



Metropolitan Trading Company (Pty) 2004/2005

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Chapter 1: Introduction and Overview

1.1 Chairperson's Forward

The new Board of Directors taking office

It is with great pleasure that we welcome the new Board of Directors to The Metropolitan Trading Company (Pty) LTD as at 31st January 2005.

The newly appointed directors also bring with them a wide spectrum of knowledge and experience that is so critically needed during the MTC's growth phase

MTC is finally, once again a wholly owned entity of the City of Johannesburg. Blue IQ Investments Holdings (Pty) Ltd finally agreed to dispose of its major shareholding in the company in favour of the City of Jo'burg.

The company remains committed to maintaining high standards of corporate governance. This is demonstrated by our continuing compliance with the requirements of the King II on Corporate Governance, including the commitment to advancing the principles and practices of sustainable development. The Audit and Remuneration Committees have since been established to assist in advancing a culture of good corporate governance at MTC

With an Interim Chief Executive Officer in place since January 2005, the board set out to sourcing and recruiting a replacement officer. Final recommendations have been forwarded to the Shareholder for the appointment.

The MTC's technical insolvency status has been addressed by its new Shareholders, who has subordinated its claims and loans in favor of ordinary shareholders.

Acknowledgements

On behalf of the Directors and the staff of MTC, we thank all our Shareholders, Traders, formal and informal suppliers and our many other stakeholders for their valued support and goodwill throughout the past twelve months ended June 2005. With improved dialogue and management's commitment, we can all grow and prosper through mutual partnership.

Perry Parirenyatwa

Chairperson

1.2 Overview of the Entity

City of Johannesburg (COJ) has over the past years experienced substantial growth in street traders and taxis operating in the Inner City. This growth has resulted in overcrowding and overtrading on many of the streets in the CBD and surrounding areas. Street congestion has led to a rise in street crime, which affects hawkers and their customers.

The informal trading industry has a close relationship with the taxi industry with traders taking advantage of the informal business environment created by taxi ranks. With the increase in informal trading, taxi ranks became saturated resulting in traders moving onto street pavements and causing the congestion described above.

In May 1997, the City of Johannesburg (COJ) formed an Inner City Street Trading Interim Crisis Committee to deal with various street-trading issues (including the enforcement of the Street Trading By-laws, which were promulgated on 8 January 1997).

In February-March 1999, the Urban Market Development Joint Venture prepared for the COJ, the Inner City Street Trading Management Strategy. This was essentially a business model with the aim of developing formal market – based trade in the Inner City. This project included the removal of informal street traders from the street and placing them in the formal markets. This also included the creation of formal taxi ranks aimed at reducing traffic congestion. Based on this model, the COJ approved a report submitted by the Inner City Office of the City of Johannesburg (Proposal for the Establishment of an Informal Trade Management Programme) in February 1999. The concepts were integrated into broader citywide urban regeneration and development initiatives being undertaken by the COJ.

Initially it was proposed that the Metropolitan Trading Company (Pty) Ltd, (MTC) would implement developments at identified sites throughout mainly, but not only, the Inner City at strategic locations. The initial objective was to create new market infrastructure for about 5 000 traders within a two-year period. These developments were intended to be mixed land use ones addressing retail, housing, and transport issues. Simultaneously whilst managing the developments at an operational level, the social and economic development of the traders is a key objective. Ultimately the MTC is to facilitate ownership of the individual

markets by the traders themselves. The empowerment programme would be paid for out of accumulated profits, and / or grant funding.

"In 2030 Johannesburg will be a world class city with service deliverables and efficiencies that meet world best practice. Its economy and labour force will be specialising in the service sector and will be strongly outward oriented such that the City economy operates on a global scale.

The result of this competitive economy behavior will be strong economic growth that will drive City tax revenues, private sector profits and individual disposable income levels such that the standard of living and quality of life of all the City's inhabitants will be increase in a sustainable manner."

1.3 Executive Summary

Company Leadership: The 2004/2005 Financial Year saw the introduction of personalities to lead the entity. The CoJ appointed a new Board of Directors (the Board) at the beginning of January 2005. An Interim Chief Executive Officer (CEO) was also appointed for the period also starting January 2005 to 31st of October 2005.

Corporate Governance: the local sphere of government has experience a historic shift in its management of financial affairs. The advent of the Local Government Municipal Finance Management Act (MFMA) encourages a dispensation of financial prudence, transparency, efficiency and accountability. The MFMA draws from some of the best private sector practices and recommendations of the King II Report. The new dispensation of stringent financial management meant that MTC had to adopt a number of policy documents that would define its existence. The documents include: the Board Charter, Credit Control Policy and Supply Chain Management.

In addition to the above the Board has establishes two committees to buttress its work namely: the Audit Committee and the Remuneration Committee

Human Capital Development: Human Capital Development is at the centre of the successful delivery of services rendered by MTC. MTC has continues to strive for the development of its employees by putting them through the requisite training. MTC has initiated four training programmes that are all targeted at improving the lot of the employees. Seventeen employee have to date enrolled with the Adult Basic Education Training (ABET).

MTC has a relatively balanced gender representation in the workplace, with females making 44% and males 56%. The only gender imbalance is at the level of management where females make 20% of management. The glaring disparities in gender representation at management level will be addressed through a comprehensive employment equity plan that the entity is preparing which will also cover areas of succession planning. One of the significant obstructions to effective delivery at MTC has been the long running disciplinary case against the Operations Manager. The nine-month case was finally concluded in September 2005, with the employee found guilty on all the nine charges resulting in her dismissal.

Informal Traders: Informal traders make the biggest component, by sheer numbers, of all the stakeholders in present in the domain of MTC. The new leadership at MTC has succeeded in turning around the previously hostile relationship that existed between MTC and the traders. Two days Lekgotla held between MTC and the collective of the leadership of traders in CoJ resolved, amongst others to focus energies in developmental programmes and promoting the city.

There are however serious challenges in dealing with this sector of the economy. The demand on the street trading space is placing a strain on the spatial set-up of the city and if not adequately attended could undermine the efforts of Jo'burg 2030, a policy document that puts forward a Vision for Johannesburg for the year 2030. Another challenge is that of ensuring that revenues are collected on a monthly basis. With the Board having resolved to write-off all debt owed by the informal traders, there ought to be no legitimate reason for continued non-payment. The introduction of a Credit Control Policy has now made it possible for MTC to enforce uniform payment regime in all markets, significant progress has been registered in the three months since the introduction of the policy,

Taxi Industry: the industry is going through revolutionary changes propelled by the Taxi Recapitalisation Process (Recap). The Recap is meant to formalize the industry by regulating its operations, extending the labour laws to cover the space of taxi operations and to make the operations safer. These complex matters that define the Recap makes it difficult for MTC to collect user fees at its markets because of the tendency of the leadership of the industry to link issues on the national stage with the ranking obligations. It must be however stated that on the one occasion where MTC pursued the taxi debt through a lockout, the steps were reversed by the city and MTC was ordered to reopen the Metro Mall Taxi Rank. It is sincerely hoped that the introduction of the Cab License Fee will remove the burden of collection from MTC, but will most likely result in better collection results since Cab License payments will be linked to renewal of taxi licenses.

1.4 Mission, Vision and Strategy Statements

Mission

MTC aims to manage well-located and designed informal trader markets and taxi rank facilities in the City of Johannesburg. These facilities will offer safe and good quality services to commuters and consumers and provide development support programmes for taxi drivers and traders using the facilities.

Vision

MTC will be the most effective manager of taxi ranks and informal trader facilities in South Africa.

Strategic Statements

Arising from results of the 2004 Strategic Review the critical role of the MTC is to facilitate the development of Informal Traders and Taxi Drivers was identified. Whilst not providing actual 'training of individuals' the identification of needs and target groups will be key function of MTC.

1.5 Developments and movements with respect to the Board of Directors

During 2004, additional directors were appointed by the Mayoral Committee to act on the board of MTC however the appointments were not confirmed due to the decision taken by the Council to confirm the appointments only after the Shareholding issue between the City of Johannesburg and the Gauteng Province owned entity Blue IQ had been resolved. This issue has now been resolved. A fully functional board is in place with a clear mandate to recruit a CEO in consultation with the Shareholder and to develop and exercise oversight over an implementation plan to give effect to the outcome of the Strategic review of MTC. In an interim an acting CEO has been appointed, Mr. Kgosientso Ramokgopa.

Mr. Perry Parirenyatwa has been appointed Chairperson of the Board, particularly in light of his extensive experience in and knowledge of civic organisations, transport and generally of business.

Mrs. Kate Moloto former Chairperson of MTC board has retired in terms of the City's policy on board membership rotations and Mr. Graeme Reid and Ms Bhavini Kalan are (Shareholder) Blue IQ representatives on the Board of MTC and thus their resignation has been effective upon resolution of the Shareholder Agreement. Executive Director (CEO) Mr. Keith Atkins retired as at 31 December 2004.

Directors	Demographics and skills				
	Exec/ Non Exec	Male	Female	Race	Skills in brief
Keith Atkins (CEO until end of December 2004)	ED	M		White	CA
Kgosientso Ramokgopa (Acting CEO as at 03 January 2005)	ED	M		African	Civil Engineering and Public Finance management
Perry Parirenyatwa Chairperson of MTC Board	NED	M		African	New Business Development
Anissia Botha	NED		F	White	Legal
Zane Moosa	NED	M		Indian	Human Resource and Change Management
Septi Bukula	NED	M		African	Business Economist
Eric Ratshikopa	NED	M		African	Corporate Development
Busisiwe Skenjana	NED		F	African	Marketing
Mokoka Seshabela	NED	M		African	Community Builder and Project Management
Harry Mashele	NED	M		African	Business Restructuring

1.6 Corporate Governance Report -

Corporate Governance Statement

The Directors of Metropolitan Trading Company (Pty) Ltd (MTC) confirm their commitment to the principles of discipline, transparency, independence, accountability, responsibility and integrity, as advocated in the King Report on Corporate Governance for South Africa 2002 (the “King” Report 2002). Through this the stakeholders may derive assurance that MTC is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices.

The Directors of the MTC regard Corporate Governance as vitally important to the success of the business of the MTC and are unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its members and relevant stakeholders:

- all Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities;
- all Board members are responsible for the MTC achieving the highest level of business conduct; and
- the Board is the focal point of the MTC’s Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the MTC.

Board charters, setting out the specific responsibilities to be discharged by the Board members collectively, and the individual roles expected of them are in the process of being adopted. The purpose of these Board Charters is to regulate how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The objective of these Board Charters is to ensure that all Board members acting on behalf of the company are aware of their duties and responsibilities as Board members and the various legislation and regulations affecting their conduct and to ensure that the principles of good Corporate Governance are applied in all their dealings in respect and on behalf of the MTC.

1. BOARD LEADERSHIP

There is a clear division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

The Board provides leadership and vision to the MTC in a way that enhances member value and ensures long-term sustainable development and growth of the MTC.

The Chairperson and the Chief Executive provide leadership and guidance to the Board as a whole, and encourage proper deliberation of all matters requiring the Board’s attention, and obtain optimum input from the other Board Members.

- 1.1 The Chairperson
 - 1.1.1 The Chairperson has no executive functions.
 - 1.1.2 Each year the Board and shareholder appoints from among their non-executive members a Chairperson who presides at meetings.
 - 1.1.3 The Chairperson is responsible for representing the Board to the members and indirectly to the general public for performance and provides overall leadership to the Board without limiting the principle of collective responsibility for Board decisions.
 - 1.1.4 The Chairperson is responsible for ensuring the integrity and effectiveness of the governance process of the Board.

1.2 The Chief Executive

- 1.2.1 The Chief Executive and management’s primary point of reference is to the board of the company.
- 1.2.2 The Chief Executive attends meetings of the Finance Strategy and Economic Development Committee of the City of Jo’burg by invitation and reports on the activities of the MTC.

2 COMPOSITION OF THE BOARD

2.1 MTC has a board, consisting of executive and non-executive directors who are elected nominated or co-opted to the Board in terms of the articles of association of the MTC (“the articles of association”).

2.2 A non-executive director is considered as an individual who:

2.2.1 is not involved in the day-to-day management of the company; and/or

2.2.2 is not a full time salaried employee of the company.

2.3 Procedures for appointments to the Board are formal and transparent.

2.4 Reward system

2.4.1 The Remuneration Committee of Jo’burg City Council reviews and considers the remuneration of the non-executive directors, Chief Executive and senior management and makes recommendations to the Board.

2.4.2 Non-executive members receive no significant benefits, other than their directors’ fees, as follows:

2.4.2.1 Basic fee as ordinary remuneration;

2.4.2.2 Additional remuneration (an extra fee) – for services as Chairman and Deputy Chairman of a Board committee;

2.4.2.3 additional remuneration (an extra fee) – for services rendered as a member of a Board or Board committee.

2.4.3 No Board member or senior manager is involved in deciding his or her own remuneration.

3 ROLE OF THE BOARD

The Board is explicitly responsible for the stewardship of the MTC and having regard to its role; the Board is concerned with key elements of the governance processes underpinning the operation of the MTC.

4 BOARD GOVERNANCE

4.1 Board procedures

4.1.1 Directors responsibilities and limitations are primarily set out in the articles of association, the Companies Act (No.61 of 1973), and Board and/or members resolutions.

4.1.2 The Board members are entitled to have access, at reasonable times, to all relevant company information and to senior management to assist them in the discharge of their duties and responsibilities to enable them to take informed decisions.

4.1.3 There are procedures agreed by the Board for the furtherance of their duties to take independent professional advice, if necessary, at the MTC's expense.

5 BOARD COMMITTEES

5.1 The Board is authorised to form Board Committees as and when it is efficient or necessary to facilitate efficient decision-making to assist the Board in the execution of its duties, powers and authorities. Delegating authority to Board Committees or management does not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities.

5.2 There is transparency and full disclosure from the Board Committees to the Board.

6 BOARD MEETINGS

Board members use their best endeavors to attend Board meetings and to prepare thoroughly. Board members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table.

7 COMPANY SECRETARY

- 7.1 The Company Secretary has a key role to play in ensuring that Board procedures are both followed and reviewed regularly, and has the responsibility in law to ensure that Board members are made aware of and provided with guidance as to their duties, responsibilities and powers.
- 7.2 The Company Secretary is responsible for ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with its efficient operation.

8 RISK MANAGEMENT

Effective risk management is integral to the Board's objective of consistently adding value to the business. The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed – internally and externally. The Board appreciates the business risk issues and key performance indicators affecting the ability of the MTC to achieve its strategic purpose and objectives and ensures that appropriate systems are in place to manage the identified risks, measure their impact and to proactively manage them, so that the MTC's assets and reputation are suitably protected.

9 INTERNAL CONTROL SYSTEMS

To meet its responsibilities with respect to providing reliable financial information, the MTC maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately safeguarded against material loss of unauthorised acquisition, use, or disposal and that transactions are properly authorised and recorded.

There is no internal audit function. Management reviews the internal control processes on a continuous basis, any matters arising are addressed with the Board of directors. The Board provides oversight to the financial reporting process and internal controls.

The MTC assessed its internal control systems in operation during the year. Based on the assessment, the MTC believes that, as at 30 June 2005, the systems of internal controls over financial reporting and over safeguarding of assets against unauthorised acquisitions, use, or disposal were adequate.

10 GENERAL MANAGEMENT

Being involved with day-to-day business activities, the Chief Executive and the General Management team are responsible for ensuring that decisions, strategies, and views of the Board are implemented.

11 COMPLIANCE OFFICER

The MTC has a compliance officer who is responsible for ensuring effective compliance with the relevant statutory, regulatory and supervisory requirements.

12 EMPLOYEES

The focus on empowerment in the MTC reinforces the operating autonomy of the company. It also provides additional opportunities for employees at all levels to influence the success of the MTC. Management is encouraged to enhance the motivation and commitment of all employees by providing opportunities for involvement in business performance improvement, on the basis of mutual information sharing. Employment policies are designed that are appropriate to the business and markets in which the MTC operates and that attract, retain, and motivate the quality of staff necessary to compete. These policies are required to provide equal employment opportunities, without discrimination.

13 EMPLOYMENT EQUITY

There is continual monitoring and enforcement of the Employment Equity Plan. This plan presents, prescribes, and outlines the basis upon which employment equity is embraced. An employment equity forum has been established to monitor, evaluate, implement, and manage the progress of this plan and to ensure that the legislative provisions are upheld.

14. THE ENVIRONMENT, HEALTH AND SAFETY

The MTC strives to conform to environmental, health and safety laws in its operations and seeks to add value to the quality of life of its employees through preventative health programmes. An HIV policy for staff is being attended to. Although the MTC's major activities do not pose a significant threat to the environment, the MTC's risk management activities continue to focus on compliance with key features of existing environmental, health and safety legislation and international standards.

Chapter 2: Performance Highlights

2004/2005 Performance Report

Key Performance Area	Key Performance Indicator	Actual - to date											Comments
		Baseline	Total Target		Quarter 1		Quarter 2		Quarter 3		Quarter 4		
			Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Providing sufficient space, shop around, and sight freely by increasing the flow of pedestrians through formal and informal trading markets	Management of taxi and trader facilities as mandated by the CoJ /JPC and as permitted by the operating budget	8*	8*			0		5*		0		0	In the middle of the 2004/2005 financial year, the entity took on-board five new facilities namely: public ablution facilities (Street toilets), Bara City, Park Central, Kliptown Taxi Ranks and the Inner City Street Stalls.
Oversee and or manage the new trader stands in the Inner City and Lenasia	Agreement with CoJ on management strategy and role of MTC	None	None			0		469		0		350	The roll-out of Inner City Street will now be entering the second phase. It is expected that upon completion a total of close to 2000 stalls would have been erected in the selected parts of the Inner City
Investigate the feasibility of pension and financial service provision for all MTC tenants	Feasibility study and cost tabled at Board and CoJ meeting and decision made on whether to proceed	None	None			0		0		0		0	Non-delivery on this area was largely due to lack of resources. To address the resource issue, an Informal Trader facilitator has been appointment whose mandate includes conducting a feasibility study on the possibility of a pension and financial provision facility for MTC tenants.
With EDU, investigate possibility of new fruit and vegetable market in the Inner City	Feasibility study and cost tabled at Board and CoJ meeting and decision made on whether to proceed	None	None			0		0		0		0	This initiative was tried twice before at Metro Mall facility with no success on both occasions. The major reason for failure was non-support from the targeted informal traders. The idea of such a market has since been aborted. New ideas are currently being generated on how best to utilise the 1000m ² of space vacated by the market at Metro Mall

Effectively manage markets and taxi ranks within the CoJ	Customer service survey	60	60			0		0		0		0	Non-delivery in this area can be attributed to the failure on the part of MTC to factor the survey into its 2004/2005 budget and the absence of a champion. This responsibility has now been assigned to the Strategic Support Officer and budget has been set aside to make the study a reality.
Provide a safe and secure environment for business development	Reduction in number of crime incidents	300	300			0		0		0		0	MTC has not developed a systematic method of capturing incidents of crime at its various markets. Going-forward, it will be the responsibility of the General Manager Operations to liaise with the security service providers at the various markets and provide a consolidated report to Exco on a monthly basis. The report will seek to observe trends and evaluate the efficacy of remedial measures taken from time-to-time
Contribute to transport infrastructure and reduce taxi boarding congestion	Increase taxi boarding space	5670	5670			2750		1900		0		0	Taxi boarding space invariably increases as new markets incorporating Taxi Ranks are taken on board. The increase recorded here are due to the Kliptown and Park Central Taxi ranks
Asset management and marketing	Market occupancy rate	95%	95%			0%		1%		1%		2%	It remains the intention of MTC to maximise levels of occupation at its various markets by attracting tenants through better service delivery
BEE procurement	% Of outsourced capital and operating expenditure	55%	55%			25%		0%		1%		-8%	It remains the firm commitment of MTC to surpass the targets by an even greater margin in the 2005/2006 financial year; a 66% target is earmarked.
Develop skills	% Budget send on skills development	1%	1%			0%		0%		0%		0%	MTC has not developed a coherent approach on the area of Skills development. However, a Skills Development Plan is expected to be in place by end of October 2005.
To ensure that MTC develops,	% Of designated groups-Male	18	18			-3		0		8		1	MTC is developing a more structured employment Equity

implements and achieve its employment equity objectives	% Of designated groups-Female	15	15			-2		0		5		1	Plan with the help of LabourNet; the Plan is to be completed by October 2005. The current targets have been met not as a result of a deliberate program but more by chance
	% Disabled	1	1			0		0		0		0	MTC has placed a premium of employing a person living with disability for the Market Officer and administrative posts to be filled soon.
To maximise the long term income and investment objectives of MTC towards sustainability	Operating margin	-84	-84			-33%		-43%		-37%		-7%	The operating margin has been overall less favourable due to the fact that the new markets were not generating any income for MTC. The situation is however been addressed with the introduction of Cab-License Fee and a more robust Credit Control Policy
	Cash collected/actual rental	70%	70%			9%		-4%		-1%		3%	There has been net improvement in the cash collected/ rental at MTC's markets, the task remains a challenging one but one that is expected to register even greater improvements as a result of the newly introduced policies and the harmonization of relations with trader organisations and committees
	% Bad and Doubtful debt	5%	5%			-2,5%		0%		-0.5%		-15%	The reversed provision for bad debts is largely a result the write-off the bad debts on the part of the informal traders and taxi associations
	Management cost to Operational cost	48%	48%			-18%		0%		1%		-3%	The additional markets resulted in a critical mass that impacted favourably in the reduction of the ratio of management costs to operational costs, placing the ratio at 28%, which is 3% lower than the treasury guideline of 31%. It is however expected that with the anticipated employee acquisitions in the areas of Human Resources and Marketing and communications the ratio is likely to stabilise at the 31% mark

*** The baseline figure of 8 indicates the number of markets under MTC at the beginning of the 2004/2005 financial year. The Total Target of 8 indicates the total number of facilities that MTC projects to have at the end of the same financial year. Therefore MTC did not envisage taking-on new markets during the 2004/2005 Financial Year. The Actual numbers under each quarter indicate the increase from the preceding quarter i.e. it is not cumulative. It can be seen that during Quarter 2 MTC took on-board 5 additional markets meaning that at the end of the 2004/2005 MTC had a Total of 13 Markets under its wings, an increase of 5 from the Target of 8**

The report is based on the roll out on the following: Phase1, Phase 2, and the Linear Markets

Phase 1

STREET NAME	BOUNDARY	NO. OF STALLS	STATUS
Plein Street	Rissik & Twist street	259	Operational
Bree Street	Simmonds & Mooi street	209	Operational
Jeppe Street	Rissik & Polly street	208	Operational
Delvers Street	Bree & Jeppe street	65	Operational

Phase 1 which started in November 2004 has been completed and is now in the Management stage.

Phase 2

STREET NAME	BOUNDARY	NO. OF STALLS	STATUS
Wanderers/Kruis	De Villiers & Jeppe	81	Awaiting Wayleave Approval
Von Wielligh	Bree & Pritchard	27	Operational
Twist	Delvers & Jeppe	24	Awaiting Wayleave Approval
Edith Cavel/Delvers Street	Bree	10	Operational
Edith Cavel/Delvers Street	Plein & Kerk	48	Awaiting Wayleave Approval
Joubert	De Villiers & Kerk	76	Awaiting Wayleave Approval
Rissik	De Villiers & Kerk	23	Awaiting Wayleave Approval

Linear Markets

Street name	Boundary	No. Of stalls	Status
Hoek Street	Plein & De Villiers	39	Work in progress
De Villiers	Klein & Hoek	30/block=90	Awaiting Wayleave approval
Noord Street	Klein & Hoek	30/block=90	Awaiting Wayleave approval
Delvers Street	Bree & Jeppe	41 old (existing) stalls + (erection) of 50 new stalls =91	Awaiting Wayleave approval

2.1 Institutional Dimension

During November 2004 consultants Sishaka Development Management Services were appointed to facilitate a strategic review process, which they completed, and the purpose of the whole exercise was to review,

- The role/function of MTC
- Its business model
- Institutional arrangements and
- Mission statement and in addition

To identify and evaluate the strategic alternatives for MTC to fulfil its mission and select the most appropriate alternatives in light of trends and issues identified.

The process is almost complete and it is at a stage whereby the City of Johannesburg is considering alternatives recommended in the "Sishaka Strategic Review final report.

The consultants recommendations were.

- 1 Be merged as a business unit of Johannesburg Property Company.
2. Continue the facility management of all Markets and Transport Nodes , and the development of Informal traders ./
3. Developmental role of Informal Traders.

2.2 Discussion on key service delivery drivers and the performance refer to performance highlights in Chapter 2

2.3 Financial Performance refer to Financial Report

2.4 Capital Projects

CAPEX ANALYSIS 2004/5 -BUDGET	15,700,000
CAPEX ANALYSIS 2004/5	14,175,823
ACHIEVED	90%
Upgrade Lenasia - Paving and ablution upgrade.	630,084
Linear markets Wanders to Devilliers	2,000,000
Upgrade Hoek Street Market	267,877
Inner City 700 stands- Phase 2	4,460,106
Inner City stalls - Phase 1 Completed	2,133,329

Greater Joubert Park Upgrade	2,138,879
Midrand Taxi Rank- Installed CCTV	640,643
Kliptown Taxi Rank- Installed CCTV	442,378
Metro Mall - Installed CCTV Block B	537,700
Jeppe Street Thatch Roof	91,400
Miscellaneous items-Computers Etc	833,427
Total	14,175,823

Capital Expenditure rolled out during the 2004/2005 financial year is R14 million.

The expenditure represents a 90% of our allocated budget. Region 11 in Lenasia paving in extent of 350 square meters has been laid down, all existing traders' stalls were refurbished and an additional 220 new stalls were subsequently erected accommodating an additional 220 traders

The linear Market was also rolled in one of the busiest parts of the City Of Johannesburg The Market is located in Devilliers and Noord Street between Klein and the Johannesburg Park Station accommodating an additional 234 traders.

Phase1, accommodating 817 traders, stalls were erected in Plein, Bree and Jeppe Streets, Project was managed over 2 years, and total cost amounted to R8.2 million.

Phase 2 of the Inner City stalls was launched during the latter part of the year. This project it is anticipated to be completed during mid 2005/6 Financial Year. On completion it is anticipate to accommodate a further 700 traders

Part of the Greater Joubert upgrade was the Park Central Taxi Rank, which has undergone a major refurbishment. Three of our prestigious Taxi ranks (Kliptown, Midrand and Metro Mall Block B) were fitted with a state of the art CCTV, closed circuit Television cameras. A major spin off of the whole exercise has been improved safe environment for traders, taxi operators and commuters who form a greater part of the general public.

Jeppe Market situated next to Jeppe railway station has been upgraded with an installation of a thatch roof which necessitated accommodation of additional 25 traders and with better trading conditions therefore creating opportunities for second economy entry participation with an ultimate goal of entering the first economy.

Miscellaneous Capital expenditure: comprises of office computers upgrade, procurement of a delivery vehicle to roofing upgrade and storm water pipes at Faraday Market.

During the financial year 2004/2005 MTC managed to achieve 90% procurement expenditure of the company's capital expenditure on a Black Economic Empowerment.

In roads have been started whereby MTC was able to outsource almost 30% of whole needed stalls for the project, substantial number traders stalls assembled by a community based organisation in the Orange Farm – Madirammogo. In a sense that an exact cut material was sourced and delivered to the organisation's premises in order to weld and assemble traders stalls, subsequently the stalls were delivered to a galvanising company. The aforesaid project was deemed to be a success at a cost R400, 000

2.5 Discussion in respect of the Performance Scorecard

2.5.1 Contribution to the IDP

The City of Johannesburg IDP Technical Working Group (“IDP Technical Working Group”) developed the process in respect of an approved Business Plan and the group is comprised of the City core departments. The IDP Technical Working Group is comprised of the following Departments and Units of the City: Communications Department; Special Projects Unit; Corporate Planning Unit; Department of Development Planning, Transport and Environment, Budget Office Shareholder Unit Contract Management Unit; and Economic Development Unit

- The IDP Technical Working Group developed a Business Planning guideline which, together with the budget indicatives determined by Budget Lekgotla I, were provided to MTC at the MDs Lekgotla in October 2004 to enable MTC to prepare its Business Plan accordingly;
- MTC submitted the 1st draft of its Business Plan to the Shareholders Unit of the City on 6th January 2005, subsequently workshops were held as part of the review process. Comments and concerns from the workshops were communicated to MTC to address in the Business Plan with regard to alignment to the IDP.
- The company contributed to the IDP programme by managing the following Markets and transport nodes in the Innercity. The following markets were managed

Yeoville Market
Hillbrow
Metro Mall
Mai-Mai Bazaar
Rosebank
Jeppe
Park Central
Norwood
Faraday
Hoek Street
Kliptown

:

Informal Traders housed	1568
Minibusses housed	6480

2.5.2 Contribution to the City Scorecard, refer to chapter 2: Performance Highlights

The company contributed to the City's scorecard by assisting in the rollout of 469 and 230 stalls in the Inner-city and Lenasia Market respectively.

2.5.3 Contribution to the Mayors Strategic Agenda refer to chapter 2: Performance Highlight

In the 11 Markets and Taxi nodes that the company managed it provided 24 hour Security and cleaning services. Business conditions were improved by the installation of street stalls. Security and cleaning services were also provided for the street stalls.

Chapter 3: Human Resource and Corporate Governance

3.1 Statement on Corporate Governance

The Directors of Metropolitan Trading Company (Pty) Ltd (MTC) confirm their commitment to the principles of discipline, transparency, independence, accountability, responsibility and integrity, as advocated, in the King Report on Corporate Governance for South Africa 2002 (the “ King Report 2002). Through this the stakeholders may derive assurance that the MTC is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices.

The Directors of MTC regard Corporate Governance as vitally important to the success of the business of the MTC and are unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its members and relevant stakeholders:

- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities:
- All Board members are responsible for MTC achieving the highest level of business conduct; and
- The Board is the focal point of the MTC’s Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the MTC.

Board charters, setting out the specific responsibilities to be discharged by the Board members collectively, and the individual roles expected of them are in the process of being adopted. The purpose of these Board Charters is to regulate how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The objective of these Board Charters are to ensure that all Board members acting on behalf of the company are aware of their duties and responsibilities as Board members and the various legislation and regulations affecting their conduct and to ensure that the principles of good Corporate Governance are applied in all their dealings in respect and on behalf of the MTC.

3.1.1 Report of Directors

The directors are required by the Companies Act to maintain adequate accounting records and to prepare annual financial statements, which fairly present the state of affairs of the Company as at the end of the financial year and the profit or loss for that year, in conformity with South African Statements of Generally Accepted Accounting Practice. The annual financial statements are the responsibility of the directors and it is the responsibility of the external auditors to report thereon.

Their report to the members of the company is set out on page 12 of these annual financial statements.

3.1.1.1 General Review

The Metropolitan Trading Company is a wholly owned entity of the City of Jo'burg, responsible for the establishment and management of retail markets for formal and informal traders, ranking and holding facilities for taxis. The company also provides support to traders and ranking and holding facilities for taxis. The company provides support to traders in the form of market promotions and business training.

3.1.1.2. Review Of The Company's Affairs And Results Of Operations For The Year.

The company incurred a loss of R1 294 837 (2004 loss – R2 682 335) for the year ended 30 June 2005. Losses in the current period were attributable to a write down of all outstanding debt for informal traders at all markets and the provision of R280 613 for taxi-associations debt owing at the Park Central Taxi Rank. A rental review for informal traders was commissioned by the company and is currently being discussed with various trader associations.

3.1.1.3 SHARE CAPITAL

The authorised share capital of the company remained unchanged during the year. On the 31st of December 2004, Blue I.Q. Holdings (Proprietary) Limited disposed of its investment in the Company to the City of Jo'burg. The Company is now a wholly owned subsidiary of the City of Jo'burg.

3.1.1.4. GOING CONCERN

Due to the company's insolvent situation the City of Jo'burg has subordinated a R22 million portion of its loan to the company in favor of ordinary creditors.

The City of Jo'burg has provided an increased operating subsidy of R19 million (2005 – R11 million) for the forthcoming financial year. In addition, capital expenditure of R10 million (2005 – R14 million) has been provided for the new financial year for trader stalls and the continued upkeep and renovation of all markets owned and managed by the company.

3.1.2 Board Charter

The Board of directors resolved to adopt a board charter for the purpose of regulating how business is to be conducted by the board of Directors in accordance with the principles of good Corporate Governance in relation to the services rendered by municipal entities. The objectives of this Board Charter are to ensure that all board members acting on behalf of the municipal entity are aware of their duties and responsibilities as directors and the various legislation and regulations affecting their conduct and to ensure that the principles of good Corporate Governance are applied in all their dealings in respect, and on behalf, of the municipal entity.

3.1.2.1 Board Composition

MTC Board of Directors consists of seven (7) Directors, six (6) of which are Non-Executive Directors. The Board members represent a comprehensive range of skills, expertise and experience. The current board composition is as follows

- 1) Perry Parirenyatwa (Chairperson of MTC Board)
- 2) Harry Mashele (Chairperson of the Audit Committee)
- 3) Anissia Botha (Chairperson of the Remuneration Committee)
- 4) Zane Moosa
- 5) Busisiwe Skenjana
- 6) Mokoka Seshabela
- 7) Kgosientso Ramokgopa Executive director (Acting CEO as at 03rd of January 2005)

There are two vacancies in the Board of Directors due to resignations:

Mr. Eric Ratshikopa (resigned March 2005) and Mr. Septi Bukula (resigned August 2005)

Meetings

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Board Meeting		X		X				X	XX		X	X	7
Audit Meeting										X		X	2
Rem Meeting										X		X	2

3.1.2.2 Board Committees and Terms of Reference

Audit committee consists of 3 non executive directors and 1 executive director. Audit committee assists the board in discharging its responsibilities to safeguard company's assets, maintaining adequate accounting records, developing and maintaining effective systems of internal financial control. It also oversees the financial reporting process and compliance with accounting policies, company policies, legal requirements and internal controls within the company. It correlates with and evaluates the effectiveness of the external and internal audit processes and reviews compliance thereof.

Remuneration Committee consists of four none executive directors and one executive director. The responsibilities of the committee are to determine human resource policy and strategy as well as the remuneration and incentives of employees within the company .It has the responsibility to determine and to review criteria necessary to measure the performance of executive in discharging functions and responsibilities which cascades down to staff members. The Remuneration Committee is currently working towards developing a remuneration regime in the company

Terms of reference

Board of directors adopted clearly defined terms of reference with regard to committees. The company secretary provides support and guidance to the directors and the chairperson on an ongoing basis and in addition to the aforesaid primary duty but not limited to compilation of papers as well as for board committees and ensuring compliance with good corporate governance adopted terms of reference for each committee as outlined above. The terms of reference also outlines composition of committees; objectives, purpose and activities, delegated authorities including extent of power to make decisions and/or recommendation, tenure; and reporting mechanism to the board.

3.1.2.3 Company Secretarial Function

Hofmeyr Herbstein & Gihwala Inc, (Attorneys, Notaries, Conveyancers and Trade Mark Agents) were appointed by MTC Board of Directors as the Company's Secretariat as at 10th June 2003 to date. The company secretary provides support and guidance to the directors and the chairperson on an ongoing basis and in addition to the aforesaid primary duty but not limited to compilation of papers as well as for board committees and ensuring compliance with good corporate governance.

3.1.2.4 Code of Ethics

The company code of ethics requires all employees within the company to act with utmost good faith and integrity in all transactions and with all stakeholders with whom they interact. The code commits the company and its employee's to sound business practices and compliance with any relevant regulation and legislation. Metropolitan Trading Company (Pty) Limited endorses the Code of Corporate Practices and Conduct as contained in the King II Report and complies with the principles incorporated in the King II Report.

3.1.2.5 Corporate Governance Protocol, refer to financials.

3.1.2.6 Declaration of interests

In terms of sections 234 to 237 of the Companies Act, 1973, disclosure must be made of any contract or proposed contract in which a director may be, directly or indirectly, materially interested, which has been or is to be entered into by the company and that is of significance in relation to the company's business. This requirement is additional to the common law duty of directors always to act in good faith.

The directors of the Company observe the following rules:/guidelines.

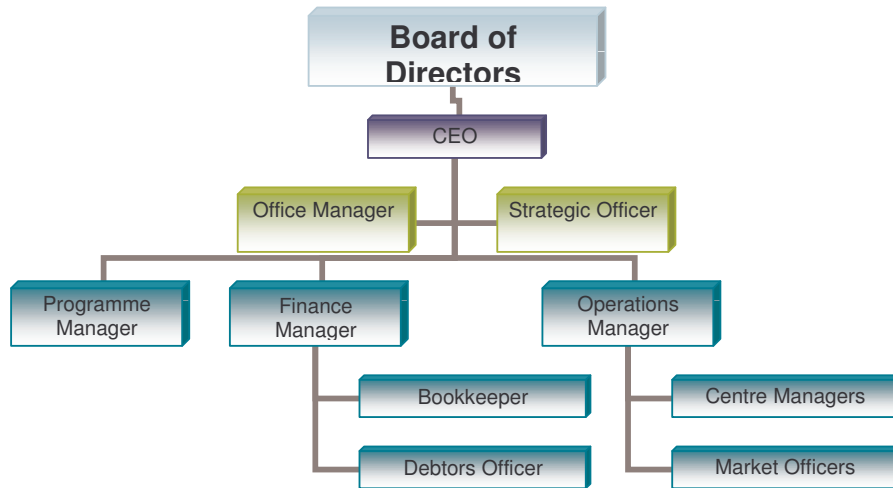
- As a general rule are obliged to provide the Company Secretary annually with a declaration of interest form that will be provided by the Company Secretary's office, listing the nature and extent of interests as well as the type of interests, that could possibly be relevant, such as directorship, direct shareholding in other companies.
- In addition to the general notice, should the Company be entering into a contract, which is of significance in relation to the business, with a third party in which a director has a material interest, albeit directly or indirectly, such an interest has to be disclosed, verbally or in writing, at or before the meeting of directors at which the question of confirming or entering into the contract is first taken into consideration.
- Interested director shall not be allowed to vote in respect of the relevant contract and if he does vote, his vote shall not be counted. Nor shall he be counted for the purposes of any resolution regarding the same in the quorum present at the meeting.
- In addition to the above, an interested director will recuse himself from the meeting for the duration of the debate and/or discussion of the relevant contract, unless otherwise directed by the board.

3.1.2.7 Risk Management

During March 2005, consultants Siyaya management services were appointed to conduct an overall risk assessment in order to provide management with an independent overview of the Metropolitan Trading Company's business and operational risks affecting the adequacy, efficiency and effectiveness of business processes, systems and controls.

A comprehensive risk assessment report was compiled and distributed to board of directors the audit committee and management, Audit committee reports to the board of directors on monthly basis and it correlates with and evaluates the effectiveness of the external and internal audit processes and reviews compliance thereof.

3.2 Human Resource Elements



3.2.1 Skills development and Employment Equity performance

LabourNet consultancy that provides Employment Law (Industrial Relations), Legal Cost Cover, Payroll, Employee Benefits, Staffing placements, and Human Resource outsourcing services to clients (Employers) across all market segments and industries has assisted on an ongoing basis to ensure that MTC complies with provisions of Skills Development Amendment Act (No. 31 of 2003), Basic Conditions of Employment Act, 1997 and the Employment Equity Act and the various Health and Safety legislations, to name but a few.

LabourNet assist MTC in the following areas:

- Workplace Skills Plan: conducting an audit on the skills needs and developing a programme to fill the gaps. Hor
- Annual Training Report: The Human resources manger appointed in November 2005 has already started
- Skills Development & Training and Employment Equity Committee Meetings: a Skills development and EEC com
- Source training from accredited training providers: as indicated Horizons Computers and Huthwaite Africa are ac
- Progress Report: part of the performance scorecard for the newly appointed HR manager is the generation of an
- Implementation of Learnerships: a total of two learners were brought on board at MTC and one of them has subs
- Performance Management System: it is envisaged that a PMS will be in place by June 2006

3.2.2 Staff Movements

Name	Position held prior to movement	Current position held
Keith Atkins	CEO	Contract not renewed-
Kgosi Ramokgopa		Acting CEO as at 3 rd January 2005
Nonhlanhla Ndovela	Operations Manager	Dismissed
Wascem Mustapha	Project Manager	Resignation
Lucky Chepape	Market Officer	Acting Operations Manager
Elliot Dubasi	Projects Administrator	Project Manager
Nombuso Radebe	Receptionist	Market Administrator
Mhlonishwa Zakwe		Maintenance officer
Richman Mbongiseni Zakwe	Security Officer	Market Officer
Ntobifuthi Doris Zwane	Security officer	Market Officer
Loyiso Ngaloshe	Messenger/Driver	Market Officer
Caroline Mabusela	Clerk	Cash Office administrator
Elizabeth Thosago	Cash office administrator	Bookkeeper
Thuli Mkhize	Market officer	Debtors clerk
James Moeketsi Ntseho	Security Officer	Market Officer
Maulighan Lerato Madiehe	Cleaner	Market Officer

3.2.3 Performance Management

The company adopted a performance driven culture, The worth of such a study and the benefits of creating a performance driven culture, are three-fold and such will increase the organisations productivity & bottom line, More positive employee attitude towards work and the organisation better employee retention, The Consultants LabourNet have been requested to formulate a custom performance management system in order to achieve the above mentioned objectives and this review is determined by means of a critical analysis of how successful organisations have achieved high performance cultures. Various published articles and expert opinions and interviews are to be utilised in order to obtain information on best practice. It is anticipated that the Performance Management will be rolled out in July 2006.

Chapter 4: Audited Statements and Related Financial Information refer to attached financial information.

Chapter 5: Functional Area Service Delivery Reporting

(This item is based on filling a form from the National Treasury website, which does not accommodate MTC mandate).

The EDU constantly reviews the non-financial performance objectives of MTC as required in terms of section 87(5) (d) (i) of the MFMA and sections 41 and 81 of the MSA and report their findings as below:

Metropolitan Trading Company (MTC) manages the following facilities:

MTC managed Facility	Number of informal traders	Number of Formal business traders	Number of taxi Accommodated in the Facility
Yeoville Market	208	0	10
Hillbrow	340	0	20
Metro Mall	409	37	2620
Mai-Mai Bazaar	256	?	0
Rosebank	10	0	100
Jeppe	81	0	300
Park Central	0	0	1900
Norwood	12	0	0
Faraday	172		1000
Hoek Street	80	0	0
Kliptown			530
Baracity phase 1			400
Kaserne 2A		0	500
Midrand	24	0	250

Chapter 6: Integrated Sustainability Reporting

6.1 Corporate Social Responsibility

6.1.1 Main areas of focus

- Informal Traders development: MTC has forged close working relationships with the University of the Witwatersrand which will result in the training of 500 traders on entrepreneurship. MTC has appointed an expert to explore empowerment possibilities for traders, including a Burial Scheme.
- Management of traders markets: the management effort also focuses on the identification of budding traders to be given dedicated assistance to grow their enterprise.

6.1.2 Main beneficiaries

- Informal Traders: Traders constitute an overwhelming proportion of the stakeholders in the markets managed by MTC.

6.1.3 Key Achievements

- Roll-out of informal traders street stalls in the Inner City, Linear markets and Lenasia, to accommodate additional informal traders.

6.1.4 Support in the new financial year

- Support in the new financial year will be largely on assisting a group of female traders who are endeavoring to establish a retail shops at MTC markets.

6.2 OSH Act

Disaster management consultant Ashford and Associates have been appointed to ensure that the disaster management framework and plan are aligned to the provisions of the Occupational Safety and Health Act and the City's disaster management framework and plan as such is priority work in progress. Market Officers have been assigned the role of being safety officers at their respective markets.

6.3 HIV/AIDS

6.3.1 Strategic Programmes

The Company has adopted its HIV/AIDS Policy, which is guided by provisions of the City's overall HIV/AIDS policy.

Programmes in progress:

- Roll out of condoms dispensers in all MTC managed facilities.
- Roll out HIV/AIDS awareness and information kiosk in all the facilities managed.
- An appointment of suitable staff member(s) and on going training of peer counselors for support of staff members.
- Involvement in the City's (Region 8) Voluntary Counseling and Testing (VCT) programme.

6.3.2 Contribution to the Mayoral Priorities

Respond creatively and responsibly so as to reduce the pandemic's impact on society. We have identified our role as MTC in the fight against the pandemic through strengthening local responses on the subject, delivering social services appropriate to community requirements, ensuring that adequate resources are channeled to those who need them and can use them and ensuring that the Human Rights of all individuals are upheld and nurtured in dealing with the company.

6.3.3 Main achievements

The roll out of HIV and Aids awareness campaigns and installation of condoms dispensers in MTC managed facilities.

Collaborating with all relevant parties e.g. City of Johannesburg, Provincial Departments, Non-Governmental Organisations and interest groups.

6.3.4 Programmes for the new financial year

To continue efforts on relationship building with and to create robust alliances with organisations, interest groups, informal traders, taxi operators, City of Johannesburg, Stakeholders and the public in general.

6.4 Environmental Management

The disaster Management Act 2002 chapter (5) five provides that in clause 52(1) "each municipal entity in its disaster management framework must".

Prepare a disaster management plan setting out, the way in which the concept and principles of disaster management are to be applied in its functional area, its role and responsibilities in terms of national, provincial or municipal disaster management frameworks, Role and responsibilities regarding emergency response and post disaster recovery and rehabilitation, the capacity to fulfill its roles and responsibilities, particulars of its disaster management strategies and contingency strategies, emergency procedures in the event of a disaster ,including measures to finance these strategies

Disaster management consultant Ashford and Associates have been appointed to ensure that the disaster management framework and plan are aligned to the provisions of the Act and the City's disaster management framework and plan as such is work in progress.

The risk to people physical health is more pronounced at MTC since it manages taxi ranks that are frequented by large numbers of commuters and consumers. Studies conducted as part of the CoJ's Integrated Transport Plans have shown that over 600 000 people visit the eight markets managed by MTC on a daily basis.

6.4.1 Strategic Programmes

To roll out recommendations from appointed disaster management consultants in all facilities managed by MTC, in consultation with the City of Johannesburg and other role players e.g. Emergency Management Services.

6.4.2 Main achievements:

The appointment of the service provider to complete the disaster management plan is an achievement in itself. Further, MTC has appointed an expert on a six month contract to assist in the development of a more comprehensive development project for informal traders.

6.4.3 Challenges

The fluidity in the leadership of traders and the sometimes non-corporative nature of the taxi associations make it difficult for MTC to get sustained and dedicated inputs from the two stakeholders on the various programmes initiated by MTC.

6.4.4 Programmes for the new financial year

The investigation into the possibility of establishing a Co-operative for the informal traders remains the foremost strategic programme for MTC

6.5. Batho Pele

Following the guidelines in terms of Batho Pele principles, MTC in executing its business activities conforms to the following:

- Consultation: with the traders and taxi operators
- Service standards and service delivery excellence: through the provision of security and cleaning services at the markets

- **Access to information:** a transparent engagement with the traders allows for information sharing
- **Openness and Transparency:** this is a cornerstone of MTC engagement with all of its stakeholders
- **Value for money and customer satisfaction:** build in the adjudication process for service providers is the requirement for value for money
- **Encouraging innovation and Rewarding Excellence:** MTC constantly encourages stakeholders to help generate new ideas on how best to deliver services. This has been exemplified by the approach, to MTC, made by eight female traders on possibility of opening a retail centre at Metro Mall.