

**Johannesburg Metropolitan Bus
Services (Pty) Ltd**

Trading as Metrobus

Registration Number: 2000/004704/07

**Annual Report for financial year ended
30 June 2005**



Table of Contents:

Chapter 1: Introduction and Overview	Page 3
Chapter 2: Performance Highlights	Page 10
Chapter 3: Human Resources and Corporate Governance	Page 18
Chapter 4: Audited Statements and Related Financial Information	Page 26
Chapter 5: Functional Area Service Delivery Reporting	Page 27
Chapter 6: Integrated Sustainability Reporting	Page 29

Johannesburg Metropolitan Bus Services (Pty) Ltd.

Annual Report for financial year ended 30 June 2005

CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 Chairperson's Forward

After just over tens years of democracy, we continue to experience a vibrant and stable economy. Economic growth has increased pressure on the country's infrastructure. The significance of the transport sector, particularly public transport, continues to grow as more and more people enter the job market. It is in this context that Metrobus's role as a contributor to Johannesburg's economic well-being must be understood. Metrobus provides a safe, comfortable, cost effective and reliable transport service to the citizens of Johannesburg.

Turnover from operations increased by 11.2% from R76.2 million to R84.7 million in the fiscal year 2003/04. Operating expenditure grew by 7.8% from R237.8 million to R256.3 million during the same period. Whilst operating costs grew slower than revenue, the nature of the bus company's service required a subsidy of R202.3 million. This was however, only 5.8% higher than the previous fiscal year, where the subsidy was R191 million.

Profitability for the company increased to R2.3 million compared with the R1.2 million reported in the previous year.

A challenge was experienced due to unavoidable disharmony between labor and management. This in turn caused the company to abandon its route optimization strategy, which was the original focal point, to rather center its attention on resolving the labor discord. Unfortunately the opportunity to improve the quality of service to commuters had to be postponed until 2006.

Metrobus has, however, implemented a series of measures, which will allow the company to overcome the discord between management and labor in future.

Regulatory

Metrobus operations are currently based on a blanket permit. The new act, namely National Land Transport Transition Act (NLTTA) requires a conversion of all blanket permits to operating licences. Therefore, Metrobus applied in 2004/05 for all blankets permits to be converted to operating licences.

Metrobus continues to operate using the Blanket permits within the Greater Johannesburg Metropolitan Areas. However, the introduction of new routes namely, Sandton, Midrand, Fourways, Sunninghill, et cetera was challenged by Putco Limited. Putco has always enjoyed a monopoly in the Townships as a result of the Old Apartheid policies that separated people on racial lines. This meant that people were

prevented from exercising their freedom of choice and were compelled to use Putco buses which were not and still are not suitable for passenger transportation.

Metrobus is planning to offer reliable and affordable services to the Townships, particularly Soweto. This will dilute Putco's Monopoly and offer people in Soweto a freedom to choose services that suit their needs. This will be a significant move for the company but for Gauteng as a whole. For the first time in history, the Municipal bus service will be introduced in the black townships.

Metrobus will launch its first pilot project in Soweto on the 19th of October 2005. This will coincide with the National Department of Transport "Car Free Day". Putco Limited is expected to challenge this move and Metrobus would defend and reserves all their rights in terms of the existing laws and policies.

Black Economic Empowerment

Metrobus procurement policy has ensured that black economic empowerment companies are given preference in tender evaluation. Metrobus achieved the Black Economic Empowerment target of 60%. Metrobus increased its previous BEE spend from 14% to 35%. This exceeded its target by 10%.

Corporate Governance

Metrobus strives to adhere to the MFMA policies, King report on Corporate Governance of SA 2002 (King II), City of Johannesburg Corporate Governance Protocol for Municipal Entities and all relevant legislation. All committee and boards were duly constituted to ensure good corporate governance. The board and its committee's met at regular and prescribed intervals and the company's Memorandum and Articles of Association were complied with.

Management structure and succession

The company experienced a challenging time during the last 12 months. There was a leadership change involving the Managing Director, the Technical Executive Officer and the Operations Executive Officer through resignations and retirement respectively. Despite this, the company performed reasonably well compared to the last fiscal year.

Board changes

The board wishes to extend its gratitude to Jennifer Gray for the active role she played as both a board member and past chairperson since the corporitisation of Metrobus.

The board welcomes Lionel Brenner as a member, and welcomes the fresh perspective and relevant experience he brings to the board.

Auditor General Report

Metrobus is aware of the Auditor-General report, which raises a series of concerns regarding among other things, the management and control of inventory. The financial statements of Metrobus as at 2004/05 financial year end were qualified due to deficiencies that occurred in the physical count of inventory. Management of Metrobus would ensure that inventory systems and controls are in place in the next financial year 2005/06.

Looking ahead

Looking into the future, management has the task to regain control of the business, streamline operations and drive costs down while striving to provide an efficient, predictable and commuter centric service. We are confident that with the improved people management focus we will achieve this task, which will take Metrobus from being a good service provider to being a great service provider.

Appreciation

I take this opportunity to thank my board colleagues for their support and good counsel during this past year and also welcome the new Managing Director who joined us in February. I wish him and his team the best in the years to come. As to the management team and the entire staff of Metrobus, on behalf of the board, I wish extend our word of appreciation for their effort in making Metrobus a business, which strives to delight the Johannesburg passengers.

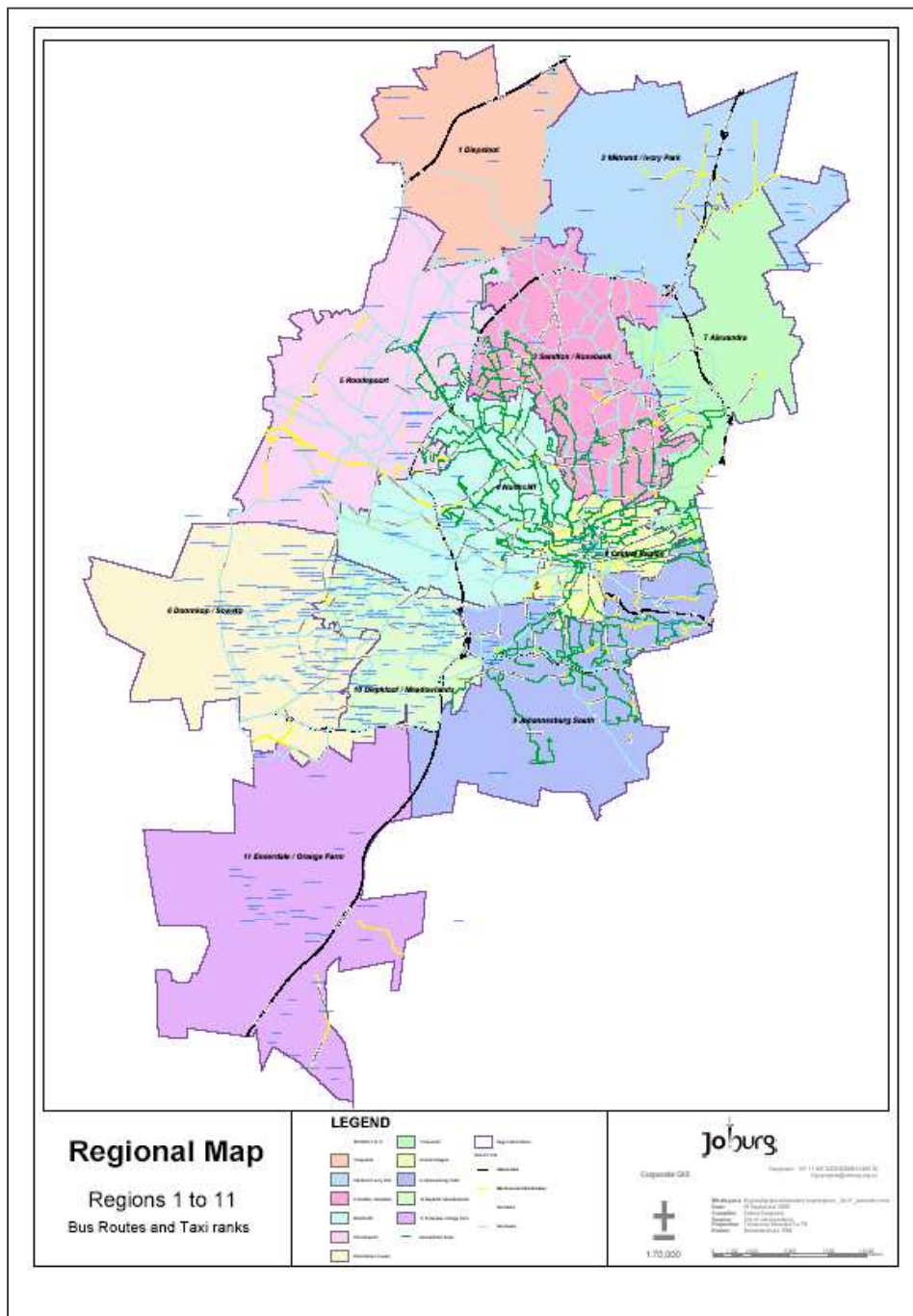
Thabo Seopa
Chairman

1.2 Overview of the Entity

The Johannesburg Metropolitan Bus Services (Metrobus) was corporatised in 2000 and is wholly owned by the City of Johannesburg. The company operates a daily scheduled public transport service in Greater Johannesburg, covering a total of approximately 308 routes. 135 of these are dedicated school routes. Metrobus operates 430 shifts and has over 450 buses. Metrobus services eight zones within this region.

Currently, Metrobus operates in the following regions: Region 2, 3, 4, 5, 8, 9 and to a limited extent 11. Plans for the next financial year are to extend the services to Region 6, 7 and 10.

Below is a map showing Metrobus areas of operations.



Our service offering includes the following:

- Daily scheduled public transport.
- Private hire transport service.
- Dedicated service for persons with disabilities.
- Subsidised Pensioner services.
- Scheduled commercial contracts, and
- Special contract for the Gauteng Province's Department of Transport in Eldorado Park.

Metrobus passengers consist of:

- The employed population.
- Scholars and students.
- Pensioners, and
- Persons with disabilities.

Metrobus has two systems of payment. Passengers have a choice of paying either using tags or cash. Fifty five percent of passengers pay by tags whilst 45% make payment-using cash. The target set for the next financial year 2005/06 is to have 70% tag paying passengers and only 30% cash. Tags are a more efficient system of revenue collection and will reduce the risk of pilferage.

In order for Metrobus to service its customers more efficiently, it is important that we have a clear perspective of our passenger profile. The following shows the demographic profile of passengers and is based on independent research:

- 59% of Metrobus commuters are male, 41% of commuters are female.
- 66% of the commuters are Black, whilst 16% are White and 15% being Coloured.
- The majority of commuters are between the ages of 25-34 (i.e. 35%). There is an even spread of commuters between the ages of 16-24 (i.e. 23%) and 50 and over (i.e. 21%).
- The income group of commuters earn between R2 500 and R5 000.
- 78% of commuters are employed whilst only 14% are students.

1.3 Executive Summary

Vision

We will be the dominant and most efficient provider of safe, reliable and economic public transport in greater Johannesburg.

Mission

Metrobus is at the forefront of a continually improving, customer-focused public transport service.

We strive to ensure:

- ***Innovation:*** With innovation in strategy and planning, Metrobus can enter into new business ventures, for the benefit of all stakeholders.
- ***Safety:*** Our passengers come first and therefore their safety in terms of vehicle standards and driver consistency is essential.
- ***Reliability:*** A reliable, punctual service in terms of the Metrobus scheduled timetable.
- ***Efficiency:*** To ensure that the service is streamlined and demand-driven.
- ***Sustainability:*** To ensure that Metrobus is here to stay from a financial, human resource and service perspective.
- ***Environmental consciousness:*** To be conscious of the built and natural environment in all the activities that Metrobus undertakes.

Overall strategy

Metrobus has, in previous years, looked for various ways to expand its route network. Due to mainly legislative restraints and others we have not managed to achieve the envisaged success rate. Despite this, Metrobus has obtained some routes, which have proved to be very successful (for example, the Sandton route). Metrobus' future strategy is to continue to improve the efficiency of our current routes through a process of route optimization. This involves:

- Increased frequency in high volume routes.
- Re-organized bus configuration on low volume routes.
- Passenger counter systems to improve data integrity for better planning.
- Electronic scheduling system to improve efficiency in route planning.
- Tight controls in cost management (reduce wasteful expenditure).

Metrobus's **route optimisation strategy** assumes that the Integrated Transport Plan will not be fully implemented until 2008 and therefore passengers will remain with little alternate public transport options. The strategy has also taken into account the fact that tariff increases will be 6%, which is above the predicted inflation rate of 4.7%. This means that the cost of public transport may be perceived to be higher, and thus the service that passengers receive needs to be commensurate with the costs paid. Metrobus anticipates oil prices to stabilize at \$52 per barrel with an exchange rate of R7 to \$1, which indicates that it is not unreasonable to continue to improve cost on return even with increased routes and frequency. An additional factor in stabilising input costs, is that staff costs will increase by 4.7%. This is in line with inflation and below the cost of tariff increases.

Two additional factors that are required by the route optimisation strategy are sufficient vehicle and labour capacity. In 2005/06, 15 X 35 and 16 X 60 seater buses will be leased. In addition, labour relations are expected to improve during this period of time, thus increasing efficiency and productivity.

1.4 Developments and movements with respect to the Board of Directors

The composition of the board of directors at the date of this report is:

Non-executive directors

T. Seopa	(Chairman)	Appointed – 2 July 2004
J. Gray		Resigned - 20 July 2005
K. Morobe		
L. Brenner		Appointed – 27 January 2005
S. Kwapuna		
M. Mutshutshu		

Executive directors

A.P. Naidu	(Managing director)	Resigned - 30 September 2004
B.J. Shongwe	(Managing director)	Appointed - 08 February 2005

CHAPTER 2: PERFORMANCE HIGHLIGHTS

With a new management strategy to improve our service level to customers we have significantly improved our communication to our staff members thereby improving staff morale. Metrobus has employed a wellness officer who is dedicated to providing effective communication to staff regarding HIV/AIDS awareness and prevention. A set of “house rules” are in the process of being developed which are in line with labour laws and enhance better relations between management and staff. Metrobus is proud in facilitating an Adult Basic Education and Training programme. Seventy members of our staff have enlisted for this programme.

The Metrobus customer focus survey conducted, indicated that 78% of customers were satisfied with the service delivery, as compared to the previous survey of which only 77% of our customers were satisfied. The target for the next financial year is 80% customer satisfaction. The CSI is expected to increase year on year and reach 95% by 2008.

Metrobus, through its services, provides access to educational, employment, social and health care facilities. Metrobus is contributing to poverty alleviation by subsidising and offering reduced tariffs to pensioners, scholars and person with disability

The route optimisation process has continued to be a focal point for Metrobus and we will in this line, provide additional passenger routes to include Alexandra and Soweto.

Despite the challenges which the company was presented with during the year, Metrobus still managed to achieve a profit of R2,3 million.

Metrobus takes its social responsibility seriously. To this end, we have enlisted a social responsibility programme to transport children to the Johannesburg Zoo. This was a huge success since its inception and there have been regular visits to Johannesburg Zoo by children from disadvantaged communities.

In addition, Metrobus offered special packages to communities who have lost their loved ones. In recognition of the city’s HIV/AIDS challenges, special rates are offered to families requiring bus services for funeral purposes.

Metrobus is committed in placing consumer needs at the heart of its organizational strategy and service delivery plans. It places much emphasis on the smooth running of its website and call centre, and regularly assesses the nature of the calls it receives. Through our efforts to encourage passengers and general citizens of Johannesburg to use the central call center for both information purposes and to report complaints has proven successful. Metrobus and Joburg Connect formed a partnership in 2003/4 whereby Johannesburg service call center numbers were advertised on all Metro buses. This was a five-year agreement. Passengers using the call center for information and/or complaints increased by 185%. Of this figure only 2% of calls received were complaint based.

2.1 Institutional Dimension

The new Managing Director has embarked on a turnaround strategy, which focuses on seven key success factors, viz.

1. Leadership – changes in senior management.
2. Restore order and confidence and improve asset utilization.
3. Improve stakeholder support by strengthening communication with all stakeholders.
4. Strategic re-focus by creating profit centres at depot level.
5. Implement an organisational change by re-aligning the organisational structure.
6. Improve critical processes like revenue protection, bus reliability, driver quality and streamlining workflows.
7. Restructure financial accounts and reporting systems.

This strategy is underpinned by the commitment to transforming Metrobus into a customer-centred organisation. Previously, Metrobus has operated as an in-focused organisation, concerned only with internal processes to the exclusion of a consideration of how these contribute to improving the quality and range of services offered to its consumers. By placing consumers at the heart of the organisation, Metrobus has rearranged its internal structure and systems in order to meet the challenge of passenger needs.

At strategic planning session in May 2005 a thorough review of the current structure was undertaken. There was a widespread recognition that the existing Metrobus structure was not as efficient and effective as it could be. It was clear that a redesigned structure was required. As Metrobus' core business is to transport citizens, it is imperative that Metrobus must have buses that are able to provide a reliable service. Therefore, the two main departments, viz operations and technical needed to be integrated. It is important that Metrobus's core business fall into one department so that integrated strategic decisions can be taken. Amalgamating the two departments has meant that each depot now runs as a business unit. The new structure will ensure that the main focus is on transporting people safely and reliably. The support services will provide a service to the business units. The new structure improves accountability as everyone reports to a single business unit and not to two different executive offices. This new structure has been negotiated with labour and staff who have embraced the benefit of change and are now in the process of implementing the new structure.

2.2 Key Service Delivery Drivers

- Metrobus has implemented an improved route optimisation strategy to increase customer focus.
- To be fully compliant with the Municipal Finance Management Act (MFMA) and all relevant legislation.
- Increase training and development of staff.
- HIV/Aids awareness and prevention.
- Continued effective communication between staff and management.
- Commitment to advancing the sustainable development agenda.
- Our commitment to place Batho Pele at the heart of our organisation.
- Increase participation in the economic growth and development in the city and the expanded Public Works Programme (EPWP).
- Improvement of community safety.

2.3 Financial Performance

The company's turnover from operations was R84.7 million against R76.2 million in 2004 which represents a growth of 11.2% year on year. The company received a subsidy of R202.3 million compared to R191 million in 2004 which represents an increase of 5.8% year on year.

Total administration costs were R256.3 million compared to R237.8 million in 2004 which represents an increase of 7.8%. Finance costs decreased from R41 million in 2004 to R30.9 in 2005, representing a decrease of 24.6%.

Profit for the year improved from R1.2 million in 2004 to R2.3 million in 2005, an improvement of 91.7% year on year. Whilst these results are positive for the company, management believes that there are still challenges which will be faced in the new year, particularly with regard to maintenance and operating costs due to the average age of the bus fleet.

Future prospects

A business plan for the financial years ending June 2006 and June 2007 has been prepared with the input of the company's internal stakeholders and sets out the strategic direction and action programmes for the company.

The focus of strategic and action programmes of the company in the short term is directed at regaining control of the business, tight cost management and general efficiency of operations whilst growing operating revenues. To this end, the Soccer World Cup in 2010 would present enormous opportunities for Metrobus. However, taxi recapitalisation would present both opportunities and challenges.

The long term focus of management's activities will be directed at restructuring the company with a view to devolving responsibility and accountability to depot level as the first level of profit centres.

Whilst management remains hopeful that the business environment will continue to improve there remains uncertainty with regard to the timing of the implementation of the Integrated Transport Plan and the whole environment of permit allocations.

2.4 Capital Projects

During the 2004/05 financial year, Metrobus embarked on the following major capital projects:

- Land and buildings to the value of R5.7million - as a result of the inspection by the Department of labour.
- Plant and Machinery to the value of R1.8million.
- Vehicle communication equipment to the value of R2.9million.

2.5 Discussion in respect of the Performance Scorecard

2.5.1 Contribution to the IDP

During the course of the 2004/05 financial year, it was agreed by both the Contract Management Unit (CMU) and the executive team of Metrobus that the KPIs used in the 2004/05 IDP were inadequate to assist Metrobus in achieving its key service delivery objectives. Thus a process was embarked upon to revise the KPIs. The process involved key stakeholders from the CMU and the Executive Management as well as operational teams of Metrobus. All the parties agreed that the revised KPIs would prove to be more meaningful in the context of the Metrobus business. Metrobus' performance has been measured against these revised KPI's in the Metrobus 3rd and 4th Quarterly Reports. Some of these revised KPIs are discussed below.

Metrobus supports IDP initiatives in the following way:

Financial

Total Passenger Revenue

From a financial perspective, Metrobus set itself the objective of increasing the total passenger revenue (including subsidy) in relation to the total cost per available seat. As this measurement had not been scored before, Metrobus did not have a baseline to compare with. Metrobus's target was a score of 1. Its actual year to date achievement was 0.963.

BEE Procurement

In terms of BEE procurement as a percentage of Metrobus's overall procurement, Metrobus increased its previous BEE spend from 14% to 35%. This exceeded its target by 10%.

Number of Vehicles beyond economic useful life

Metrobus sought to ensure that the majority of vehicles in its overall fleet had not exceeded their economic useful life. In other words, it sets itself a target of 46% of the fleet still within its economic viability. This target was achieved.

Customer Focus and improvement of reliability

In regard to customer service, Metrobus put in place stringent strategic objectives, which will ensure that we are able to deliver a better service. Bus arrival reliability is a critical factor in encouraging confidence in the company and increasing customer usage. To this end, Metrobus sought to ensure that 95% of its buses leave their starting point timeously. This target was exceeded. In fact, 99% buses left their departure point on time, which is a 9% increase from the previous year.

A critical component of enhancing reliability is to ensure that services are not cancelled. To this end, Metrobus sought to reduce the number of overall trips cancelled from the previous year's 5% cancellation to 1%. The actual number of trips cancelled was 1.78% of the total number of trips made.

Perhaps the best indicator of Metrobus's customer focus is the customer satisfaction survey. Previously, 77% of passengers interviewed expressed satisfaction with Metrobus's service. Metrobus strove to increase this to 80% satisfaction. To date, 78% of passengers interviewed expressed their satisfaction on service delivery.

2.5.2 Contribution to the Mayors Strategic Agenda

Strategic objectives have been identified for all the 15 strategic agenda priorities. Each objective will be measured over the next year against the agreed target, according to the identified metric. This will form the basis of the corporate balanced scorecard, which has in turn been cascaded down to departmental scorecards (one each for Operations, Technical, Marketing and Business Development, Finance and Human Resources). In drafting the balanced scorecard, the Mayoral Strategic Objectives were also taken into account and the Metrobus Strategic Objectives were aligned with those of the Mayoral as shown below:

Mayoral Priorities

Deepen Democracy and promote good governance.
Ensure Basic Service Delivery.
Enhance Batho Pele and Customer Care.
Address Job Creation and Accelerate economic development.
Target Poverty and advance human development.
Consider inner city regeneration.
Consolidate HIV/AIDS Initiatives.
Create sustainable human settlements.
Enhance integrated transportation.
Ensure financial sustainability.
Improve community safety.
Promote strategic planning and management.
Develop and implement strategic projects.
Prepare for 2010 Soccer World Cup.
Advance sustainable development agenda.

Metrobus alignment with Mayoral Priorities

Deepen Democracy and promote good governance.

Metrobus takes the role it plays in translating the mayoral priorities very seriously. In order to deepen democracy and promote good governance, Metrobus put in place systems and processes, which ensure that Metrobus complies with Municipal Finance Management Act (MFMA) and the King II report.

Ensure Basic Service Delivery

As part of its contribution to ensuring basic service delivery, Metrobus subsidized school routes which include 135 dedicated school routes of its total 308 operating routes, pensioner services and services for people with disabilities.

Enhance Batho Pele and Customer Care

Metrobus's new strategic direction aim is to put Batho Pele at the heart of the organisation. It has also placed considerable emphasis on improving the information centre and increasing the percentage of resolving complaints.

Consolidate HIV/AIDS Initiative

Metrobus has implemented several HIV and AIDS initiatives within the organisation. These are discussed in detail later on in the report. These projects are part of Metrobus's consolidation of HIV and AIDS initiatives.

Advance sustainable development agenda

In order to reduce emission levels, Metrobus has reduced its old fleet. This is part of its commitment to

advancing the sustainable development agenda.

Job creation and accelerate economic development

Through continuous pursuit of service delivery excellence, Metrobus anticipates contributing to the economic growth and development of the City. Metrobus is also participating in the Expanded Public Works Programme (EPWP) of the City. This is depicted through the KPI's included in the scorecard under Learning and Growth. Metrobus through its services provide access to educational, employment, social & health care facilities, amongst others. All of this contributes to the City's commitment to addressing job creation and contributing to economic development.

Target Poverty and advance human development

In order to target poverty and advance human development, Metrobus has introduced subsidies and lowered tariffs to pensioners, scholars and persons with disability. The skills development plan, management development and new communication strategy will facilitate human development. Metrobus's commitment to the EPWP will assist in Metrobus adhering to this strategic thrust.

Consolidate inner city regeneration

Metrobus will have to adhere to the ITP and other legislations in respect of providing services within the inner city as part of the City's attempts to regenerate the inner city. Metrobus has based its business plan on the premise that the Integrated Transport Plan (ITP) will only be fully implemented by 2008

Ensure financial sustainability

Metrobus has changed its focus and embarked on a route optimisation strategy on the assumption that ITP will only be fully implemented in 2008. It will also increase its fleet, hence reducing the average fleet life as well as repairs and maintenance costs via full maintenance lease. This is part of Metrobus's commitment to effective financial sustainability.

Improve community safety

Improving community safety is an important priority for Metrobus. To this end, "free rides" are offered to uniformed members of SAPS, JMPD, and the South African Defence Force. This assists in providing a safer environment for passengers.

Metrobus has identified a target of zero passenger injuries in its 2005/06 scorecard. To this end, we are embarking on training initiatives and service delivery activities to improve driver reliability and attitude, which in turn should improve safety on the road. Metrobus will be monitored on the KPI that relate to the number of incidences of timetable deviations to reduce the safety risk to passengers utilising the service after hours, timetable deviations will be closely monitored.

Strategic planning and management

In order to promote strategic planning and management, Metrobus will fully comply with the MFMA, continue monitoring the route optimisation plan and develop performance management systems.

Prepare for 2010 Soccer World Cup

Preparing for 2010 soccer world cup is an important strategic focus for the City in general, and Metrobus in particular. A functional and newer fleet will be needed to serve the demands of the 2010 FIFA World Cup and, therefore, Metrobus has identified the leasing option to reduce the average age of the fleet as a way to deal with this imperative. Metrobus is of the view that it is important to create a legacy for public transport usage long after 2010

2.5.3 Key Challenges

Challenges with respect to current performance are:

- Delays in the route optimization strategy due to labour disputes and the ongoing Putco litigation.
- Metrobus needs to review overtime costs for drivers, which has a negative impact on the company's operating budget.
- The implementation of a comprehensive wellness programme.
- The negotiation of the "House Rules" with labour.
- To decrease the number of accidents our buses are involved in.
- Despite the amnesty granted to staff in respect of offences committed before 11 April 2005, misdemeanours are still occurring. This is an issue of concern for Metrobus management. Management is making considerable efforts to engage effectively with labour to ensure that staff are aware and understand offences.

2.5.4 Recommendations for consideration in 2005/2006

- Fast track the route optimisation strategy and resolve all disputes.
- Employment of additional drivers to reduce the cost of overtime paid.
- Finalisation and implementation of the "House Rules" to increase greater interaction and understanding between staff and management.
- Efficient and effective training of bus drivers to reduce the number of accidents.
- Effective and continued communication between staff and management to avoid any future labour disputes and integrate understanding of disciplinary issues.

Chapter 3: Human Resource and Corporate Governance

3.1 Statement on Corporate Governance

3.1.1 Report of Directors

3.1.1.1 Business and Operations

Johannesburg Metropolitan Bus Services (Pty) Ltd provides a public bus service to the commuters of the greater City of Johannesburg Metropolitan Council and also hires out its buses to individuals and organisations.

3.1.1.2 Going Concerns

The going concern principle has been adopted in preparing the financial statements. The existence of the company is dependent on the continued support of its sole shareholder, the City of Johannesburg Metropolitan Council, which grants the company subsidies each year to enable it to operate. The nature of the business is to provide transport at affordable fares to the public of Johannesburg City, based upon the mandate provided by the City of Johannesburg. Should the subsidies be withdrawn, it is management's opinion that the company would not be in a position to continue as a going concern on its current mandate. Management is unaware of any reason that could cause the City of Johannesburg Metropolitan council to withdraw its support for the company and therefore, have no reason to believe that the company would not be going in the foreseeable future.

3.1.1.3 Financial Results

Overview

The annual financial statements (refer to Annexure A) reflect the results of the company's operations for the year ended 30 June 2005.

The company's turnover from operations was R84.7 million against R76.2 million in 2004 which represents a growth of 11.2% year on year. The company received a subsidy of R202.3 million compared to R191 million in 2004 which represents an increase of 5.8% year on year.

Total administration costs were R256.3 million compared to R237.8 million in 2004 which represents an increase of 7.8%. Finance costs decreased from R41 million in 2004 to R30.9 in 2005, representing a decrease of 24.6%.

Profit for the year improved from R1.2 million in 2004 to R2.3 million in 2005, an improvement of 91.7% year on year. Whilst these results are positive for the company, management believes that there are still

challenges, which will be faced in the new year, particularly with regard to maintenance and operating costs due to the average age of the bus fleet.

3.1.1.4 Events subsequent to year end

No event has occurred that management considers material between the balance sheet date and the date of submission to the auditor general for audit purposes.

3.1.2 Board Charter

Please refer to Section 3 of the Annual Financial Statements for the Governing body and Composition of the Board.

3.1.2.1 Corporate Governance Protocol

Johannesburg Metropolitan Bus Services (Pty) Ltd ensures that its processes and practices are reviewed on an ongoing basis to ensure compliance with legal obligations, use of funds in an economically efficient and effective manner and adherence to good corporate governance practices. Corporate governance is concerned with structures and processes for decision-making, accountability, transparency, control and behaviour beginning at the top level of the organization. Corporate governance sets the tone for behaviour right down to the lowest levels.

Processes and practices are characterised by reporting on economic, environmental and social responsibility. Such reporting is underpinned by the principles of openness, integrity and accountability and is an inclusive approach that recognises the importance of all stakeholders with respect to the viability and sustainability of Johannesburg Metropolitan Bus Services (Pty) Ltd.

Johannesburg Metropolitan Bus Services (Pty) Ltd complies with the requirements of the Companies Act, 1973. In addition, Johannesburg Metropolitan Bus Services (Pty) Ltd is in the process of implementing the recommendations of the King Report on Corporate Governance for South Africa 2002 (King II Report) including the Code of Corporate Practices and Conduct.

The Metrobus Annual Financial Statement for the year were qualified due to inventory which could not be reconciled to account reports.

3.2 Human Resource and Corporate Governance

3.2.1 HIV/AIDS

Strategic Programmes

During the year, Metrobus has made a dedicated effort in educating the staff on HIV/Aids related matters. The organisation will continue with this programme and embark on a VCT and prevalence study “To know your status”.

3.2.2 Main achievements

The Committee meeting, which was held on the 9th March 2005, has documented the following plan for the current year as follows: -

1. HIV & AIDS education and awareness – to be held once a month at each depot and Head Office.
2. HIV & AIDS policy review – to be completed by May 2005.
3. Prevalence & VCT campaigns – Outside providers to be engaged to spearhead these programs due to the sensitive aspect related to privacy and confidentiality. This program needs to be embarked on as soon as possible.
4. Candlelight Memorial – to be held in May 2005.
5. Launching of Workplace program and the Committee – May 2005.
6. Commemoration of National days.
 - World TB Day – March 2005
 - Women’s Day – August 2005.
 - Partnerships Against Aids.
 - Anniversary – October 2005.
 - Red Ribbon Month – November 2005
 - World Aids Day & “16 days of Activism Against women and Child abuse.
7. Training and Development of the Committee – Workshops, Training programs, conference and seminars.

3.2.3 Challenges

Metrobus believes that it is vital that we care for our staff beyond the educating of staff by not only educating them but by introducing a complete “Wellness Programme”.

To achieve this, Metrobus has appointed a Wellness Co-ordinator who has identified the following challenges.

1. Problem assessment services through one-on-one consultations that are confidential.
2. Provide a confidential counselling and consultation service to employees.
3. Diagnosis and referral for relevant information, support and treatment.
4. Formation and maintenance of all linkages with internal departments and external service providers.
5. Follow-up services for employees who have used both internal and external services such as support groups, psychologists, community services and others.
6. Ensure that the quality of the internal service is up to date and relevant and furthermore, to ensure, that the practitioners that staff are referred to are qualified.
7. To provide time off to employees when they are referred to outside services.
8. To ensure that the database is regularly updated in respect of the outside services.

3.2.4 Programmes for the new financial year

The Wellness Co-ordinator has identified the following activities that will form part of the programmes to be introduced.

1. Wellness article contributions in the monthly bulletin.
2. Monthly presentation on articles that have been posted on the bulletin board.
3. Annual wellness week with fitness, stress, cholesterol, sight and hearing, and HIV Voluntary Counselling and Testing.
4. How to stop-smoking meeting.
5. Weight loss meetings.
6. Sports and Social clubs.
7. Gymnasiums at all Depots.
8. Education on communicable diseases, including Sexually Transmitted Infections.
9. HIV education, Testing and support programme (once prevalence has been determined, a treatment programme will ensure).
10. Healthy eating habits workshop.
11. To subsidise the costs of the canteens to ensure staff receive healthy meals at an affordable price.

3.3 Employment Equity performance

Metrobus has successfully implemented their Employment Equity Policy and is well over the targets set in terms of the employment of people of colour. The targets have been set in consultation and with the agreement of the unions, and are aligned with demographics of Gauteng area. Metrobus have an employment equity forum comprising managers and workers. Metrobus conducted an extensive awareness campaign on employment equity and held workshops with workers and managers. From this consultation and process the employment equity forum was formed. The forum meets bi-monthly and sets monthly targets in line with overall targets.

As at 30 June 2005, the Workplace Profile of Metrobus stands as follows:

RACE	NO	GENDER	
		Male	Females
Africans	785	693	92
TOTAL % OF STAFF		86.02%	
Coloureds	51	46	5
TOTAL % OF STAFF		5.06%	
Indians	17	11	5
TOTAL % OF STAFF		1.41%	
Whites	62	50	12
TOTAL % OF STAFF		6.08%	

Comparing the abovementioned figures of the demographics of the City of Johannesburg, which are as follows:

RACE	%	LABOUR FORCE
Africans	73	86
Whites	16	6
Coloureds	6	8
Asians	4	2

It must be noted that, at present, females comprise of 43% of the working population, which is far in excess of the 8.3% females in the employment of Metrobus.

Metrobus is actively replacing male staff with female staff in order to increase the female percentage of our workplace profile.

3.3.1 Skills development performance

A comprehensive skills audit was undertaken over the last three months of this financial year. This was translated into a workplace skills plan, which was submitted to The Department of Labour at end of September. The job profiles have been included in the workplace skills plan. The audit identified that management training at executive and senior level was a priority. Although at present staff have the necessary academic and technical skill, there is a lack of sufficient management skill.

Technical training for the maintenance of buses was also identified as a priority. Buses are increasingly sophisticated and technicians must keep current with new technology.

Metrobus is committed to on-site training and participating learnership programmes. Currently Metrobus has twelve diesel mechanic apprentices on a learnership programme.

During the Financial Year, Metrobus trained staff in terms of the set Workplace Skills Plan. Staff were trained as follows:

TYPE OF SKILLS DEVELOPMENT	NO OF STAFF
Introduction to P.C.	27
Microsoft Word	15
Windows 2000 Level I	5
Microsoft Excel	1
Microsoft Excel Advance	2
Microsoft Access Levels 1 + 2	1
IT Server Training	7
Perfecting Selection Methods	2
The Office Professional	2
Purchasing & Supply Mang	3
Municipal Finance	1
Electrical W Q F Level 3	1
Fitter & Turner Level 3	1
Motor & Diesel Mechanics Level 1 – 3	17
Fuel Ignition	1
ABS Braking	1
Forklift	20
Autotronics	5
HIV/AIDS Counselling	5
ABET	45
Call Centre Training	5
Employment Equity Training	7
Oil Analysis	10

3.3.2 Staff movements

The Financial Year saw the following staff movement.

SEPARATIONS

REASON	NO. OF STAFF
Deceased (Unnatural)	2
Deceased (Natural)	11
Dismissals	4
Early Retirement	5
Medical Boarding	2

Resignations	20
Retirement	11
Termination of Contract	2
TOTAL	57

APPOINTMENTS

CATEGORY OF STAFF	NO. OF STAFF
Interns	13
Manager: Finance	1
Switchboard Operator	2
Manager: Safety & Health	1
Supply Chain Officer	1
Mobile Messenger	1
Labour Relations Officer	1
Manager Customer Relations	1
Marketing Assistant	1
Strategic Operations Manager	1
Personal Assistant	2
Manager: Facilities	1
Call Centre Clerks	6
Senior Technical Manager	1
Managing Director	1
Cleaner	1
Bus Drivers	22
Management Accountant	1
Total	58

3.3.3 Performance Management

To date the Managing Director and all the Executive Officers with most of the managers are employed on a Performance Contract.

As Metrobus is moving to become a more productive orientated company, it was agreed that all staff on the top 5 (five) reporting, would enter into a Performance Management Contract with their line manager.

This contract will ensure that the relevant staff are fully aware of what is expected of them in terms of the Key Performance Areas and the Performance Management Contract further ensures that the performance of all staff is monitored.

The Human Resources Department in conjunction with the appointed consultants concentrated on the final preparations of the job profiles for all positions on the top 5 (five) levels of the organizations.

All Executive Officers and managers have received training to both prepare a Performance Management Agreement with staff and monitor staff performance thereafter.

All line managers will ensure that all Performance Management Contracts are in place by the 1st quarter.

Chapter 4: Audited Statements and Related Financial Information

Please refer to Annexure A – Annual Financial Statements.

Chapter 5: Functional Area Service Delivery Reporting

In the case of Metrobus the functional area is 'Road Transport' and the sub-functional area is 'public buses'. This includes all activities associated with the provision of a public bus service to the community

Description of the activity

The public bus service responsibilities of the municipality are administered as follows, and include:

- Daily scheduled public transport.
Metrobus provides transport to scholars, employed persons, persons with disabilities and pensioners. Each group of passengers are provided with tags to suite their travelling needs. Tags further enable the passengers to budget adequately.
- Private hire transport service.
Reduced rates are offered to citizens who have been affected by the HIV/Aids related illnesses by providing a service to funerals. We also provide services to corporate clientele, tertiary institutions for excursions and both provisional and local government departments.
- Dedicated service for persons with disabilities.
Metrobus has 15 operational busses, which are accessible for the disabled persons and are integrated in our daily scheduled service. We further offer dedicated service for persons with disabilities by collecting and delivering persons to and from their homes to their places of employment. Persons with disabilities are given reduced rates thereby fulfilling our social responsibility commitment.
- Subsidised Pensioner services.
Reduced rates are provided to pensioners.
- Scheduled commercial contracts.
Designated busses are allocated to commercial companies to provide safe and reliable transport for their employees.
- Special contract for the Gauteng Province's Department of Transport in Eldorado Park.
Designated busses are allocated to the Gauteng Province's Department of Transport in Edlarado Park to provide safe and reliable transport for their employees.

These services extend to include Greater Johannesburg, but do not take account of the function, which reside within the jurisdiction of national, provincial government and other private sector projects. The municipality has been mandated to:

- Provide a safe and efficient transportation system, with a public transport focus, which will support a world class city, connecting businesses, people and places in a sustainable and cost effective manner. Through this initiative it will improve the standard of living and quality of life of all the City's inhabitants and the overall competitiveness and growth of the City's economy.

Strategic objectives of this function

- To provide affordable public transport with costs to household which have disposable income below 10%;
- Reduce travel time to no more than 60 minutes in either direction;
- Provide a convenient transport system which is accessible i.e. is within 15 minutes walking distance of origin and final destination and with a frequency that meets customers needs;
- Ensure safety by reducing crime on buses, collision, injury fatality and property loss; and
- Provide comfortable travel for passengers.

Key issues for 2004/05 were:

- Implement route optimisation plan;
- Growth of private hire business;
- Acquisition of luxury fleet in order to target conference business industry, tour groups and corporate clients;
- Identify advertising opportunities to increase revenue;
- Reconfigure the fleet to optimal age of eight years, and improve capacity utilisation and bus availability;
- Improve relationships with labour through constructive engagement; and
- Improve staff attitude and morale.

Chapter 6: Integrated Sustainability Reporting

6.1 Corporate Social Responsibility

Metrobus takes Corporate Social Responsibility very seriously. This is reflected in our policies, which are aimed at ensuring that social responsibility projects are undertaken throughout the organization. The following are the main areas of focus:

6.1.1. Main areas of focus

Metrobus runs the following services at highly reduced fares and these are classified as social responsibility service provision to the communities of the City of Johannesburg:

- Scheduled Integrated Scholar Transport Service.
- Scheduled Integrated Pensioner's Transport Service.
- Scheduled Integrated Persons with Disabilities Service.
- Scheduled Specialised Person's with Disabilities Service (door-to-door pick ups).
- Unscheduled Special Transport Service for Previously Disadvantaged Communities, e.g. Collaboration between Joburg Zoo, Metrobus, Nokia Mobile and Fresh Produce Market.
- Special concession rates for family funerals relating to HIV/Aids.

In 2004/05 financial year, Metrobus started a social responsibility programme transporting children from charitable homes to Johannesburg Zoo at no charge. This initiative is a partnership between Metrobus, JHB Zoo, Johannesburg Fresh Produce Market and Nokia. Metrobus provides transport for free; JHB Zoo allows children free entrance to the Zoo and Fresh Produce Market provides fruits. Nokia has supported the programme by providing hampers to the kids.

The programme was successful and showcased what Public/Private Partnership can achieve. The dream of visiting the Zoo for many young children from disadvantaged communities was finally realized by the introduction of this programme. The children were also taken on an educational tour of the Zoo, thereby enriching and enhancing their knowledge about nature and conservation.

6.1.2. Main beneficiaries

The main beneficiaries of Metrobus social responsibility programmes were people from previously disadvantaged communities, particularly the most vulnerable in the community, namely, the elderly, children from charitable homes or organizations and persons with disabilities.

6.1.3. Key Achievements

Metrobus further offered special packages to communities who have lost their loved ones due to HIV/Aids related illnesses. Metrobus reduced the rates to transport the families to the funerals.

The profile of Metrobus has increased significantly by encouraging passengers and the general public to utilize the services of the call center. Metrobus and Joburg Connect formed a partnership whereby Johannesburg service call center numbers were advertised on all Metro buses. This was a five-year agreement. Passengers utilizing the services of the call center for information and/or complaints have increased by 185%. However, less than 2% of this figure was complaint related

6.1.4. Support in the new financial year

Metrobus plans to introduce a flagship social responsibility programme in the new financial year.

The aim is to identify and adopt an old age home, preferably from the previously disadvantaged communities. The vision is to encourage Metrobus employees to be active participant in the programme. Employees will be encouraged to volunteer their skills and expertise to assist in the upliftment of the home. Metrobus would look after the interest of the home year on year. We will employ the support of Sponsors to assist Metrobus in the vision.

6.2 Environmental Management Policies

In the context of the country's Political, Economic, Social and Technological (PEST) environment, Metrobus has identified certain issues that will influence the Business's operations during the 2005/2006 planned periods and possibly for a while longer.

Political Environment

The country's political situation has remained positive and stable for a considerable period of time and Metrobus does not envisage that this situation will change adversely to affect business operations in the near future.

Economic Environment

Identified critical issues include:

- Taxi recapitalization programme is accepted by the taxi industry to be implemented during the plan period.
- Taxi industry succeeds in forcing government to subsidise taxi operations in line with all other modes of transport thus creating a vibrant competitive environment.

- Taxi violence continues to be kept under control by law enforcement agencies.
- International tourism and sporting activities into the country create opportunities in business growth.
- World oil prices spiral out of control and influence operating costs
- Rand strength is weakened by the strength of other major currencies, and in turn, puts pressure on the importation of spare parts.
- Salaries and wages are maintained at the cost of living adjustment (CPIX) and focus shifts to performance related incentives.
- Economic Growth is stimulated by government fiscal policies to create more jobs and therefore presenting an opportunity for usage of bus services by new entrants into the job market

Social Environment

Identified critical issues include:

- Urban centres continue to be transformed into communities with affordable accommodation
- Social crime especially hijackings, house-break-ins and bank robberies continue to be effectively managed. However, family violence, child abuse crimes put pressure on the police force and has a negative impact of effective policing
- HIV/AIDS and other health threatening diseases continue to affect our most vulnerable work force.
- Health care and education become more accessible but capacity on the ground delays effective and efficient service delivery.
- Governance on the African continent improves with our country's contribution and there is a reduction in refugees and illegal immigrants.
- Drug trafficking continues to cause social ills but law enforcement agencies continue to curb this.
- Economically active population growth in urban areas create a passenger market
- IDP speeds up implementation of the ITP.

Technological Environment

Identified Critical Issues:

- Technology continues to be freely available from the international community but it is expensive.
- Technology changes rapidly to be left to reactive management
- Passenger counters, vehicle tracking and management, route scheduling systems become an imperative for effective passenger transport management.
- Technology and systems expertise become expensive due to short supply
- Management of environmental issues, especially relating to noise pollution and exhaust emissions become enforceable by law.
- Management information systems become an imperative for effective business management.

6.3 Batho Pele

6.3.1 Consultation:

The Metrobus Transport User Forum meetings were held regularly once per month to ensure effective consultation with passengers. The Metrobus Passenger Charter was discussed at these meeting to enable forum members familiarize themselves with the charter.

Metrobus introduced a system in May 2004 whereby members agreed to act as mystery riders and report all incidences, service deficiencies and other issues. The concept was to observe the quality of our service with regard to the interaction between our drivers and passengers. More importantly, the mystery riders assisted in the identification of fraud and pilferage etc. Reports received indicated that areas, which needed attention, were driver's poor attitude towards passengers and the issuing of tickets. These areas would receive prevalence in the new financial year.

With the introduction of a new tag system, passengers are able to have a choice in terms of the service they could economically afford to use.

6.3.2 Service Standards:

Our communication messages were geared to inform our passengers about our commitment to providing them with quality service. Various mediums were used to communicate these messages, which included notices in our buses, newsletters, profiles in magazines, radio stations and other publications.

Passengers were also made aware of service standards and how to lodge complaints. More importantly, information regarding trip cancellation, breakdown, customer satisfaction, driver behavior and attitude, new innovations in terms of products and services and availability of timetables and route information was also made available through these mediums

The relationship between City of Johannesburg and Metrobus is managed by means of a Service Level Agreement. Although the service standards were met, certain areas still require improvement and have been placed on the agenda for the next financial year.

6.3.3 Access:

In ensuring that our passengers have equal access to services, the Information Centre at Gandhi Square and the Call Centre at Jo'burg Connect were used to disseminate information to passengers regarding our services and where necessary resolve complaints. Passengers using the call center for information and /or complaints increase by 185%. Of this figures only 2 % of calls receive were complaint based. Management made themselves available to address complaints from passengers and to deal with any general information

6.3.4 Courtesy:

Our relationship with passengers in the past financial year was characterized by challenges, due to poor driver attitude towards passengers, increased breakdowns and cancellation of trips. To ensure that we uphold our value that our customers are our priority and that we exist to satisfy their needs in all we do, these areas will receive special focus in the new financial year.

6.3.5 Information:

Information distribution was conducted through using notices inside buses, distribution of notices at bus stops and placing notices on bus shelters including bus terminus like Gandhi Square. The Information Centre and the Call Center were also central in disseminating information in the past financial year. Below and above the line advertising methods were used in reaching passengers and general communities.

6.3.6 Openness and transparency:

Metrobus adhered to openness and transparency by ensuring that all stakeholders were always informed of developments and performance of the company. Presentations were made and reports submitted to various City of Johannesburg Committees and provincial structures. Further presentations to various communities, regional offices and other interested parties within the City of Johannesburg were made.

6.3.7 Redress:

In the last financial year, Metrobus had numerous challenges regarding the quality of our service, particularly with regard to the unreliability of our service due to breakdowns, cancellations, non-adherences to schedule, overcrowding, buses being late or not operating at all.

All relevant stakeholders were kept abreast of the challenges faced by the organisation. Furthermore, passengers were also made aware of the challenges been addressed by Metrobus through notices, press releases and adverts.

In regards to industrial action, passengers were kept informed of the industrial action in advance and plans to minimize inconvenience.

The call center addressed all complaints received in an effective, sympathetic and positive manner. The target for resolving complaints for the year ending 2004/05 was set at 95%, which Metrobus reached.

6.3.8 Value for Money:

For the year ended June 2005, 55% of passengers using Metrobus service made use of the tag system, whilst 45% of passengers made payment by cash. This enabled the majority of passengers to enjoy benefits

of the built in discounts in tags. Furthermore, tags assisted passengers in planning their journeys in advance. An added benefit in utilizing tags was that passengers did not need to pay transfers in connecting to other areas.

6.3.9 Encouraging Innovation and Rewarding Excellence:

Metrobus recognizes excellent performance each year. Metrobus introduced an employee of the year and a driver of the year awards, respectively.

The marketing and business development department, together with other departments in the organization, encourage innovation and development of new routes and services including new product developments. Over fifteen new services and routes were developed during the financial year. The employees were empowered to look for opportunities, which were implemented. More will be done in the new financial year.

6.3.10 Customer Impact:

Metrobus managed to meet customer's expectations during the financial year, notwithstanding the challenges identified. The interaction and consultation process with all stakeholders has remained positive throughout the financial year. The increase in call center patronage meant passengers were taking an interest in ensuring that Metrobus service continue to improve. We took pride in our passengers and this was reflected in the manner customer complaints and concerns were addressed. All customer complaints were addressed within 24 hours as per Metrobus target during the financial year. Customer complaints were handled in a positive manner. Information was made available to the community and passengers via effective and efficient methods.