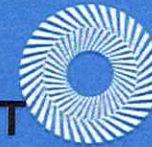




# ROLLING STOCK FLEET RENEWAL PROGRAMME

PRESENTATION TO PORTFOLIO COMMITTEE ON TRANSPORT

Be moved



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Contribution to BBBEE and Local Development

08 November 2011

**metrorail**

Shosholaza Meyl | INTERSITE | AUTOPAX

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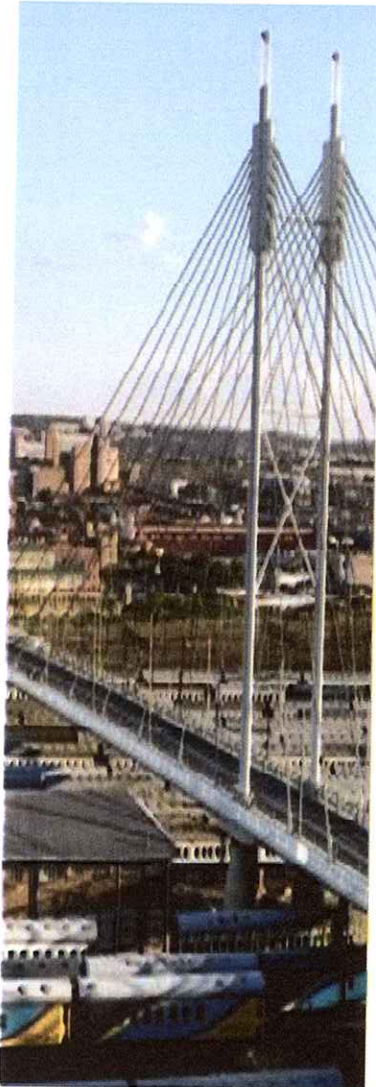


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# Introduction



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- Detailed plan was unveiled on the recapitalization of rail;
- Findings of the feasibility study were presented;
- Rolling Stock Fleet Renewal Programme will serve as a catalyst for public transport transformation; and
- Recognition of economic opportunities which will arise from the investment.

## Forecast commuter rail volumes & Market engagement indicate:



New Fleet  
requirement  
7224  
procurement at  
~ **360** coaches  
per year for two x  
10 year contracts



Total **R123.5bn** over  
the 20 year period

## The Programmatic procurement will result in:



Creating  
~**65 000** direct  
and indirect  
jobs



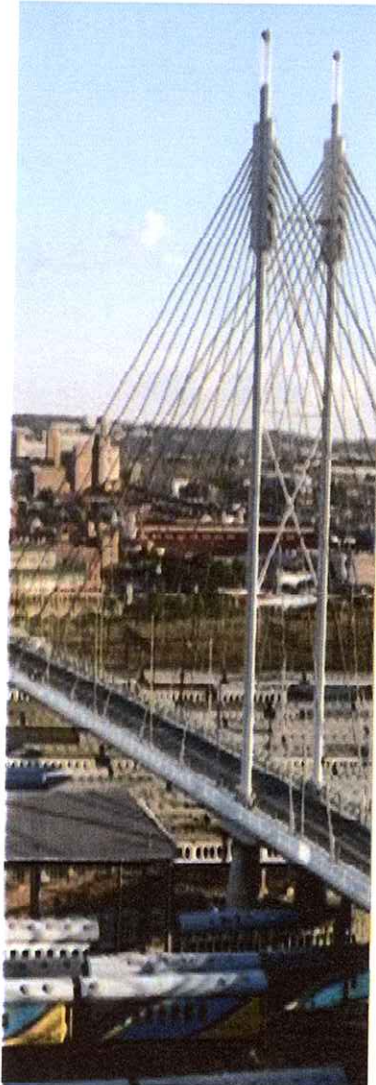
Long term  
procurement will  
allow local capability  
to evolve to **above**  
**65%** of the value of  
a coach produced  
locally

# Industrial Policy Action Plan



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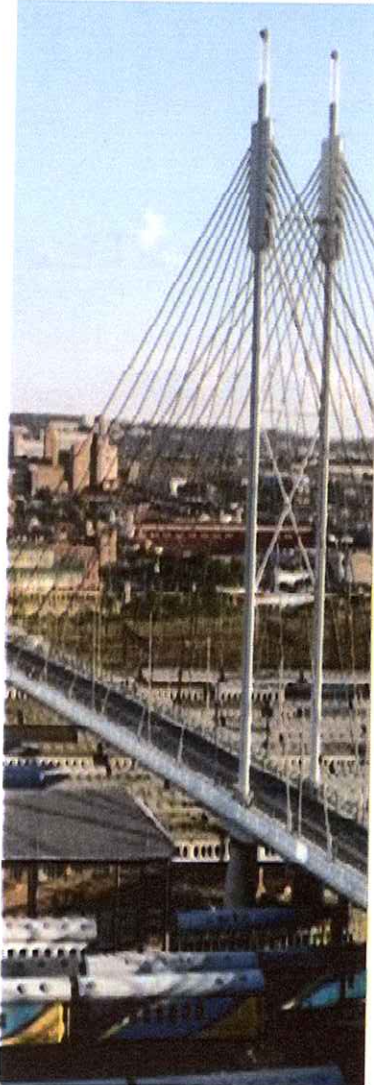
- Implement strategy in the context of Industrial Policy Action Plan;
- Stimulate local manufacturing;
- Rail engineering industry; and
- Increase local procurement of goods.

# BBBEE Market Engagement



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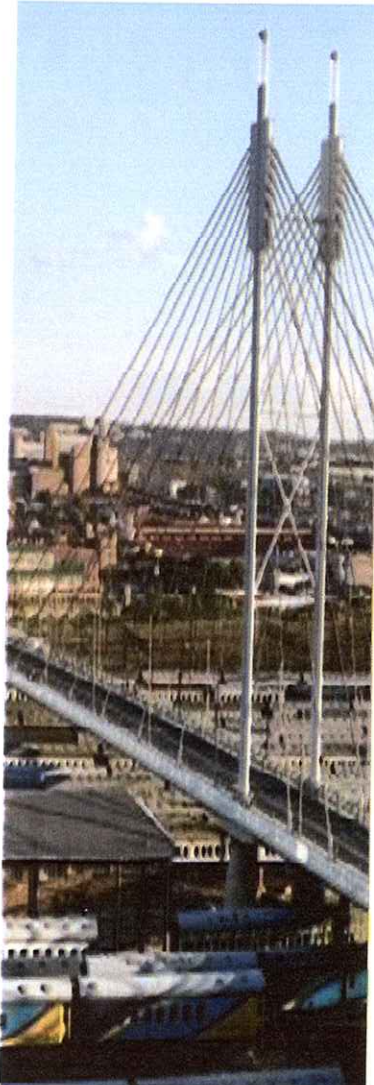
- Convene a BBBEE market engagement on the 22<sup>nd</sup> November 2011;
- Encourage meaningful participation by BBBEE companies;
- Enterprise development and training;
- Familiarise the South African market with the project and its BBBEE requirements; and
- Emphasize a broad base nature of the acquisition programme.

# PRASA's strategy to local production and local development



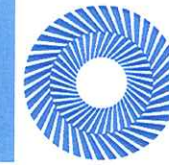
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- Alignment of procurement initiatives to the Government primary objective for localization – high level local content relative to import content;
- Assist in creating local industries that can sustain local production – setting high local content targets;
- Focus on manufactured and non-manufactured areas such as engineering, technology transfer, design and components manufacturing;
- Long-term investment outlook – create long term certainty in the market – procure new rolling stock over a 20 year period;
- Set high targets for BBBEE participation in the recapitalization programme

# PRASA's strategy to local production and local development (Cont)...



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- Set a minimum target of 65% local content for the manufacturing – identify certain components for local manufacturing;
- Skills development and transfer for local labour to sustain local production; and
- Commitment to stimulate local economic development.



# Alignment to Policy Framework



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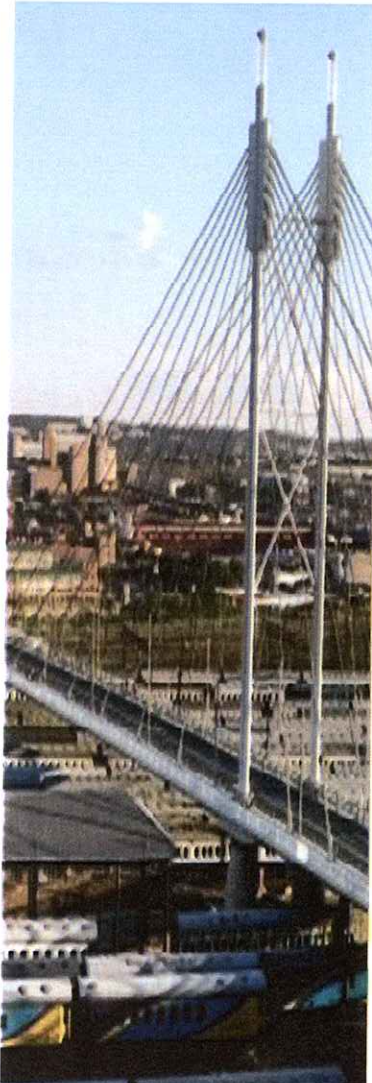
- Industrial Policy Action Plan (IPAP2) – increase participation of historically disadvantaged people and support meaningful BBBEE participation in the programme. Further, long term industrialization and diversification
- Competitive Supplier Development Programme (CSDP) – increasing the competitiveness, capacity and capability of the local supply base; and
  - Increase localization from 60% to 70% of the SOE capex and opex by 2012
- National Industry Participation Programme (NIPP) – increased local sales SMME and BBBEE promotion, research and development and technology transfer.

## Key areas of 65% local content



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- Foreign currency spend on localization;
- Local job opportunities;
- Skills development and training;
- Technology transfer;
- Development of new manufacturing plants and facilities;
- Enhance the existing manufacturing plants and facilities; and
- Sourcing of locally manufactured components.

# Skills development plan



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- In the process of developing a skills development plan which will form part of the fleet renewal programme;
- Engagement with Higher Education regarding skills development for local production in the manufacturing;
- Skills development within PRASA in areas of maintenance and operations – targeting engineers, artisans and technologists;
- Training of engineers, artisans and technologists by the successful bidder; and
- Partnership with third parties.

# Impact on the Economy

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## Total economy wide impact on operational and capital expenditure

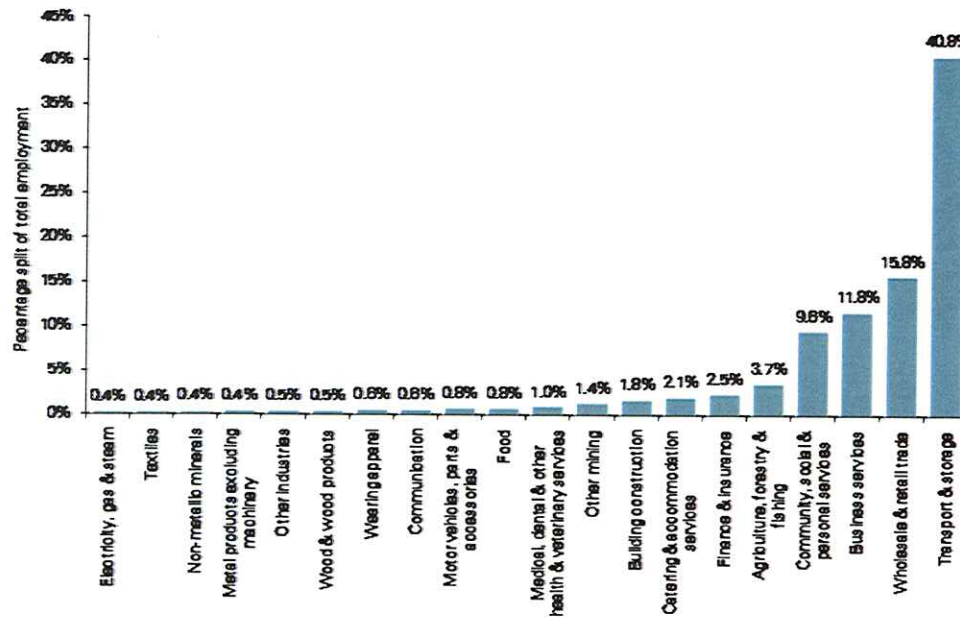
Results	Total impact - 60% local content	Total impact - 65% local content	Total impact - 70% local content
Initial impact (Rb)	R 95.6	R 103.2	R 110.7
Economy wide GDP impact at basic prices (Rb)	<b>1</b> R 236.7	R 255.2	R 273.9
GDP multiplier	2.5	2.5	2.5
Total employment created (no. of jobs)	<b>2</b> 61 046	65 992	70 937
General government revenue (Rb)	<b>3</b> R 73.3	R 79.1	R84.9
Indirect taxes	R31.6	R34.1	R36.6
Company taxes	R23.9	R25.8	R27.7
Personal taxes	R17.8	R19.2	R20.6

# Employment opportunities

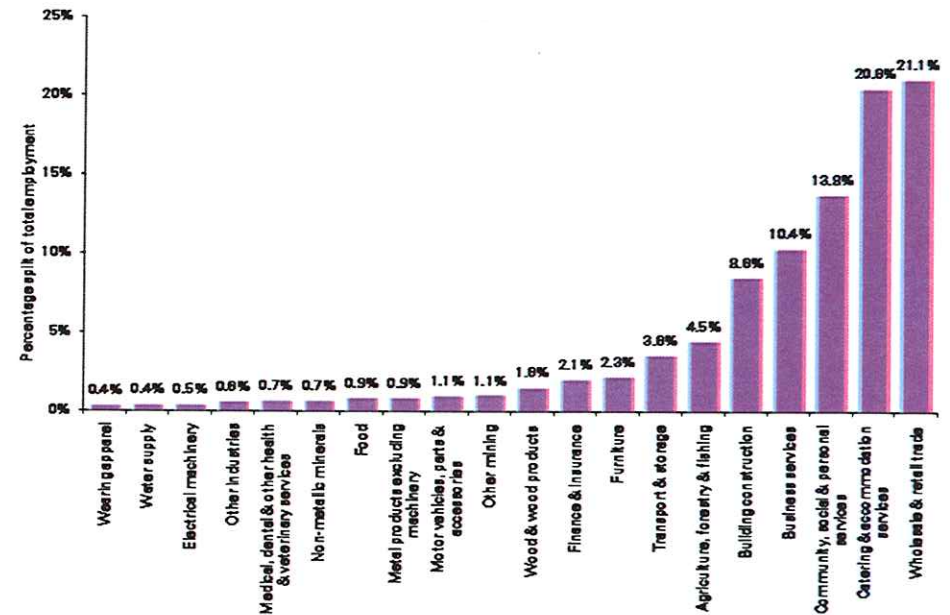
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Total economy wide impact of capex and opex on employment			
	Opex	Capex	Total
<b>Total employment created (no. of jobs)</b>	<b>13 226</b>	<b>52 766</b>	<b>65 992</b>
Direct impact	6 217	21 675	27 892
Indirect effect	2 701	18 083	20 784
Induced impact	4 308	13 007	17 316

Employment sector break-down: Top 20 sectors -OPEX



Employment sector break-down: Top 20 sectors -CAPEX



# Economic Multipliers

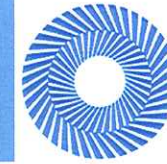


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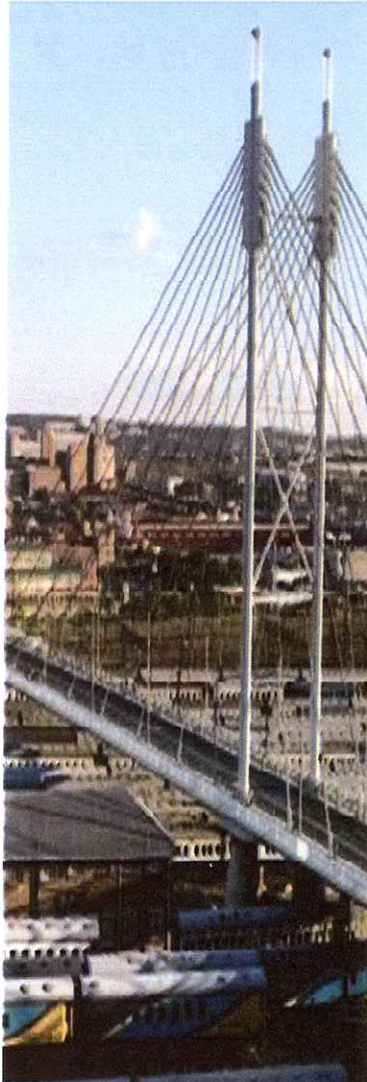
- **40.8%** employment opportunities within the Transport sector;
- **15.8%** within Wholesale and retail trade;
- **11.8%** within Business Services; and
- **9.6%** Community, Social and Personnel services.

# Broad Based Black Economic Empowerment Opportunities



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- Equity in the SPV
- Equity in the supplier base as per value chain
- As a supplier in the value chain
- As an SMME/Cooperatives from which suppliers can source products

# Broad Based Black Economic Empowerment Opportunities (Cont)



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## SPV

- Ring fence the cash flows;
- To create space for BBBEE participation;
- Ease of monitoring and evaluation; and
- Enables measurement across the entire value chain



# Targeted components for local production



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## Car Body

- Car body shell
- Door system
- Windows
- Seats
- Heating and ventilation
- Lighting
- Grab pillars and rails
- Interior cladding
- Passenger gangways
- Cable and wire
- Coupler and draft gear

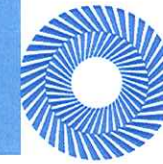
## Bogies

- Bogie frame
- Traction motors and gears
- Wheels
- Axles
- Bearings
- Suspension
- Braking system

## Electric System

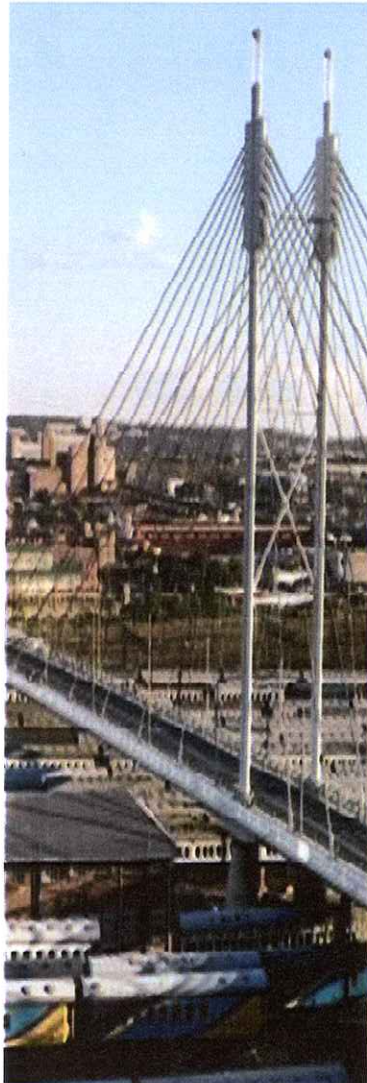
- Air System
- Auxiliary converter and batteries
- Electric propulsion
- Dynamic regenerative brake
- Control, diagnostic and communication system

# Broad Based Black Economic Empowerment requirements



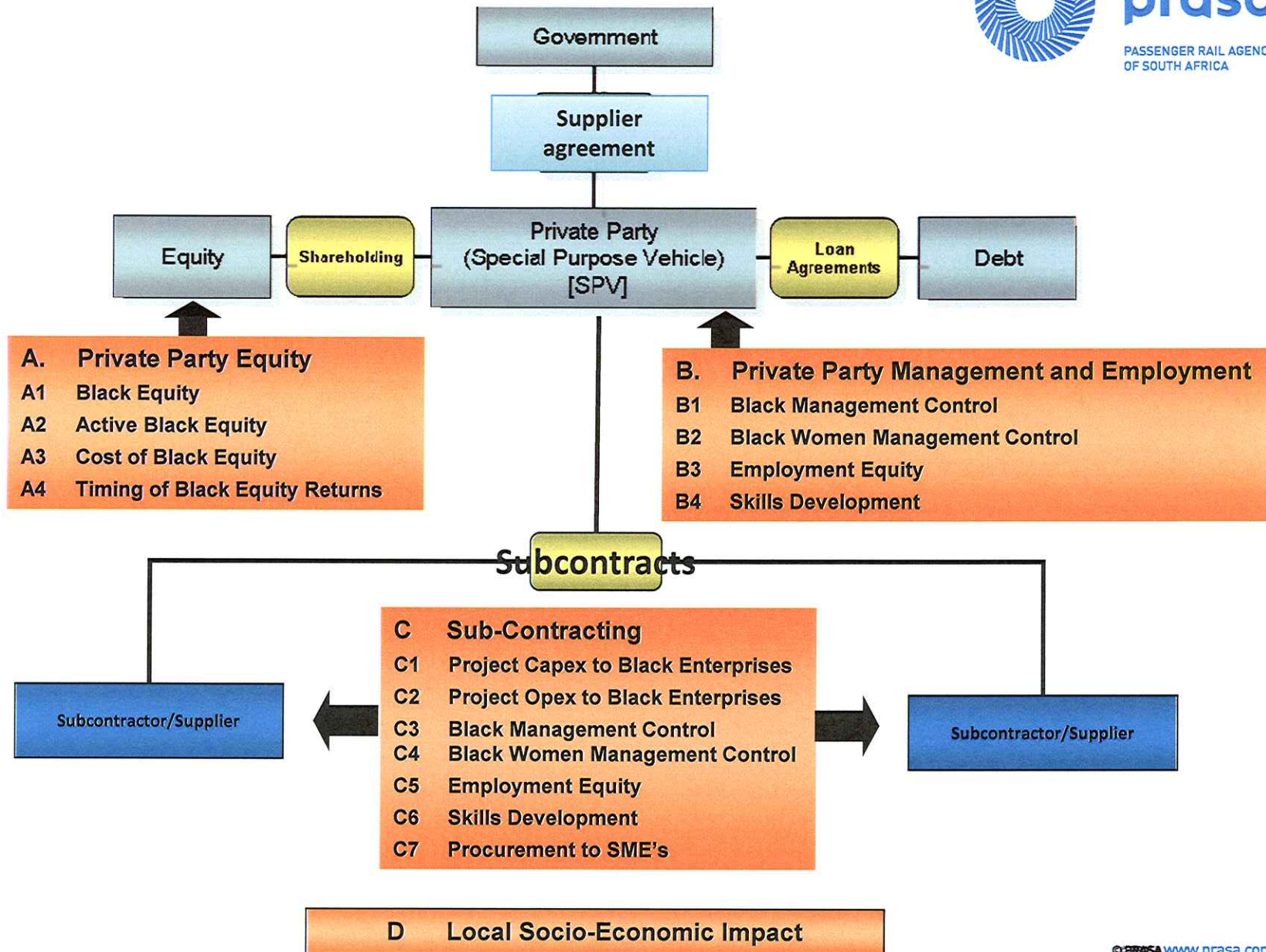
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- Equity participation (voting rights and economic interest) in the hands of black people, including woman and black designated groups;
- Management control by black people commensurate with black ownership;
- Employment equity (black, including woman, representation in senior management, middle management, junior management and disabled employees);
- Skills development;
- Procurement of goods and services from black people (based on BBBEE procurement recognition levels), including procurement from qualifying small and micro enterprises

# BBBEE in the Typical Project Structure



# Concluding Remarks



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- Empowerment a priority of PRASA Board and Minister of Transport;
- Empowerment issues are critical; and
- Strengthening local manufacturing capacity.



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# Thank You