a world class African city

JOHANNESBURG METROPOLITAN BUS SERVICES

(SOC) LIMITED

(Registration Number: 2000/004704/07)

ANNUAL REPORT 2010/11

JOHANNESBURG METROPOLITAN BUS SERVICES (SOC) LIMITED

COMPANY INFORMATION:

Registration number	**:**	**2000/004704/07**
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Bankers	**:**	**ABSA Limited**
Auditors	**:**	**Auditor-General**
VAT registration number	**:**	**4750224570**
Income Tax registration number :		**9294142147**

Vision

To be a world-class African Provider of Bus Services in the Greater City of Johannesburg

Mission

Metrobus will be the provider of customer friendly public bus transport within the Greater City of Johannesburg.

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1.1. Scope of the Report

This report covers the Johannesburg Metropolitan Bus Services (SOC) Ltd's ("Metrobus") governance, financial, social responsibility, environmental, broader economic and overall sustainability performance for the 2010/11 financial year. It provides an account of the Company's progress to date and offers a forward-looking perspective in terms of future plans and value generating strategies.

The report also covers the following:

- Comparative information;
- Performance information;
- Sustainability reports; and
- Operational reports.

1.2. Company Profile

1.2.1 Purpose of existence

Metrobus was incorporated in 2000 as a private company and is a municipal entity, wholly owned by the City of Johannesburg.

Metrobus is a Johannesburg based company engaged in the passenger transportation business. The Company operates within the Greater Johannesburg metropolitan area.

1.2.2 Sources of revenue

The Company operates in four business segments, namely:

- Daily scheduled public transport;
- Private hire transport services. The private hire fleet consists of inter alia, 2 luxury coaches and 4 open top buses.
- Scheduled commercial contracts; and
- Special contracts for the Gauteng Province's Department of Transport in Eldorado Park.

Metrobus also provides an advertising platform in respect of advertisements on the inside as well as outside the buses. Various companies rent space for advertising their businesses for specific periods through a contractually assigned agency that pays a fee to Metrobus.

The following services are offered at a discounted rate as part of Metrobus' social mandate:

- A dedicated service to persons with disabilities;
- Subsidised pensioner services;
- Discounted scholar services; and
- Free transportation to the South African Police Services (SAPS), the Johannesburg Metro Police Department (JMPD) and the South African National Defence Force (SANDF) officers.

Metrobus has a staff complement of 934 employees and 7 non-executive directors. The company renders its services through 457 buses, three main depots and four satellite depots.

The table below indicates the size, capacity and reduction made to Metrobus' existing fleet during the period under review:

Size of fleet - 2010/2011	Fleet Adjustment		
	Prior 06/12/10	Post 06/12/10	Diff
44 persons (luxury coaches)	2	2	-
65 persons	319	289	(30)
90 persons (double deck)	149	148	(1)
110 persons (double deck)	28	18	(10)
Total number of buses	498	457	(41)

Metrobus' financial performance is mainly influenced by the efficiencies generated within the Operational Plan or Service Schedules. These schedules encapsulate the effective and efficient application of staff and buses to routes in accordance with passenger demands. A census was undertaken by management and the results necessitated the introduction of a revised shift system. The new schedules and revised shifts were introduced on the 6th of December 2010. The process of rescheduling also resulted in the reduction of the fleet, in that; those buses that had become uneconomical to repair were scrapped.

The table below outlines the number of depots, bus operators and operational staff. It also reflects the number of buses per depot. The table does not include staff at the Head Office

	Milpark Depot	Village Main depot	Roodepoort Depot
Total Number of buses	213	172	72
Number of drivers	224	217	75
Number of operational staff	22	14	8
Number of maintenance staff	95	49	20
Number of administration staff	3	2	1
Number of outsourced workshop staff	0	18	12
Number of satellite depots*	3	1	0

* A satellite depot refers to an outlying depot where buses are parked during the day to save kilometres by not driving the bus back to the main depot.

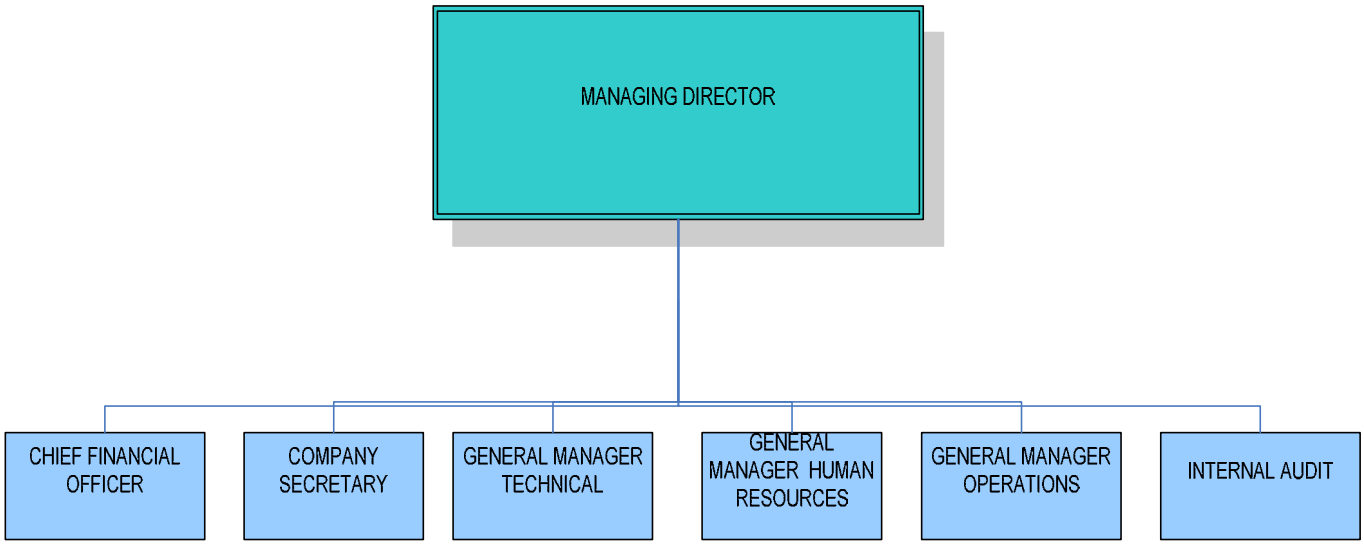
The Member of the Mayoral Committee (MMC) for Transportation, Councillor Rehana Moosajee and the Transportation Portfolio Committee of the City of Johannesburg exercise political governance and oversight over Metrobus. Councillor Rehana Moosajee was re-appointed as the MMC for Transportation in May 2011.

1.3. Organisational Structure

In accordance with the turnaround strategy, a revised company structure was approved by the Board of Directors during 2010. A review of the structure had revealed that the middle management level was inadequately capacitated to effectively manage the high number of drivers reporting to this level of management where, on the other hand, a bottleneck was created at the Business Unit Manager level.

The implementation of the revised company structure took place during the latter part of the financial year. The stores function was realigned to report to the management of the General Manager: Technical. In the past this portfolio was being managed by the CFO.

Consultations with the unions on the company structure continued throughout the year. Vacant positions in accordance with the re-alignment of the structure were advertised and some were filled.



The positions of General Manager: Technical, General Manager: Human Resources and Internal Audit became vacant during the period under review.

1.4. Vision, Mission, Values and Strategic Objectives

Vision

To be a world-class African Provider of Bus Services in the Greater City of Johannesburg that:

- Is financially viable while recognising that, as in most cities in the developed world, public transport requires subsidisation to ensure a high level of service at an acceptable level of passenger fares.
- Meets world standards of operational efficiency, safety and sustainability.
- Competes for public transport contracts.
- Takes full advantage of other market opportunities, and meets the needs of a wide range of passengers, including new market segments.
- Enables the City of Johannesburg to meet its social passenger mobility needs.
- Is fully integrated with, and aligned to, the transport plans (including Bus Rapid Transit) of the City of Johannesburg and Gauteng Province.

Mission

Metrobus' employees are guided by the Company's mission which is "to be the provider of customer friendly public bus transport within the Greater City of Johannesburg". The Company aims to achieve its mission through improvements in the following areas:

- Innovation: We will continuously seek revenue-enhancing ways to grow our business. We will continuously introduce cost reducing and efficiency enhancing methods and technologies.
- Customer focus: We will ensure that our buses are clean, comfortable and our operators are trained and rewarded for being caring to all that we serve. We will ensure that communication to the commuters and communities be adequate and of the correct frequency.
- Safety: We will ensure that our passengers are always safe in and around our services. Our bus operators will be the best trained of any bus operation in the country.

- Reliability: We will provide a reliable, punctual service in terms of scheduled timetables.
- Efficiency: We will provide a cost efficient service to ensure that the fares charged to the commuters are kept as low as economically possible.
- Sustainability: The Company is financially viable taking into account all sources of income (including subsidy and fare revenue) and through the efficient allocation of resources and management.
- Environmental consciousness: We will ensure that our business operation, especially our buses do not contribute unnecessarily to harming the environment through pollutants.
- Continuous learning: We will ensure that all our staff and their families are encouraged to learn, particularly regarding those matters that affect their health, safety and social well-being.

Values

Metrobus, as a company, and a municipal entity, is committed to incorporate and promote the City transportation family values of Respect, Honesty, Co-operation, Accountability and Ubuntu in its business environment, both internally and externally. In its commitment to the transportation values, it is important to note that Metrobus has fully wrapped five double deck buses in the specific values themes. The values are also re-emphasised on a regular basis in order to entrench these into the company's business ethos.

Metrobus' Strategic Focus

Metrobus' strategic direction is guided by its Board of Directors. The cornerstone of the strategy is the City's Integrated Development Plan ("IDP"), the Growth and Development Strategy ("GDS") as well as the Transportation Sector Plan.

Metrobus reviewed its Strategic Plan during November 2010 in order to ensure that key goals and objectives were still in support of the City of Johannesburg's IDP and five year objectives. The Company also reaffirmed its commitment to the Transportation Family Values and will continue to promote these values amongst all Metrobus employees.

During the latter part of 2010 Metrobus Management concluded a strategic review process for the purpose of:

- Evaluating progresses made against the 2008 Strategic Plan which was based on a three-phased, interlinking, continuous and overlapping action agenda and covered the period from 2008 up to 2015.
- Embarking on a strategy of re-focusing the strategic thrust of the company going forward.

A workshop on the strategic direction of the Transportation sector took place on 7 June 2011. The workshop was hosted by the MMC, Councillor Rehana Moosajee and the purpose was to inform the Board and Management of the political imperatives for the new term. In a nutshell, the following salient points were noted:

- There was a need to set up the transportation sector's delivery agenda for the next five years;
- There was a need to accelerate the process of social and economic transformation of the City over the next five years;
- A revised GDS was envisaged;
- The importance of embracing and implementing activist local government;
- There was a need to incorporate "green" initiatives and address the challenges of climate change, water scarcity and reducing carbon emissions in all activities; and
- Implementation should be guided by a shift from service delivery to public service and from delivery to communities to delivery with communities; and
- Ensuring strong focus on partnerships, co-dependency and responsibility.

Accordingly, the Entity's strategic plan will be implemented in a manner that gives effect to the political imperatives highlighted above.

CHAPTER TWO: LEADERSHIP OVERVIEW

2. Overview

2.1. Foreword of the Member of the Mayoral Committee

The period between July 2010 and June 2011 was very much a roller-coaster ride for Metrobus.

The first few days of the financial year, were the closing days of the FIFA World Cup; a period in which public transport became en vogue again. Metrobus played a key role in complementing other modes and ensured that fans got to stadia on time and were able to return home or to various accommodation establishments safely. For a brief period, it did not matter, in whom ownership was vested. We had various public transport providers synergizing, co-operating and providing public transport in the interest of the user. It was a pity that these quality services for fans to some extent created hardship for Metrobus users – as subsequently raised by the Metrobus User Forum.

Another important feature of Metrobus' contribution was the role that was played in relation to a management contract with Clidet, the Special Purpose Vehicle that managed the Rea Vaya bus operating company, until handover to Piotrans – the taxi owned bus company.

Metrobus also had the opportunity to pilot "green" technologies– Compressed Natural Gas (CNG) and ethanol. The results of this pilot should form the basis to chart a way forward for transport operators cognizant of the contribution that can be made to better air quality and reduced emissions.

Management attempts to introduce new schedules were met with resistance and led to a protracted strike early in 2011. A five (5) week withdrawal of services during the industrial action had a direct negative impact on the almost 90 000 commuters each day who depend on the Metrobus service. It further dented the image of public transport in general at a time when it is evident that we need to build a culture of public transport.

The ongoing challenges of ageing fleet continued to affect the service offering.

In the Oscar winning movie 'Crash', the character played by American rap singer Ludacris, tells his friend that the reason a bus has big windows is so everybody can see the losers. It is this type of thinking that Metrobus and other public transport companies have to contend with. We have an uphill climb to change perceptions of public transport and move away from the increasing tendency to one-person, one car culture.

Everybody associated with Metrobus knows that it has been another challenging year for Metrobus. I remain certain that the men and women at Metrobus, with the necessary teamwork, dedication and resolve can work together to chart a more positive future not only for the company but for the contribution it can make to mobility, economic growth and restoration of dignity.

Allow me to thank all those who have been involved at Metrobus in the past year for the contribution you made to the successes during this period. Let us collectively learn from the adversity we have faced, so that as Metrobus moves into 2011/2012 , we are firm in our resolve to have a smoother ride and navigate choppy waters together, so that ultimately the values of Accountability, Co-operation, Honesty, Respect and Ubuntu triumph.

Cllr Rehana Moosajee

MMC: Transportation

2.2. Chairperson's Foreword

This year's annual review marks an important turning-point for the Johannesburg Metropolitan Bus Services (SOC) Ltd ("Metrobus"). The 2010/11 financial year has been a year of quality diversity. Diversity in the sense of re-defining the vision of the City of Johannesburg and ultimately ensuring change and transformation for the Company.

Metrobus members and management participated in the development of the Growth and Development Strategy outreach process which brought about a collective and shared vision for the future of Johannesburg.

This annual report demonstrates the breadth and quality of our work and it also shows how the Company has made changes and set directions that reinforce the excellence of Metrobus.

The Company's employees are guided by the vision to be "a world-class Provider of Bus Services in the Greater City of Johannesburg." Following this vision, Metrobus' mission principle is "to continuously be the provider of customer friendly public bus transport within the Greater City of Johannesburg".

The Company was guided by the IDP, Mayoral priorities as well as transport sector plans during the past year. Metrobus is pleased to report, in accordance with its business plans over this period, as follows:

- With regards the service delivery imperatives undertaken by the Company, it is important to note that Metrobus embarked upon a strategic review during early 2010 which informed the turnaround strategy currently being applied. The strategy focuses on two areas namely,
    - Interventions related to Cost Savings; and
    - Interventions related to Enhancing Revenue.
- The introduction of the revised shift system and the successful handover of the management of the Rea Vaya Phase 1 A to PioTrans.

The Board and Management remain committed to the City Transportation values of Respect, Honesty, Co-operation, Accountability and Ubuntu in achieving its performance in line with the Integrated Development Plan.

I urge all stakeholders to work for positive change within Metrobus.

Board Chairperson

Vincent Mntambo

2.3. Managing Director's Report

This report covers significant achievements, challenges and future plans for the Company.

2.3.1. Significant Achievements

The following are the highlights for the year under review:

2.3.1.1. Introduction of new schedules

This financial year saw the introduction of new service schedules and driver shifts, which are based on the efficient application of staff, buses and passenger demands. Due to these efficient schedules, fewer buses were used to carry the same number of passengers. About forty-one (41) buses were withdrawn from operations because they had become uneconomical to maintain. The buses were subsequently scrapped and auctioned. Their auctioning contributed to savings in repairs and maintenance costs.

2.3.1.2. Stakeholder consultations

Monthly Commuter Forum meetings were held during the year and this saw the resolution of the passenger fare structure and the finalisation of the Commuter Forum Charter.

Union-management meetings were held regularly to deliberate and resolve, *inter alia*, consultations on the implementation of the revised company structure, the establishment of the shifts task team and the rolling-out of policies.

2.3.2. Challenges

2.3.2.1. Industrial action

Approximately one-hundred (100) SAMWU drivers participated in a five (5) week long protected industrial action. The strike commenced on the 9th of February and ended on the 22nd of March 2011. A new shift system had been introduced and the Unions' demand was based on a belief that shifts were a condition of employment and therefore management could not change the shifts unilaterally.

Management approached the Labour Court to interdict the drivers from striking. Although the drivers carried on with the strike on the basis that they had obtained a certificate from the South African Local Government Bargaining Council ("SALGBC"), the Labour Court judgment was a victory for management and Metrobus as a whole because the Court held that a shift system was "a method of performing work" and not a term and condition of employment.

In addition, the Court held that changing of shifts was management's prerogative. As is evident from this brief, through this strike, management has entrenched its right to reschedule whenever it deems this necessary.

2.3.2.2. Passenger numbers

A total number of passengers transported during the year was 13,2m and 508 000 trips were successfully completed under the year under review. This results in the success rate of 98% of planned trips.

In as much as the company demonstrated a success rate of 98%, the passenger figures were affected by the protracted strike (after a protracted strike, passengers take time to return to using Metrobus as they will have lost confidence in it and will also have become accustomed to other modes of transport) and the teething problems experienced during the implementation of new schedules.

2.3.2.3. Financial results and position

The company realised a loss of R6m during the 2010/11 financial year mainly because of revenue lost during the industrial action and additional depreciation resulting from the reassessment of useful lives of assets/buses. This exercise necessitated a restatement of prior-year results.

The deterioration in short-term liquidity by R14m is mainly attributable to repayment of loans to the City.

The company obtained an unqualified audit opinion for the fifth year running. On behalf of management, I would like to thank all those who contributed towards the attainment of the good audit outcome.

2.3.2.4. Future plans

The following is a summary of plans that lie ahead of us:

2.3.2.5. Bio-fuels

Metrobus is committed to implementing environmental management systems to direct its business towards more sustainable environmental transformations. This recognition has given rise to the company's desire to investigate the various fuels that are proven to be environmentally friendly and that will contribute towards reducing global greenhouse gas levels for the protection of present and future generations.

Two projects were undertaken during the year under review, which were, an investigation into the viability of Compressed Natural Gas ("CNG") as an alternative form of fuel and the viability of Ethanol as same.

The following observations were made:

- CNG is a viable alternative fuel option and that the virtual pipeline infrastructure is now in place to accommodate this fuel option. Accordingly, the use of CNG as an alternative fuel can be considered for Metrobus' fleet in future.

- Ethanol is a reliable alternative fuel. A pilot project for using Ethanol was conducted by Metrobus and a single bus was utilised for this investigation. Also, there is a potential to increase the fleet for this pilot.

Based on the pilot, Metrobus has issued a Request for Information ("RFI") for 25 bio-fuel buses for interested parties to provide possible solutions to crude oil fuels.

2.3.2.5.1. Organisational realignment

The future options study for Metrobus has been completed and alternatives have been presented to the Mayoral Committee for approval. The implementation of the preferred option could see the company changing the format in which it has been operating up to now. Transitional arrangements have already been approved by the Board, with the chairman providing additional oversight during the transitional period.
Only critical positions will be filled during this period, to ensure that the company is not exposed to unnecessary risk during the transition.

2.3.2.5.2. Ageing fleet

The discontinuation of the fleet replacement programme during 2007/8 combined with the fact that no additional funds were made available for the refurbishment of buses resulted in Metrobus withdrawing buses from service and in so doing rationalise certain services. The introduction of the Rea Vaya phase 1B will release about thirty-two (32) buses from service; this is expected to relieve some pressure on the existing fleet.
Management is currently investigating strategies of reducing maintenance costs on the ageing fleet. A high level investigation has identified the main causes of breakdowns as engine and transmission over-heating due to *inter alia*, suspect components, exhausts emissions and initial body design. The collaboration with manufacturers could lead to considerable savings in repairs and maintenance during the 2011/12 financial year.

2.3.2.5.3. Improved support services

The Human Resources department will be strengthened during the 2011/12 financial year to improve compliance with Collective Agreements, to improve the relationship between organised labour and management and to provide appropriate professional support to line functions.
The capacitation of the finance department and the building of a team with strong technical skills in that department have been identified as a priority by the Board of Directors. The 2011/12 financial year will see the finalisation of the recruitment process for all vacant positions in finance and the implementation of the second phase of the improvement strategy.

2.3.2.5.4. Enterprise Asset Management

The new Enterprise Asset Management system went live in December 2010. However, several teething problems were experienced during the first few months. Processes for the stores area have been redesigned and vacant positions will be filled during the 2011/12 financial year. Oracle has been engaged to assess the configuration of this module and its interface with the general ledger and then provide training to staff.

2.4. Chief Financial Officer's Review

2.4.1. Overall Financial Performance

The company realised a loss of R6m during the year under review mainly because of a decline in revenues and higher depreciation expense which resulted from revised useful lives and residual values of assets. There is a negative movement of R19,2m in results when compared to the previous financial year.

The table below compares the results of the year under review with previous years.

Results (R'000)	2011	2010	2009	2008	2007
Revenue	396,666	417,444	376,661	370,857	317,706
Expenses	(401,334)	(405,714)	(396,003)	(383,299)	(329,166)
Other	(1309)	1,522	(2,504)	3,021	3,272
Surplus/(Deficit)	(5,976)	13,252	(21,846)	(9,421)	(8,188)

2.4.2. Revenue

The subsidy from the City of Johannesburg makes up 73% of the company's revenue, with fares and contracts making up 22%. However, there has been a decrease in revenue from fares, contracts and other sources. Revenue derived directly from carrying passengers decreased by 22% compared to the previous financial year.

The table below compares operating revenue for the current year with previous years.

Revenue (R'000)	2011	2010	2009	2008	2007
Subsidy	291,841	284,497	265,498	258,343	223,708
Fares	74,281	88,718	84,465	85,540	68,815
Contracts	13,827	24,921	21,658	15,875	11,725
Advertising	7,284	6,858	6,514	6,133	5,077
BRT management fee	3,770	3,693	0	0	0
Insurance	1,598	1,004	148	1,556	589
Tags	764	882	1,073	1,198	429
Actuarial gains (losses)	219	5,577	(5,952)	(477)	5,041
Other revenue	3,082	1,294	3,257	2,689	2,322
	396,666	417,444	376,661	370,857	317,706

2.4.3. Operating Expenditure

Staff costs went up mainly as a result of the collective wage agreement. Depreciation expense is higher compared to previous year because assets with zero carrying amounts had to be reassessed for useful lives and residual values, the expense for the previous year therefore had to be reversed. The reduction in finance costs is as a result of lower loan balances on the City of Johannesburg and INCA loans due to loan repayments during the year. The reduction in Repairs and Maintenance costs is attributable to savings from scrapped buses and cost containment strategies.

The table below provides a comparison of expenses over a five-year period.

Expenses (R'000)	2011	2010	2009	2008	2007
Personnel	186,914	180,868	152,669	136,277	131,478
Depreciation and amortisation	46,501	34,418	46,071	41,455	46,631
Reversal of impairments/Impairment loss	(100)	(1,875)	2,960	(451)	682
Finance costs	20,439	26,730	32,406	39,051	34,379
Bad debts	(354)	747	416	133	64
Repairs and maintenance	43,242	58,142	55,108	52,944	41,387
General expenses	104,691	106,684	106,372	113,890	74,545
	401,334	405,714	396,003	383,299	329,166

2.4.4. Balance Sheet

Net assets have decreased by R0,9m as a result of the loss realised during the year under review. Current liabilities still exceed current assets and this negatively impact on the working capital of the company. The accumulated deficit at the end of the financial year was R54m. The table below provides a comparison of the balance sheet over a five-year period.

Balance Sheet (R'000)	**2011**	**2010**	**2009**	**2008**	**2007**
Non-current assets	251,868	284,356	304,539	337,986	372,710
Held for sale	3,679	0	0	0	0
Current assets	43,693	45,499	62,222	54,830	79,461
Total assets	299,240	317,623	366,761	392,816	452,171
Non-current liabilities	116,998	158,784	226,650	268,453	308,545
Current liabilities	153,957	141,846	124,139	90,590	113,351
Total liabilities	270,955	300,631	350,789	359,043	421,896
Net assets	28,285	29,224	15,972	33,773	30,275

2.4.5. Cash Flow

There is a reduction of R15m in operating activities compared to previous year, mainly because of revenues lost during the strike and the company's participation in last year's FIFA soccer world cup. Of the R15m spent on investing activities, R10m was on engines and gearboxes and R1,3m on computer software. Financing activities are lower because loan balances have gone down.

The table below gives the trend in cash flows over a five-year period.

Cash flows (R'000)	**2011**	**2010**	**2009**	**2008**	**2007**
Operating activities	53,480	68,762	30,179	38,631	48,429
Investing activities	(14,697)	(7,638)	(15,031)	(11,955)	(132,427)
Financing activities	(31,888)	(60,844)	(12,985)	(26,571)	90,271
Net movement	6,895	280	2,163	105	6,273
Bank opening balance	407	127	(2,036)	(2,141)	(8,414)
Bank closing balance	7,302	407	127	(2,036)	(2,141)

2.4.6. Capital Expenditure

Project	Start Date	Expected End Date	Approved Revised Budget R'000	Actual R'000	% Complete	Explanation Notes
Buildings & facilities upgrade	Jul.10	Jun.11	500	313	63%	Repairs and Maintenance to buildings at depots
ITequipment	Jul.10	Jun.11	600	1,823	308%	Incomplete project from previous financial year
Plant, tools & equipment	Jul.08	Jun.11	300	0	0%	Funds spent on other capex line items.
Replacement vehicles	Jul.08	Jun.11	250	0	0%	
Tools and loose gear	Jul.08	Jun.11	250	223	89%	
Engine & gearbox overhauls / replacements	Jul.10	Jun.11	13,226	10,775	81%	Funds committed but payments could not be made due to lead times from placing of orders and delivery of engines and gearboxes.
Total Provided by Own Cash funding			**15,126**	**13,134**	**87%**	
Funded by COJ			**0**	0	0	
All Projects			**15,126**	**13,134**	**87%**	

2.4.7. Capital Projects

- **Building improvements:** All building improvements were put on hold. Only those projects that could not be deferred any longer due to safety requirements had to be attended to. Identified savings were re-allocated to engines/gearboxes.

- **Software purchases:** The outdated FleetAnywhere fleet maintenance and inventory control system was replaced by the Oracle Enterprise Asset Management system during the year under review. This project was scheduled to be finalised by December 2009 but it only went live in December 2010.

- **Computer equipment:** The budget on IT equipment was exceeded due to new equipment required to run applications optimally.

- **Engine and gearbox overhauls or replacements:** The engines and gearboxes for buses were replaced in terms of the asset management policy. Additional funding was made available during the Adjustment Budget process to cater for spare engines and gearboxes

2.4.8. Supply Chain Management

In terms of Supply Chain Management and Broad Based Black Economic Empowerment, the following is worth reporting:

- The current Supply Chain Policy is based on the requirements of the MFMA as well as the Regulations issued by National Treasury.
- The adjudication process is applied as per the MFMA and as per the Supply Chain Policy, as adopted by the Board of Directors in 2007. This policy is currently under review and will be brought in line with Treasury regulations during the 2011/12 financial year.
- The latest Internal and External Audit Reports have identified areas for improvement which are currently being addressed.
- The Bid Adjudication Committee consist of the following senior managers:
    - Chief Financial Officer (Chairman)
    - General Manager: Operations
    - General Manager: Human Resources
    - General Manager: Technical
    - Company Secretary

All tenders with a value exceeding R8 million require approval by the Board of Directors.

2.5. Assessment of Municipal Taxes and Service Charges owed to the Company

Debtor analysis Age	Current	0-30 days	31-60 days	61-90 days	91-180 days	181 days & over	Total
Only one income source: Bus services							
2010/11 Financial Year:							
Q4 - Rand	0	743,401	0	0	0	0	0
- % of total	%	100%	%	%	%	%	100%
Bad debts provision					235 560	395 629	631 189
Q3 - Rand	592,486	0	0	0	0	0	592 486
- % of total	100%	%	%	0%	%	%	100%
Q2 - Rand	1,659,000	280,000	459,000	7,000	444,000	510,000	3,359
- % of total	49%	8%	14%	0%	13%	15%	100%
Q1 - Rand	0	24 288	175 069	10 091 308	478 356	120 170	10 840 615
- % of total		0%	2%	93%	4%	1%	100%
2009/10 Financial Year:							
Q4 - Rand	0	10 120 367	276 103	12 320	874 453	140 293	11 306 841
- % of total		89%	2%	0%	8%	1%	100%
Bad debts provision					235 560	395 629	631 189
Q3 - Rand	0	3 699 473	555 149	450	235 560	124 136	4 614 768
- % of total		80%	12%	0%	5%	3%	100%
Q2 - Rand	0	1 664 516	247 405	262 160	38 214	482 326	2 694 591
- % of total		62%	9%	10%	1%	18%	100%
Q1 - Rand	0	2 116 383	246 182	143 652	235 819	253 727	2 995 763
- % of total		71%	8%	5%	8%	8%	100%

2.6. Statement of amounts owed by Government Departments and Public Entities

Customer	Amount	Current	30	60	90	180	360	+ 360
City of Johannesburg	863	299	16	235	204	109	0	0
Dept Public Transport	25	0	0	0	0	25	0	0
Johannesburg Water	8	0	2	0	6	0	0	0
Metrorail	228	0	0	0	0	228	0	0
	1,124	299	18	235	210	362	0	0

Most of the invoices outstanding from the City Of Johannesburg were subsequently paid after year-end. Services to Metrorail and the Department of Public Transport are under dispute and discussions are on-going.

2.7. Directors and Senior Management Remuneration

The table below indicates salaries of senior management for the period under review:

Name	Designation	Basic Salary	Allow. + Contrib.	Bonus, 13th cheque	Total	Upper limits determined by the City
H van Laar	Managing Director	R 1,207,783	R 192,854	R 129,943	R1,530,580	R 1,248,365
J Wannenburg *	Chief Financial Officer	R180,936	R 0	R 97,724	R 278,660	R 0
M Tema	GM: Human Resources	R 601,423	R 60,448	R 66,419	R 728,290	R 728,290
Z Heldsinger*	Company Secretary	R 13,134	R587	R 0	R 13,721	R 0
D Gregory	GM: Technical	R 726,227	R8,642	R 97,724	R 814,087	R 726,163
L Maqekoane	CFO	R856,272	R43,728	R 0	R 900,000	R 900,000
NP Maduka	Company Secretary	R520,000	R 7,800	R 0	R527,800	R 520,000

*These Senior managers resigned from Metrobus at the beginning of 2010. In particular, Ms Zenobia Heldsinger resigned at the end of February, Mr Lieselane Phasha at the end of March and Mr Johannes Wannenburg at the end of April. Mr Lawrence Maqekoane and Mrs Philipa Maduka joined the Company in June 2010.

Allowances

The following allowances were paid to senior management in lieu of assisting with the management of BRT activities.

- H van Laar: Managing Director R135, 107
- D Gregory : GM: Technical R78, 589

Provision was made for these allowances in the monthly management fee levied from Clidet. Clidet also remunerated Metrobus per se for the time spent on such activities of these candidates.

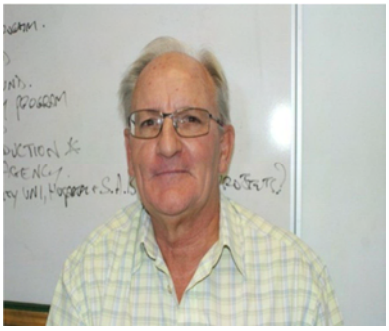
2.8. The Executive Management Team

Mr Herman Van Laar is the Managing Director for Metrobus. He has over 20 years experience in the public transport industry and he possesses the following qualifications:

- M.Com Transport Economics (2001).
- B Com. Hons. (1997)
- Transport Management & Economics, B. Com. (1991)

Mr Lawrence Maqekoane (Chief Financial Officer)
He has the following qualifications:

- BCom (Hons)
- Post Graduate Diploma in Strategy & Corporate Governance.



Mr D Gregory (General Manager: Technical) has the following credentials:

- Final certificate of the Institute of Road Transport Engineers
- Final City and Guilds certificate of mechanical engineering
- National Executive board of business studies – diploma in supervisory
- Corporate member of the institute of Road Transport Engineers
- Registered Technician CEI
- Corporate member of the chartered institute of transport

Mr M Tema (GM: Human Resources Department) is qualified with a National Diploma in Public Administration.

Mrs Philipa Maduka (Company Secretary)

Philipa is qualified with a Bachelor of Laws Degree (LLB) and is an admitted attorney of the High Court of South Africa.

Mr Babs Narain is the General Manager Operations.

3. Highlights and Achievements

Improved cost management results were achieved during the period under review. Below is a detailed narration of the activities and achievements that took place up to 30 June 2011.

3.1. Realignment of the company structure

Following the realignment of the company structure, the position of business unit managers was done away with in an effort to increase efficiencies. Previously there were three business unit managers and with the restructuring, two of the incumbents were promoted to the positions of Planning Manager and Group Operations Manager, respectively. The third incumbent who was a senior business unit manager resigned and took up employment with the City of Johannesburg's Transportation Department.

To improve the handling and speedy resolution of disciplinary cases within the Operations department, a supervisory structure at lower management level was introduced. At present, Metrobus' Operations department is applying the "unit concept", in terms of which a supervisor is responsible for managing between forty and fifty drivers.

The realignment of the Operations department structure was successfully concluded and consultations with labour were undertaken.

3.2. Rescheduling of the services

A shift task team was formed following the Strike Settlement Agreement reached on 22 March 2011. The terms of reference for the task team was to assist Management with identifying shifts that were not operating effectively and to assist with the resolution of such challenges. This task team was made of some drivers and union representatives.

When the revised shifts became operational, there were teething problems experienced and with the aid of the task team, Management effected some amendments to some shifts which were not running smoothly.

The rescheduling exercise has resulted in substantial savings mainly of buses, drivers, licence and salary costs.

3.3. Revenue protection

Throughout the financial year, Management continued with revenue protection initiatives. Route auditors were introduced to monitor drivers' on-route performance. The route auditors were an external inspectorate company appointed by Management. Historically, it has been evident that after a protracted strike such as the February/March 2011 strike, some drivers engaged in acts of pilferaging and therefore Management decided to be pro-active in protecting revenue generated during that period.

Reports were generated after inspections on route were performed by the appointed route auditors and a survey conducted towards the end of the financial year indicated that the theft rate had dropped from 9.37% to 2.07%.

3.4. Fare Collection System

The company has been making use of an old fare collection system which has exceeded its' useful life. The system is currently 11years old.

Metrobus in conjunction with the City of Johannesburg's core transportation department commenced with a process of appointing a service provider to oversee the tender process for a new fare collection system.

At the end of the financial year, the tender process had commenced and it will carry on and should be finalised in the new financial year.

3.5. Permit applications for name change

Metrobus' application for the operating licences was approved by the Gauteng Operating Licence Board (GOLB) on 15 March 2011.

The second leg of the process is that all the buses must go through an inspection test and obtain a valid Certificate of Road Worthiness. Once a bus has been inspected by a Government Inspectorate Testing Station, it receives a "Pass Out" certificate and only then will that bus obtain a permit.

Metrobus obtained "Pass Out" certificates for 134 buses. At the time of reporting, eighty-five (85) permits had been issued.

Outstanding are three-hundred and twenty-three (323) buses which still need to go through the passing out process. It is anticipated that the process will be completed in the next financial year.

3.6. Performance Scorecard

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
Supplying effective mobility to the citizens of the City of Johannesburg in support of the broader economic and social goals of the City and its people.	Employee Satisfaction levels (Staff Satisfaction Index)	0	Sample of 300 employees. 80% SSI target.	Above 300 employees	The Company participated in the City-wide employee survey which was conducted in March 2011.
	Wellness: HIV/AIDS (Attendees at HIV training)	0	38	38	Peer Educators had an office-to-office campaign in view of educating their peers about the candle lighting memorial and care month. Eighteen (18) Managers were trained in May 2011 on HIV/AIDS Management in the workplace and twenty (20) Peer educators were also trained in April on HIV/AIDS basic facts, Art management, Circumcision, Drug literacy, TB DOT Support and HCT campaigns. The training took place from 18 – 20 April 2011.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Bus operators incentive programme (Number of drivers rewarded)	0	0	0	The company commenced with the implementation of the revised organisational structure in the third quarter of the 2010/11 financial year. The revised organisational structure encapsulates the unit concept and link the performance of that unit (drivers and operations superintendent) to an incentive scheme. A proposal in this regard was presented to the Board for consideration and approval. The Board indicated that the incentive scheme should be put on hold because there was need to first have a strategy to address driver behaviour and attitude.
	Staff ratio (Crew to non-crew ratios)	1.33	1.33	1.32	The number of support staff exceeds the acceptable ratio.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Employment Equity	85%black, 6.5% coloured, 1% Indians, 7.4% white, 17% women& 4% pwd.	85%black, 6.5% coloured, 1% Indians, 7.4% white, 17% women& 4% pwd.	85.9% African ;7.2% Coloured,1.3% Indian 5% White,16.8% Women & 0.5% pwd	
	Human capital utilisation (Employees per bus)	Operations 2.03 Technical 0.14 Administration 0.09 2.26	Operations 2.03 Technical 0.14 Administration 0.09 2.26	Operations 1.50 Technical 0.39 Administration 0.15 2.0	
	Skills Development: Number of learnerships created	21	21	40	This is an accumulative target. The annual target is to create 40 learnerships. These are created subject to approval from the Transport Education and Training Authority (TETA).
Johannesburg in support of the broader	Control of ticket theft (% of trips inspected/ theft detection rate)	8% of all live trips operated	8% of all live trips operated	7.78%	Target not met.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Adequate capital investment (Return on assets)	15%	15%	12%	This target was not met. It is important to note that only Bus Fares, Advertising and Contract revenue are used to calculate the return on assets. Assets exclude revaluation surpluses/deficits and intangible assets.
	Asset utilisation (Revenue km as a proportion of total vehicle km)	0	0.75%	0.73%	Target was not met This target was not met mainly due to the inefficient bus schedules. The finalisation of the rescheduling during the final quarter assisted improving the situation.
	Cost Management (Cost per vehicle revenue km)	Q1 = R37.60 Q2 = R37.60 Q3 = R37.60 Q4 = R37.60	Q1 = R37.60 Q2 = R37.60 Q3 = R37.60 Q4 = R37.60	Q1 = R41.85 Q2 = R47.40 Q3 = R96.34 Q4 = R43.10	Target was met.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Cost Management (Cost per passenger km i.e. the cost of carrying one passenger per kilometre)	Q1 = R1.50 Q2 = R1.50 Q3 = R1.50 Q4 = R1.50	Q1 = R1.50 Q2 = R1.50 Q3 = R1.50 Q4 = R1.50 – annual R1.50	R8.81	The annual target was seriously impacted due to certain fixed costs still incurred due to the prolonged strike, whilst not conveying hardly any passengers. When the services resumed, two days free travel was granted to commuters as a goodwill gesture which exacerbated the situation.
	Revenue Management Revenue per passenger per kilometre	0.26	0.26	1.15	Target was exceeded.
	% Number of passenger kilometres of travel per seat kilometre of service capacity	42.0%	42.0%	42.70%	Target was met.
	Number of passengers carried	16,919,900	16,919,900	13,156,859	This target was not met due to industrial unrest which took place in the third quarter and negatively impacted on passengers conveyed during this period.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Business Growth (Total passenger)	1.57%	1.57%	1.51%	This KPI measures the number of passengers carried per revenue kilometre. Target was not met due to the industrial unrest referred to above.
	Other sources of revenue (private hire and charter)	R6,400,000	R6,400,000	R8, 599,472	Despite the reduced revenue generated during the third quarter, as a result of the strike, the final quarter and the annual targets were exceeded.
	Service Reliability (km/Breakdowns per bus)	0-5 Years 30,000 Km 6-10 Years 7,000 km 11 Years 2,500 Km	0-5 Years 30 000 Km 6-10 Years 7 000 km 11 Years 2,500 Km	0-5 Years 17,724 Km 6-10 Years 6,223 km 11 Years 2,811 Km	Given the age of the fleet, all the units are performing within the expected parameters. Due to financial restrictions no mechanical or body refurbishment programme was put in place. This affected the overall road performance of these units.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Percentage of completed trips	99.00%	99.05%	98.34%	The annual target was not met by a mere 0.66%.The rescheduling exercise has improved bus availability and this was evidenced in the final quarter; however the aging fleet is also a contributory factor.
	Customer complaints per 100 000 passengers carried	7.48	7.48	8.98	The annual target was exceeded mainly due to complaints related to the rescheduling exercise and largely due to the subsequent go slow which culminated in a strike.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Percentage of travellers who are 'satisfied' or 'very satisfied' with the services provided	81% as per CSI conducted in 2006/2007	87%	59%	The customer service survey (CSI) was conducted in the last quarter and it was not surprising to note the low level of satisfaction amongst commuters. Contributing factors that adversely affected the results relate to:-1) Changes on the schedule and time table that resulted in sabotage from drivers which culminated into a 5 week full blown strike.2) Survey was conducted soon after the strike and during a period where the new schedules were still not perfect. In terms of reasons why passengers use Metrobus, there is a decline in the number of passengers who do not perceive Metrobus as cheaper and reliable.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Safety (Number of accidents per 100 000 vehicle kilometres travelled)	0	20 per quarter	23.8	The annual target was not met due to some reported incidents of reckless driving by some drivers. The depots are now concentrating on disciplining drivers for accident related offences.
Supplying effective mobility to the citizens of the City of Johannesburg in support of the broader economic and social goals of the City and its people.	Number of on-board security incidents (e.g. assaults) reported to Metrobus drivers per 1000 passengers trips	0	0	1.25	The annual target was not met due to the stoning incidents during the strike in the third quarter where five buses were damaged.
	Audit Report	Unqualified audit	Unqualified audit	Unqualified	The Company obtained an unqualified audit.
	Broad-based Black Economic Empowerment	75% as per City of Johannesburg target	75%	85%	The target was exceeded. Companies are submitting their BEE credentials and the database is being updated, hence the target was exceeded.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Conversion of permits to operating licenses	0	485	85	The process of sending buses to the testing station for fitness test is underway. Thereafter permits will be received.
	Number of public transport maps and timetables booklets printed and distributed	50 997 single sheet timetable	60 000	154 284	The target was met.
	To ensure effective financial management % Spend against approved OPEX budget	100%	100%	-720%	
	% CAPEX spent against approved budget	100%	100%	87%	
	Reconciliation of Intra Company Balances with other ME's	100%	100%	100%	The company continues to perform monthly confirmations of the outstanding amounts with other municipal entities in the Group. All are being attended to in detail as part of the month-end audit processes with the due date for submission as set by COJ Group Finance.

Key Operation	KPI	Agreed Benchmark	10/11 Target	Current State	Comments
	Reconciliation of Inter Company Balances with the COJ	100%	100%	100%	There were no outstanding amounts in dispute. Inter Company accounts with CoJ and Treasury were balanced and confirmed at the end of the year.

CHAPTER FOUR: CORPORATE GOVERNANCE

4. Introduction

Metrobus' Board comprises of 8 directors; 7 of which are Non-Executive Directors and one (1) of which is an Executive and Managing Director.

The Board is committed to adopting sound corporate governance practices throughout its business to protect the interests of the entity and its stakeholders.

The Company endorses the Code of Corporate Practices and Conduct contained in the King lll Report on Corporate Governance ("King lll").

4.1. Statement of Compliance

The directors, to the best of their knowledge and belief, are of the opinion that throughout the accounting period under review, the entity has complied with the principles set out in King III and with the specific requirements relating to corporate governance set out in the Companies' Act, the Local Government: Municipal Systems Act ("MFMA"), the Municipal Systems Act ("MSA") and the Municipal Structures Act ("MSA").

4.2. Code of Ethics

The Executive Management team put together the entity's code of ethics in the period under review. The Code was recommended to the Board sub-committees and the Audit and Risk Committee referred back the Code for review by the Internal Audit function. The Code will be re-tabled with the sub-committees in during the 2011/12 mid-year.

Metrobus has however, adopted the City of Johannesburg Ethical Standards. The Company subscribes to these standards whereby all employees and management are required to embrace these standards which form the basis of ethical behaviour especially in conduct towards the communities, colleagues and other stakeholders.

The following ethical values/standards apply to all employees of Metrobus:-

- to be accountable to the community that they serve and act on behalf of the residents of the City by focussing their efforts in discovering and meeting their customer's needs;
- to be transparent and open to scrutiny in all that they do;
- to be honest and uncompromising in producing work that meets the service delivery requirements of the City;
- to be committed to the transformation of our society and workplace and to ensure equity and anti-discrimination in all that they do;
- to show concern for people, support and respect their colleagues and encourage the growth and development of everyone they work with;
- to value and secure the fair and consistent treatment of staff and customers; and
- to support transparent participation, promoting fair, yet efficient, decision-making while encouraging individuals to accept responsibility for their work and contribution to the City.

4.3. Breach of Governance Procedures

During the 2010/11 period, no governance procedures were breached. As such the Company Secretary in monitoring and recording such activities has reported that Metrobus has practiced good governance in accordance with the recommendations set out in the City's Governance Protocol as well as King ll and lll Reports on Corporate Governance.

4.4. Conflict of Interest

In order to avoid any potential conflict of interest, directors and officials of the Company sign declarations of interest forms. The Company's Executive Management Team signs these declarations on an annual basis, whereas Non-Executive Members sign the forms at every Committee or Board meeting. In this declaration they are expected to disclose any interest that they, their spouses or members of their immediate family may have in the business of the Company. Beyond this annual declaration of interest, directors and officers are also expected to declare any interest they may have in the business that is to be transacted at each meeting they are attending. This is formally recorded in the minutes of such meeting.

4.5. Governance Structures

4.5.1. Board of Directors

The Board has a Charter that governs its activities. The Charter incorporates provisions of the Corporate Governance protocol of the Shareholder. Metrobus' practices are, in all material respects, in line with the principles set out in the King II & III Reports on Corporate Governance. Ongoing steps are, however, taken to align practices with the report's recommendations. The Board continually reviews the progress made to ensure that the Company improves its corporate governance.

4.5.2. Composition of Board of Directors

As at the date of reporting, Metrobus had seven Board Members. The Board currently comprises six Non-Executive Directors and one Executive Director, who is the Managing Director. All the Board Members were appointed in accordance with the company's Articles of Association and the Local Government: Municipal Systems Act.

The Directors are appointed by the City and bring to the Board a wide range of expertise as well as significant financial, commercial, government and legal experience.

The Board is governed by a formal Board Charter setting out composition, processes and responsibilities and includes a Delegations of Authority policy which sets out a clear balance of power and authority to ensure that no one director has unfettered powers of decision-making.

The table below reflects the composition of the Board of Directors for the 2010/11 financial year:

Board Member	Capacity: ED/NED	Date of Appointment	Race	Sex	Qualifications
VZ Mntambo	NED & Chairman	1 January 2006 (As Chair 30 January 2007)	Black	Male	LLM (1988), LLB (1986), B. Juris (1983)
C Bunting	NED	10 August 2006	Black	Male	MBA (2004), National Diploma in Internal Auditing (1996)
K Setzin	NED	30 January 2007	Black	Male	MBA (1990), BA (Journalism and Advertising) (1988)
K Naidoo	NED	30 January 2007	Indian	Male	B. Com., NACCA Computer Auditing Certification, MBL (Incomplete)
J Nkeli	NED	1 January 2006 **Retired in January 2011**	Black	Male	Diploma in Financial Management (Incomplete) Legal Attorneys Exam, B. Proc
H Sutherland	NED	January 2011	White	Male	Advanced Technical Certificate part II (N5) Mechanical Engineering. Diesel Technician - Leyland Motors SA, Natal. Certified Cummins Engine Technician (N14 STC & Celect Plus engines) ID No A082177

Board Member	Capacity: ED/NED	Date of Appointment	Race	Sex	Qualifications
M Manyama-Matome	NED	23 January 2009	Black	Female	B.com (Accounting) (1997), B.Compt Honours (1999), CA(SA) (2002), B.com Hons (Tax) (2003), MBA (2007)
D Nyalunga	NED	23 January 2009	Black	Female	CA (SA) (1996)
H van Laar	ED	1 June 2008 Resigned on 1 July 2011	White	Male	M.Com Transport Economics (2001) B Com. Hons. (1997) Transport Management & Economics, B. Com. (1991)

Mr Vincent Zwelibanzi Mntambo
Chairman

Mr Herman van Laar
Managing Director
Resigned at the end of the financial year

Mr Jeremiah Nkeli
(Human Resources and Remuneration Committee Chairman)
Retired from the Board in January 2011.

Mr Kumaran Naidoo
(Audit and Risk Committee Chairperson)

Ms Danile Nyalunga
(Board Member and sits on Human Resources and Remuneration Committee)

Mr Comfort Bunting
(Board Member and sits on Audit and Risk Committee)

Mrs Maureen Manyama-Matome
(Board Member and sits on Audit and Risk Committee)

Mr Hugh Sutherland
(Board Member)

Mr Kenneth Setzin
(Board Member and Human Resources and Remuneration Committee Chairman from January 2011)

4.5.3. Board Induction and Training

All Non-Executive Directors should receive board induction when they join Metrobus. This induction programme is tailored in accordance with each director's own background.

Board training or continuous education takes place in the form of reports presented to the Board from time to time by the Company Secretary on matters of compliance and new legislation.

The City of Johannesburg's Shareholder Unit also indulges in training the Board when they present feedback on Board assessments.

4.5.4. Board Committees

The Board Committees consist of an Audit and Risk Committees, Human Resources and Remuneration Committee, and the Executive Committee.

The Board and sub-committees of the Board are scheduled to meet at least four times each year. Non-executive directors have access to all members of the Company's management team.

4.5.4.1. The Audit and Risk Committee

Up until October 2010, the Audit and Risk Committees existed separately. The two Committees were merged to form one Committee, namely, the Audit and Risk Committee ("the Committee").

The Committee comprises of the following Members: Mr Kumaran Naidoo (Chairman of the Committee and who is a Non-Executive Director), Mr Comfort Bunting (Non-Executive Director) and Mrs Maureen Manyama-Matome (Non-Executive Director) together with Independent Audit Committee Members Ms R Kenosi, Dr DP van der Nest and Mr K. Moyo appointed by the City in compliance with the MFMA.

4.5.4.1.1. Roles and responsibilities

The role of the Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with Management and the internal and external auditors.

The Committee operates in accordance with a Charter authorised by the Board of Directors and which provides assistance in the following areas:

- Compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosures;
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/ approval of external audit plans, findings, problems, reports and fees;
- Monitoring of Risk issues identified by the Risk Sub-Committee;
- Compliance with the Performance Management System;
- Reviews and assessments of the integrity of the risk control system and is responsible for ensuring that the risk policies and strategies are effectively managed;
- Monitoring external developments relating to the practice of corporate accountability;
- Reporting to the Board on specifically associated risks, including emerging and prospective impact on the organisation.

The Committee exercised its responsibilities in accordance with the terms of the MFMA and its Charter during the year.

The Committee considers the annual financial statements of Metrobus to be a fair presentation of its financial position on 30 June 2011 and of the results of its operations, changes in equity and cash flow for the period ended then and presented in accordance with GRAP and the Companies Act.

The Committee met five (5) times during the year under review. Prior to the merger of the Audit and Risk Committees into one Committee, the Risk Committee had met once.

4.5.4.2. Human Resources and Remuneration Committee ("REMCO")

4.5.4.2.1. Roles and responsibilities

The Committee comprises three Non-Executive Directors' namely Mr Jeremiah Nkeli who was the Chairman of the Committee until January 2011 when he was retired, Mr Kenny Setzin and Ms Danile Nyalunga who serve as Members of the Committee.

In consultation with the full Board, the Committee determines the remuneration of the Managing Director and the Executive Officers, also in compliance with the Upper Limits determined by the City from time to time. The Committee is also responsible for evaluating and approving the human resources policies and procedures, the employment equity plan and the workplace skills plan.

The Human Resources and Remuneration Committee met on five occasions during the year.

4.6. Executive Committee

The Executive Management Committee ("**EXCO**") is chaired by the Managing Director (Mr Herman van Laar*) and comprises of the following listed officials:

Mr Lawrence Maqekoane (Chief Financial Officer);
Mr Baba Narain (GM: Operations)
Mr Zwitwaaho Mushophe (co-sourced internal audit)
Mrs N.P. Maduka (Company Secretary); and
Mr Moses Tema** (GM: Human Resources)
Mr Dave Gregory* (General Manager: Technical)
* These members were EXCO Members in the period under review but they resigned at the end of the 2010/11 financial year.
**Mr Tema's contract was terminated in May 2011.

A representative from the City's Transportation Sector has a standing invitation to attend meetings.

EXCO meetings are held at least once every month.

4.7. Board and Committee meeting attendance

NON EXECUTIVE DIRECTORS REMUNERATION					
	Name	**Designation**	**Meeting Fee**	**Retainer**	**Total**
1	Vincent Mntambo	Board Chairperson and NED	R29, 760.00	R39,675.00	R69 435.00
2	Comfort Bunting	NED	R14,880.00	R19,840.00	R34,7200.00 Waived 50%=R17,

					360.00
3	Kenneth Setzin*	NED	R27, 780.00	R19,840.00	R47,620.00
4	Kumaran Naidoo	Audit and Risk Chairperson and NED	R29,760.50	R19,840.00	R49, 600.00 Waived 25% =R37, 200.00
5	Jeremiah Nkeli	REMCO Chairperson and NED-**Retired in January 2011**	R10, 912.00	R19,840.00	R30, 752.00
6	Maureen Manyama-Matome (New)	NED	R23,810.00	R19,840.00	R43, 650.00
7	Danile Nyalunga	NED	R34, 722.00	R19,840.00	R54, 562.00
8.	Hugh Sutherland	NED	R4,960.00	R00.00	R4,960.00
TOTAL			R176, 584.00	R158, 715.00	R305, 539.00

NED- Non-Executive Director

*Kenny Setzin was appointed as the Chairperson of the Human Resources and Remuneration Committee Chairperson following the retirement of Jeremiah Nkeli in January 2011.
Mr Sutherland was appointed in January 2011 and therefore did not receive a retainer for the 2010/11 financial year.

Independent Audit Committee Members

INDEPENDENT AUDIT COMMITTEE MEMBERS REMUNERATION					
	Name	**Designation**	**Meeting Fee**	**Retainer**	**Total**
1	D.P. van der Nest	Audit Steering Committee Chairperson	R19, 840.00	R19,840.00	R39,680.00
2	Rene Kenosi	Member	R17,860.00	R19,840.00	R37, 700.00
3	Kwanele Moyo	Member	R13, 890.00	R19,840.00	R33,730.00
TOTAL			R51, 590.00	R59, 520.00	R111,110.00

4.8. Company Secretarial Function

The Company Secretary is responsible for the following areas of Metrobus' business:

- Corporate Governance
- Legislative & Statutory Compliance
- Secretarial
- Legal Advice
- Contract Management Unit and
- Risk Management.

The Company has complied, and is in compliance, with the Companies Act and all other applicable legislation. The Company simultaneously complies with the King lll Report on Corporate Governance and the Local Government: Municipal Finance Management Act (MFMA) and the Local Government: Municipal Systems Amendments Act as amended.

Critical to Corporate Governance is the induction of new Board Members and also the evaluation of the Board. Previously the Company's Board of Directors have not been inducted. However, starting with as well as the nature of the environment in which they will be operating.

In addition, the Company Secretary assists with the evaluation process of the Company's Board of Directors.

CHAPTER FIVE : SUSTAINABILITY REPORT

The King III Code of Governance in South Africa, which is recognised as a highly progressive standard internationally, calls for integrated sustainability reporting among other governance requirements. Metrobus is largely dependant on the subsidy received from the City of Johannesburg in running its operations. On the other hand, the Turnaround strategy referred to earlier on focuses on applying cost savings principles within the entity.

Management also appreciates and endeavours to protect the value of its stakeholders through managing the non-financial factors impacting on the entity's economic performance.

5.1 Sustainability vision

Metrobus aims to meet the needs of its customers and the community in a sustainable manner, for the benefit of our society and without compromising the quality of life of future generations.

We seek to be among the best sustainability performers internationally, consistent with the principles of ensuring our future, working together, commercial ownership and creative customer solutions.

5.2 Sustainability Commitments

Metrobus' Corporate Social Investment principles are underpinned by the concept of sustainable development as provided for in the King lll Report on Governance for South Africa. The policy of Metrobus is to act as a facilitator rather than as a sole sponsor of social investments projects. In this way, the long-term sustainability of projects is encouraged, additional donors attracted and formerly disadvantaged communities are empowered. Metrobus mainly partners with the Johannesburg Zoo as part of its Social Investment Responsibilities and it provides free or discounted transport to disadvantaged groups and social organisations. Free entrance and animal demonstrations or ferry rides are provided by the Zoo.

In July 2010, Metrobus sponsored the transport for SABC staff to travel to the Emthonjeni Fountain of Life Care Centre at Sweetwaters Informal Settlement, to participate in the Mandela Day project which involved painting the premises of an orphanage.

The Realeka Youth Development in Rockville, Soweto, participated in the zoo project in August 2010 and the young people enjoyed all the exhibits and activities offered by the Zoo for Primate Week, in their programme for August.

In October 2010, Metrobus provided a zoo excursion for the Scallywags Play School kids in Norwood and in November the Heerengracht Primary School in Eldorado Park participated in the zoo initiative. Free transport was provided for the aged to attend a Christmas Party on 12 December and a discount was granted to the Catholic Church who hosted a Christmas party for disadvantaged children.

Two zoo visits were undertaken during May and June 2011. A group of 90 children and 4 care-givers from the Nomthandazo Children's Care Centre visited the Johannesburg Zoo. On the other hand, a group comprising 43 children and 7 care-givers, from an organization called Compass (Community Provision and Services), also participated in the zoo visits.

5.3 Audit and Risk Committee ("ARC") Report

The ARC is a committee of the Metrobus board of directors and has statutory responsibilities in terms of the Companies Act No. 71 of 2008; it assists the board through advising and making submissions on financial reporting, oversight of the risk management process, internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company. The ARC has formal terms of reference and this report has been prepared as well in terms of the Municipal Finance Management Act no. 56 and related legislation.

In October 2010, the Audit and Risk Committees were merged to form one Committee, namely the Audit and Risk Committee.

Composition

The ARC consists of the following members:

- Mr Kumaran Naidoo (Chairperson);
- Mrs Maureen Manyama-Matome;
- Ms Rene Kenosi;
- Mr Kwanele Moyo; and
- Dr Daniel P. van der Nest.

The Managing Director, Chief Financial Officer, all the other Executive Management team members and representatives from the external and internal auditors attend the committee meetings by invitation only. The internal and external auditors have unrestricted access to the audit committee.

Meetings

The ARC met five times (5) for the financial year ended 30 June 2010. Prior to the merger of the Audit and Risk Committees into one Committee, the Risk Committee had met once.

Statutory duties

The ARC has discharged the functions in terms of its charter and ascribed to it in terms of the Companies Act and the Local Government: Municipal Finance Management Act ("MFMA") as follows:

- Accepted the appointment of the Auditor General of South Africa ("AGSA") as auditor, who, in our opinion is independent of the Company;
- Took appropriate steps to ensure the financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Act;
- Reviewed and discussed the audited financial statements with management;

- Considered and, when appropriate, made recommendations on internal financial controls
- Dealt with concerns or complaints on the content of annual financial statements, and internal financial controls; and
- Reviewed legal matters that could have a significant impact on the organisation's financial statements; and
- Recommended the internal audit charter for approval to the Board.

The Effectiveness of Internal Control

Throughout the period under review, the ARC assisted the Board in discharging its duties by:

- Monitoring the systems to safeguard the Company's assets;
- Monitoring the establishment of and compliance with the enterprise risk management policies and procedures;
- Monitoring compliance with applicable laws, regulations and standards;
- Monitoring the adequacy of corrective action taken in terms of the recommendations and observations of internal and external auditors;
- Reviewing financial information and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards; and
- Overseeing the performance of the internal audit function and the external auditors.

Finance Function

The Committee believes that Mr Lawrence Maqekoane, the Chief Financial Officer ("CFO") has the appropriate expertise and experience to fulfil his responsibilities.

During the year under review the ARC was not satisfied that the finance unit had the appropriate capacity. However, the Committee has approved a strategy developed by the CFO to ensure the finance department is fully capacitated and is therefore satisfied that this challenge will be addressed.

Oversight of Risk Management

In accordance with section 94 (7)(i) of the Companies Act, the ARC has satisfied itself that the process and procedures for risk management are adequate to ensure that financial risks are identified and monitored.

The Committee has satisfied itself that the following areas have been appropriately addressed:

- Financial reporting risks;
- Internal financial control;
- Fraud risks as it relates to financial reporting; and
- IT risks as it related to financial reporting.

Integrated Report

The Board of directors delegated the authority to approve the draft 2011 consolidated annual financial statements and the integrated report to the ARC on 25 August 2011. The audit committee approved the submission of draft financial statements and integrated report to the external auditors and related stakeholders.

External Auditors

The ARC is satisfied that the Auditor General of South Africa ("AGSA") is independent in accordance with section 270A of the Corporate Laws Amendment Act, and as such supported the re-appointment of the AGSA as the registered auditors for the 2012 financial year.

Discharge of Responsibilities

The Committee is satisfied that during the financial year under review it has discharged its legal and regulatory responsibilities.

Kumaran Naidoo
Chairperson of the Audit and Risk Committee

5.4 Risk Management governance and processes

The Audit and Risk Committee exercised its responsibilities in accordance with the terms of its Charter during the year under review.

Below is a brief report on the top strategic risks identified for the organisation and Management's mitigating action programmes to address these risks.

Risk Name	The Risk	Mitigation
Volatility of Labour Relations	"-Historical strike action and unresolved labour/management issues. -Resistance to a change of culture to that of a commercial environment which is enhanced by low work ethics -Powerful external influence of stakeholders strengthens the power of trade unions. -Unions continuously attempt to discredit and challenge management for own gains -Lack of will from middle management to address discipline -Poor cash control systems on route. -Lack of participation in the SALGBC".	1) The resolutions of RBE are being implemented and consultation with labour is taking place on an ongoing basis. Some are however subject to funding being available which may delay the implementation thereof. 2) The meetings are taking place with depots. 3) The monthly meetings have commenced and will assist in improving controls. 4) The tender for the service provider who will prepare the specifications for the cashless electronic ticket machines has been completed. The tender needs to be presented by CoJ to the CENTRAL ADJUDICATION COMMITTEE for approval. 5) An outside inspection company has been appointed on a short term basis to assist in reducing pilferaging. Tender briefing has been made for the purpose of appointing a panel of Service Providers in order to entrench this concept.
Increased bus operational costs	"-Ageing of bus fleet"	1. The Request For Information (RFI) proposal has been undertaken to procure 25 Ethanol buses.
Business Interruption	"-There is no Business Continuity Management plans in place (including a IT Disaster Recovery Plan) -Industrial action	1. The service provider has been appointed to assist with the IT DRP however the Service Level Agreement has not been finalised.(2) BCP has been developed and will be presented to the Audit and Risk Committee for recommendation to the Board of Directors for approval in the new financial

		year. .
Financial Sustainability	"-Ad-hoc subsidy allocation. -Passenger fares not cost related -Staff expenditure exceeds bus industry norms. -SDA is not aligned to the Metrobus service delivery challenges -Uncertainty about the future role of Metrobus in the City -Ageing fleet threatens efficiency of operations, bus renewal programme stopped due to BRT and poor balance sheet. -History of financial losses -Loss of market share"	1. The reviewed SDA has been signed 2. The Board of Directors have made recommendations to the Mayoral Committee. 3. Turnaround Strategy has been developed and approved by Board. The majority of actions have been implemented and start to deliver the desired results. The Turnaround strategy has as main focus the improvement of the Company's financial position.
Skills Shortage	"-Scarcity of specialized skills in the market -Struggling to attract suitable prospective employees -Non competitive remuneration packages for critical positions".	1) The list of training needs is compiled and submitted to TETA.The training needs are made in such a way that they result into Return on Investment (ROI) through consultation with Departmental Head. 2) Students are given opportunity through learner-ships i.e. the department such as HR has interns. Technical has also had a program of Repair Shop Assistants and these have been absorbed into the system. Driver learners are still undertaken in Operations department. 3) Retention strategy is being developed.
Inadequate Management Information System (MIS) and its availability	"-Management Information Systems do not adequately meet reporting and decision making requirements -Insufficient quality and integrity of information -Outdated/redundant equipment (e.g. Ticketing machines, computers etc.) -Budget constraints for new systems"	1. The tender for the service provider who will prepare the specifications for the cashless electronic ticket machines has been completed. The tender needs to be presented by CoJ to the CENTRAL ADJUDICATION COMMITTEE for approval.2. Oracle system has been implemented, however challenges are still experienced with user competence, Operations is working close with the finance to develop reliable financial information system that will ensure good decision-making.

5.5 Stakeholder engagements.

The Section 79: Transportation Portfolio Committee ("the Section 79 Committee") noted, *inter alia*, the following reports:

- A report on Skills Development and Training;
- A report on mechanisms implemented to address the issue of unacceptable driver attitude; and

- A report on the Turnaround Strategy introduced at Metrobus.

Metrobus was also requested by the Section 79 Committee to give attention to, *inter alia*, the following:

- A plan on how to improve on the quality of reporting due to the exodus of senior managers;
- To provide a report on the reduction of the number of accidents experienced; and
- An explanation as to why it appeared as if older buses incurred fewer breakdowns in comparison to the newer buses.

A discussion on the Commuter Forum and its participation during the period under review is covered under the Managing Director's report.

Transformation and empowering employees

Metrobus currently employees more than eight-six percent (86%) black people.

With regards to empowering employees, there is a skills development department that assists employees to obtain relevant skills to the workplace.

Out of the 463 planned training for the Workplace Skills Plan ("WSP") 2010/11, a total of 392 training interventions for various occupations were completed, which translates to an eighty-five percent (85%) achievement and well above the Transport Education Training Authority ("TETA") target requirement of 50%.

The training needs/interventions for the WSP 2011/12 financial year were tabled in the training committee meeting held towards the end of the 2010/11 financial year and were thus authorised by the forum for submission to TETA.

A total of 173 different trainings for various occupations were submitted thereof, as needs/interventions for the TETA WSP 2011/12. However, there is provision for other training interventions to be included in the reporting as TETA allows for deviations from the plan should there be any.

Employee Wellness

Metrobus provides in-house counselling for its employees. Employees and their families are seen on an individual basis for counselling intervention, for trauma debriefing and trauma counselling. Trauma counselling was offered during the five week protracted strike following isolated incidents of violence.

Two employees were trained on HIV couple counselling which was provided by the COJ. The main objective of the training was to assist the HIV positive couples and also discordant couples. The training period was for the whole week from 28th of February – 4th of March 2011. The HIV condom month awareness which had been scheduled for February 2011 was cancelled due to the strike. The Peer Educator Training which had also been scheduled for 8th and 9th of March 2011 was also cancelled due to the strike.

During the period under review, some employees also received counselling on mental and psychological challenges in the workplace.

Environmental responsibility

Metrobus is keen to contribute to minimising the negative impact of its operations on the environment for the benefit of present and future generations. The investigation into the use of alternative fuels (bio-fuels) as envisaged under the Managing Director's report is one way in which Metrobus is striving to provide an environmentally friendly bus transportation service.

Employment Equity

The demographic profile of the company as at the end of the financial year is as indicated below:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	1	0	0	0	0	0	0	1
Senior management	2	0	1	2	1	0	0	0	0	0	6
Professionally qualified and experienced specialists and mid-management	16	2	2	3	5	1	0	1	1	0	31
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	143	24	4	23	34	5	1	6	1	0	241
Semi-skilled and discretionary decision making	414	36	4	12	83	1	0	1	0	0	551
Unskilled and defined decision making	68	1	0	0	21	0	0	0	0	0	90
TOTAL PERMANENT	643	63	11	41	144	7	1	8	2	0	920
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	**643**	**63**	**11**	**41**	**144**	**7**	**1**	**8**	**2**	**0**	**920**

African males increased by 1.5% towards the end of the financial year because of the employment of supervisors. Most of the vacant positions were not filled as the recruitment process was still underway.

Employee Benefits

The table below indicates the various funds to which various employees belong:

Pension Fund	No. of staff
E 'Joburg Retirement Fund	667
Johannesburg First Pension Fund	23
The Johannesburg Second Pension Fund	156
The Joint Municipality Pension Fund	0
The Municipality Gratuity Fund	16
The Soweto Pension Fund	1

CHAPTER SIX: ANNUAL FINANCIAL STATEMENTS