.
4. Implementation of protective security measures for yards and advising PRASA Tech and PRASA CRES on the implication of Minimum Protection Services Standards (MPSS) / Minimum Information Security Standards (MISS) on the depot modernisation project and the station improvement and upgrade projects
5. Implementation of protective measures for all mission critical infrastructure through security technology as a force multiplier.
6. Equipping the security workforce with the requisite security equipment (bullet proof vests, firearms, security equipment and fleet)
7. Establishing an integrated command and control security solution that will integrate security protocols into one system to ensure security efficacy (communication, deployment geofencing, distress alarms, SOP / work instruction management, inspections, guard monitoring, etc.)
8. Implement a SMART key solution and take control of access to key premises within PRASA in line with Minimum Protection Services Standards and Minimum Information Security Standards

An amount of R2,5billion per annum is required to PRASA to fully implement the security strategy.

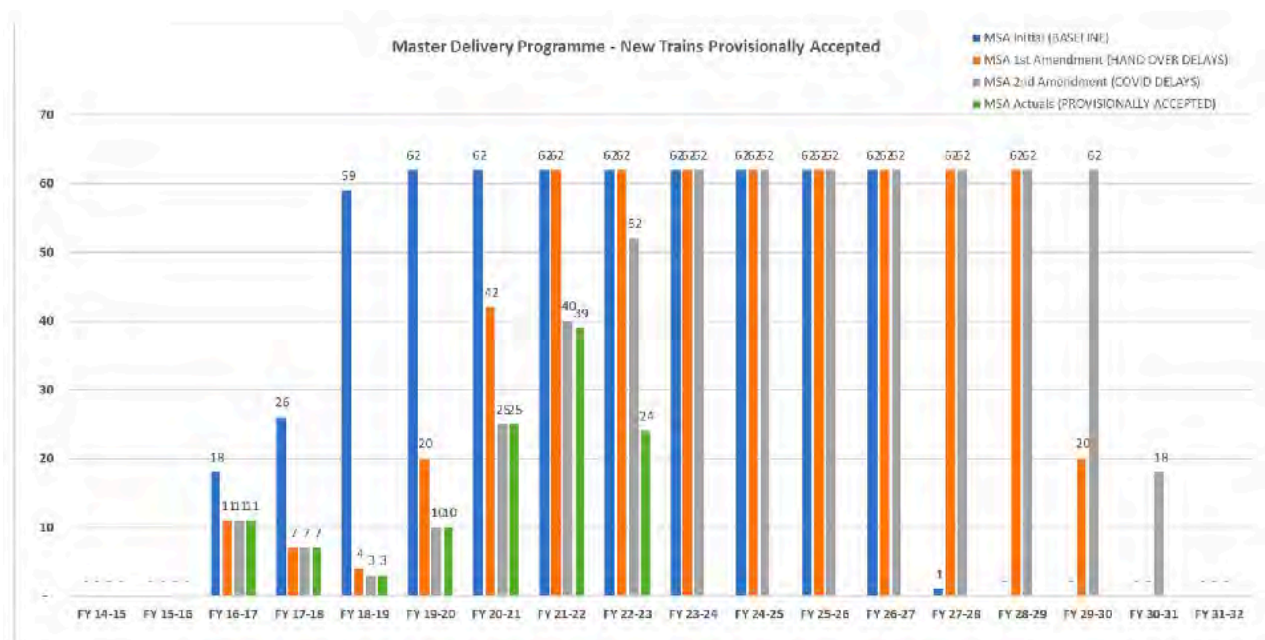
MODERNISATION OF INFRASTRUCTURE, ROLLING STOCK AND STATIONS

In order for PRASA to address its role as envisaged by the National Rail Policy it needs to modernise assets to enable future operations through fleet renewal, depot modernisation, resignalling as well as other infrastructure programmes renewals.

ROLLING STOCK FLEET RENEWAL PROGRAMME

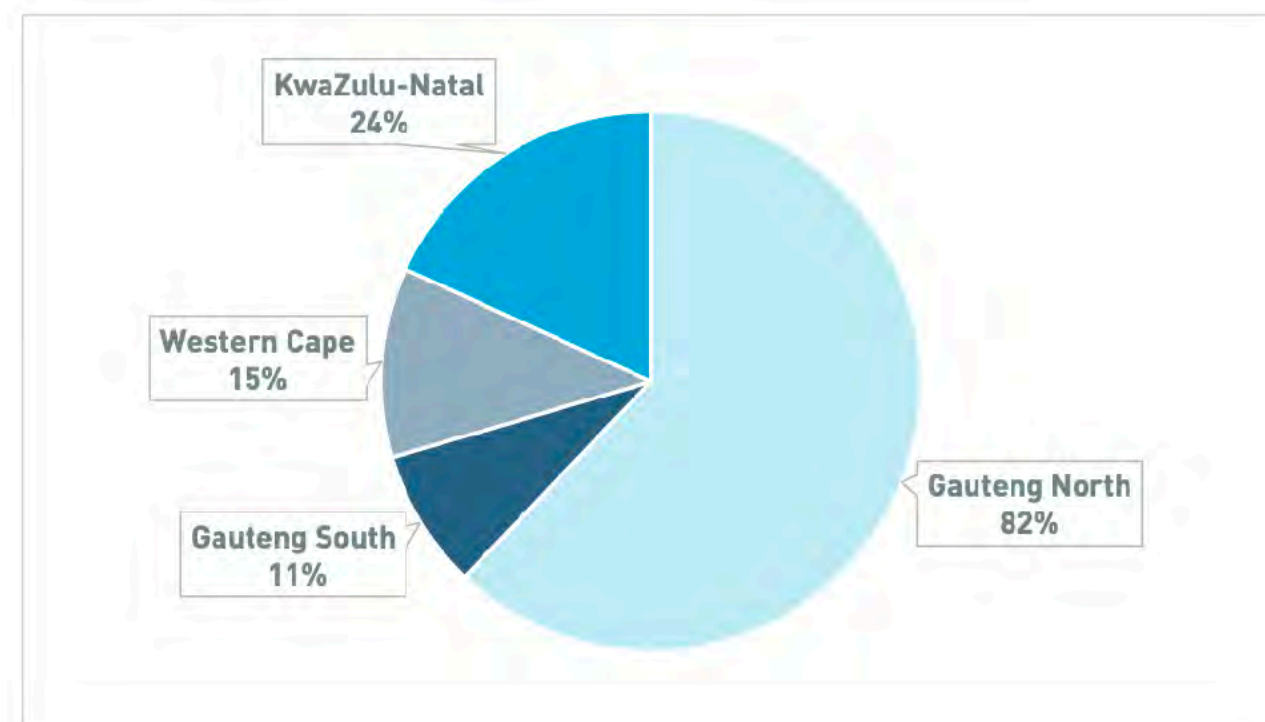
The first phase of the Rolling Stock Fleet Renewal Programme consisted of Gibela manufacturing 20 trains in Lapa, Brazil. Of these, 18 were for operations and the other two (2) were for testing. By September 2017, PRASA had provisionally accepted all 18 trains, operating between the Pienaarspoort and Pretoria stations. In January 2018, Gibela began manufacturing at the Dunnottar factory. Just as manufacturing at the factory gained traction, the COVID-19 pandemic struck and the factory closed for lockdown level 5 (end of March 2020 to the end of April 2020). The factory's foreign and local supply chain was also significantly affected, and the impact added manufacturing complexity. The conclusion of the extension-of-time contract is subject to the finalisation of penalties from PRASA for proven delays before the emergence of COVID-19 and an advance payment requirement from the supplier. The Department of Transport and National Treasury are included in finalising these items.

The contractual Manufacture and Supply Agreement Master Programme, projected interim impact of COVID-19 and recognized actual deliveries to 31 December 2022 were 122 new trains manufactured and PRASA provisionally accepted a total of 119 new trains.



ROLLOUT OF NEW TRAINS

The regional allocation of 130 new EMUs as at December 2022 is depicted below:



The corridors that have EMUs in operation as at January 2023 are:

- Pretoria to Mabopane
- Pretoria to Saulsville
- Cape Town to Simon's Town
- Cape Town to Retreat via Athlone
- Cape Town to Bellville via Goodwood
- Cape Town to Bellville via Monte Vista
- Pretoria to Pienaarspoort
- Johannesburg to Naledi
- De Wildt to Hercules

DEPOT MODERNISATION PROGRAMME

The rollout of the new trains with the required maintenance is ahead of the Depot Modernisation Programme which faced major delays in procurement, resulting only two (2) phases for Wolmerton Depot being completed. Wolmerton is the delivery point for new completed EMUs. The list of depots is as follows:

Depot	Region	Type of Contract	Status
Braamfontein	Gauteng	Design & construction	In evaluation
Salt River	Western Cape	Design & construction	Projects on hold whilst finalising contractual related matters.
Durban and Springfield	KwaZulu-Natal	Design & construction	
Wolmerton Phase 3	Gauteng	Turnkey	In evaluation
Benrose	Gauteng	Turnkey	In evaluation
Paarden Eiland	Western Cape	Turnkey	Re-tender in market
East London	Eastern Cape	Design & construction	Land matters to be resolved with Transnet
Port Elizabeth	Eastern Cape	Design & construction	Land matters to be resolved with Transnet
Culemborg (MLPS)	Western Cape	Design & construction	Land matters to be resolved with Transnet
Bloemfontein (MLPS)	Free State	Design & construction	Land matters to be resolved with Transnet

In light of the continued delay in the delivery of depots, the concept of a makeshift depot has been established to facilitate more maintenance activities than the interim depot can currently deliver. This requirement seeks to improve the number of new trains that can be maintained in the depot to increase the availability of new trains for service, but faces limitations as it is intended to be established within a depot that is currently undergoing reconstruction/modernisation.



The basic differences between the interim and modernised depot are shown below:

	Description	Interim Depot	Makeshift Depot	Modernised Depot
1	Capacity	10 train sets	11 – 40 train sets	41 – 80 train sets
	Corrective maintenance	No	Yes	Yes
	Underslung equipment removal	No	Yes	Yes
2	Maintenance pit lanes	2	4	8
3	Roof access – mobile platforms	2	4 (Fixed Platform)	8 (Fixed Platform)
4	Voltage indicator and interlocking	No	2	4
5	Office space for Gibela	Yes	Additional	Additional
6	Chemical Stores	Yes	Additional	Yes
7	Handrails for Maintenance Pits	Yes	Additional	Additional
8	Shore supply	No	Yes	Yes
9	Compressor 10 bar	No	Yes	Yes
10	Lifting jacks	No	Yes	Yes
11	Portable Wheel Profiling Capacity	No	Yes	Yes
12	Bogie Turn-table	No	Yes	Yes
13	Windsreen Water Testing Facility	No	Yes	Additional
14	External Wash Plant	No	No	Yes
15	Intensive train cleaning	No	No	Yes
16	Automatic Vehicle Inspection (AVI)	No	No	Yes
17	Paint Shop	No	No	Yes
18	Depot Operation Control Centre	No	No	Yes
	Expected Period of Implementation	March 2023 (Paarden Eiland and Braamfontein) Springfield Phase 1 completed	24 Months Phase 1 Benrose (July 24) Durban (August 24) Paarden Eiland (March 25)	3 – 5 years

The solution is selected to fit within the confines of the availability of space for the full depot construction to be conducted, and the requirement for increased new trains for the operations. Using some facilities such as those on Transnet properties could also be considered an option, subject to the relevant procurement provisions.

The intended production yield of a makeshift depot facility is 20 new trains for the operations. The additional interventions to be provided are:

- Wheel profiling
- Underslung equipment remove-and-replace capability
- Corrective maintenance capabilities
- Roof accessibility

Routine inspection is expected to elevate an interim depot to a makeshift depot.

The provision of commuter rail services in the regions can only be pegged at levels that can be achieved with the available rolling stock and infrastructure in the region. Over the longer term a number of services might be resumed using old trains, on condition that the infrastructure is service-worthy and meaningful steps have been taken to improve the reliability of the old train sets.

In the absence of complete and modernised rolling stock maintenance depots, the use of the new trains is limited due to the capacity of the interim depots. Coupled with the conditions set by the RSR, the short-term growth in using the new trains remains constrained.



DEPOT FENCING AND WALLING PROGRAMME

A feasibility study was undertaken with a view of installing intelligent fencing at the various rolling stock depots and staging yards, incorporating CCTV and integrated security systems to replace the existing fencing.

A new procurement process was undertaken at the beginning of 2021 seeking service providers to implement the new design of the depot fencing comprising concrete walls, galvanised palisade fencing on top of the concrete walls and CCTV systems with movement and vibration sensors on the fence.

The construction programme for the new depot fencing design is expected to be completed in quarter 1 2023/24 for the following six sites:

- Braamfontein Depot and Yard
- Springfield Depot
- Durban Yard
- Salt River Depot
- Paarden Eiland Depot
- East London Depot

RESIGNALLING PROGRAMME

The second contract for resignalling in the Gauteng region is set to end in early 2022/23. The contract for resignalling in Western Cape closed with the de-scoping of the Central Line installations as a result of the illegal settlements on the line and their safety implications. Procurement has begun for the completion of the signalling work on this corridor (covering three (3) rail lines) and a decision is expected by March 2023.

Several signalling projects are in the pipeline:

- KwaZulu-Natal PRASA train control system design and construction
- Gauteng and Western Cape optical transmission network design and construction
- National GSM-R redundancy network design and construction
- National electronic authorisation system design and construction
- Gauteng and Western Cape PRASA train control system design and construction
- National GSM-R operational portable handheld radios supply and maintenance

The specifications for these tenders require strong local economic development targets and stringent performance management regimes, including self-assessment mechanisms and penalties. An estimated 1 000 new jobs are expected to be created across the signalling and telecommunications programme over the lifespan of the projects.

PRASA's efforts will benefit the industry through:

- Job creation
- The implementation of world-class leading technology adapted to local requirements
- The development and training of local resources on world-class systems and operations, thereby increasing local skills capacity
- Financial stimulus to localised small, medium and micro enterprises and communities
- The export of knowledge and equipment to other countries, especially on the rest of the continent

FINANCIAL SUSTAINABILITY

The objective aims to achieve financial sustainability through real estate development, other revenue sources and cost structures that are fit for purpose.

The agency's operational cash flow constraints lead to fruitless and wasteful expenditure due to interest on accounts not paid and suppliers not being paid within 30 days. As a result, the pursuit of financial gains through revenue enhancement and cost reduction is a priority. Revenue enhancement focuses mainly on the property portfolio, including investments through the Intersite special purpose vehicle. However, revenue enhancement alone is not sufficient. Measures to reduce costs will be undertaken while the various service lines are reinstated.

PRASA will be undertaking a comprehensive exercise in 2023/24 to optimise the organisation that will result in organisational changes and cost savings.

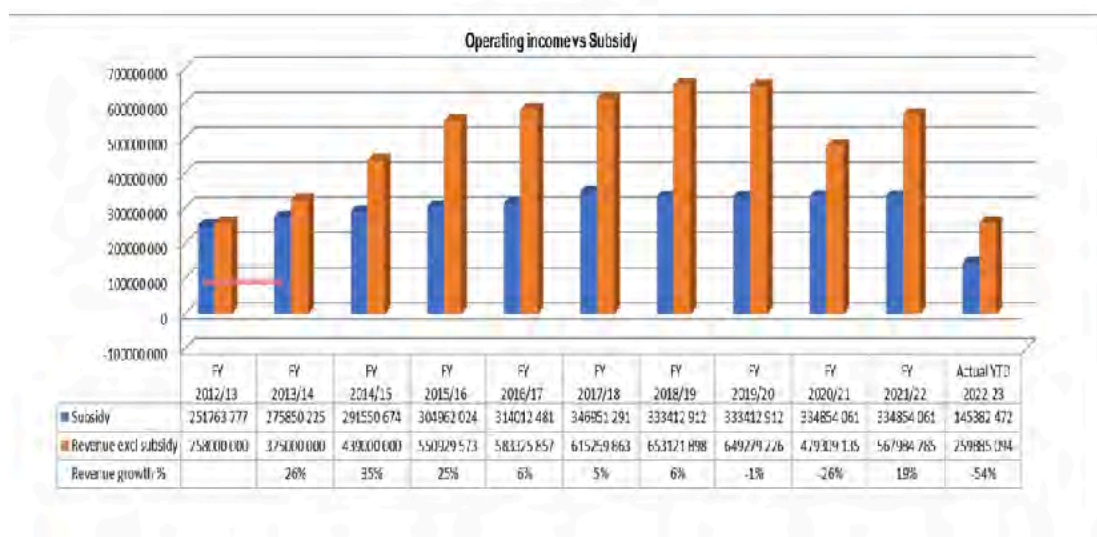
SECONDARY MANDATE: REVENUE ENHANCEMENT FROM PROPERTY PORTFOLIO

In fulfilling the secondary mandate, PRASA's Real Estate Strategy is underpinned by four pillars:

- Increase the retail and commercial property portfolios for revenue growth
- Build capacity in critical functions such as Planning and Land Use Management, Asset Management and Developmental Facilitation
- Optimise the current portfolio and re-engineer operational processes
- Pursue strategic partnerships and collaborations with both public and private partners

RENTAL GROWTH

In the past 10 years the division has recorded significant growth in the rental space from R258 million in 2012/13 to R568 million in 2021/22 with a forecasted revenue of R632m for 2022/23 translating to a positive impact on the entity's balance sheet.



2012/13: R258m
2019/20: R653m
2021/22: R568m

INVESTMENT PORTFOLIO VALUE

The investment portfolio value grew from R924 million in 2012 to over R4 billion over a period of nine (9) years, with the highest growth of over R2 billion recorded in the Metrorail station environment, followed by the development leases at over R1 billion.

IP VALUATION	2021	2020	Change
Development Leases			
Western Cape	300 870 000	297 625 000	3 245 000
Southern Gauteng	53 350 000	52 170 000	1 180 000
Northern Gauteng	146 390 000	160 980 000	-14 590 000
KwaZulu-Natal	1 065 190 000	1 012 370 000	52 820 000
	1 565 800 000	1 523 145 000	42 655 000
Operating Leases			
Western Cape	38 150 000	17 500 000	20 650 000
Southern Gauteng	11 315 000	10 821 000	494 000
Northern Gauteng	192 991 000	14 500 000	178 491 000
KwaZulu-Natal	116 480 000	115 340 000	1 140 000
Eastern Cape	11 915 000	-	11 915 000
	370 851 000	158 161 000	212 690 000
Managed Portfolio			
Western Cape	40 600 000	40 500 000	100 000
Southern Gauteng	329 100 000	354 000 000	-24 900 000
Northern Gauteng	-	-	-
KwaZulu-Natal	402 300 000	430 700 000	-28 400 000
	772 000 000	825 200 000	-53 200 000
Stations (excluding Autopax)			
Cape Town	735 500 000	708 300 000	27 200 000
Park	756 250 000	838 575 000	-82 325 000
Pretoria	210 700 000	208 900 000	1 800 000
Durban	505 700 000	490 100 000	15 600 000
Berea	45 700 000	46 800 000	-1 100 000
	2 253 850 000	2 292 675 000	-38 825 000
TOTAL INVESTMENT PROPERTY	4 962 501 000	4 799 181 000	163 320 000

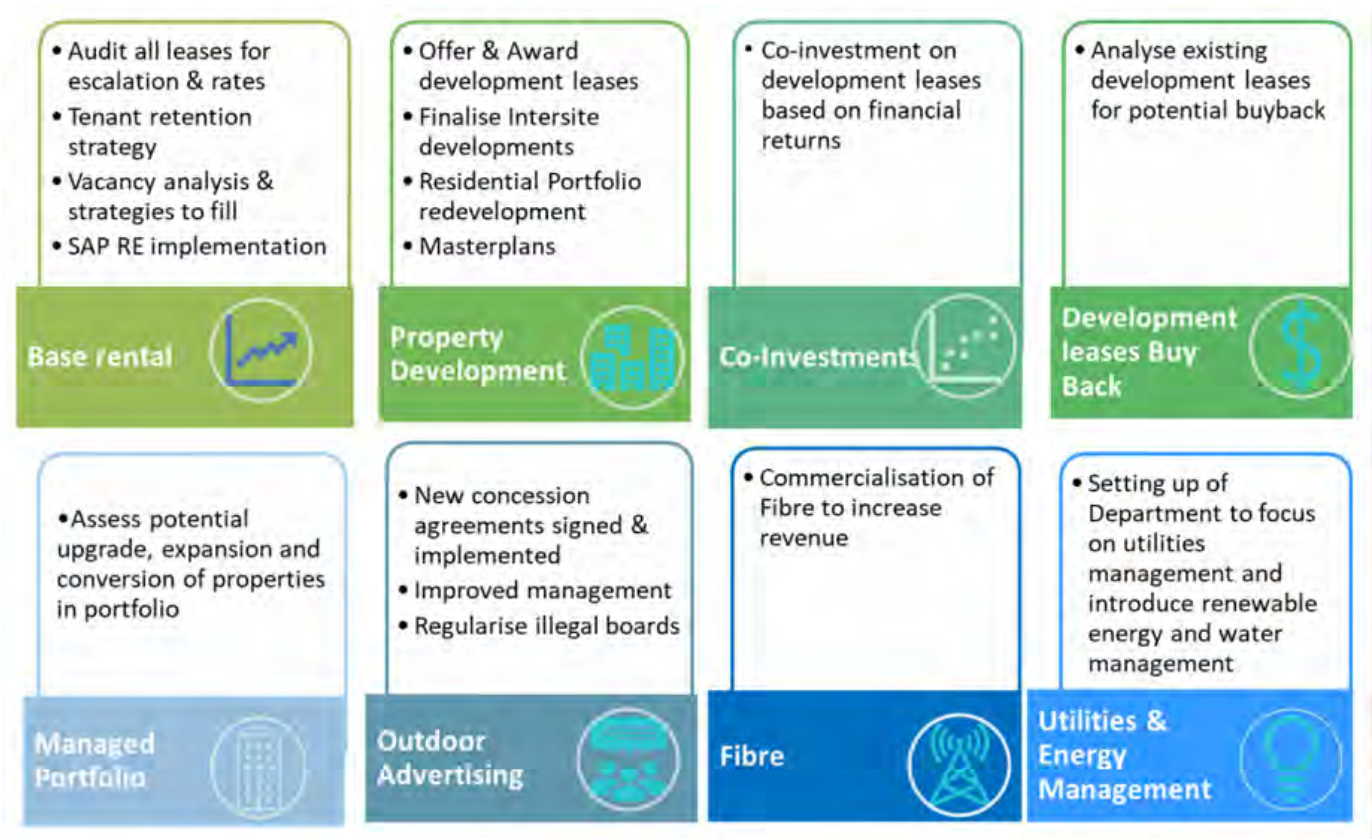
The strategic objectives for the secondary mandate are:

- Continue to develop the portfolio by increasing the retail and commercial sectors of the portfolio in order to grow the revenue whilst meeting the needs of the commuters and the communities where stations are located
- Spread revenue risk outside of station precincts with off-site developments not dependent on commuters only and ensure tenant mix at stations attract surrounding communities
- Improve on the required capacity in the areas of Planning and Land Use Management, Asset Management and Development Facilitation in order to drive the strategy
- Re-engineer current approval processes, delegation of authority for a focused approach on the secondary mandate to ensure quick turnaround to compete with market and industry
- Build the required capacity in utilities and energy management to ensure efficient operations and reduce costs

The revenue growth path will focus on:

- Acquisition (buy-back) of selected development leases within the portfolio. PRASA will utilise funding to cancel development leases, thereby purchasing the rental annuity income currently enjoyed by the respective tenants
- Development initiatives – various interventions in creating additional space and re-developing existing properties using PRASA capital
- Co-invest in new developments undertaken by third parties
- Undertake own developments through implementation agents
- Involve external brokers in the letting of commercial space

The revenue generating focus areas are:



The revenue growth over a 10 and 30 year period is as follows:

	Value in 2026 R million	10 years @ 6% Escalation	30 years
Base rental (6% escalation)	R793.4m	R8.1bn	R55bn
Development leases land rental (32)	R57m	R441m	R1bn
Co-investment (11)	R149m	R1.4bn	R4.4bn
CTS co-investment	R28m	R280m	R840m
Fibre (300km)	R15m	R150m	R450m
Buy-back (1)	R22m	R220m	R660m
Total	R977,4m	R12,5bn	R60bn

FACILITATE THE TRANSITION TO A DIGITALLY ENABLED ORGANISATION

PRASA business units require automation to recover from more than a decade of poor capability development. The objective of enabling transitioning to a digital organisation through stabilisation of the infrastructure, obtaining the technology and skills required, rebuilding of the core systems (i.e., SAP, ticketing) and increasing productivity is aimed at addressing automation through technology.

The Information and Communications Technology (ICT) priorities are to:

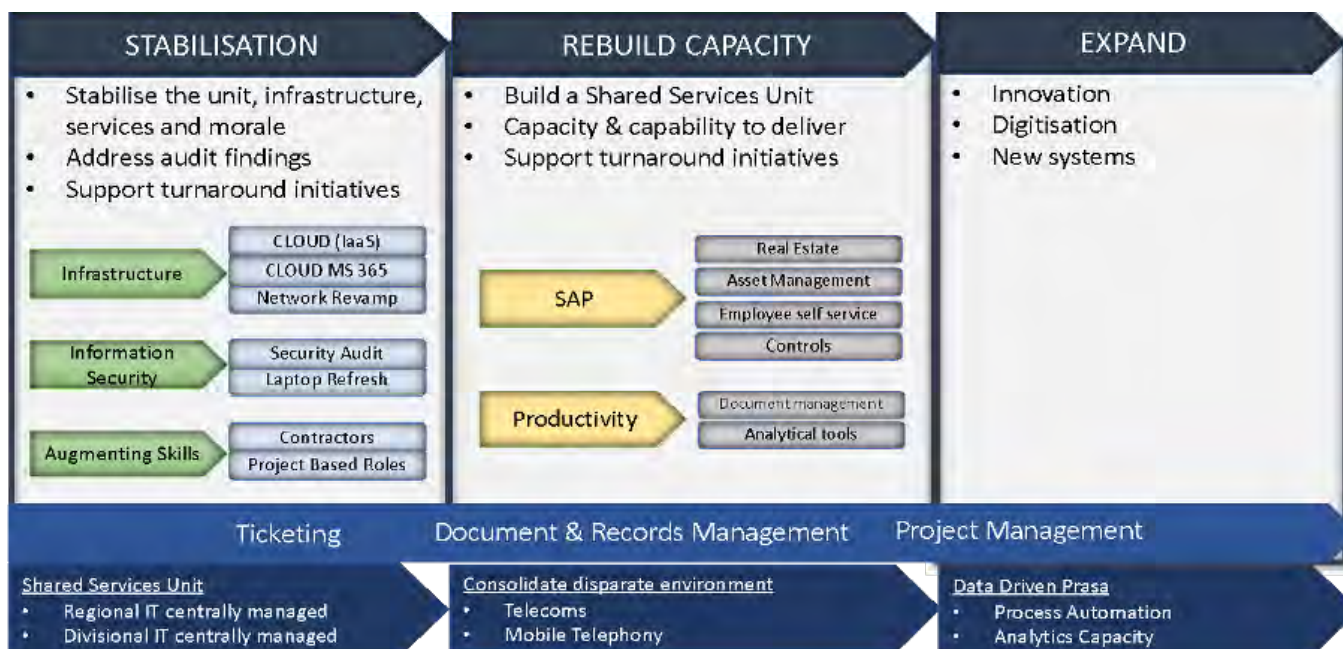
- Create a responsive, secure and resilient IT infrastructure
- Strengthen IT governance, security and risk management
- Capacitate the ICT environment with competent and capable people to create a high-performance ICT team
- Innovate and digitise through 4IR initiatives
- Build a content and information systems engine

A number of projects aimed at achieving an ICT-enabled organisation could not be fully implemented due to a limited ICT operational budget, capabilities and capacity to carry out ICT-related projects, amongst others. However, some of these challenges have been overcome with the delivery of laptops, printers and mobile devices in 2022/23. Programmes planned as part of stabilisation for system upgrades are in progress with the aim to rebuild the ICT environment.

PRASA DIGITAL TRANSFORMATIONAL JOURNEY

PRASA's envisaged ICT transformation journey illustrates the requirements to stabilise, rebuild and expand the ICT environment to support and enable the business to achieve its objectives.

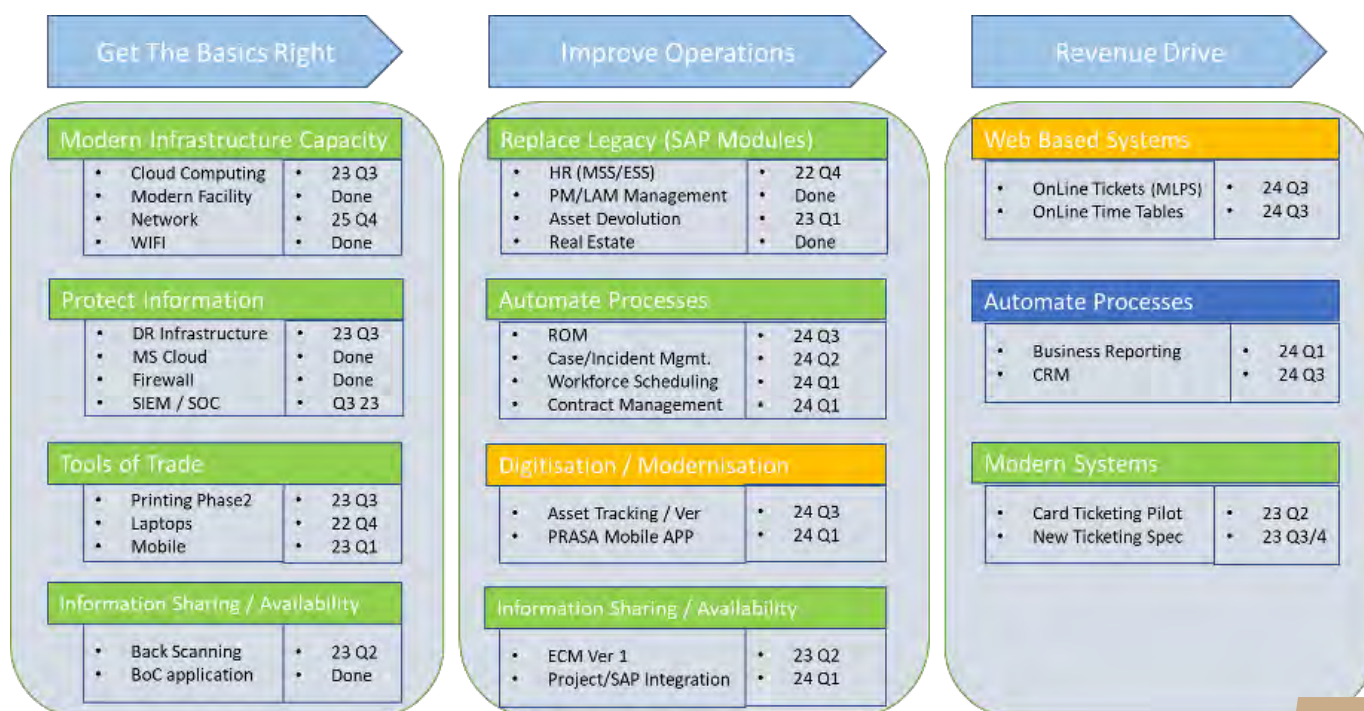
The following diagram depicts how PRASA plans to address ICT challenges to remain a competitive rail transport system provider enabled by technology, and in so doing, provide better services. The critical success factors for ICT to provide innovative solutions to the business are the availability of budget, resources and capabilities to enable business success.



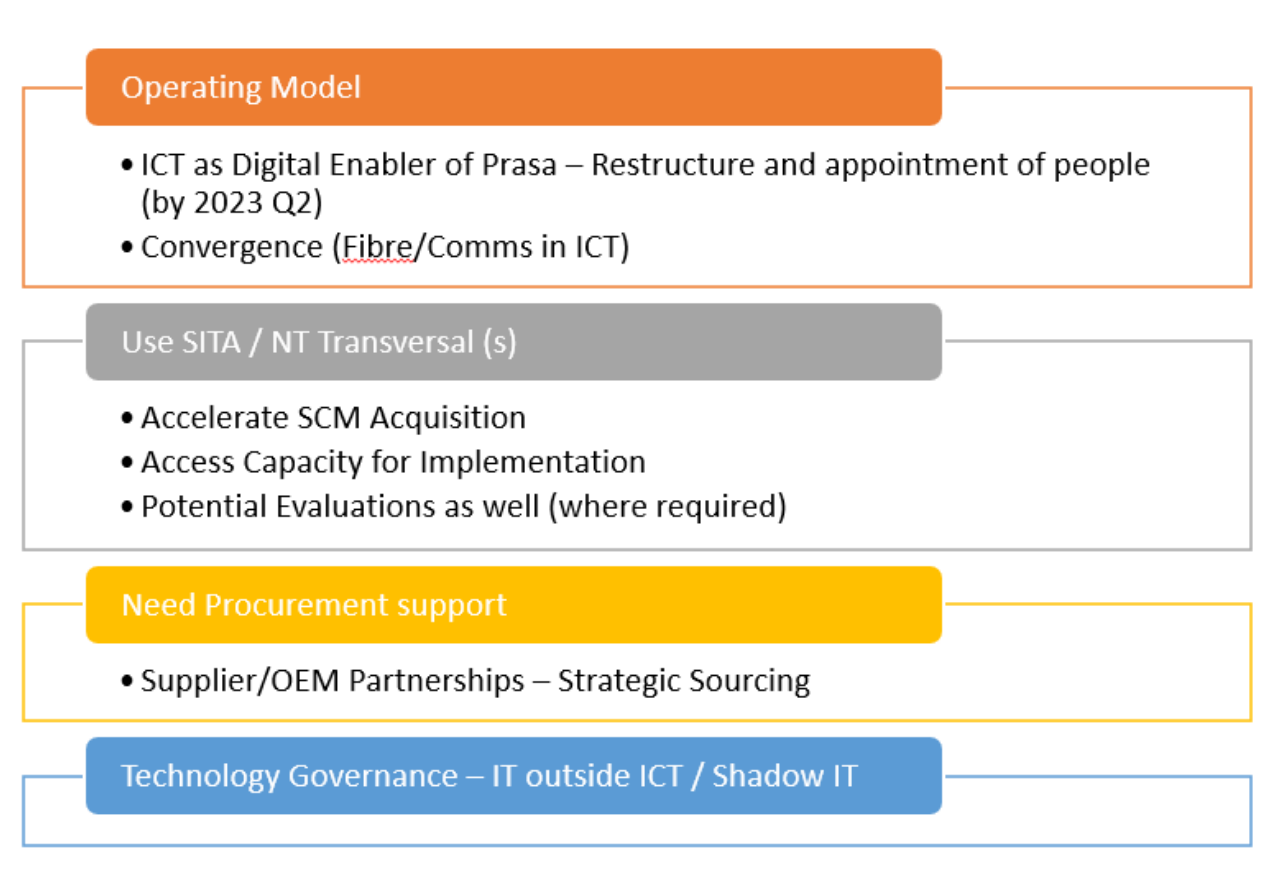
To address some of the challenges the business is facing, particularly in the rail operations environment, PRASA is compelled to invest in cloud technology. Investment in the right technology such as business intelligence and the Internet of Things (IoT) will enable PRASA to optimise rail operations to enhance customer experience. This is in line with developments in the rail industry globally, where modern passenger rail services offer a seamless and comfortable passenger rail experience that is comfortable and easy to shop for. The technology PRASA invests in needs to provide a more customer-centric approach, integrate, optimise and automate business intelligence solutions to provide commuters with an effective, modern, world-class service.

Digitisation can help rail operators improve on-time performance and create a better connection with passengers, while advanced analytics can uncover new opportunities in the different locations and parts of the transportation value chain that they serve.

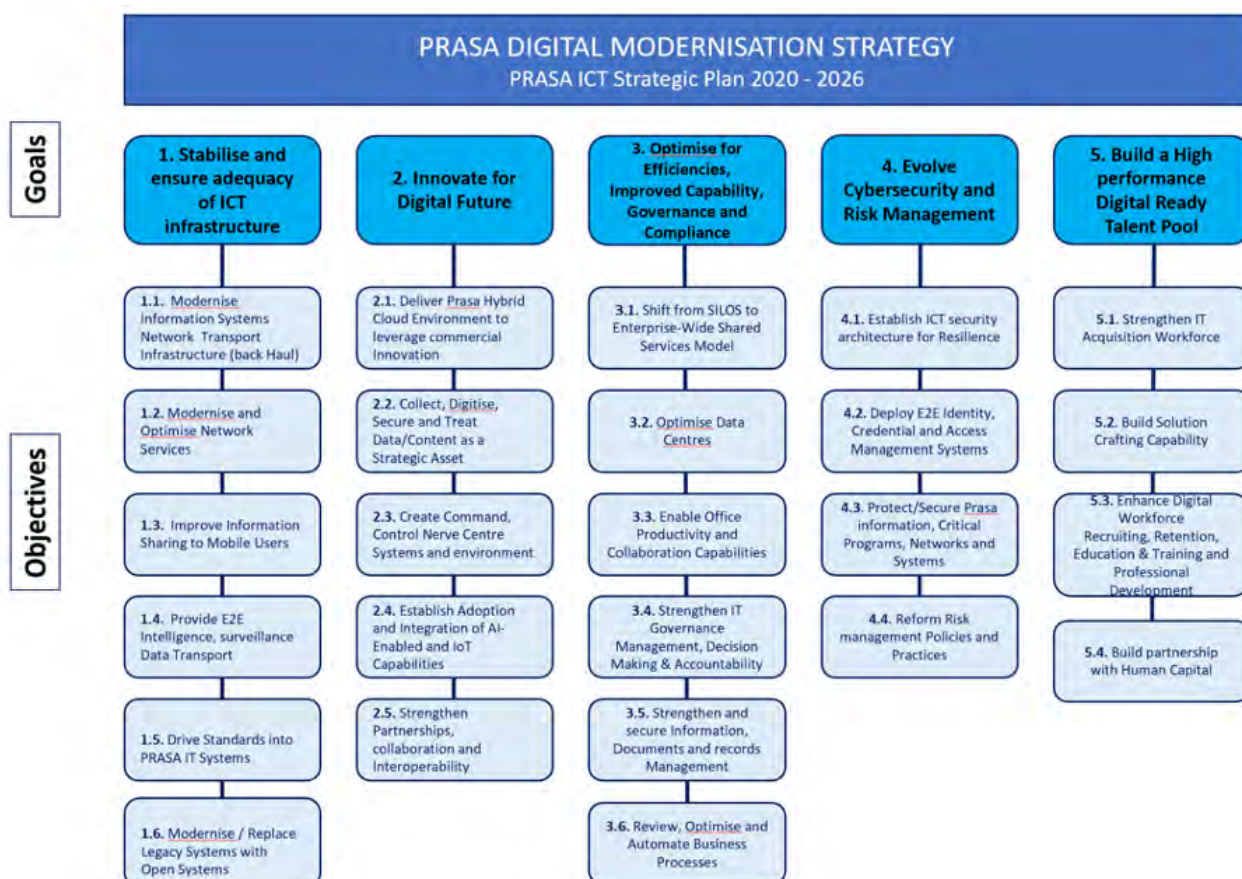
IMPLEMENTATION PLAN



The immediate actions to be completed by ICT are shown in the diagram below:



The ICT unit at PRASA envisions the roadmap depicted below as the building blocks towards a fully digitised, automated and technology-driven rail entity by 2026.



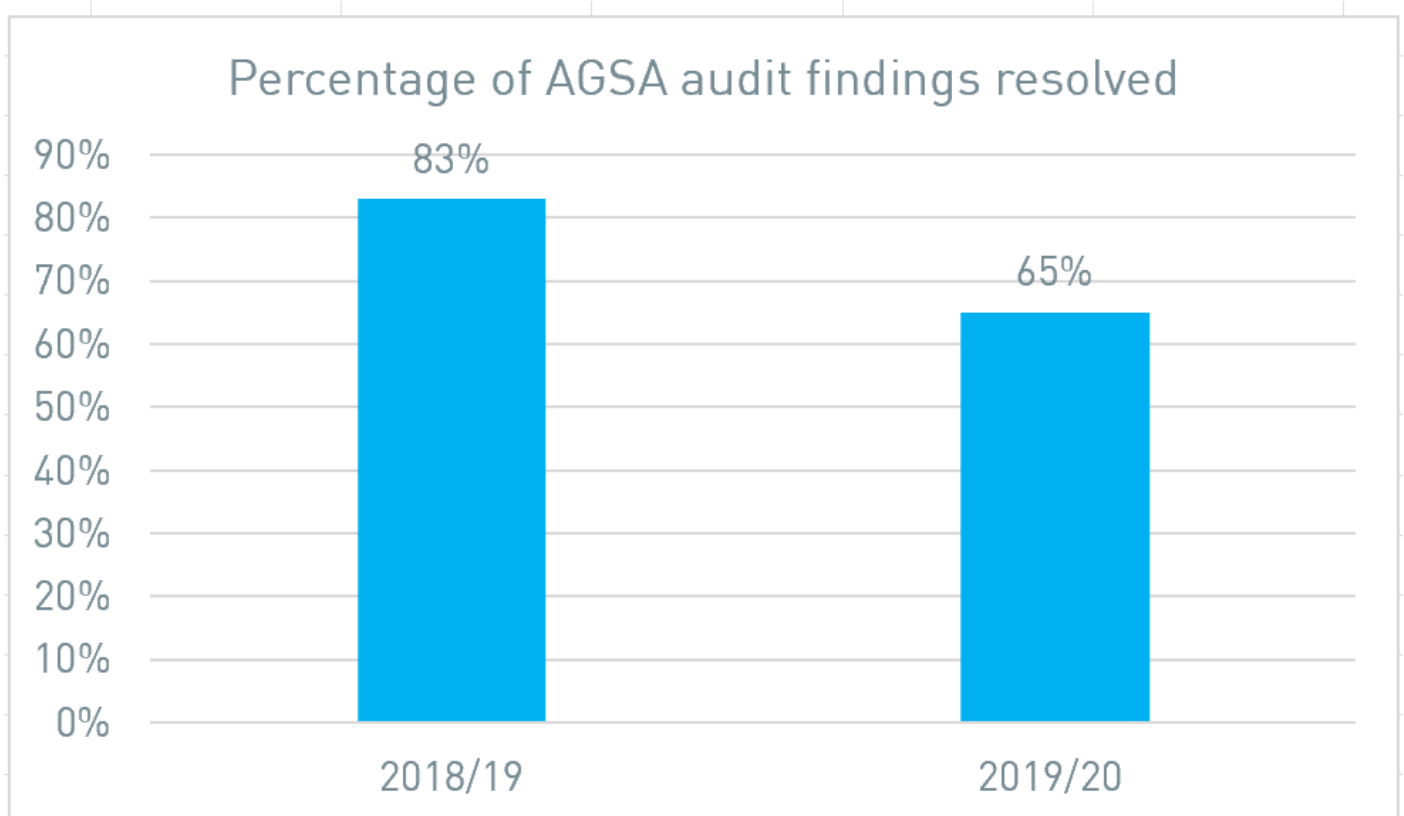
OPERATIONAL EXCELLENCE AND GOVERNANCE

Ensuring operational excellence in all support areas of the business that are efficient, effectively support the primary mandate and address governance and compliance, is a driver to build trust in PRASA.

PRASA has had three (3) successive disclaimer audit outcomes with findings issued by the Auditor-General of South Africa (AGSA). These findings which were issued during the 2018/19 audit cycle, are broadly categorised as qualifications and significant findings and material irregularities.

In addressing these outcomes, PRASA has established and maintains an Audit Task Team, with representation from various parts of the business. The task team has a dual mandate of addressing the external audit findings and ensuring sustainable improvement in the control environment. In this regard, the task team has developed, implemented and maintains an audit action plan, which is reviewed annually to include findings from the preceding audit outcomes, and is premised on a root cause analysis approach. To date, 83% of the 2018/19 and 65% of the 2019/20 audit findings have been resolved.

PRASA had on the matters of major irregularities raised by the AGSA, already addressed two of these namely, unspent conditional capital grants and the statement of comparison of budget and actual amounts. The three remaining major irregularities are being addressed in this audit plan namely, Property, Plant and Equipment, Commitments and Irregular as well as Fruitless and Wasteful expenditure.



Despite the progress that has been registered in the implementation of the audit action plan, as audited for assurance by Group Internal Audit, the AGSA has noted that the plan is ineffective. To address this, the task team is implementing interventions and measures that include:

- Optimally resourcing the implementation of the audit action plan
- Allowing for sufficient time between the statutory audits and the implementation of remedial measures
- Workshop the action plans to address the audit findings with managers and employees concerned
- Insisting on timeous, sustained follow-up audits by Group Internal Audit prior to the external audit being undertaken
- Assessing, on an ongoing basis, why controls are not effective (why repeat or similar findings occur where remedial actions have been implemented)
- Identification of key focus points_(strategic and transversal interventions)
- Linking the key focus points with root cause analysis
- Review, enforcement and/or implementation of key controls related to leadership, governance and financial management
- Identification of key resource requirements i.e., optimal resources with the appropriate and relevant skills and technology enablers
- Key milestones with timelines_aligned with accountability matrix
- Establishment of a monitoring, reporting and accountability process

PRASA aims to transition from the disclaimer towards a clean audit by focusing on achieving the following in accordance with the timelines mentioned below:

Term	Timeline	Audit Opinion
Short-term	Year-end 2022/23	From Disclaimer to Qualified
Medium-term	Audit cycle 2023/24	From Qualified to Unqualified
Long-term	Audit Cycles 2024/25; 2025/26	Clean



The Board has made irregular expenditure an area of focus. Every entity and department must clear irregularities via the Chief Procurement Officer, then the Loss Control Oversight Committee to the Group CEO for submission to the Audit and Risk Committee, the Board of Control (BOC) and, if necessary, to National Treasury. The agency aims to address the bulk of previous irregular expenditure before its 2022/23 audit and progress from a disclaimer audit outcome to an unqualified outcome over the next two financial years.

LEGAL, COMPLIANCE AND INSURANCE

PRASA's high legal costs emanate mostly from insurance (third-party) claims, litigation (for and against PRASA), litigation arising from contract-related disputes and overall contract management issues of capital programmes.

To reduce these costs significantly, PRASA will focus on reducing the cost of litigation by ensuring that projects are managed properly, particularly capital expenditure projects and that valid invoices received from service providers are paid timeously.

Furthermore, PRASA will ensure to entrench governance and compliance prescripts in overseeing the finalisation of capital and operational expenditure regarding contracts.

A cost-saving practice is to be enforced as an on-going process which will comprise, amongst others, an absolute analysis of all attorney fees and preparation of legal opinions to assess the merits of PRASA cases, thereby preventing unwarranted litigation.

PRASA will focus on utilising its own internal capacity to engage in out-of-court settlement negotiations and ensure the recovery of legal costs where applicable.

SUPPLY CHAIN MANAGEMENT

The Supply Chain Management (SCM) department is not sufficiently capacitated to address the significant increase in procurement events resulting from the Corridor Rebuilding and Recovery Programme. The insufficient capacity was exacerbated by vacancies left by resignations and dismissals.

For each project, bid committees must be appointed and require SCM officials to serve as advisors and secretariats. From the sheer volume and value of planned projects it is clear that the current staff complement within the SCM department is not adequate. This results in delays, especially in capital projects not being awarded and therefore not implemented, with a resultant underspend of the capital grant.

The filling of vacancies is prioritised as identified for each purchasing organisation. This will ensure that SCM has the ability to execute more projects/procurement processes and reduce the backlog. Having a fully staffed SCM department as a support structure will go a long way in reducing the identified weaknesses and increasing the performance, as staff will no longer be overloaded and will be less likely to make mistakes that compromise the procurement process. In addition, an alternative Engineering, Procurement and Construction Management (EPCM) service provider will be appointed as the department is being staffed to deal with the current high volumes of projects and high-value projects.

PROPOSED SOLUTION

Key strategic projects based on the corridor approach will be executed by the Centre of Excellence approach for each province reporting to Chief Procurement Officer which:

- Is a single, centrally-managed centre which will assist and improve focus on key strategic projects
- Enhances agility and quick turnaround on the procurement processes
- Strengthens governance and ensures compliance with all SCM prescripts.
- Curbs irregular expenditure

This model offers the greatest opportunity for efficiency through standardising administrative processes across the business and consolidating staff into a single centre . Through the right technology and reporting tools, a centrally managed centre can track its performance more easily. This approach also allows for the sharing of resources across the regions.

IMPLEMENTATION PLAN

Below is the execution plan of key strategic projects:

- Establishment of a strategic sourcing team
- Establishment of dedicated strategic sourcing teams for each province
- Assign projects to teams
- Team will consist of key practitioners across the business/division
- The strategic sourcing team will report directly to the ACPO
- The team will be assigned key projects per corridor with defined timelines
- The office of the ACPO will provide technical support
- Dedicated bid committees (BSC and BEC) will be established
- The implementation of the projects will also be monitored accordingly
- Filling of key vacant positions at Corporate such as GM: Sourcing; GM: Governance, Senior and Manager: Procurement by mid-January

ADDITIONAL SOLUTION TO SPEED UP PROCUREMENT AND EXECUTION

Management has initiated the process to appoint an EPCM service provider to assist with the execution of key capital projects to commence during Quarter 1 of 2023/24..

The competitive bidding process to appoint the EPCM service provider for the execution of identified key PRASA capital projects has been initiated and the bid is currently in the market. The appointed service provider will, in the main, assist PRASA to:

- Drive the stability of leadership and a skilled, capable, and performing workforce
- Recover rail performance
- Modernise rail through manufacturing, infrastructure development and maintenance

HUMAN CAPITAL AND STAKEHOLDER MANAGEMENT

The element of people is embedded in the objective to address external stakeholders' needs through communication and stakeholder management to benefit PRASA as well as communities, and ensure productivity of the workforce through performance management, consequence management and skills development.



HUMAN CAPITAL MANAGEMENT IMPROVEMENT OF HUMAN CAPITAL CONTROL

Actions to address the Human Capital control environment, following findings of the AGSA in 2021/22, entails the following to be completed in 2023/24:

- Digitisation of files and supporting documents;
- Clean up of the employee database currently underway;
- An investigation into staff uploading new employees and termination of employment will be done.
- Enhancing the controls within the HCM department. The HCM structures are being changed to incorporate more capacity within the Reporting and Employee Benefits areas to assist with employee information verification and reporting as well as within the SAP environment to ensure optimal usage of SAP to ensure data integrity.
- All Employees, including new entrants have to undergo vetting and Corporate Security is driving this process. Vetting Field Offices are being established in each region and will commence work in April 2023.

CREATING CAPACITY FOR EXECUTION

PRASA must be capacitated with enough and, more importantly, adequately skilled employees to enable the effective execution of PRASA's mandate, instil a culture of high performance whilst ensuring compliance with prevailing laws and regulations, and prioritising service delivery for the benefit of commuters and passengers.

The business has since prioritised filling of critical vacancies to bring about stability at executive level. As such PRASA is in the final stages of the appointment of six (6) of ten (10) executive positions, either permanent or on a contract basis. Permanent filling of these key vacancies will be run in parallel to contractor appointments. Other key vacancies in the Finance, Supply Chain Management, Internal Audit, Asset Unit and security disciplines including the Gibela structure are being finalised to ensure adequate capacitation in these disciplines.

In an effort to ensure adequately skilled employees are in place to enable the effective execution of PRASA's mandate the following initiatives are undertaken by Human Capital:

- Organisational structures will be adjusted and confirmed in line with strategic objectives, one of being implementing shared services.
- Recruitment Processes will be reviewed to ensure maximum flexibility to capacitate the business quickly and efficiently within the constraints of the law. A big focus will be placed on filling key vacancies that are being filled by internal employees in acting capacity. The recruitment policy is being reviewed with the aim of simplifying the process to bring onboard human resources. The goal will be to have less manual documentation being submitted, signed and limit the number of documents a line manager must submit to fill a position.
- In an effort to instil accountability in line management the Delegation of Authority is being reviewed to empower Group Executives and line management. The line manager, head of departments and Executive's authority scope must cater for all Human resources elements.
- Talent management and career progression will be addressed by identifying talent internally and enabling their promotion in line with their career plan. This policy will allow for employees to be promoted within PRASA. and will also assist in reducing the time it takes to fill a vacancy, ideally through a talent pool identified and ready to occupy the vacancy.
- To bridge the skills gap within PRASA, a skills audit has been commissioned with the first phase of the project set to commence in February 2023. A job profile evaluation programme is underway targeting all positions that have not been profiled or evaluated. The programme will run for a period of one year until February 2024.
- The HCM unit is considering various options for Employee Recognition and Reward to manage and instil a high-performance culture within the business. A proposal to this effect is being prepared.

DEVELOPMENT OF SKILLS

PRASA has a number of interns / trainees / apprentices currently in training by the various entities. The table below also includes trainees in Train Operations and Protection Services.

NUMBER OF TRAINEES / INTERNS / APPRENTICES (FEBRUARY 2023)	
ENTITY	Number
PRASA Rail Head Office & MLPS	0
Kwa-Zulu Natal	7
Western Cape	43
Gauteng	8
Eastern Cape	0
PRASA Technical	10
PRASA Cres	3
PRASA Corporate Office	0
TOTAL	71

A trainee can be both internal or external. A trainee or intern within PRASA may have a qualification, experience, skills and competencies, but will need training, organisational or job specific experience, organisational or job specific exposure to acquire a required qualification relevant to PRASA. This will mean undergoing training for a job or profession and/or an official employee being trained for a job initially employed for by the organisation.

For the MTEF period the focus on trainees /interns in operations will focus on Train Operations and Protection Services, in Technical Maintenance Departments the focus on trainees or interns will be on the appointment of apprentices to address artisan grades, while in Engineering the focus will be on engaging qualified engineers and technicians and ensuring these candidates register as engineers or technicians candidates for professional registration. In addition, PRASA will offer workplace integrated learning exposure opportunities to those learners requiring workplace exposure to qualify for the qualification being completed.



STAKEHOLDER MANAGEMENT

With a strategic focus on “improving customer experiences through ensuring service excellence”, the Corporate Stakeholder Relations management plan highlights and provides approaches and activation points that are aimed at:

- Building and maintaining positive relationships with key stakeholder groups and customers
- Supporting regional initiatives and projects with relevant stakeholder interventions
- Strengthening parliamentary liaison and stakeholder management services
- Restoring stakeholder confidence and improving relations between PRASA and its stakeholders
- Instilling community ownership of PRASA’s assets and infrastructure
- Establishing forums and steering committees comprising relevant government departments, state-owned enterprises, PRASA divisions and regions to inform, consult, engage and update key industry bodies on the developments that affect them or PRASA
- Informing, engaging and consulting relevant national and local government bodies and safety regulators about PRASA’s service resumption, initiatives and projects.
- Initiating partnerships with local municipalities to improve conditions for communities and empower community beneficiaries
- Fostering alignment with and encouraging support for PRASA projects with relevant local government departments, municipalities, state-owned enterprises and rail industry bodies



STAKEHOLDER MANAGEMENT APPROACH

Internal Approach

Focus Area	Target Audience
Formalize structures/processes relating to Stakeholder Relations involvement in PRASA Projects to avoid: (1) a fragmented approach and (2) Project stoppages	<ul style="list-style-type: none"> • PRASA Divisional CEOs • PRASA Project Teams
Engage internally to ensure the necessary support from other relevant Departments / Divisions required to enhance Stakeholder Relation efforts	<ul style="list-style-type: none"> • PRASA Divisions/ Departments

External Approach

Focus Area	Target Audience
Ensure that PRASA's business imperatives are understood and supported by stakeholders.	<ul style="list-style-type: none"> • Industry Bodies/Organisations • Regulatory Bodies • SOEs • Professional Bodies • Business Chambers • Other Transport Bodies
Initiate and foster Strategic Partnerships that will improve the conditions of communities / empower community beneficiaries	<ul style="list-style-type: none"> • Industry Bodies / Organizations • SOE's • Professional Bodies • Business Chambers • Other Transport Bodies • National and Provincial Government • Local Government/Metros
Restore Stakeholder Confidence	<ul style="list-style-type: none"> • Interest Groups • Labour Organizations • Commuters
Instill community ownership of PRASA assets and infrastructure	<ul style="list-style-type: none"> • Interest Groups • Communities • Commuters
Provide efficient and effective parliamentary liaison and stakeholder management services	<ul style="list-style-type: none"> • National and Provincial Parliament • National and Provincial Government • Local Government/Metros

EXECUTION PLAN

The diagram below depicts the planned stakeholder relations activities for 2023/24, the success of which is dependent on joint efforts with both internal and external partnerships.



MARKETING AND COMMUNICATIONS PLAN



OBJECTIVES OF MARKETING PLAN

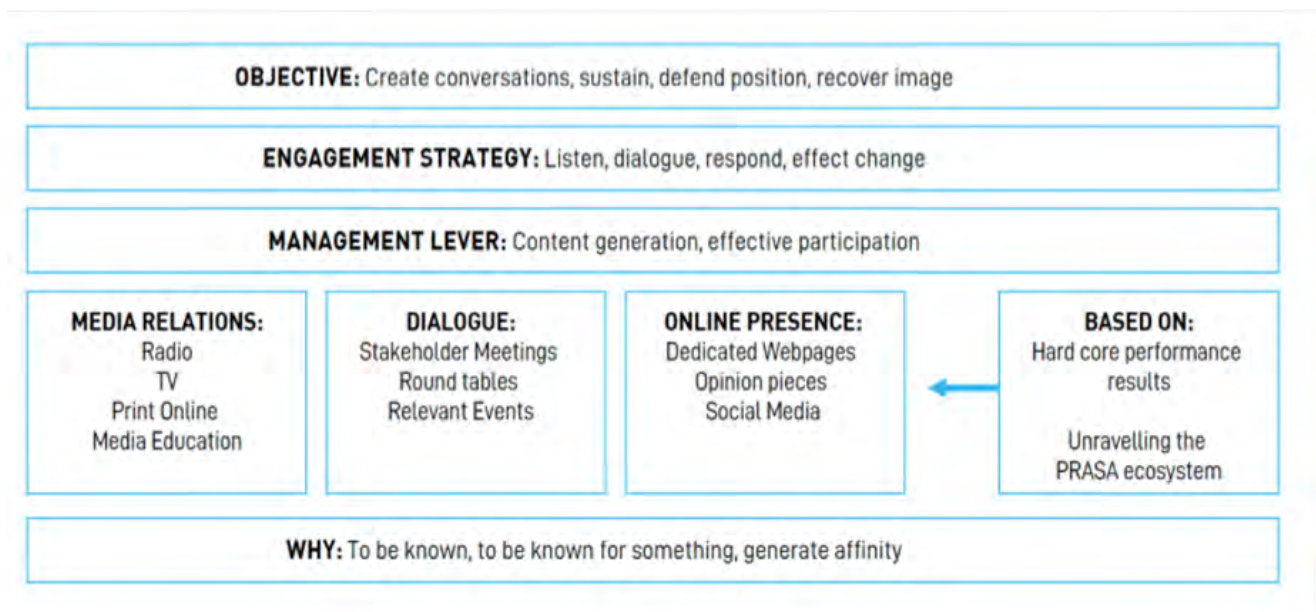
- **Promote passenger rail as the backbone of public transport**

PRASA's mission is to provide safe, reliable, affordable commuter rail, long-haul passenger rail and long-haul inter-city bus services.

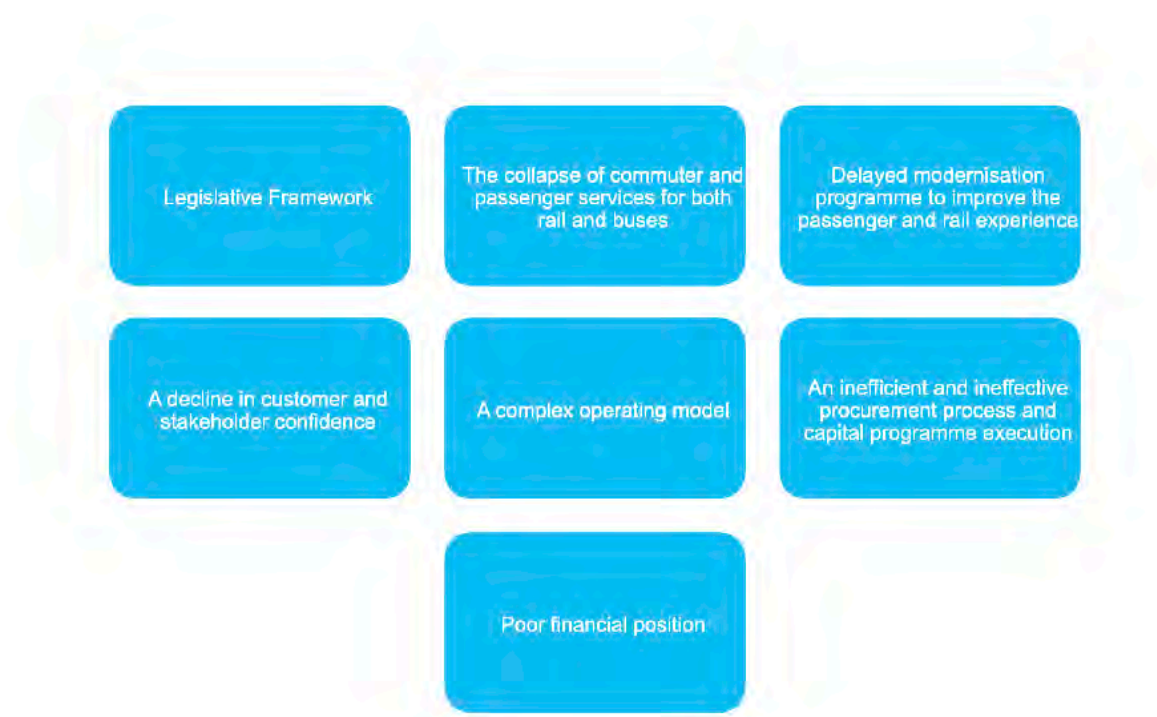
- **Consolidate the real estate strategy**

PRASA's secondary mandate is to generate income by exploiting its assets. Therefore we aim to position PRASA CRES as the investment partners of choice that offer real estate solutions whilst meeting the needs of commuters and communities in which stations are located.

COMMUNICATION ANGLE



COMMUNICATION ENVIRONMENT



KEY AREAS OF COMMUNICATION

The key areas to be communicated are:



**RECOVERY
WORK**



**INCREASE
PATRONAGE**



**BUSINESS
SUSTAINABILITY**



**REPUTATION
MANAGEMENT**

The communication tools and tactics that will be used for communication of the rail messages are that:

- Rail is *accessible to all*: by empowering commuters and general public with information; and
- Adds Value: by being the backbone of public transport are:



**MEDIA
BRIEFINGS**



**MEDIA RELEASE
& INTERVIEWS**



**MEDIA/
STAKEHOLDER
TOURS**



**INFORMATION
SESSIONS**



OPINION PIECE



FINANCIAL PLANS



CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Description	Total		
	2023/24	2024/25	2025/26
	R'000	R'000	R'000
Rental income	717 903	786 349	839 265
Fare Revenue	682 718	1 013 684	1 089 645
Government subsidy	9 115 518	7 853 036	8 204 853
Other income	99 524	132 667	182 844
Total Revenue	10 615 663	9 785 736	10 316 606
Personnel costs (Existing personnel)	(6 311 661)	(4 961 826)	(5 204 213)
Personnel costs (Vacancies)	(66 519)	(96 810)	(101 585)
Training	(125 009)	(131 448)	(137 917)
Material	(280 471)	(294 400)	(308 116)
Energy	(807 585)	(872 080)	(910 993)
Municipality costs	(333 575)	(440 395)	(495 150)
Leases	(442 490)	(463 112)	(482 598)
Maintenance	(882 147)	(950 319)	(988 962)
Communication	(55 271)	(57 360)	(59 952)
Insurance claims/Self-insurance	(377 000)	(393 777)	(411 418)
Insurance premiums	(355 605)	(371 429)	(388 069)
Audit fees:External	(37 967)	(39 671)	(41 448)
Audit fees:Internal	(30 000)	(15 000)	(16 000)
Professional services	(68 560)	(70 286)	(62 634)
TCO	(106 978)	(111 856)	(116 983)
Legal fees	(55 922)	(61 852)	(60 443)
Security services	(1 181 662)	(1 235 185)	(1 291 452)
Health & Risk	(277 022)	(309 481)	(322 301)
Travel & Accommodation: Other	(24 296)	(25 142)	(26 199)
Travel & Accommodation: Staff	(19 141)	(22 957)	(23 985)
Auxiliary transport	(15 494)	(16 183)	(16 908)
Bank charges, penalties & levies	(6 859)	(7 164)	(7 486)
Office expenditure	(7 347)	(7 617)	(7 723)
Publication & Marketing	(15 254)	(18 550)	(19 386)
Printing costs	(15 666)	(14 095)	(14 726)
Haulage costs	(13 180)	(13 766)	(14 383)
Computer costs	(185 360)	(193 410)	(202 047)
Management Fees	(112 973)	(121 402)	(133 597)
Other Operating costs	(102 348)	(122 354)	(127 984)
Total Operating expenditure	(12 313 361)	(11 438 926)	(11 994 659)
OPERATING SURPLUS OR (SHORTFALL) BEFORE INTEREST	(1 697 697)	(1 653 190)	(1 678 053)
Finance income	1 054 469	775 295	579 780
Finance cost	-	-	-
OPERATING SURPLUS OR (SHORTFALL) BEFORE DEPRECIATION	(643 228)	(877 895)	(1 098 273)
Capital subsidy & grants	12 936 309	13 517 272	14 122 846
Depreciation	(3 028 527)	(3 325 117)	(3 496 662)
Loss/Profit on disposal of assets	(28 921)	(26 093)	(27 262)
Impairment losses/gain	(64)	(69)	(72)
Net grant, depreciation, impairment and loss	9 878 797	10 165 993	10 598 850
OPERATING SURPLUS OR (SHORTFALL)	9 235 568	9 288 099	9 500 577

CONSOLIDATED STATEMENT OF CASH FLOW

Description	Total		
	2023/24	2024/25	2025/26
	R'000	R'000	R'000
Operating Cash Flow			
Net Earnings	9 235 568	9 288 099	9 500 577
Depreciation & Amortization	3 057 512	3 351 279	3 523 996
Interest Income	(1 054 469)	(775 295)	(579 780)
Other Non Cash Items	(12 839 319)	(13 414 145)	(14 015 689)
Changes in Working Capital (mainly increase in creditors)	446 117	23 864 031	31 808 999
Cash from Operations	(1 154 591)	22 313 969	30 238 103
Interest Expense	-	-	-
Interest Income	1 054 469	775 295	579 780
Net cash used from operating activities	(100 122)	23 089 264	30 817 883
Investing Cash Flow			
Acquisition of PPE	(17 048 508)	(45 880 518)	(46 479 613)
Prepayment for Capital Expenditure	-	-	-
Acquisition of Intangible asset	(96 800)	(671 000)	(670 257)
Acquisition of investment Property	(352 514)	(801 453)	(737 447)
Proceeds on Sale of Assets	-	-	-
Cash from Investing	(17 497 822)	(47 352 971)	(47 887 318)
Financing Cash Flow			
Capital Subsidy and Grants Received	12 936 309	13 517 272	14 122 846
Cash from Financing	12 936 309	13 517 272	14 122 846
Net Increase (decrease) in Cash	(4 661 635)	(10 746 435)	(2 946 589)
Opening Cash Balance	24 641 598	19 979 963	9 233 528
Closing Cash Balance	19 979 963	9 233 528	6 286 939



STATEMENT OF FINANCIAL POSITION

Description	Total		
	2023/24	2024/25	2025/26
	R'000	R'000	R'000
Current assets	22 032 478	11 366 872	8 517 900
Inventory	466 266	442 953	420 805
Trade and other receivables from exchange transactions	694 287	798 430	918 195
Prepayments	891 961	891 961	891 961
Cash and cash equivalents	19 979 963	9 233 528	6 286 939
Non-current assets	78 769 169	121 777 609	165 152 742
Property, plant and equipment	66 692 160	109 334 258	152 408 550
Intangible assets	155 960	714 101	1 265 684
Prepayments	5 099 668	4 207 708	3 315 747
Investment property	4 795 538	5 596 991	6 334 438
Non-current receivables from non-exchange transactions	2 025 843	1 924 551	1 828 323
Total Assets	100 801 646	133 144 481	173 670 642
Current liabilities	8 469 550	32 424 599	64 318 395
Trade and other payables from exchange transactions	8 129 946	32 074 807	63 958 110
Provisions for outstanding claims	339 603	349 791	360 285
Non-current liabilities	2 597 154	2 853 750	2 674 315
Operating Lease Liability	1 273 563	1 490 384	1 269 742
Non-current provisions	1 319 087	1 358 660	1 399 419
Defined benefit plan obligations	4 504	4 706	5 153
Net assets	89 734 942	97 866 132	106 677 932
Accumulated surplus / (deficit)	85 486 684	93 617 874	102 429 674
Non_cash reserves	4 248 258	4 248 258	4 248 258
Total Net Asset and Liabilities	100 801 646	133 144 481	173 670 641



CAPITAL BUDGET FOR THE MTEF PERIOD



CAPITAL BUDGET FOR THE MTEF PERIOD

The Capital budget for the MTEF reflects a difference with the allocated capital allocation of R12,9 billion. We have requested for a re-allocation from Specific and Exclusive allocations to Other Capital of R4,6 m to cover the shortfall in this category for 2023/24. In the case of PRASA exceeding the revised capital allocation, on Specific and Exclusive allocations, after the re-allocation this will be covered from previous unspent capital.

Capital Programme	2023/24	2024/25	2025/26	Total MTEF
R'000				
SPECIFIC & EXCLUSIVE	10 748 806	20 700 677	23 370 897	54 820 380
Rolling Stock Fleet Renewal Programme	8 058 759	12 984 545	14 412 845	35 456 150
Signaling and Telecommunications Programme	2 380 000	5 783 000	6 889 600	15 052 600
General Overhaul of Metrorail Coaches	259 427	1 733 951	1 855 328	3 848 706
Refurbishment of Smeyl Coaches	50 620	199 181	213 124	462 925
OTHER	6 549 016	26 102 294	23 916 421	56 567 731
Information and Communications Technology (ICT) Systems	400 778	131 260	162 755	694 793
Enterprise Resource Planning (ERP)	6 150	-	-	6 150
Automatic Ticketing System Programme	43 150	578 000	604 257	1 225 407
Railbound Programme (Rail Ops Management Solutions)	47 500	93 000	66 000	206 500
Asset Protection: Group Security Projects)	403 739	728 187	797 288	1 929 214
Security cost to guard projects	150 000	350 000	350 000	850 000
Vehicle Fleet Replacement Programme	50 000	125 000	125 000	300 000
Autopax	747 000	-	-	747 000
National Station Improvement Programme (NSIP) - incl. ABT, CIP & NRIP	299 268	1 990 956	240 860	2 531 084
Station Modernisation (Incl. NSUP, PARK & Mabopane)	212 560	2 224 786	1 391 361	3 828 707
Commercialisation and Development (Incl. REAM, Intersite)	352 514	801 453	737 447	1 891 414
Workplace Improvement Programme, (incl depots facilities)	83 261	688 064	316 340	1 087 665
Energy Renewable Programme	15 758	299 178	-	314 937
Depot Modernization Programme: Hig-tech Fencing and Security	295 000	-	-	295 000
Depot Upgrade Programme (9 Depots)	397 500	3 180 000	5 990 000	9 567 500
Electrical Programme: Substations	9 500	25 310	25 400	60 210
Electrical Programme: National Overhead Equipment & Transmission lines	8 600	10 550	3 200	22 350
Footbridges and Structures	17 300	17 500	85 000	119 800
Level Crossings	2 000	26 000	236 000	264 000
120km/h Perway Programme	75 000	800 000	1 320 000	2 195 000
Capital Intervention Programme	1 200 000	3 280 000	3 280 000	7 760 000
Long Lead Rails	200 000	1 522 164	1 409 043	3 131 208
Drainage	57 359	1 418 673	1 116 396	2 592 428
Depots Machinery and Equipment	13 545	19 854	37 908	71 307
Technical Maintenance Support (Rolling Stock Adhoc Condition Work)	211 350	330 000	294 000	835 350
Rolling Stock Components	46 485	69 720	185 920	302 125
Ontrack rehabilitation programme: Machines	125 099	644 148	629 148	1 398 395
Fencing Programme (Stations and Corridors)	150 897	3 647 897	3 647 897	7 446 691
Locomotives	10 270	687 693	776 000	1 473 963
Shunting Vehicles	10 000	10 000	10 000	30 000
Other: Office Furniture and Equipment	500	500	500	1 500
WC Central Line Recovery	412 990	1 198 000	70 000	1 680 990
Mabopane Line Recovery	345 000	1 165 000	-	1 510 000
Special and Mega Projects- Motherwell Rail Extension	2 200	2 100	1 700	6 000
KZN Floods Recovery	96 744	-	-	96 744
PRASA Rail	50 000	37 300	7 000	94 300
Overhead Costs	200 000	550 000	600 000	1 350 000
General overhead cost for projects	200 000	550 000	600 000	1 350 000
Grand Total	17 497 822	47 352 971	47 887 318	112 738 111

Note: Other capital includes corridor recovery, walling, depot modernisation, stations, security technology and Information Technology in the main.

RISK MANAGEMENT



RISK MANAGEMENT PLAN

PRASA's risk management objectives are to:

- Enable the business through embedding risk management in decision making
- Strengthen governance by inculcating an appropriate risk culture that maintains a balance between conformance and performance
- Strengthen organisational resilience by ensuring that business/operational continuity and disaster management plans are an essential part of organisational planning and development
- Support key projects by undertaking risk assessments thereon
- Enhance operational efficiencies and effectiveness through the implementation of a quality management system
- Facilitate addressing of all audit qualifications and significant findings by the AGSA

Risk Description	Mitigation Measures
Operating cash constraints	<ul style="list-style-type: none"> • Increase patronage and revenue • Implement cost containment programme, including staff optimisation • Develop and implement a comprehensive turnaround plan • Implement appropriate funding, operating and corridor costing models • Implement staff optimisation
Inability to deliver on the rebuild and recovery and modernisation programmes	<ul style="list-style-type: none"> • Capacitation of the war room in accordance with the Rebuild Framework • Implement project delivery through the EPCM contracts • Conclude strategic partnerships with key stakeholders, e.g., World Bank, DBSA, etc • Introduce strategic sourcing procurement on key programmes
Sabotage, theft and vandalism of the network and infrastructure	<ul style="list-style-type: none"> • Implement the walling programme in high-risk corridors as per approval by the BOC • Effectively implement the security plan and ensure that it is funded over the MTEF period, as a minimum • Maintain intelligence-driven security plans and operations • Finalise procurement and implement the technology packages as per the security strategy and plan

Risk Description	Mitigation Measures
Loss of the operating permit	<ul style="list-style-type: none"> • Implement the documented safety management system, including greater collaboration with the RSR as the regulator • Improve maintenance capacity of PRASA by developing and implementing infrastructure strategy and plans • Establish joint maintenance capacity with Transnet • Address all the issues raised by the RSR during its assessment of the permit application
Ineffective infrastructure maintenance programme	<ul style="list-style-type: none"> • Review and submit the assets maintenance strategy to the BOC for approval • Effectively implement the assets maintenance strategy • Improve PRASA's maintenance capacity by developing and implementing infrastructure and rolling-stock strategy and plans • Establish joint maintenance capacity with Transnet
Safety and security of operations	<ul style="list-style-type: none"> • Implement the walling programme in high-risk corridors as per approval by the BOC • Effectively implement the security plan and ensure that it is funded over the MTEF period, as a minimum
Reputational risk	<ul style="list-style-type: none"> • Achieve improved and sustained operational performance • Resolve governance issues from the legacy reports • Strict implementation of fraud and corruption plan • Develop and implement communication and reputation management strategy • Develop and implement the stakeholder management strategy

Risk Description	Mitigation Measures
Vulnerable and inadequate ICT systems	<ul style="list-style-type: none"> • Comprehensively implement the ICT strategy as approved by the BOC • Balance the budget on ICT capex and opex to address opex challenges • Finalise and capacitate an appropriate ICT organisational structure
Non-compliance with the prescripts of the PFMA and National Treasury Regulations	<ul style="list-style-type: none"> • Maintain an effective compliance management programme
Litigation	<ul style="list-style-type: none"> • Implement a focused legal strategy to address contingent liabilities and related matters
Fraud and corruption	<ul style="list-style-type: none"> • Effectively implement the fraud and corruption prevention plan • Maintain anonymous fraud and corruption reporting whistleblowing mechanism and awareness thereof • Strengthen investigative capacity within the organisation, including co-sourcing as may be deemed appropriate

PRASA PERFORMANCE COMPACT



ALIGNMENT WITH THE COMPACT OF THE MINISTER OF TRANSPORT

Several areas in the Minister's compact require PRASA to achieve performance targets in terms of its mandate, specifically the primary mandate.

The ministerial outcomes applicable to PRASA's primary mandate are :

- Increased access to affordable and reliable transport.
- Industrialisation, localisation and exports.

These outcomes cover the following capital programmes of PRASA: the rolling stock fleet renewal programme, the station revitalisation and modernisation programme, the resignalling programme, the general overhaul programme for Metrorail and MLPS, rebuilding the Western Cape central line, restoring the Mabopane to Pretoria service in Gauteng, and rebuilding corridors in order of set business priorities.

In addition, the operational side of the primary mandate is linked to PRASA's security plan and rollout, where funded. This includes: the safety and security of passengers; employees and assets; and the maintenance of the rolling stock (train sets) required to improve the overall performance of Metrorail and MLPS.

This performance plan is aligned with the performance compact with the Minister of Transport in terms of the primary mandate of PRASA.



PRASA PERFORMANCE PLAN

NDP Pillar:		A strong and inclusive economy		Priority 5:	Economic transformation and job creation	
MTSF Programme:		Economy and jobs		MTSF Sub-Programme	Competitive and accessible markets	
Performance Outcome Minister		Increased access to affordable and reliable transport systems				
PRASA Objective	Outcome Indicator	2021/22 Audited	2022/23 Unaudited	2023/24 Target	2024/25 Target	2025/26 Target
Objective 1: Acceleration of Service Recovery	Number of rail lines rebuilt and recovered	5 lines resumed with electrical services (Incl. Pretoria to <u>Mabopane</u>)	9 lines or sections of a line resumed with electrical services.	10 lines or sections of lines resumed with electrical services	4 lines or sections of lines resumed with electrical services	
	Number of Electrical Modular Units (EMUs) deployed cumulative from 2021/22		32 new EMU's deployed	51 new EMU's deployed	80 new EMU's deployed	120 new EMU's deployed
	Passenger trips for Metrorail per annum	16,69 million Metrorail passenger trips	14 million Metrorail passenger trips	19,7 million Metrorail passenger trips	26,5 million Metrorail passenger trips	35,9 million Metrorail passenger trips
	Number of correctly configured operationally ready train sets (old and new train sets)	63 configured train sets (old)	194 configured train sets	215 configured train sets	238 configured train sets	289 configured train sets

NDP Pillar:		A strong and inclusive economy		Priority 5:	Economic transformation and job creation	
MTSF Programme:		Economy and jobs		MTSF Sub-Programme	Competitive and accessible markets	
Performance Outcome Minister		Social cohesion and safer communities				
PRASA Objective	Outcome Indicator	2021/22 Audited	2022/23 Preliminary	2023/24 Target	2024/25 Target	2025/26 Target
Objective 2: Enhance safety and security	Number of safety occurrences reported to the RSR for categories A to O	247 safety occurrences reported	168 safety occurrences reported	Less than 1083 safety occurrences reported	Less than 1083 safety occurrences reported	Less than 1083 safety occurrences reported
	Number of security occurrences reported to the RSR for categories 1 to 10	1705 security occurrences reported	1 036 security occurrences reported	Less than 2822 security occurrences reported	Less than 2681 security occurrences reported	Less than 2547 security occurrences reported

NDP Pillar:		A strong and inclusive economy		Priority 5:		Economic transformation and job creation
MTSF Programme:		Economy and jobs		MTSF Sub-Programme		Competitive and accessible markets
Performance Outcome Minister		Increased access to affordable and reliable transport systems				
PRASA Objective	Outcome Indicator	2021/22 Audited	2022/23 Unaudited	2023/24 Target	2024/25 Target	2025/26 Target
Objective 3: Modernise assets	Number of new trains accepted cumulative from start of contract	89 new train sets	146 new train sets	206 new train sets	266 new train sets	336 new train sets
	Localisation in programme of rolling stock expansion per Manufacturing Supply Agreement (MSA)		MSA level of local content at 51%	MSA level of local content at 67%	MSA level of local content at 70%	MSA level of local content at 74%
	Number of stations modernised	7 stations	58 stations revitalised	33 stations modernised	35 stations modernised	40 stations modernised
	Testing and Commissioning of signaling on rail lines	-	0 lines	Testing and commissioning completed on 6 lines	Testing and commissioning completed on 14 lines	Testing and commissioning completed on 5 lines
	Depot fencing and walling completed	0 depots fencing completed		Completion of 6 depot fencing and walling projects.		
	Number of coaches completed for Metrorail & MLPS GO programme	0 coaches completed	129 coaches	180 coaches	190 coaches	200 coaches

NDP Pillar:	A strong and inclusive economy		Priority 5:	Economic transformation and job creation		
MTSF Programme:	Economy and jobs		MTSF Sub -Programme	Competitive and accessible markets		
Performance Outcome Minister	Decent jobs sustained and created					
PRASA Objective	Outcome Indicator	2021/22 Audited	2022/23 Estimated	2023/24 Target	2024/25 Target	2025/26 Target
Objective 5: Financial Sustainability	Percentage of capital grant allocated per annum spent		108% of R12,6 bn capital allocated for 2022/23 spent	100% of R12,9 bn capital allocated for 2023/24 spent	100% of R13,5 bn capital allocated for 2024/25 spent	100% of R14,1 bn capital allocated for 2025/26 spent
Objective 7: Human capital and stakeholder management	Development of Cooperatives in Rail			60 cooperatives employed	Expand cooperatives programme	
	Number of jobs created and sustained through infrastructure projects, rolling stock programmes as well as operational programmes	3 300 (Unaudited)	8 151 (Direct jobs)	8999 direct jobs and Job Opportunities through programmes ** 12 689 Total: 21 688	10 938 direct jobs and Job Opportunities through programmes ** 30536 Total: 41475	11050 direct jobs and Job Opportunities through programmes ** 30851 Total: 41902

GOVERNANCE



PRASA BOARD OF CONTROL



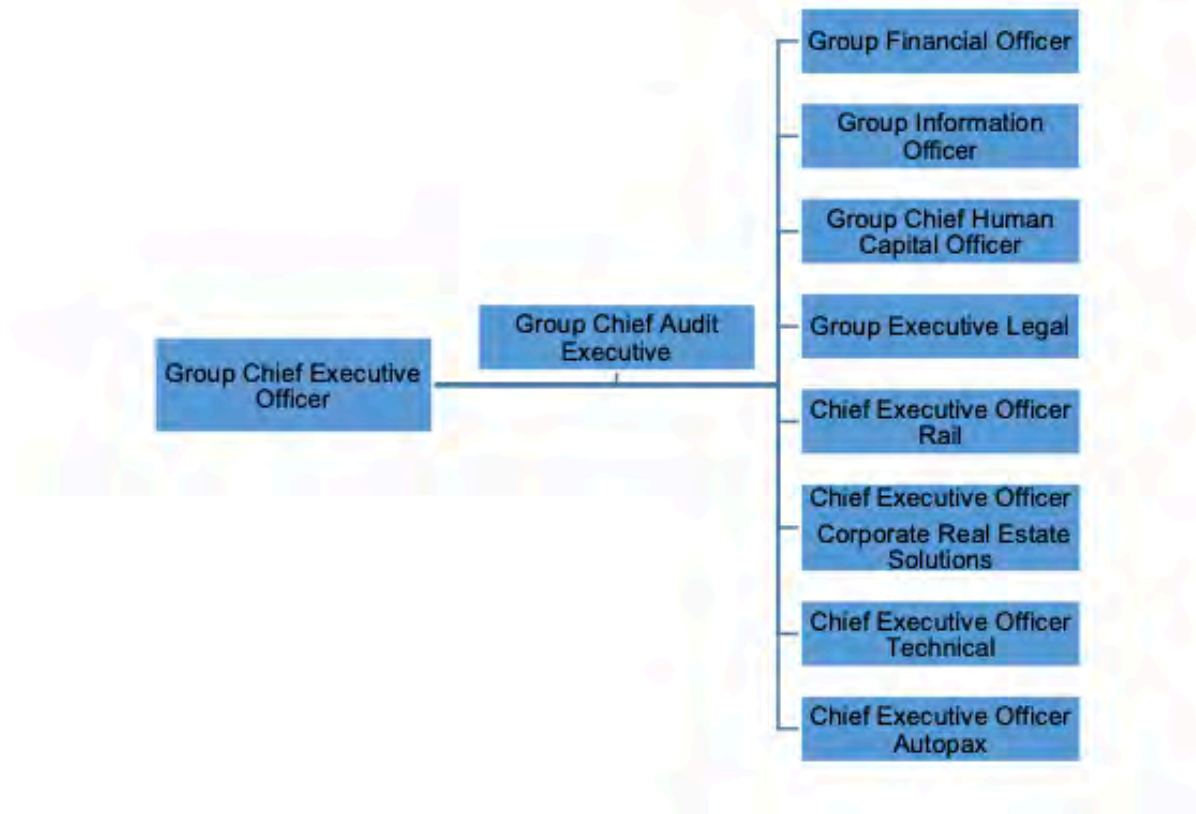
Initial & Surname	Appointment Date	Age	Gender	Qualification
Mr L. Ramatlakane (Chairperson)	27 October 2020	69	Male	<p>Graduate Certificate in Advanced Governance and Leadership, Graduate Certificate in Good Governance Policy and Public Leaders.</p> <p>Courses and certificates: Advanced Certificate in Human Settlements Management, Labour Law, Negotiation, Communication, Media, Economics, Arbitration, Mediation and Administration Training</p> <p>Directorships: Hoseng Pty Ltd</p>
Mr D. Mohuba	27 October 2020	57	Male	<p>Bachelor of Arts in Pedagogics, Bachelor of Education, Management Development Programme, Executive Management Programme, Higher Education Leadership and Management, Executive Development Programme, Master of Business Administration, Certificate in Theology, Diploma in Ministries</p> <p>Directorship: Strategic Partners Africa</p>
Mr M. Mukhuba	27 October 2020	37	Male	<p>Bachelor of Technology in Mechanical Engineering, Postgraduate Diploma in Business Administration, Certificates: Project Management and Business Management</p> <p>Directorships: Intersite Asset Investments SOC Ltd, MMND Engineering, Mukhuba Holdings</p>

Initial & Surname	Appointment Date	Age	Gender	Qualification
Ms N. Mpye	27 October 2020	38	Female	Chartered Accountant. South African Institute of Chartered Accountants Johannesburg -Part II: Qualifying Board Examination, BCom (Accounting), Higher Diploma in Accountancy(Certificate of Theory in Accounting) Directorships: National Empowerment Fund, Mpye Consulting, WameNtle tile Farming Projects, Hollen Property Investment
Ms N. Nokwe-Macamo	27 October 2020	61	Female	Master of Science (Petro-Chemical Engineering), Diploma (Chemical Engineering) Directorships: Airports Company of South Africa, Raise Africa Investments, Legacy Africa Group, Varlolog, Mena SSG Khulisa, Raise Africa Growth Fund Holdings, Raise Africa Growth Fund, SOLH2O, Rise Sail Pty
Adv S. Sethene	27 October 2020	48	Male	BSocSci (Law) Hons, LLB, Courses/certificates: Domestic Arbitration, Handling the Media, Insurance
Mr T. Zulu	2 December 2020	50	Male	BCom Hons (Economics) Directorships: Intersite Asset Investments SOC Ltd, Autopax SOC Ltd
Mr N. Makaepea	3 June 2021	45	Male	Master of Public Policy, BA Hons (Political Science), BAHons (History). Courses and certificates: Rail Transport Economics and Management, Economic Regulation, Legislative Drafting, Policy Development and Management, Executive Practical Project Management

Initial & Surname	Appointment Date	Age	Gender	Qualification
Adv M. Motlogelwa	1 December 2022	49	Male	<p>Bachelor of Law, LLB, Advanced Diploma in Public Administration, Certificate Programme in Project Management, Certificate in Urban and Regional Development Planning and Management</p> <p>Directorships:</p> <p>Municipal Demarcation Board of SA</p>
Ms S. Luthuli	1 December 2022	42	Female	<p>B Com Accounting (University of the Western Cape), Certificate in Public Management and Governance (University of Cape Town), Postgraduate Diploma in Corporate Governance (University of Monash), conferred with a Certified Director designation by the Institute of Directors South Africa (IODSA) and served on the Board of The South Africa Gas Development Company.</p>



PRASA EXECUTIVE MANAGEMENT



Name	Designation	Name	Designation
Mr H. Emeran	Acting Group Chief Executive Officer	Mr N. Malefane	Acting Chief Executive Officer Rail
Mr. Alexander	Acting Group Chief Financial Officer	Ms A. Lindeque	Acting Chief Executive Officer, Corporate Real Estate Solutions
Ms Y. Isawa	Acting Chief Information Officer	Mr F. Marutla	Acting Chief Executive Officer, Technical
Adv D le Roux	Acting Group Executive Human Capital Management	Mr N. Roesch	Chief Executive Officer, Autopax
Ms L. Venter		Vacant	Group Executive Legal
Mr J. Mahlangu	Acting Group Chief Audit Executive	Vacant	Company Secretary

Group Executive	Race	Age	Years at PRASA	Highest Qualification	Areas of Expertise	Directorship(s)
Mr H. Emeran	Coloured	51	23	Master in Philosophy: Transport	Rail Network Planning and Engineering, Rail Strategy and Policy, Public Transport Planning and Project Management	Intersite Investments Assets SOC LTD
Mr B. Alexander	White	55	11	B Com B Com (Honours) CA (SA), MBA	Corporate Finance, Strategy, Investments, Treasury, Infrastructure, Real Estate, Resources, Advisory, Public and Private Sector	Intersite Investments Assets SOC LTD
Mr F. Marutla	African	51	1 year 9 months	MSc Engineering (Civil and Industrial Engineering) University of Witwatersrand MBL (UNISA) BSc Civil Engineering (University of Witwatersrand)	Perway Engineering and Network, Railway Infrastructure and Maintenance, Project and Contract Management, Feasibility Studies, Governance, Infrastructure and Transport Planning	Advisory Board Member: Department of Civil Engineering, University of Pretoria, Department of Civil Engineering (Technology) University of Johannesburg, Ex-Officio Executive Board Member and Fellow: SAICE

Group Executive	Race	Age	Years at PRASA	Highest Qualification	Areas of Expertise	Directorship(s)
Mr N. Malefane	African	47	28	Certificates in Business Management, Operations Management, Business Continuity, General Management and Management Development	Train Operations, Incident Investigations and Rail Operations	
Ms A. Lindeque	White	54	23	MSc Real Estate, Property Development, Property Management; Property Finance	Property Management, Property Development, Feasibility Studies and Property Finance & Investment	Intersite Investments Assets SOC LTD
Mr N. Roesch	White	61	1	B Compt (Honours)	Transport Management, Financial Management and Operations Management	Director of Autopax Passenger Services SoC Ltd
Ms Y. Isawa	Asian	52	7	MSc in Information systems MBA Higher Education Diploma	ICT strategy, ICT Optimisation, Enterprise Architecture, System Implementation, ICT Governance and ICT Security	
Mr J. Mahlangu	African	58	17	CIA, AGA(SA), B Compt. (Honours)	Auditing, Accounting, Financial Management and Risk Management	

SIGNIFICANCE AND MATERIALITY FRAMEWORK

SIGNIFICANCE AND MATERIALITY FRAMEWORK

between

THE MINISTER OF TRANSPORT

and

PASSENGER RAIL AGENCY OF SOUTH AFRICA (“PRASA”)



1. PREAMBLE

Whereas in terms of section 54(2) of the PFMA before a public entity concludes certain listed significant transactions, the accounting authority of that public entity must inform the relevant treasury and apply to the executive authority for approval of that transaction.

Therefore, the parties hereby agree to set out the guidelines for the treatment of material and significant transactions and to determine significance levels for the Passenger Rail Agency of South Africa ("PRASA") in terms of Section 54(2) as well as materiality levels as they relate to material losses in terms of section 55(2) of the PFMA.

2. DEFINITIONS AND INTERPRETATIONS

Accounting Authority" shall mean the board of control of the Passenger Rail Agency of South Africa.

Corporate plan" shall mean a corporate plan submitted annually in terms of section 52 of the PFMA.

DOT" shall mean the National Department of Transport.

Executive Authority" shall mean the Minister of Transport.

Minister" shall mean the Minister of Transport.

PFMA" shall mean Public Finance Management Act No 1 of 1999.

SMF" shall mean this Significance and Materiality Framework.

Unless otherwise stated, the terms and phrases used herein are as defined in the Public Finance Management Act 1 of 1999 and the Treasury Regulations.

3. INTRODUCTION

- 3.1 Section 54(2) of the PFMA requires that before a public entity such as PRASA concludes any of the following transactions, the Accounting Authority, must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority, being the Minister, for approval of the transaction:
- a) Establishment or participation in the establishment of a company.
 - b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.
 - c) Acquisition or disposal of a significant shareholding in a company.
 - d) Acquisition or disposal of a significant asset.
 - e) Commencement or cessation of a significant business activity.
 - f) A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.

- 3.2. Section 51(1)(g) of the PFMA requires the Accounting Authority to promptly inform the National Treasury on any new entity it intends to establish or in the establishment of which it takes the initiative and allow the National Treasury a reasonable time to submit its decision prior to formal establishment.
- 3.3. Section 55(2)(b) read with section 55(1)(d) requires the annual report and financial statements of a public entity to include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.
- 3.4. For the purposes of sections 54(2) and 55(2)(b), “significant” and “material” are not defined in the PFMA. Treasury Regulation 28.3.1 provides for the Accounting Authority to develop and agree a framework of acceptable levels of “significance” and “materiality” with the Minister (“Significant Transactions”). This framework is referred to as the Significance & Materiality Framework (“SMF”).

4. PURPOSE

- 4.1. The purpose of section 54 of the PFMA is to enable the Minister as the shareholder representative to exercise effective oversight over those affairs of the public entity that have a significant impact not only on its business but also on the economy in the context of an appropriate and clear model of governance.
- 4.2. Within this context and pursuant to Regulation 28.3.1 of the treasury regulations, this SMF is hereby agreed between the parties to ensure alignment between PRASA and the Minister regarding the definition, interpretation and treatment of significant transactions and will be the basis upon which:
 - 4.2.1. sections 54(2) and 55(2)(b) of the PFMA will be applied.
 - 4.2.2. communication between PRASA and the Minister with regard to significant transactions or initiatives will be managed.
 - 4.2.3. the shareholder representative will exercise effective oversight over PRASA regarding matters that have a significant impact.
- 4.3. This SMF will accordingly:
 - 4.3.1. facilitate alignment of transactions with PRASA’s mandate and priorities.
 - 4.3.2. establish the rules for determining significant transactions.
 - 4.3.3. specify the information required in support of applications made or to be made under section 54(2) of the PFMA.
 - 4.3.4. set out the processes that must be followed.
- 4.4. This SMF also establishes the rules for determining what will be regarded as material losses and/or expenditure for disclosure in terms of section 55(2) of the PFMA.

5. OBLIGATIONS OF THE PARTIES

Within the context of good governance, and having regard to the purpose of section 54 of the PFMA and the SMF, the role of the Minister and the Accounting Authority specifically regarding matters affected by this SMF are as follows:

- 5.1 PRASA shall follow the procedures as set out in this framework in making an application for approval of significant transactions.
- 5.2 For the purpose of the guidelines and transactions listed in the table below, qualitative and quantitative guidelines may either be applied concurrently or separately as the context requires.
- 5.3 In so far as the quantitative guidelines relating to the total assets, where rand values are used, these may be adjusted annually in accordance with the information contained in the latest audited annual financial statements.
- 5.4 The Minister shall ensure that PRASA acts within its mandate.
- 5.5 The Minister shall satisfy himself/herself of the processes followed in approving transactions and be assured of their effectiveness.
- 5.6 The Executive Authority shall process the application within 30 days of receipt as specified in section 54(3) of the PFMA.

6. PROCEDURE FOR NOTIFICATION AND APPLICATION FOR APPROVAL OF SIGNIFICANT TRANSACTIONS

6.1 Pre-Notification

- 6.1.1 Pre-notification involves the Group CEO of PRASA informing the Director-General of the Department of Transport formally in writing of PRASA's intention to apply for approval of a Significant Transaction.
- 6.1.2 The pre-notification letter shall contain at least the following information:
 - o A description of the transaction.
 - o The objectives of the transaction, the rationale for the chosen course of action, and its alignment to PRASA's Corporate Plan.
 - o The estimated scope, costs and duration of the transaction.
 - o The anticipated transaction approval process, phases, milestones and timelines.
 - o Where there are any unsolicited expressions of interest received, the profile of such interested parties and the nature of the interaction.
- 6.1.3 The submission of the Corporate Plan, wherein Significant Transactions are clearly identified and the information as required above is set out, the Corporate Plan will serve as a Pre-Notification.

6.2 Final Application for Approval

6.2.1 PRASA shall upon finalising the transaction's details and structure apply to the Executive Authority in writing for final approval of the transaction prior to execution:

6.2.2 The application shall include following details or information:

- The business case (financial, technical, social, legal). o Risks and mitigation.
- Due diligence report, where necessary.
- How the project will be funded.
- Impact of the transaction on transformation.
- Assessment of current and potential competition.
- Alternatives considered (if any).
- Independent verification (if any).
- Involvement of other sectors of government (e.g., Departments, Ministries, other public entities).
- Procurement strategy and how it supports national priorities (e.g., poverty alleviation, job creation, skills transfer, local industry support and development).
- A certified resolution by the Accounting Authority.

GUIDELINES FOR SIGNIFICANCE AND MATERIALITY

To determine significance and materiality in terms of section 54(2) of the PFMA, PRASA shall apply the following qualitative and quantitative guidelines as agreed with the Executive Authority.

#	PFMA reference	Nature of the transaction	Qualitative Guidelines	Quantitative Guidelines
1	54(2)(a)	Establishment or participation in the establishment of a company	<ul style="list-style-type: none">• Participation as a founding shareholder; or• Having a right to acquire shares; or• Having a right to nominate a director; or• Where PRASA commits to enter into a management contract in respect of the company	<ul style="list-style-type: none">• Any level of shareholding; or• Any level of loan or quasi-equity finance obligation by PRASA arises; or• PRASA commits to guarantee any obligations of the company (includes financial performance guarantee) at any level.
2	54(2)(b)	Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement	<ul style="list-style-type: none">• PRASA's contribution in a partnership, trust, unincorporated joint venture or similar arrangements including proprietary intellectual property.	<ul style="list-style-type: none">• PRASA's contribution results in disposal / disbursement of assets in excess of 1% of the total assets.

#	PFMA reference	Nature of the transaction	Qualitative Guidelines	Quantitative Guidelines
3	54(2)(c)	Acquisition or disposal of a significant shareholding in a company	<ul style="list-style-type: none"> Acquisition or disposal of a shareholding in a company where such acquisition is not in pursuit of PRASA's core business; or Acquisition or disposal where PRASA's ownership control and right to pass or block a special resolution is affected; or Acquisition or disposal of any level of shareholding in a company domiciled outside of the Republic of South Africa. 	<ul style="list-style-type: none"> Acquisition or disposal of more than 50% of the issued shares in a company; or Where PRASA already owns shares in the company, acquisition or disposal of the number of shares that will give rise to a shareholding more or less than 50% of the issued shares in a company
4	54(2)(d)	Acquisition or disposal of a significant asset	<ul style="list-style-type: none"> Commercial arrangements in pursuit of the secondary mandate which allow the acquisition or disposal of <ul style="list-style-type: none"> Co-investment options on development leases. The buyback of development leases. The acquisition of assets through a first right of refusal. Telecoms lease agreements. Other assets as identified in pursuance of the secondary mandate. Acquisition or disposal of assets which are located in a foreign jurisdiction, excluding office equipment and motor vehicles necessary to conduct business in a foreign jurisdiction; or Disposal of assets that impact or have a potential impact on the continued ability of PRASA to do business excluding disposal of obsolete/written off assets; or provide its core service; or Disposal of non-core assets in line with PRASAs' strategy; or Commercial agreements which allow for the right of use by a third party of PRASA's property, brand, logo, licences and similar rights, intellectual property; trademark and patents. 	<ul style="list-style-type: none"> Significance level is R1 billion

#	PFMA reference	Nature of the transaction	Qualitative Guidelines	Quantitative Guidelines
5	54(2)(e)	Commencement or cessation of a significant business activity	<ul style="list-style-type: none"> Commencement or cessation of a business activity outside of the republic; or Cessation of a business activity where such cessation has or may have an adverse impact on its key stakeholders 	<ul style="list-style-type: none"> Significance level is R 1 billion
6	54(2)(f)	A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement	<ul style="list-style-type: none"> Changes that affect PRASA's ownership control type reserved through the Trust deed the partnership or joint venture agreement; or Change that involves the partnership, trust, unincorporated joint venture or similar arrangement commencing or ceasing to do business outside South Africa. 	<ul style="list-style-type: none"> Significance level is R 1 billion

8. REPORTING IN TERMS OF SECTION 55(2) OF THE PFMA

The following determination shall apply for purposes of reporting the incidence of losses due to criminal conduct, irregular expenditure, and fruitless and wasteful expenditure in terms of Section 55(2) (b) (i) of the PFMA:

- 8.1 Disclosure shall be made where the loss or expenditure is equal to or greater than fifty million Rand (R 50 000 000).
- 8.2 Any amount per item or class of closely related items where such loss or expenditure involves a member of the Accounting Authority.

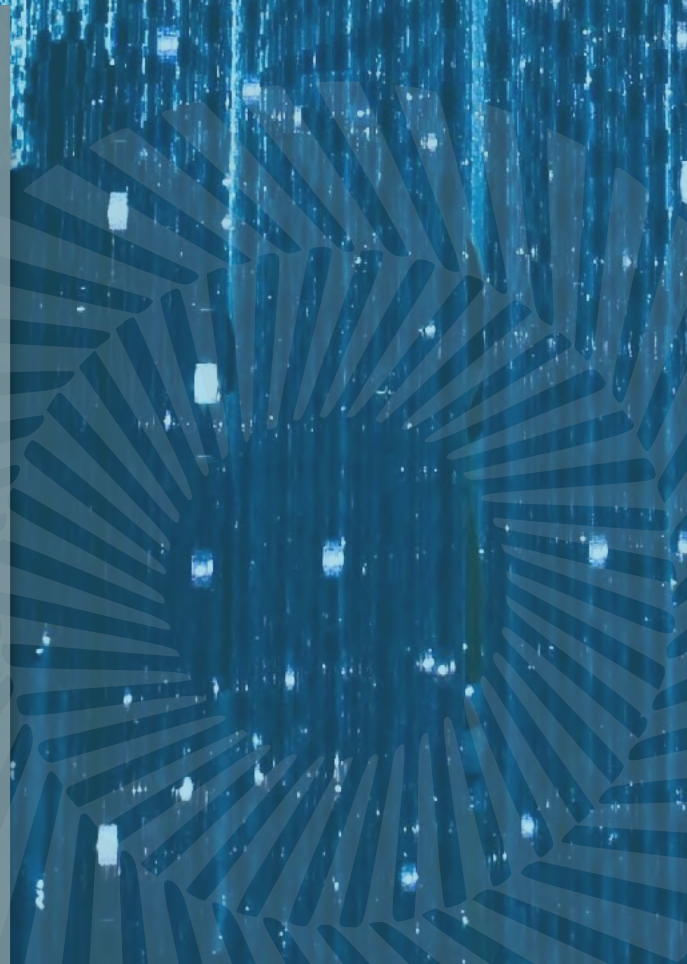
SUBSIDIARIES

PRASA has two subsidiaries, namely Autopax and Intersite, which are incorporated in terms of the Companies Act 71 of 2008. Autopax is in a business rescue process whilst Intersite has been consolidated with PRASA CRES and is now a special purpose investment vehicle. Accordingly, PRASA will not develop a separate SMF for each subsidiary but will monitor their business activities in accordance with this SMF and through specific delegations of authority as required.

Element	31-Mar-22	Limit guideline		Limit amount		
	R	Lower	Upper	Lower - R	Upper - R	Average - R
Total assets	83 045 635 000	1%	2%	830 456 350	1 660 912 700	1 245 684 525
Total operational costs	12 857 094 000	0.5%	1%	64 285 470	128 570 940	96 428 205



FRAUD PREVENTION PLAN



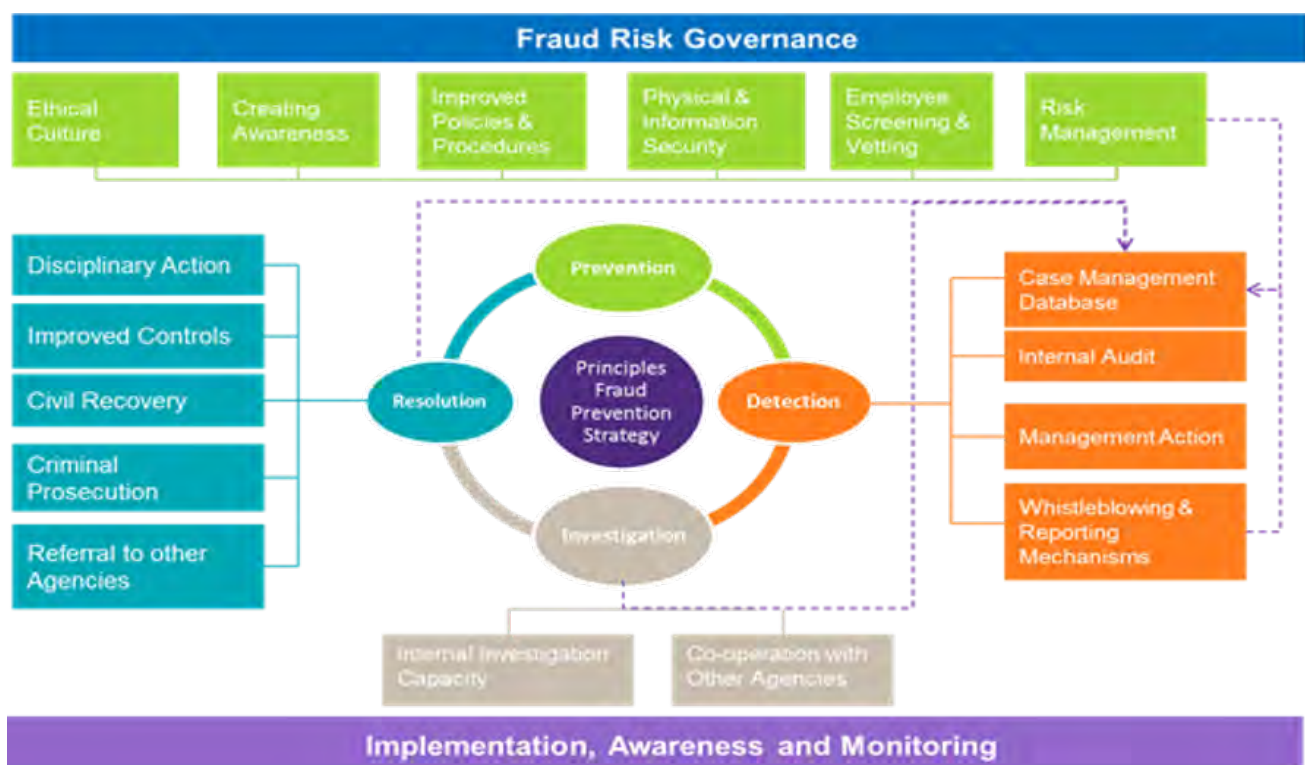
FRAUD PREVENTION PLAN

Given the nature of PRASA's statutory mandate, PRASA must execute its responsibilities with integrity especially in its interaction with its employees, stakeholders, the public, suppliers and partners and in the management of its resources.

The Fraud and Corruption Prevention Plan is premised on the organisation's core ethical values driving the business of PRASA, the development of its systems, policies and procedures, interactions with service providers, public and other stakeholders or even decision-making by individual managers representing the organisation. This means that all PRASA departments, service providers and external stakeholders must be guided by the Plan as the point of reference for their conduct in relation to PRASA.

In addition to promoting ethical conduct within PRASA, the Plan is intended to prevent, detect, investigate and sanction fraud and corruption and details the steps, which will be taken by PRASA to promote ethical conduct and address fraud and corruption, guided by the following principles:

- Creating a culture which is ethical and intolerant of fraud and corruption;
- Deterrence of fraud and corruption;
- Detection of fraud corruption;
- Investigating detected fraud and corruption;
- Taking the appropriate action in the event of such irregularities e.g. disciplinary action, recovery of losses, prosecution and
- Applying sanctions, that includes blacklisting and prohibition from further employment.
- Reporting fraud and corruption activities to the relevant authorities;



APPROACH TO FRAUD PREVENTION

The approach to fraud and corruption prevention is represented as follows:

FOCUS ON THE ORGANISATION - INTERNAL CONTROLS

PREVENTION CONTROLS

- *Authorisation controls*: - which require that all transactions must be authorised or approved by an appropriate responsible person and that the limits for these authorizations are specified in the delegations of authority of PRASA.
- *Physical controls*: - which are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access is limited to authorised personnel.

DETECTION CONTROLS

- *Arithmetic and accounting controls*: - which are basic controls within the recording function which ensures that transactions to be recorded and processed have been authorised, are complete, are correctly recorded, and accurately processed. Such controls include checking arithmetical accuracy of records, the maintenance and checking of totals, reconciliation, controls accounts and accounting for documents.
- *Physical controls*: - which relate to the security of records and are like preventive controls in that they are also designed to limit access.
- *Supervision*: - which relates to supervision by responsible officials of day-to-day transactions and the recording thereof.
- *Management Information*: - which relates to the review of management accounts and budgetary controls. These controls are normally exercised by management outside the day-to-day routine of the system.

SEGREGATION OF DUTIES

- One of the primary means of control is the separation of those responsibilities or duties that would, if combined, enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit Fraud and Corruption and corruption.
- Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.
- Functions that should be separated include those of authorisation, execution, custody, recording, and, in the case of computer-based accounting systems, systems development and daily operations.

Placed in context with Fraud and Corruption and corruption prevention, segregation of duties lies in separating either the authorisation or the custodial function from the checking function.

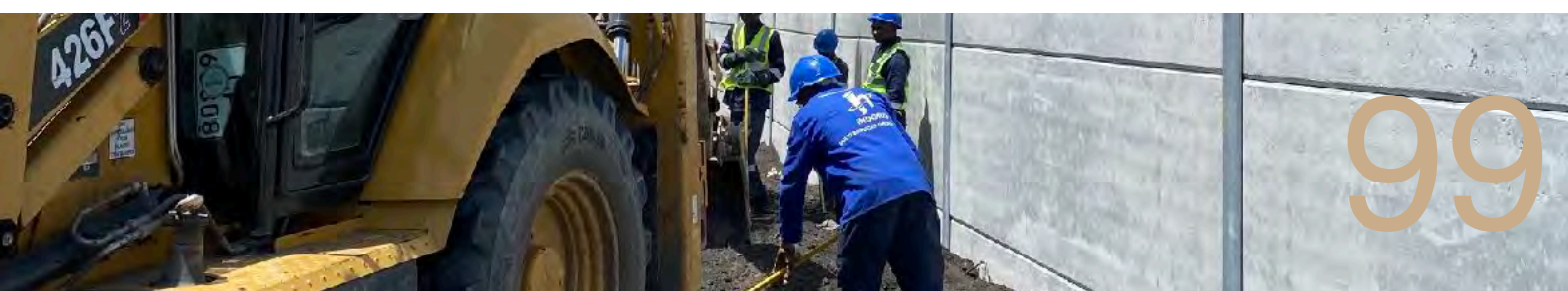


FOCUS ON EMPLOYEES

Key ambassadors for the successful implementation of the Plan for PRASA are its employees. In essence, this means that their conduct often forms the base upon which PRASA as an organisation is judged. PRASA employees therefore must demonstrate behaviour beyond reproach in the execution of their duties.

Employee focused anti-Fraud and Corruption and anti-corruption measures should be visible from the point of advertising a vacant post, recruitment, specific employment conditions, maintaining high employee morale, performance management and even exit procedures upon resignation or retirement. The approaches indicated below are key to PRASA's efforts in this regard:

- *Advertising posts:* The inclusion of specific provisions when advertising posts to provide an indication to applicants that only people with the highest levels of personal integrity will be considered and that submission to appropriate pre-employment screening processes are obligatory for consideration for any post.
- *Pre-employment screening and probity:* PRASA intends to ensure that pre-employment screening procedures are applicable to all employees, regardless of level, including employees and temporary and contract workers. Relevant probity will be included in all employee screening processes. These will include independent confirmation of claimed qualifications, screening for criminal records, confirming references claimed, disciplinary records and insolvency.
- *Probation:* Compulsory probationary periods are applicable to all full-time employees. This provision will be extended to include seconded employees and temporary and contract workers. Relevant vetting will again be considered for employees on probation, during probation and prior to their final appointment in view of the long duration of probationary period.
- *Ongoing Financial disclosure and lifestyle audits:* All employees will, in accordance with the relevant PRASA policies, be obliged to make financial disclosure wherein personal assets and private business interest must be declared.
- *Employee Induction Programs:* Employee induction is an opportunity to introduce employees to the culture and ethos of the organisation. The current induction process of PRASA is focused primarily on technical and conditions of service- related items. Efforts will be made to ensure that organisational strategy, business ethics and conduct standards are included in employee induction. Specific steps will also be developed to include seconded employees, interns and temporary and contracting workers in relevant aspects of induction programs.
- *Obligatory leave periods:* To limit the risk of over-worked employees who could become lackadaisical leading to non-compliance of internal controls and further limit the risk of unethical individuals monopolising specific tasks. Managers will be encouraged to ensure that appropriate controls, e.g., appropriate scrutiny and supervision, are put in place in instances where employees do not take leave for extended periods of time due to work commitments.
- *Exit procedures for employees and control over assets:* The exit procedures for employees leaving PRASA require the return of assets and an exit interview. Steps will be taken to ensure that specific follow-up time frames are set to encourage managers to apply the requirement related to the return of assets more promptly. PRASA will ensure that the exit interview process is extended to include assessment of the perceptions of the business ethics and conduct standards within the organisation. This will assist in identifying areas for improvement.



FOCUS ON SERVICE PROVIDERS AND OTHER STAKEHOLDERS

PRASA has several stakeholders with whom it interacts e.g., suppliers, contractors, consultants, employee representative organisations; Departments of Local Government; Commuters and the public. All stakeholders with whom PRASA interacts are expected to abide by the principles contained in the Plan. PRASA shall exercise all possible legal rights to ensure that service providers and other stakeholders comply with the principles enunciated in this plan.

Employees face the greatest challenge to their integrity in the form of enticement to accept bribes from unethical suppliers, contractors, and consultants. Furthermore, these trading partners are also viewed as untrustworthy in delivery of goods and/or service. Approach to address the risk of fraud and corruption relating to service providers and suppliers are the following:

- Appropriate terms and conditions in invitations to propose for services relating to the standards of business ethics expressed by PRASA;
- Appropriate pre-award screening of credentials supplied by contractors;
- Provisions for the compulsory declaration of actual and/or potential conflicts of interest both by suppliers and employees of PRASA dealing with suppliers;
- Appropriate contract terms and conditions indicating the conduct expected by PRASA;
- Ongoing communication of these standards;
- Sound project management;
- Monitoring and evaluation of breaches;
- Acting in the event of breaches such as disciplinary proceedings, criminal prosecution, loss damage recovery and placing of appropriate prohibitions on future contracts and cancellation of impugned contracts; and adherence to the Supplier Code of Ethics supplied by PRASA.

ENFORCEMENT



MANAGEMENT

Management has overall responsibility for the design and implementation of a fraud and corruption risk management program, including:

- Setting the tone at the top for the rest of the PRASA Group. The organisation's culture plays an important role in preventing, detecting, and deterring fraud and corruption. Management needs to create a culture through words and actions where fraud and corruption is not tolerated, that any such behaviour is dealt with swiftly and decisively, and that whistle-blowers will not suffer retribution.
- Implementing adequate internal controls — including documenting fraud and corruption risk management policies and procedures and evaluating their effectiveness — aligned with the organisation's fraud and corruption risk assessment. To conduct a reasonable evaluation, it is necessary to compile information from various areas of the organisation as part of the fraud and corruption risk management program.
- Reporting to the Board of Control on what actions have been taken to manage fraud and corruption risks and regularly reporting on the effectiveness of the fraud and corruption risk management program. This includes reporting any remedial steps that are needed, as well as reporting actual fraud and corruption.

EMPLOYER'S INTERNAL AUDIT

Internal auditors should review the comprehensiveness and adequacy of the risks identified by management — especially about management overriding risks i.e., the participation in activities that may lead to fraud and corruption.

- Internal auditors should consider the organisation's assessment of fraud and corruption risk when developing their annual audit plan and review management's fraud and corruption management capabilities periodically. They should interview and communicate regularly with those conducting the organisation's risk assessments, as well as others in key positions throughout the organisation, to help them ensure that all fraud and corruption risks have been considered appropriately.
- When performing engagements, internal auditors should spend adequate time and attention to evaluating the design and operation of internal controls related to fraud and corruption risk management.
- They should exercise professional scepticism when reviewing activities and be on guard for the signs of fraud and corruption.
- Potential fraud and corruptions uncovered during an engagement should be treated in accordance with a well-defined response plan consistent with professional and legal standards.
- Internal audit should also take an active role in support of the organisation's ethical culture.

GROUP SECURITY SERVICES

Group Security Services shall investigate all alleged incidents of fraud and corruption in terms of the Investigation Policy.

HUMAN CAPITAL MANAGEMENT

PRASA is committed to developing human resources systems, policies and procedures, which incorporate fraud and corruption prevention practices. PRASA has recognized the fact that there is a risk of poor implementation of its human resource systems, policies and procedures and undertakes testing thereof during risk assessments in which control shortcomings are subsequently addressed.

REPORTING FRAUD AND CORRUPTION

PRASA has and maintains an independent anonymous whistleblowing hotline for the reporting of all suspected incidents of fraud, corruption, unethical behaviour and misconduct. The whistleblowing hotline details are:

HOTLINE DETAILS	
Hotline Name:	PRASA Whistleblowing Hotline
Contact Number:	0800 026 777
WhatsApp Number:	0860 004 004
Dedicated Email Address:	prasa@behonest.co.za
SMS Number:	49017
Free Post	BNT165, Advance Call Pty (Ltd), Brooklyn Square, 0075
Online Platform	www.behonest.co.za

All persons to whom the allegations of fraud and corruption are reported to will keep and hold such information strictly confidential and disclose it on a need-to-know basis. Any breach of such confidentiality is serious and may lead to disciplinary processes in accordance with PRASA's policies. All allegations / incidents of fraud and corruption will be reported to the relevant authorities for investigation.

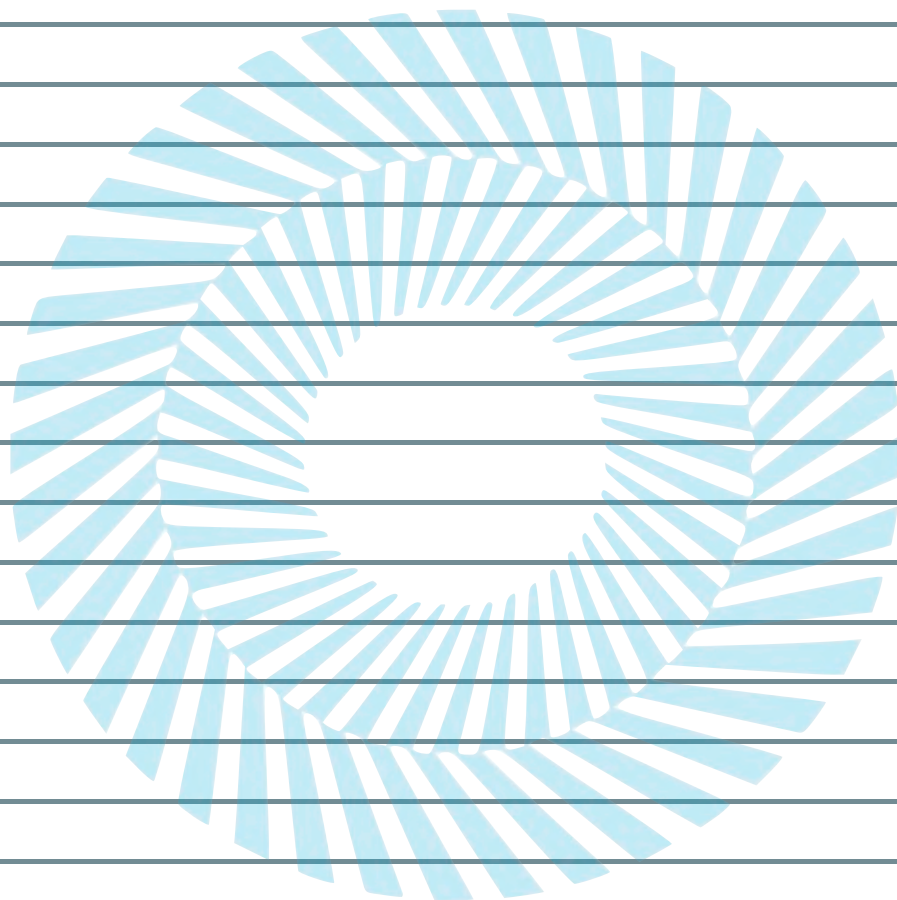
Area of activity	Description	High level activity	deliverables
The Governance of Fraud and Corruption	<ul style="list-style-type: none"> Fraud and Corruption Policy, inclusive of whistleblowing. Fraud and Corruption Prevention Plan. 	Assess and review fraud related policies including, Fraud and Corruption Prevention Policy inclusive of whistleblowing, Ethics Policy and Conflict of Interest Policy.	<ul style="list-style-type: none"> Approved Policies Standard Operating Procedures (SOPs) or Frameworks to support implementation.
		Implement a Fraud and Corruption Prevention Plan.	<ul style="list-style-type: none"> Fraud and Ethics Risk Register Fraud awareness campaigns. Investigations of the alleged corrupt and fraudulent practices.

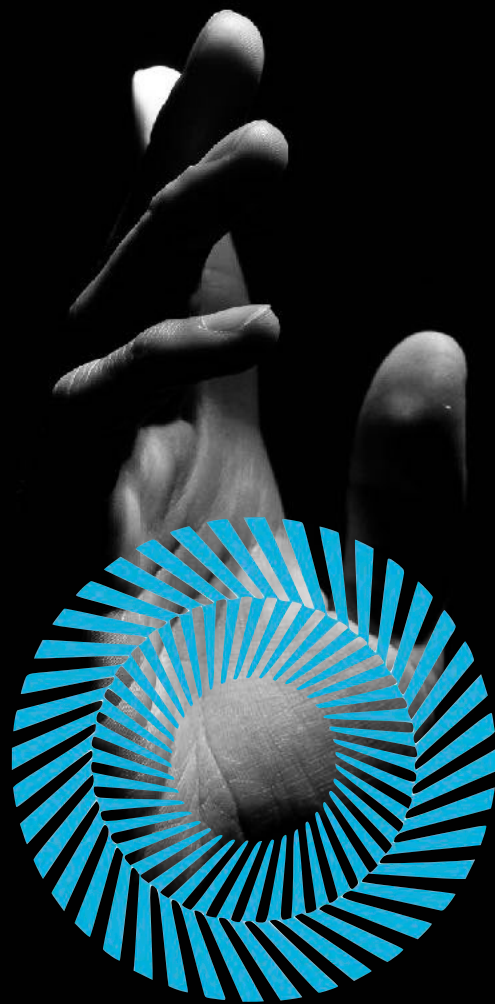
Area of activity	Description	High level activity	deliverables
Fraud and Ethics Risk Register	Fraud risk assessment to identify areas of vulnerability.	Undertake root cause analysis and identification of internal control breakdowns based on fraud history and on-going investigations	<ul style="list-style-type: none"> • Fraud vulnerability report / areas susceptible to fraud and corruption. • Reports on spot checks and audits on vulnerable areas
		Update the fraud risk register.	<ul style="list-style-type: none"> • Updated Fraud and Ethics Risk Register.
Fraud awareness	Fraud awareness campaigns to keep new and existing employees abreast of the control and ethical environment.	Fraud awareness campaigns aimed at all employees.	<ul style="list-style-type: none"> • Annual Conflict of Interest Disclosures • Annual fraud awareness week. • Sustained awareness posters on various platforms.
Vetting and lifestyle audits	Staff vetting and lifestyle audits on all employees and not limited to those who play a role in bid committees and supply chain management processes.	Performing and assisting management to perform relevant staff vetting. Follow up on unusual trends identified.	<ul style="list-style-type: none"> • Employee vetting reports • Lifestyle audits
Whistle-blower mechanism	<p>Anonymous Fraud Tip-Offs Line which all stakeholders can report suspected fraud, corruption, or unethical behavior.</p> <p>· A process flow to support the anonymous tipoffs.</p>	Regular communication is essential to create awareness and build trust so we will be formulating a project plan containing annual campaigns and monthly communication initiatives such as newsletter articles, and other toolsets.	<ul style="list-style-type: none"> • Fraud risk trend analysis reports. • Investigations where warranted. • Feedback to Whistleblower(s) where required.

Area of activity	Description	High level activity	deliverables
Third Party Compliance	Adherence to the PRASA Code of Ethics by third party suppliers in the form of a supplier code of conduct.	Setting up of system, support and review.	<ul style="list-style-type: none"> • System to monitor compliance to PRASA fraud policies by third party suppliers.
Relationships between stakeholders (e.g., employees, customers, suppliers, etc.)	Fraud detection mechanisms to identify and appropriately manage conflicts of interest and collusions.	Proactively manage the “red flags” of unexpected conflicts of interests, fraudulent payments and other irregularities that are normally hidden in large data sources.	<ul style="list-style-type: none"> • Annual declarations of the conflict of interest by all employees. • Supplier declaration of potential or existing conflict of interest during the tender process.



NOTES





Corporate Plan 2023-2026



2023
2026

CORPORATE PLAN