

## Post 2026 Gautrain Project Information Memorandum

February 2023

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## ACRONYMS & ABBREVIATIONS

|            |                                               |
|------------|-----------------------------------------------|
| APS        | Airport Passenger Service                     |
| B-BBEE Act | Broad-Based Black Economic Empowerment, 2003  |
| CPI        | Consumer Price Index                          |
| DFDS       | Dedicated Feeder and Distribution Service     |
| DTIC       | Department of Trade Industry and Competition  |
| EMU        | Electric Multiple Unit                        |
| GMA        | Gautrain Management Agency                    |
| GMA Act    | Gautrain Management Agency Act, 2006          |
| GPG        | Gauteng Provincial Government                 |
| GPS        | General Passenger Service                     |
| GRRLS      | Gautrain Rapid Rail Link System               |
| GTIA       | Gauteng Transport Infrastructure Act, 2001    |
| MaaS       | Mobility as a Service                         |
| MFDS       | Midibus Feeder and Distribution Service       |
| NLTA       | National Land Transport Act, 2009             |
| O&M        | Operations and Maintenance                    |
| PFMA       | Public Finance Management Act                 |
| PIM        | Project Information Memorandum                |
| PPFA       | Procurement Policy Framework Act              |
| PPPFA      | Preferential Procurement Policy Framework Act |
| PPP        | Public-Private Partnership                    |
| PSA        | Provincial Support Allocation                 |
| RAL        | Remaining Asset Life                          |
| RUL        | Remaining Useful Life                         |
| SED        | Socio-Economic Development                    |
| SMME       | Small, Medium, and Micro Enterprises          |

## DISCLAIMER

Gautrain was procured as a Public-Private Partnership (PPP) on a 19.5-year concessional contract scheduled to expire in March 2026. As a result, the Gautrain Management Agency (GMA) has commenced a process to procure a new partnership to continue Gautrain operations beyond March 2026. This Project Information Memorandum ("PIM") has been prepared to take all reasonable care. However, the information contained in it does not claim to be comprehensive, nor has it been verified by:

- The Gautrain Management Agency (GMA).
- any other department of the Government of the Republic of South Africa (the "Government") or any state-owned entity.
- any of the officers, employees, servants, agents, or advisors of Government, or
- any other person.

Accordingly, the GMA and parties listed above do not accept any liability or responsibility for the adequacy, accuracy, or completeness of the information or opinions stated in this PIM. Unless expressly stipulated herein, no representation or warranty (whether express or implied) is or will be given by the GMA or any of its officers, employees, servants, agents, advisors, or any other person with respect to the information or opinions contained in this PIM, or in relation to this PIM.

The GMA reserves the right to amend, modify or withdraw this PIM and any part of it, and to terminate or amend any of the procedures, procurement processes, or requirements detailed in it at any time, without prior notice and without liability to compensate or reimburse any person pursuant to such amendment, modification, withdrawal, or termination.

The terms and conditions set out in this PIM are stipulated for the express benefit of the GMA and, unless expressly stated to the contrary, may be waived at the GMA's sole discretion at any time.

This PIM is provided solely for the purpose set out herein and is not intended to form any part or basis of any investment decision by any prospective bidder, its shareholders, members, or lenders. Each prospective bidder that accesses this PIM must make their own, independent assessment of the Post 2026 Gautrain Project or any part thereof in

respect of which they intend submitting a response, taking such advice (whether professional or otherwise) as it deems necessary.

The GMA has engaged the Transaction Advisor (TA) in respect of the procurement of the Post 2026 Gautrain Project and this PIM. These TAs are acting solely as advisory team to the GMA to assist it in the development and implementation of the Post 2026 Gautrain Project and, accordingly, they are not responsible, nor do they owe a duty of care, to any person other than the GMA in respect of the Post 2026 Gautrain Project and this PIM. No opinion of or for the benefit of any prospective bidder, its shareholders, members, contractors, suppliers, or lenders will be provided by the consultants to the GMA in relation to the Post 2026 Gautrain Project and this PIM.

No prospective bidder or its shareholders, members, contractors, suppliers, or lenders, shall have any claim whatsoever against the GMA, its officers, employees, agents, or advisors, arising out of any matter relating to Post 2026 Gautrain Project or this PIM.

# 1 INTRODUCTION

The Gautrain Rapid Rail Link System ('Gautrain') is a world-class and highly successful public rail transport system based in the economic hub of Gauteng Province, South Africa.

Gautrain was first envisaged in 1997 and subsequently developed as a long-term economic development flagship project. It commenced initial operations in 2010, with the system fully operational by 2012. Today, Gautrain has the capacity to carry up to 100,000 passengers per day, linking the fast-growing metropolises of Johannesburg, Tshwane, and Ekurhuleni, as well as Africa's largest airport – OR Tambo International Airport.

Gautrain was procured as a Public-Private Partnership (PPP) on a 19.5-year concessional contract scheduled to expire in March 2026. As a result, the GMA has commenced a process to procure a new partnership to continue Gautrain operations beyond March 2026, also known as the Post 2026 Gautrain Project.

The Post 2026 Gautrain project is likewise being procured on a PPP basis. The GMA, as the delegated authority of Gauteng Province, will procure the bidder whose proposal delivers the best value for money in the context of the risks and responsibilities transferred to the private party. To ensure a successful procurement process, the GMA seeks to directly engage with the market of potential partners to solicit their feedback on the proposed Post 2026 Gautrain project prior to the commencement of a formal procurement process that will commence with a Request for Proposal.

This PIM serves as a high-level introduction to the Post 2026 Gautrain project, providing an overview of the core elements of the proposed project and transaction, and summarising the main topics on which the GMA seeks discourse and input at this stage.

Accordingly, while this document captures the latest on the proposed approach to and structure of the Post 2026 project, certain concepts and details may be subject to change as feedback is received and considered.

## 1.1 Market Engagement

To ensure the proposed structure of the Post 2026 Gautrain project is optimised for all stakeholders, the GMA intends to facilitate an open dialogue process with the market from 27 March 2023 to 29 March 2023, Johannesburg, South Africa. This process will:

- Provide the market with an early 'heads up' that the Post 2026 Gautrain project is in the pipeline.
- Provide full description of the project, including its requirements.
- Test the market appetite for the project, and solicit feedback on key features of the project to help optimise the overall approach; and
- Establish the overall capability and capacity within the market to effectively deliver Post 2026 Gautrain Project

The information in the PIM will allow potential bidders to understand the requirements of the project and firm up their interest, begin to mobilise and organise for the upcoming procurement process, and have input into the final form of the RFP.

It is emphasised that engagement is not limited just to the elements and topics listed in this PIM – interested parties are highly encouraged to interrogate, seek clarity, and provide feedback on any matters deemed relevant.

Subsequently, the GMA will host an 'Engagement Forum' in Gauteng, consisting of a presentation of the project and one-on-one engagement sessions, to connect with interested parties face-to-face and in-person (where possible). More details on the market engagement process, programme, and channels are provided on the GMA portal. <https://bit.ly/Gautrain2026>

## 1.2 Preferred Partner Profile

Gautrain is a large, modern, and highly functional system, comparable to best-practice and world-class services of urban rapid rail systems globally. Considering that this is an existing operation, the GMA requires a smooth and timeous transition from the existing concession to the new contract, with no service disruption post March 2026.

As a result, the GMA seeks a partner with the capability and experience necessary to sustain and build upon the achievements of Gautrain to-date, while achieving an

effective transition. The GMA's view is that a properly structured RFP will only be responded to by experienced and committed bidders, and there appears to be no compelling reason to conduct a pre-qualification process. In other words, the RFP will be open to all tenderers.

Pragmatically, a successful bidder for Post 2026 Gautrain will ideally have the following general characteristics:

- Experience in successfully operating a modern passenger rail service of similar scale to that of Gautrain.
- Experience in operating a brownfield passenger rail concession, including managing a successful transition from a previous concessional arrangement.
- Understanding of the South African operational context, including the social, economic, and political environment.
- Ability to oversee the implementation and operation of commercial initiatives that seek to add value to the Gautrain Service, including developments in and around stations.

While the GMA encourages all interested parties to indicate their interest and engage in the proposed project, it reserves the right to be selective on how it engages, based on the likely ability of a particular party to provide the necessary capabilities.

## 2 PROJECT OVERVIEW

### 2.1 Overview of the Existing Gautrain Service

The Gautrain Rapid Rail Link System is a transit system designed for the rapid movement of people in Gauteng (South Africa), connecting the three metropolitan municipalities of City of Tshwane, City of Johannesburg, and City of Ekurhuleni.

Gautrain consists of ten stations on two main routes, a north-south line from Hatfield, in Pretoria, to Park Station, in Johannesburg, and an east-west line from Sandton to OR Tambo International Airport, as shown in the figure below.

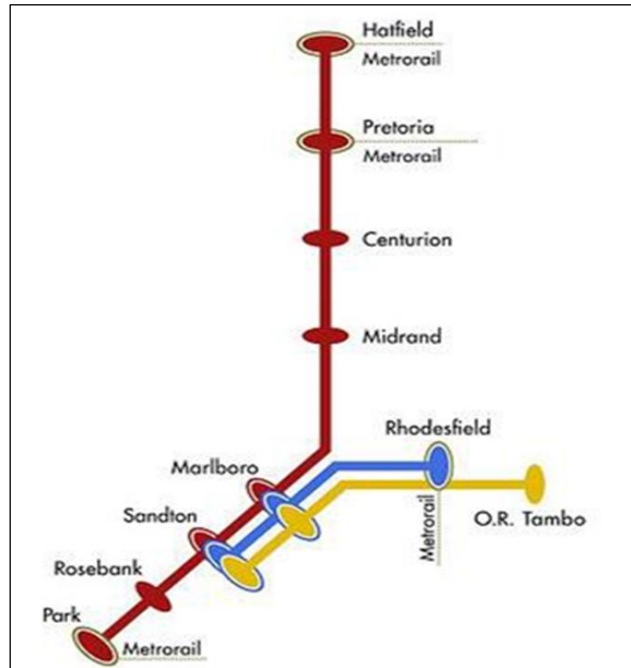


Figure 1: Gautrain Network Overview

Unlike most of South Africa's rail network, which was built with the narrower Cape gauge tracks, the Gautrain network has the wider, Standard gauge tracks. These are safer and more economical at Gautrain's higher speed of up to 160 km/hr.

The rolling stock fleet consists of 24 Bombardier ELECTROSTAR Electric Multiple Units (EMUs), collectively comprising 96 vehicles, most of which were assembled in South Africa.

Alongside the railway operation, Gautrain has a Dedicated Feeder and Distribution Service (DFDS), consisting of both dedicated buses and midi-buses, provided to improve accessibility to the train stations and to limit road traffic to the stations.

Gautrain's main features at the time of launch in 2006 are summarised as follows.

- 80 km of standard gauge rail lines, of which 15 km was built underground
- 10 stations
- 24-train sets of 4 coaches per set

- Capacity of 100 000 passengers trips per day
- 150 feeder buses including 12m-, 9m-, midi- and articulated buses

Gautrain was developed as a Public-Private Partnership, concluded in accordance with Regulation 16 of the Public Finance Management Act (PFMA), Number 1 of 1999. The PPP Agreement was implemented through a nineteen and a half-year Concession Agreement between the Gauteng Provincial Government (GPG) and the Bombela Concession Company. The current concession will end in March 2026.

As part of implementing the Gautrain project and service, GMA was established as an agency of the Gauteng Department of Roads and Transport, in terms of the Gautrain Management Agency Act (GMA Act No. 5 of 2006), as a PFMA Schedule 3(c) Provincial Public Entity, mainly to oversee the construction and operation of Gautrain, representing the GPG.

Some of Gautrain's achievements to date are summarised in the following table:

- 131.6 million train Passenger trips on Gautrain since Inception.
- 1.3 million trips connecting travellers to OR TAMBO International Airport.
- Service availability and on-time performance more than 98%.
- **24 200 fewer cars** on Gauteng roads every day.
- ZAR 1.7 billion added to Gauteng economy per year of operations.
- 10 900 direct jobs and 61 000 indirect jobs supported during operations.
- ZAR 497 million spent on procurement from SMMES during operations.
- 34 800 direct jobs created, 87 000 indirect/induced opportunities generated, and ZAR 20 billion added to Gauteng GDP during construction.
- Creation of national strategic asset valued at ZAR 45 billion (replacement value).
- 52% reduction in carbon footprint of every Gautrain commuter.
- **ZAR 46 billion total GDP contribution** and **245 000 added jobs** through property development induced by Gautrain.

## 2.2 Basis for Post 2026 Gautrain Background

Despite the substantial success, the current Gautrain system has experienced challenges through the process of design, implementation, and ongoing operation that the Post 2026 Gautrain project seeks to address.

Notably, Gautrain has recently faced a reduction in passenger numbers as of 2020, due to the COVID-19 pandemic. Several factors will continue to impact on the demand for the Gautrain, and this will have to be considered in the planning for future Gautrain. These include the following, amongst others:

- The continuing effect of the ongoing COVID-19 pandemic and associated impacts on demand for Gautrain Services.
- The rate of economic recovery and job recovery / growth post pandemic.
- New long-term working patterns caused by the pandemic, including remote working or work-from-home, flexible working hours, and decreased business air travel.
- The extent of congestion on Gauteng freeways /roads, and the resulting increases in travel time on this corridor, especially during weekday peak periods.
- Medium-term spatial development patterns linked to investment and administration of the key metros.
- Shift to other travel modes, such as road-based public transport, e-hailing, private cars, and similar.
- The future of the Gauteng Freeway Improvement Programme scheme, and in particular the stated intention of Government to abandon the e-toll system; and
- The effect of the continuing real increase in fuel prices.

Moreover, the general fiscal and economic environment in South Africa and Gauteng Province impacts on demand for Gautrain, and the ability of Gautrain to continue to improve and grow.

This presents opportunities to rethink the Gautrain business model, ensuring that the system not only responds to the current challenges, but further cements operational and financial sustainability in the long term. Gautrain was conceptualised as a 100-year economic project – maintaining services beyond the current concession is imperative

to catalyse and fast-track economic recovery, development, and growth in Gauteng and South Africa as a whole.

Taking the above into consideration, the four key pillars that underpin the basis for Post 2026 Gautrain are:

- Building On a Successful Asset to Maintain and Grow Development Impact

Gautrain is a ZAR 45BN asset that is a strategic cornerstone not only for public transport provision, but wider long-term economic and socio-economic development in Gauteng and South Africa. Once the current concession finishes at the end of its 19.5-year term, the costs of establishing this long-term asset will have been paid off, allowing Post 2026 Gautrain and beyond to reap the economic benefits.

- Comprehensive Alignment with Provincial And National Strategic Imperatives

Gautrain is unique in its close alignment with numerous core provincial and national policies and objectives, including the National Development Plan, National Transport Master Plan, National Rail Policy, Nationally Determined Contribution (capturing the country's climate change response), Sustainable Development Goals, Gauteng Growth and Development Strategy, Gauteng Spatial Development Framework, and the Gauteng Integrated Transport Master Plan, among others. Post 2026 Gautrain will embody many of the characteristics of the theoretical 'ideal' sought by planners and policymakers to drive economic development and service delivery in Gauteng and South Africa.

- A Flagship Component of Gauteng's Public Transport System In The Short- And Long-Term

Gautrain is well-positioned to be an important contributor to Gauteng's public transport system in the long-term. It has a unique capability to transport large numbers of people quickly and efficiently in highly congested areas and has the proven capability of effectively operating in the severe challenge of a low-density population environment (a problem not faced by most other comparable systems globally). Further, the system continues to possess the substantial potential to contribute toward inclusive socio-economic development, improved urban integration and sustainability, and lower emissions.

- Enabling a Major Contributor to Environmental Sustainability And Green Growth Objectives

Gautrain has played, and will continue to play, a major role in promoting public transport in Gauteng and South Africa, reducing emissions and promoting green growth through the migration from private to public transport.

## 2.2. Post 2026 Gautrain Strategic Objectives

Post 2026 Gautrain is building on an established and highly functional system that responds to an existing set of still-relevant needs. The principal needs and strategic objectives established for Post 2026 Gautrain derive from the history and performance of Gautrain to date (including previous needs and objectives), understanding the wider economic, socio-economic, and political contexts, and reviewing GMA, provincial, and national policies.

| Principal Needs                                            | Strategic Objectives                                                         |
|------------------------------------------------------------|------------------------------------------------------------------------------|
| Stimulate BBBEE and economic development impact in Gauteng | Support or contribute towards economic growth, development, and job creation |
|                                                            | Support Gauteng's goals related to SMMEs and BBBEE                           |
|                                                            | Stimulate renovation/upliftment of Gauteng's urban centres                   |
|                                                            | Promote tourism in Gauteng                                                   |
| Maximise localisation and local content                    | Maximise localisation and local content                                      |
|                                                            | Ensure long-term service continuity                                          |
|                                                            | Promote the image of public transport and its adoption                       |

| Principal Needs                                                               | Strategic Objectives                                                                            |
|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Ensure long-term service continuity and growth                                | Contribute towards the mitigation of severe traffic congestion in Tshwane-Johannesburg corridor |
| Expand Gautrain's market to a broader demographic and geographic set of users | Expand the system's demographic and geographic ridership base                                   |
|                                                                               | Enhance the integration of the system with other Gauteng public transport systems               |
| Improve the long-term viability of the system                                 | Improve the adaptability and financial sustainability of the system                             |
| Promote environmental sustainability                                          | Support Gauteng's green growth and climate change objectives                                    |

The above principal needs and objectives, therefore, serve as an important consideration for the Post 2026 Gautrain's concessionaire, underpinning all planning and decision-making.

## 2.3 Post 2026 Gautrain Implementation To-Date

The GMA registered the Post 2026 Gautrain project with National Treasury in December 2020. The registration has been confirmed by the National Treasury leading to the project being implemented over two phases – the Feasibility Phase: and the Procurement Phase.

The GMA commenced the development of the Feasibility Study in September 2021 and completed it by end of June 2022. The Post 2026 Gautrain Feasibility Study was

conducted in accordance with the National Treasury Public Private Partnership Manual (2004) issued in terms of Treasury Regulation 16 (Regulation 16) of the PFMA that provides guidance for the PPP project cycle. The aim of the Feasibility Study was to identify and evaluate the most suitable option for the continuation of the Gautrain service from March 2026, and, where applicable identify opportunities to improve aspects of the system, including its capacity, ridership, revenue, service quality and financial sustainability.

The Feasibility Study Report comprehensively documents the outcomes of that assessment, ultimately confirming viability and proposing the optimal approach to delivering Gautrain services after the end of the current concession. The Post 2026 Gautrain Feasibility Study was approved by the GMA Board on 29 July 2022 and endorsed by both the Gauteng Department of Roads and Transport and Provincial Treasury.

The GMA has since submitted the Feasibility Study Report to the National Treasury seeking Treasury Approval 1.

## 2.4 Post 2026 Gautrain Timetable

Indicative dates and key activities for the overall procurement of the Post 2026 Gautrain project are as follows:

- September 2022 – April 2023: Bid Document Preparation and Market Engagement
  - Prepare Bid Documents and draft PPP Agreement
  - Market sounding and Engagement Forum
  - Issue RFP and PPP Agreement for market comment
- April 2023 – February 2024: Procurement Implementation and Selection of the Preferred Bidder
  - Invite and evaluate bids.
  - Preferred Bidder selection
  - Obtain required approvals of the preferred Bidder.
- March 2024 – December 2024: Transfer and Commencement Agreements & PPP Agreement Signature

- Discussions and agreements with the Preferred Bidder relating to the transfer of responsibilities and commencement of Operations.
  - Signature of the PPP Agreement
  - Obtain required final approvals.
- January 2025 – March 2025: Financial Close
  - Procure Financial Close for the transaction.
- April 2025 – March 2026: Implement Post 2026 Transitional Arrangements

### 3 TECHNICAL OVERVIEW

#### 3.1 System Description

The Post 2026 Gautrain shall be an Operations and Maintenance (O&M) contract of all system components with some turnkey infrastructure development elements that will include capacity enhancements. The concession period will be for a period of 15 years.

The future concessionaire shall be responsible for all aspects of capacity enhancements, including design, implementation, and quality assurance. Capacity shall be enhanced sufficiently ahead of time to ensure that the specified quality of service is maintained.

#### 3.2 Future Concessionaire's Responsibilities

The following sections describe the intended responsibilities of the future concessionaire.

##### 3.2.1 Rail Services

Train Operations. All aspects relating to train operations including scheduling, staffing, vehicle management, train-authorisation, safety-management, and performance management. Currently, operations are configured as General-Passenger-Service (GPS) and Airport-Passenger-Service (APS).

Maintenance and Cleaning. Maintenance and cleaning of all assets including permanent-way, infrastructure, signalling and telecommunications equipment, power supply and distribution, and rolling stock, and the rail-reserve.

Safety and Security. Ensure the safety of customers and personnel, and the security of assets through proactive and reactive measures and technologies.

Rolling Stock Supply and Refurbishment. Supply of new compatible EMUs as necessitated by ridership demand, operational requirements and mid-life refurbishment of the existing EMU fleet.

### 3.2.2 Bus Feeder Services

DFDS Vehicle Supply and Operations. All aspects relating to the operation, and management of feeder-services; including vehicle supply, scheduling, staffing, customer comfort and transport management, and performance monitoring Management of Midi-bus Feeder and Distribution Services (MFDS). Management of the MFDS which are operated and supplied by private operators from the Mini-bus taxi industry.

Maintenance and Cleaning. All aspects of vehicle maintenance including cleaning, preventative and corrective maintenance, replacement of consumables, and branding.

Safety and Security. Ensure the safety of customers and personnel, and the security of assets through proactive and reactive measures.

### 3.2.3 Station and Facilities Management

Access Control. Provision of access control to station precinct, paid and unpaid areas of the Gautrain system, including implementation of fare-evasion techniques.

Circulation Systems. Operations, and maintenance of all circulation systems and equipment including elevators and escalators, ensuring high-availability and quality of service. Provision of additional capacity may be required.

Station and Precinct Security. Ensure the safety of customers and personnel within the station bounds, and the immediate precinct, and the security of Gautrain assets through proactive and reactive measures.

Maintenance and Cleaning. Maintenance and cleaning of all stations and facilities, ensuring high-quality customer experience.

Landlord Function. Provide all landlord functions to future 3<sup>rd</sup> party tenants within Gautrain stations/precincts e.g., DLTC licensing stations.

Construction Works. All aspects related to upgrade and expansion of parking, kiss&ride and e-hailing areas, circulation equipment, and universal access improvements.

#### 3.2.4 Fare Collection

Fare Collection and Accounting. Collection of all rail and non-rail fares including rail trips, feeder-bus trips, parking fees, and user-penalties.

Technology Upgrade. Migration from a card-centric system to an account-based system, in line with international best-practice, and supporting differentiated fare structures.

Ticket Offices. Provision for manual fare collection, processing of cash, and resolution of ticketing-related issues at each station.

#### 3.2.5 Customer Care and Information

Signage and Wayfinding. Maintenance and updating of all fixed signage and branding inside station buildings, around station precincts and on public-roads.

Customer Communication. Design, development, and maintenance of customer information platforms, and regular update/publishing of information including fares, timetables, feeder-routes, FAQs, etc.; including the website and mobile applications.

Call Centre. Operation of a customer call centre providing high-quality customer care and assistance.

Safety and Security. Ensure a high degree of security and safety for passengers, staff, equipment, and infrastructure. It will be required to establish and maintain strategic relationships with external stakeholders such as local law enforcement, municipalities, private security firms, emergency services, etc.

#### 3.2.6 Advertising and Marketing

Advertising. Maintenance and bulk service provision of advertising assets within the Gautrain system.

Marketing. Adhere to CI and marketing requirements. (All aspects related to the implementation of Gautrain marketing, advertising, and branding are to be provided by the GMA.)

### 3.2.7 Mobility as a Service (MaaS) platform

Provision of a new electronic platform including mobile applications and websites must be provided to provide integrated journey planning, account-management, live vehicle-tracking and real-time Service Information.

### 3.2.8 Demand Modelling and Surveys

Develop and update a transport demand model in line with Good Industry Practice. The outputs shall be utilised by the GMA for inter-alia setting of fares.

## 3.3 System Assets

The system includes, amongst others, the following assets:

| Asset Category                        | Description                                                                                                                                                                        |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rolling Stock                         | 24 x Bombardier Electrostar EMUs                                                                                                                                                   |
| Permanent Way                         | 82 route-km, Ballasted Track, Track Slab, Turnouts, Rails, Buffer Stops                                                                                                            |
| OCDS – Structures and Foundations     | Masts, Mast-Foundations, Conductor Rail Systems                                                                                                                                    |
| OCDS – Components                     | Insulators, Arrestors, Breakers                                                                                                                                                    |
| Power Supply and Distribution Systems | Main Propulsion and Auto-Paralleling Substations, Stations and Tunnels, Train and Bus-Depots, Emergency Shafts and Rooms, Diesel Generators, Marlboro Portal, Architectural Lights |
| Signalling System                     | Interlocking, Colour-Light-Signals, Switches, Cabinets, Track Vacancy Detection Systems                                                                                            |

| Asset Category                | Description                                                                                                                   |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Communications Equipment      | Networks, Voice activated PA, FOCS, Radio System Handsets and Infrastructure, Telephones and PABX                             |
| Security Systems and CCTV     | Access Control Systems, CCTV Surveillance, Fencing and Gates, Security Access Management                                      |
| Depot Equipment               | Marlboro Depot including Fixed and Movable Equipment                                                                          |
| OCDS – Contact Wiring Systems | Cantilevers and small parts steel, Contact Wire, Droppers and Jumpers                                                         |
| Earthworks/Drainage           | Perway track formation, Drainage system, Cuttings and Embankments, Dolomitic Areas, and Earth retaining walls.                |
| Station/ Building Structures  | Anchor and Retaining walls. Carport, Station Concrete Structure, Masonry, and Steel Structures. Noise and vibration barriers. |
| Bridges and Viaducts          | Viaducts, Overpasses, Underpasses, U-Shapes                                                                                   |
| Tunnels                       | Marlboro Portal to Sandton: Double Track<br>Sandton to Park Station: Single Track                                             |
| Heating (HVAC and TVS)        | Station Heating Ventilation and Air Conditioning, Tunnel Ventilation Systems                                                  |
| Roads and Paving              | Kerbing, Parking Areas, Roads, Paving, Traffic islands                                                                        |
| External Facilities           | Vehicle Shelters, Irrigation, Landscaped Areas, Small Buildings, Walkways, Signage, Traffic and Road Signage                  |
| Station Building Interiors    | Interiors and Signage                                                                                                         |

| Asset Category                   | Description                                                                                                                |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Station Infrastructure           | Finishes, Fixtures and Equipment, Floors, Pumps, Roofing systems, Storage tanks, Walls                                     |
| Passenger Conveyance             | Lifts and Escalators                                                                                                       |
| Automatic Fare Collection System | Automatic Fare Gates, Ticket Office Machines, Ticket Vending Machines, Bus Validators, Parking Units                       |
| Fire Protection                  | Fire Protection, Fire Hydrant, Fire Detection System, Gas Suppression, Sprinkler Protection, and Emergency Vehicle Systems |
| Bus Feeder Systems               | 118 x 9m/12m buses<br>7 x articulated buses.<br>25 x 22-seater midi-buses                                                  |

At the end of the current concession period, the existing concessionaire shall transfer the Gautrain system to the GMA. Full access will be made available to the Post 2026 concessionaire.

The Post 2026 concessionaire will be responsible to maintain, refurbish and renew assets in conformance to the GMA's asset life specifications.

### 3.4 Mandatory Refurbishment, Replacements & Upgrades

#### 3.4.1 Rolling stock

Refurbishment. The current rolling stock fleet must be refurbished as per OEM requirements midway through its Design Life. The concessionaire shall develop a suitable refurbishment programme ensuring that the System Performance Requirements are maintained.

Vehicle interior. All train carriage interiors to be upgraded during the mid-life refurbishment and modernised with automatic passenger counters and amenities such as power sockets, and WiFi internet connectivity.

Automatic-coupling. The existing fleet must be retrofitted with automatic coupling to allow operational flexibility.

Socio-Economic Development. The rolling stock fleet's refurbishment shall meet all local content and localisation objectives related to the procurement of EMUs aligned with GMA's policy.

Depot facility. The current Midrand maintenance depot does not have the facilities or equipment required to complete the rolling stock refurbishment programme. The concessionaire shall make use of another suitable facility to complete the refurbishment activities.

### 3.4.2 Feeder services

#### Dedicated Feeder and Distribution System

Possession of the current bus fleet shall be transferred to the concessionaire at contract inception. The concessionaire is required to renew the fleet in accordance with the feeder service design requirements provided by GMA.

The concessionaire shall supply additional/replacement vehicles to meet the Performance Requirements. It may purchase or lease vehicles. The vehicles shall not be transferable to the GMA at the end of the POST2026 contract period.

#### Midi-Bus Feeder and Distribution System

The MFDS vehicle fleet shall be owned by and operated under agreement with regional taxi-association groups, i.e., Alexandra Taxi Services.

Location-Integrated Ticket Validators. Tap-in fare validators are installed on all DFDS buses. In the future, these must be integrated with the bus live location information. All vehicles must be equipped with passenger counting systems, to be utilised for capacity management and as part of the fare evasion techniques.

### 3.4.3 Train control

The concessionaire shall replace the current system before the end of its design life, in line with Good Industry Practice.

To meet the future capacity requirements, it is anticipated that Peak-period headways will need to be reduced from the current level of 10 minutes. This is particularly relevant to the shared section between Marlboro and Sandton stations which carries both the GPS and APS services. It may be required to upgrade the train control system to achieve the required capacity.

### 3.4.4 Stations and Precincts

Wayfinding Signage. Elements of the wayfinding signage across the Gautrain system must be updated in accordance with Good Industry Practice.

Passenger Information Displays. Electronic boards indicating real-time service information (including departures and delays) shall be placed at key locations within station buildings and precincts, including in parking areas and outside station buildings.

E-hailing and Meter-taxi Areas. Dedicated areas are to be provided for e-hailing and meter-taxi pickup and drop-off, to alleviate congestion on the surrounding road-networks.

Universal Access Improvements. Accessibility improvements are required at several stations, including a redesign of pavements and curbs, and relocation/redesign of structures which obstruct or hinder people's movement.

Parking Management Systems. The concessionaire is required to improve parking utilisation, and customer experience through technology.

Concourse and Platform Seating. Seating on platform areas to be replaced in line with Good Industry Practice. New seating is to be introduced on station concourses.

Roof Structures. Enclosure of select station areas at stations.

Station Entrances/Exits. Remodelling of parking entrances and exits to improve traffic flow and reduce queuing.

### 3.4.5 Security

The Concessionaire shall improve security aspects such as Security Control Centre (SCC), CCTV, access control, fencing and gates.

## 4 COMMERCIAL OVERVIEW

### 4.1. Project and Contractual Structure

The Post 2026 Gautrain project and contracting structure will see the concessionaire take on all performance risk - many core functional elements are bundled together under the ambit of the concessionaire, as described in more detail in Section 3. The sum of these myriad functions determines the availability and quality-of the Post 2026 Gautrain product and service. They are inter-related, inter-dependent, and highly integrated.

The concessionaire may work with various sub-contractors, suppliers, and OEMs as it deems necessary to deliver on its functions and responsibilities.

The GMA will retain demand-revenue risk in the Post 2026 structure. As a result, the GMA will, amongst others, keep responsibility for the fare-setting function.

Together with fare setting, the GMA will have responsibility for the promotion and marketing of the system, as a key driver of demand and revenue.

Finally, overall oversight will be performed by the GMA, including oversight of system strategy and capacity planning, establishing system output specifications and quality standards, managing, and enforcing contracts, and undertaking financial management, among other responsibilities.

### 4.2. Performance and Operational Risk

Each bidder will develop and propose a series of plans (in aggregate, the "Concessionaire Capacity Plan") that detail how it will optimally achieve the stipulated outputs and responsibilities with respect to delivery of Post 2026 Gautrain. The Concessionaire Capacity Plan must describe the provision of a service and system that

meets the required service levels and needs of the forecast demand scenario provided by the GMA in the RFP.

Within the stipulated requirements, a bidder has flexibility in how it proposes to deliver Post 2026 Gautrain and is encouraged to be innovative in its Concessionaire Capacity Plan.

The Concessionaire Capacity Plan will be captured in the PPP Agreement as the foundation of the concessionaire's delivery obligations. The concessionaire will take on the risk of ensuring capacity availability and service execution according to its Concessionaire's Capacity Plan.

Over the duration of the Post 2026 Gautrain concession, actual demand (i.e., experienced demand) may deviate from the forecast demand scenario on which the Concessionaire Capacity Plan was conceived. In this case, the services proposed in the Concessionaire Capacity Plan at a particular point in time (based on the forecast demand scenario) may no longer be appropriate for the actual demand. The concessionaire will be responsible for monitoring, modelling, and forecasting demand over the course of the concession, and adapting its capacity and service to best meet actual demand. This is further detailed in section 0 below.

### 4.3. Remuneration

The concessionaire will be paid a Performance Fee for delivery of its Concessionaire Capacity Plan, and any other obligations, within the Post 2026 Gautrain concession. The Performance Fee is comprised of several remuneration components that are defined and determined by the Payment Mechanism.

Post 2026 Gautrain's Payment Mechanism (and broader performance management regime) has been designed to ensure:

- The concessionaire is adequately remunerated for services provided.
- At a minimum, specified service quality standards are maintained.
- The system is sufficiently flexible to adapt to changing demand requirements over time, with respect to both capacity and performance.
- The concessionaire is encouraged to support and contribute to GMA objectives to grow ridership and revenue.

- The need for complex negotiated variations over the course of the contract is minimised, as far as possible.
- The Payment Mechanism consists of the following elements, which determine the overall Fee:

#### 4.3.1. Unitary Fee

Bidders will price their Concessionaire Capacity Plan by means of an all-inclusive Unitary Fee. Hence the concessionaire will be paid its contracted Unitary Fee for delivery of its Concessionaire Capacity Plan.

Where actual demand is less than that envisaged by the Concessionaire Capacity Plan (derived from the forecast demand scenario at the time of procurement), the concessionaire should scale its service as appropriate to such demand, with the stipulated minimum service level being the floor. The concessionaire will continue to be paid its Unitary Fee despite any scale-down. The GMA however will retain the right to require the concessionaire to operate services up to its Concessionaire Capacity Plan, regardless of actual demand.

#### 4.3.2. Penalties

Penalties, where applicable, will be regularly assessed and deducted from the Performance Fee.

Penalties will be levied based on partial or complete failure of the availability and/or performance of the concessionaire's service obligations. In addition, penalties will be levied for the failure to achieve the contracted socio-economic development and broad-based black economic empowerment targets.

If actual demand is greater than the ceiling envisaged by the Concessionaire Capacity Plan, then an applicable Change Management process will be followed, which is described later in this document.

#### 4.3.3. Profit Share

Above a prescribed threshold, the GMA shall be entitled to a share of the excess profits generated by the concessionaire during the Post 2026 Gautrain concession.

The prescribed share split ratios will vary according to the nature of the profit-generating activity or event but established with the intent that the concessionaire will always be incentivised to pursue sustainable profit growth, while the developmental impact of public funds is maximised.

#### 4.3.4. Escalation

Certain fees, rates, and allowances, including the Unitary Fee and penalty fees (where non-percentage based), will be subject to escalation on an annual basis utilising annual CPI (Consumer Price Index, excluding interest rates on mortgage bonds, as published monthly by Statistics South Africa) on the anniversary of the signing of the Concession Agreement.

### 4.4. Change Management

Over the 15-year duration of the Post 2026 Gautrain, there are likely to be occasions where unforeseen expansion and improvements to the system and/or concession agreement are required or desired (a “Change Initiative”).

In all cases, a Change Management Framework will define the process to be followed by the concessionaire and GMA in agreeing to and implementing any required or desired Change Initiative. The ultimate objective of the Change Management Framework and its defined procedures and mechanisms is to enable the implementation of Change Initiatives as efficiently and equitably as possible for both parties, and ultimately for the benefit of the Gautrain customer.

#### 4.4.1. Process

The Change Management Framework considers several categories of possible Change Initiatives, including those related to operational changes, infrastructure changes,

procurement of additional service providers, and similar. Categories are in some instances also stratified by the value of the initiative.

Each category has a stipulated procedure which defines the process and steps by which a proposed Change Initiative will be proposed, presented, agreed, and implemented.

#### 4.4.2. Pricing

The costing of Change Initiatives will be market-related and/or show a reasonable correlation to existing costing and pricing. The concessionaire will be entitled to a mark-up on Change Initiatives; mark-up rates will be specified by bidders in their financial response to the RFP.

#### 4.4.3. Finance

Certain Change Initiatives may require capital expenditure. The GMA may direct the concessionaire to use all reasonable endeavours to raise finance for part or all the capital amount required.

### 4.5. Commercial Developments

Over the course of the Post 2026 Gautrain concession, the GMA aims to implement several commercial developments that leverage the Gautrain system.

Several substantives 'Rail + Property' opportunities have been identified that look to densify and diversify existing, and develop new, stations and precincts. These initiatives are still in the planning stages, but several are likely to present themselves ready for implementation over the next 20 years.

The GMA will engage with its Post 2026 Gautrain concessionaire on implementing these developments within the terms of the concession agreement but will also retain the option to partner with specialist property developers. In the latter case, the concessionaire will still play a critical role in ensuring optimal integration of the developments into the overall Post 2026 Gautrain system. In either scenario, the GMA will utilise the Change Management mechanism to reach an agreement with the concessionaire on the implementation and/or integration of these developments as they present themselves.

## 5 FINANCIAL OVERVIEW

### 5.1 Financing Structure Background

Most public transport systems require government funding support, due to a funding gap that exists between the anticipated revenue, the operating and finance costs.

Like many systems in the sector, Post 2026 Gautrain will continue to rely on fiscal support in the form of the Provincial Support Allocation (PSA), payable by the Gauteng Provincial Government to the Concessionaire.

Post 2026 Gautrain deficit is because of operational revenue, made up of rail ridership (farebox) and non-rail revenue (including activities such as advertising, parking and DFDS fares), being less than rail systems costs (consisting of capital expenditure linked to refurbishments, replacements and upgrades, maintenance, and operational costs).

The GMA will provide a stipulated Minimum Service Level & Capacity, and a Forecast Demand Curve to be met by the private party, given output specifications and quality standards. It will also fix proposed fare levels and structures, meaning that the PSA allocation should therefore (predominantly) only fluctuate for changes to actual ridership demand and non-rail revenue.

As per the technical system description, there will be mandatory capital expenditure required at different periods during the concession for refurbishments, replacements, and upgrades.

### 5.2 Innovative Financing Structure

It will be required that the concessionaire utilise an innovative financing structure (not prescriptive), to:

1. Fund the required capital requirements so that repayments are receivable through the PSA, without budgetary shocks (smoothed) to Province.
2. Improve the financial sustainability by incorporating concessional finance linked to environmental targets that recognise Post 2026 Gautrain as a low-carbon form of transport.

Such a funding structure should consider the possibility of the repayment term continuing over to the next concession, if the remaining period is not viable to structure repayments within the concession as per the envisaged structure, i.e. mostly applicable to any later period capital expenditure.

It is understood by GMA that including financing from external parties such as lenders could add to the cost (interest and fees) of implementation of the project, as well as bring additional complexity in negotiating and achieving financial close. The value of such financing will therefore be considered with reference to competitive funding terms and value added through innovative structuring.

Although this concession will be structured as a PPP, it is recognised that project finance may not be applicable as other forms of financing arrangements may be used.

## **6 SOCIO-ECONOMIC DEVELOPMENT OVERVIEW**

### **6.1 Socio-Economic Context**

South Africa's economy faces the triple challenge, the nexus between a high level of unemployment, inequality, and poverty, which limits the sustainable growth and development of the nation. The Socio-Economic challenges have further been compounded by the Covid-19 pandemic. This requires a strategic and intentional response guided by a set of strategic policies and legal prescripts that support the catalysation of Socio-Economic Development in a sustainable, inclusive manner.

Localisation and Socio-Economic Development (SED) benchmarking continues to indicate that the use of procurement as an instrument of policy is the most successful lever of Local Economic Development globally. As such, as SED-based preferential procurement as a tool utilised in state procurement becomes increasingly critical.

The application of public preferential procurement within South Africa exists where there's state organ-level specificity of application. The Procurement Policy Framework Act (PPFA) Regulations have been amended, but still places the responsibility of developing and applying a preferential procurement policy with state organs. The state organ-level preferential procurement policy needs to address specific goals within a

preferential point system without setting aside or excluding specific bidders. The potential bidders are referred to the below legal matters for a fuller discussion.

Amidst all Socio-Economic challenges and public preferential uncertainty, Post 2026 Gautrain must expand, improve, operate, and be maintained whilst contributing to the alleviation of the triple challenge.

## 6.2 SED Framework

### 6.2.1 SED Strategic Priorities

Post 2026 Gautrain is expected to contribute to the alleviation of the triple challenge through focusing on the following Socio-Economic Development strategic priorities:

- Job creation particularly for Black people, Women and Youth within skilled and managerial positions
- Revitalisation and modernisation of local industries is a focal point, with a special focus on the rail, construction, and associated industries (Industrialisation)
- Development of rural communities and townships
- Focus on growing SMMEs (QSEs and EMEs)
- Skills development to reposition the workforce and allow for absorption into the workforce.
- Implementation of social investment initiatives aimed at improving quality of life in underdeveloped areas.

The table below describes the strategic priorities and further indicating their intended impact.

|    | SED Strategic Priority | Description                                                                            | Intended Impact                                                                                                                                                                             |
|----|------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Job Creation           | Improvement in the creation, and retention, of direct, indirect and induced employment | <ul style="list-style-type: none"> <li>• Retention of jobs created in the operation phase of Gautrain 1</li> <li>• Increase in skilled and management jobs for designated groups</li> </ul> |

|    | SED Strategic Priority              | Description                                                                                                                                                                      | Intended Impact                                                                                                                                                                                                                   |
|----|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. | Industrialisation                   | Increase in localisation of rail and related industries                                                                                                                          | <ul style="list-style-type: none"> <li>Improved localisation of rail and related industries</li> <li>Support the rail value chain</li> </ul>                                                                                      |
| 3. | Township and Rural Development      | Improvement in industries, people and other factors related to rural and township areas including suppliers, employment and the growth of Gauteng's Township and Rural Economies | <ul style="list-style-type: none"> <li>Sustained procurement spend on township and rural suppliers</li> <li>Employment of persons located in townships and rural areas around the Gauteng</li> </ul>                              |
| 4. | Small, Medium and Micro Enterprises | Development and growth of QSEs and EMEs within the rail and related industries                                                                                                   | <ul style="list-style-type: none"> <li>Increased spend in QSEs and EMEs for the Operate and Maintain works</li> <li>Increased spend on companies owned by designated groups in the Operate and Maintain works</li> </ul>          |
| 5. | Skills Development                  | Improvement in the knowledge, access, expertise and experience in current and future workforce needs                                                                             | <ul style="list-style-type: none"> <li>Increased job retention and creation in the Operate and Maintain works</li> <li>Improved realignment to future workforce needs as dictated by eminent 4IR industrial revolution</li> </ul> |
| 6. | Social Investment                   | Focus on social investment objectives holistically driven by GMA's SIP framework and the Province's TISH initiative                                                              | <ul style="list-style-type: none"> <li>Spatial development and infrastructure upgrades in Township communities</li> </ul>                                                                                                         |

|  | SED Strategic Priority | Description | Intended Impact                                                                                                                                                           |
|--|------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |                        |             | <ul style="list-style-type: none"> <li>Supporting organisational initiatives aimed at improving education and employable skills in under developed communities</li> </ul> |

### 6.2.2 Strategic Levers

The SED strategic priorities are intended to be achieved through two strategic levers i.e., the SED elements and the localisation intervention. The SED elements make up the SED Regime together with identified thresholds. The localisation interventions are the multi-faceted required to realise the localisation interventions.

The identified SED elements that align to the strategic priorities are depicted below in the summary of proposed Socio-Economic Development elements that the Post 2026 Gautrain is to adopt.

| • SED Element                                                                        | • Definition                                                                                                                                                                             | • Objective                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Local Content</li> </ul>                      | <ul style="list-style-type: none"> <li>As far as possible, the utilisation of South African products as part of undertaking Project Activities</li> </ul>                                | <ul style="list-style-type: none"> <li>Achieving high local content across public procurement to promote and support local manufacturing.</li> </ul>                                                   |
| <ul style="list-style-type: none"> <li>Ownership</li> </ul>                          | <ul style="list-style-type: none"> <li>Ownership by Black People and Black Women as a percentage of the Total Ownership</li> </ul>                                                       | <ul style="list-style-type: none"> <li>Encourage subsidiary companies and relevant Black entities increase their ownership and encourage the economic interest of ownership in Black people</li> </ul> |
| <ul style="list-style-type: none"> <li>Procurement and, or Subcontracting</li> </ul> | <ul style="list-style-type: none"> <li>Procurement from, or Subcontracting to B-BBEE, EMEs, QSEs and to Black, including Black Women Owned Companies as a percentage of Total</li> </ul> | <ul style="list-style-type: none"> <li>Enhance the procurement and subcontracting from Black and Black women owned and SMME businesses</li> </ul>                                                      |

| • SED Element                              | • Definition                                                                                                                                                                    | • Objective                                                                                                                           |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
|                                            | Measured Procurement Spend                                                                                                                                                      |                                                                                                                                       |
| • Local Employment                         | • Employment of People who are ordinarily resident in the Republic of South Africa and are Citizens as well as People who are ordinarily referred to as Black Designated Groups | • Promote and support the employment of local people and the achievement of equity in the workplace                                   |
| • Management Control and Employment Equity | • Employment of Black People and Black Women in Top/Senior, Middle and Junior management as well as the employment of youth and Black employees with disabilities               | • Promote, retain, and appoint Black representation in all executive, senior and junior management positions and project work streams |
| • Skills Development                       | • The contributions made towards Skills Development as a percentage of the contract value                                                                                       | • Attracting and retaining talent through skills development training and initiatives and                                             |
| • Enterprise Development                   | • Contribution to initiatives to assist and accelerate the development and sustainability of other enterprises' financial and operational independence                          | • Creation of new black owned enterprises (and the development of existing ones) who can participate in the value chain               |
| • B-BBEE Status Level                      | • The company's B-BBEE contributor level as determined and verified by a "B-BBEE verification professional                                                                      | • Promote local development enabled through skills development, etc. of                                                               |
| • Social Investment                        | • The contributions made towards social investment initiatives in underdeveloped communities as a percentage of net profit                                                      | • Improve the infrastructure, public facilities, and upliftment of people in underdeveloped communities                               |

The localisation interventions are inclusive of demand-, supply- and enabling-side interventions. The demand-side interventions support and/or grow the market related to the needs of the Post 2026 Gautrain. The supply-side interventions refer to the development of the capability and capacity within the local industries. The enabling-side interventions consider the structural and operational requirements to successfully realise localisation within the Post 2026 Gautrain period.

### 6.2.3 Township Economy Development

The development of Township communities is a critical consideration of the SED framework. Township communities are at centre of the triple challenge faced in South Africa and the SED framework seeks to contribute to the alleviation of the triple challenge in the following manner:

- Assigning a proportion of Procurement and, or Subcontracting spend to be derived from enterprises located in Township communities; and
- Assigning a proportion of Enterprise Development contribution towards enterprises located in Township communities; and
- Assigning contributions of social investment toward Township communities and, or entities focused on social investment initiatives in these communities

These components of the SED framework are intended to spur four distinct outcomes:

1. Inclusion of Township enterprises in large state projects directly affecting the development and utilisation of economic produce from Township communities
2. Increase employment opportunities in Township communities improving economic equality in South Africa
3. Transfer of skills and knowledge to Township enterprises, enhancing the sustainability of these businesses and potential for future employment opportunities
4. Spatial development, infrastructure improvement and upliftment of people skills in Township communities

## 6.3 SED Regime and Thresholds

The regime threshold and targets are the operational mechanism with which to ensure the SED objectives are met. The thresholds are the envisaged minimum commitment

from any bidder. The SED regime is underpinned by setting achievable thresholds that maximize socio-economic dividends in South Africa through alignment to legislation, past performance, and other similar transactions. Considering the public procurement uncertainty, the SED regime and thresholds are aimed at the various activities and works that are to be conducted either for new or continuing activities. As such, the qualification, evaluation, contracting, and implementation based on the SED regime is modularised and can be applied at any of these points. The application of the SED regime does then vary the intended SED benefit and impact.

## 7 REGULATORY CONTEXT

### 7.1 Constitutional supremacy

- 7.1.1. The Constitution of the Republic of South Africa, 1996 (Constitution) is the supreme law of the land. Any law or conduct that is inconsistent with the Constitution is invalid and may be set aside by a competent.
- 7.1.2. The South African Constitution is founded on rule of law which inter alia requires that the exercise of public power must be authorised by law or inferred from a lawful empowering source. The purpose of this is to ensure that public bodies have authority for their actions for such actions to be lawful.
- 7.1.3. The establishment, operation and maintenance of the existing Gautrain services and the procurement of the Post 2026 Gautrain must be tested against the above constitutional principles. In addition to the Constitution, several statutes are key to the procurement, operation, and maintenance of the Post 2026 Gautrain. These include but not limited to (i) public transport infrastructure and services in Gauteng, and (ii) public procurement. We turn to briefly discuss these below.

### 7.2. Overview public transport infrastructure and services in Gauteng

- 7.2.1. Constitutional competency
  - 7.2.1.1. Schedule 4A of the Constitution classifies “Public transport” as a concurrent national and provincial competences. Schedule 4B classifies “Municipal public transport” as a municipal competence. It follows that national and provincial governments both have jurisdiction over all public transport except municipal public transport.
  - 7.2.1.2. Sections 44(1)(a)(ii) and 104(1)(b)(i) of the Constitution confer on the National Assembly and the provincial legislatures the power to pass legislation with regard to matters listed in Schedule 4. It means that both the national and provincial governments may legislate on public transport excluding municipal public transport.
  - 7.2.1.3. Section 104(4) of the Constitution permits provincial legislation with regard to any matter “that is reasonably necessary for, or incidental to”, the effective exercise of a province’s power to legislate on matters listed in Schedule 4.

7.2.1.4. In exercising its competency, GPG passed the Gauteng Transport Infrastructure Act, 2001 (GTIA) is the primary legislation which enables the GRRLS including the planned procurement of the Post 2026 Gautrain. Immediately below, we briefly discuss the key provisions of the GTIA.

7.2.2. The Gauteng Transport Infrastructure Act

7.2.2.1. The GTIA provides for the planning, design, development, construction, finance management, control and maintenance of provincial roads, railway lines and other transport infrastructure matters within the Province.

7.2.2.2. The GTIA also establishes the Member of the Executive Council for Road and Transport (MEC) in Gauteng as the party that is responsible for the development and management of all railway lines in Gauteng. In this regard, section 11(1) of the GTIA provides that the MEC may proclaim a provincial railway line.

7.2.2.3. Section 50(1) of the GTIA provides that the “construction, financing, control, supervision, management, development, maintenance, protection and rehabilitation of all provincial transport infrastructure shall vest in the MEC”.

- Section 50(2) of GTIA goes on to give the MEC a wide range of powers to enable the MEC to perform these functions. These powers include:
- construction, financing, control, supervision, management, development, maintenance, protection and rehabilitation of all provincial railway line or other transport infrastructure;
- providing or maintaining transport infrastructure and all appurtenances or conveniences deemed necessary for the travelling public;
- erection of buildings or infrastructure on or outside the rail reserve for the accommodation of officials and workers;
- leasing out or disposing of land, or leasing out or disposing of rights held in land by the Province that was acquired for or in connection with the transport infrastructure and is not immediately required;
- charging a fee or rent for any authorisation, approval permission granted to advertise on a provincial railway line; or constructing a structure on or over the railway line; or trading, or exposing, offering or manufacturing of sale goods on a provincial railway line, on or in any transport infrastructure under the control of the MEC; and
- exercising any power that is reasonably incidental or ancillary to the powers mentioned above.

- 7.2.2.4. More specifically, section 51A(1) of the GTIA provides that the MEC may “enter into a contract or contracts in respect of a project for the construction, financing, planning, design, operation, management, control, maintenance or supervision of a railway system... and the provision of public railway transport services....”
- 7.2.2.5. The procurement, maintenance and operation of the Post 2026 Gautrain is therefore empowered by the GTIA.
- 7.2.3. National Land Transport Act
- 7.2.3.1. The National Land Transport Act, 2009 (NLTA) is the primary legislation which regulates land-based public transport. The NLTA also regulates contracting for the scheduled land-based public transport. This is important because as part of the Post Gautrain 2026, the Concessionaire will need to provide the FDS.
- 7.2.3.2. The GTIA authorises the Province to establish and run the Gautrain including the bus service. For this purpose, the Province does not require any authority to contract for the FDS under the NLTA.
- 7.2.3.3. That said, the concessionaire will still be required to comply with the regulatory regime applicable to the operation of buses and minibuses when it provides the FDS. The requirements which the Concessionaire and its relevant subcontractor will need to comply with included requirements relating to operating permits.
- 7.2.3.4. As a result, the entity with which the Province will contract with for the Post 2026 Gautrain is expected to be a single legal entity, which will inter alia be responsible for operation, maintenance, improvement, or upgrading of the GRRLS and the operation of the FDS which within the parameters of the concession agreement may be subcontracted to an appropriate operator.

## 7.3. Public Procurement

### 7.3.1. Overview

- 7.3.1.1. The principal legislation that regulates public procurement is the Constitution. Section 217 of the Constitution requires that when an organ of state contracts for goods and services, it must do so in accordance with a system that adheres to the principles of fairness, equitability, transparency, competitiveness and cost-effectiveness.

- 7.3.1.2. The above constitutional requirement is echoed in section 51(1)(a) of the Public Finance Management Act, 1999 (PFMA) read together with Treasury Regulation 16A, which requires the accounting authority, inter alia, to:
- ensure that the public entity has an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
  - maintain a system for properly evaluating all major capital projects prior to a financial decision on the project; and
  - develop an effective and efficient supply chain management system for, inter alia, the acquisition of goods and services which is required by the Treasury Regulations to be:-
    - fair, equitable, competitive, transparent, and cost effective;
    - consistent with the Preferential Procurement Policy Framework Act, 5 of 2000 (PPPFA);
    - consistent with the Broad-Based Black Economic Empowerment Act 2003 (**B-BBEE Act**), as amended; and
    - the codes of good practice issued in terms of the B-BBEE Act (**B-BBEE Codes**).
  - The Post 2026 Gautrain will be implemented on a public private partnership basis and will therefore have to comply with the provisions of Treasury Regulation 16 which regulates the public private partnership processes including the approvals that are required to procure and conclude a public private partnership agreement.
- 7.3.2. Preferential Procurement Policy Framework
- 7.3.2.1. The Constitution permits organs of state (such as government departments and public entities) to implement a preferential procurement policy that advances the rights of persons previously disadvantaged by unfair discrimination.
- 7.3.2.2. Section 217(3) of the Constitution provides for the enactment of legislation that will prescribe a framework within which the policy must be implemented. The PPPFA was promulgated to give effect to section 217(3) of the Constitution.
- 7.3.2.3. More specifically,
- section 2(1) of the PPPFA requires that an organ of state determine its preferential procurement policy;

- section 2(1)(a) of the PPPFA requires that a preference points system must be followed and for a maximum of 10 points for specific goals, against a maximum of 90 points for price when acquiring goods and/or services in respect of projects above a stated threshold (which threshold will apply to the Post 2026 Gautrain) unless the necessary exemption is obtained; and
- section 2(1)(f) of the PPPFA which provides that the contract must be awarded to the Bidder who scores the highest points unless an objective criterion in addition to those contemplated in relation to the preferential procurement justifies an award to another Bidder.

7.3.2.4. The B-BBEE Act and the B-BBEE Codes also have application in the procurement context due to a requirement that the methodology prescribed in the B-BBEE Codes is applied where the State contracts for goods or services.

## 7.4. Institutional arrangements for procurement

- 7.4.1. In terms of section 56(1A) of the GTIA, the MEC is empowered to delegate his/her powers to GMA. Acting in terms of this power, the MEC has delegated the powers to procure the Post 2026 Gautrain to the GMA.
- 7.4.2. The GMA is established in terms of the Gautrain Management Agency Act, 2006 (GMA Act) which requires the GMA to be listed as a schedule 3 in terms of the PFMA.
- 7.4.3. Section 4 of the GMA Act provides that the objects of the GMA are to manage, coordinate and oversee the project and, in particular, to assist the Province in implementing the project and achieving the project objectives.
- 7.4.4. Section 1 of the GMA Act defines the project which defines the “project” as, “a project for the planning, design, construction, financing, operation and maintenance of any part or aspect of the rail transit system or other functions related to the rail in the Province or a feeder and distribution service connected therewith.”
- 7.4.5. Section 5 of the GMA Act describes the functions of the GMA. It provides in section 5(g) that the GMA may “exercise or perform any other integrated public transport and rail-related duty, right or power of the MEC” provided for in section 50 of the GTIA.
- 7.4.6. The GMA Act expressly authorise the GMA, on behalf of the Province, to implement the Post 2026 Gautrain including an FDS connected therewith. In

addition, acting in terms of section 56(1A) of the GTIA has delegate the procurement power to the GMA.

- 7.4.7. The GMA will therefore procure the Post 2026 Gautrain with due regard to the public procurement constitutionally mandated legal framework. GMA will follow its supply chain management policy and procedure which is designed to give effect to a fair, equitable, transparent, competitive and cost-effective procurement system including the establishment and composition of the relevant procurement and evaluation committees.
- 7.4.8. Notwithstanding the delegation of the procurement, the Province will be the final decision-maker on the procurement outcome and will be the counterparty to the Concession Agreement. In taking a final decision on the procurement outcome and concluding the Concession Agreement, the Province will not undertake a new procurement process but duly consider recommendations made by the GMA following the procurement conducted by the GMA.

## 8. ENGAGEMENT TOPICS

Interested parties are encouraged to read through and interrogate the Post 2026 Gautrain project description provided in this PIM, and submit their questions, points of clarity, requests for more information, suggestions, and any other commentary on any relevant matter through to the GMA using the questionnaire provided on the portal.

## 9. PROCESS AND TIMELINES

- 22 February 2023

The Post 2026 Gautrain Portal <https://bit.ly/Gautrain2026> is launched, containing important information of the Post 2026 project and the market engagement process.

- This PIM is advertised to the market, and available to be downloaded on the Portal.

- 27 March 2023
  - Deadline for parties to register their interest in the Post 2026 project, and in attending the Engagement Forum, via the Portal.
- 22 February 2023
  - Final logistical details on the Engagement Forum will be published on the Portal
  - Invitations will be issued to selected parties for attendance at one-on-one engagement sessions over the duration of the Engagement Forum
- 20 March 2023
  - Deadline for submission of all feedback (addressing the topics and questions, as well as more generally) via the Feedback Questionnaire on the Portal (reproduced in the annexure to this document).
- 27– 29 March 2023
  - Engagement Forum is hosted in Johannesburg, South Africa.