GUIDANCE NOTE TO PTNG FUNDED CITIES

Financial Sustainability of Public Transport Plans and Operations

Draft 2
22 November 2015

1. BACKGROUND

1.1 Name of the grant

The Public Transport Network Grant (PTNG) grant has been in place for a number of years, and within this time, it has changed its name a few times. Originally it was called the *Public Transport Infrastructure and Systems Grant* (PTISG) and intended only for supporting capital expenditure to establish new transport systems in line with national Department of Transport (NDoT)'s Public Transport Strategy and Action Plan.

It was initially thought that the new Bus Rapid Transit (BRT) systems would not have big operating deficits. However, as projects have been implemented, it has become apparent that there are significant operating deficits to be expected. The conditions of the PTISG were then relaxed to allow the grant to be used to cover some of the operating deficits.

To reflect this change the grant was split into two, namely

- *Public Transport Infrastructure Grant* (PTIG) – for capital items
- *Public Transport Network Operating Grant* (PTNOG) – for certain operating items

However this made it difficult to switch money between the two and so the two grants were amalgamated again into one grant – called the *Public Transport Network Grant* (PTNG) – but with two 'components' – a 'Network Operations Component' and a 'Network Infrastructure Component'. This is the current shape of the grant in the latest version of the Division of Revenue Act.

This changing nomenclature is useful to know because often Guidelines to the grant may refer to the two components by their old names of PTIG and PTNOG rather that the 'Network Infrastructure Component' or 'Network Operations Component' of the PTNG.

1.2 The shift from a project to a formula basis

Starting from April 2016, the PTNG is being transitioned incrementally over five years from a project based grant to a formula based distribution. In essence, under the project approach national government distributed the available funds (currently about R6bn a year) amongst applicant cities based on an assessment of the merits of each project.

As the formula is introduced, the allocation amongst cities will be increasingly based on a combination of population, number of public transport users and economic size. This does not mean that transit performance and the merits of the transport programs will no longer be taken into account. First, a portion of the formula will be based on overall transport performance in a metro area using the performance measure *number of public transport users.* This is a basic performance measure used to assess all transport companies and systems.

Second, the public benefits of the transport programs to be funded will be ensured by requiring cities to meet certain program criteria to receive the formula based share of the 'pie'. Examples of these criteria include the development of IPTN plan that is financially sustainable and is based on sound transportation design and analysis. This is referred to as getting through the 'gate'.

It is intended that a small portion of the grant is distributed in a way that further incentives performance – which is referred to as the 'cherry'.

The key advantage of the formula approach is that cities are much better able to understand and predict the level of resources they will receive over the long term. Under the previous arrangements the power to decide how much money a city would get has lain with national government. To maximise resources cities had to satisfy national government. This in turn has led to the attitude that if deficits arise the responsibility lies with national government to address them. The shift to a formula basis is part of a process to ensure cities take responsibility for the financial sustainability of PTNG funded projects.

In the new process cities can be asked whether, given the projected amounts they are due to receive in terms of the formula, their projects are financially sustainable.

1.3 Important documentation to read

It is important that cities familiarise themselves with the following documentation:

- The Guidelines document which sets out the format of the PTNG grant applications, including the format of various tables which have to be filled in and will be key to articulating questions. This is provided by the NDOT and has been provided to all the transport departments in the cities.
- The Framework Conditions as published in DORA. This is attached as an Appendix to this document – and is quoted from in this Guide.

1.4 What should the cities present?

2. UNDERSTANDING FINANCIAL SUSTAINABILITY

2.1 Capital and operating costs

There are two key questions to be asked in determining whether a transport project is financially sustainable or not.

- Will there be enough capital to build the infrastructure and purchase the assets such as buses, fare system, roads, stations etc?

- Will there be enough recurrent, operating revenue generated each year from fares, subsidies and other recurrent income sources to cover the recurrent operating and maintenance costs of the system?

Because so much attention goes into the construction of a project it is the first of these questions that usually gets asked. However, the second question is equally important and the key to long-term financial sustainability.

If there is not enough capital the project doesn't get built. If there is not enough revenue to run it, the project never provides the benefits that were promised to the public. Instead, efforts to reduce deficits result in a combination of poor operations, poor maintenance, and a never ending drain on the authorities or city's finances. Over time, the deficits can grow extremely large; and can possibly lead to a project being cut back or closed down completely, at significant political and financial cost.

The capital costs of the PTNG funded projects are fairly substantial. However, in terms of the grant conditions, they can be fully funded out of the grant. If the grant amount is insufficient to complete the project in the envisaged time then, in principle, the implementation period can be extended. Thus, given the way the grant is managed, the city is not exposed to very significant risk on this score.

However the cities are exposed to <u>very significant risk</u> of substantial operating deficits. This risk is very difficult to manage after the project has been built and is operational. Therefore, **this should be an issue that the cities should show clarity and awareness of. should focus on** .

2.2 Financial sustainability and value for money

Projects should be financially sustainable, as well as offering value for money. But it is the first that is the most critical. No matter how laudable a project is, if it is unaffordable it will result in financial crisis and project collapse.

It is important that cities reflect on whether they think what they are doing offers value for money, which needs to consider not just the capital cost but the total cost (capital plus ongoing operating costs). But this should not be used to avoid the question of whether it is affordable. Only if the project is affordable will it provide value for money.

3. UNDERSTANDING OPERATING COSTS AND REVENUES UNDER THE PTNG CONDITIONS

3.1 Operating and maintenance costs items under PTNG conditions

The way funding is done under the PTNG framework conditions defines the various cost items that will need to be understood in making an assessment of financial sustainability. To understand the risks cities face, the detail of these categories and how they are funded is important.

The key categories are:

- Vehicle costs (ongoing)
  - (a) Direct vehicle operating costs
  - (b) Capital charges (interest and capital repayment) on vehicles
- Ancillary operating costs (ongoing), eg
  - (c) Station services
  - (d) Fare system
  - (e) Automated Public Transport Management System (APTMS)
  - (f) Operational oversight
  - (g) Marketing
  - (h) Security/enforcement/regulation
  - (i) Insurance
  - (j) Maintenance of fixed assets
  - (k) Other municipal services
- Compensation for existing operators whose rights are removed (one-time costs, may be paid over several years)

3.2 Summary of funding of different items permitted under the framework conditions

As will be evident from reading the PTNG framework conditions:

- PTNG may NOT be used for funding direct vehicle operating costs (item a); however, as is discussed in detail below, a different grant (the PTOG) may be used for subsidising direct vehicle operating costs
- PTNG may be used to fund up to 100% of capital charges on vehicles (item b)
- PTNG may be used to fund up to 70% of ancillary operating costs (that is indirect operating costs) for the first two years of each phase or sub-phase of the project and up to 50% thereafter (items c to k)

- PTNG may be used to fund up to 100% of the cost of compensation for existing operators whose rights are removed.

3.3 Detailed discussion

The most important of these is now discussed in detail.

3.3.1 Direct vehicle operating costs

There has been a key condition in the grant frameworks – unchanged for a number of years – that reads as follows:

> *From the start of operations, IPTN systems must recover all the direct operating costs of contracted vehicle operators from fare revenue, other local funding sources and, if applicable, from any Public Transport Operations Grant contributions. These direct operating costs consist of fuel, labour, operator administration and vehicle maintenance*

Direct vehicle operating costs are the biggest single operating cost item.

If the PTNG were able to be used for direct vehicle operating costs, these costs will likely escalate significantly without necessarily adding value. Cities can be tempted to provide services with little constraint, and labour costs are also likely to escalate since increased wages can simply be accommodated through the PTNG. This clause is key to exerting fiscal discipline over the process. Nevertheless, grant funding for direct vehicle operating costs is not excluded, since it is permitted to use Public Transport Operating Grant (PTOG) money – "if applicable".

The PTOG is the grant mechanism that has been in place for many years for subsidising bus operations such as PUTCO, Golden Arrow, North Star, Buscor, etc. It has been paid via provinces to private bus companies contracted by the provinces – which are thus sometimes referred to as 'provincially contracted bus services'.

The broad intention is that as the new PTNG funded services replace the provincially contracted services the money that was previously going to the latter services is switched over to fund the new services; this source was previously allocated to bus operations and can thus continue to be.

To date in currently running systems, the extent to which fare revenues have been able to cover direct vehicle operating costs is considerably less than what was originally anticipated. It was originally assumed that fare revenues (plus other small items such as advertising revenues) would cover most of the direct vehicle operating costs and that local city tax revenues would only be required (if at all) to fill a relatively small gap. However, even in the best case so far of the systems currently operating fare revenues are covering less than half of direct vehicle operating costs.

Even if the PTOG were available it would generally not be sufficient to address the emerging operating deficit challenges.

This is at the heart of the current emerging financial sustainability problems.

Cities need to fully understand this emerging financial risk. This risk only increases as more public infrastructure is built and more services are operated.

3.3.2 Capital charges (interest and capital repayment) on vehicles

The relevant framework condition here is as follows:

> *From the start of operations on a route, the grant can fund a portion of the per kilometre rate to subsidise up to 100 per cent of the capital cost (including interest and related fees) of vehicles purchased by the vehicle operating company*

Challenges here, which are of a lesser order of magnitude than those relating to vehicle operating costs, relate to: a) are cities paying higher finance charges than they should; b) is it feasible for companies constituted out of minibus taxi operators and with little history to borrow money to purchase vehicles on the scale required; c) can the operating companies maintain the vehicles so that they reach their maximum service life or are the vehicles poorly maintained and will they require premature replacement or be operated in poor condition; d) is funding at a 'portion of the per kilometre rate' the best mechanism when the number of kilometres to be driven could be very uncertain; and e) is the approach being taken ultimately placing risk back on the cities while they are not necessarily in a position to manage this risk.

3.3.3 Ancillary operating costs

The wording of the grant framework which permits these costs to be partially covered from the PTNG grant is as follows (referring to the Network Operating Component):

> *Operating subsidies from this component can fund security, station management, fare collection services, control centre operations, information and marketing, network management, insurance, compensation for the economic rights of existing operators and maintenance of infrastructure and systems*

This is followed later in the framework by the following, which is contained under the section on allocation criteria.

Allocation criteria	Allocations for the Network Operations Component are based on applications from cities on the amount from their total allocation that they would like to use within the rules of this component. Approval of allocations is based on the following rules: • the network operations component can be used in each Phase and Sub-Phase of the introduction of services to fund up to 70 per cent of any deficit relating to

	operating costs (but not direct operating costs) for two years after the municipal financial year in which operations start. Thereafter the grant can fund up to 50 per cent • compensation for the economic rights of existing operators can be funded up to 100 per cent in each phase

This implies that if ancillary costs are 30% of total operating costs up to 15% (50% of 30%) can be funded through the PTNG grant.

In the PTNG funded programs there was initially no additional recurrent subsidy or revenue source made available to fund these items. Subsequently the provision to fund half of these costs (and 70% in the initial two years) was introduced. This still means that cities must find funding for the other half. Given that fare revenues are far from covering even the direct vehicle operating costs cities are required to fund half of the ancillary costs from own revenues, such as property rates.

These costs have also proven to be higher than initially anticipated.

3.3.4 Compensation for the economic rights of existing operators

Compensation for the economic rights of existing operators has been a significant cost in the programme and has been surrounded by high levels of complexity. The concept has been to buy out the operating licences of the existing taxi operators with the intention that the amounts paid out are used to a considerable degree to capitalise the new companies being formed to provide vehicle operations.

In reality this is often seen as a price to be paid to avoid significant levels of hostility to the new services from the minibus taxi industry.

But it has been very difficult to get accurate estimates of the value of licences, and in some cases the prices being paid may be too high.

An added complexity is that in some cases, the compensation was paid not as a once off capital sum, but as part of the vehicle operator rate. This has sometimes made it difficult to identify direct vehicle operating costs because of the inclusion of this item in some of the direct vehicle operating cost figures.

3.4 Understanding recurrent costs and revenues on a long term annual basis

In analysing financial sustainability it is important to try to get a picture of an annual 'steady state' context rather than a transitional context. When systems are being implemented recurrent costs are already incurred prior to passengers actually using the services. New phases and sub-phases are

rolled out in the course of a single financial year so figures as presented for a year may represent services that were running for only a part of the year. There may also be single once-off costs.

This makes it difficult to assess what the long term, ongoing picture is with regard to financial sustainability. It is important to clearly identify the once-off costs and the ongoing costs. It is important to identify the unit costs of service (Rand/vehicle KM) and passenger usage rates (passengers/vehicle KM) to make judgements about financial sustainability.

It is difficult to provide a rule of thumb way of getting around this challenge, but on the whole figures for the last of the MTEF years are more likely to represent a 'steady state' than earlier figures. Where figures are relatively stable over a two year period they are more likely to represent a 'steady state'.

4. KEY INFORMATION FOR ASSESSING ONGOING FINANCIAL SUSTAINABILITY

4.1 Appendix 5 of the PTNG funding application

City public transport departments are provided a template by the NDOT which they use in their funding application. The most important table is Appendix 5, reproduced herein below. This table should be reproduced for the 3 year MTEF period.

This table – if properly filled in – gives a picture of all ongoing, recurrent operating costs and revenues. The term 'Grant' can be read as the PTNG.

(The presence in the table of 'developer contributions' is an anomaly in that it is very seldom a recurrent revenue but usually a once off contribution to infrastructure. Many cities will not have filled in anything against this item.)

Appendix 5

Name of municipality:	_____ Municipality		
Cost item	**Cost Rand '000**	**Income Source**	**Income Rand '000**
Vehicle operations		**Fare Revenue**	
Fare system management		**Advertising and merchandising**	
Station services		**Grant**	
ITS and control centre management.		**PTO Grant (Bus subsidy)**	
Oversight entity		**Council Funds (e.g. rates)**	
System marketing		**Developer contributions**	
Infrastructure maintenance		**Parking levy**	
Other (specify)		**Other (specify)**	
TOTAL		**TOTAL**	

4.2 Key issues arising from the analysis of the table

4.2.1 Are grant conditions being met?

Given the grant conditions (as explained) it follows that:

- The two Totals must balance;
- the revenue figures on the right excluding the 'Grant' figure must be sufficient to cover vehicle operations; and
- the Grant figure should not be more than 70% of the combined Cost items excluding vehicle operations

4.2.2 Is the fare revenue figure reasonable?

In some cities, the balance is achieved by very optimistic revenue estimates. Given experience in cities currently operating, it is unlikely that fares will be more than 50% of vehicle operations. A higher figure can be achieved and should certainly be aimed for, but this would be exceptional. If the city indicates a figure higher than 50%, it will be required to explain the basis to warrant such a figure.

4.2.3 How much is being contributed in Council funds?

City own contribution of funds for current/future operations is necessary given the deficits emerging from these systems. To get a sense of the relative magnitude of this figure, cities should be asked to indicate how much the figure represents as a proportion of property rates. In this way, cities can get a very quick picture of the magnitude of the contribution and whether they can afford it. Additionally, when a constrained and realistic revenue figure is factored in, the fiscal risk to the message of a fiscal risk to the city can be quickly understood.

4.3 Some useful benchmarks currently collected

Appendix 6 of the current Guideline issued by NDoT provides a number of output indicators and requires cities to calculate a number of ratios, such as

- Operating costs per passenger kilometre travelled based on costs in vehicle operator contract, or
- Operational costs of the fare system, per passenger kilometre travelled

5. QUESTIONS THE CITY SHOULD BE ABLE TO ANSWER

1. **Is the City confident that it will be able to meet the grant condition that**

   " From the start of operations, IPTN systems must recover all the direct operating costs of contracted vehicle operators from fare revenue, other local funding sources and, if applicable, from any Public Transport Operations Grant contributions."

2. **How have the fare revenue projections been estimated and how confident is the City of their accuracy?**

3. **What is the city anticipating contributing from own tax revenues expressed as a proportion of property rates?**

4. **Does the figure in 3 represent only the direct subsidy for running the PTNG funded operations or for a wider set of public transport operating costs?**

5. **Is the Council aware of this contribution from rates and has it agreed to contribute at this level?**

6. **The figures provided in Appendix 5 are only for initial phases that will be operated during the period of the MTEF; will the city be able to afford the contribution from own Council revenues if the system is extended across the whole area of jurisdiction?**

7. **Is the City aware of the likely projected PTNG that will be available to them (assuming they meet basic qualifying conditions) and how does this compare with envisaged plans?**

8. **Given the above, what is the City's strategy or approach for ensuring ongoing financial sustainability, especially in relation to ongoing operating deficits for the initial phase and further phases?**

9. **What progress is the City making in relation to land use changes aimed at making public transport more financially viable?**

6. PTNG FRAMEWORK

	PUBLIC TRANSPORT NETWORK GRANT (Division of Revenue Bill)
Transferring department	Transport (Vote 35)
Strategic goal	To support the National Land Transport Act (Act No. 5 of 2009) and Public Transport Strategy (PTS) and Action Plan in promoting the provision of accessible, reliable and affordable integrated municipal public transport network services
Grant purpose	To provide funding for accelerated construction and improvement of public and non-motorised transport infrastructure that form part of a municipal integrated public transport network and to support the planning, regulation, control, management and operations of financially sustainable municipal public transport network services
Outcome statements	Improved public transport network infrastructure and services that are functioning optimally, safe, convenient, affordable, well managed and maintained and which are accessible to an increasing percentage of the population of urban municipalities and contribute to more spatially efficient urban areas
Outputs	**Network Operations Component** Number of average weekday passenger trips carried on Public Transport Network Grant (PTNG) funded networks Number and percentage of municipal households within a 500m walk to an Integrated Public Transport Network (IPTN) station or stop that has a minimum peak period frequency of 15 minutes or better Percentage uptime for network operating systems Passengers per network vehicle per average weekday **Network Infrastructure Component** Public transport network infrastructure including dedicated lanes, routes and stops/shelters, stations, depots, signage and information displays, control centres and related information technology, fare systems and vehicles (if DoT approves use of grant funds to purchase vehicles), Non-Motorised Transport (NMT) infrastructure that supports network integration (e.g. sidewalks, cycleways, cycle storage at stations, etc.) Plans and detailed design related to IPTN infrastructure and operations
Priority outcome(s) of government that this grant primarily contributes to	Outcome 6: An efficient, competitive and responsive economic infrastructure network Outcome 9: Responsive, accountable, effective and efficient local government
Details contained in the business plan	This grant uses IPTN operational and related plans including financial modelling
Conditions	Projects must be based on a financially sustainable IPTN operational plan (including detailed financial modelling and universal design access plans) approved by the municipal council Projects must support an integrated network approach as defined in the National Land Transport Act (NLTA) and the PTS and municipalities must manage operations to progressively achieve the standard of service defined

	in the PTS within available resources Payments will be conditional on the attainment of milestones specified in the grant allocation letter to each municipality from the Department of Transport (DoT). Milestones are based on the approved IPTN operational plans of cities and are defined after consultation with municipalities All public transport infrastructure and services funded through this grant must ensure that there is provision for the needs of special categories of passengers (including disabled, elderly and pregnant passengers) in line with the requirements of section 11(c) (xiv) of the NLTA Allocations for this grant are made for two components, with separate conditions applicable to each component as set out below. Funds gazetted for one component can be shifted to another component if approved by National Treasury, after consultation with the DoT **Network Operations Component** Operating subsidies from this component can fund security, station management, fare collection services, control centre operations, information and marketing, network management, insurance, compensation for the economic rights of existing operators and maintenance of infrastructure and systems From the start of operations, IPTN systems must recover all the direct operating costs of contracted vehicle operators from fare revenue, other local funding sources and, if applicable, from any Public Transport Operations Grant contributions. These direct operating costs consist of fuel, labour, operator administration and vehicle maintenance From the start of operations on a route, the grant can fund a portion of the per kilometre rate to subsidise up to 100 per cent of the capital cost (including interest and related fees) of vehicles purchased by the vehicle operating company IPTN operational plans and on-going operations management must target improved farebox cost coverage, through minimising costs and maximising fare revenues. Municipalities operating network services are required to supply detailed operating performance and operating cost and revenue reports quarterly in the formats prescribed by the DoT Subsidies for any new service, line, route or phase, will only be transferred after a municipality meets the requirements of DoT's Operational Readiness Framework Municipalities must enforce rules and bylaws regarding usage of dedicated lanes, fare payment, operator/supplier compliance with contractual provisions Municipalities are required to establish specialist capacity to manage and monitor public transport system contracts and operations Verified data on operator revenue and profitability and draft agreements for the compensation of existing economic rights of affected operators must be provided to DoT prior to concluding agreements on compensation for economic rights Municipalities must enforce that only legal operators operate on routes subject to compensation agreements **Network Infrastructure Component**

	The Grant can fund all IPTN-related infrastructure, including for non-motorised transport, upgrades of existing public transport infrastructure and for new infrastructure Municipalities must demonstrate in their IPTN operational plans that they have attempted to give maximum priority to public and non-motorised transport while minimising costs through using existing infrastructure, road space and public land For each phase, final network routing, service design and related financial modelling must be submitted to DoT for review and comments before municipalities proceed with detailed infrastructure design IPTN projects must meet the minimum requirements of the South African Bureau of Standards (including Part S of the Building Regulations) Contracted operators should finance and own vehicles unless a case for the exceptional use of limited infrastructure funding for vehicle procurement is approved by DoT, in consultation with National Treasury. If approval is granted, any vehicles purchased with grant funds must remain the property of the municipality
Allocation criteria	Budget requests are evaluated in accordance with the outputs of the above business plan which specifies the infrastructure, operating and systems costs of serving a defined number of passenger trips per average weekday, to standards specified in government policy. A formula using data on population size, public transport use and the size of the local economy has been used to adjust the indicative allocations for 2016/17 (20 per cent determined through formula) and 2017/18 (40 per cent determined through formula). A revised formula will be consulted on during 2015. Allocations for the Network Operations Component are based on applications from cities on the amount from their total allocation that they would like to use within the rules of this component. Approval of allocations is based on the following rules: • the network operations component can be used in each Phase and Sub-Phase of the introduction of services to fund up to 70 per cent of any deficit relating to operating costs (but not direct operating costs) for two years after the municipal financial year in which operations start. Thereafter the grant can fund up to 50 per cent • compensation for the economic rights of existing operators can be funded up to 100 per cent in each phase
Reasons not incorporated in equitable share	Infrastructure and operational costs associated with the implementation of the PTS and NLTA were not included in municipal budgets prior to the introduction of IPTN services
Past performance	**2013/14 audited financial outcomes** Public Transport Infrastructure Grant: The grant allocation was R4.7 billion and R4.7 billion (100 per cent) was transferred to municipalities Public Transport Network Operations Grant: The grant allocation was R881 million and R881 million (100 per cent) was transferred to municipalities
	2013/14 service delivery performance City of Cape Town: Carried an average of 37 000 passenger trips per day on MyCiTi Phase 1a. The services covered 10 per cent of households. By June 2014, 27.3 kilometres of dedicated busway, 133 kilometres of complementary routes, and 317.5 kilometres of feeder routes and 43

	stations had been completed eThekwini: By June 2014, 3 kilometres of dedicated busway were completed City of Johannesburg: Rea Vaya Phases 1a and 1b carried an average of 32 865 passenger trips per day. By June 2014, 43.6 kilometres of dedicated busway, 10.6 kilometres of complimentary routes, and 75.8 kilometres of feeder routes and 48 stations were completed Nelson Mandela Bay: Carried an average of 1 700 passenger trips per day as a Pilot service by January 2014 Rustenburg: By June 2014, 7.3 kilometres of dedicated busway were completed, and all plans were completed City of Tshwane: By June 2014, 7.3 kilometres of dedicated busway and 6 stations were completed Ekurhuleni, George, Polokwane and Mbombela: In 2014, all plans (operational, business, financial, marketing, preliminary design, and Phase 1 detailed design plans) were completed, and construction of infrastructure had commenced Msunduzi and Mangaung: Full portfolio of plans yet to be completed, but will be completed in 2015/16
Projected life	The grant is expected to continue beyond 2017/18, subject to review
MTEF allocations	**Grant total** 2015/16: R6 billion, 2016/17: R6.1 billion, and 2017/18: R6.6 billion **Network Operations Component** 2015/16: R1 billion, 2016/17: R1.4 billion and 2017/18: R1.4 billion **Network Infrastructure Component** 2015/16: R4.9 billion2016/17: R4.8 billion, and 2017/18: R5.2 billion
Payment schedule	Transfers are made in accordance with an agreed payment schedule, approved by National Treasury
Responsibilities of the transferring officer and receiving officer	**Responsibilities of the national department** Disburse PTNG funds and monitor PTNG expenditure Monitor IPTN implementation progress and operating performance in line with the NLTA and the PTS Verify reports from municipalities by conducting at least one site visit per annum Allocate the funds based on stated priorities through an allocation mechanism agreed to by the DoT and National Treasury Review and comment on draft compensation agreements for economic rights Review and comment on the network model submitted by each city Evaluate the performance of the grant annually Develop clear financial, social, spatial and operational performance measures including a database of these by 3 August 2015, and annually track, report and evaluate the performance of the grant based on these measures Develop a standardised reporting format Develop an Operational Readiness Framework by 3 August 2015 Review the PTS to ensure its requirements enable cities to develop financially sustainable IPTNs Develop a draft public transport subsidy policy for South Africa by 2 October 2015 Submit copies of allocation letters and milestones to National Treasury

	Responsibilities of municipalities Ensure that projects are implemented in line with approved business plans and are also reflected in the integrated development plan of the municipality. Additional plans that cities will need to complete include: • network operational plans, including universal design access plans • business and financial plans (including financial modelling, economic evaluation, and operator transition plans) • institutional network management plan • engineering and architectural preliminary and detailed designs • public transport vehicle and technology plans • marketing and communication plans Projects funded from this grant must promote the integration of the public transport network in a city, through: i) physical integration between different services within a single network; ii) fare integration between different services; iii) marketing integration with unified branding; iv) institutional integration between the services, and, v) spatial integration, in conjunction with other grants directed at the built environment Provide budget proposals for the PTNG funding that: • are based on sound operational and financial plans that cover direct vehicle company operating costs from local sources at a minimum • indicate the intended allocations between the network operations component and network infrastructure component Establish a dedicated project team to plan, manage and monitor infrastructure development and maintenance, as well as operations with an emphasis on optimising vehicle kilometres through full use of procured Intelligent Transport System tools Compile and submit data that indicates the efficiency and effectiveness of operational services in the formats and using the indicators defined by the DoT
Process for approval of 2016 MTEF allocations	Municipalities must submit business plans based on sound IPTN operational plans by 14 August 2015 From 2016/17 allocations will include formula-based and incentive elements. The revised allocation method will be consulted on as part of the second phase of the review of local government infrastructure grants

	Network Ops Component			Network Cap Component			Total		
City	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Buffalo					38 306	82 172	0	38 306	82 172
NMB	150 000	150 000	157 500	222 256	209 330	199 984	372 256	359 330	357 484
Mangaung					36 339	77 952	0	36 339	77 952
Ekurhuleni				339 296	444 389	576 544	339 296	444 389	576 544
Johannesburg	287 000	302 211	317 321	864 368	916 569	1 018 724	1 151 368	1 218 780	1 336 045
Tshwane	161 000	186 000	195 300	770 609	759 902	799 392	931 609	945 902	994 692
eThekwini	162 713	171 337	179 904	719 455	759 272	836 878	882 168	930 609	1 016 782
Msunduzi				213 271	203 605	199 958	213 271	203 605	199 958
Polokwane				184 189	171 631	163 661	184 189	171 631	163 661
Mbombela				116 540	122 088	132 498	116 540	122 088	132 498
Rustenburg		311 450	327 023	552 567	178 780	111 053	552 567	490 230	438 076
Cape Town	228 000	229 554	241 032	865 501	869 185	901 762	1 093 501	1 098 739	1 142 794
George	54 311	11 769	12 357	62 014	90 974	78 880	116 325	102 743	91 237

7. PTNG GRANT ALLOCATIONS BY CITY IN DORA PUBLISHED APRIL 2015