



2015/16 INTEGRATED ANNUAL REPORT



a world class African city


City of Johannesburg METROBUS *"A new beginning"*




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Scope of Report

Metrobus integrated report, published in line with the King Code on Corporate Governance (King III of 2009), reviews Metrobus' economic, social and environmental performance for the period between 01 July 2015 and 30 June 2016.

This report combines elements of a sustainability report with a conventional financial report. The aim is to provide sufficient insight to enable stakeholders to form a comprehensive view of the organisation's performance and its ability to create and sustain value, in the context of its environmental, social and economic challenges.

The entity aligns itself to local and international sustainability best reporting practices legislative frameworks, policy and strategic frameworks impacting on the functions of Metrobus. These include:

- Municipal Finance Management Act (MFMA)
- Public Finance Management Act (PFMA)
- Generally Recognized Accounting Principles (GAAP)
- Section 46(1) on the Municipal Systems Act (MSA)
- King III Code on Corporate Governance (KING III)
- Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council (IIRC)
- International Financial Reporting Standards (IFRS)
- Global Reporting Initiative Framework
- Millennium Development Goals
- Joburg 2040 Growth and Development Strategy (GDS)
- 2012/16 Integrated Development Plan (IDP)
- Integrated Transport Plan

The report considers economic, environmental, social and technical performance and is also available online on the Metrobus and City of Johannesburg's websites (www.mbus.co.za and www.joburg.org.za). This Integrated Annual Report highlights the key achievements and opportunities to operationalise the business strategy and vision of Metrobus.

Materiality

In formulating our Business Plan and determining our strategic priorities, we consider all that substantively affect the entity's ability to create value over the short, medium and long term, thereby affecting sustainability of the entity and relate to our financial and non-financial performance progress and prospects.

An issue becomes material when it impacts Metrobus ability to remain viable and socially relevant to the communities in which we operate. In particular, material issues are those that have strong bearing on our stakeholders' assessments and decisions about Metrobus long-term sustainability and financial stability. The main areas covered in this report in terms of both current and future issues are based on what our stakeholders have raised as our business focus areas, priorities and the actively managed risks the entity faces.

During the preparation of the business strategy and business plan, Metrobus conducts an exercise to assess material issues. The following internal and external criteria were used by Metrobus in determining the materiality and significance levels of the risks and challenges facing Metrobus.

	Fare revenue			<p>anonymous.</p> <p>(2) Internal Blitz.</p> <p>(3) Notices encouraging passengers to demand ticket printed. .</p> <p>(4) Encouraging passengers to move from cash to tags.</p> <p>(5) Inspectors monitoring system.</p> <p>(6) Unions involved in advising members about the seriousness of theft.</p> <p>(7) Publish Customer Services Charter</p> <p>(8) Depots meetings with bus operators including unions</p>	
Regulatory	<p>Challenge renewing permits and licenses</p> <p>The introduction of the Administration and Adjudication of Traffic Offences is going to result in</p>	<p>Suspension of services by Transport Authorities</p> <p>Suspension of traffic offenders licenses thereby rendering them incapacitated as bus drivers.</p>	Possible	<p>(1) Training of management and bus operators on AARTO Act.</p> <p>(2) Metrobus Management database has been introduced and is monitored by the AARTO Officer for internal fines; Four employees have been trained; AARTO Officer has attended training course</p> <p>(3) An AARTO awareness campaign was conducted to all the staff</p> <p>(4) Weekly meetings are held to address traffic fines and offences</p>	Short Medium Long



Building our fleet from scratch at the factory and rolling it out for service throughout Joburg

Leadership & Corporate Profile



From manufacturing to an environmentally friendly bus service

Euro 3	12	18	10	40	0
Mercedes Euro 5	36	16	50	102	0
Total	204	71	190	476	

Our Business Model

The business model of Metrobus is to transform the inputs it receives from the City of Johannesburg into the outputs of an efficient and sustainable bus service. The model is aimed at achieving the obligations as outlined in the Service Delivery Agreement signed with the City of Johannesburg.

1) Inputs:

Financial Resources: Metrobus' primary source of funding is the subsidy it receives from the City of Johannesburg, the debt the entity incurs for capital expenditure and the fare revenue the entity generates from transporting commuters in and around Johannesburg. Service maintenance, expansion and entity's financial ability is driven by the budget allocation received from the City of Johannesburg.

Human Capital: Following the recent restructuring of Metrobus, the structure of Metrobus is fit to deliver on its purpose. Our bus drivers (57% of the staff complement) are the primary interface with our commuters, which means that they are the custodians of delivering the efficient service and the memorable experience Metrobus strives to offer.

Metrobus invests in its human capital to ensure that the employees have the appropriate skills to deliver on the strategic priorities. Metrobus actively aligns performance management to strategy. Over and above management of performance of the Services, Metrobus must adhere to the obligations set out in the SDA.

Social and Relationship Capital: Metrobus actively manages the stakeholder relationship on which the entity's business depend including Commuters, Organised Labour, Suppliers and Employees. Our commuters and passengers are the most significant and important stakeholder in our business, we strive to meet their expectations.

2) Activities

Metrobus activities can be divided into two broad categories; Operations related activities and corporate activities:

Operations Related Activities (core business units):

The entity's core business is the provision of reliable and safe bus transport service to the citizenry of Johannesburg. Core to the service delivery performance of Metrobus happens in two Departments:

- **Operations Department** is responsible for the planning of routes, dispatching of buses, transportation of the citizenry of Johannesburg, supervision, inspections on route as well as the operation of a dedicated service that ensures the mobility of passengers with disabilities. Furthermore, the Operations department is responsible for compliance with laws and regulations applicable to bus operations and all road users as well as interface with Transport Department.
- **Technical Services Department** is responsible for the maintenance and repair of the entity's fleet; ensuring that the buses are road worthy; researching and implementing fleet management and tracking solutions. The department is also charged with implementing, testing and monitoring of the green transport innovation which Metrobus has introduced with the procurement and conversion of some of the entity's diesel fleet to Diesel Dual Fuel buses.

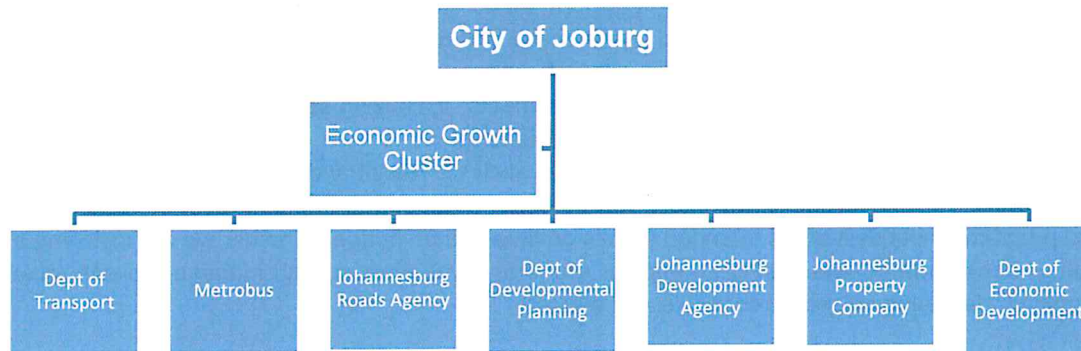
Metrobus operates from three main depots, i.e. Milner Park, Village Main and Roodepoort; the Company's Head Office is situated on Raikes Road, Braamfontein

Corporate Activities

Metrobus contributes to the City's Economic Growth Cluster. This cluster is central to the re-profiling of investment development and integration of the City. In this context Metrobus commuter and passenger transport services remain pivotal to the realization and harnessing all new urban opportunities the city presents.

The City's Economic Growth cluster focuses specifically on the following Priority Implementation Programs:

1. Sustainable Human Settlements
2. SMME and Entrepreneurial support
3. Investment attraction, retention and expansion
4. The green and blue economy



Within the Economic Growth Cluster, Metrobus is part of the transport sector together with Johannesburg Roads Agency and Department of Transport which plays an oversight role.

1.2.2 Metrobus 2015/16 Strategic Objectives

Given Metrobus' corporate scorecard and reviewed strategic intent, the entity has identified the following strategic objectives:

Strategic Objective 1: Acquire, develop, and retain talent in a fit for purpose organizational structure that will deliver on our Mission.

A key component to this strategic objective is not only ensuring we have the technical skills needed to operate buses, but also increasing the business acumen of our people so we can improve our overall performance.

It is critically important that all employees provide the leadership necessary within their sphere of influence to guide our organization. We will hire and develop leaders who are committed to our strategic direction, are focused on delivering the travel experience our customers expect, and know how their decisions impact our collective future.

We will recruit employees who are motivated to serve others. Our training and development will be biased towards behaviours and actions that drive customer satisfaction and a culture of service. This culture of service will be instilled and reinforced with appropriate performance management systems and incentives.

Strategic Objective 2: Enable people and processes with technology for service delivery, agility and customer focus

In order to perform effectively and improve customer satisfaction, our employees must have technology that provides quick access to information is linked to critical processes and connects us to customers in a

To further improve, we must find better ways to identify and remove barriers to safety so we can reduce accidents and injuries.

Strategic Objective 8: Decrease Metrobus contribution to GHG emissions

Minimize the environmental damage caused by buses and bus related operational activities. Contribute to a significant shift in transport modal choice “get citizens out of private cars into public transport. Conversion of the existing fleet to diesel dual fuel and ensuring that all new buses operate on renewable energy in the main. This will have the greater outcome of changing Johannesburg’s rating favourably in terms of high emitters of GHG.

Strategic Objective 9: Achieve fare revenue collection targets and improve expenditure efficiency

Key among operational tactics will be to collect all revenue that is due to Metrobus and consolidate the collection capacity in order to decrease the cost thereof. Business efficiencies will be implemented to contain the cost of doing business.

Strategic Objective 10: Develop and implement a sustainable re-fleeting and refurbishment plan

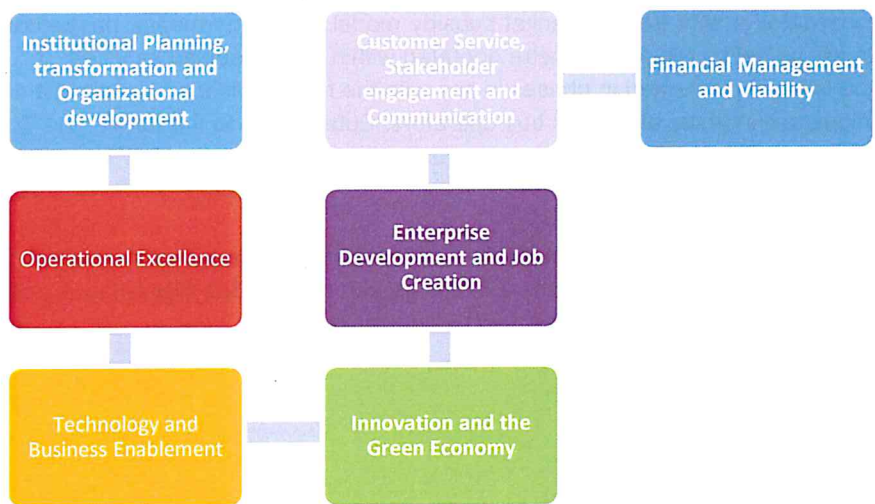
Metrobus would work with the shareholder to ensure that its fleet is kept viable through a proper re-fleeting strategy and plan.

1.2.3 Strategic Intent

Metrobus has developed a five year strategy called “**Vision 2020**”. The strategy is being implemented in a coordinated, phased in approach focusing on three distinct phases viz:

- **Stabilization** – this phase will focus mainly on stabilizing the current operating environment and thus normalizing the performance context for the entity.
- **Consolidation** – this phase will focus mainly on consolidating the gains of stabilization and concretizing a culture conducive to high performance.
- **Sustainability** – this phase will be characterized by a concerted effort to sustain an acceptable level of performance.

Metrobus business strategy “**VISION 2020**” is anchored on seven pillars that address specific objectives. These pillars form the basis for developing performance and operational plans of the entity. Our performance against these objectives is detailed in chapter three under performance against Metrobus scorecard.



1.2.4 Outlook for the Future

Table 1.2: Envisaged changes to Metrobus Operations

Components of bus services	Status quo	Transitional	Final form
Bus ownership	Owned by Metrobus	Owned by City	Owned by Metrobus
Bus services (driving the buses on scheduled routes)	Metrobus employed drivers on routes determined by Metrobus	Metrobus management contractor to SSMA. Transport Department determines routes which are prescribed to Metrobus via SSMA	Transport Department determines routes which are prescribed to Metrobus via SSMA
Bus management	Metrobus management	SSMA through control centre Metrobus as part of management contractor	SSMA Bus contractor
Fare management and collection	Metrobus with contract with Questek	SSMA – integrated system with Rea Vaya BRT, SMMA collects revenue and pays Metrobus fee per km to run bus services.	SSMA – integrated system with Rea Vaya BRT, SMMA collects revenue and pays Metrobus a fee per km to run bus services.
Depots and sleeping grounds	Metrobus owns	Metrobus owns as part of management contract	Could continue to rent depot space from City
Maintenance of buses	Maintained in house.	3 year maintenance contract in respect of new buses. In house maintenance as part of Metrobus management contract	Outsourced maintenance for first 3 years. Metrobus could create a technical centre of excellence for vehicle maintenance at one or more depots.
Ensuring patronage (marketing, passenger information)	Metrobus	SSMA	SSMA
Governance	Metrobus Board	Metrobus Board would continue to manage management contract with the City. Would require change in SDA between Metrobus and the City	TBD

1.2.5 Key Risks and Opportunities Arising from the Metrobus Strategy and Resource Allocation

While ongoing business activities of Metrobus gives rise risks and opportunities described later in this integrated report, the new business model give rise to risks to Metrobus, namely non-existence of long-term re-fleeting and refurbishment strategy and that the lack of capacity to operate the revised routes within specified frequencies will reduce its benefits and long-term sustainability.

Critical to the implementation and success of the new business model is the existence of an Automated Fare Collection System (AFC), Advanced Public Transport Management System (APTMS) as well as an agreed Fee per Kilometre. Procurement process of these two systems is in the hands of the Shareholder. This arrangement has created a form a dependency for Metrobus having to rely on the pace and the successful execution of procurement processes by the Shareholder. Further delays in the execution of these processes could erode any benefits that the Shareholder and Metrobus were hoping to receive from this turnaround plan.

Metrobus has internalised the risks by actively participating in the final determination of the number of kilometres to be operated, the number of buses required, and the cost recovery fee for the operation. These elements are at a stress testing by both Metrobus and the Shareholder Teams.

1.2.8 Past Performance and Future Performance Projections

	Actual 30 June 2015	Actual 30 June 2016	Projected 30 June 2017	Target 30 June 2018
Main bus routes	229	233	235	10
Annual passengers conveyed	13.5 million	11.9 million	13 million	15 million
Annual kilometres operated	9.3 million	9.4 million	11 million	21 million
Bus fleet – passenger service	407 (379 peak requirement excluding 10% spare capacity)	476 (381 peak requirement excluding 10% spare capacity)	501 (381 peak requirement excluding 10% spare capacity)	501 (387 peak requirement excluding 10% spare capacity)
Annual trips operated	0.424 million	0.414 million	0.438 million	0.470 million
Average Out of Service Buses at any one time	110	117	90	50
Proportion of scheduled trips cancelled	7.5%	12%	7%	5%
Proportion of Non service kms : Service kms	29% 71%	31% 69%	31% 69%	11% 89%
Carbon emissions % (Hartridge Units)	60%	41.5%	35%	30%
Average Bus Occupancy/Seat Utilization	57%	52%	60%	80%

Section 1.3: Salient Features

This Integrated Annual report is characterized by the following features:

1) Corporate Governance

Board Committees

The entity currently has four sub-Committees of the Board, being the Human Resources and Remuneration Committee (REMCO), the Audit and Risk Committee (ARC), the Social and Ethics Committee (SEC) and the Service Delivery Committee (SDC).

2) Progress made on the 2013 Turnaround Plan and benefits experienced thus far regarding:

- Re-fleeting
- Institutional review
- Operational restructuring

3) Stakeholder Relationship Management

Metrobus engages with its stakeholders on an on-going basis through the following platforms:

- Union Management Meetings

Section 1.4: High-level organisational structure



High Level Functional Structure

Metrobus functional structure and operating model is classified as one of the critical building blocks required for organisational structure design and identifies the strategic service drivers and relevant capabilities which the organisation must cater for in order to achieve its core mandate. It further indicates how the strategic service drivers and capabilities should be grouped together into operating blocks for effective value proposition. In developing the entity's functional structure, management took into account the reason of existence for the entity, which in Metrobus case is to ensure that the fleet that is well maintained scheduled and is on the road at the right time to meet the needs of our customers.

It is for this reasons that both the Technical function and business operations are identified as the core functions. For the core functions to effectively deliver on the mandate of the entity, they require the support functions which are Governance and Corporate support. The support and core capabilities are coordinated and aligned towards the realisation of the business objectives of the entity by strategy and process enablement.



It is my pleasure to present the 2015/16 Integrated Annual Report for Metrobus. Metrobus team continues to demonstrate a tireless commitment to making a difference in the lives of ordinary citizens of Johannesburg.

The period between 01 July 2015 and 30 June 2016 has been one during which Metrobus, under the leadership of its Board and Management has had to continue to provide services under difficult operating environment, with a range of issues affecting performance. I am pleased to report that Metrobus has continued to provide passenger services in line with its mandate and despite the on-going challenges of an ageing fleet, operational difficulties and traffic congestion.

Metrobus remains a critical part of the overall public transport offering of the City and key to achieving the GDS mandate to make public transport, walking and cycling the mode of choice by 2040. Metrobus is further seen as a critical role player in contributing to the City's sustainability agenda and international climate change targets as well as contributing to the green economy arising out of the Mayoral Committee decision that new and recapitalized buses should use a combination of biogas and diesel. These new buses thus emit significantly less greenhouse gases and thus contribute to improved air quality.

The Metrobus family, the Board and the City's Transport Department have been dedicated to the restructuring of Metrobus. This year was marked with a number of activities ranging from procuring new buses, going green, developing new operational plan, a new financial model, conducting institutional review and on-going consultations with stakeholders on changes brought about by the restructuring process.

Significant progress has been made by Metrobus in implementing the Turnaround plan that was approved by the Mayoral Committee in 2013 in which the City undertook to compensate the entity for the services on an objective rate per service kilometre thus address some of the financial pressures that Metrobus had to confront over the last decade. As my term comes to an end, I am delighted to reflect on the progress made in implementing the Turnaround Plan.

South Africa, like many countries is experiencing difficult challenges, forecasts of global growth have been revised downwards and growth in most of South Africa's trading partners has been weaker. This global slowdown has put constraints on revenue resulting in various entities being forced to reprioritize. The City of Johannesburg was not immune to this challenge resulting in reprioritization of certain projects. In some instance, this process affected service delivery performance of many entities. In the case of Metrobus, conversion and refurbishment of old fleet which was schedule for 2015/16 and 2016/17 has now been rescheduled for 2018/19 financial year.

Population growth plays a part in influencing transport industry performance. City of Johannesburg is a successful City, a place where people increasingly want to live and visit. Ten thousand (10 000) people come to Johannesburg on a monthly basis. In a world of limited resources that must be shared amongst a rapidly growing population, our transport infrastructure and services must be developed on the basis of



This is my first year serving as Chairperson of Metrobus alongside five (5) new Non-Executive Directors; out of a Board with a total complement of twelve (12) Directors; i.e. ten (10) Non-Executive Directors and two (2) Executive Directors, being the Managing Director and the Chief Financial Officer.

At this juncture, Metrobus is experiencing a process of transformation; to be characterised by efficiency, service reliability, customer-centricity, safety, accessibility as well as the introduction of new technology in delivering a sustainable public transport service.

I would like to acknowledge the work of the previous Board, and especially their efforts in transforming the organization. This current Board is therefore working tirelessly to ensure that the turnaround plan approved by the Mayoral Committee in June 2013 is fully implemented. We cannot allow this process to carry on to infinity. In this regards the Board is currently assessing progress made in implementing the turnaround plan in order to fast track the process and address the outstanding issues that need urgent attention. The mandating committee of the Board whose role is to provide strategic guidance in this process has been reconstituted and Terms of Reference clarified. Metrobus achieved almost all the key milestones that were within the entity's control and continues to work closely with the Shareholder to ensure that the remaining critical activities are finalised.

The 2015/16 financial year saw the start of an initiative that will change the transportation landscape in the City of Johannesburg over the coming decade.

The business case for re-fleeting with dual fuel buses as well as converting some of the buses from the existing fleet was based on the City of Johannesburg objective of reducing Green House Gas (GHG) emissions by 15% by year 2040. Within one year into full delivery of the DDF buses as well as conversion of the first batch of thirty (30) buses, we are already experiencing significant reduction in carbon emissions whereby the opacity for converted buses is being reduced from 48% to a percentage of below 20% on an average substitution of 15% diesel substitution. Our overall carbon footprint has also decreased with the addition of the new 102 Euro V buses which have the new bluetec designed for zero carbon monoxide emissions.

Between 2013 and 2015, the Transport Department under the leadership of the MMC: Transport coordinated a Restructuring Task Team which has been seized with the implementation of nine different work streams and overseen by a Political Restructuring Committee. There were report backs both to the Board of Metrobus and the Mayoral Committee.

Work-in-progress

The Transport Department appointed an independent facilitator to assist with this negotiation process between the Transport Department and Metrobus negotiation teams as per Mayoral Committee resolution. The negotiations started in August 2015 and the issues which are being negotiated are as follows:

- BOCA/SLA to fulfil SSMA's operational requirements;
- Additional revenue streams (Private hire and contracted service)

- ❖ Service Delivery
- ❖ Organisational Alignment

Implementation of the Five Point Plan will take priority in the new financial year with a new (and better) service and institutional culture embedded to enhance the cost effectiveness and sustainability of the entity. One of the key elements in the five point plan is marketing and communication which seeks to improve the image of the company with the objective of retaining the existing passengers, bringing back the ones who left this mode of transport due to its unreliability as well as attracting new passengers.

Negotiations with the parent municipality around the financial model are underway and the new Board has reconstituted the Mandating Committee to engage with the City on an on-going basis to address some critical areas like the indebtedness of Metrobus, Re-fleeting strategy, reasonable fee per kilometre and transitional arrangements around Revenue collection, Marketing and fleet management.

The Board of Directors and Management recognize the responsibility attached to the realization of the entity's vision of being "a people centred, performance driven provider of an efficient conventional bus service within the Integrated Public Transport Network" and remain committed to achieve this vision, with the continued support of our stakeholders.

Ms Mpumi Mpofu
Board Chairperson

Work Stream	Output
Bus procurement	<ul style="list-style-type: none"> • 25 Euro 3 standard fleet buses were received • 15 new buses were hired from the bus manufacturer as an service measure • 102 new dual buses have been delivered to be retrofitted with a CNG system • 48 are in the process of being assembled and should be delivered by September 2016. • 30 buses have been refurbished and a further 60 buses which were initially scheduled for refurbishment and conversion between 2016 and 2017 has now been rescheduled for 2017/18. Ways to bring the process forward needs to be exhausted in line with what the Turnaround plan is trying to achieve. Procured CNG virtual station installed at Milpark depot. This has to be expanded to accommodate all the DDF buses procured by the entity.
Bus Operating Contract Agreement or SLA Revised SDA	New SLAs and SDAs were developed to regulate the relationship between the City and Metrobus. These need to be finally negotiated between City and Metrobus.
Financial model/fee per km	Metrobus prepared a draft financial model for the negotiation process.
Operational plan	The Transport Department developed an operational plan for Metrobus. This has determined that Metrobus will require an approximate fleet of 318 buses to operate the 18.02 million kilometres per annum.
Institutional design / re-organisation	New organograms were prepared for both Metrobus and SSMA in line with the reallocation of functions. A migration strategy was also prepared for the staff that needs to shift from Metrobus to SSMA.
Automatic Fare Collection (AFC) and Advanced Public Transport Management System (APTMS)	The turnaround strategy requires that the Transport Department is responsible for AFC and APTMS. The Transport Department went out for tender in 2014 for an AFC and APTMS. However for a number of reasons, no award was made and the Transport Department will again go out for tender together with the tender for Rea Vaya Phase 1C.

Improving customer experience continues to be the primary focus for Metrobus and was enhanced by the introduction of an integrated public transport app to improve and support seamless travel on public transport in the City. Vaya Moya provides information on routes and fares of both the Rea Vaya BRT system and the Metrobus service. This innovation is coupled with a move by Rea Vaya and Metrobus to integrate some of their marketing initiatives and follows the rebranding of new Metrobus to embrace the common transport brand in the city which is also used by Rea Vaya brand reflecting a commitment to quality public transport.

Completeness of revenue has always been a priority and Metrobus has finalised its intervention plan on improving Revenue Collection System in the short term; which is about enhancing the current system to allow for the time of implementation of the AFC. The entity has made strides with regards to addressing the challenges it is currently facing on revenue collections; including changes with regards to the third party cashiers (Computicket) who were collecting the most of our revenue. The organization replaced these cashiers with our own cashiers with the result that there has been a drop in the error/refunds rates for the trial period. A further decision was then made to increase the trial period to the end of June 2016 so that a more informed decision can be made over a longer period of time. Subsequently a business case was

Two key employees exited Metrobus system being the Human Resources Manager who resigned and the General Manager: Operations whose contract came to an end on the 31st of December 2015.

The entity's balance sheet has significantly declined in the current year, primarily as a result of the significant debt increases as a result of capital expenditure. Metrobus recorded a net liability of R171.6 million. Overdraft has increased from the R278 million reported in June 2015 to R424 million as at 30 June 2016 mainly due to funding of new buses which is currently not classified as a capital grant. This is a result of capital expenditure on new buses which is recovered through the sweeping account. Negotiations around Metrobus debt treatment (new and old) are underway.

Metrobus spent 100% of the Capital Expenditure (CAPEX) budget. During the year Metrobus spent 71% of the total expenditure on BBBEE companies. 61% of Predetermined were achieved during the year under review. Detailed performance in relation to service delivery activities and company scorecard is provided under chapter three of the report

The Auditor-General South Africa completed its annual audit for 2015/16 financial year and Metrobus obtained an unqualified audit opinion from the Auditor-General South Africa (AGSA) for the tenth consecutive year. Metrobus progressed to an unqualified audit opinion with findings from an unqualified audit with emphasis of matter for the first time in three years. We are particularly happy that irregular expenditure decreased significantly in the 2015/16 financial year.

Of concern is the continuous recording of internal control weaknesses in Supply Chain. The Auditor-General has highlighted instability in Supply Chain Leadership and inadequate consequence management as the main root causes for these results.

As we move forward, all members of the Executive Team will provide leadership to ensure adherence to best financial management practices on a daily basis. In addition, Metrobus Executive Team will work closely with the AGSA's office on an on-going basis to detect early signs of administrative or financial distress. In addition, Metrobus will aggressively promote the culture of effective risk management in all Metrobus Departments to manage closely areas vulnerable to corruption and fraud such as

Metrobus will continuously endeavour to add value to the lives of commuters, shareholder and other stakeholders well into the future to enhance the economy. We are committed to delivering bus service with superior safety, customer service and financial excellence. This includes proper operation and maintenance of our fleet and facilities, learning and practicing safe behaviour in the workplace and collaborating with communities.

The Road Ahead

We are experiencing an exciting and unprecedented time of public transport growth with more than R5 billion in transport related projects underway in the City of Johannesburg by different development partners and government. The ensuing financial year will be full of challenges and excitement for Metrobus as all stakeholders will be working towards full implementation of the turnaround plan.

With the expected delivery of the remaining forty eight (48) new Euro V buses, the passenger numbers are expected to increase in the next year and beyond as the service becomes more reliable and the service quality improves. This will have a direct positive impact on the improvement of the declining revenue which the company experienced in recent periods.

The Council approved an overall average increase in fares of 7% for coupons sales (which in turn are discounted at 32% to incentivise the use of cashless commuting). A Cash passenger on the bus will, on average pay six percent (6%) more in the new financial year due to the structure of the tariffs. Cash fares are currently market related and the increase has been kept at 6% close to the CPI of 5.9% as assumed by Treasury.



Overview of results

The Company's underlying deficit of R33 million was an improvement of 60% compared to 2015, reflecting an improved operational performance within the organisation. The organisation has installed a disciplined budget management regime which resulted in the actual costs of the organisation being R12.6m below the annual budgeted cost. This compensated to a certain extent and reduced the shortfall of revenue from rendering of services which was under the budget by an amount of R 51m. The revenue shortfall has been mainly driven by the reduction of passengers of 11% (relative to prior year) of main revenue stream of transportation of commuter services. The non-core revenue from private hires and contracted services performed above expectation with the actual amount performing at R21m which is 11% above the budgeted amounts.

Input costs, particularly diesel and repairs and maintenance, decreased by approximately 22% (R 32.8m) during the year, half of which was attributable to decrease in the global crude prices whilst the balance was attributable to the enhanced control environment as well as tighter cost control. The effect of the weakening of the currency did not have a significant impact on the operating results.

Interest paid during the year of R36.5 million was R18.7 million more than the previous year, primarily due to the increased debt funding which was obtained from the principle shareholder for bus acquisition. The bus acquisition resulted in an increase in the depreciation costs of R12.5 million to an amount of R51 million. The acquisition of buses has also resulted in the organisation reducing the leasing of buses from third parties thereby reducing the cost of leases by an amount of R13.5 million. The employee related costs increased by 4.7% to an amount of R285 m and was marginally below the CPI increase of 6% effected in the year under review. This was a result of significant staff turnovers in the core business departments of, Operations and Technical, and a freezing of the recruitment across the business in order to align the staff costs to the City's standards of 45% of the overall turnover of the business. The general expenses for the year dropped by an amount of R19.4m primarily a result of drop in utility costs as well as a reduction in the usage of consultants in the business. The cost efficiency of the organisation is illustrated below:

Section 1.9: Statement of Responsibility

The performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the business plan of the entity for the financial year ended 30 June 2016. Metrobus' performance information for the year ended 30 June 2016 has been examined by the external auditors and their report is presented in chapter six herein.

To the best of our knowledge, we confirm:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General South Africa
- The report is complete, accurate and free from any omissions
- The report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury
- The annual financial statements in chapter five have been prepared in accordance with the GRAP and MFMA standards applicable to Metrobus
- The Board is responsible for preparation of the annual financial statements and for judgements made in this information
- The Board is responsible for implementing a system of internal control designed to provide reasonable assurance on the integrity and reliability of the performance information, human resources information and annual financial statements
- The external auditors are engaged to express an independent opinion on the bi-annual financial statements.

In our opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of Metrobus for the year ended 30 June 2016.

Section 2.1: Corporate Governance Statement

Metrobus recognises that effective corporate governance hinges on co-operation between management, the Board, the Shareholder and other stakeholders. It is guided in this regard by the King Report on Corporate Governance for South Africa (King III of 2009). Moreover, the company sets its own targets for corporate governance, which are closely monitored and regularly reviewed.

The Board of Directors provides strategic direction and oversight for Metrobus' activities and operations. The Board meets at least four times a year. The governance structures of Metrobus are committed to global principles and guidelines on corporate governance. The entity relies primarily on the legislative framework set out in the new Companies Act 71 of 2008 (as amended) ("the Companies Act") and the third King Report on Corporate Governance ("King III") and these two instruments have therefore become the cornerstone of corporate governance principles in Metrobus.

Through the preparation of quarterly performance assessment reports as well as the annual report, the entity acts in compliance with the Local Government: Municipal Finance Management Act and the Municipal Systems Act and also promotes accountability to stakeholders for decisions taken by its governance structures and matters relating to administrative structures, throughout a financial year.

The entity applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance.

The Board of Directors has incorporated the City of Johannesburg's Corporate Governance Protocol in its Board Charter, which *inter alia* regulates its relationship with the City of Johannesburg as its sole member and parent municipality in the interest of good corporate governance and good ethics.

The Protocol is premised on the principles enunciated in the King III Report for Corporate Governance for South Africa 2009 (King III). The Company steadfastly consolidated its position in respect of adherence to the King III report on Corporate Governance. The entity practices are, in most material instances, in line with the principles set out in the King III Report. On an ongoing basis, steps are however taken to align practices with the Report's recommendations and the Board continually reviews our progress to ensure that we improve our Corporate Governance. During the year under review the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act, the Municipal Systems Act (MSA) and the Municipal Finance Management Act (MFMA). The annual Board assessments and evaluations were conducted and an annual report for the previous year was effectively completed in accordance with the terms of section 121 of the Municipal Finance Management Act.

2.1.1 Ethical Leadership

As codified in Metrobus 'Social and Ethics Policy and Committee Charter; Metrobus observes high standards of business and personal ethics in the conduct of its duties and responsibilities.

The Company acknowledges that through socially and environmentally responsible business along the whole value chain, the situation of the natural environment, communities and employees can be improved and thereby the sustainability of businesses ensured.

2.1.2 Corporate Citizenship

The Entity is guided by its Social and Ethics policy in the performance of its duties which relate to matters of social and economic development, good corporate citizenship, environment, and health and public safety as well as consumer relationships.

	<p>Mr Dennis Baloyi</p> <p>NED and Chairperson: Service Delivery Committee (March 2015)</p>
	<p>Ms. Khusela Sangoni</p> <p>Non-Executive Director and Chairperson: Social and Ethics Committee (Feb. 2014)</p>
	<p>Ms. Susan Yanguya</p> <p>Non-Executive Director and Chairperson: Audit and Risk Committee (Feb. 2014). Appointed full NED Board Member in Feb 2016</p>
	<p>Mr Zwelakhe Mayaba</p> <p>Non-Executive Director (Feb. 2016)</p>



Mr Mavela Dlamini
Managing and Executive Director



Mr Zane Mheyamwa
Chief Financial Officer and Executive Director



Ms. Karen Brits
Legal Counsel/Company Secretary

The term of office of the non-executive directors is subject to review at the Annual General Meeting. A performance evaluation of the Board is conducted at the end of the financial year by City of Johannesburg's Group Governance. Any shortcomings are addressed and areas of strength consolidated. The performance of board committees are evaluated against the achievement of terms of reference.

A comprehensive induction programme ensures that new Board members are adequately briefed and have the required knowledge of Metrobus structure, policies and sector related issues to enable them to fulfil their duties and responsibilities. New Board members are given details of all applicable legislation, minutes of the Board and relevant committee meetings, relevant committees' terms of reference and the latest management accounts.

The Board of Directors has adopted the Board Charter which encapsulates the City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of committee members. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and Senior Management ensure that there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

The Board interacts with the Member of the Mayoral Committee (MMC) for Transport on a quarterly basis through the Chairperson's quarterly meeting. The purpose of the meeting is to discuss the entity's performance with regards to achievements, challenges, status of internal controls, risks and a plan of action taking into account the political direction the MMC provides.

In the 2015/16 Financial Year, the Board reviewed and/or approved the following strategies and policies:

- Review of the Strategic Plan (VISION 2020)
- 2016/17 Business Plan
- Customer Service Charter
- Performance Management Policy
- Internal Controls Framework
- Information and Communication Technology Strategy
- Inventory management
- Patch Management
- Remote Access Policy
- Server Room policy
- Disaster recovery
- Firewall policy
- User Access Management policy
- Delegation of authority
- Asset Management policy
- Supply Chain Management policy

Section 2.3: Board Committees

The entity currently has four sub-Committees of the Board, being the Human Resources and Remuneration Committee (REMCO), the Audit and Risk Committee (ARC), the Social and Ethics Committee (SEC) and the Service Delivery Committee (SDC).

2.3.1 Audit and Risk Committee

The Audit and Risk Committee (ARC) met a minimum of four times for the financial year under review and also had special meetings when necessary.

7. Payroll Migration to SAP

2.3.3 Service Delivery Committee

The Service Delivery Committee (“SDC”) is a sub-committee of the Board of Directors established with the roles of guiding and assisting the Board of Directors to exercise its oversight role of ensuring strategy and policy formulation; guiding the company on alignment of resources in relation to implementation of strategic objectives.

SDC has discharged the functions in terms of its charter as follows:

- Recommended SDC charter for approval by the Board
- Assessed Operations and Technical Quarterly Reports
- Assessed Metrobus Quarterly Performance Assessment Reports and recommended them to the Board
- Recommended ICT Strategy for Board Approval
- Assessed Customer Satisfaction survey Report
- Recommended Customer Service Charter for Board Approval

2.3.4 Social and Ethics Committee

The Social and Ethics Committee is mandated by the Board to fulfil the monitoring and evaluation role providing leadership on social responsibility issues, taking account of relevant legislation, other legal requirements or prevailing codes of best practice on behalf the Board and to draw matters within its mandate to the attention of the Board as the occasion requires. To monitor the Company’s activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice SEC has discharged the functions in terms of its charter as follows:

- Recommended SEC Terms of Reference for Board Approval
- Recommended Social and Ethics Strategy for Board Approval
- Assessed SEC Quarterly Reports which with focus on:
 - 1) Value creation
 - 2) maintaining good relations with customers;
 - 3) community development
 - 4) maintaining good relations with employees and achieving employment equity;
 - 5) promoting and protecting the environment, health and safety;
 - 6) preventing and combating bribery and corruption;
 - 7) being a good corporate citizen, particularly our efforts at protecting and advancing human rights, promoting equality and preventing unfair discrimination
- Recommended Customer Service Charter for Board Approval

There were five (5) committee meetings in May 2016 and these were the ordinary and special meetings of the Audit and Risk Committee (ARC); the Human Resources and Remuneration Committee (REMCO); the Social and Ethics Committee as well as the Service Delivery Committee (SDC) meetings.

The attendance at the meetings was as follows:

The membership of the committees is as follows:

#	Audit and Risk Committee (ARC)	Human Resources & Remuneration Committee (REMCO)	Service Delivery Committee (SDC)	Social and Ethics Committee (SEC)
1.	Ms Susan Yanguya	Ms Grace Rapholo	Mr Dennis Baloyi	Ms Khusela Sangoni Khawe
2.	Mr Pat Mmope	Mr Zwelakhe Mayaba	Mr Zwelakhe Mayaba	Mr Mpho Moerane
3.	*Ms Morwesi Ramonyai	Mr Mpho Moerane	Mr Zakhele Mkhonta	Mr Dennis Baloyi
4.	*Ms Sizo Mzizi	Mr Zakhele Mkhonta		Ms Grace Rapholo
5.	* Ms Karen Parirenyatwa	Mr Moses Scott	Ms Suzan Yanguya	Ms Moses Scott
6.		Ms Khusela Sangoni Khawe	Mr Pat Mmope	
Total	5	6	5	5

METROBUS NON-EXECUTIVE DIRECTORS (NED)					
NO.	NAME	APPOINTMENT TYPE	YEARS AT ENTITY	QUALIFICATION(S)	GENDER
1.	Nompumelelo Mpofo	NED & Chairperson	15 March 2016	Postgraduate Degree in Town Planning, BA (HONS) Urban and Regional Planning	F
2.	Zakhele Mkhonta	NED	15 March 2016	Diploma in Port Planning & Management , M.A Transport Economics, B.A Economics and Statistics	M
3.	Moses Scott	NED	15 March 2016	Diploma (HTD)	M
4.	Mpho Moerane	NED	25 April 2012	Project Management	M
5.	Dennis Baloyi	NED	15 March 2016	MSc Town & Transport Planning	M
6.	Zwelakhe Mayaba	NED	15 March 2016	PG Master's Diploma in HRM, Bachelor of ARTS, Primary Teacher's Diploma, Gen Man Prog	M
7.	Grace Rapholo	NED	15 March 2016	Bachelor, of Journalism, Bachelor of Science honours, Master of Philosophy, M.Soc Science and Clinical Psychology	F
8.	Pat Mmope	NED	15 March 2016	B Com Accounting, MBA	M
9.	Susan Yanguya	NED	03 February 2015 (IAC) 16 April 2015 (NED)	BA, PGDE, FCCA, CA(SA), HDip Tax Law	
10.	Khusela Sangoni	NED	03 February 2015	BComm (Marketing Management), HDip	F

Section 2.4: Directors and Senior Managers Remuneration

The table below reflects the fees paid to the Non-Executive Directors during the year including the retainer payable at the end of the financial year.

BOARD MEMBER	Q1 Compensation	Q2 Compensation	Q3 Compensation	Q4 Compensation	Total YTD
Mr Khehla Shubane (Rotated)	R 11 408	R 27 382	R 38 790	R 34 219	R 111 799
Mr Henry Msimango (Resigned)	R 5 704	R 20 540	-		R 26 244
Mr Dennis Baloyi	R 5 704	R 22 819	R 18 253	R 52 477	R 99 253
Ms Khusela Sangoni	R 5 704	R 15 974	R 21 678	R 38 790	R 82 146
Mrs Maggie Mojapelo (Rotated)	R 12 549	R 17 115	R 18 253	R 17 112	R 65 029
Ms Nomvuyiso Batyi (Retired)	R 5 704	R 4 566	R 10 270	-	R 20 540
Mr Silas Mbedzi (Resigned)	R 4 566		-	-	R 4 566
Prof Bhekisipho Twala (Retired)	R 4 566	R 20 540	R 10 270	-	R 35 376
Mr Mpho Moerane	R 10 270	R 12 549	R 15 974	R 38 790	R 77 583
Mrs Susan Yanguya	R 28 520	R 38 790	R 17 112	R 55 902	R 140 324
Mrs Sizo Mzizi (IAC)	R 5 704	R 5 704	R 5 704	R 34 224	R 51 336
Mrs Karen Parirenyatwa (IAC)		R 5 704	R 11 408	R 34 224	R 51 336
Ms Mpumi Mpofu - New	-	-	R 11 408	R 57 038	R 68 446
Mr Moses Scott-New	-	-	R 5 704	R 37 652	R 43 356
Mr Pat Mmope-New	-	-	R 5 704	R 44 494	R 50 198
Mr Zakhele Mkhonta - New	-	-	R 5 704	R 37 652	R 43 356
Mr Zwelakhe Mayaba - New	-	-	R 5 704	R 37 652	R 43 356
Ms Grace Rapholo - New	-	-	R 5 704	R 42 210	R 47 914
Ms Morwesi Ramonyai – New (IAC)	-	-	R 5 704	R 22 816	R 28 520
Total	R 100 399	R 191 683	R 213 344	R 585 252	R 1 090 678

Executive Compensation

Description	Q1	Q2	Q3	Q4	TOTAL YTD
Managing Director	R 420 101	R 464 263	R 442 182	R442 182	R 1 768 729.
Chief Finance Officer	-	R 298 776	R 336 776	R336 776	R 972 329
General Manager: Corporate Services	R 271 099	R 308 583	R289 841	R 289 841	R 1 159 365
Company Secretary (former)	R 196 021	R 223 160	R142 520	-	R 561 702
Company Secretary & Legal Counsel (New)	-	R 72 150	R 306 476	R 306 476	R 685 102
General Manager: Operations (former)	R 284 026	R 314 502	-	-	R 598 528
Chief Audit Executive	R 263 390	R 299 786	R 281 588	R 281 588	R 1 126 353

Internal auditors as assurance givers monitor the system of internal controls, where deficiencies are identified, and recommendations are then made to management and the board of directors for corrective action to be taken in an effort to address control make improvements across the business value chain.

2015/16 Top Six Risks

Below is a brief report on the top six (6) strategic risks identified for the organisation and Management's mitigating action programmes to address these risks:

Strategic Risks	Management Action Plan
1. Failure to implement a ICT strategy aligned with organisation's strategy	<ol style="list-style-type: none"> 1. Training and change management 2. Optimal allocation of budget 3. Development and implementation of business process 4. Implementation of project management frame work
2. Inability to optimally deliver on the service delivery mandate	<ol style="list-style-type: none"> 1. Implementation of re-fleeting strategy 2. Develop and implement effective communication strategy 3. Development of integrated maintenance plan 4. Rolling-out of change management
3. Failure to deliver on green economy programme	<ol style="list-style-type: none"> 1. Develop Standard operating procedures 2. Develop and implement dual fuel monitoring tool 3. Develop technical strategy to support green economy programme 4. Educate and train mechanics and bus operators on dual fuel system
4. Theft, fraud and corruption	<ol style="list-style-type: none"> 1. Centralisation of CCTV control room 2. Develop and implement security and safety awareness campaign plan 3. Develop and implement declaration of interest for both suppliers and officials
5. Incompleteness of revenue	<ol style="list-style-type: none"> 1. Revise and implement revenue intervention plan 2. Appointment of independent inspectorate 3. Develop and implement a contract management performance framework. 4. Metrobus to upgrade the current revenue collection system 5. Integrated maintenance plan
6. Collapse of the Metrobus turnaround strategy	<ol style="list-style-type: none"> 1. SSMA to fast track the procurement of the Automated Fare Collection System FC and Advanced Public Transport Management System. 2. Frequent Mandating Committee engagements 3. Metrobus to upgrade the current revenue collection system for interim period

Section 2.7: Internal Audit Function

Metrobus has taken a challenge to move to a model of sustainable and ethical path to create long-term sustainable value. This requires the entity to direct its strategies and operations to achieving sustainable economic, environment and social performance which are the key sustainability challenges. Our sustainability program encompasses environmental, financial, economic and social sustainability considerations. With a focus on environmental, economic, and social factors within the organization, the Sustainability Program is part of a strategy that will help Metrobus to continue to evolve into the kind of organization that makes the most efficient use of its resources, is a good neighbour in the communities we serve, and continues to provide a smart choice for the travelling public.

A major part of our sustainability effort was to identify, understand and analyze drivers of sustainable organizational success which are directly linked to the achievement of our strategic goals. This report also gives a balanced view in that it reflects both positive and negative aspects of the organization's performance to enable a reasoned assessment of the overall performance on the entity's environmental impacts and operating efficiency improvements. The sustainability targets relate to reductions in diesel fuel consumption and reductions in greenhouse gas (GHG) emissions, as well as a focus on our facilities' environmental compliance.

Fuel is one of the main cost drivers for Metrobus consuming 15% of the total operating budget. Metrobus fuel conversation efforts focus on behavioural change, encouraging efficient bus operating and reducing bus idling wherever possible. The implementation of the recently approved reward policy in the new financial year will enhance behavioural change. The fleet management system that Metrobus is proposing to introduce while awaiting finalisation of the procurement processes for the Advanced Public Transport Management System (APTMS) has the following benefits;

- Fuel consumption and driver management which will result in:
 - Clear reduction in fuel consumption
 - Less wear and tear due to proactive driving
 - Motivated drivers
 - Basis for incentive systems

- Optimised vehicle maintenance management which will result in
 - Preventive maintenance of the buses
 - Best possible planning of maintenance intervals and service jobs
 - Reduction of downtimes
 - Operating data recording

We exceeded our targets by under spending on our fuel budget by 27% and our hartridge unit target based on GHG reduction was at its lowest point.

As part of an effort to calculate, define, and better understand our carbon footprint(a measure of the effect Metrobus has on the climate in terms if the amount of greenhouse gases the entity produces) , Metrobus introduced a carbon emissions reduction programme which focuses on testing Hartridge Units on a monthly basis against a government standard.

As noted above, Metrobus' largest source of emissions is from diesel fuel and results from the combustion of fuel in the engines of our buses. The Table below provides estimates for emissions from Metrobus fleet.

Average GHG Opacity Comparison between Bus Types									
	ERF	Volvo			Mercedes				
		B10M	B7TL	B7TL	407	1725	Euro 3	Euro 5	DDF
Opacity	50.9	66.0	59.4	52.6	75.0	14.8	29.7	8.0	16.9
Metrobus Spec	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0

Section 2.11: Information and Communication Technology Governance

Metrobus has adopted the Department of Public Service Administration's (DPSA) Corporate Governance of Information and Communication Technology policy framework for the governance of ICT within Metrobus. The DPSA policy framework finds its base on the principles of King III Code of Corporate Governance, ISO/IEC 38500:2008:1, as well as the guidelines of the Control Objectives of Information and related Technology (COBIT).

The adopted DPSA governance framework and the established governance committees continue to guide ICT as an enabler and strategic partner within the organisation.. The appointment of the new Board has seen a reinvigorated energy to adopt ICT as a means to drive business and deliver on the service mandates. To this effect, a revised ICT operational plan that focused on the key business applications necessary for the business to perform had to be developed in order to allow the Board to engage on the funding of such initiatives in the entity.

Legislative requirements which put further impetus on the governance of ICT are looked at and compliance is prioritized to ensure both compliance and continuity. The impending Protection of Personal Information (POPI) Act and the requirement for compliance of information processing organisations, will further facilitate the need for continued ICT governance in Metrobus. Processes are underway to put controls in place to ensure that Metrobus will be compliant to the prescripts of the protection of personal information legislation.

Despite the financial constraints, some achievements were made within the Oracle environment, which deserves mention. The system enhancements done on the finance module has seen the operations of the Cost Manager restored and the subsequent availability of information to analyse the diesel costs as well as the transaction records, which begin to pave a path for monitoring and evaluation thus leading to continuous improvements in the business.

.As part of a programme to concretize the corporate governance of ICT, a number of policies aimed at establishing standards around the use and management of technology within the organization were either developed or reviewed. The policies also introduce controls and responds to the AG findings made in the previous year. The following policies were approved by the Board during the period under review:

- Mbus Computer use policy
- Patch Management policy
- Remote access policy
- User access management policy
- IT Server room policy
- Revised Disaster Recovery Plan
- Firewall Configurations Standards

During the year, progress was made towards normalizing the state of the ICT infrastructure with the commencement of a process to create a development environment for Oracle to supplement the Production and Test environment currently in place.

In ensuring that ICT governance and the governance of ICT remains on the corporate governance agenda of Metrobus, three ICT governance structures have been established.

- ICT Strategic Committee – which is responsible to direct, oversee and monitor strategic decisions with regard to ICT as an enabler of business
- ICT Steering Committee – has a responsibility of ensuring that ICT strategies are aligned with the direction and policy priorities, as well as the strategic and corporate objectives of the Company
- ICT Operations Committee – responsibility to ensure ICT service delivery

CHAPTER THREE

SERVICE DELIVERY PERFORMANCE



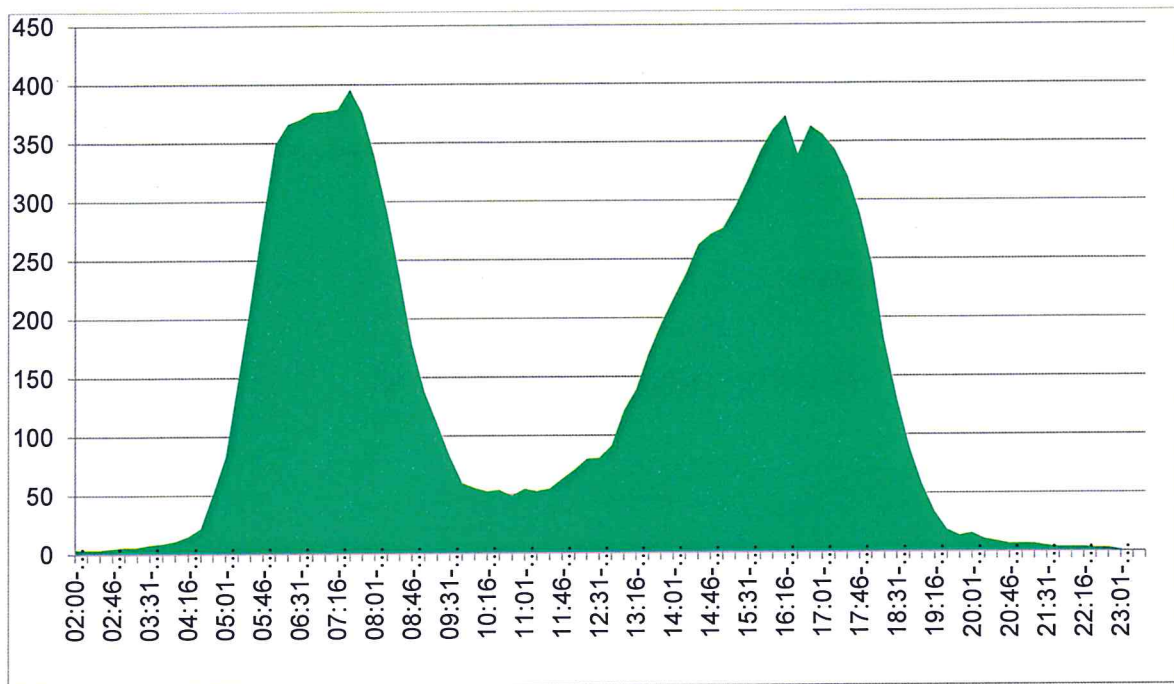
KEY ACHIEVEMENTS

1. Took delivery of one hundred and two new dual diesel fuel (DDF) buses
2. Operated 229 routes covering 11 927 127 kilometres
3. Operated 425 441 passenger trips
4. Reduced GHG carbon emissions to a maximum of 40.8%



TSD is also charged with implementing, testing and monitoring of the green transport innovation which Metrobus has introduced with the procurement and conversion of some of the entity's diesel fleet to Diesel Dual Fuel buses.

Current Metrobus' travel demand is as highlighted in the figure below:



Section 3.2: Day to Day Operations

For Metrobus to fulfil its mandate of transporting the citizens of Johannesburg in dedicated routes, a certain number of buses is required depending on the number of planned and/or scheduled trips per day. The number of buses required is determined from the number of scheduled trips per day. In 2015/16, the number of buses required to operate two hundred and twenty nine (229) routes was three hundred and eighty six (386) buses.

Senior citizens in the City of Johannesburg enjoy discounted bus travel. This is an important aspect of the social and community value bus services offer. Buses provide access to healthcare and can prevent older people from being isolated. Around a 34% of Metrobus bus passengers around the City of Joburg are concessionary travellers.

Table 1: Metrobus service data is depicted below:

	2014/15	2015/16
	Actual	Actual
Passenger journeys	13,482,981	11,976,717
Seats available for all journeys	26,198,391	26,897,780
Average Unused Bus Capacity for all journeys	48.5%	42%
Size of bus fleet at year end	476	403
Average number of Buses off road at any one time	155	117
Proportion of the fleet off road at any one time	33%	29%
No. of Bus journeys scheduled	505,537	470,554
No. of journeys cancelled	37 872	56742
Proportion of journeys cancelled	7.5%	12%

3.2.2 Customer Satisfaction

We listen carefully to comments and complaints about our services and take action to address them. This includes improved customer service at in our buses and our customer centre, greater safety and security, , improved accessibility and more convenient ticketing. By finding ways to solve customer' frustrations, we turn their pain into gain, winning and retaining their trust. Commitments were made to tackle specific concerns and action to improve has been taken. This includes:

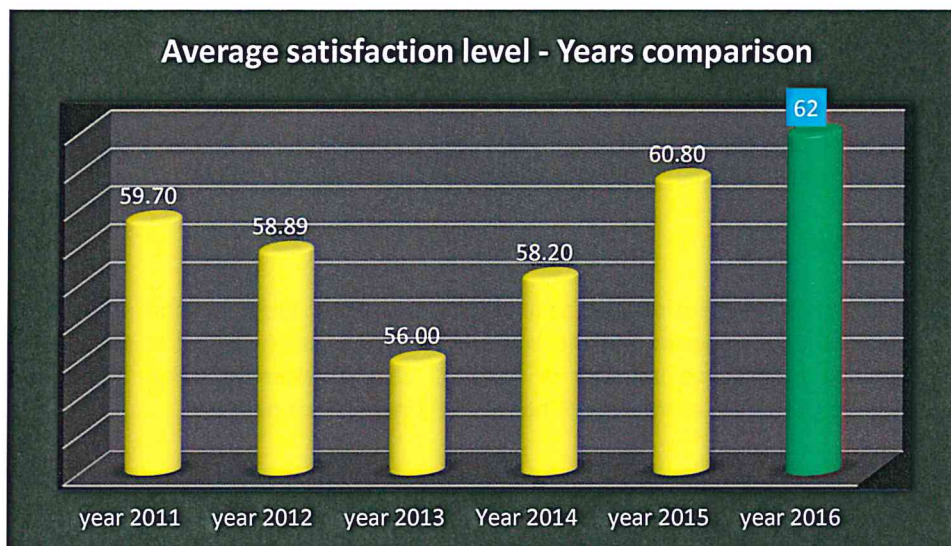
- Strengthening commuter forum by redefining its role

- On-going refresher training for bus drivers

- Ninety-four per cent of attendees found the event useful, so we are planning for it to become an annual event to help provide even more improvements for our customers and users.

The customer survey is conducted once a year and was done in the last quarter of this year. Feedback from passengers reflected that the customer satisfaction level with bus service is 62% against a target of sixty percent (60%). The satisfaction level improved by 1.2% from sixty point eight percent (60.8%) attained last year. Year on year comparison of customer satisfaction is highlighted below.

Table 3.2.2 Year on Year Comparison of Customer Satisfaction Index



Senior staff presence in our operating area has assisted in this regard. Metrobus has observed that the survey is not representative of the People Leaving with Disabilities (PLwDs) as well as contract and private hire passengers. A more focused survey will be conducted in the second quarter so that the views of these groups are included in Metrobus future service improvement plans

Two thousand, two hundred and sixty four (2264) complaints were attended to during the 2015/16 financial year, compared to two thousand, two hundred and sixty three (2263) complaints received in the financial year ended 30 June 2015. Presence of senior operations staff on buses has assisted in maintaining the status. The majority of customer concerns are adequately addressed through re-fleeting and driver training programmes.

3.2.3 Maintenance of Safety Standards

Buses are required to have valid permits to convey passengers. The NLTA requires that these permits be converted to operating licences and during this year 213 permits have been converted to operating licences. The application for the conversion of the remaining permits has been made and is in the process of being finalised by the authorities.

Metrobus continually seeks to reduce our carbon emissions. The entity is currently doing a diagnostic assessment of the Mercedes Benz 1725 single decks on the Dynamometer so as to prepare them for conversion.

3.2.7 Engagement with Stakeholders

Communication was identified as the most critical game changer for the City of Joburg in order to close the gaps between perceptions, trust and confidence that people have in the City and the Actual Experiences. In response to this requirement, Metrobus implemented the following:

- **Commuter forum meetings** – Metrobus holds one commuter forum once every month to discuss bus service provided by the entity and to listen to the views of the commuters on how to improve the service. The last meeting held in June 2016 focused on the following:
 1. The 2016/21 SDBIP
 2. The 2013 Metrobus Turnaround plan, role of key stakeholders, its benefits and intended impact.
 3. The 2016/17 Business plan
 4. Service improvement initiatives
 5. Review of the Terms of Reference for the forum
 6. Election of the new forum
- **Swift response to Media queries.** Media queries and articles were monitored closely and responded to swiftly
- **Service disruption communication:** All potential work stoppages are monitored closely in order to communicate to the commuters via print, radio and Television media prior to the time scheduled for buses to allow commuters to make alternative arrangements. The website has been upgraded and in the fourth quarter Metrobus will use this as another tool communicate. The Operations Department is working with the City's Transport Department looking at a Rea Vaya mobile app for both Metrobus and Bus Rapid Transport – Pio trans.
- **IDP Public Participation:** Metrobus attends all IDP Public Participation sessions.

3.2.8 Operational Challenges

The following delivery challenges experienced during the year are but not limited to the following:

- **Inadequate fleet capacity due to frequent breakdowns of the aged fleet:** Reliability of the service has been impacted by the non-availability of an average of 78 buses per day. The aged fleet continues to be a problem despite having received 102 brand new buses which in the main substitute non-operational buses rather than increasing the number of buses available.
- **The ICT infrastructure is in bad state and has a pervasive effect on the entire business:** The ICT infrastructure is in bad state and has a pervasive effect on the entire business. This is high priority for the organization and there has to be significant investment in the ICT infrastructure in order for a stable base of reporting to be set. There has been significant improvement in the interfaces in the system however; there is need for investment in the infrastructure.
- **Mechanical breakdowns:** Mechanical breakdowns constitute any incident involving engine, transmission, overheating or braking problems to prevent a bus from safely continuing its journey. The Technical Services Division works hard to keep repairs down as they have an impact on both bus availability and the budget. This is measured by the distance travelled by a bus before it breakdowns.



Metrobus production site visit



Bus refurbishment and assembly process at the Factory

3.3.3 Jozi@work programme

Jozi@work is one of the cornerstones of the City of Joburg focusing on local skills development, capacity building and job creation. Metrobus contracted three small enterprises to render bus cleaning services. Busmark was appointed as a mentor for these enterprises. Opportunities for the enterprises include amongst other things:

- Training staff to the best practice latest cleaning industry standards
- Offer change management and communication which we will ensure smooth transition to new way of working
- Allow staff to be specialist in the bus cleaning industry and thereby opening opportunities for advancement and creating retention incentives
- Busmark will utilize them with their other clients in the industry
- They can become mentors of future participating cooperatives, therefore contributing to the development of the pool of new entrants.



Search Bus Routes or Stops

VayaMoja
The official transport app of the City of Johannesburg.
Search for routes and transit points to get schedules and fares.

Bus Routes Nearby

- From 10th Str & 2nd Ave To Gandhi Square
- [1 (C)] Gandhi Square To Parkhurst**
Stops at: Gandhi Square, Eloff & Market, Eloff & Bree St...
From Gandhi Square To Parkhurst Primary
- [1 (D)] Parkhurst To Gandhi Square**
Stops at: Parkhurst Primary, 4th Ave & 17th Str, 10th Str...
From Parkhurst Primary To Gandhi Square
- [3 North] Westgate To Highlands North**
Stops at: Westgate Terminus, Gandhi Square, Eloff Str &...
From Westgate Terminus To Homestead Rd & Corlett...
- [3] Highlands North To Westgate**
Stops at: Homestead Rd & Corlett Drv, Corlett Drv & Sc...
From Homestead Rd & Corlett Drv To Westgate Term...
- [4] Gandhi Square To Rosebank**
Stops at: Gandhi Square, Eloff Str & Market Str, Eloff Str...
From Gandhi Square To Corlett Drv & Ruud Rd
- [4] Rosebank To Gandhi Square**

3.3.5 Our Fleet is Growing

Metrobus procured one hundred and fifty (150) Dual Diesel Fuel (DDF) in 2014-15 and have taken delivery of 102 new buses in 2015/16 financial year.



3.3.7 Planning for the Future

As the next step towards full implementation of the 2013 Turnaround plan, by 2018 a new operational plan will be effective. The new operational plan includes revised routes, increased service frequency and extended operating hours as reflected below:

- Completed new operational plan: revised routes, service frequencies and operating hour
 - A **Secondary service** is an intermediate frequency bus service
 - Frequency: 15 mins
 - Extended hours of operation: 04h30 until 22h00
 - Type of bus: Conventional
 - A **Feeder service** acts as feeders to Main Routes
 - Frequency : 10 mins
 - Extended hours of operation: 04h30 until 22h00
 - Type of bus: minibuses and Metrobus
 - Metrobus will operate three kinds of services:
 - **Main (M)**
 - **Secondary (S)**
 - **Feeder (F)**
 - A **Main service** is a high frequency trunk bus service
 - Frequency: mostly 10mins
 - Extended hours of operation: 04h30 until 22h00
 - Type of bus: Double decker usually

Table 3.6 : Unachieved Targets

Programme	2015/16 Target	Actual	Reason for non-achievement
Customer service, stakeholder engagement and communication	95% planned trips completed	88%	The target was not met as a result of the unavailability of buses. Fleet capacity was not adequate to operate all scheduled trips as 52 buses were delivered late in the year (June 2016). The situation will improve in the next financial year when all the buses have been received.
Financial management, viability and sustainability	100% Regular Operating expenditure to budget	97%	Expenditure control measures implemented during the year were targeted at managing the costs such that the impact of fare revenue shortfall is not huge on the deficit.
	New financial model and fee per kilometer to be charged determined	Negotiations are still underway	The fee per kilometre has been determined, mandating committees constituted and negotiating teams established. Negotiations started in August 2016. At year end critical areas like debt treatment (current and old) and funding for re-fleeting were not resolved due to changes in administration
	% of AGSA Audit findings resolved	61%	40 out of the 66 2015/16 AGSA findings (61%) have been resolved. The 12 outstanding findings are in progress.
Financial management, viability and sustainability	Development and implementation of an internal control improvement framework	60% implemented	Although the controls framework was approved in the 3 rd quarter, Metrobus implemented 60% of the framework. The remaining 40% will be implemented in 2016/17 financial year.
Enterprise development and job creation	% of total expenditure spent on SMMEs	15% of total expenditure allocated for SMMEs	Most SMME who attend briefing sessions do not submit tender documents. Metrobus has developed a strategy to support SMMEs in order to ensure that they participate fully in Metrobus procurement processes

Detailed analysis of Metrobus 2015/16 performance against pre-determined objectives- Strategic Performance Indicators

PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	Qtr1	Qtr2 (Mid-year)	Qtr3	Qtr 4	Actual FY 2015/16	Comment and/ Corrective measure
PROGRAMME 1: CUSTOMER SERVICE, STAKEHOLDER ENGAGEMENT AND COMMUNICATION										
1.	Sustainable Human Settlements Engaged Active Citizenry	94%	95%	Adherence to scheduled services (planned trips and routes)	88.6%	90.1%	87%	87%	88%	The target was not met as a result of the unavailability of buses. Although the some new buses were delivered during the year, buses from the old fleet still breakdown By 31 September 2016, all 150 new DDF buses would have been delivered.
	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	Qtr1	Qtr2 (Mid-year)	Qtr3	Qtr 4	Actual FY 2015/16	Comment and/ Corrective measure

OPERATIONAL DAY TO DAY

PROGRAMME 4: FINANCIAL MANAGEMENT, VIABILITY AND SUSTAINABILITY										
PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	Qtr1	Qtr2 (Mid-year)	Qtr3	Qtr4	Actual FY 2015/16	Comment and/ Corrective measure PIP
Financial resilience and sustainability	% Regular Operating expenditure to budget	103% total spending Irregular expenditure 21% % of the total expenditure	100% operating regular expenditure	Disciplined expenditure management (wrt budget overruns, irregular expenditure and deviations)	95%	95%	98%	98%	97%	Target not met Management implemented measures to manage operating expenditure as the entity was not collecting enough revenue. The strategy was to reduce the impact of revenue shortfall in the bottom line
	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	Qtr1	Qtr2 (Mid-year)	Qtr3	Qtr 4	Actual 2016	Comment and/ Corrective measure

Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	Qtr1	Qtr2 (Mid-year)	Qtr3	Qtr 4	Actual FY 2015/16	Comment and/ Corrective measure
EMT Approved internal control improvement framework	New	Development and implementation of an internal control improvement framework	Implemented control improvement framework (improvement opportunities identified)	A draft internal control framework is in place and will be tabled for approval in the second quarter.	The internal control framework work is still in draft format	Due to delay in approving the internal controls framework which happened in the second quarter only 10% of the Internal controls framework has been implemented	Due to delay in approving the internal controls framework which happened in the third quarter only 60% of the Internal controls framework has been implemented.	The Internal Control Framework was only approved in Quarter 3. Only 60% was implemented in Q4.	Target not met. The Board approved Internal Control Framework in the 3 rd quarter and only 60% was implemented in Q4. The remaining 40% will be implemented in the fourth quarter.
% of AGSA Audit findings resolved	83%	100%	Resolving all AGSA findings with no repeat findings	0%	Tracking of audit findings will only commence in the third quarter	75% of AGSA findings resolved	75% of AGSA findings resolved	61% of AGSA findings resolved	Target not met. The 26 outstanding findings out of 66(39%) are in progress. These outstanding audit findings will be resolved in the next financial year.

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PROGRAMME 6: TECHNOLOGY AND BUSINESS ENABLEMENT

PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	Qtr1	Qtr2 (Mid-year)	Qtr3	Qtr4	Actual FY 2015/16	Comment and/ Corrective measure PIP
Smart City	Implementation of the DPSA ICT governance framework compliance strategy	Approved DPSA ICT governance framework	Enabling ICT strategy compliant with DPSA ICT governance framework	Implement ICT strategy	An ICT investment business case needed to be developed for key business enabling projects. The target will be achieved in Q2	A project implementation framework has been developed and approved at EMT	A project implementation framework has been developed and approved at EMT and has been implemented.	A project implementation framework has been developed and approved at EMT and has been implemented.	Strategy approved and 100% implementation	Target met

3.6.2 Performance against service standards (Shareholder Compact)

A total of ten (10) service standards were agreed upon between Metrobus and the City in the 2015/16 Shareholder Compact. Metrobus achieved seven out of ten service standards, that is, 70%.

Core business	Service Standard	Status	Comments
Reliability of scheduled trips	<ul style="list-style-type: none"> 98-100% arrival of scheduled trips monthly 	✘	Metrobus managed to operate 87% of the scheduled trip
Bus timetable	<ul style="list-style-type: none"> 98-100% adherence to daily bus schedule (<5 min headway) 	✘	With the current shortage of buses, Metrobus only operated to 87% of scheduled services.
Bus safety	<ul style="list-style-type: none"> Accident rate: <0.75 per 100,000 bus-km per month. 	✔	Metrobus' accident rate was 0.69 per 100 000 bus km per month.
Information availability	<ul style="list-style-type: none"> To display information/timetables at all bus facilities "Metrobus app" to be developed and introduced 	✔ ✔	Metrobus distributes information and timetables at its major service points (Ghandi square etc) and puts notices on buses. The total number of timetables distributed in the third quarter is 58 950 against a total of 25 000 Metrobus is still in the process of developing an app.
Driver competency and etiquette	<ul style="list-style-type: none"> 0% incidents of traffic fines due to absence of driver licenses (i.e. PrDP) and other similar traffic infringements. 	✔	No bus driver is allowed to drive a bus without a PrDP
Cancelled trips	<ul style="list-style-type: none"> 95 % operation of scheduled trips monthly 	✘	14 212 trips representing 13% were cancelled out of the total planned trips of 111 260 due to shortage of buses
Safety of commuters	<ul style="list-style-type: none"> No mugging incidents on buses Driver panic buttons Enforcing of bus seating-standing in line with applicable regulations 	✔ ✘ ✔	<p>No mugging incidents on buses were reported (no reports as there was nothing reported)</p> <p>Metrobus fleet does not have panic buttons but all bus drivers have cell phone devices to communicate in case of emergencies.</p> <p>Buses do not leave the depots without the carrying capacity notification (These notifications can only be found on buses)</p>

Date	Invoice number	Department	Contact person	Amount (R)	Comment
27-Jul-16	20358	Community Development	Lucas Van Staden	57 010.00	Revenue from Exchange Services
27-Jul-16	20365	Community Development	Lucas Van Staden	6 320.00	Revenue from Exchange Services
25-Apr-16	20267	Community Development	Lucas Van Staden	87 120.00	Revenue from Exchange Services
25-May-13	18965	Office of Mayor	Evans Mokwatedi	62 719.99	Revenue from Exchange Services
16-Jun-14	19558	Office of Mayor	Evans Mokwatedi	73 960.00	Revenue from Exchange Services
02-May-16	20291	City Manager	Evans Mokwatedi	228 390.00	Revenue from Exchange Services
02-May-16	20292	Office of Speaker	Thabea Modise	75 050.00	Revenue from Exchange Services
02-May-16	20293	Office of Speaker	Thabea Modise	66 880.00	Revenue from Exchange Services
02-May-16	20294	Office of Speaker	Thabea Modise	60 610.00	Revenue from Exchange Services
13-Jun-16	20309	Office of Speaker	Thabea Modise	24 450.00	Revenue from Exchange Services
30-Jun-16	20371	Office of Speaker	Thabea Modise	6 520.00	Revenue from Exchange Services
06-Apr-16	20266	JDA	Ethel Dlamini/ Nomalizo Xabana	6 320.00	Revenue from Exchange Services
19-Oct-15	20128	Department of Transport	Manoshi Nevhungoni	7 830.00	Revenue from Exchange Services
19-Nov-15	20130	Department of Transport	Manoshi Nevhungoni	17 950.00	Revenue from Exchange Services
30-Jun-16	20383	Group Finance	Shirley Nevutali	719 000.00	Subsidy(Non Exchange Revenue)

Section 4.1: Human Resource Management

During the year under review the work of embedding the new organizational structure has captured much attention. Following the placement of all members of the Executive Management Team, focus shifted to other levels of the organization in line with the Migration and Placement Framework. Accordingly current focus is on ensuring that recruitment and placement plans towards realizing, on an incremental basis, the full potential of the new organizational structure are in line with the strategic and operational focus for the next one to three years as well as proper alignment with budgeting processes.

Given the centrality of capacity building as an integral lever in the improvement of performance and delivery levels in the entity a consolidated workplace skills plan has been crafted. In line with this plan the Bus Operator Training which was conducted during this financial year will be complemented by further modular training of Bus Operators focusing on customer service and occupational health and safety in the coming 2-3 years. The goal is to ensure that at the end of the tenure of Vision 2020, all Metrobus bus operators possess the National Professional Driver qualification.

There are a number of partnerships with Technical Services Department service providers that the entity is leveraging for the purpose of employee technical skills development. These partnerships are critical due to the fact the skills transfer can be done at no cost to the entity. Metrobus Learning and Development continues to ensure that the entity benefits greatly on the relationship with the Sector Education Training Authorities (SETA) in terms of skills levies and talent pipeline. To this end, the entity has over 36 learners in its employ that are fully funded by the Transport Education Training Authority (TETA).

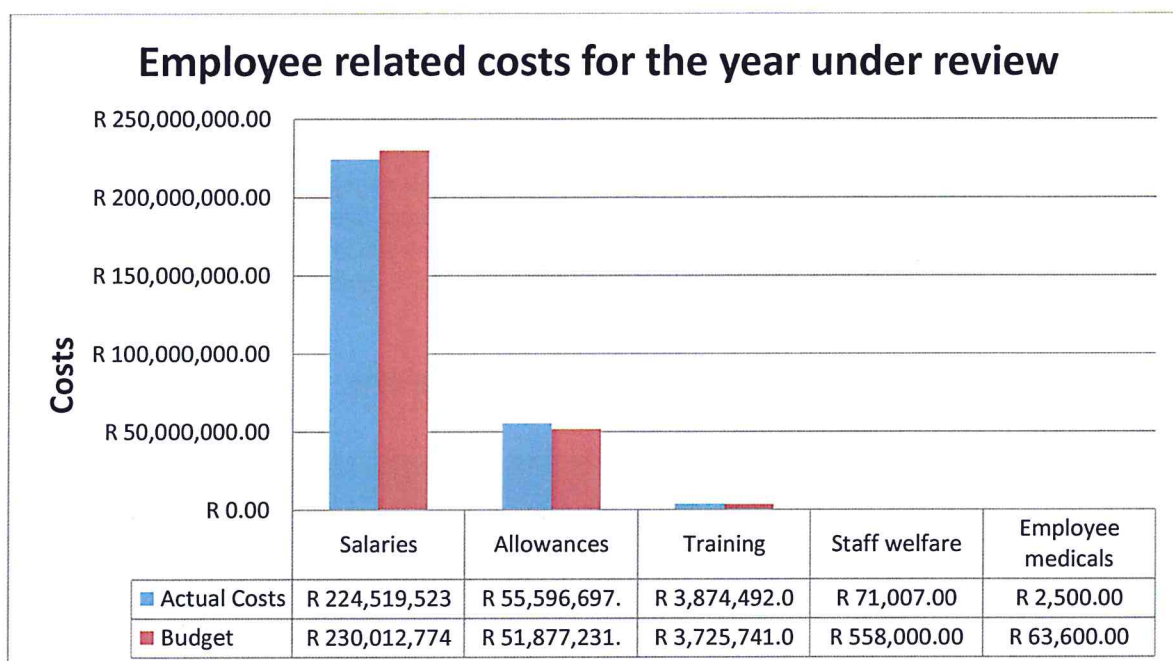
In a bid to ensure continuous integrity and improvement of the payroll system, a verification review was commissioned through the auditing firm PriceWaterCoopers (PWC) focusing on remuneration components, employee benefits, PAYE withholding and reporting obligations. The report in this regard indicates that in the main, allowances payments and benefits are taxed and disclosed correctly on the payroll system. In addition, initiatives aimed at ensuring the integrity of the payroll system matters which include a system generated payroll monthly variance report, quarterly internal payroll audit and monthly payroll verification process by both Finance and Human Resources Management remain afoot to ensure continuous improvement.

While the stabilization of the organizational environment from a human resources management perspective remains an apex priority, same is given traction by initiatives aimed at policy certainty and governance structures that ensure that human resources practices are aligned with legislative prescripts and industry best practices aimed at maintaining requisite levels of productivity, financial viability, employee wellness as well as labour peace. In this regard it remains a positive indication that employee engagement fora remain active and functional. Consultation with organized labour on various matters that are affecting the business and employees continue to be discussed at the Union Management Committee. It is the Executive Management's view that this structure has been very effective and functional to date in averting possible industrial actions. The Executive Management Team engages organized labour through this structure on matters of restructuring, company policies, organizational performance (financial and operational) and receiving feedback from the unions on matters of mutual interest affecting employees at the Depot level.

The number of disciplinary cases remains high in the main due to pilferage on the buses. It is the view of Management that bus inspections on the routes must be intensified to ensure that this problem is addressed. Plans are also afoot to introduce driver awareness programs on the effects of pilferage on the business including resultant disciplinary actions. In addition the services of external route auditors have been procured and will be effective in the new quarter.

1. Employee remuneration (total costs including Executives)

The total employee costs (including Executives) for the year stood at R224 519 523 against a budget of R230 012 774. The over-expenditure on allowances is in the main due to misalignment in the budget which will be addressed in the new financial year as part of the budget review process with the Finance department. The over-expenditure on training is due to the comprehensive driver training program embarked as discussed hereunder in this report under Employee Skills Development. The total employee costs as a percentage of operational costs is currently at circa 49%. Metrobus whilst being mindful that the ratio of employee costs to operational expenditure is a result of the funding model, the team is currently considering a number of measures to curtail the employee costs and reduce the same to 45% by June 2017. This measures will amongst others include natural attrition, review of support roles in the whole business as well as restructuring of the funding model.



Section 4.2: Employment Equity

Metrobus is non-discriminatory and committed to the Code of Good Practice on employment equity. To monitor progress, the HR department provides quarterly updates to the Board, the Shareholder, management and staff on implementation of the approved Metrobus employment equity plan.

The Company has employment policies that it believes are appropriate to the business and the industry in which it operates. Equal employment opportunities are offered to all employees. Metrobus firmly endorse the four key areas of employment equity identified by the Employment Equity Act:

- elimination of discrimination in decision-making;
- promotion of employee diversity;
- reduction of barriers to advancement of the disadvantaged; and
- introduction of measures and procedures for transformation.

GRAND TOTAL	600	56	3	23	154	8	1	7	1	0	853
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4.2. Employment Equity / Staff Demographic Profile

Present and Expected		Male				Female				Total
		A	C	I	W	A	C	I	W	
All Employees	Current	601	56	3	23	154	8	1	7	853
	Proposed	533	60	15	20	217	17	13	10	987

4.2.2 Professional Driver Learnership Programme (Imbokodo)

Fifteen unemployed female youth underwent training in Bus Operation. The training has prepared this unemployed youth for future employment as Bus Drivers. The training provided these learners with both practical and theoretical on Bus Operations; the learners will receive their TETA Professional Driver Certificates which they will be able use for future employment within the industry. This program is of strategic importance to the entity in relation to the current demographic profile which indicates that women and in particular black women are not sufficiently represented. This is the 6th driver learnership programme for Metrobus and the first to accommodate only female youth for the period from 01 November 2014 to 31 October 2015



Section 4.3: Skills Development and Training

Metrobus is committed to ensuring that the necessary skills and knowledge are identified and developed so that all employees have the opportunity to develop and make a positive contribution. Metrobus is committed to the maintenance of standards by supporting and training staff through its world-class skills development programme. This programme aims to develop both technical and people skills required for the company to conduct its business on an effective basis. The Entity continues to comply with the requirements by the Department of Labour on the submission of the Workplace Skills Plans (WSP) and Annual Training Reports (ATR) and all skills programmes are in line with this plans. Line Managers have submitted their training needs for the training period 2016/2017 and these needs formed the basis for 2016/2017 workplace skills plan that was submitted to Transport Education Training Authority (TETA). The focus area for 2015/2016 Workplace skills plan have been on capacity building with emphasis on defensive driving skills, driving in inclement and congested traffic conditions and technical skills development programs. It is on the strength of these plans and reports that the Entity continues to benefit greatly on the discretionary grants and skills levies from TETA.

4.3.1 Advanced bus driver training program (TETA accredited)

The entity has engaged a professional service provider for the purposes of rolling out a defensive bus driver training program which commenced on 6 June 2015 and completed on 28 February 2016. It is through this program that a total of four hundred and forty five (445) bus operators were trained. The intervention assumed that the Bus Operators have no knowledge of bus operations and provides them a complete new capacity including the very basics. The program will see all bus operators certified in a driving qualification at level 4 on the National Qualifications Framework and qualify for 15 credits as per the South African Qualifications Authority. The five (5) day intervention was aimed at ensuring that all Bus Operators competently attains the following core outcomes.

- Prepare a rigid heavy vehicle for road transport trips according to specification.
- Drive a heavy rigid vehicle in accordance with specified requirements, which includes legal compliance, defensive driving requirements covering K53.
- Ensure the maintenance of road transport service quality.
- Handle unexpected situations according to specified procedures.
- Park rigid heavy vehicle in accordance with specified requirements.

4.3.4 Certificate in Bus Transport administration

The objective of this learning program is to develop young unemployed candidates with grade 12 qualifications as transport administrators. This training program covers route planning, bus scheduling, driver and vehicle allocation, bus dispatching, and public transport ordinance and customer service. The program is fully funded by TETA and the candidates once they have completed the training will be able to compete for positions within the industry as bus transport administrators. The program is a level 3 SAQA registered qualification and carries 122 credits. Learners will receive certificates after completing this 12 month program. The program commenced on 01 December 2015 and will end on 30 November 2016. A total of ten (10) young people were taken.



4.3.5 Workplace Integrated Learning

The Entity has in collaboration with the Transport Education and Training Authority recruited twenty-eight (28) recently graduated unemployed youth in order to provide them with integrated workplace learning. The Workplace integrated Learning programme has been spread within the business as follows:

#	Field of Study	Number of Learners
1	Human Resources Management or Labour Relations	3
2	Finance (including SCM)	4
3	Information Technology or Computer Sciences	3
4	Technical departments (Management Services Practitioners)	15
5	Occupational Health and Safety	3
Total learners on the Internship programme		28

The objectives of the programme are as follows:

The Company started the rollout process to ensure that all employees in supervisory positions are included in the performance management strategy. Training of underperforming officials is being introduced as part of our coaching and mentorship process to improve the performance levels. Performance Management is being adopted as a positive management strategy rather than a punitive process, and in this way employees feel comfortable to be part of the process.

Section 4.5: Employee Wellness

4.5.1 Wellness Programme

During the period under review much attention was on preparations for what has colloquially become known as the "Flu Season". An education and awareness drive has been held with the objective of ensuring that employees are aware of the ways in which they can prepare themselves and to ensure that participation in the flu vaccination drive is optimized.

Notes: Respiratory, muscular/skeletal, hypertension and blood pressure continue to be the leading causes of employees seeking medical attention. Engagements with the medical aid providers are ongoing regarding the effectiveness of chronic disease management. These trends are consistent with the findings of the health assessments as conducted at the end of 2014.

4.5.2 HIV / AIDS

The Peer Educators program at Metrobus continues to function vibrantly in keeping with the Metrobus Health, Safety and Wellness strategy which focuses mainly on the education of employees towards behaviour change, healthy lifestyle choices and advocacy among employees. During the period under review peer educators continued on an office to office campaign on Condom and STI awareness. A total of 65 employees were seen by peer educators during this campaign.

4.5.3 Leave Management

The entity has successfully introduced the new Leave Management policy. While an initial significant drop in the Leave liability was evident, which has positive effect on the entity's balance sheet; challenges still exist in terms of proactive management of leave. Effective management of leave and the reduction of leave liability have been identified as key performance targets across Metrobus. It is essential that Metrobus management is proactive in managing and reducing excess leave to maintain the current status. Management of leave and leave liability was also identified by the external auditors (AGSA) as a matter that requires urgent management interventions. The policy which is clearly aligned with the Basic Conditions of Employment Act (the Act) and the Main Collective Agreement, aims to ensure that employees leave balances are stringently monitored on a month-to-month basis and no employee carries forward a number of leave days in contrast to the policy or the Act. The main objectives of the Leave Management policy are to ensure that:

- Total annual leave liability is limited to monthly labour bill or less.
- Improved company balance sheet.
- Reduced risks in leave management.
- Improved employee well-being, productivity and quality of work.
- Efficient budget management on leave liability provisioning.
- Leave management aligned with the expectations of AGSA.

regard. It is anticipated that the first cohort of managers to partake in this program will commence same in at the beginning of the 2017 Calendar year.

- III. **Implementation of a Fit for Purpose Organisational Structure** - Embedding the institutional review process including the implementation of the new organisational structure as well as the job profiling and grading of all jobs: The new organisational structure has been implemented in the entity. The profiling of positions is underway.
- IV. **Skills Transfer Programme**– With the acquisition of the new fleet on maintenance lease, the entity is engaging with the service provider to establish a skills transfer programme aimed at creating internal capacity for the maintenance of the Diesel Dual Fuel fleet.
- V. **Employee Cost Structure** – The Entity is developing measures to reduce the employee cost which currently stands at a ratio of 49% of Operational expenditure. The plan will focus on all employee related costs (salaries, overtime and related allowances), the plan will further explore opportunities for reviewing support roles in the business and consider collapsing certain where possible. The entity is also developing a new remuneration philosophy which will review how the entity's remuneration system is structured in relation to like entities: Engagement and work in this regard is on-going, however in support of this objective the executive management team has determined that the structure will only be implemented on an incremental basis thereby harvesting on possible synergies while the scope of new positions finds expression in the organisation.
- VI. **Establishing a Culture of Performance** – The Executive Management Team is implementing measures aimed at strengthening the implementation of the performance management policy. This will be a phased-in approach which will ultimately ensure that all employees in the entity are contracted on performance management system.
- VII. **Governance** – The entity will be reviewing a number of human resources management policies with a view of addressing issues governance gaps as identified by the Auditor-General South Africa as well for alignment with business strategy. This will include, but not limited to the following:
 - Safety, Health and Environment policy.
 - Metrobus Public Road Safety Management Policy
 - Talent Attraction and Retention policy.
 - Succession planning framework
 - Remuneration philosophy
 - Overtime management policy
- VIII. **Improved communication within the Entity** – The Executive Management Team is rolling-out the Evolve programme that focuses on effective engagement with all employees by Senior Management

Section 5.1: Report on irregular, fruitless and wasteful expenditure

For the 2015/16 financial year, Metrobus incurred irregular expenditure as a result of emergencies, forensic investigations as well as reliance on sole suppliers

As per section 36 (a) (i) of Supply Chain Management Regulations, the Accounting Officer approved deviations wherein awarding of contracts was delayed mainly as result of on-going forensic investigation of certain suppliers instituted by the Board emergencies as well as reliance on sole suppliers. No deviations will be allowed unless if there are peculiar circumstances that are out of management control.

5.2 Financial overview

The year under review was challenging given the depressed economic growth both globally and in the domestic environment. However, the key challenges to economic growth in South Africa are domestic.

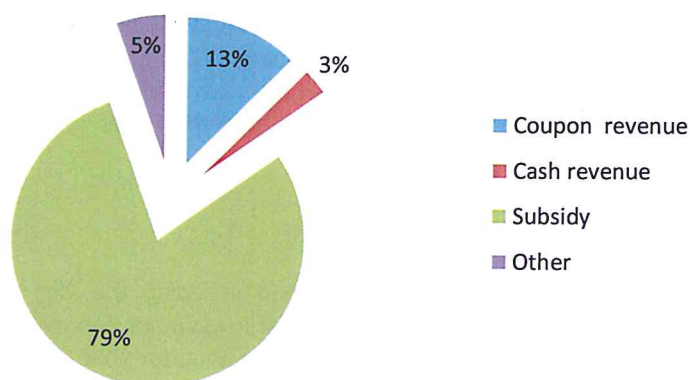
In 2015 South Africa's growth continued to slow down, recording only 1.5%, the weakest performance since the global financial crisis. In 2015 the International Monetary Fund (IMF) further revised downwards SA's economic growth forecasts for this and next year, citing electricity shortages as the main reason. The IMF cut the economic growth forecast for this year to 2% from 2.3% in October and reduced the forecast for next year to 2.1% from 2.5% in January 2017

Table 5.2 Financial Performance Highlights

Financial Performance: METROBUS					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational revenue	519 402 054	612 023 000	589 242 000	546 045 358	-43 196 642
Employees	272 201 062	285 374 000	286 593 000	286 823 660	-230 660
Repairs and Maintenance	70 932 038	53 793 000	53 793 000	53 751 054	41 946
Other	257 180 152	272 856 000	248 856 000	238 447 128	10 408 872
Total Operational Expenditure	600 313 252	612 023 000	589 242 000	579 021 842	10 220 158
Net Operational Expenditure	-80 911 198	-	-	-32 976 484	-32 976 484

Metrobus saw deficit decreasing from R81 million reported in 2014/15 to R33 million for the 2015/16 financial year. This reflects a significant improvement of R48 million (59%). This improvement can be mainly attributable to expenditure management and controls implemented during the year which resulted in R10.2million under spending against an adjusted budget of RR589.2 million. The Operating budget was adjusted downwards at mid-year from R612 million to R589.2 million due to fluctuating global economic conditions. This R10.2 million under spending reduced the effect of R43.2 million revenue shortfall on the bottom line from a potential deficit of R43.1 million to a reported deficit of R33 million. Main cost drivers are employee costs at 50%, Repairs and maintenance at 9%, Fuel for buses at 10% and Finance charges at 6%. At R576 million (FY15: R595 million), Metrobus expenditure was reduced by 3.2%. The current year's reduction can be attributable to the cost reduction measures implemented during the year to manage the impact of fare revenue shortfall in the bottom line. The unexpected increase in overdraft as a result of capital funding, increased interest cost by R17 million.

Revenue % composition



Comparative Adult Cash Trip Tariffs – Table A

STAGES	METROBUS CURRENT (R)	METROBUS PROPOSED (R)	PUTCO (R) CURRENT (Dec 15)	TAXIS CURRENT (R)
1	10.20	10.86	11.50	14.00
2	12.00	12.78	12.50	14.00
3	14.40	15.34	14.50	18.00
4	17.30	18.42	16.50	20.00
5	20.10	21.41	19.80	20.00
6	21.70	23.11	21.80	24.00
7	23.60	25.13	23.50	26.00
8	25.40	27.05	26.00	26.00

5.2.2 Cash Flow

A Council grant (subsidy) to the value of R432 million was received during this period which contributed 79% of operational costs. Cash generated from operations increased by R12.1 million from R526.3million in 204/15 to R540.3 million in the current year. The overdraft position worsened by R145.8 million from R278.4 million to R424.2 million mainly due to capital funding for new buses. The Company's cash flow position continues to worsen and this is due to declining margins caused by declining passenger numbers and increased financing costs.

5.3 Statement of Financial Position

Referring to the balance sheet position of the entity as at 30 June 2016, the ability of the entity to meet its financial obligations is still uncertain with a solvency ratio of 0.82 : 1 (2015 = 0.71 : 1). The entity is overdrawn to a tune of R424.2 million. This position can be largely attributed to procurement of buses funded through loan,

CHAPTER SIX

AUDITOR-GENERAL AUDIT FINDINGS

KEY ACHIEVEMENTS

	2011/12	2012/13	2013/14	2014/15	2015/16
Audit Opinion	Unqualified - With emphasis of matter	Unqualified	Unqualified - With emphasis of matter	Unqualified with emphasis of matter	Unqualified NO MATTERS OF EMPHASIS

Section 6.2: Historical Audit Findings and Remedial Action

Our review results reveal that action has been taken to address most of the audit findings identified in the Auditor-General's report issued in November 2015. The follow-up review reflects the following results:

Area reviewed	Findings	Resolved	Partially Resolved	Not resolved	Pending	% unresolved
<i>Revenue Management</i>	5	1	4	-	-	-
<i>Expenditure</i>	2	2	-	-	-	-
<i>Accounts Payable</i>	19	12	6	1	-	5%
<i>Asset Management</i>	1	1	-	-	-	-
<i>Payroll and Human Resources</i>	9	8	-	1	-	11%
<i>Inventory</i>	2	2	-	-	-	-
<i>Cash and Bank</i>	1	1	-	-	-	-
<i>Performance Information</i>	4	1	-	-	3	75%
<i>Annual Financial Statements</i>	19	12	4	-	3	16%
<i>IT</i>	4	-	-	-	4	100%
TOTAL	66	40	14	5	7	18%

Actions to Resolve Audit Findings

Internal audit performed a follow up review on findings previously raised by the Auditor-General and note that internal control deficiencies have been remediated in most instances. Where instances of ineffective internal controls were noted, we took account of possible compensating/ supplementary controls and these were either found to be absent or ineffective and have been reported on as not addressed or pending. Metrobus is still in the process of addressing the remainder and management has developed revised action plans to address these unresolved findings.

As at 30 June 2016, 26 AGSA audit findings remain unresolved out of a total of 66 findings. The unresolved findings are on Accounts Payable, Human Resources and Payroll, Financial Statements, Revenue Management, Accounts Payables and Pre-determined objectives.

Section 6.3: Commitment by the Board of Directors

Metrobus Board will continue to aspire to the highest standards in financial and non-financial reporting. In line with these aims, the strategic thrust of the upcoming year is to continue ensuring sound corporate governance, improved internal control environment and monitoring of the legislative environment of the Metrobus.