



**JOHANNESBURG METROPOLITAN BUS SERVICES
(SOC) LIMITED
(Registration Number: 2000/004704/07)**

ANNUAL REPORT 2011/2012

(In terms of Section 121 of the
Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)



JOHANNESBURG METROPOLITAN BUS SERVICES (SOC) LIMITED

COMPANY INFORMATION:

Registration number : **2000/004704/07**

Registered address : **Transportation House**
1 Raikes Road
Braamfontein

Postal address : **P O Box 1787**
Johannesburg
2000

Telephone number : **(011) 403 4300**

Fax number : **(011) 403 4349**

Website : **www.joburg.org.za/**

Bankers : **ABSA Bank of SA Limited (old)**
Standard Bank of South Africa (new)

Auditors : **Office of the Auditor-General**

VAT registration number : **4750224570**

Income Tax registration Number : **9294142147**

Company Secretary : **P Maduka**

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CHAPTER ONE:

INTRODUCTION AND CORPORATE PROFILE

Section 1: Corporate Profile / Overview of the entity

Johannesburg Metropolitan Bus Services (Pty) Limited (Metrobus) was incorporated in 2000 as a private company and is a municipal entity, wholly owned by the City of Johannesburg Metropolitan Municipality (the City).

The Company operates a public transport service within the Greater Johannesburg service area, which services include:

- Daily scheduled public transport services;
- Private hire transport services;
- Scheduled commercial contracts; and
- Contracted commuter services for the Gauteng Province's Department of Transport in Eldorado Park.

In addition to the above services, the Company offers the following services at discounted rates as part of its contribution as a public bus company:

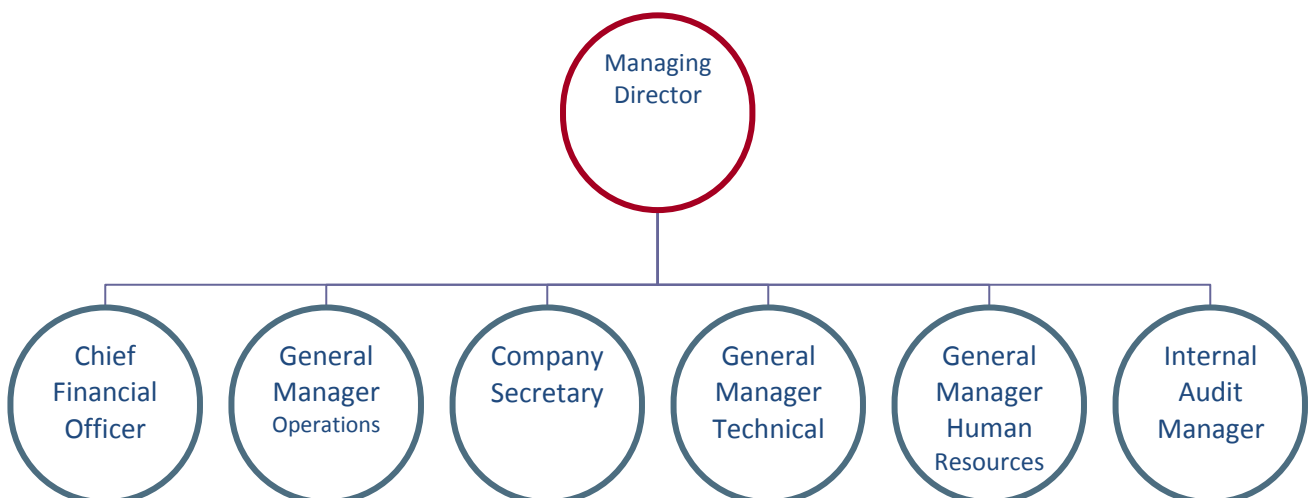
- A dedicated service to persons with disabilities;
- Subsidised pensioner services;
- Scholar services; and
- Free transportation to the South African Police Services (SAPS), the Johannesburg Metro Police Department (JMPD) and members of the South African National Defence Force (SANDF) officers.

Metrobus has a staff complement of 911 employees and eight non-executive directors. It has 455 buses operating out of three main depots and three satellite depots.

The Member of the Mayoral Committee (MMC) for Transportation, Councillor R Moosajee and the Transportation Portfolio Committee of the City of Johannesburg chaired by Councillor B Sithole exercise political governance and oversight over Metrobus.

The organisational structure includes the various General Managers reporting to the Managing Director. Metrobus operations consist of six departments including Operations, Technical, Finance, Internal Audit, Human Resources and the Office of the Company Secretary.

Graph 1: Organisational Structure



The above organogram encompasses the Executive Management who report to the Managing Director and who in turn reports to the Board of Directors. The Board of Directors is introduced below:



Vincent Z Mntambo

LLM, LLB, BJuris

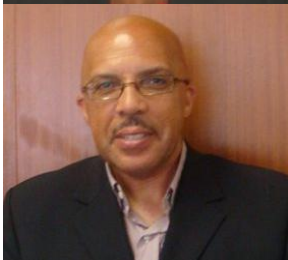
Board Chairperson



Danile Nyalunga

CA(SA)

Board Member and Member of Audit and Risk Committee



Kenny H Setzin

BA (Journalism and Advertising); MBA; Diploma Small Business Financing

Board Member and Chairperson of the Human Resources and Remuneration Committee



Bongani Mbokazi

MA Industrial Psychology, Certificate in Business Management, Masters Dip in HR Management, BA(Hons), BA

Board Member and Member of Audit and Risk Committee



Maggie Mojabelo

MBA, BA (Hons), BA Education, HR Diploma, MAP

Board Member and Member of Human Resources and Remuneration Committee



Welekazi Dukuza

BProc, High Diploma in Tax Practice, (Incomplete), Certificate in Labour Relations Management

Board Member and Member of Human Resources and Remuneration Committee



Mpho Moerane
Project Management Diploma

Board member and member of the Social and Ethics Committee



Nomvuyiso Batyi
LLB, BProc

Board member and Chairperson of the Social and Ethics Committee



Kumaran Naidoo
B. Com., NACCA Computer Auditing Certification, MBL (Incomplete)

Outgoing Board member and Chairperson of the Audit Committee



Rene Kenosi
CA (SA)

Independent Audit Committee Member



Kwanele Moyo
ACIS, MBA (currently studying), Dip. Public Sector accounting

Independent Audit Committee Member



Lawrence Maqekoane
BComm Hons, PG Dip in Strategy and Governance

Acting Managing Director

The outgoing members are:
Herman van Laar (Managing Director)
Maureen Manyama-Matome
Comfort Bunting
Hugh Sutherland

The table below outlines the number of depots, with associated number of buses, operators and operational staff. It does not include staff at the Head Office, please refer to Chapter 4 below of this report for a breakdown of the total staff compliment of Metrobus.

Table 1: Location of staff and vehicles (excluding Head Office)

	Milpark Depot	Village Main Depot	Roodepoort Depot	Total
Total Number of buses	211	172	72	455
Number of drivers	221	204	74	499
Number of operational staff	19	26	13	58
Number of maintenance staff	93	61	28	182
Number of administration staff	3	2	1	6
Number of satellite depots ¹	3	1	0	4

¹ A satellite depot or sleeping depot refers to an outlying depot where buses are parked during the day to save costs, by not driving the bus back to the main depot empty thereby saving on the costs of kilometres travelled.

Section 2: Strategic Objectives

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 Sustainable Services Cluster Plan.

2.1 Vision

Metrobus' vision is to be a world-class 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 and
- Is fully integrated with, and aligned to, the transport plans (including Bus Rapid Transit) of the City and the Gauteng Province.

2.2 Mission

Metrobus will be the provider of choice of customer-friendly public bus transport within the Greater City of Johannesburg. This will be achieved 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 and comfortable, and that our operators are trained and rewarded for being caring to all whom we serve. We will ensure that communication with commuters and communities will be adequate and at an appropriate 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 published schedules and 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: We will ensure that the Company remains 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, does not unnecessarily contribute 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.

2.3 Values

Metrobus, as a company, and as a municipal entity, is committed to incorporate and promote the City Transportation Family Values of Respect, Honesty, Co-operation, Accountability and Ubuntu in our business environment, both internally and externally.

2.4 Mandate

The City appointed Metrobus from its incorporation in 2000 to provide bus transport services to its customers within the Contract area in terms of the Service Delivery Agreement (SDA) and in accordance with the approved Business Plan.

CHAPTER TWO: LEADERSHIP OVERVIEW

Section 1: Member of Mayoral Committee Foreword

The period between 1 July 2011 and 30 June 2012 has been one during which Metrobus, under the leadership of its Board and Management has had to continue to provide services in an uncertain environment, with a range of external issues, affecting performance. These included leadership changes, escalating prices of diesel and an ageing fleet.

During this period, the departure of the former MD, Mr. Herman Van Laar, saw Mr Lawrence Maqekoane stepping in to assume the role of Acting MD, having previously been the Chief Financial Officer.

Metrobus was actively involved in the process leading to the adoption of the Growth and Development Strategy 2040 in October 2011. The company also contributed to the overall Transport Month Activities.

An effort was made by Metrobus to continue to advocate and inculcate the Transport values of Accountability, Co-Operation, Honesty, Respect and Ubuntu. The Company also worked towards a more outcome based service delivery model whereby targets were set on more quantifiable criteria.

I am pleased to report that Metrobus has continued to provide passenger services in line with its mandate and despite the ongoing challenges of an ageing fleet it missed its target by approximately only 1.4 million passengers from a target of 16million.

The team at Metrobus worked hard to maintain the buses and address issues that were affecting reliability of service. More stringent controls and policies were introduced in an effort to raise accountability in the organization. An effort was also made to focus more on the strategy to manage suppliers and contracts in the interest of the company.

The City is looking towards the implementation of a robust strategy in respect of the current challenges faced by the company bearing in mind the GDS goal of Eco-Mobility: making walking, cycling and public transport the modes of choice.

We must continuously strive to do more for the people we serve - providing mobility to the citizens of the city. Metrobus must be the service provider that places the needs of its passengers first.

I would like to thank the Metrobus Board led by Vincent Mntambo and the Metrobus management and employees led by the Acting Managing Director Lawrence Maqekoane for their determination and hard work, perseverance and passion for serving commuters over the year under review, despite the trying circumstances and for once again achieving an unqualified audit report.

Cllr Rehana Moosajee
MMC: Transportation

Section 2: Chairperson's Foreword

The two main challenges for Metrobus have been its ageing fleet and maintaining good labour relations with organised labour. An ageing fleet leads to a high number of breakdowns and this impacts on the reliability of our services. The company is in serious need of recapitalisation. The company has been fortunate to have a technical department which has done its best to keep very old buses on the road.

The fares charged to commuters are also out of step with the high staff costs and ever increasing costs of fuel. The Board and Management have over the years kept the ship afloat but it may no longer be possible to run a reliable service without a renewed fleet and fundamentally changing the business model.

I am pleased also to welcome four new members to the Board of Directors, appointed by the City at the Annual General Meeting; namely M Moerane, M Mojapelo, W Dukuza, and B Mbokazi. The Board of Directors has ensured that the levels of corporate governance and strategic guidance have remained at a high standard in order to monitor and direct the performance of the company and I am sure that the new Board members are committed and ready to improve the direction of Metrobus. I would also like to thank the outgoing Board members for their dedication in serving Metrobus and the City, namely, Mr C Bunting, Ms M Manyama-Matome, Mr H Sutherland and Mr K Naidoo (who continues to serve on the Audit and Risk Committee).

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

I wish to thank the Acting Managing Director, Mr L Maqekoane for his commitment and dedication to serve under very difficult circumstances and my Board colleagues for their continued support during my term as Chairperson. Special appreciation is extended to Councillor Rehana Moosajee, Transportation Member of the Mayoral Committee, and the Group Governance Unit for their dedication to the future of Metrobus.

Finally, I wish to congratulate management and staff for the attainment of an unqualified audit opinion.

Board Chairperson
Vincent Mntambo

Section 3: Managing Director's Report

The 2011/2012 financial year has been an eventful year, full of both opportunities and challenges for the Company. As a company, Metrobus has made great strides to achieve its Key Performance Indicators (KPI's) for the year under review. From a total of 33 targets a total of 16 have been met of which 8 targets were exceeded. The customer and service quality and improvement objectives have been met by an average of 50% and there was an achievement of 66.7% on safety and security objectives. Most targets are partially met.

Highlights of these achievements most notably include:

- The attainment of a clean audit report for the sixth consecutive year;
- % BBEE/SMME spending against total procurement which was consistently higher than the targets.
- Trends in revenue from charters and private hires was exceeded due to higher usage of park 'n ride services for sporting events.
- % completed trips
- Revenues per passenger kilometers were also above target due to less kilometers travelled due to cancelled trips and buses taken out of service.
- Formal customer complaints were not as high as anticipated.
- A number of staff have attended HIV/AIDs training which was 61 staff above the target.

The biggest continuing challenge is the aged fleet and its impact on services. The targets not achieved were mainly as a result of breakdowns and scrapping of buses. Below is a summary of the targets:

- The percentage spent against the approved maintenance and capital budget was overspent by 13% and 6% respectively. This was caused mainly by overheating problems experienced at the beginning of the summer season.
- The number of passengers carried was below target which was mainly due to breakdowns and driver absenteeism.
- The customer satisfaction survey revealed that only 59% of passengers were satisfied with the service. The unreliability of services is due also to the aged fleet and breakdowns.

During the year Metrobus undertook a number of exercises in attempts to address the fleet problems which are outlined below:

- **Mechanical conversions** for exhausts, grills and thermostats, which were the root cause of overheating on some buses. The success of this process is continuously being monitored.
- **Preventative Maintenance Programmes** where faults are corrected and components are set to original manufacturer's standard.
- **Re-fleeting** of approximately 30 buses using a combination of rental, lease and outright purchase. Interested bus companies were requested to supply buses on a test basis.
- **Technical support from bus manufacturers** for training for drivers and workshop staff, consignment stock, and an onsite service technician.

The best option however remains re-fleeting and continued discussions under the leadership of the Board, are held with the Shareholder on this matter.

A deficit of R45m was realised for the year. When compared to the previous financial year an additional amount of about R23m has been spent on diesel only as a result of the spike in the price of crude oil. The new strategy, which is customer and revenue focused, has been performance-contracted with managers.

Metrobus has continuously met its obligations in terms of long term debt which had to be repaid. This however was funded from overdraft facilities which led to the increased bank overdraft as reported in the financial statements.

Management identified weaknesses in the contract monitoring process during the 2010/11 financial year and put measures in place to remedy the situation. The process of issuing new tenders was initiated in the previous financial year. Manual monitoring processes were also implemented in the previous financial year. The process was further enhanced after year-end by the implementation of an electronic monitoring system.

The amount disclosed as irregular expenditure therefore relates to expenditure which was incurred in the current financial year as a result of contracts which were entered into and/or expired in the previous financial years. As a significant number of tenders were awarded during the year under review, irregular expenditure is expected to reduce significantly going forward.

The main focus for the New Year will be on the following:

- Implementation of a new revenue focused strategy;
- Negotiation of a re-fleeting plan.
- Review of private hire rates;
- Increase the number of outlets to sell tags and finalise the new fare collection system with the Transport Department;
- Evaluation and implementation of the driver incentive scheme;

Metrobus remains committed to continually improve its service to the public and improve its performance. I would like to thank the Shareholder, the Board of Directors, Management and staff of Metrobus for their support throughout the year and I am confident that in the following year we can meet and exceed the expectations of all our stakeholders.

Lawrence Maqekoane
Acting Managing Director

Section 4: Financial Performance Review

Below is a summation of the main financial indicators of Metrobus for the year ended 30 June 2012. Although the company recorded a loss for the year, Management were quick to respond to the dramatically changing environment in which Metrobus operates and has managed to commute more passengers than the prior year.

The deficit for the year increased by R32,5 million from the prior year to R45,2 million for the year ended June 2012. The increased loss is as a result of increased expenditure on diesel and repairs and maintenance as detailed further in this report and note 40 to the Annual Financial Statements.

The table below reflects the overall financial performance of the company for the period under review:

Table 2: Financial Performance

Description	2011/12	2010/11	2009/10	2008/09
	'000	'000	'000	'000
Revenue	421,351	396,666	417,444	376,661
Expenditure	466,561	409,296	404,192	398,507
Profit (Loss) for the year	(45,210)	(12,630)	13,252	(21,846)

4.1. Revenue

Total revenue year on year increased by 6% compared to a decrease of 4.8% in the prior year. The prior period figures appear lower due to a six week strike during the 2010/11 financial year. The increased activity in the current year resulted in the increased revenue, however had the adverse effect of increasing costs, especially diesel, higher than previous years.

The subsidy received by the company increased by 0.7% year on year, compared to an increase of 2.6% in the prior period. When the increase is compared to inflationary increases in expenditure the company effectively experienced a decline in the subsidy received which contributed to the increased loss for the period under review. The subsidy per passenger declined by 19% year on year from the R22.47 in 2010 to R18.18 in the current financial year. Furthermore the capital budget allocated to Metrobus decreased by 55% from the 2010 financial year, which further placed pressure on the company to maintain its ageing bus fleet.

Other revenue for the year showed a dramatic increase from the prior year, mainly due to the R7 million actuarial gains on its post retirement benefit obligations.

Management are currently investigating various measures to increase revenue and profitability; the most important of which are:

- 1) The introduction of a new cashless ticketing system which will decrease theft. In conjunction with the new fare collection system, management plans to introduce a new fare system which will bill customers per kilometre travelled which will increase the profitability on some of the company's longer routes.
- 2) Management has undertaken a detailed exercise to identify non-profitable routes and to focus energy on those routes to more effectively generate revenue. Although the process started in the current financial year, it is expected that the full effects of the increased route profitability's will only be seen in full during the next financial year.

The table below reflects the Revenue for the year ended 30 June 2012, in comparison with previous financial years.

Table 3: Revenue types

Revenue type R million	2011/12	2010/11	2009/10	2008/09
Revenue comprise of:				
Fare revenue	108	91	114	107
Council Subsidy	294	292	284	265
Other revenue	19	14	19	5
Total Revenue	421	397	417	377
Other Income comprises of:				
- Subsidy	294	292	284	265
- Subsidy % of Total Income	70%	74%	68%	70%
- Actuarial (loss) gain on Post Retirement Benefits	7	0	6	-5
- Insurance recovery	1	2	1	0
- Sundry revenue *	11	12	11	7
Total other income	19	14	18	2
Interest income	0	0	1	3
Total Income (Excluding the fare revenue)	313	306	303	270

*Refers to bus internal and external advertising revenue, BRT Management fees, sale of tags and other revenue.

Table 4: Subsidy received from shareholder

R million	2011/12	2010/11	2009/10	2008/09
Subsidy	293,919	291,841	284,497	265,498
Annual Growth	1%	3%	7%	7%

Table 5: Fare revenue and other revenue

Revenue (R'000)	2012	2011	2010	2009	2008	2007
Subsidy	293,919	291,841	284,497	265,498	258,343	223,708
Cash, Coupons and Private Hire	99,415	74,281	88,718	84,465	85,540	68,815
Contracts	5,277	13,827	24,921	21,658	15,875	11,725
Advertising	6,643	7,284	6,858	6,514	6,133	5,077
BRT management fee	0	3,770	3,693	0	0	0
Insurance	1,481	1,598	1,004	148	1,556	589
Tags	854	764	882	1,073	1,198	429
Actuarial gains (losses)	7,355	219	5,577	(5,952)	(477)	5,041
Other revenue	6,406	3,082	1,294	3,257	2,689	2,322
Total	421,350	396,666	417,444	376,661	370,857	317,706

Table 6: Budget v Actual – Passenger trip statistics

Passenger trip statistics	2011/12	Budget	Variance R mill	Variance %
Cash revenue				
▪ Rand (million)	27	30	-3	-10%
▪ Passengers (million)	3	2	1	13%
Non-cash revenue (multi journey & stored value)			0	
▪ Rand (million)	80	93	-13	-14%
▪ Passengers (million)	13	11	2	21%
Total ticket revenue (Rand million)	108	123	-15	-12%
Total passenger trips (million)	16	13	3	20%
▪ Cash vs. non-cash revenue	34%	32%		
▪ Cash vs. non-cash Passengers	21%	22%		
▪ Cash revenue per trip (Rand)	10	13		
▪ Non-cash revenue per trip (Rand)	6	9		
▪ Total ticket revenue per trip (Rand)	7	9		

4.1.1 Results of Operations

Table 7: EBITDA

EBITDA (earnings before interest, tax, depreciation and amortisation)	2011/12 R'000	2010/11 R'000	2009/10 R'000	2008/09 R'000
Total for the year	6,604	57,674	74,401	58,588

4.1.2 Direct Operating Expenses

4.1.2.1 Motor Vehicle Expenses

The following variances applicable to Motor Vehicle Expenses contributed to the 2% over expenditure for the period under review.

Table 8: Motor vehicle expenses

R million	2011/12 R '000	Budget R '000	Variance R '000	Variance %
Fuel	77,528	57,442	(20,086)	-35%
R & M (Motor Vehicles) Buses	53,265	43,512	(9,754)	-22%
Total	130,793	100,953	(29,840)	-30%

The single biggest increase in expenditure is the cost of repairs and maintenance and fuel for buses.

Fuel increased by 43% year on year from R54 million in the prior year to R78 million in the current year, repairs and maintenance increased by 66% year on year from R31 million in the prior year to R51 million in the current year. The main contributing factors in both instances are:

- 1) The increased cost of fuel. Diesel is the company's single largest operating expense. The cost per litre of diesel increased by 41% in the prior year and 18% in the current year. The price has continued its steady increase and in the 5 months after year-end the price has increased by a further 6%

- 2) The increased kilometres travelled during the current financial year. In the prior year the company had a strike which resulted in buses being stationary for up to six weeks. The kilometres travelled in the current financial year increased by 14% compared to the prior year.
- 3) The ageing Metrobus bus fleet. The ageing buses increased the consumption of diesel per litre and the cost of repairs.

Management have undertaken various programs to deal with the increased costs, the most important of these are:

- 1) The company is looking to acquire up to 100 new buses within the next two financial years. Buses have been provided for testing and specifications are currently being drawn up to acquire new buses.
- 2) New testing equipment has been installed at all depots to more closely monitor the consumption of fuel and the maintenance of parts directly related to fuel consumption.
- 3) A number of overnight “resting” stations have been identified to park buses. This will reduce the number of “dead” kilometres the buses travel.

Table 9: Motor vehicle expenses – fuel cost analysis

Statistics	2011/12 '000	2010/11 '000	2009/10 '000	2008/09 '000	2007/08 '000
Kilometres (million)	13,190	11,570	13,993	14,016	15,084
Litres (million)	7,674	6,371	7,357	7,283	7,840
Diesel Cost (Million Zar)	77,528	53,370	56,554	63,868	62,605
Average Rand per litre	10.10	8.30	7.70	8.80	7.98
Average litres per 100 KM	58	55	53	52	52
Average Rand per kilometre (Diesel)	5.88	4.61	4.04	4.56	4.15

Table 10: Other Direct Operating Expenses

'R 000	2011/12	2010/11	2009/10	2008/09	2007/08
Oil	1,017	1,000	759	1,450	1,170
Anti-freeze	859	363	1,666	1,165	1,021
Tyres	8,824	6,600	6,657	6,003	6,706
Licences busses	6,694	5,082	5,628	5,671	5,938
Contract cleaning	1,959	2,087	2,123	2,059	2,023
Detergents + Clean Materials	947	933	323	892	646
Hire & Maint of Equip	3,507	1,861	1,538	1,508	1,369
Total	23,807	17,928	18,694	18,749	18,874

Table 11: Cash flow

Description	2012 'R000	2011 'R000	2010 'R000	2009 'R000
Operating activities	(30,201)	53,721	68,762	30,179
Investing activities	(85)	(14,938)	(7,638)	(15,031)
Financing activities	23,850	(31,888)	(60,844)	(12,985)
Net movement	(6,436)	6,896	280	2,163
Bank opening balance	6,853	-43	-237	(2,036)
Bank closing balance	417	6,853	-43	-237

4.2 Balance Sheet

4.2.1 Property, Plant and Equipment (PPE) and intangibles

Table 12: Non-current assets

Description	2012 'R000	2011 'R000	2010 'R000	2009 'R000
Property Plant & Equipment	211,769	220,269	246,894	270,575
Intangible Assets	6,151	7,537	7,632	3,430
Loans To Shareholder	31,598	30,879	29,829	30,532
Total	251,223	279,417	284,355	304,538

4.2.2 Current assets, inventories, receivables and prepayments

Table 13: Current Assets, Inventories, Receivables and Prepayments

Description	2012 'R000	2011 'R000	2010 'R000	2009 'R000
Inventories	20,214	18,674	12,146	12,468
Receivables, Prepayments and Insurance fund	7,038	17,958	32,946	49,628
Cash and Cash Equivalents	417	6,852	407	126
Total	27,669	43,484	45,499	62,222

4.2.3 Equity and liabilities

Table 14: Equity and Liabilities

Description	2012 'R000	2011 'R000	2010 'R000	2009 'R000
Long term Liabilities	(95,121)	(116,998)	(158,784)	(226,650)
Current Liabilities	(176,352)	157,155	(141,846)	(124,139)
Equity	6,038	31,249	29,223	15,972
Total Equity and Liabilities	(263,737)	92,138	(271,407)	(334,817)

4.3 Capital Projects

Table 15: Capital Projects

Project	Start Date	Expected End Date	Approved Budget R'000	Actual R'000	% Complete	Explanation Notes
Buildings & facilities upgrade	Jul.11	Dec 11	200	395	198%	Repairs and Maintenance to buildings at depots
IT equipment	Jul.11	Jan 12	150	592	395%	Server and hardware upgrade
Furniture & Equipment			500	91	18%	Budget transferred and exhausted
Plant, tools & equipment			200	104	52%	Budget transferred and exhausted
Replacement vehicles	Jul.11		400	0	0%	Funds committed somewhere
Engine & gearbox overhauls / replacements	Jul.11	Apr 12	4,550	5,617	123%	Engines and gearboxes bought due to breakdowns
Total Provided by Own Cash funding			6,000	6,799	113%	
Funded by COJ			0	0	0	
All Projects			6,000	6,799	113%	

Section 5: Supply Chain Management and Black Economic Empowerment

Metrobus has adopted Supply Chain Management systems in compliance with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2005 and other legislation.

The Board has ensured that the Supply Chain Management Policy embraces the objectives of Broad-Based Black Economic Empowerment. The evaluation of bids are based firstly on functionality, then price and BEE in accordance with National Treasury circulars.

All Supply Chain Management Committee members are duly appointed by the Accounting Officer (Managing Director) as required by the Supply Chain Management Policy.

The Bid Adjudication Committee consists of the following senior managers

- The Chief Financial Officer (Chairman)
- The General Manager: Operations
- The General Manager: Human Resources
- The Group Technical Manager
- The Company Secretary
- Secretariat and Advisory from the Procurement unit.

The following contracts were awarded during the 12 months ending 30 June 2012:

Table16: Contracts awarded

No.	Contractor	R' 000	% Equity Holding (BEE Level)
1.	Westinghouse (Air Components)	6,400,000	Level 3
2.	Pristene Health Services	1,001,570	Level 4
3.	SAB & T Inc. CA(SA)	1,406,666	Level 2
4.	Probe Corporation (SA) Pty Ltd	1,106,520	Level 5
5.	Leisher's Upholstery	365,470	Level 4
6.	Alan Black (Pty) Ltd (Starters and alternators)	1,937,658	Level 3
7.	Viva Automotive Engineering (Pty) Ltd	16,304,557	Level 3
8.	EOH Security Solutions/Stanley Security	1,363,200	Level 3
9.	BP Southern Africa (Pty) Ltd	6,500,000	Level 4
10.	PK Bus & Truck Rebuilders cc	7,653,320	Level 8
11.	Masana Petroleum	143,444,000	level 2
12.	Environmental Hygiene	4,726,000	Level 1
13.	Westinghouse Brake & Equipment	2,054,218	Level 3
14.	Bennetts sales and services	2,270,544	Level 5
15.	Prestige	5,035,922	Level 1
16.	Egoli Forms	931,200	Level 3

The table below reflects the committed contracts to be awarded:

Table 17: Contracts not yet awarded

No.	Contractor Name (Or name of contract if not yet awarded)	Period	R' 000	% Equity Holding (BEE Level)
1.	Security Services	2 years	R9,137	Level 3
2.	Diesel Injectors	2 years	R6,156	Level 3
3.	Human resources	3 years	N/A (% based)	Level 3
4.	Auto Electrical services	3 years	R8,790	Level 3
5.	Medical Examinations	3 years	R209	Level 3

Below is a summary of the BEE spent on procurement per quarter for the year ending on 30 June 2012:

Table 18: BEE spend per quarter

	Total Procurement Spend R'000	BEE Spend R'000	% BEE
Q1	58,958.17	56,000	95%
Q2	53,787.99	46,632	87%
Q3	39,091.86	41,079	105%
Q4	49,716.48	50,644	102%

Section 6: Assessment of Arrears on municipal taxes and service charges

Metrobus provides transport services to government departments and other entities in the City, and makes use of the services of some of the entities as set out below. Amounts are in Rands (R).

Table 19: Statement of amounts owed by Government departments and entities

Name of Department	1-30 days	31-60 days	61-90 days	91-180 days	181and over	Total
City of Johannesburg	40,560	0	0	0	87,420	127,980
Department of Public Transport - Roads & Works	0	0	0	0	25,901	25,901
JHB Roads Agency (Pty) Ltd	0	0	0	0	9,260	9,260
Metrorail	0	0	0	0	228,215.4	228,215

6.1 Amounts Owed by Metrobus for Service Charges as at 30 June 2012

Table 20: Amounts owed by Metrobus for service charges

Name of Entity	Amount owed	Status	Comments
City of Johannesburg	426,897	Current	No arrears
City Power	49,693	Current	No arrears

6.2. Assessment of Directors' and senior managers' municipal accounts

Table 21: Assessment of Directors' and senior managers' municipal accounts

Name of Director/ Senior Manager	Designation	Name of Municipality	Municipal Account Number	Account Status	Comments
VZ Mntambo	Chairperson	City of Johannesburg	900072463	Current	No arrears
C Bunting	Non-Executive Director	City of Johannesburg	202015482	Current	No arrears
K Naidoo*	Non-Executive Director	City of Tshwane	3329208685	Current	No arrears
K Setzin	Non-Executive Director	City of Johannesburg	202041345	Current	No arrears
D Nyalunga	Non-Executive Director	City of Tshwane	2010366428	Current	No arrears
H Sutherland*	Non-Executive Director	City of Ekurhuleni	2200593499	Current	No arrears
M Moerane**	Non-Executive Director	City of Johannesburg	202862285	Current	No arrears
W Welekazi **	Non-Executive Director	Nelson Mandela Bay	600051573009	Current	No arrears
M Mojapelo**	Non-Executive Director	City of Johannesburg	402988062	Current	No arrears
B Mbokazi**	Non-Executive Director	City of Johannesburg	900061246	Current	No arrears
N Batyi**	Non-Executive Director	City of Johannesburg	900889061	Current	No arrears
M Manyama-Matome*	Non-Executive Director	Not registered as a ratepayer			
H van Laar*	Managing Director	Not registered as a ratepayer in the City of Johannesburg.			

*Director resigned during year or retired / rotated at AGM

**Newly appointed, not determined as at the reporting period

Senior Management						
L Maqekoane	Acting Managing Director	City of Johannesburg	400871186	Current	No arrears	
M Tema	GM: Human Resources	City of Tshwane	33012308819	Current	No arrears	
B Narain	GM: Operations	Nelson Mandela Bay Municipality	600206420004	Current	No arrears	
P Maduka	Company Secretary	Not registered as a ratepayer				
E Manyawi	Acting Chief Financial Officer	City of Johannesburg	550134946	Current	No arrears	

Section 7: Recommendation and Plans for next financial year

In order to respond to both the commercial mandate, as well as the shareholder objectives, Metrobus will focus on the following key strategic areas:

- Continue with the current operational efficiency strategy.
- The monitoring of the revised route schedules.
- Maintain a clean Audit Report.
- The implementation of an integrated fare collection system that will be compatible with related transport systems such as the BRT and Gautrain, an initiative being driven by the City's Transportation Department on behalf of Metrobus.
- Revenue Strategy.
- The implementation of the "unbundling" model for Metrobus as per the City's instructions.

CHAPTER TWO: PERFORMANCE HIGHLIGHTS

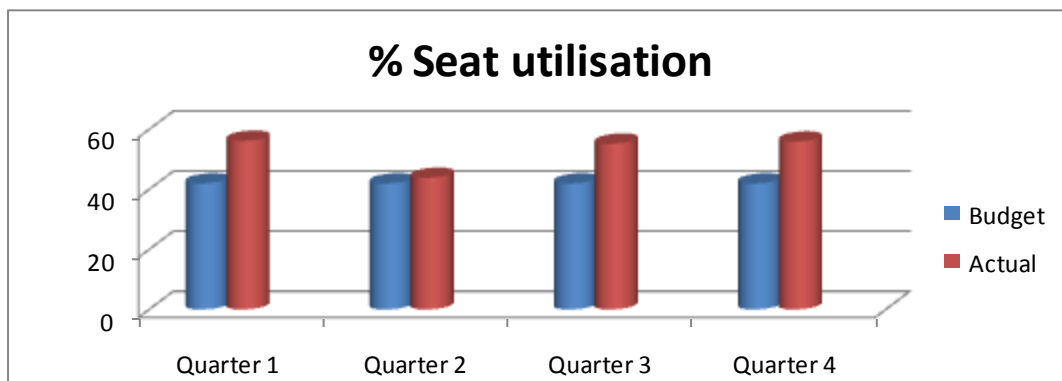
Section 1: Highlights and Achievements

1.1 Operations Performance Highlights

1.4.1 Improved seat utilisation

Seat utilisation has been exceeded for the year, with an average of 50.31% usage against a target of 42%. The withdrawal of buses from the fleet and the increased number of passengers of 227,417 more carried in the fourth quarter also contributed to the target being exceeded.

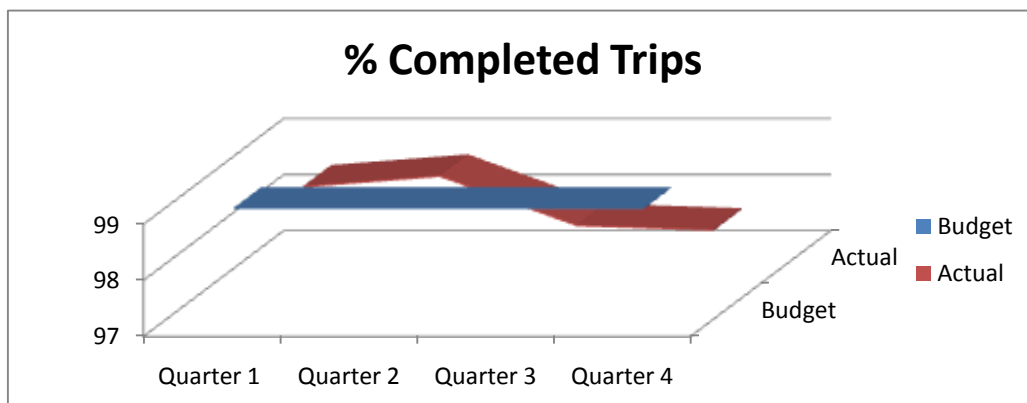
Graph 2: % Seat utilisation



1.4.2 Completed trips

Taken from the background of a shortage of buses, the reliability of service is measured in terms of the percentage of trips operated in comparison to the total scheduled trips. This target thus was not met due to the number of cancelled trips caused by driver absenteeism and breakdowns of buses.

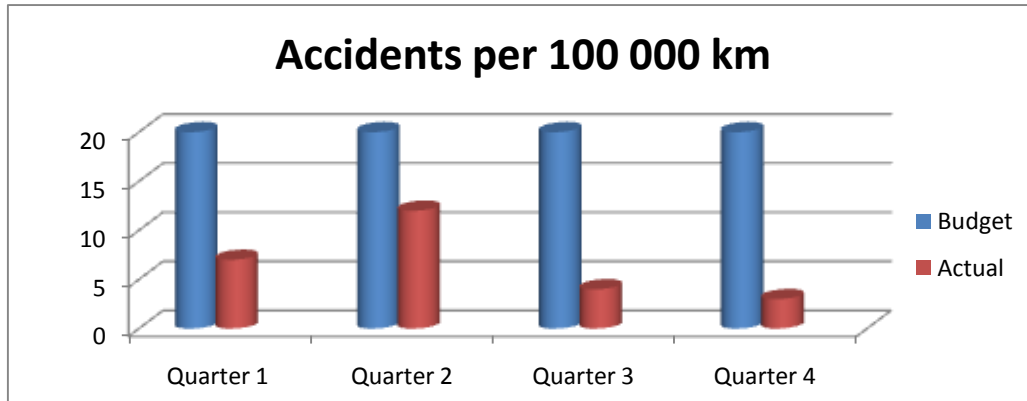
Graph 3: % Completed trips



1.4.3 Reduced accident rate

The company continued to make concerted efforts to reduce the accident rate. The graph below reflects the number of blameworthy accidents per quarter. It is important to note that there were no onboard security incident reports on buses for the financial year.

Graph 4: Number of accidents per 100 000 kilometres



1.4.4 Revenue Protection

Continuous measures are being implemented to improve the number of trips inspected by authorised officers which is aimed at curbing fare pilfering by both drivers and passengers.

The target on inspection of trips has been exceeded for the year however revenue protection is an ongoing improvement. Metrobus has embarked on a strategy that is aimed at discouraging both passengers and drivers getting involved in fare evasion by partnering with the Johannesburg Metropolitan Police Department in training inspectors as Peace Officers and communication campaigns to the public that the Transportation By-Laws will be enforced. The achievement of this target is reported in the Performance information section annexed hereto.

1.2 Technical Services Performance Highlights

1.4.1 Age and Performance of the fleet

The current fleet of 455 buses reveals that of all the units there are no longer any buses under 5 years old and in the category of 11 to 16 year olds most are already 16 years old. All the Volvo units highlighted under the 6-10 year old are now 10 years old.

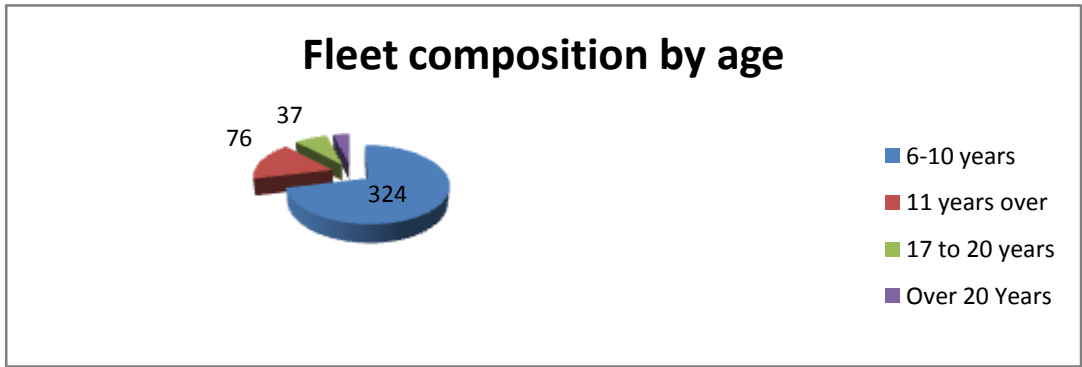
The lack of funding for re-fleeting has prolonged the use of almost all the Metrobus bus fleet far beyond their economical lifespan. Engine overhaul costs approximately R155 000 in comparison to the bus value of approximately R60 000 which makes it cost inefficient to maintain these buses.

The table and graph below provides an overview of the current fleet.

Table 22: Age of Fleet

Age of the fleet Years:	Model	Capacity	Number of buses				
			0 to 5	6 to 10	11 to 16	17 to 20	> 20
Volvo	B7TL	90		148			
Volvo	B7R	65		49			
Volvo	B10M	65			76		
Mercedes Benz	LUX	44		2			
Mercedes Benz	S/D	65		125			
ERF	STB	65				37	
Mercedes Benz	DD	110					18
Totals	455		0	324	76	37	18

Graph 5: Fleet composition by age



As is evident the majority of the current fleet is between 6 and 10 years old, the majority of which are already 10 years old.

During the year various buses have been removed from service due to major component failure.

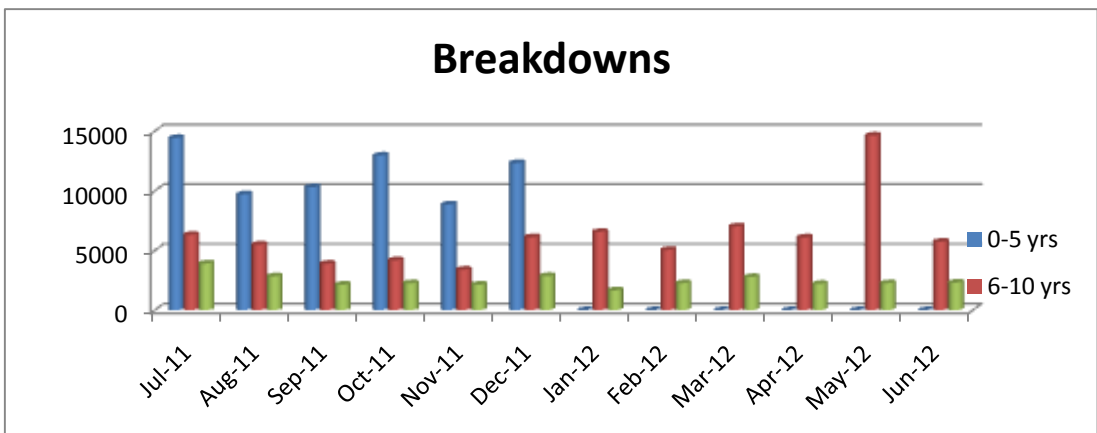
Table 23: Engine Overhaul Requirements

Engine repairs		
Bus type	Total engines:	Total all engines
Volvo B10M	15	51
Volvo B7TL	14	
Volvo B7R	10	
ERF	6	
Mercedes Benz 1725	3	
Mercedes Benz 0307	3	

1.4.2 Breakdowns

The major contributing factor in the breakdowns of these buses is overheating and as reported below, plans are implemented to address this. The chart below outlines the number of breakdowns in relation to the age of fleet:

Graph 6: Breakdowns



As the buses are older they will have an obvious increase in the number of breakdowns.

1.4.3 Re-fleeting

The company had a plan to procure about 25 bio-fuel buses; however the programme was temporarily placed on hold due to uncertainties in the regulatory framework and the supply of the fuel itself.

In view of the aged fleet, plans are in place for procuring approximately 30 buses using a combination of rental, lease and outright purchase. To mitigate the risk associated with procuring buses, bus companies and interested parties were requested to supply buses on a test basis. Various companies responded to this proposal and provided test buses for Metrobus to evaluate. It is anticipated that a tendering process for the buses will be implemented in the new financial year and that the issue of an ageing bus fleet be addressed.

1.4.4 Preventative Maintenance and Mechanical Conversions

The Dyno testing facility has been out of operation for more than five years but has now been repaired and is fully functional. This machine performs diagnostic tests relating to Fuel Consumption, Smoke Emission Turbo Boost, Fuel Pressure, Electrical, Engine Performance output, Cooling System Pressure, and Fuel Injector and pump. The advantage of this machine is that faults are corrected and components are set to original manufacturer’s standards. The most visible benefit is that buses are no longer smoking excessively, thereby realizing substantial savings in fuel consumption.

The facility was used for the last 4 months in the year and the progress therewith can be seen in the table below:

Table 24: Preventative Maintenance

Preventative Maintenance			
	Milpark Depot	Village Main	Roodepoort
Number of buses	70	58	20
Number of Dyno Tests	17	10	09
Injector Pumps completed	3	7	4
Turbos completed	2	0	1
Injectors completed	5	7	4
Buses within spec	8	0	2

At the beginning of the year a mechanical conversion process was implemented whereby conversions for exhausts, grills and thermostats on buses were conducted to reduce overheating. The conversion process commenced after a high number of the Volvo B7TL double deck and Mercedes Benz single deck buses experienced over-heating problems. For Volvo buses, the over-heating was mainly due to the design of the bus which did not allow heat to escape easily from the engine compartment. Air vents were installed to increase ventilation and exhaust pipes were moved from the side to the rear of the bus. Thermostats were changed from 86 to 75 degree Celsius which aimed at allowing water circulation to start at 75 degree Celsius. Lowering the temperature will allow the engine to operate at a cooler temperature, thereby reducing the chances of the bus overheating.

1.3 Business Growth Highlights

1.4.1 Number of Passengers carried

The total number of passengers transported for the year under review is 15,585,221 which when compared to the target of 16,919,100 reflects a negative variance and reported shortfall of 1.3 million. Driver absenteeism and bus breakdowns continued to adversely affect the passenger figures as these impact on the reliability of the service.

1.4.2 Customer Satisfaction

The customer satisfaction survey (CSI) was conducted during the last quarter of the year and customer satisfaction levels of 59% against a target of 87% has remained unchanged in comparison to the 2010/2011 survey. This is a result of the continuous unreliability of the service due to the aging bus fleet as well as the shortage of drivers especially in the third quarter. An overview of the results of the survey indicated the following:

Graph 7: Customer Satisfaction levels



In comparison to formal customer complaints for the year there has been on average 6.24 for every 100 000 passengers carried against an annual target of 7.48.

The attitude of drivers towards commuters is of concern as the nature and number of complaints received from commuters is a reflection of the socially inappropriate behaviour by some of Metrobus' bus drivers. As drivers are the Company's brand ambassadors, it is important to focus on improving driver behaviour and the resuscitation of Transportation Values at Metrobus. In order to address this Metrobus introduced an in-house driver incentive scheme programme, which is aimed at reinforcing good driver behaviour. By rewarding good behaviour, it is hoped that there will be a reduction in discipline cases for drivers and the number of complaints from passengers. This is an ongoing process and results of the scheme are expected to be reported in the new financial year.

1.4 Human Resources Performance Highlights

1.4.2 Labour Relations

As reported in previous years, Metrobus continues to experience a strong union presence and negative labour relations actions. During the year under review there have been numerous labour actions including union members conducting a picketing. Various disputes have been declared by the unions relating to a SAMWU demand to observer status in the tendering processes.

Ongoing monthly union-management meetings have been held and issues are being cleared. A labour-management task team has been formed to align conditions of service of all collective agreements. The task team is also reviewing company polices to ensure that they do not conflict with settlement agreements.

Management has proposed a set of picketing rules to organized labour and it is expected that these rules will be finalized in the first quarter of the new-year.

Ongoing communications and consultation is planned with labour.

1.4.3 Discipline

Discipline in terms of theft is still a major concern at Metrobus with a large number of bus operators failing to issue tickets to passengers who have paid the required fare. A breakdown of the number of cases is as follows:

Table 25: Number of Disciplinary cases

Disciplinary cases	
Total Number of cases	354
Theft	325
Insubordination	14
Absenteeism	3
Others	12

There has been a decrease in the number of cases during the third and fourth quarters of the year due to a joint intervention by the Human Resources Department and line management. More details and the outcomes of cases are reflected in **Section 8** of this report.

1.4.4 Human Resource Development and Human Resource Management

Some Human Resources policies and procedures were finalised and approved by the Human Resources and Remuneration Committee and the Board of Directors. The policies seek to ensure ongoing internal controls and compliance with good practice and a number of policies are due for further review and approval in the coming year.

In order to minimise the spread of HIV/AIDS, peer educators were educated during the year under review to intensify office-to-office campaigns to educate employees on the pandemic and the usage of condoms. Various other wellness events and campaigns were organized which is further detailed in this report.

The Employee Assistance Programme (EAP) presents information on service utilisation by employees and provides an indication of themes and trends emerging from utilisation of the programme. During the period, a number of employees utilised the service.

The overall performance of the Company can be seen by the Performance Indicators outlined below.

KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 2012

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments
Financial	% Spend against approved Operating budget (i.e. Bottom line)	Target	25%	25%	25%	25%	100%	The bulk of the budget was utilised in the second quarter. This was necessitated by the breakdown and engine failures. This effectively means overspent by 13%.
		Actual	37%	57%	3%	16%	113%	
		Cumulative	37%	94%	97%	113%	113%	
	Spend against approved Operating budget (Bottom line)	Target	100%	100%	100%	100%	100%	Overall, expenditure patterns have been within the target with an average year to date of 96%. Budget exceeded on R&M, diesel and electricity. This effectively means overspent by 6%
		Actual	95%	100%	95%	86%	94%	
	% BBEE/ SMME spend against total procurement	Target	75%	75%	75%	75%	75%	Potential suppliers and service providers are submitting their BEE credentials and the database is being updated. The target was exceeded.
		Actual	95%	87%	105%	102%	96%	
	Reconciliation of Intra Company balances with other MOE's	Target	100%	100%	100%	100%	100%	Target Met
		Actual	100%	100%	100%	100%	100%	
	Reconciliation of Inter Company Balances	Target	100%	100%	100%	100%	100%	Target Met
		Actual	100%	100%	100%	100%	100%	
	Attainment of Clean Audit	Target	100%	100%	100%	100%	100%	The external auditors have issued an unqualified audit report for the years ending 30 June 2007, 2008, 2009, 2010, 2011 and notably 2012. There is nothing to suggest deterioration in controls and the quarterly key controls dashboard shows improvements in most areas.
Actual		100%	100%	100%	100%	100%		
% Return on Asset	Target	15%	15%	15%	15%	15%	The return for the year is on target.	
	Actual	17%	12%	15%	19%	16%		
Customer Perspective and Business Growth	% Number of trips inspected by authorised officers – 2010-2011 Baseline 8.00%	Target	8%	8%	8%	8%	8%	The target was met for the year, though not for the fourth quarter target as external inspectorate contract was terminated at the end of May 2012. Plans: Increase inspections
		Actual	9.65%	8.40%	8.69%	7.69%	8.61%	

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments
	Revenue km as a portion of total vehicle km – 2010-2011 Baseline 73.3	Target	75%	75%	75%	75%	75%	Target not met due to not having ideally situated overnight parking facilities for buses. Plans: Increase number of satellite depots.
		Actual	69%	65%	66%	69%	67%	
	Cost per revenue km 2010-2011 Baseline R57.31	Target	R37.60	R37.60	R37.60	R37.60	R37.60	The target was not met due to expenditure exceeding budget.
		Actual	R47.33	R50.62	R56.28	R54.87	R52.28	
	Cost per Passenger km – 2010/2011 Baseline R1.95	Target	R1.50	R1.50	R1.50	R1.50	R1.50	The annual target was not met due to budget over-runs on some expenditure items such as fuel.
		Actual	R1.48	R2.34	R2.09	R1.26	R1.79	
	Revenue per passenger per kilometre –2010-2011 Baseline R0.29	Target	R0.26	R0.26	R0.26	R0.26	R0.26	Less kilometers travelled for the year due to cancelled trips and buses taken out of service
		Actual	R0.33	R0.44	R0.40	R0.25	R0.35	
	% Seat utilization -2010-2011 Baseline 43.7%	Target	42.00%	42.00%	42.00%	42.00%	42.00%	The target was met.
		Actual	56.20%	43.88%	55.24%	55.94%	52.82%	
	Number of passengers carried -2010-2011 Baseline 3,289,214	Target	4,150,000	4,008,000	4,520,400	4,240,700	16,919,100	The target was not met. The reliability of the service due to bus and driver shortage adversely affects the meeting of this target. Plans: Refleeting programme in consultation with Board and City and continue preventative maintenance.
		Actual	4,099,561	3 557 214	3,884,328	4,044,118	15,585,221	
	Passengers carried per revenue km -2010-2011 Baseline 1.45	Target	1.65	1.38	1.56	1.68	1.57	The target was exceeded.
		Actual	1.76	1.69	1.86	1.89	1.84	
	Trends in revenue from charters and private hires - 2010-2011 Baseline R2.2million	Target	R1,600,000	R1,600,000	R1,600,000	R1,600,000	R6,400,000	The target was exceeded mainly due to park n ride services which were provided for sports enthusiasts
		Actual	R2,069,803	R 1,746,747	R1,018,230	R1,756,407	R 6,591,187	
	% of completed trips – 2010-2011 Baseline 98.29	Target	99.00%	99.00%	99.00%	99.00%	99.00%	The target was not achieved. Approximately 2800 trips were not operated in the 3 rd quarter due to the shortage of buses and drivers. Plans: Refleeting programme in consultation with Board and City and continue preventative maintenance as well as reduce absenteeism.
		Actual	98.44%	98.63%	97.75%	97.67%	98.12%	
	Formal customer complaints per 100 000 passengers carried— 2010-2011 Baseline 7.50	Target	7.48	7.48	7.48	7.48	7.48	The target was met.
		Actual	3.98	4.16	4.86	11.96	6.24	

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments
	% of travellers who are "satisfied" or "very satisfied" with the services	Target	Annual target	Annual target	Annual target	87%	87%	Target not met due to continuous unreliability of the service due to the aging bus fleet Plan: Refleeting programme in consultation with Board and City and conduct survey.
		Actual	.	.	.	59%	59%	
Safety and Security	Number of accidents per 100 000 vehicle kilometres travelled -2010-2011 Baseline 23.8	Target	20	20	20	20	20	Annual target met
		Actual	7	12	4	3	7	
	Number of onboard security incidents reported to Metrobus drivers per 1 000 passenger trips. Base line 2010-2011 = 0	Target	0	0	0	0	0	Annual target met
		Actual	0	0	0	0	0	
Conversion of permits to operating licences. – 2010-2011 Baseline 0	Target	485 is the Annual Target, no quarterly targets set.				485	Delays in converting permits is at GOLB	
	Actual	0	85	0	68	153		
Service Quality	Bus km per breakdown Buses 0-5 years old	Target	30,000	30,000	30,000	30,000	30,000	There are no buses in this category as of January 2012. Plan: Refleeting programme in consultation with Board and City and continue preventative maintenance.
		Actual	11,481	12,941	12,211	0	0	
	Buses 6 to 10 years old	Target	7,000	7,000	7,000	7,000	7,000	Target not met, these units have overheating problems. Plan: Refleeting programme in consultation with Board and City and continue preventative maintenance.
		Actual	5,232	5,422	6,096	5,897	5,662	
	Buses 11 years and older	Target	2,500	2,500	2,500	2,500	2,500	Target not met, however has improved throughout the year. Plan: Refleeting programme in consultation with Board and City and continue preventative maintenance.
		Actual	2,958	2,943	2,215	2,362	2,620	
Service and Accessibility improvements	Number of public transport maps and timetables booklets printed and distributed	Target	15 000	15 000	15 000	15 000	60 000	Target exceeded
		Actual	45 562	19 113	48 422	32 000	145 097	

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments	
Human Capital	Number of Bus Operators rewarded for good performance. -2010-2011 Baseline 0	Target	Annual Target of 108 drivers					0	Target not achieved due to new driver incentive scheme undertaken which is being consulted with unions. Plan: Implement driver incentive scheme.
		Actual	0	0	0	0	0		
	% of staff interviewed to determine "positive" morale	Target	Annual Target of 300 staff					0	Not conducted, as management is implementing survey recommendations from previous financial year. Plan: Conduct survey
		Actual							
	Percentage and number of workforce that have attended HIV/AIDS training.	Target	52.5	52.5	52.5	52.5	210	271	The annual target has been exceeded
		Actual	20	146	70	35			
	Crew: non-crew staff ratios	Target	1.33	1.33	1.33	1.33	1.33	1.29	Small variance due to vacancies. Plan: Filling of all vacancies
		Actual	1.17	1.19	1.17	1.29			
	% Compliance with Employment Equity	Target	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%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%black, 6.5% coloured 1% Indians, 7.4% white, 17% women & 4% pwd.	88% African 6.4% Coloureds 1.1% Indians 4.5% Whites 16% Women 0.5% pwd	Most targets exceeded. Plan: In order to achieve all equity targets plans are in place to employ more women and people with disabilities
		Actual	88% Blacks, 5.9% Coloureds 1.1% Indians 4.6% Whites 16% Women 0.5% pwd	86.6% Blacks 7.3% Coloureds 1.1% Indians 4.9% Whites 16.1% Women 0.5% pwd	87.6% Blacks, 5.4% Coloureds 1.2% Indians 5.5% Whites 14% Women 0.5% pwd	88% African, 6.4% Coloureds 1.1% Indians 4.5% Whites 16% Women 0.5% pwd	88% African, 6.4% Coloureds 1.1% Indians 4.5% Whites 16% Women 0.5% pwd		

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments
	Employees per bus operated, by job category.	Target	Operations 2.03 Technical 0.14 Admin <u>0.09</u> <u>2.26</u>	Operations 2.03 Technical 0.14 Admin <u>0.09</u> <u>2.26</u>	Operations 2.03 Technical 0.14 Admin <u>0.09</u> <u>2.26</u>	Operations 2.03 Technical 0.14 Admin <u>0.09</u> <u>2.26</u>	Operations 2.03 Technical 0.14 Admin <u>0.09</u> <u>2.26</u>	The target was not achieved due to vacancies. Plan: Filling of all vacancies
		Actual	Operations 1.43 Technical 0.44 Admin 0.16 2.03	Operations 1.38 Technical 0.43 Admin 0.16 1.97	Operations 1.35 Technical 0.43 Admin <u>0.17</u> 1.95	Operations 1.33 Technical 0.44 Admin 0.17 1.94	Operations 1.33 Technical0.4 4 Admin 0.17 1.94	
	Number of learner-ships completed annually	Target	21	21	21	21	21	Annual target met.
		Actual	18	0	0	19	37	

CHAPTER THREE: DIRECTORS'S REPORT AND GOVERNANCE

Section 1: Corporate Governance Introduction

The Board of Directors of Metrobus currently comprises eight Non-Executive Directors and one Executive Director all appointed by the City in accordance with its Articles of Association and Local Government: Municipal Systems Act. The Directors bring to the Board a wide range of expertise as well as significant financial, human resources, government and legal experience.

In line with the City's policy and good corporate governance practices, non-executive directors were retired or rotated at the Annual General Meeting held on 25 April 2012, namely C Bunting and H Sutherland. Various directors resigned during the year including M Manyama-Matome and K Naidoo.

M Moerane, W Dukuza, M Mojapelo, B Mbokazi and N Batyi were appointed to the Board as non-executive Directors at the AGM.

The table below reflects the composition, skills and qualifications of the Board of Directors:

Table 26: Directors composition, skills and qualifications

Full Name	Gender	Appointed	Qualifications	Skills
V Z Mntambo	Male	10 January 2005	LLM (1988), LLB (1986), BJuris (1983)	Legal, strategy, performance management, restructuring & transformation
K Setzin	Male	30 January 2007	BA (Journalism and Advertising) (1988); MBA (1990); Diploma Small Business Financing (1993)	Business and Marketing
D Nyalunga	Female	23 January 2009	CA(SA)	Finance, Investment Banking and Development Finance
M Mojapelo	Female	25 April 2012	MBA, BA (Hons), BA Education, HR Diploma, MAP,	Human Resource, Strategy, Business
W Dukuza	Female	25 April 2012	BProc, High Diploma in Tax Practice, (Incomplete), Certificate in Labour Relations Management	Legal, Labour Relations, Business Development
B Mbokazi	Male	25 April 2012	MA Industrial Psychology, Certificate in Business Management, Masters Dip in HR Management, BA(Hons), BA	Human Resources
M Moerane	Male	25 April 2012	Project Management Diploma	Project Management, Strategy
N Batyi	Female	25 April 2012	LLB, BProc	Legal, Competition
L Magekoane	Male	01 September 2011	BComm Hons, PG Dip in Strategy and Governance	Accounting, Strategy
K Naidoo*	Male	23 January 2007	B. Com., NACCA Computer Auditing Certification, MBL (Incomplete)	Accounting, Finance, auditing
M Manyama-Matome*	Female	23 January 2009	B.com (Accounting) (1997), B.Compt Honours (1999), CA(SA) (2002), B.com Hons (Tax) (2003), MBA (2007)	Finance, Accounting
C Bunting*	Male	10 August 2006	MBA (2004), Diploma in Internal Auditing (1996)	Procurement, Business
H Sutherland*	Male	2011		Logistics Transportation

*Directors retired / rotated / resigned

The Board or any of its Members may, in appropriate circumstances, and at the expense of the Company, obtain the advice of independent professionals. Registers are kept and updated on the disclosure and declaration of interests of Directors. The Board of Directors' ensures that there is full material compliance with all relevant legislation.

The Board meets regularly, and retains full control over the company. The Board remains accountable to the City as the sole member and its stakeholders, the citizens of Johannesburg. The Board provides amongst others; Quarterly, Mid-year and Annual Reports on its performance and service delivery to the City as prescribed.

During the year under review the company entrenched its policy of risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act, the Municipal Systems Act and the Municipal Finance Management Act (MFMA) with a strong focus on risk.

Section 2: Statement of compliance

The non-executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and Managing Director are separate, with responsibilities divided between them. The Chairperson has no executive functions. Board members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees.

The Board provides quarterly and annual reports on its performance and service delivery to the parent municipality as prescribed in the SDA, the MFMA and the MSA. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the Municipal Systems Act (MSA) governs the entity's relationship with the City of Johannesburg.

Section 3: Code of ethics

The Board of Directors' and Executive Management recognize, and are committed to the principles of openness, integrity and accountability as advocated by the King III Code on Corporate Governance. Through this process, the shareholder and other stakeholders may be assured that the entity is being ethically managed according to prudently determined risk parameters and in compliance with generally accepted corporate practices. Metrobus subscribes to the Code of Conduct for Municipal Staff Members and Directors contained in the Schedule 2 of the Local Government: Municipal Systems Act 32 of 2000 as well as the Code of Ethics approved by the Board of Directors in April 2012.

A tip-offs anonymous hotline is available to all passengers and staff where any unethical or fraudulent behaviour and practises can be reported. All cases are referred to the Internal Audit Manager for investigation and reported to the Audit Committee.

Section 4: Breach of governance procedures

During the year under review there were no breaches of governance procedures.

Section 5: Policies

The Company is managed through powers delegated to the Managing Director, resolutions of the Board and policies. All policy approval is reserved to the Board.

Section 6: Conflict of interest

Registers on the disclosure and declaration of interests of directors and senior management are kept and updated.

Section 7: Governance Structures

7.1 Board Committees

The Board Committees consist of an Audit & Risk Committee and Human Resources & Remuneration Committee

The Board and its sub-committees are scheduled to meet at least quarterly.

7.1.1 Audit and Risk Committee

The Committee comprises of the following Members: Kumaran Naidoo (Chairperson), Rene Kenosi, and Kwanele Moyo duly appointed by the City in compliance with the MFMA. B Mbokazi and D Nyalunga were appointed to this Committee at the AGM in April 2012 and though Mr Naidoo resigned from the Board of Directors he was appointed by the City as an Independent Audit Committee member.

7.1.1.1 Role and responsibility of the Audit and Risk Committee

The role of the Audit 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 and in performing an objective and independent review of the functioning of the organisation's risk control mechanisms. It exercises its functions through close liaison and communication with Management and the internal and external auditors.

The Audit and Risk Committee operates in accordance with a Charter authorised by the Board of Directors, City's Risk Management Framework and the MFMA.

The Audit and Risk Committee considers the Annual Financial Statements of Metrobus to be a fair presentation of its financial position on 30 June 2012 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.

A representative from the City's Risk Department has a standing invitation to send a representative to attend meetings.

The Committee met 5 times during the year under review.

Refer to Chapter 4 Section 2 below for a brief report on the top strategic risks identified for the organisation and Management's mitigating action programmes to address these risks.

7.1.1.2 Report of Audit and Risk Committee

We are pleased to present our report for the financial year ended 30 June 2012 as recommended by the King III Report on Corporate Governance and Regulation 27 of the Treasury Regulations. The Audit and Risk Committee performs its functions in accordance with the Companies Act, and has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter and has regulated its affairs in compliance with this Charter. The Audit Committee has discharged all its responsibilities as contained therein.

In the conduct of its duties, the Audit and Risk Committee has, inter alia, reviewed the following:

- the effectiveness of the internal control systems;
- the risk areas of the Company's operations covered in the scope of internal and external audits;
- the adequacy, reliability and accuracy of financial information provided by management and other users of such information;
- accounting and auditing concerns identified as a result of internal and external audits;
- the company's compliance with legal and regulatory provisions;
- the activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and the responses of management to specific recommendations;
- the independence and objectivity of the external auditors

The Audit and Risk Committee is of the opinion, based on the information and explanations given by management and the auditors on the results of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities is maintained.

Having considered the matters set out in the Companies Act the Audit and Risk Committee is satisfied with the independence and objectivity of the external auditors

Nothing significant, other than reported in the directors' report, has come to the attention of the Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Committee is satisfied that the financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The Audit and Risk Committee has evaluated the annual report for the year ended 30 June 2012 and considers that it complies, in all material respects, with the relevant regulatory requirements and Financial Reporting Standards.

The Audit and Risk Committee has therefore recommended the adoption of this annual report by the Board of Directors.

Chairperson: Audit and Risk Committee

Mr K Naidoo

7.1.2 Human Resources and Remuneration Committee

The Committee comprises three Non-Executive Directors' namely Kenny Setzin who is the Chairperson of the Committee and Danile Nyalunga who serves as a Member of the Committee.

In consultation with the Board, the Committee determines the remuneration of the Managing Director and the Executive Officers 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 in terms of the Charter approved by the Board.

The Human Resources and Remuneration Committee met on 7 separate occasions during the year.

7.1.3 Executive Committee

The Executive Management Committee (EXCO) is chaired by the Managing Director and comprises:

- L Maqekoane (Acting Managing Director);
- B Narain (General Manager: Operations);
- E Manyawi (Acting Chief Financial Officer);
- M Tema (GM: Human Resources);
- Z Mushophe (Co-sourced Internal Audit Manager);
- P Maduka (Company Secretary).

Section 8: Board and Committee Attendance

The table below sets out Board and Committee meetings as well as attendance of each member:

Table 27: Board and Committee meetings

Name	Board (Including Specials)	Audit and Risk Committee	Human Resources and Remuneration Committee	AGM and Other	Chairperson's meetings	Chairperson's Quarterly meeting	Total
Number of meetings	8	5	7	5	4	5	34
VZ Mntambo	7	N/A	1	2	4	4	18
C Bunting*	6	4	N/A	1	N/A	N/A	11
K Setzin	7	N/A	6	1	2	1	17
H Sutherland*	5	N/A	N/A	N/A	N/A	1	6
D Nyalunga	7	N/A	7	1	N/A	N/A	15
M Mojapelo	1	N/A	N/A	1	N/A	N/A	1
W Dukuza	1	N/A	N/A	1	N/A	N/A	1
N Batyi	1	N/A	N/A	1	N/A	N/A	1
M Moerane	1	N/A	N/A	1	N/A	N/A	1
B Mbokazi	0	N/A	N/A	1	N/A	N/A	1
K Naidoo *	3	4	N/A	N/A	N/A	N/A	7
M Manyama Matome *	3	2	0	N/A	N/A	N/A	5
L Maqekoane	8	4	6	3	4	5	32
Independent Committee Members							
D Van Der Nest*	N/A	N/A	N/A	N/A	N/A	N/A	0
R Kenosi	0	4	N/A	2	N/A	N/A	6
K Moyo	0	5	N/A	2	N/A	N/A	7

*Resigned/Rotated /Retired

Other meetings are also attended including the Chairperson's meetings with the Managing Director and Chairperson's Quarterly meetings with the MMC for Transportation.

Section 9: Director's and Senior Management Remuneration

The tables below provide the details of directors and senior management remuneration in compliance with the MFMA.

Table 28: Directors and Senior Management remuneration

DIRECTORS	
Name	Total
VZ Mntambo	188,975
C Bunting*	42,160
K Setzin	112,096
H Sutherland*	54,560
D Nyalunga	88,300
K Naidoo *	51,088
M Manyama Matome *	29,760
INDEPENDENT AUDIT COMMITTEE MEMBERS	
D Van Der Nest*	19,840
R Kenosi	50,592
K Moyo	59,520

SENIOR MANAGEMENT REMUNERATION				
Name	Designation	Annual		
		Basic Salary	Allow. + Contrib.	Total
L Maqekoane	Acting Managing Director	882,921	267,961	1,150,882
M Tema	GM: Human Resources	645,142	197,533	842,675
B Narain	GM: Operations	823,196	231,859	1,055,055
P Maduka	Company Secretary	556,907	163,977	720,884
E Manyawi	Acting Chief Financial Officer	358,800	58,966	417,766
TOTAL		3,266,966	920,296	4,187,262

Section 10: Company Secretarial Function

A Company Secretary's work covers a wide variety of functions and the primary function is to ensure that the company complies with the requirements of the Companies Act, the King III report on Corporate Governance, the Local Government Legislation and both the Company and City's policies and procedures. The Company Secretary provides support and guidance to the Board on matters relating to governance and ethical practices. Statutory duties in terms of the Companies Act and other regulatory functions are also performed by this function. The directors have unrestricted access to the services of the Company Secretary. Additionally, the Company Secretary has been awarded the responsibilities of ensuring that

- All reporting deadlines are met and acts as the conduit between the Shareholder and the Board of Directors' of the Company.
- Organising, preparing agendas for, and taking minutes of meetings;
- Dealing with correspondence, collating information, writing reports, ensuring decisions made are communicated to the relevant people;
- Arranging the annual general meetings
- Ensuring all returns are filed;
- Managing risk and business continuity

Decisions taken by the Board and its Committees during the period included:

- The future options discussion is ongoing at Board level;
- The Business Plan for 2012/2013 was deliberated and has been approved;
- The re-fleeting requirements;
- Progress on the Business Continuity Plan is ongoing and the strategic risks are a standing agenda item.

CHAPTER FOUR:

SUSTAINABILITY REPORT

Section 1: Sustainability and Social investment

As part of its green initiative, and despite the age of the fleet, Metrobus has conducted smoke testing on its fleet, and where the carbon (Co2) emissions were higher than 75% Hartridge Smoke Unit (HSU), appropriate measures have been taken to repair faults on buses. In the coming year Metrobus plans to reduce the HSU to 55% and make more efforts in preparing the company for a more efficient and environmentally friendly future.

Metrobus primarily partners with the Johannesburg Zoo as part of its sustainability commitments and Social Investment Responsibilities.

As a corporate citizen and municipal owned entity, Metrobus is committed to good corporate citizenship. As part of its Social Investment and Responsibility initiative, Metrobus provides free or discounted transportation to disadvantaged groups and social organisations. A number of initiatives have been undertaken during the year in order to enhance corporate social responsibility within Metrobus. Some of the initiatives include:

- 83 learners from Kingsway Christian School transported to the Zoo in November 2011;
- The use of one double deck bus was donated to the JRA for a funeral of a child that was electrocuted; A bus was donated to City Parks to transport family of a victim of low hanging electrical cables;
- During the Fourth quarter a bus was donated to convey disadvantaged school children to the Zoo and there were discounts granted for the hire of buses to the value R16 744.

Section 2: Risk Management and governance

Risk Management in the entity is primarily focused on the identification, analysis, assessment, management and monitoring of all known risks across all functional areas.

The Audit and Risk Committee (“ARC”) assesses risk management processes and procedures adopted by Executive Management and ensures compliance with governance and sustainability principles as contained in the King III Report on Corporate Governance.

The Board, through the ARC, is responsible for setting risk policies, risk tolerance levels and ensuring that appropriate risk management processes have been implemented by the Executive Management.

As operational risks cannot be fully eliminated, the company endeavours to minimize risk by ensuring that the appropriate infrastructure, controls and systems are in place and that ethical behaviour is applied and managed within predetermined structures including the City’s Risk Management Framework processes. As a practice, risk workshops were held during the year by Management to address all risks and the mitigation action plans.

A Risk Assessment was conducted by the Board of Directors at the end of the financial year.

Metrobus faces the following five most critical risks:

Table 29: Risks

Risk Name	The Background to the Risk	Mitigation Plans
Volatility of Labour Relations	Powerful external influence of stakeholders strengthens the power of trade unions. Entrenched low work ethic across different levels Calibre of Management that require union support to retain positions Disciplinary processes appear to be compromised because of personal relationships	<ol style="list-style-type: none"> 1. Conduct quarterly depot visits to disseminate company information to depot management 2. Shift Task Team Project 3. Improve the ticket system 4. Monthly newflash 5. Incentive schemes 6. Shift task teams
Unsustainable operating costs	Ageing bus fleet Breakdowns affect the number of passengers Fluctuating crude oil costs Unsustainable historic salaries and benefits of labour Corrupted disciplinary processes	<ol style="list-style-type: none"> 1. New buses to be procured 2. Management of suppliers performance 3. Mechanical redesign 4. Recruitment assessment
Business interruption	There is no Business Continuity Management plans in place (including a IT Disaster Recovery Plan) Industrial action	<ol style="list-style-type: none"> 1. Implement the IT DRP 2. Finalise the development of the Business Continuity Plan 3. Encourage usage of network drives
Inability to attract the right skills	Metrobus' bad reputation Influence of unions in the recruitment processes Non competitive remuneration packages for critical positions	<ol style="list-style-type: none"> 1. Develop a Retention Strategy 2. Succession Planning Strategy 3. Skills audit for Technical Department
Inadequate Management Information system (MIS).	EAM was not correctly configured on installation Personnel unable/unwilling to fully operate the system Inadequate IT skills	<ol style="list-style-type: none"> 1. New electronic ticketing system 2. Perform manual reconciliations 3. Annual health checks 4. Implement IT strategic review recommendations

The 2012/2013 Strategic risks have also been developed by Management.

The Business Continuity Plan Policy has been approved by the Board approval in order to ensure Metrobus becomes resilient and responds speedily in an event of any disruption.

Critical functions for the Risk Unit in the new financial year will be to finalise the business continuity management plan, facilitate an IT disaster recovery plan and the rollout of an educational programme assisting all staff in the understanding of risk process.

Section 3: Internal Audit Function

Due to the vacancy in the Internal Audit Manager position, a resource has been obtained to manage the Internal Audit function. The primary objective of the Internal Audit function is to provide a comprehensive service to ensure adequate measures and procedures are in place for sound economic, effective and efficient management as required by the Municipal Finance Management Act and King III.

Internal Audit has conducted audits to assist management in the effectiveness of the organisation's system of internal controls and quality performance.

The functions of the Internal Audit department includes amongst others:

- Preparation of a Risk based Annual and 3 year rolling plan, and ensuring its execution;
- Advising the Managing Director on internal controls and reporting to the Audit and Risk Committee; and
- Performing such duties as may be required by Management and the Audit and Risk Committee from time to time.

3.1 Internal Audit Plan

A risk based strategic approach was adopted which takes into account the results of the risk assessment conducted by management as well as subsequent discussions with management. The Internal Audit plan for the financial year 2011/12 was developed based on Company's Strategic risk register for the financial year. The plan was tabled and approved at the Audit and Risk Committee.

The status of the internal audit projects executed in relation to the planned audit was reported to the Executive Committee and to the Audit and Risk Committee quarterly. Internal audit performs follow-up reviews to track the implementation of the action plans and to ensure that internal controls put in place are adequate and are working effectively and efficiently to address the noted findings.

By the end of the financial the following audits have been finalised:

Audit Areas	Date Planned/Completed	Opinion Expressed	Rating
Occupational Health and Safety	Mar 12	Improvement required	2
Stores and logistics	Jan 12	Critical	4
Supply Chain Management	Mar 12	Improvement required	2
Financial Discipline Review	May 12	Improvement required	2
Revenue	Mar 12	Improvement required	2
Employee relations	Jan 12	Improvement required	2
PAO Q1	Sep 11	Improvement required	3
PAO Q2	Dec 11	Improvement required	3
PAOQ3	Mar 12	Improvement required	3
PAOQ4	Jun 12	Improvement required	3

Section 4: Response to the Auditor-General Report

Auditor-General findings are monitored on an ongoing basis and many findings have been cleared. Internal Audit plans to continue monitoring progress.

For the previous financial year there was a total of 48 (forty eight) audit findings and only 6 remain outstanding. The outstanding findings are as follows:

- 2 relate to the IT Strategy which has since been sent to the City for review;
- 1 relates to the Leave Policy which is planned to be in place in 2013;
- 1 relates to the Business Continuity Plan which is still in progress,
- 1 is with regard to the Revenue collection system, Wayfarer, which is being reviewed; and
- 1 relates to irregular expenditure which management has taken serious steps to ensure that this is regularized and proper systems in place.

For the period under review there were a total of 31 (thirty one) audit findings and fifteen (15) remain outstanding. Most of these audit findings were speedily cleared as the audit progressed. Once again, the revenue collection / Wayfarer issue is one of the outstanding issues, however, most of these findings are expected to be cleared before February 2013.

Further mechanisms in place to ensure that all findings are cleared include having the action lists monitored by the Board, implementation of audit findings has been included as an indicator in individual scorecards and capacity in the Finance Department is being improved.

CHAPTER FIVE: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Section 1: Human Resource Management

1.1 Organisational Structure

The table below outlines the head count per level.

Table 30: Headcount

No. of Staff	Target	Variance	Remarks
Executive Staff			
5	1	1	Executive Staff consists of Managing Director, General Manager: Human Resources, General Manager: Operations, Company Secretary, Chief Financial Officer and the GM: Technical. The Deputy CFO is acting as Chief Financial Officer and an outsourced Internal Audit Manager.
Senior Management			
8	10	2	Senior Managers are: Labour Relations Manager, Group Operations Manager, Group Technical Manager, Human Resources Manager, Planning Manager, Procurement Manager, Financial Manager, Risk Officer, IT Manager, Internal Audit Manager and Deputy Chief Financial Officer. Currently, there is an employee acting in Group Technical Manager post
Middle Management			
21	23	2	Middle Managers consist of Operations Managers and Audit Operations Manager, Superintendents, Workshop Managers, Senior Foreman, Accountants, etc. Currently, there is an employee acting as Workshop Manager
Supervisory and Specialized level			
139	160	14	This level consists of qualified petrol/diesel mechanics, auto-electricians and body builders, finance, human resources, operations position, etc.
Core Staff			
714	776	64	This level consists mainly of bus operators.
Grand Total			
887	970	83	

1.2 Report on cost of staff to total OPEX

Table 31: Report on costs of staff to total OPEX

R'000	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
Total Salary cost	51,227.00	43,971.00	52,478.00	54,811.00	202,489.00
Total OPEX	105,235.00	105,582.00	115,105.00	119,400.00	445,323.00
% of salary to OPEX	49%	42%	46%	46%	45%

Section 2: Employment Equity

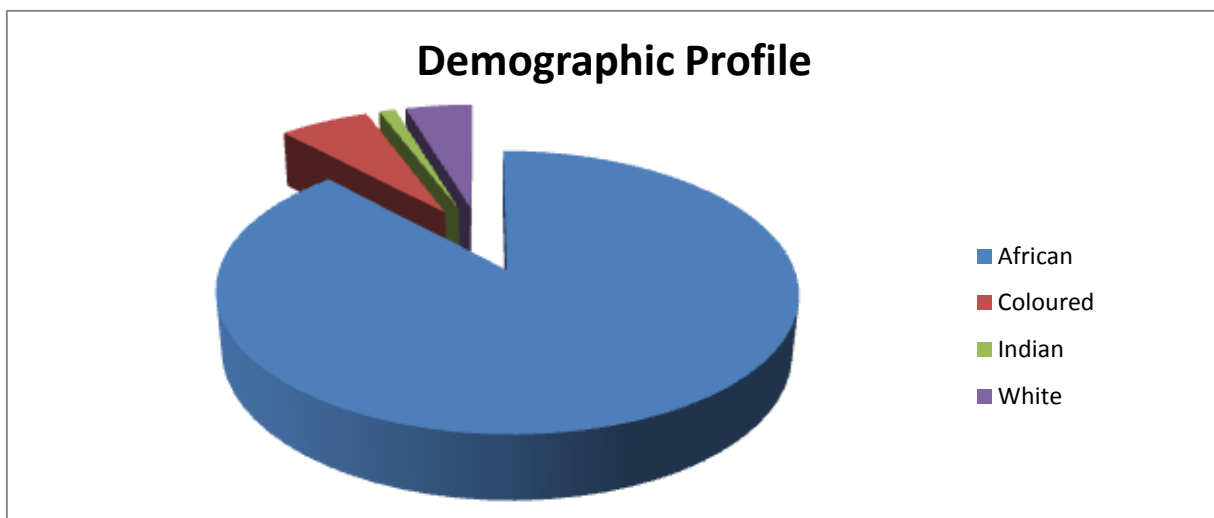
The Employment Equity plan was submitted to the Department of Labour during October 2011. The Employment Equity Plan for the company is utilised as a guide in the recruitment process. The company has exceeded the employment equity targets in most of occupational categories and under achieved at executive level as initially envisaged. The employment equity statistics of the company is as indicated below:

Table 32: Employment Equity

Category	African Males	African Females	Coloured Males	Coloured Females	Indian Males	Indian Females	White Males	White Females	TOTAL
Executive Management	2	1	0	0	1	0	1	0	5
Human Resources	9	10	2	0	1	0	1	1	24
Marketing	6	7	2	1	0	0	0	2	18
Finance	24	18	1	1	1	1	2	3	52
Technical	154	16	8	1	2	0	19	0	200
Operations	455	78	38	1	4	0	11	1	588
TOTAL	651	130	51	4	9	1	34	7	887

The current demographic profile of the company is as illustrated below:

Graph 8: Demographic Profile



Efforts are being made to employ more women and people with disabilities.

Section 3: Skills Development

During the mid year reporting period, fifty 50% of the planned training for the year was executed. By the end of the third quarter 117 of 173 planned training interventions had been conducted.

Training interventions included:

- Accident and Incident Investigation attended by 9 employees
- SHE Representative Course for 7 employees
- Basic Fire fighting Course ((employees) and First Aid Course attended by 9 employees
- GRAP Training (Generally Recognised Accounting Practice) – 14 Employees (Finance Department)
- Questek Q-Merit Training – 17 Employees (Operations Department)

- Eliminating Fraud and Criminal Activities in Fleet, and Transport and Fuel Management. (attended by 2 Senior employees)

Seventeen (17) technical personnel from the 3 depots were assessed during December 2011. The outcome of the assessments confirm that seven of seventeen attendees were declared eligible to enrol into the Repair Shop Assistant (RSA) Training Program. 4 Auto-Electrical Assistants and 2 Diesel Workshop Assistants were trained. The Transport and Education Training Authority (TETA) awarded Metrobus three Apprenticeship Programmes for unemployed persons, which will commence during the new financial year. These programmes are for Auto Electricians and Diesel Mechanics.

A programme worth noting is the City's EPWP learnership where Metrobus received an amount of R472 491.00 from the City. Learners are currently on practice note and route orientation under the experienced drivers' supervision across all depots. The total number of learners is nineteen (19).

Section 4: Wellness and HIV/AIDS in the Workplace

Wellness programmes in the form of Employee Assistance Programmes (EAP) continued during the year focusing on amongst other matters counselling relating to the family and marriage, absenteeism and trauma. The table below provides information relating to the number of employees counselled:

Table 33: Wellness Programmes

Counselling provided	Number of employees
Family and marriage	33
Work and absenteeism	32
Trauma	29
Stress	17
Financial issues	6
HIV/AIDS	5

Managers and employees were trained on HIV/AIDS management, wellness and absenteeism during the year under review and a total of 628 employees participated in all the HIV/AIDS events and campaigns. The wellness department continued to intensify office -to -office and wellness campaigns in order to educate employees on pandemic and wellness issues at large. A total of 357 employees tested for HIV/AIDS, with 32 employees testing positive, 24 males and 8 females. In order to minimize the spread of HIV a number of employees, including Peer Educators, are planned for training in HIV/AIDS awareness in the new financial year.

In order to maximise the healthy living-style the wellness department continues to encourage employees to participate in physical wellness, a total of 939 employees, utilised the gymnasium facilities in Village main, followed by Milpark with a total of 407 employees and Roodepoort with 72 employees.

Metrobus represented the City in the second leg of the Joburg Games in table tennis, fun walks and *Morabaraba*.

Section 5: Employee Benefits

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

Table 34: Employee benefits

Medical Aid Scheme	No. of staff	%
Bonitas	197	21.72
Keyhealth	3	0.3
SAMWUMED	112	12.34
Hosmed	19	2.09
LA Health	157	17.31
Non-members	399	45

Pension Fund Scheme	No. of staff	%
E'Joburg Retirement Fund	667	74
Johannesburg First Pension Fund	23	3
Municipal Gratuity Fund	16	2
The Johannesburg Second Pension Fund	144	16
Non-members	37	4.1

Section 7: Succession Planning and Retention

The Succession Planning Strategy and Retention Plan have been approved by the Board of Directors in the year under review and plans are in place to implement.

Section 8: Labour Relations

Metrobus continues to experience a strong negative union presence at shop floor level. However, line management engages with union representation in terms of all collective agreements to foster better shop floor level labour relations.

One area of major concern is that of discipline. During the first two quarters of the year it came to the attention of management that there was a large number of disciplinary cases due to theft and the sanctions of the majority of cases to the relevant employees was a final written warning.

A breakdown of the outcome of the cases is as follows:

Table 35: Outcome of Disciplinary cases

Disciplinary outcome	No of Cases
Found guilty	289
Found not guilty	61
Resignation/ Medical Boarding	4
Total	354

A breakdown of the sanctions of employees found guilty is as follows:-

Table 36: Sanctions for cases found guilty

Found guilty sanctions	%
Final written warning	93.9%
Dismissals	3.5%
Written warning	2.6%

A final written warning was commonly used regardless of the nature of offence and the number of similar offences was not taken into account. This issue has now been rectified and the Company applies a progressive sanctioning policy.

A comprehensive investigation took place, which confirmed the stated figures and revealed the following facts.

- Discipline was not applied consistently;
- There was no progressive discipline; and
- Unacceptable and unwanted behaviour was not eliminated.

To correct the abovementioned facts, bi-weekly meetings were set up between the Human Resources Department and the relevant line managers to ensure that disciplinary procedure is enforced in terms of all disciplinary collective agreements. This will ensure that unwanted behaviour is curbed and eliminated

After this intervention at the beginning of the third quarter, there has been a decline in disciplinary hearings and an improvement in acceptable behaviour.

It has become the norm that all dismissal cases are referred to the CCMA by the unions on behalf of the employees. At present there are fourteen (14) cases at the CCMA and Labour Court. A breakdown is as follows:

Table 37: CCMA/Labour Court Cases

CCMA/Labour Court Cases	Number
Conciliation	3
Arbitration	8
Labour Court	3

To foster better Labour Relations with both unions, a more formally structured union/management meeting has been implemented with various sub committees to deal with and resolve matters.

CHAPTER SIX:

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION



**Johannesburg Metropolitan Bus Services (SOC) Limited
(Registration number 2000/004704/07)
Trading as Metrobus**

**Annual financial statements
for the year ended 30 June 2012**

AUDITOR-GENERALS AUDIT REPORT

