

GAUTRAIN MANAGEMENT AGENCY



GMA CASE STUDY - PPP CONTRACT MANAGEMENT

MANAGEMENT OF A PPP CONTRACT

No public private partnership (PPP) would be viable without sound contract management. The case study maps out the complex network of managing all the various functions of the Gautrain Project subsumed under the Concession Agreement (CA) from the time it was signed in Sep 2006 to the time it reached its final destination, which was to achieve value for money. The purpose of the case study is to share knowledge with other PPPs of the obstacles, and uphill and downhill, Gautrain encountered on the way to reaching its final destination.

HIGHLIGHTS

THE CHALLENGE

Effective contract management in any large business undertaking equates to effective running of the business. This is because a business contract functions as a blue print of every aspect of the business. In the case of a Public Private Partnership (PPP), effective management of the Concession Agreement (CA) on the part of the government is crucial, given the complex nature of a PPP. PPP contracts regulate the relationships between the public and private partners; they have a long lifespan and require the provision of substantial works and services. Added to the generic complexity of managing a PPP contract, every PPP contract management process entails challenging features that are unique to the PPP in question. In the case of Gautrain, the different nature of the functions performed during the Development and Operational Periods posed a challenge for contract management.

THE OUTCOME

Gautrain reached its end goal, which was to achieve value for money, thanks to sound contract management. Since Gautrain was launched as a Provincial Project to stimulate socio-economic growth in Gauteng, value for money meant, above all, achieving socio-economic development (SED). SED was one of the areas in which the Gautrain Project excelled. In addition to value for money, all the aims of PPP contract management, as set out in the case study, were reached for the most part, except for the aim of achieving appropriate risk transfer to the public partner, for reasons as discussed in the case study.



1. HOW IT ALL STARTED

The Gautrain Rapid Rail Link Project is one of the biggest Public Private Partnership (PPP) transport infrastructure ventures undertaken in Africa. The Gautrain Project is also the first ever

rapid rail transport system implemented in South Africa. Both the scope and the novelty required sound management of all the different parts of the Project.

Although a huge amount of work went into the preparation of the feasibility study, obtaining the requisite Treasury Approvals, managing the procurement phases and developing the Concession Agreement, the contract management of the PPP can be seen as the engine driving the entire Gautrain Project vehicle to its destination. This is because all outcomes are achieved in the actual Development and Operational Periods of the PPP. These outcomes depend on the quality of contract management. The final destination is to achieve value for money. Along the way, several challenges had to be managed to reach the final destination.

The precise point of departure marking the beginning of the long journey of managing the contract vehicle of the PPP was the moment, on 26 Sep 2006, when the main contract regulating the Project was signed. Known as the Concession Agreement (CA), the contract was signed between the private partner, being the successful bidder Bombela Concession Company (Pty) Ltd, and the public partner, the Gauteng Provincial Government (GPG).

With the signing of the contract, the construction or Development Period of the Gautrain Project got under way. The Development Period was preceded by the planning and feasibility phase and followed by the Operational Period. While the planning and feasibility phase did not feature directly in the contract management, being a pre-contractual phase, the decisions taken during this phase did have an influence on the nature of the contract and the contractual relations during the Development and Operational Periods.

Various stakeholders were directly and indirectly involved in managing the PPP contract during the different periods of the Project:

- The Gauteng Provincial Government (GPG) as the initiator of the Project and the public partner in the PPP Project;
- The National Treasury and National Department of Transport, as the main financiers of the Gautrain Project;

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*William Dachs,
COO, Gautrain
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- The Gauteng Department of Public Transport, Roads and Works (GDPTRW, also referred to as Gautrans) as the Gautrain proponent;
- The Province Support Team (PST), appointed by the GPG to run the Project on behalf of the public partner during the planning and development phases;
- The Concessionaire, Bombela Consortium, as the private partner in the PPP Project; and
- The Gautrain Management Agency (GMA), established as a special agency in 2009 in terms of the GMA Act (Act 5 of 2006) to manage, co-ordinate and oversee the Gautrain Project during the Operational Period and beyond.



2. FACING THE CHALLENGE

Effective contract management in any large business undertaking equates to effective running of the business. This is because a contract acts as a blue print of every aspect of the business. In the case of a PPP, effective management of the CA on the part of the government is crucial, given the complex nature of a PPP. PPP contracts regulate the relationships between the public and private partners; they have a long lifespan and require the provision of substantial works and services.

What is contract management in the context of a PPP? The National Treasury Practice Note Number 07 of 2004 describes it as follows:

“PPP contract management is the process that enables both parties to a PPP contract to meet their respective obligations in order to deliver the objectives required from the PPP contract. It involves building a good working relationship between the two parties, and continues throughout the project term. Another dimension of PPP contract management is managing proactively to anticipate future needs as well as reacting appropriately to unforeseen situations that arise. The central aim of PPP contract management is to obtain the services specified in the output specifications and ensure ongoing affordability, value for money and appropriate risk transfer. This means optimising the efficiency, effectiveness and economy of the service described in the PPP contract, balancing costs against risks, and actively managing the partnership between the institution and the private party. PPP contract management should also involve aiming for continuous improvement in performance over the life of the PPP contract.”

This description provided by National Treasury is a generic one applicable to all PPPs in the country. Gautrain is a particularly complex PPP and the complex nature of the Gautrain PPP is reflected in the composition of the CA. The CA is made up of a total of 385 contracts, sub-contracts, schedules and financing agreements.

The various and complex facets of the PPP had to be co-ordinated to steer the contract vehicle towards its main goal, which is to achieve value for money. In as much as value for money appears to be a clearly demarcated final destination, along the way various processes had to be followed, several problems had to be solved and a range of intermediary goals first had to be achieved.

What is meant by value for money? Before we can answer this question, we need to look at why the Gauteng Provincial Government (GPG) decided to provide a rapid rail link transport system. The GPG saw Gautrain as a means of promoting the long-term sustainable socio-economic growth of Gauteng. Socio-economic growth is directly linked to the quality of transport infrastructure. The Gautrain Project formed part of a broader vision, which was to industrialise and modernise the region, through creating a culture of public transport use. The end result, the operation of the completed rapid rail link system, as well the development of the system, had to stimulate socio-economic growth.

As such, the GPG implemented socio-economic development (SED) objectives that had to be met during the Development and Operational Periods of the Project. These objectives are discussed briefly below and are outlined in the SED case study. They were designed to provide training and job opportunities on the Gautrain Project to historically disadvantaged individuals so as to address past inequalities. One of the contract management tasks was to ensure that the Concessionaire embraced the listed SED objectives.

Apart from the SED objectives, value for money meant that the GPG had to receive a net benefit in terms of cost, price, quality and risk transfer. Value for money, the main goal of the Project, does not mean the same thing to the public and private partners. This is one of the areas giving rise to a conflict of interests between the public and private partners, which is inherent in a PPP,



given their different roles and interests, as well as their different perceptions of how to achieve the same goals. Contract management in a PPP therefore faces the challenge of reconciling conflicts of interest between the public and private partners.

The issue of ownership and risk responsibility lies at the heart of any potential conflict between the public and private partners. Combining these two aspects successfully is not a simple matter. In a PPP, the public partner is the custodian or owner of the asset, while the private partner has to assume the risks associated with the asset. How do you ensure that a private partner will optimally develop, operate and maintain an asset it does not own – and accept responsibility for all the associated risks? This can only be achieved through a water-tight contract and highly efficient contract management on the part of the public partner.

Various aspects featured in the management of the Gautrain PPP contract, the CA. They are listed below and discussed in the next section.

- Partnership approach;
- Asset management;
- Contractual PPP period and variation agreements;
- Performance management;
- Financial management;
- Risk management;
- Environmental impact assessment (EIA) management;
- Socio-economic development (SED) management;
- Dispute management;
- Brand development and stakeholder management; and
- Document control and knowledge management.



3. GRAPPLING WITH THE ISSUES

Three smart moves equipped the Gautrain management with the means to tackle the contract management challenges. First, a Province Support Team (PST) of specialist consultants was established in 2003, three years before the CA was signed. At the peak of activities, this team consisted of over a hundred engineers and other specialist consultants, who steered Gautrain during the planning and feasibility phase.

Secondly, the PST expertise was retained during the Development Period and could step into the role of contract managers. All PST members had an in-depth knowledge of the terms and conditions of the CA. The PST was responsible for managing the protracted design and construction review process as well as the construction, legal and environmental compliance processes. The PST was furthermore useful in setting up the Gautrain Management Agency (GMA) to represent the Province and provided some of the requisite skills in a temporary arrangement while the GMA was staffed. Setting up a specialist agency to represent the Gauteng Provincial Government was a unique move, which empowered the Province to dedicate an oversight team to the Project. The GMA had the responsibility of handling the management functions during the Operational Period and beyond. As a result, there could be continuity of expertise and skills. About 10 key members of the PST became part of the GMA. While the PST made an enormous contribution to the success of the Gautrain Project, it absorbed only a fraction of the overall costs – no more than 2% – since all the PST members were on short-term contracts.

Thirdly, independent certifiers were appointed for the Project to check all the construction work per milestone. It is not possible to run a PPP without an independent certifier because, as the National Treasury explains in

its PPP Guidance, independence is required in certifying whether the project and the assets are indeed complete to specification. Since socio-economic development (SED) obligations formed part of the CA, an Independent Socio-Economic Monitor (ISEM) was appointed to check procurement, economic elements and all metrics from the SED targets. The details are set out in the SED case study. An Independent Market Researcher was also appointed to survey customer demand and satisfaction.

A closer look at the various aspects involved in managing a PPP contract vehicle provides an insight into how the issues that arose during the management of the CA were handled. All the intermediate steps along the way to achieving the interim goals had to be co-ordinated to reach the end goal: value for money.



Partnership approach

Relationship management in a PPP takes the form of a partnership style of working between the public and the private partners. The two partners fulfil different roles in a PPP, with the public partner being the owner and the main financier of the project, and the private partner being the developer and operator of the project. A collaborative working relationship should be implemented from the outset and supported by communication systems designed

to enhance the relationship throughout the life of the Project.

The GPG as the public partner had to keep communication lines open with the private partner Bombela (the Concessionaire). To this end, weekly management meetings were held between Bombela and the PST (which was later replaced by the GMA), representing the GPG. In addition, quarterly liaison meetings were held. The purpose of the liaison meetings was to review the Concessionaire's performance and attempt to resolve any disputed matters relating to the performance monitoring system.

The two CEOs also did a quarterly review of the Project performance at a quarterly forum. The relationship between the two partners benefitted from the fact that they were both housed in the same building. This increased interpersonal contact, which helped to minimise potential conflict.

Asset management

As the custodian of the asset, the GPG had to ensure that Bombela maintains and looks after the asset for the entire Concessionary period of 19 and a half years, as stipulated in the CA. At the end of this period, in March 2026, the asset needs to be returned to the GPG. The Gautrain management is keenly aware that their management function does not only take place on a daily basis, but needs to be forward looking to ensure a seamless handover of the assets to the GPG.

Asset management includes maintenance and assurance of the asset. These are critical elements in the operation of the Gautrain Project. The GMA has the task of assuring that the Concessionaire maintains and manages the assets as stated in the CA. The Concessionaire is required to adhere to good industry practice. It has to comply with recommended standards set by the Original Equipment Manufacturers (OEM), Network Rail Standards for Track and Overhead Contact Distribution System (OCDS) and Railway Group Standards for Rolling Stock.

Contractual PPP period and variation agreements

The length of the PPP contract period and the different nature of the functions performed during the Development and Operational Periods, posed a challenge for contract management.

The PST managed the contract during the Development Period and had the right of review of any design and construction documents. Since there were thousands of design reviews, the PST implemented a comprehensive design review process. Reviews approval categories varied from unconditional acceptance to outright rejection. Despite the efficiency of the review process, legacy issues, including some unresolved disputes, were carried over into the operational period when the GMA replaced the PST as the contract manager. The problem was mitigated, to some extent, by the variation provisions contained in the CA.

Performance management

Effective performance management was essential to the successful functioning of the service during the operational period. As such, performance management was the responsibility of the GMA, which was established at the beginning of the Operational Period. The performance requirements are set out in the CA and embrace the following functions: asset management, maintenance and assurance, the patronage guarantee, fare evasion, performance incentives, actual total revenues, capacity increases and any other matters relating to the operation of the system.

Successful performance management should, in general, ensure that all the qualitative and quantitative aspects of the entire Gautrain Project are adhered to. The GMA implemented a Performance Management System (PMS), which incorporated a monthly performance monitoring system as well as a penalty system. The system has been functioning successfully since the first month of operations and is regarded as one of the best performance management systems deployed in a PPP.

Performance dashboard

PP1 – Train Operational Service Group			
PERFORMANCE MEASUREMENT DESCRIPTION	Target	GMA Measurement / Assessment	
Train Service Availability Monthly percentage of actual train trips less early starts to all scheduled trips in any day of Contract Month.	95.0%	97.00%	✓
Train Service Punctuality Monthly percentage of actual less late trips less early starts to all actual trips in any day of any Contract Month. All scheduled services shall arrive at the destination station not more than three (3) minutes later than scheduled.	90%	93.38%	✓
Train Overcrowding Management - Off Peak / Weekend / PPH Number of times the rail Service Capacity Utilisation in the most crowded link during the off-peak most crowded hour exceeds 105% of the scheduled Rail Service Capacity provided by the Operating Plan.	4	0	✓
Train Overcrowding Management - Peak Hours Rail Service Capacity Utilisation in the most crowded link during the peak most crowded hour as a percentage of the scheduled Rail Service Capacity provided by the Operating Plan.	4	0	✓

Performance dashboard (continued)

PP2 – Feeder and Distribution Service Group			
PERFORMANCE MEASUREMENT DESCRIPTION	Target	GMA Measurement / Assessment	
Dedicated Feeder & Distribution Service Availability Percentage of actual trips less early starts to all scheduled trips on average in any Contract Month. Failure to run means that the journey is cancelled. (*Re-assess after 6 months after Phase 2 Bedding in Period)	95%	80.65%	
Dedicated Feeder & Distribution Service Punctuality Percentage of actual less late trips less early starts to all trips on average in any Contract Month. All trips not departing within 5 minutes of schedule shall be regarded as late or early. (*Re-assess after 6 months after Phase 2 Bedding in Period)	90%	Exempt: 77.35%	
Dedicated Feeder & Distribution Service Vehicle Age Percentage of Vehicles having less than 10 years to the total number of vehicles. The ratio shall not be less than the target performance for more than five consecutive days.	98%	100.00%	

PP3 – Customer Feedback Group			
PERFORMANCE MEASUREMENT DESCRIPTION	Target	GMA Measurement / Assessment	
Passenger Satisfaction Survey (6 monthly) Conduct and publish bi-annual satisfaction surveys.	100%	100.00%	
Customer Comments Percentage of number of "comments/complaints" received less number of "comments/complaints" not receiving an initial response within 7 days to number of "comment/complaints" received.	95%	100.00%	
Real Time Information Availability (PID's) Passenger Information System availability: percentage of actual working time of equipment to the planned working time measured with the SCADA.	98%	100.00%	
Timetable Availability Percentage of "pass" records to all records. Surveys are undertaken by the Operator's staff scoring cards to check that the proper information is displayed at the proper place, readable and up-to-date. It includes information provided on the Concessionaire website.	98%	100.00%	
Availability of Access Control Availability of access control equipment on average in any Contract Month. Percentage of actual working time of equipment to the planned working time measured with the SCADA.	97%	97.88%	

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Performance dashboard (continued)

PP4 – Security Group			
PERFORMANCE MEASUREMENT DESCRIPTION	Target	GMA Measurement / Assessment	
Physical Security of Passengers Incidents of assaults or bodily injury to any person whilst in the System resulting from the conduct of other persons in the System of a criminal nature, measured as a number of incidents per million passenger journeys.	3	1	✓
Safety of Passengers Property Incidents of loss of or damage to personal property belonging to any person whilst in the System resulting from the conduct of other persons in the System of a criminal nature (and not arising from an incident already taken into account in relation to S1), measured as a number of incidents per million passenger journeys.	7	6	✓

PP5 – Cleanliness and Damage Repair Group			
PERFORMANCE MEASUREMENT DESCRIPTION	Target	GMA Measurement / Assessment	
Train Set Cleaning Percentage of "Train Set Cleanliness audits" passed successfully to total number of audits performed. "Train Set Cleanliness audits" are performed by the Operator's staff using score cards including checking of: exterior cleanliness, exterior graffiti, interior cleanliness, litter, interior graffiti, windows etching/scratching.	95%	96.59%	✓
Train Set Condition Percentage of "Train Set Condition audits" passed successfully to total number of audits performed. "Train Set Condition audits" are performed by the Operator's staff using score cards including checking of: interior condition, exterior condition, passenger, information systems, ambiance.	95%	98.89%	✓
Station Cleaning Percentage of "Station Cleanliness audits" passed successfully to total number of audits performed. "Station Cleanliness audits" are performed by the Operator's staff using score cards including checking of: graffiti, litter, windows etching/scratching.	95%	96.67%	✓
Station Condition Percentage of "Station Condition audits" passed successfully to total number of audits performed. "Station Condition audits" are performed by the Operator's staff using score cards.	95%	83.33%	✗

Figure 1: Illustration of the performance matrix

The success of the PMS can be attributed to the following:

- Setting up specialist committees to deal with the different aspects of performance management;
- Conducting regular inspections and issuing non-conformance reports to the Concessionaire to ensure that service standards are maintained;
- Holding regular PMS meetings; and
- Applying the penalty system judiciously in consultation with the Concessionaire.

Financial management

It was the task of financial management to ensure that the Gautrain Project was completed within the budget. Since a PPP has a long lifespan, various risk factors can impact on the budget and need to be closely managed. In general, these include construction cost overruns, project delays, reduced usage, higher operating costs, changes in interest and exchange rates, and inflation. It is noted in the Financial Model case study that the Gautrain Project was affected by changes in exchange rates and inflation. These cost escalations were provided for and managed in terms of financial modelling.

Financial management also has to ensure that payments to be made between the parties were made on time, failing which heavy penalties would be imposed. During the Development Period of the Project, payments to Bombela for the construction and delivery of the Gautrain system were made by the GPG against the completion of specific verifiable milestones. Bombela claimed payments for the completed milestones once a month. After assessing whether the milestones had been achieved, the Independent Certifier issued a certificate to the Province against which payment was made.

Since the signing of the CA in 2006, there has not been a single late payment. As a result, there has been no need for the Concessionaire to make any claims for late payments.



Risk management

Assuming most of the risks associated with the design, construction, financing, operation and maintenance of the Gautrain, in accordance with the CA, is the responsibility of the Concessionaire. Ensuring that this is indeed the case was the responsibility of the PST during the Development Period and became the responsibility of the GMA during the Operational Period.

The GMA therefore has an oversight role in relation to risk management. It fulfils this role in accordance with its Risk Management Framework (RMF). The RMF is designed to ensure that information about risks derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all relevant organisational levels.

Risks are contractually allocated between the two parties in the CA. Transferring a significant amount of risk to the private partner is an inherent characteristic of a PPP contract. In the case of the Gautrain Project, risk management faced two challenges. In the transition from the

Development Period to the Operational Period there was a measure of uncertainty as to the assignment of risk to the Concessionaire. Not all risks were clearly identified and assigned to the Concessionaire in the CA.

Environmental impact assessment (EIA) management

Environmental impact assessment (EIA) is a legal requirement for all large infrastructure projects. The EIA process for the Gautrain Project was governed by the 1997 EIA regulations based on the Environment Conservation Act 73 of 1989 (the ECA).

Developing the EIA is a complex process, covering a wide variety of impact assessments, requiring skills from various experts, inputs from Interested and Affected Parties (I&APs), including large-scale public participation, and adherence to a prescribed administrative regime. As such, EIA poses a management challenge.

The EIA process for the Gautrain Project is set out in the Environmental Impact Assessment case study. The process took place during the planning phase and Development Period of



the Project and was managed by Gautrans and the PST. Upon completion of the initial EIA process, an Environmental Authorisation (Record of Decision) was obtained in 2004. The Environmental Management Plan (EMP) for the Project was approved in terms of the Record of Decision. An Independent Environmental Control Person (IECP) was appointed to monitor and report on compliance with the approved EMP. The IECP's monitoring and reporting duties extended to any other environmental statutory obligations pertaining to environmental performance during the development and subsequent operation of the Project. The EIA process extended well into the last stages of the Development Period, since amendments to the initial EIA authorisation were necessitated by changes in the route alignment and design of the Project.

An Environmental Management Committee (EMC) was appointed, chaired by the IECP. All the relevant Environmental Authorities were represented, together with representatives of the GPG and the Concessionaire. The committee met once a month. Monthly reports were submitted to the EMC by the Concessionaire and the IECP. The reports included records of non-compliance, reasons for non-compliance and measures taken to rectify non-compliance and address any public complaints related to environmental management on the Project.

Socio-economic development (SED) management

There is a risk that socio-economic development (SED) ends up as a neglected area in a PPP. However, Gautrain management prioritised SED alongside the technical, financial and legal cornerstones of the PPP process. Gautrain's commitment to SED is set out in a separate case study.

The first step in managing the SED process was to convert the government objectives into measurable performance indicators and entrenching these into the CA so as to ensure

SED compliance. Monthly contractual SED obligations were agreed to for each of the business units of the Concessionaire as well as for each of the respective SED elements for both the Development and Operational Periods.

This was followed by setting up the necessary resources to monitor SED. Foremost amongst these was the appointment of an independent socio-economic monitor (ISEM) to check and verify procurement, economic elements and all metrics from the SED targets.

Monthly reporting and independent monthly verification were performed. These were done in the form of site visits and verification meetings, in which the claims were supported by required documentation. The penalty mechanism was based on a quarterly performance evaluation.

Thanks to the stringent monitoring and verification management process and the commitment by the Concessionaire, the SED objectives were surpassed.

Dispute management

Disputes are inevitable in a PPP, no matter how good the partnership approach and how thorough and effective the contract management process. This is because the public and private partners have different roles and different interests. Disputes arising in the Gautrain Project were managed by means of a dispute resolution structure and process.

Potential disputes were categorised into two types: First, disputes relating to technical issues, and, secondly, other disputes, including disputes relating to the interpretation of the CA. The dispute resolution process was handled in terms of type-specific structures.

For technical-related disputes, the GPG and the Concessionaire jointly appointed a Dispute Resolution Board (DRB) during the Development Period of the Project. The Board was chaired by a retired judge, assisted by two eminent technical



persons. CA interpretation-related and other disputes were handled through an arbitration process. Although the DRB met regularly only one dispute was dealt with at this forum.

Brand development and stakeholder management

Both brand development and stakeholder management fall under the communication and marketing function of the GMA. Two separate case studies are dedicated to these areas: Brand Communication and Stakeholder Management.

Brand development influences the perceptions that stakeholders have of the value created by a project, and ultimately impacts on the success of a project. An interim Gautrain Rapid Rail Link brand operated during the planning phase of the Project as a forerunner to the Gautrain brand of today. The current brand was developed at the beginning of the Development Period.

Stakeholder management has been crucial to the success of the Gautrain Project. Gautrain management recognised that there was a direct link between the successful management of the relationships between the Project and its stakeholders, and the stakeholders' assessment of a successful Project outcome.

Gautrain has multiple and varied stakeholders, who, moreover, change in tune with the dynamic nature of the Gautrain system. In the earlier phases of the Project many of the stakeholders were opponents of the Project, which compounded the stakeholder challenge. The Gautrain stakeholder management successfully implemented a situational model, categorising and prioritising stakeholder groups, and adapting the priorities according to the changes taking place in the Gautrain environment.

Document control and knowledge management

The entire process of developing and operating the Gautrain system had to be recorded and documented. The vast scope and intricacies



of this function are set out in the Document Control case study. Ensuring effective document control was a priority task of contract management, for lack of access to the documentation regulating the entire system could literally bring the Gautrain to a halt.

The GMA has established a Knowledge Management Unit to assist the contract management team to meet legislative and contractual requirements and to ensure the continuity of knowledge throughout the life of the Project. The knowledge management tasks include receiving, collecting and recording meaningful information, storing and sharing the information, information security and maintaining and disposing of information.

4. WHAT WE LEARNT

What worked well

One of the dimensions of PPP contract management, as discussed earlier on, is to manage proactively by anticipating future needs. The Gautrain management acted proactively by implementing three smart moves long before the appointment of the Concessionaire.

Thorough planning and feasibility studies could be conducted in that a team of experts in the form of the PST was appointed three years before the CA was signed. Continuity of expert skills could be achieved by retaining PST expertise when the GMA was established to manage the Gautrain Project. Objective certifying to establish whether targets have been achieved to specification could be obtained because independent certifiers were appointed in the areas of construction, SED and EIA.

In addition to the proactive management of the PPP as outlined above, the partnership between the GPG as the public partner and the Concessionaire as the private partner had to be actively managed on an ongoing basis. Weekly liaison meetings and quarterly CEO meetings

were held between the partners to review the performance of the Concessionaire and to discuss and attempt to resolve points of conflict. The decision to house the two partners in the same building during the Development Period contributed to maintaining a good working partnership relationship.

The various Gautrain functions – performance, financial, risk, EIA, SED, brand and stakeholder management and document control – were managed successfully in order to achieve value for money. The performance management system (PMS) implemented for the Project was particularly effective and is regarded as one of the best systems deployed in a PPP in South Africa.

Achieving value for money in the Gautrain Project also meant fulfilling the purpose for which the Gautrain Project was implemented, which was to promote long-term sustainable socio-economic growth for Gauteng. As such, SED played a key role in achieving value for money. Both the GPG and the Concessionaire were totally committed to SED and managed to surpass the SED targets set for the Gautrain Project.

Asset management is a challenging aspect of contract management, given the lengthy period of the contract between the GPG and the Concessionaire. The GMA adopted a forward-looking approach to managing the Gautrain asset so as to ensure a seamless handover to the GPG at the end of the Concessionary period of 19 and a half years.

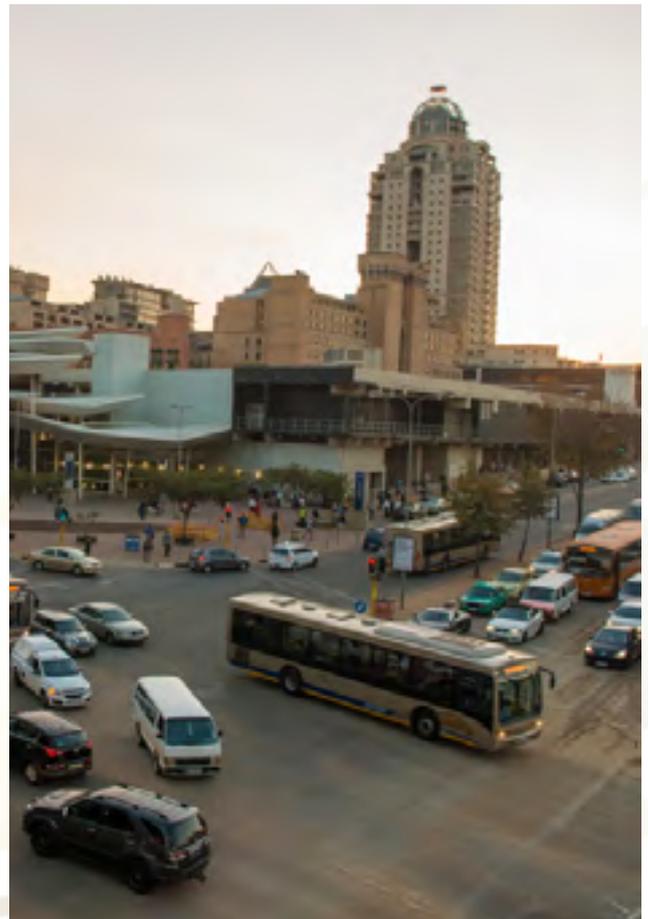
What did not work well

The different nature of the functions performed during the Development and Operational Periods, posed a challenge for contract management, as discussed earlier on. To some extent, the problem was mitigated by the variation agreements contained in the CA. This did not solve all the problems, however. The CA

has achieved a stable contractual environment, but is fairly inflexible and difficult to amend.

Attempting to regulate the development and operational functions of the Gautrain Project under one agreement also had implications for risk management. Not all risks were clearly assigned to the Concessionaire in the CA. It was particularly in the transition from the Development Period to the Operational Period that there was a measure of uncertainty as to the assignment of risk to the Concessionaire.

Dispute management was not always successful. The Dispute Resolution Board (DRB), which was set up to handle technical-related issues, did not add value to the management of the CA. The DRB handled only one dispute, which had to be referred for arbitration since neither party accepted its ruling.



5. MOVING FORWARD

The complexity of a PPP agreement makes it difficult to manage the required risk-related inputs from all the stakeholders. It is therefore recommended that the risk matrix be given a much bigger significance as a practical tool. The risk matrix should be developed in tandem with the PPP agreement. It is furthermore necessary to ensure that risk transfer to the private party in the PPP is clearly incorporated in the CA.

On future management of PPPs it is recommended that:

- Contract management must be included in the design of a CA;
- Contract management is essential to achieving value for money; and
- Amendments of operations should be easier to implement (especially smaller operating contracts).

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