

City of Cape Town

Amendments to the Business Plan for Phase 1A of the MyCiTi Integrated Rapid Transit Project as approved by Council

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1. Business Plan Amendments: February 2011

1.1 Council resolution

On 23 February 2011 Council RESOLVED (as item C 34/02/11 on the agenda) that:

- (d) the changes to the Business Plan as set out in Annexure A to the report on the agenda, including the planned conclusion of contracts with up to three vehicle operator (VO) companies regarding Phase 1A vehicle operations (subject to compliance with the Supply Chain Management policy), the provision to pay interim compensation prior to concluding the 12 year contract (if appropriate), as well as the amendment to the station naming policy as set out in Annexure B to the report on the agenda be approved, as well as the amended Business Plan as a basis for implementation of Phase 1A;
- (e) approval be granted that the relevant planning, design and implementation of the necessary infrastructure, acquisition of such property, purchasing of such fleet and contracting of such operators and professional services, as required to provide the services as described in the Business Plan as amended by Annexure A to the report

on the agenda continues, subject to approved budgets, compliance with legal requirements and following prescribed procurement processes;

- (f) regarding implementation of the approved Compensation Policy, which forms part of the Business Plan, the power to decide on the compensation to be offered to minibus-taxi operators and the process to be followed regarding the offer and payment of such compensation be delegated to the City Manager, after consultation with the Executive Director: Transport, Roads and Major Projects and the Chief Financial Officer.

1.2 Discussion (from report to Council)

(a) Earlier processes re Business Plan

Council originally gave authority to proceed with the implementation of the City's Integrated Rapid Transit (IRT) system in August 2008.

In October 2009, after substantial revisions to estimated project costs Council granted authority to continue implementation of the project along the lines set out in a new report while limiting expenditure to that already budgeted by Council together with funding received from national government through the Public Transport Infrastructure and Systems Grant (PTISG). Key immediate elements of the project were to be proceeded with, including those required to meet commitments given in respect of the public transport plan for hosting the 2010 FIFA World Cup.

Council also resolved in October 2009 that an external due diligence investigation, and an assessment and strategic review of the project be undertaken. These were duly implemented. Council further resolved that should additional funding be received from national government the IRT project should be revised and submitted to Council, and that mechanisms should be pursued to gain firmer predictability to outer years' funding contained in the Division of Revenue Act (DORA).

In national government's 2010 budget adopted by Parliament, the PTISG funding to be paid to the City of Cape Town for implementation of the project for the period 2010/11 to 2012/13 was increased by R1 903 million compared to amounts contained in the 2009 DORA. Furthermore, a clause specifically applying to PTISG funding was included in the 2010 Division of Revenue Act making funding approved by National Treasury for specific projects 'firm' with the result that it can thereafter not to be altered downwards in the outer years contained within future DORAs.

Thus the Business Plan for Phase 1A of the MyCiTi IRT that was provisionally approved by Council in July 2010:

- was based on the outcome of the assessment and strategic review across the areas set out in resolution (c)(i) of Council's October 2009 decision on IRT;
- adjusted the implementation plan in view of the additional funding received as required in terms of resolution (b)(iii) of the same Council decision;
- took into account the findings of the due diligence investigation referred to above and which was concluded in April 2010.

The Business Plan for Phase 1A of the MyCiTi IRT was then subjected to a further process of public comment and engagement with National and Province and finally adopted in October 2010.

(b) Changes needed to Business Plan

Key proposed changes to the plan as set out in the approved Business Plan are explained in Annexure A. The most significant changes are summarised here:

- Proposed three company model (subject to negotiations) – see above;
- Significant changes to the Milestone 0 System Plan includes:
 - the inclusion of interim feeders in both the Inner City and Table View areas in order to improve ridership on the Table View trunk, to test feeder demand projections and also to optimally utilise the purchased World Cup trunk fleet;
 - Simplification of the trunk fare structure to a flat fare of R10 (irrespective of distance) due to the constraints of the interim fare system which will be functional for Milestone 0;
- IRT compensation policy:
 - The Business Plan implies payment of compensation can be made only once the 12 year contract has been concluded.
 - The introduction of the interim MyCiTi feeder services in the Table View area would only be viable if some of the existing minibus-taxi services are suspended. This can only occur on payment of compensation to the minibus-taxi operators so affected. The same principle would apply to other minibus-taxi operators affected on the trunk and inner city feeder routes. It is therefore proposed that the Business Plan be amended to allow for compensation linked to the interim contract and prior to signing of the 12 year contract.
 - The IRT Compensation Policy regarding the directly-affected minibus-taxi operators in Phase 1A does not set out administrative procedures for finalising and managing the process of making compensation offers to operators. Thus Council is requested above to delegate to the City Manager, after consultation with the Executive Director: Transport Roads and Major Projects and the Chief Financial Officer, the power to decide on the compensation to be offered to minibus-taxi operators and the process to be followed regarding the offer and payment of such compensation.
- Policy for naming IRT stations and stops: This policy has been updated and amended, building on the same principles as set out in the initial policy – see Annexure B. The amended policy gives more clarity on the relevant background, and sets out a procedure for approval of the names of IRT stops and stations.

2. Business Plan Amendments: October 2011

2.1 Council resolution

On 26 October 2011 Council RESOLVED (as Item C 33/10/11) that the Business Plan for Phase 1A of the MyCiTi Integrated Rapid Transit (IRT) project ('the Business Plan') be amended as follows, as further set out in Annexure C to the report on the agenda:

(a) Calculating market share as between minibus-taxi associations

Step 2 of the process towards compensation, set out in paragraph 10.3.2 of the Business Plan, be amended to the effect that the market share as between the directly affected minibus-taxi associations be determined based on the fare revenue as calculated using recent passenger surveys;

(b) Content and procedures for calculation and payment of compensation

Council delegates to the Executive Director: Transport and Roads the authority to determine, in consultation with the Chief Financial Officer, the compensation to be offered to minibus-taxi operators, and to determine the process to be followed regarding the offer and payment of such compensation, including the authority:

(i) to effect amendments to Annexure F of the Business Plan as may be necessary to ensure the successful conclusion of the compensation process, provided that -

(1) the total amount of compensation to be paid in accordance with the amended Annexure F does not exceed the amounts for compensation payments approved by Council;

(2) any such amendments are noted at the first possible Council meeting, taking into account dates of closure of agendas for Council and its committees;

(ii) to exercise any authority reasonably necessary for, or incidental to, the effective implementation of the compensation policy, subject to proviso (1) above.

2.2 Discussion (from report to Council)

(a) Background

Council originally gave authority to proceed with the implementation of the City's Integrated Rapid Transit (IRT) system in August 2008. Council resolved in October 2009 that an external due diligence investigation, and an assessment and strategic review of the project be undertaken. These were duly implemented and the reports noted by Council.

Thereafter the Business Plan for Phase 1A of the MyCiTi IRT (referred to below as "the Business Plan"), following publication for public comment and after consultation with National and Provincial Government, was adopted by Council in October 2010. The Business Plan takes into account the outcomes of the due diligence investigation, the internal reassessment and comment received during the above processes.

In February 2011 Council approved a set of amendments to the Business Plan.

(b) Business Plan: Industry transition – market share calculation and compensation policy and process

The proposed adjustments to the approved Business Plan are set out in Annexure C. Changes regarding market share and compensation are explained below.

Method for determining market share between minibus-taxi associations.

Chapter 10 of the approved Business Plan deals with Industry Transition. Under paragraph 10.3.2 the Compensation Model is described, including the four-step process to calculate the compensation, viz.

- Step 1.** Determine the market share between bus and minibus-taxi operators based on fare revenue information collected through extensive surveys.
- Step 2.** For the minibus-taxi component within a company grouping, determine the relative market share per Association using average legitimate profit as a basis.
- Step 3.** Using the validity period of the operating licences within an Association (maximum seven years), calculate the total profit over the period of the licences and convert that total to net present value using a market-related discount rate.
- Step 4.** The net present value lump sum figures per Association are then presented to the relevant Association for decision on distribution of the lump sum to its members.

During the industry consultation and transition process which commenced in August 2008, the compensation model has been applied twice to determine preliminary market share and compensation figures. These were presented to the eight directly affected minibus-taxi associations and the two bus companies. In both instances market share was determined using fare revenue and not average legitimate profit, as indicated in Step 2 above.

Thus the wording of the Business Plan does not align fully with the methods used in figures shared with the City's public transport industry partners.

In order to correct this, it is recommended that the wording of the Business Plan be amended to align with the method of calculation of market share as understood and accepted by the affected role players. It is therefore proposed to amend Step 2 above to read as set out in Annexure A.

Drafting detailed procedures regarding determination of and payment of compensation.

As set out in Annexure C, in terms of the Business Plan as amended in February 2011, Council delegated to the City Manager, in consultation with the Executive Director: Transport and Roads and the Chief Financial Officer, the authority to determine compensation to be offered to minibus-taxi operators and the process to be followed regarding the offer and payment of such compensation.

The City Manager would have to apply provisions of Annexure F of the approved Business Plan. In detailed engagements with the affected taxi associations it has become clear that some aspects of this annexure require more detailed elaboration. The power to elaborate and clarify components of the process and the terms of the annexure to determine and

offer compensation is implied in the above amendment. However, the delegation does not include the power to amend Annexure F in minor respects, where required.

It is anticipated that, during final negotiations with taxi associations, expected to be concluded during November 2011, some minor amendments to Annexure F may well be required. It is planned that the City will make final offers to affected minibus-taxi operators by early December 2011. It is necessary that this deadline be complied with to ensure that the planned roll-out of the further milestones of Phase 1A not be compromised.

Thus the recommendation above provides that the Executive Director for Transport and Roads be delegated the power to amend Annexure F, provided the total compensation amount due is equal to or below the approved amounts approved by Council for compensation.

Annexure A Changes to MyCiTi IRT Business Plan (Feb 2011)

The following changes to the Business Plan (as approved by Council in October 2010) were approved by Council in February 2011. The actual wording of the Business Plan should in due course be amended as set out in this table.

Milestone 0 System Plan as per original IRT Business Plan (October 2010)	Changes to the Business Plan (focused primarily on Refinements to Milestone 0)
<p>1. Trunk services Bayside to CBD (T01) using the completed dedicated R27 corridor infrastructure. This includes link to Waterfront through the use of interim measures at he Waterfront end. Airport to CBD (T02a) via the N2.</p>	<p>No Change except for the need to extend to Waterfront is now covered by the proposed inner city interim feeder.</p>
<p>2. Feeder services Milestone 0: No supporting interim feeders planned in the Table View areas</p>	<p>Regarding Milestone 0, including :- Inner City feeder services: route linking Garden Centre, Civic and Waterfront (and reverse). Interim Table View feeder routes: 1. Big Bay – Table View – Parklands 2. Blouberg Sands – Sunningdale – Table View – Parklands East 3. Blouberg Sands – Parklands – Table View – Dolphin Beach</p>
<p>3. Stations Milestone 0: 1. Only trunks stations between Table View and Granger Bay stations planned to be used with interim kerbside stops along the Inner City Interim route 2. Station services to be provided by a station services contractor to be appointed through a tender process</p>	<p>Milestone 0: 1. No change in use of trunk stations except at the Table View station where two platforms will be utilised by the proposed Table View feeders. 2. Inner City Interim Feeder stops: Temporary peninsula type stops built along the route. 3. Table View Interim Feeder stops: Low cost movable stops to be used which will also be re-used in future interim phases. 4. During Milestone 0 station services will be provided as follows, until the station service contractor is appointed through a tender process: (a) Ticket sales service to be provided by the City's Revenue Department; (b) other station services to be contracted to the VO companies on terms to be negotiated.</p>
<p>4. Vehicles Milestone 0 deployment Total current fleet of 42 vehicles 1. (18m) vehicles planned to be used for Bayside trunk 2. 3 (12m) vehicles planned to used for Airport service</p>	<p>Milestone 0 deployment Total current fleet of 42 vehicles 1. 8 (18m) vehicles planned to be used for Bayside trunk 2. 3 (12m) vehicles planned to used for Airport service</p>

Milestone 0 System Plan as per original IRT Business Plan (October 2010)	Changes to the Business Plan (focused primarily on Refinements to Milestone 0)
3. 31 reserve fleet	3. 7 (12m) planned to be used for Interim Inner City feeders 4. 15 (12m) planned to used for Interim Table View feeders 5. 9 reserve fleet
<p>5. Fare Structure</p> <p>Milestone 0 planned to be supported by the full Automatic Fare System which would allow:</p> <ul style="list-style-type: none"> - Distance based fares for trunk. Fares from the Table View Station to the CBD amounted to approximately R9.80. Fares reduce as you board at stations closer to your destination. - No feeders were envisaged for Milestone 0 	<p>Fare Management System in two phases, namely Interim Fare System, which will allow flat fare system for all services and will therefore allow MyCiTi to operate before the full fare system is implemented; Full Fare System which will permit all fare structures as planned.</p> <p>For Milestone 0, the Interim Fare System is now planned which allows:</p> <ol style="list-style-type: none"> 1. R10 flat one-way fare on the trunk irrespective of distance (excluding Airport services, changed at the approved tariffs). 2. R5 flat one-way fare on the feeder irrespective of distance. This fare also includes a free transfer to other feeders only at closed transfer stations. 3. Maximum one way fare is R10. If a passenger uses a trunk service (excluding Airport services), the use of supporting feeders service to or from the trunk is free. <p><i>Note: Due to challenges in the procurement of the Fare Management System contract, the City may initially run a manual paper ticket system</i></p>
<p>6. Concessionary fares</p> <p>The original plan was to test various concessions during the interim Inner City Service (such as daily multiple trips etc). This would have provided valuable information for consideration in full phase 1a roll-out and beyond.</p> <p><i>Note: This could not be implemented because of the extensive delays in obtaining operating licences to provide this service (see discussion above)</i></p>	<p>Due to the constraints of the fare system, it is not possible to implement the concessions as previously envisaged. Appropriate fare concession designs will be investigated and assessed accordingly, and implemented after the relevant tariffs have been approved.</p>
<p>7. Free services if cost of fare system too expensive</p> <p>The Business Plan provided for free trips being offered as part of marketing of the service. However, it did not provide for free services for limited periods on the grounds that collecting fare may cost more than collecting the fares.</p>	<p>The ED: TR&MP is authorised to permit zero-based fares, should the cost of the temporary paper ticket system exceed the projected income, provided that this is for a short period of maximum two months.</p>
<p>8. Number of VO Companies</p> <p>(a) The Business Plan propose formation of, and</p>	<p>(a) The City may contract with three VO companies, at</p>

Milestone 0 System Plan as per original IRT Business Plan (October 2010)	Changes to the Business Plan (focused primarily on Refinements to Milestone 0)
<p>contracting of, two VO companies.</p> <p>(b) The allocation of IRT services to the different companies are set out in the Business Plan.</p> <p>(c) The allocation of services between the companies is linked to the City's assessment of market share.</p>	<p>least regarding Milestone 0 services, subject to compliance with Supply Chain Management policy. However, even if so contracted for this milestone, the City may revert to the two company model regarding the 12 year VO contract, after consultation with the relevant parties.</p> <p>(b) Regarding Milestone 0, the City should issue a spec where the allocation of services to different operators is set out.</p> <p>(c) Regarding Milestone 0, the allocation of services between the companies is not necessarily linked to the City's assessment of market share, but rather to operational factors, the City's spec and agreement between the parties.</p>
<p>9. Compensation</p> <ul style="list-style-type: none"> • The IRT Compensation Policy regarding the directly-affected minibus-taxi operators in Phase 1A does not set out administrative procedures for finalising and managing the process of making compensation offers to operators. • The Business Plan implies payment of compensation can be made only once the 12 year contract has been concluded – it refers to determining compensation at a particular point before the 12 year contract is signed and “holding it firm”. 	<ul style="list-style-type: none"> • The City Manager is delegated the power to decide on the compensation to be offered to minibus-taxi operators and the process to be followed regarding the offer and payment of such compensation, after consultation with the Executive Director: Transport Roads and Major Projects and the Chief Financial Officer. • The City may pay interim compensation, subject to finalisation of the full set of compensation figures.
<p>10. Amendments to naming policy for IRT stations and stops</p> <p>The Business Plan contained a policy for naming MyCiTi stations and stops.</p>	<p>Amended policy is set out in Annexure B.</p>

Annexure B Naming policy for MyCiTi stations and stops (Feb 2011)

The original policy was adopted as part of the approval of the MyCiTi IRT Business Plan for Phase 1A in October 2010.

This version of the policy was approved by Council in February 2011. This amended policy builds on the same principles as set out in the initial policy, but gives more clarity on the relevant background, and sets out procedure for approval of the names of IRT stops and stations.

1. Background

In the formulation of this policy reference has been made to the Policy on Street Naming and Numbering (approved by Council: C 50/07/02) and the Amended Policy for Renaming Streets, Public Places, Natural Areas and Council-owned Buildings, Facilities and Artefacts (approved by Council: 30 August 2005, C 32/08/05). Reference has also been made to the Language Policy (approved by Council: 27 November 2002, C 70/11/02 and amended 28 May 2003, C 05/05/03). A draft Naming Policy (dated 27 September 2010) for all public places, buildings, streets, facilities and artefacts has been advertised for public comment but has not yet been approved by Council. The street naming policy is not considered relevant given that IRT stations and stops will be situated within existing streets.

The policy for renaming streets, public places, natural areas and council-owned buildings, facilities and artefacts is relevant in the case of situations where a facility has been given a name and where such name has been challenged. In this case, the policy goes on to prescribe a process for renaming the facility. Members of the public or community organisations would propose a name and the responsibility for reviewing the name lies with a panel of experts that would report to Council for a decision via the Mayoral Committee. If a member of the public were to object to an IRT station name then this policy would be followed in the public participation process for the renaming of the station.

The policies do not prescribe a participation process in the case of naming new buildings such as the IRT stations since such stations are situated within existing roads.

The City's language policy requires that identification signage and directions of municipal facilities must be in the three official languages. Further, where the law permits, the three official languages must be used equitably on local road signs and directions signs. For street names, due consideration must be given to the community's language usage and preferences. The same language policy considerations may be applied to IRT station and stop names.

A draft Naming Policy for all public places, buildings, streets, facilities and artefacts has been advertised for public comment. This draft policy proposes two alternative methods or procedures for the approval of such naming proposals:

- The first method would involve the submission of naming proposals to councillors for consideration and, provided that there is sufficient support, a motion is submitted to Council for interim approval. The proposal would be advertised for comment within a 30 day period before being considered again by Council for final approval.

- The second method sets out a process for inviting and receiving motivated submissions from the people of Cape Town in accordance with the procedures of the City's Public Participation Policy. An Advisory Committee would be set up to consider all submissions and with input from sub-councils before making recommendations to Council for interim approval. The recommendations would then be advertised for comments over a 30-day period before being considered again by Council for final approval.

The current naming policy for IRT trunk stations (i.e. Annexure H of the MyCiTi Business Plan elaborated the principles and criteria to be applied in the selection of station names but it does not specify a procedure for considering and approving the station names. This should be addressed in a revised policy.

2. Proposed policy for the naming of closed trunk and feeder stations

The following principles and procedures must be applied in the naming of closed trunk and feeder stations:

Closed trunk and feeder stations are important components of the IRT system and will have similar significance as railway stations in the metropolitan transport network. These stations should be assigned names that reflect the place, area or neighbourhood served by the station. The name may reflect a local landmark or other geographical reference point, or place of social, cultural or heritage significance. It is important to avoid offensive or insensitive names or names that are considered inappropriate because they connote a local commercial undertaking. The station name may also reflect the name of the road on which it is located, particularly given that closed stations are located in the median of the road. In other cases, such as where there is more than one station on the same road, the name of the nearest cross street that serves as the primary access route to the station may be used for the station name. The overall guiding principle is to choose a name that reflects local geography or landmarks that are easily recognized and that will tend to orientate users, residents as well as visitors.

Process for approval of names of closed trunk and feeder stations:

The IRT project team will compile a list of proposed names for all closed trunk and feeder stations, taking into account the abovementioned criteria. These names will be subjected to a process of internal scrutiny and consultation with other City officials, particularly those dealing with land use planning and heritage issues. Local ward councillors will also be consulted and should give approval in principle to the names of stations that fall within their wards. These names will then be advertised for public comment over a 30-day period. After this period has elapsed, a report will be submitted to Council for consideration and approval.

3. Proposed policy for the naming of open feeder stops

Open feeder stops will be provided along all feeder routes in the IRT system. These facilities will be spaced 300 to 500 metres apart and are generally provided on both sides of the road. Open feeder stops will be assigned names using similar principles and criteria to those applied used for closed trunk and feeder stations. The names should reflect local geographic reference points or landmarks or non-commercial community facilities and, as

such, assist in the orientation of users and visitors. The names of stops should also be kept as short as possible.

The following criteria should be applied to the naming of open feeder stops:

- (a) Where the stop has been positioned specifically to serve a particular non-commercial community facility such as a school, hospital, clinic, library, park, etc. then it is appropriate for the name of the stop to reflect the name of the facility.
- (b) On roads where there is only one open stop (on both sides), then the name of the road may be used for the stop name.
- (c) On roads where there is more than one stop it may be appropriate to use the name of the road together with the nearest property number (e.g. 36 Geneva).
- (d) On roads where there is more than one stop but there are no property references or other geographical landmarks, then the name of the nearest cross street may be used to identify the stop.

Process for approval of names of closed trunk and feeders stations:

It is unlikely that the names of open feeder stops will have the same significance as those of trunk stations and closed feeder stations (e.g. stop names will probably be shown only on feeder route maps and not on local area maps). Considering also the large number of open feeder stops in the IRT system, it is not recommended that the list of names be advertised for public comment before approval by Council. It may also be noted that in other cities bus stops are assigned numbers rather than names, and there is no public participation in the numbering process.

It is therefore proposed that the IRT project team will compile a set of open feeder stops by applying the abovementioned criteria. The names will be subjected to a process of internal scrutiny and consultation with other City officials, particularly those dealing with land use planning and heritage issues. Local ward councillors and ward forums will also be consulted and invited to make comments and suggestions. The set of recommended names may then be submitted to Mayco for approval without any requirement for public participation.

Annexure C Changes to MyCiTi IRT Business Plan (Oct 2011)

The following changes to the Business Plan (as approved by Council in October 2010) were approved by Council in October 2011. The actual wording of the Business Plan should in due course be amended as set out in this table.

Milestone 0 System Plan as per original IRT Business Plan (October 2010, as amended in February 2011)	Provisions of the Business Plan, as amended in October 2011
<p>1. Calculating market share as between minibus-taxi associations</p> <p>Step 2 of the process towards compensation and offering of shareholding provides for two steps:</p> <p>(a) Calculating the market share as between the directly affected taxi-associations, based on average legitimate profit; and</p> <p>(b) The average legitimate profit per association or route based on the total fare revenue and total operating costs per association or route. Average legitimate profit on a particular route is determined taking the fare revenue and deducting the average operating cost on that particular route. Legitimate profit on a particular route is determined using the same average and appropriate costs for the value of the vehicle, payment of owners/drivers, level of maintenance, insurance and tax.</p>	<p>Step 2. For the minibus-taxi operators, determine the following:</p> <p>(a) The market share as between the directly affected associations, based on the fare revenue as calculated using recent surveys.</p> <p>(b) Calculating average legitimate profit - Same as par (b) in the original, as set out on left.</p>
<p>2. Content and procedures for calculation and payment of compensation</p> <p>In terms of the amended Business Plan, Council delegated to the City Manager, after consultation with the Executive Director: Transport Roads and Major Projects and the Chief Financial Officer, the power to decide on the compensation to be offered to minibus-taxi operators and the process to be followed regarding the offer and payment of such compensation.</p>	<p>Council delegates to the Executive Director: Transport and Roads the authority to determine, in consultation with the Chief Financial Officer, the compensation to be offered to minibus-taxi operators, and to determine the process to be followed regarding the offer and payment of such compensation, including the authority:</p> <p>(i) To effect amendments to Annexure F of the Business Plan as may be necessary to ensure the successful conclusion of the compensation process, provided that –</p> <ol style="list-style-type: none"> (1) the total amount of compensation to be paid in accordance with the amended Annexure F does not exceed the amounts for compensation payments approved by Council; (2) any such amendments are noted at the Council meeting following the approval of the amendment; <p>(ii) To exercise any power reasonably necessary for, or incidental to, the effective implementation of the compensation policy, subject to proviso (1) above.</p>