

JOHANNESBURG METROPOLITAN BUS SERVICES (RF) SOC LTD

2016/17 Mid-year Performance Assessment Report

July to December 2016

2nd submission: 20 January 2017



In terms of Section 121 of the Municipal Finance Management Act 56 of 2003 (as amended), Section 46 of the Municipal Systems Act, 32 of 2000 (as amended) and the Companies Act.

Mr Mavela Dlamini
Managing Director

Signature: _____

Date: _____

COMPANY INFORMATION:

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Auditors: Auditor General South Africa (AGSA)

TABLE OF CONTENTS

SECTION	CHAPTER	PAGE
1.1	CHAPTER ONE: LEADERSHIP & CORPORATE PROFILE	
1.2	Section 1: Corporate Profile and Overview of the entity	6
1.3	Section 2: Strategic Objectives	7
1.4	Section 3: Salient Features	8
1.5	Section 4: High-level organizational structure	9
1.6	Section 5: Chairperson’s Foreword	11
1.7	Section 6: Managing Director’s Report	12
1.8	Section 7: Chief Financial Officer’s Report	14
	CHAPTER TWO: GOVERNANCE	
2.1	Section 1: Board of Directors	16
2.1	Section 2: Board Committees	18
2.3	Section 3: Directors & Prescribed Officers Remuneration	21
2.4	Section 4: Company Secretarial Function	22
2.5	Section 5: Risk Management (Including Strategic & operational Risk Management)	23
2.6	Section 6: Internal Audit Function (Focus on Independence & Objectivity & Relations to Audit Committee)	28
2..7	Section 7: Corporate Ethics and Organizational Integrity	28
2.8	Section 8: Sustainability Report	29
2.9	Section 9: Anticorruption and fraud	32
2.10	Section 10: ICT Governance	32
	Section 11: Compliance with Laws & Regulations	33
	CHAPTER THREE: SERVICE DELIVERY PERFORMANCE PERFORMANCE	
3.1	Section 1: General overview	33
3.2	Section 2: Highlights and Achievements	36
3.2	Section 3: Service Delivery Challenges	41
3.3	Section 4: “Game Changers”	44
3.4	Section 6: Performance against Institutional SDBIP	45
3.5	Section 5: Performance against Service Standards	47

SECTION	CHAPTER	PAGE
3.5	Section 6: Capital Projects & Expenditure	48
3.7	Section 7: Supply Chain Management and Black Economic Empowerment	49
3.8	Section 8: Statement on Amounts Owed By and To Government Departments and Public Entities	50
	CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT	
	Section 1: Human Resource Management	51
	Section 2: Employee remuneration	52
4.3	1. Section 3: Staff establishment and key vacancies	53
4.2	2. Section 5: Employee Skills Development and Training	54
4.3	Section 6: Performance Management & Succession Planning	56
4.4	Section 7: Disciplinary Matters and Outcomes	57
4.5	Section 9: Employee Wellness	560
4.6	Section 11: Occupational Health & Safety Programmes	61
4.7	Section 4: Employment Equity	61
4.8	CHAPTER FIVE: FINANCIAL PERFORMANCE AND EXPOSURE	
	Section 1: Statement of Financial Position and high-level notes	62
5.1	Section 2: Statement of Financial Performance and high-level notes	64
5.2	Section 3: Cash Flow Statement	69
5.3	Section 4: Ratio Analysis	70
5.4	Section 5: Report on Irregular, Fruitless and Wasteful Expenditure and Due Processes	71
5.5	Section 6: Insurance Claims against/to MOE/Department	71
	CHAPTER 6: INTERNAL & EXTERNAL AUDIT FINDINGS	
6.1	Section 1: Results of Internal Audits	72
6.2	Section 3: Progress on Resolution of External Audit Findings	72
6.3	Section 4: State of Internal Controls	3
Annexures :		
	Performance against score card	74

GLOSSARY OF TERMS / LIST OF ACRONYMS

Acronym/abbreviation Name/phrase	Acronym/abbreviation Name/phrase
AFS	Annual Financial Statements
AG/AGSA/Auditor General	Auditor General of South Africa
ARC	Audit and Risk Committee
Board	Board of Directors
CNG	Compressed Natural Gas
DDF	Diesel Dual Fuel
DPSA	Department of Public Service and Administration
EAM	Enterprise Asset Management
EE	Employment Equity
ERP	Enterprise Resource Plan
FAR	Fixed Asset Register
GDS	City of Johannesburg 2040 Growth and Development Strategy
ARC	Audit and Risk Committee
ICT	Information and Communications Technology
IDP	Integrated Development Plan
NBV	Net Book Value
POPI	Protection of Personal Information Act
PPE	Property, Plant and Equipment
REMCO	Human Resources and Remuneration Committee (REMCO)
SEC	Social and Ethics Committee (SEC)
SHE	Safety, Health and Environment
SDC	Service Delivery Committee

CHAPTER ONE: CORPORATE PROFILE AND LEADERSHIP

1.1 Corporate Profile and Overview of the Entity

The Johannesburg Metropolitan Bus Services (SOC) Ltd (“Metrobus / the company”) was incorporated in 2000 and is a wholly owned Municipal Entity of the City of Joburg. The City appointed Metrobus in terms of the Service Delivery Agreement to provide bus transport services to the residents of Johannesburg. Metrobus therefore operates in furtherance of the City of Johannesburg’s legislative mandate concerning public transport and is guided periodically by the strategic direction of the City of Joburg as derived from the Integrated Development Plan and the Provincial Growth and Development Strategy. Integrated Transport Plan is amongst some of the key strategic objectives of the City, where Metrobus has a pivotal role to play as a provider of public transport at highly subsidised rates.

The main social and environmental responsibility of Metrobus is to maximise the number of people that use the entity buses. This is also a commercial imperative. Increasing bus use is good for the community as transport plays a key role in addressing social exclusion and giving people access to work. It is also good for the environment as more people can travel by bus than in a private car, reducing the number of vehicles on the road.

Metrobus fleet of 486 buses operates on two hundred and twenty-nine (229) main routes across Johannesburg covering approximately ten (10) million kilometres and transport approximately 14 million passengers per annum.

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

Fleet details are as at 31 December follows:

Bus type	Milpark	RP	VM	Total	Age
Volvo B10M	7		3	10	21
Volvo B7TL	64	7	63	134	16
Volvo B7R	2		31	33	16
Mercedes 1725 DDF	23	7		30	10
Mercedes 1725	50		39	89	10
Euro 3	12	18	10	40	1
Mercedes Euro 5	54	39	57	150	0
Total Fleet Composition	212	71	203	486	

The entity recovers most of its operating costs through subsidy from the Shareholder and ridership fare revenue.

Metrobus uses both a cash collection system as well as a coupon system to collect revenue from its passengers. As at 31 December 2016, the entity had a staff complement of 850.

1.2 Strategic Objectives

Corporate Focus

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

In pursuit of the Service Delivery Agreement and the strategic guidepost set by the City, Metrobus' vision is **"To be a people centered, performance driven provider of an efficient conventional bus service within the Integrated Public Transport Network"**, which will be achieved through our mission **"to promote accessible, safe, affordable, reliable and environmentally friendly mobility through an efficient and sustainable bus service"**

Our Values:

Metrobus is alive to the importance of its corporate and individual employee character. In this regard the following values will serve as guideposts for our behaviour:

Respect: Valuing those we serve, those who we work with and our organization.

Honesty: Doing the right thing even when no one is looking

Accountability: Holding ourselves responsible for our actions and the outcomes of our work

Cooperation: Seeking to at all times join hands with all concerned with the furtherance of the interests of the Citizens of Joburg internal and external to Metrobus

Ubuntu: A sense of community, being driven in our actions by the greater good of the Citizens of Joburg

Strategic Objectives:

In order to realize Metrobus' Vision and Mission, the entity developed quantifiable, time bound and measurable strategic objectives. By 2020 we will:

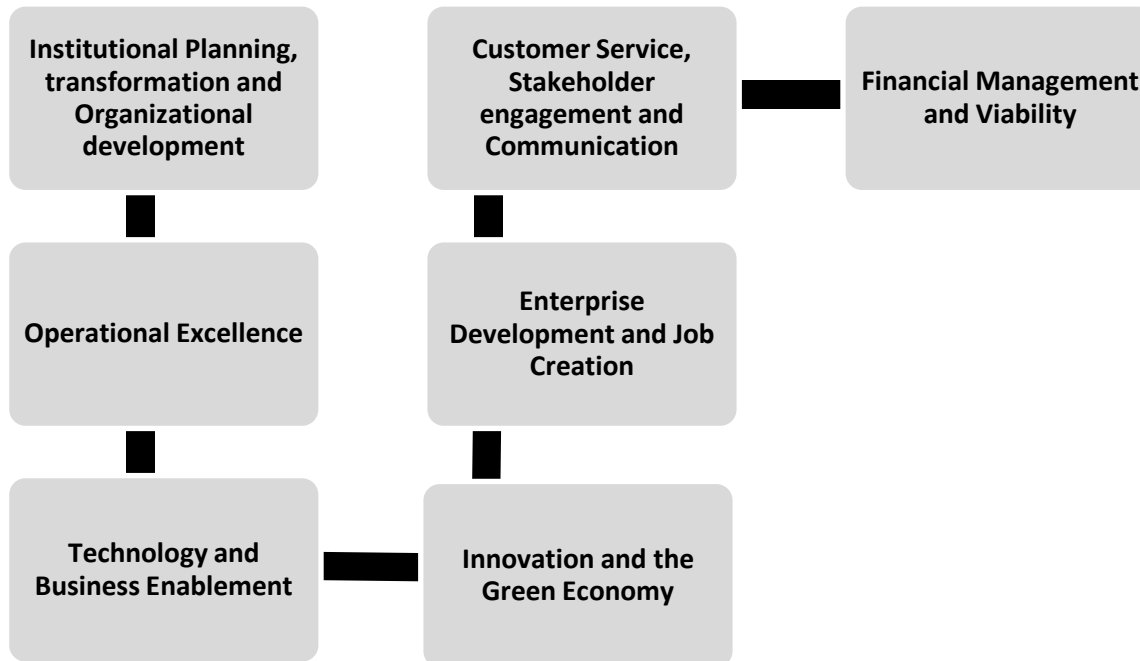
1. Acquire, develop, and retain talent in a fit for purpose organizational structure that will deliver on our Mission.
2. Enable people and processes with technology for service delivery, agility and customer focus
3. Drive service delivery, productivity and quality through continuous process integrity, and proper project and program management, while continuously seeking to innovate.
4. Promote enterprise development and job creation.
5. Achieve accredited status as preferred repair and maintenance centre of Diesel Dual Fuel buses
6. Arrive on time, in a clean, road worthy bus, operated legally and by a courteous, customer centric employee
7. Continuously improve a culture of safety and security
8. Decrease Metrobus contribution to GHG emissions

9. Achieve fare revenue collection targets and improve expenditure efficiency
10. Develop and implement a sustainable re-fleeting and refurbishment plan

1.3 Salient Features

Key features of the report include;

1.3.1 Metrobus Service Delivery Programmes:



1.3.2 Corporate Governance Structures

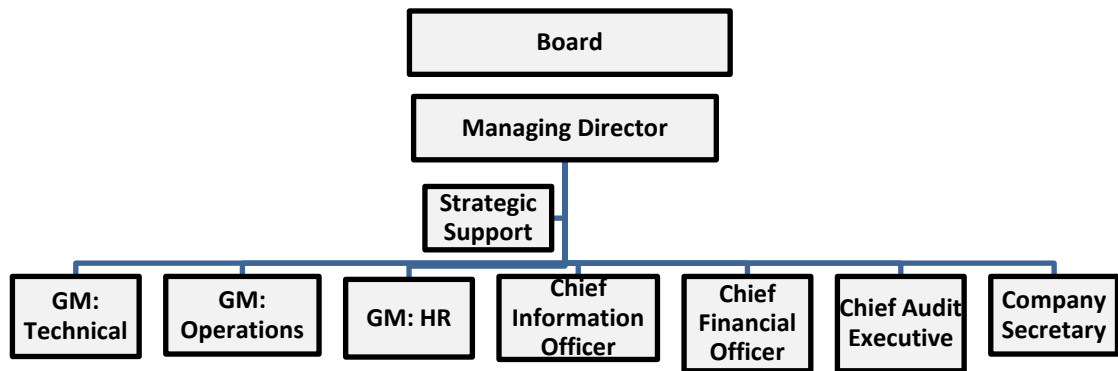
- **Board Committees**

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

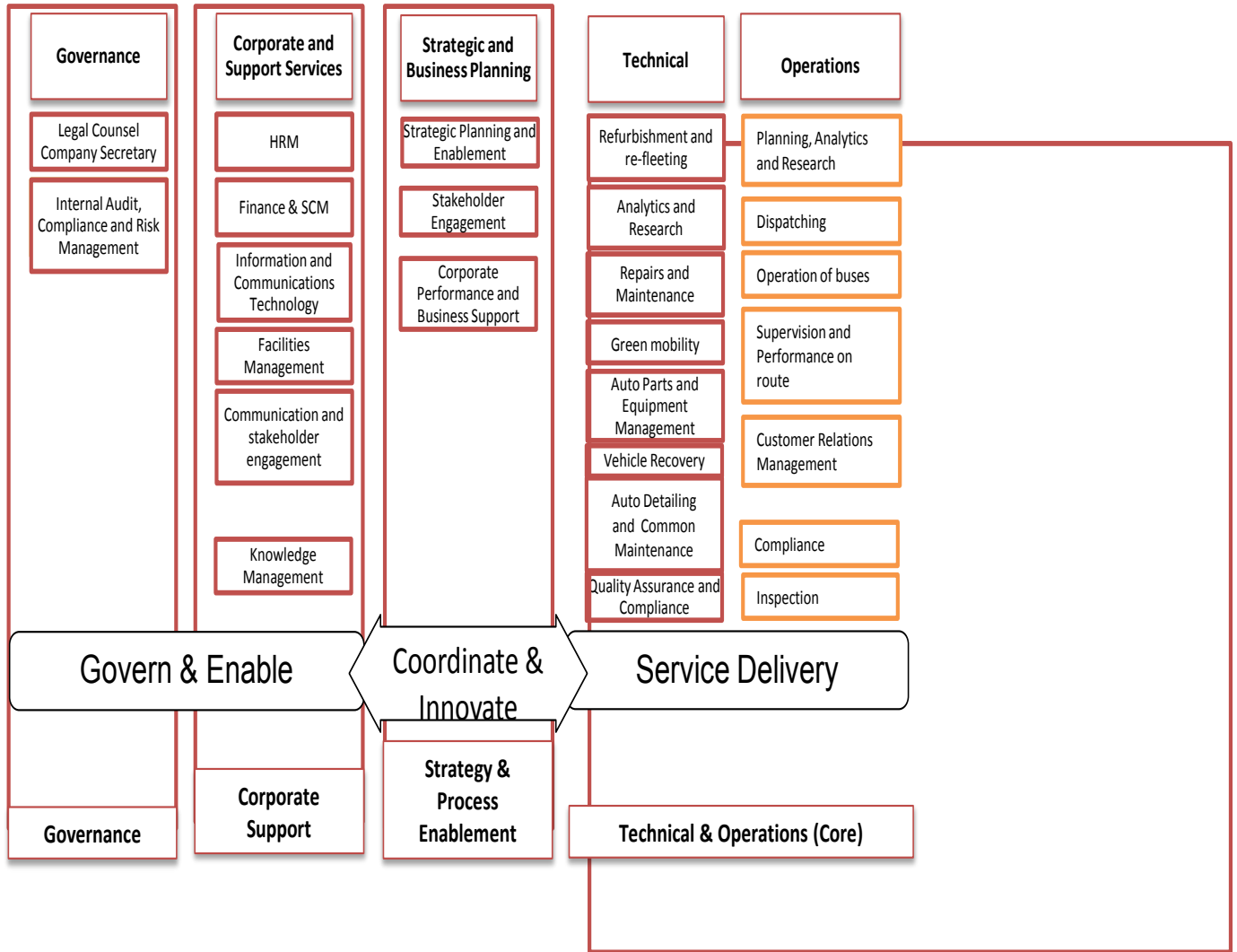
1.3.3 Organizational Performance Measurement Tools

- 1) Scorecard
- 2) SDBIP
- 3) Service Standards

1.4: High-level Organizational Structure



Functional Structure



1.5: Chairperson's Foreword

Metrobus continues to play a vital role in the City of Johannesburg transportation system providing a vital link for residents and visitors travelling to work, healthcare facilities, schools, shopping centres, entertainment venues and other important destinations. In the first half of the 2015/16 financial year Metrobus passengers continued to provide valuable information by participating in a customer satisfaction survey, The feedback gathered from these survey is used to make strategic business decisions that are aimed at improving service quality. In the past feedback gathered in the surveys has led to variety of improvements including introduction of a mobile app for travelling information, finalisation of a customer service charter as well as on-going driver training. Not the pro-poor disposition of the City of Johannesburg, route optimisation strategy is underway to ensure that the buses are used where the demand is high and cut down on non-revenue kilometres.

The Board of Directors made some significant decisions to enhance customer experience and to ensure that the entity operates efficiently. These decisions included migration of Oracle Payroll to SAP which has been successfully completed, re-enforcement of on-route inspectorate despite employee resistance and illegal work stoppages as well as strengthening of the marketing programmes for Metrobus which are underway.

Subsequent to the loading of all Metrobus employees to SAP; there was a huge challenge with Oracle system regarding employee benefits configuration on this system which led to industrial actions. The other challenge was the use of two payroll system by the entity. The Board members as well as all Metrobus employees have been uploaded on one system (SAP).

The Board also remained focused on the projects that transforms and turnaround the entity emphasising on change management to address the issues of culture, interim and/or transitional arrangements while awaiting full implementation of the 2013 Turnaround plan. The following outstanding issues are critical for the successful implementation of the transformation process:

- Automated Fare Collection System
- Fleet Management System
- Financial model
- Roll-out of the new operational model
- Marketing

The benefits of having a fit for purpose organisational structure and 36% new fleet will not be realised if the five issues above are not finalised. The 2016/17 business plan focuses on the interim measures to be in place while the process of finalising the above matters is being finalised.

The positive outcome of the Auditor-General external audit confirms that Metrobus VISION 2020 strategy which is made up of three phases (Stabilisation, Consolidation and Sustainability) is on track as the control environment seems to be stabilising.

Finally, there is no doubt that Metrobus challenges remain including obsolete revenue collection system, non-existent fleet management system, inadequate fleet capacity and inadequate customer engagement (marketing). Our political oversight has expressed her support for Metrobus marketing project and we are working proactively with Department of Transport's marketing function on the strategy and communication plan.

Ms Mpumi Mpofu
Board Chairperson

1.6: Managing Director's Report

Metrobus focus of providing safe, reliable and customer-focused bus service over the past six months has paid off. Customer Satisfaction Index improved by 2% from 60% to 62% with significant decline in customer complaints; safety of our customers has improved with no fatalities and on-board incidents recorded in the last twenty months and our service reliability has improved by 4% from 88% to 92%. There has been a significant increase in the number of buses that is available to operate schedule from 301 reported in September 2016 to 358 buses resulting in the overall shortfall for operational requirement dropping from 80 buses to 23 buses.

Each day we transport hundreds of people to their different destination across the City of Johannesburg. In the first six months. Metrobus continued to deliver on its mandate by ferrying 5 256 584 passengers; against a target of 7 000 000 passengers. Year on year comparison reflects an 844 589 passenger decline. This decline in passenger numbers can be attributable to passengers' loss of confidence in Metrobus service given the challenges the entity has been faced with in recent times as well as on-going breakdowns of the aged buses especially 16 Volvo double decks and 10 years non-refurbished Mercedes Benz buses.

As we mark our first six months of operations for the 2016/17 financial year, it is my pleasure to announce that Metrobus obtained an unqualified audit opinion from the Auditor-General South Africa (AGSA) for the tenth consecutive year. The AGSA released its report on 30 November 2016 and the report is available on www.mbus.co.za/annualreports/agsa. AGSA concluded that Metrobus control environment has significantly improved including oversight, risk management, internal audit, performance and financial management, leadership just to mention a few areas. AGSA recommended that Metrobus should improve controls and processes to manage supply chain and contracts management.

We have developed an audit finding resolution matrix that not only deal with the finding but focuses on the root cause in order to avoid recurrence.

During the period the procurement of one hundred and seventy five buses was wrapped up when the last batch of forty eight (48)) new Euro V buses was delivered bringing the total of new buses received to date to one hundred and seventy five (175) made up of 150 new Euro V and 25 Euro III buses.

Metrobus prides itself on delivering this project on time and on budget. Metrobus embarked on an optimal allocation of buses among all depots considering the demand, the proposed establishment of a Reliability Unit to minimise the causes of breakdowns. This was met with resistance from employees resulting in illegal work stoppages which were not mandated by either of the two recognised Labour Unions at Metrobus. Disciplinary measures were taken for misconduct.

In the last six months Metrobus managed to avert Industrial Actions on two occasions in the first half of the 2016/17 financial year planned by Labour Unions. Management engages with Organised Labour Leadership on a monthly basis through a forum called Union Management Committee. This committee discusses broader issue of strategic direction of the entity, financial health, operational efficiency as well as employee related matters. Most labour issues are resolved in this forum.

It is unfortunate that at times, some individual employees act outside the resolution of this forum and go on illegal strikes which are managed through disciplinary code of Metrobus..

In the fourth quarter of 2015/16 Metrobus embarked on a process of sourcing external inspectors. A company was appointed to start in July 2016. The newly appointed external company commenced rendering inspectorate services in the first quarter of 2016/17. There was resistance in the beginning from

employees in accepting this intervention which resulted in a three day work stoppage as a result of an unprotected strike. The external inspectorate services were halted and only resumed in mid-August 2016. In the four and a half months that the company has been operating, cash revenue collection has improved by R500 000 a month against a service fee of R200 000 per month. In the four and half months, a net increase of R1 350 000 has been recorded. Also a lot of improvement has been realised in relation to driver behaviour and passenger behaviour, which can be directly attributable to the on-route inspections conducted.

Two key employees exited Metrobus being the General Manager: Corporate Services and the Manager: Supply Chain. Processes to fill these positions are underway. A critical position in Supply Chain was filled to help curb the number of irregular expenditure incidents and contract management.

For the period July to December 2016, Metrobus spent R237.3million of operating budget against a target of R273.7 million resulting in R36.4 million under spending. The expenditure referred to excludes depreciation and finance costs. Revenue realised for the period under review was R287 million against a target of R316 million, reflecting a R29 million revenue shortfall which is mainly due to fare revenue. A deficit of R28.4million has been recorded for the period under review and this can be directly attributed to fare revenue shortfall. It should be noted that operating results before depreciation and interest charges (mainly due to bus funding) reflect a surplus of R50 million. Under spending was realised mainly in repairs and maintenance due to strong supply chain controls and contract management as well as diesel costs which can also be attributable to tight control measures. Repairs and maintenance expenditure will be fast tracked as all contracts will be place in the third quarter after following proper contracting procedures. Fare revenue and patronage performance reflects an urgent need to finalise Turnaround Plan outstanding issues or urgently implement a transitional plan.

Metrobus recorded a net liability of R200.4 million. Overdraft has increased from the R424 million reported in June 2016 to R534 million as at 31 December r 2016 mainly due to capital expenditure for buses which is still classified as sweeping account item. .

Metrobus has spent 137% of the 2016/17 half year CAPEX budget. The overspending is due to misalignment of bus delivery to budget spread. All buses have been delivered have been paid off, the figure reflected as a balance in section 3.5 is a book entry figure between the City and Metrobus. The total amount spent in the first six months is 99% of the total CAPEX budget.

Metrobus achieved 62% of the Key Performance Indicators (KPIs) in the first six months. Performance against predetermined objectives is detailed in annexure A of this report.

We would like to thank our passengers and all our stakeholders for being service ambassadors for Metrobus. The complaints, queries and suggestions we receive from our stakeholders contribute significantly to the improvements that the entity continues to report on.

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

Mavela Dlamini
Managing Director Metrobus

1.7: Chief Financial Officer's Report

The performance of the organisation in the second quarter was below the expectations. The organisation incurred a net loss after interest costs and depreciation of R15.5m against a target loss of R 2.5m in the quarter (a loss was anticipated in the quarter taking into account the cyclical nature of the business). It is however, important to state that the organisation had an operating surplus before interest and depreciation of R 31.2m for the quarter. This highlights that the operations of the organisation are in the positive however there are questions on the method of asset financing which is utilized by Metrobus. The organisation finances its capital assets through shareholder debt funding and in the process incurs significant interest costs. These asset related costs amount to R 46.7m in the current quarter. The majority of the interest costs are a result of the acquisition of the buses which were financed through debt funding from the shareholder. The organisation is containing the non- asset financing related costs these costs savings in the other areas are cancelled by the ballooning interest costs. The organisation in its midyear budget adjustment submitted a subsidy adjustment request of R44m to cater for these interest costs. It is important that the shareholder considers favourably this request in order for the position of the organisation not to deteriorate further.

A route analysis of the different services which are being carried out by the organisation reveals that 34% of the routes operated by Metrobus have a negative gross contribution. In addition to this 22% of the routes operated by the organisation average less than 500 passengers per month. These factors of negative gross contribution of routes and insufficient number of passengers requires of the organisation and the shareholder to act decisively. These routes are determined by the City and it would be beneficial for the organisation to eliminate these routes in order to service the routes with a sizeable number of customers. There has to be a policy decision which will streamline the organisation into operating and servicing particular segments of the market.

Expenditure

The overall expenditure for the quarter amounted to R 159.8m which was R337k below the budgeted expenditure. The major savings were a result of savings from the diesel and repairs and maintenance costs which were below budget by an amount of R 14.4m. The under expenditure compensated the shortfall in the revenue to a large extent.

Treasury and Borrowings

The ratios of the organisation remain weak and in need of urgent attention. The noncurrent assets have grown by R127m a result of the delivery of the additional buses during the quarter. The current and the acid test ratios are way below the expectations of the City and cannot be solved internally without the shareholder intervention. The solvency position of the organisation is also a challenge and negotiation with the shareholder by the mandating committee is a significant step in resolving these challenges.

The ratios at the end of the quarter are shown below;

Ratio	31 December 2016	30 June 2016
Current Ratio	0.07:1	0.34:1
Acid Test Ratio	0.04:1	0.32:1
Gearing Ratio* (only considering shareholder loan)	91%	104%
Debt/Equity*	494%	456%

(excluding accumulated losses)		
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The organisation is technically insolvent and the proposals as per the mandating committee needs to be addressed as a matter of urgency. The liquidity and solvency ratios are way below the requirements of the City and point to structural issue of the organisation's funding model.

Compliance and Internal Control environment

There has been an improvement in the internal control environment of the organisation as confirmed by the positive outcome of the external audit (for the 2015/16 financial year) there is however a need for further improvement.

Strategic Outlook and Business Conditions

Though the global price of crude oil has commenced to increase with it now topping amounts of USD 58 per barrel, there has not been a negative impact of this increase on the fuel price of the organisation. Below is the movement of the average unit cost of diesel over the quarters;

Description	Q1	Q2
Average Diesel Price	11.09c/litre	10.86 c/litre

There were insignificant movements in the exchange rate moving from R 13.93:1 (in the first quarter) to an average of R 13.92 in the second quarter. This has not had any impact on the expenses of the organisation.

Mr Zane Mheyamwa
Chief Financial Officer

2. GOVERNANCE

2.1 Corporate Governance Statement

The implementation of good governance practices in the organization has resulted in a continual improvement in the management of board processes and the transparency of governance for all stakeholders.

2.1 1: Board of Directors

The entity's Board of Directors is appointed by the City, as the Shareholder. The composition of the Board during the 2016/17 second quarter is as follows:

- Ms Mpumi Mpofu-NED; and Chairperson
- Mr Dennis Baloyi - NED
- Ms Susan Yangua – NED
- Ms Khusela Sangoni - NED
- Mr Mpho Moerane - NED
- Mr Pat Mmope - NED
- Mr Zakhele Mkhonta - NED
- Mr Moses Scott-NED - NED
- Mr Zwelakhe Mayaba - NED
- Ms Grace Rapholo - NED

The independent internal audit committee members are as follows:

- Ms Morwesi Ramonyai-IAC
- Ms Sizo Mzizi - IAC
- Ms Karen Parirenyatwa- IAC

The company has twelve (12) Directors; i.e. ten (10) Non-Executive Directors and two (2) Executive Directors, being the Managing Director and the Chief Financial Officer.

The administrative processes of de-registering the directors who resigned and registering the Legal Counsel and Company Secretary with the Companies and Intellectual Property Commission (CIPC) has been attended to.

Directors meetings are held on a quarterly basis and may be called more often if required for special matters requiring consideration on a priority basis.

The Board met four (7) times during the first half of the 2015/17 financial year and held a MMC Induction Meeting on the day reflected hereunder. The Chairperson attended one (1) Chairperson's Quarterly meeting and one (1) Mayoral Lekgotla meeting on the dates reflected hereunder:

Table 2.1.1 Board Meetings held for the period July- December 2016

Date of Meeting	Meeting Description
12 July 2016	Special Board Meeting
17 August 2016	First Quarter Board Meeting
31 August 2016	Special Board Meeting
14 September 2016	Board Induction with new MMC meeting
19 October 2016	Chairperson's Quarterly Meeting
26 October 2016	Second Quarter Board Meeting
02-05 November 2016	Mayoral Lekgotla Meeting
09 November 2016	Special Board Meeting
30 November 2016	Special Board Meeting

The attendance for the Board meetings was as follows:

Table 2.1.2 Attendance for the Quarter Ending 30 September 2016

Name	Designation	Meetings				
		Board Meeting 12 July 2016	Board Meeting 17 August 2016	Board Meeting 31 August 2016	Chairpers on's Quarterly 14 July 2016	Board Induction with the new MMC
Ms Mpumi Mporu	NED and Board Chairperson	✓	✓	✓	✓	✓
Mr Dennis Baloyi	NED	✓	✓	✓	-	X
Mr Zwelakhe Mayaba	NED	✓	✓	X	-	✓
Ms Khusela Sangoni	NED	✓	X	✓	-	✓
Mr Zakhele Mkhonta	NED	✓	X	X	-	✓
Mr Mpho Moerane	NED	X	X	X	-	✓
Ms Grace Rapholo	NED	✓	✓	✓	-	✓
Mr Moses Scott	NED	✓	✓	✓	-	✓
Mr Pat Mmope	NED	✓	✓	✓	-	✓
Ms Susan Yanguya	NED	✓	✓	X	-	X
Mr Mavela Dlamini	Executive and Managing Director		✓	✓	✓	✓
Mr Zane Mheyamwa	Chief Financial Officer	✓	✓	✓	✓	✓

Table 2.1.3 Attendance for the Quarter ending 31 December 2016

Name	Designation	Meetings				
		Board Meeting 26 October 2016	Special Board Meeting 09 November 2016	Special Board Meeting 30 November 2016	Chairpers on's Quarterly 19 October 2016	Mayoral Lekgotla Meeting 02-05 November 2017
Ms Mpumi Mpfu	NED and Board Chairperson	✓	✓	✓	✓	✓
Mr Dennis Baloyi	NED	✓	✓	✓	-	X
Mr Zwelakhe Mayaba	NED	x	X	✓	-	X
Ms Khusela Sangoni	NED	x	✓	X	-	X
Mr Zakhele Mkhonta	NED	✓	X	✓	-	X
Mr Mpho Moerane	NED	✓	X	X	-	X
Ms Grace Rapholo	NED	✓	✓	X	-	X
Mr Moses Scott	NED	✓	✓	✓	-	X
Mr Pat Mmope	NED	✓	✓	✓	-	X
Ms Susan Yanguya	NED	✓	✓	✓	-	X
Mr Mavela Dlamini	Executive and Managing Director	✓	✓	✓	✓	X
Mr Zane Mheyamwa	Chief Financial Officer	✓	✓	✓	✓	X

✓-Attended; x- Apology

2.2: Board Committees

The entity currently has five Sub-Committees of the Board, being the Human Resources and Remuneration Committee (REMCO), the Audit and Risk Committee (ARC), the Social and Ethics Committee (SEC), and the Service Delivery Committee (SDC). The Board established the Mandating Committee (MANCO) as an ad hoc Board sub-committee.

There were six (6) committee meetings in the 2016/17 Second quarter and these were the ordinary and special meetings of the Audit and Risk Committee (ARC); the Human Resources and Remuneration Committee (REMCO); the Social and Ethics Committee (SEC), Mandating Committee (MANCO) as well as the Service Delivery Committee (SDC) meetings.

The attendance at the meetings was as follows:

Table 2.2.1: Board Committee Attendance for the Quarter ending 30 September 2016

Name	Designation	Audit and Risk Committee 08/08/2016	REMCO 21/07/2016	Social and Ethics Committee 21/07/2016	Service Delivery Committee 04/08/2016	Special Audit and Risk Committee 25/08/2016	Mandating Committee 20/07/2016
Ms Mpumi Mpofu	Board Chairperson*	-	-	-	-	-	✓
Mr. Dennis Baloyi	NED	-	-	✓	✓	-	-
Mr Zwelakhe Mayaba	NED	-	✓	-	✓	-	-
Mr. Mpho Moerane	NED	-	✓	x	-	-	✓
Ms. Susan Yanguya	NED	✓	-	-	✓	✓	✓
Mr Khusela Sangoni	NED	-	✓	✓	-	-	-
Mr Zakhele Mkhonta	NED	-	✓	-	x	-	✓
Ms. Grace Rapholo	NED	-	✓	✓	-	-	-
Mr. PatMmope	NED	✓	-	-	✓	✓	✓
Mr Moses Scott	NED	-	✓	✓	-	-	-
Ms. Karen	IAC	x	-	-	-	✓	-

Parirenyatwa							
Ms. Sizo Mzizi	IAC	✓	-	-	-	✓	-
Ms Morwesi Ramonyai	IAC	✓	-	-	-	✓	-

Board Committee Attendance for the Quarter ending 31 December 2016

Name	Designation	Audit and Risk Committee 10/10/2016	REMCO 12/10/2016	Social and Ethics Committee 12/10/2016	Service Delivery Committee 10/10/2016	Special Audit and Risk Committee 28/11/2016
Ms Mpumi Mpofu	Board Chairperson*	-	-	-	-	-
Mr Dennis Baloyi	NED	-	-	✓	✓	-
Mr Zwelakhe Mayaba	NED	-	x	-	x	-
Mr Mpho Moerane	NED	-	✓	x	-	-
Ms Susan Yanguya	NED	✓	-	-	✓	✓
Ms Khusela Sangoni	NED	-	✓	✓	-	-
Mr Zakhele Mkhonta	NED	-	x	-	✓	-
Ms Grace Rapholo	NED	-	✓	✓	-	-
Mr Pat Mmope	NED	✓	-	-	✓	✓

Mr Moses Scott	NED	-	✓	✓	-	-
*Ms Karen Parirenyatwa	IAC	✓	-	-	-	✓
*Ms Sizo Mzizi	IAC	✓	-	-	-	✓
*Ms Morwesi Ramonyai	IAC	✓	-	-	-	✓

√-Attended; x- Apology;

The membership of the committees is as follows:

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

* - Independent Audit Member

2.3 Directors and Prescribed Officers Remuneration

2.3.1 Board Compensation at Mid-year (31 December 2016)

BOARD MEMBER	Q1 Compensation	Q2 Compensation	Total YTD
Mr Dennis Baloyi	34 227	45 635	79 862
Ms Khusela Sangoni	22 819	28 523	51 342
Mr Mpho Moerane	14 836	14 836	29 672
Mrs Susan Yanguya	43 356	66 172	109 528
Mrs Sizo Mzizi (IAC)	17 112	22 816	39 928
Mrs Karen Parirenyatwa (IAC)	5 704	11 408	17 112

Ms Nompumelelo Mpofu	63 885	98 109	161 994
Mr Moses Scott	31 948	43 356	75 304
Mr Pat Mmope	43 356	60 468	103 824
Mr Zakhele Mkhonta	20 540	26 244	46 784
Mr Zwelakhe Mayaba	20 540	26 244	46 784
Ms Grace Rapholo	34 227	39 931	74 158
Ms Morwesi Ramonyai (IAC)	11 408	17 112	28 520
Total	363 958	500 854	864 812

2.3.2 Executive Compensation at Mid-year (31 December 2016)

Description	Q1 Compensation	Q2 Compensation	TOTAL YTD
Managing Director	442 182	495 244*	937 426
Chief Finance Officer	356 642	356 774	713 416
General Manager: HR	164 102	-	164 102
Company Secretary and Legal Counsel	324 656	324 656	649 312
Chief Audit Executive	298 279	298 279	596 558
General Manager: Operations	353 472	324 226	677 698
Chief Information Officer	316 013	316 013	632 026
General Manager Technical	318 382	318 500	636 882
Total Amount	2 573 728	2 433 692	5 007 420

2.4: Legal Counsel and Company Secretarial Function

The Legal Counsel and Company Secretary is responsible for the overall governance of the company and also for compliance and reporting to relevant bodies such as the CIPC.

During the period under review, the company secretarial duties have continued to encompass the following:

- The overall management of board processes.

- Ensuring directors' meetings are properly called and held as well as providing agendas for such meetings.
- Ensuring that any directors' interests or conflicts of interest are recorded as stated at directors' meetings.

Providing minutes of meetings; ensuring records of directors' meetings are kept in compliance with the Companies Act and the Memorandum of Incorporation ("MOI"); and ensuring legal requirements in terms of local government legislation, the Companies Act and other various regulations are met,

2.5: Risk Management (including Strategic and operational Risk Management)

2.5.1 Background

Metrobus has established and maintains a system of risk management in accordance with the provisions of the Municipal Finance Management Act, the King III report on Corporate Governance and risk management standards as applicable

The company performed the Strategic Risk Assessment during the first quarter. The assessment was based on the business plan and KPI's for 2016/17 Financial Year. The assessments concentrated on KPIs that support the entity's business objectives and the core functions of the divisions, comments from management reports, AG reports and Internal Audit reports in the pre-identification were also considered.

During the second quarter the entity performed both Strategic and Operational Risk Monitoring for the departments. The monitoring concentrated on the action plan of improving management of the risks and identifying emerging risks within the organisational units and supports the entity's business objectives and the core functions of the divisions, comments from management reports, AG reports and Internal Audit reports in the pre-identification were also considered. These were conducted in order to give management a realistic perspective of risk movement comparing first quarter and second quarter residual risks facing the organization as well as to support the Risk based internal audit plan. During second the quarter Metrobus also performed fraud risk monitoring and project risk assessments.

The primary responsibility for risk management lies at the divisional level, which forms the first line of defence. Part of the role of all Managers throughout divisional business units is to ensure risks are managed appropriately. The risk management function forms the second line of defence independently assess all material risks. The third line, which includes internal audit, independently reviews and challenge the Metro bus risk management controls, processes and systems. The Metro bus core risk management principles have remained stable and continue to be highly effective.


During the 2016/2017 Financial year, the Risk department performed risk reviews on the operational and strategic risks and can confirm improvements in mitigating risks as a result of management interventions. The culture of risk management at Metrobus has also improved. The company performed Operational Risk assessments for the departments during the quarter. These were based on the business plan and KPI's for 2016/17FY. The assessments concentrated on divisional KPIs that support departmental objectives and the core functions of the divisions, comments from management reports, AG reports and Internal Audit reports in the pre-identification were also considered. These were conducted in order to give management a realistic perspective of material risks facing the organization as well as to support the Risk based internal audit plan.


2.5.2 The Risk Acceptability Table


The below table provides an example of how an organization may rate its risk appetite across major risk types/ categories.




Risk rating	Risk Magnitude/ level	Risk acceptability & Proposed mitigating steps
15 - 25	High (Red)	Unacceptable risk -Take action to reduce risk with highest priority. Risk needs to be escalated to the accounting authority and executive authority
8 – 14	Medium (Amber)	Unacceptable risk- Take action to reduce risk and inform senior management.
1 – 7	Low (Green)	Acceptable- low level of control intervention required. Manage risk within business unit.

2.5.3 Strategic Risks

 The risk remain the same as a results of non-implementation of the mitigating factors or partially implementation of the mitigating factors

 The risk reduced as results of implementation of mitigating factors

 The risk increased as results of inadequate control in place to manage the risk

Strategic Objectives	2016/17FY		2016/17FY		Risk Movement	Management Action Plan	Action Owner	Risk Owner	Due Date
	IR Q1	RR Q1	IR Q2	RR Q2					
1. Failure to implement a ICT strategy aligned with organisation's strategy	High	High	High	High		1.Training and change management 2.Optimal allocation of budget 3.Development and implementation of business process 4. Implementation of project management frame work	MD	CIO	30 June 2017
2. Inability to optimally deliver on the service delivery mandate	High	Medium	High	Medium		1.Implementation of re fleetting strategy 2.Develop and implement effective communication strategy 3.Development of integrated maintenance plan 4.Rolling-out of change management	MD	1.GM Technical 2.GM Operational 3.CFO	30 June 2017
3. Failure to deliver on green economy programmes	High	High	High	High		1. Develop Standard operating procedures 2.Develop and implement dual fuel monitoring tool 3.Develop technical strategy to support green economy programmes 4.Educate and train mechanics and bus operators on dual fuel system	MD	1. GM Technical 2. CFO 3.GM operation	30 June 2017

4. Theft, fraud and corruption	High	High	High	High		<ul style="list-style-type: none"> 1. Centralisation of CCTV control room 2. Develop and implement security and safety awareness campaign plan 3. Develop and implement declaration of interest for both suppliers and officials 4. Complete internal control process/ plan and communicate it to all employees 5. On-going monitoring of the effectiveness of internal control plan 	MD	<ul style="list-style-type: none"> 1. CAE 2. GM: Corporate Services 3. CAE 	30 June 2017
5. Incompleteness of revenue	High	High	High	Medium		<ul style="list-style-type: none"> 1. Revise and implement revenue intervention plan 2. Develop and implement a contract management performance framework. 3. Metrobus to upgrade the current revenue collection system 4. Develop and implement Integrated maintenance plan 6. Complete internal control process/ plan and communicate it to all employees 7. On-going monitoring of the effectiveness of internal control plan 8. Finalise the new financial model as well as the new operational model. 	MD	<ul style="list-style-type: none"> 1. CFO 2. GM operations 3. GM technical 4. CAE 	30 December 2016
6. Inability to deliver on Socio - Economic deliverables	High	Medium	High	Medium		<ul style="list-style-type: none"> 1. Select bids that can be designed for SMME's and draft a Bid specification that favours SMMEs. 2. Ensure higher weight is given to large companies that develop SMME's during the bidding process. 3. Develop clear guidelines on what makes up an SMME 4. Develop and implement SMME's strategy 	MD	<ul style="list-style-type: none"> 1. Management Support 2. CFO 	30-Jun-17
7. Inadequate stakeholder engagement and relations management	High	Medium	High	Medium		<ul style="list-style-type: none"> 1. Revive code of conduct awareness campaign 2. Develop and implement stakeholder management plan 	MD	<ul style="list-style-type: none"> 1. GM Operation 2. GM Operation/ Support management 	31-May-17
8. Inadequate contracting and contract management	High	Medium	High	Medium		<ul style="list-style-type: none"> 1. Develop and implement a contract management performance framework. 	MD	<ul style="list-style-type: none"> 1. GM technical 2. GM Operation 3. CFO 	31-May-17

2.5.3 Risk overview of the unchanged residual risks

- **Failure to implement a ICT strategy aligned with organization’s strategy**

Residual risk remain unchanged when compare to the previous quarter

- There is insufficient budget to action the mitigating factors
- A business case has however been presented to the Board

- **Failure to deliver on green economy programmes**

Residual risk remain unchanged when compare to the previous quarter

- As a result of budget cut in the previous year, the refurbishment and conversion of the planned 30 busses was not done. These conversions will wait until funding is made available.

- **Theft, fraud and corruption**

Residual risk remain unchanged due to non-implementation of the action plan

- Procurement of a new CCTV contract is underway; the new specification addresses calls for a centralized control room. This will however be done in phases given the cost implications.

- **Incompleteness of revenue**

- Residual risk remain unchanged due to non-implementation of the action plan
- Metrobus and the Shareholder are mapping on a way forward regarding finalisation of the new funding model as well as the roll-out of the new operational plan.

- **Inability to deliver on Socio - Economic deliverables**

Residual risk remain unchanged due to partial implementation of the action plan

- Management is putting up plans that will ensure an increase in procurement from SMMEs.
- Current bids include the need for the procuring entities to detail how they will develop SMMEs for points; this is in the event that the procuring entity is not an SMME itself.

- **Inadequate stakeholder engagement and relations management**

Residual risk remain unchanged due to partial implementation of the action plan

- Engagements are still underway with city to obtain the marketing strategy and implement

- **Inadequate contracting and contract management**

Residual risk remain unchanged due to partial implementation of the action plan

- The approved contract management framework only been recently implemented
- Legal counsel assisting in the drafting of tighter SLAs
- Management working together with Supply chain in contract management

	Inherent risk rating assessment			Residual risk rating assessment		
STRATEGIC RISK 2016/2017FY						
	High	Medium	Low	High	Medium	Low
8	8	0	0	3	5	0
	100%	0%	0%	37%	63%	0%

The graph above indicates the relative risks of pre and post control assessment for the organisation (Inherent risks are pre control and Residual risks are post control). The analysis of the graph above indicates that Metrobus inherently operates in a HIGH risk environment as represented by **100%** HIGH risks. After taking into consideration the perceived control effectiveness that mitigate the identified risks, residually **37%** of the risks still fall within a HIGH category, while **63%** fall within Medium category.

The graphs above indicate inherent risks before consideration of the internal controls implemented and residual risks after consideration of the implemented internal controls.

Management has committed to improving the Risk environment further.

The risk action plan is monitored through risk assessments facilitated by the Risk department on a quarterly basis; these assessments evaluate the progress in mitigating the identified risks as well as testing any emerging risks. Metrobus is committed to improving the control environment and thus reducing the risks to an acceptable level.

2.6: Internal Audit Function

The primary objective of the Internal Audit function is to provide a comprehensive service to ensure adequate measures and procedures are in place for sound economic, effective and efficient management as required by the Municipal Finance Management Act (Act 56 of 2003), Companies Act 71 of 2008, Public Audit Act, Standards of Generally Recognised Accounting Practice (GRAP) and King III.

The Metrobus Internal Audit Team is a co sourced team made up of internal staff and the PriceWaterHouse Coopers Staff. The Internal Audit team performs audits according to an internal audit plan which has to be approved by the Audit and Risk Committee. The Internal audit plan sets out, among others, the audit approach, engagement team, reporting structures, the operational plan, and the three year rolling strategic plan which also includes the cost of the assignments.

The Internal Audit team worked well during the 2016 financial year end ensuring that 100% of the planned audits as per the Internal audit plan are executed. The positive impact of the Internal audit team was also seen in the results of the External audit for the 2016 financial year which saw an improvement in the audit results and the Auditor General South Africa giving the Internal Audit team and the Audit and Risk Committee as satisfactory rating at An Assurance level and at a governance level. Internal audit and Risk continues to strive to add value to the organization to ensure that a "Clean Audit "Status is achieved in the 2017 Financial year end.

2. 7: Corporate Ethics and Organisational Integrity

At Metrobus, one of our top priorities is to ensure that we have an ethical culture, where everyone understands the entity's values and feels a sense of personal responsibility for doing the right thing, in the right way. Part of having an ethical culture is communicating openly and honestly. Metrobus is supported by a strong ethics policy which promotes transparency and accountability to all stakeholders. We aim to ensure that our values guide us and permeate our culture.

The Social and Ethics Committee (SEC) of the Board is the Custodian of the entity's Ethics Code in terms of guidance and direction.

The SEC meets on a quarterly basis. Planned activities for the next SEC meeting is the final review of the SEC work plan, , the approval of sustainability strategy and the code of ethics policy roll-out ensuring that the vision and values of Metrobus are cascaded down to all employee levels.

While this report is designed primarily to meet the reporting requirement placed on the Social and Ethics Committee as guided by relevant legislation, our performance on social and ethical matters is dealt with throughout our Metrobus quarterly performance reporting. These reports cover specific strategic themes, for example our human resources management report contains full details of our efforts to develop our employees. We also have a separate transformation report to detail our progress on our transformation plan.

2.8: Sustainability Report

2.8.1 Background

The City of is committed to long-term sustainability which requires environmental consideration in the City's efforts to foster development and the delivery of services. As clearly reflected in the SDBIP, Johannesburg, like its counterparts elsewhere in the country, still has to overcome significant developmental challenges, with emphasis needing to be placed on improving quality of life and sustainability without necessary increasing resource consumption. The City faces major challenges including aging infrastructure, rapid population growth, shifting demographics, increasing land use pressures, slow economic growth and changing weather patterns. The priority of environmental sustainability and climate change is therefore concerned with advancing towards a sustainable, resilient and liveable city.

Metrobus has taken the challenge to move to a model of sustainability and ethics path to create long-term sustainable value.

The model describes Metrobus commitment to full compliance with all applicable environmental laws and regulations and the adoption of practices that increase efficiency, reduce environmental impacts, and promote the sustainable use of resources. It is also based on the principles of compliance, leadership, stewardship, and a commitment to continuous improvement.

2.8.2 Metrobus Sustainability Model

A major part of Metrobus sustainability effort has been to identify, understand and analyse drivers of sustainable organisational success which are directly linked to the achievement of our strategic goals.. The sustainability targets relate to reductions in diesel fuel consumption and reductions in greenhouse gas (GHG) emissions, as well as a focus on our facilities' environmental compliance.

The 2013 Turnaround plan includes the principle of balancing a sustainable transportation system that supports sustainable human settlements through a high quality of life, and a thriving and protected environment, with a prosperous and competitive economy.

2.8.2.1 Fuel Consumption

Fuel is one of the main cost drivers for Metrobus consuming 15% of the total operating budget. Metrobus fuel conservation efforts focus on behavioural change, encouraging efficient bus operating and reducing bus idling wherever possible. Below is the table reflecting year on year fuel consumptions patterns. The first half yearly fuel consumption results in terms of fuel consumption in litres per 100 kilometres operated show a reduction of 34% which is a huge improvement. This efficiency is reflected in 258 770 litres of

diesel saved in the first six months of 2016/17 financial year compared to the previous year's the first six months despite having operated 1 488 717 kilometres more.

Table 2.8.2.1 Year on year fuel consumption comparison

	2015/16		2016/17	
Month	Kilometres operated	Litres of diesel consumed	Kilometres operated	Litres of diesel consumed
JUL	604 430	530 907.59	1 193 415	498 057.92
AUG	831 874	519 312.24	1 010 438	504 705.11
SEP	656 269	540 215.00	522 135	368 176.00
OCT	1 277 726	550 556.00	1 264 845	478 511.00
NOV	690 279	450 297.00	1 134 240	451 735.00
DEC	261 116	290 025.00	685 338	321 358.00
Total	4 321 694	2 881 313	5 810 411	2 622 543
Fuel consumption per 100KM		66.67	45.14	

Metrobus managed to spend 66% of the allocated fuel expenditure mainly due to the development and implementation of Procedures, Controls and Check Lists especially in the diesel environment.

2.8.2.2 Facilities Maintenance

During the period under review Metrobus contracted a service provider to install new diesel tanks and fuel management system.

The old tanks had been around for more than the maximum time prescribed by law which is 25 years. The old tanks had become problematic in terms of underground water sipping into the tanks and some diesel escaping into the ground as well.

The previous contractor had to remove their tanks, rehabilitate the ground and get the whole exercise certified by the Department of Environment Affairs.

The underground tank replacement project is on-going and will be completed in May 2017 for Village Main and Roodepoort as Milpark's diesel tanks installation has been completed.

2.8.2.3 Carbon Emissions Reduction Programme

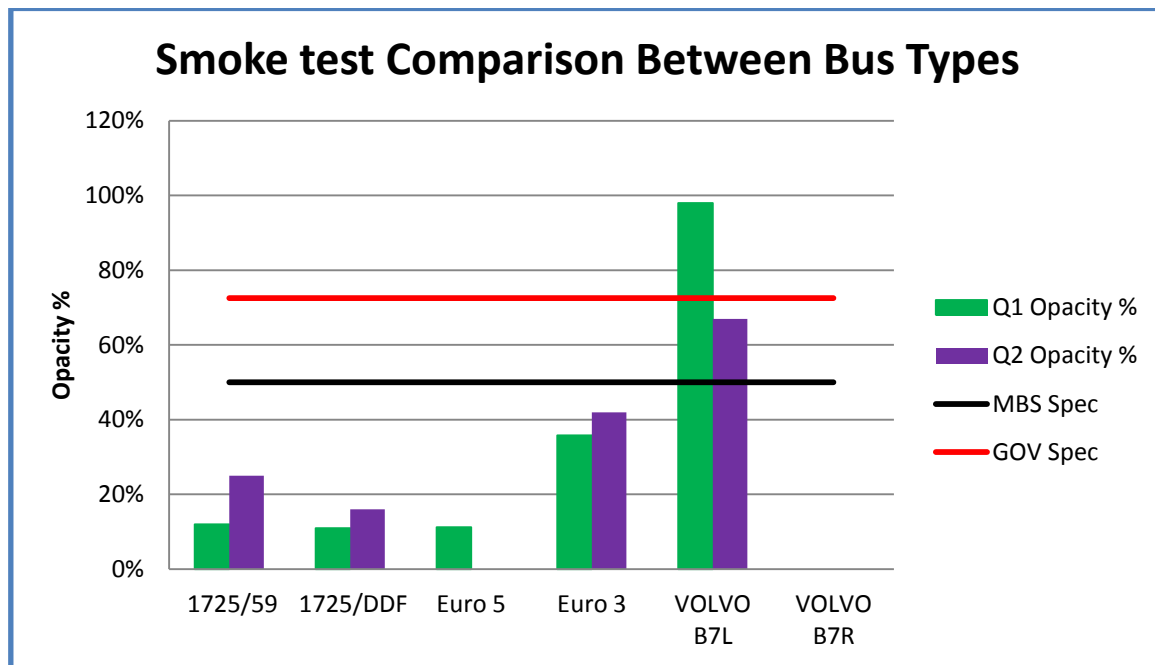
As part of an effort to calculate, define, and better understand our carbon footprint(a measure of the effect Metrobus has on the climate in terms if the amount of greenhouse gases the entity produces) , Metrobus introduced a carbon emissions reduction programme which focuses on testing Hartridge Units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

As noted above, Metrobus' largest source of emissions is from diesel fuel and results from the combustion of fuel in the engines of our buses. The Table below provides estimates for emissions from Metrobus fleet. On average Metrobus achieved maximum Opacity of 30% against the Government Spec of 72.5%. This significant achievement can be attributable to the acquisition of green buses and maintenance regime developed for pumps, injectors, Turbos which are the main contributors to greenhouse gas emissions.

Table 2.8.2.3(a): Carbon Emissions Quarterly Average

Bus Type	MBS Spec	GOV Spec	Q1 Opacity %	Q2 Opacity %
1725/59	50%	72.5%	12%	25%
1725/DDF	50%	72.5%	11%	16%
Euro 5	50%	72.5%	11%	
Euro 3	50%	72.5%	36%	42%
VOLVO B7L	50%	72.5%	98%	67%
VOLVO B7R	50%	72.5%		
Grand Total			22%	30%

Table 2.8.2.3 (b) Smoke Emission Test Results



2.8.2.4 Oversight

Oversight of sustainability is the function led by the Social and Ethics Committee (SEC) of the Board. The SEC operates on terms of the approved Terms of Reference (ToRs) and has discharged its mandate in terms of both the legislation and the ToRs. The Committee reports to the Board on a quarterly basis. One of the SEC's responsibilities is to monitor the Metrobus activities and provide leaderships on social responsibility issues, taking account of relevant legislation, other legal requirements or prevailing codes of best practice on:

- Social and economic development
- Good corporate citizenship

- The environment, health and public safety, including the impact of our activities and services
- Consumer relationships, including our advertising, public relations and compliance with consumer protection laws
- Labour and employment
 - Anti-bribery and corruption

2.9: Anti-Corruption and Fraud

Metrobus does not tolerate any form of fraud or corruption at the company. In order to enhance the controls around the deterring and detection of fraud and corruption, the company has developed a new Fraud prevention plan, Anti-Fraud Policy and response plan, Metrobus Code of conduct, and a whistle blowing policy. The implementation of these policies will ensure the eradication of corruption and fraud at the company.

2.9.1 Tip-off line

The Interventions by the Risk department to create awareness of the Tip off anonymous Hotline have increased the number of calls made to the Hot line. To date all the anonymous tips received have been related to pilferage by drivers and none issuing of tickets. Investigations have been carried out, some of which have resulted in disciplinary actions been taken against the perpetrators. The Introduction of Route inspectors by the Operations department has also seen an increase in the speedy finalization of the investigations and an increase in the Revenue generated from bus trips.

The Risk department will continue to promote the hotline both in buses and at the Metrobus buildings and bus stops. This will further be enhanced with effective Consequence management to deter those who wish to engage in unlawful behaviour.

2. 10: ICT Governance

ICT governance, awareness and the general importance of ICT in enabling business is slowly taking centre stage within the business. There is an elevated level of importance of ICT to manage the business better and efficiently. Business transformation through technology is one of the key focus areas that were adopted by the Board in the 5 Point Plan that will be central to the engagements of the Mandating Committee with the City. An ICT prioritization business case was approved by the Board, wherein it highlights focus areas of the business that needs to be automated for improved efficiencies.

The implementation and full roll-out of the project management framework with the view of entrenching standards and uniformity in the business is in progress. There is better collaboration between line function and ICT in delivering projects. During the first quarter, the enhancement of the Revenue Collection system project was undertaken with the focus on the Point of Sales equipment. The project is being delivered based on the Project Management Book of Knowledge (PMBOK) methodologies.

The revenue collection system as one of the critical business applications remain a priority in the business.

The implementation of the Fuel Management System is well underway, with the hardware having been delivered and configured. The system should be rolled out and in full utilization by January 2017.

In October the Payroll was moved from Oracle to be processed on the SAP platform at the City, in line with the vision of adopting an integrated approach to ICT matters.

Progress has been made in implementing the inter-branch telephone management system, which should assist in containing telephone costs from calls between depots and head office. The cost savings will be reported in the following quarters of the financial year.

2.11 Compliance with Laws and Regulations

- Metrobus does comply with laws and regulations in its operations and decisions. Metrobus will follow a phased approach to the introduction of compliance monitoring with the initial emphasis and focus on core and priority legislation.
- A Compliance Management Framework was approved by the Audit and Risk Committee on 8 August 2016. The Priority Regulatory Compliance universe will be further developed in conjunction with Metrobus senior management
- Metrobus compliance monitoring portfolio of evidence is maintained for future reference on a monthly basis.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.1 General Overview

The entity's core business is the provision of reliable and safe bus transport service to the citizenry of Johannesburg. Central to the fulfilment of this responsibility is the Operations Department and the Technical Services Department.

The Operations Department is responsible for the planning of routes, dispatching of buses, transportation of the citizenry of Johannesburg, supervision, inspections on route as well as the operation of a dedicated service that ensures the mobility of passengers with disabilities.

The planning or scheduling section of the Operations Department has a huge responsibility to ensure the optimal use of human resources especially bus drivers and assets which in the main refer to the buses. Both of these if not scheduled efficiently can lead to unnecessary expenses. In this regard, the entity will have to invest in a software programme which will allow our planners or schedulers to make changes to our schedules efficiently and quickly. The continued investment in the information technology to automate key operations functions is an absolute must and it can no longer be business as usual.

Furthermore, the Operations Department is responsible for compliance with laws and regulations applicable to bus operations and all road users. In this regard, the Department has to ensure that:-

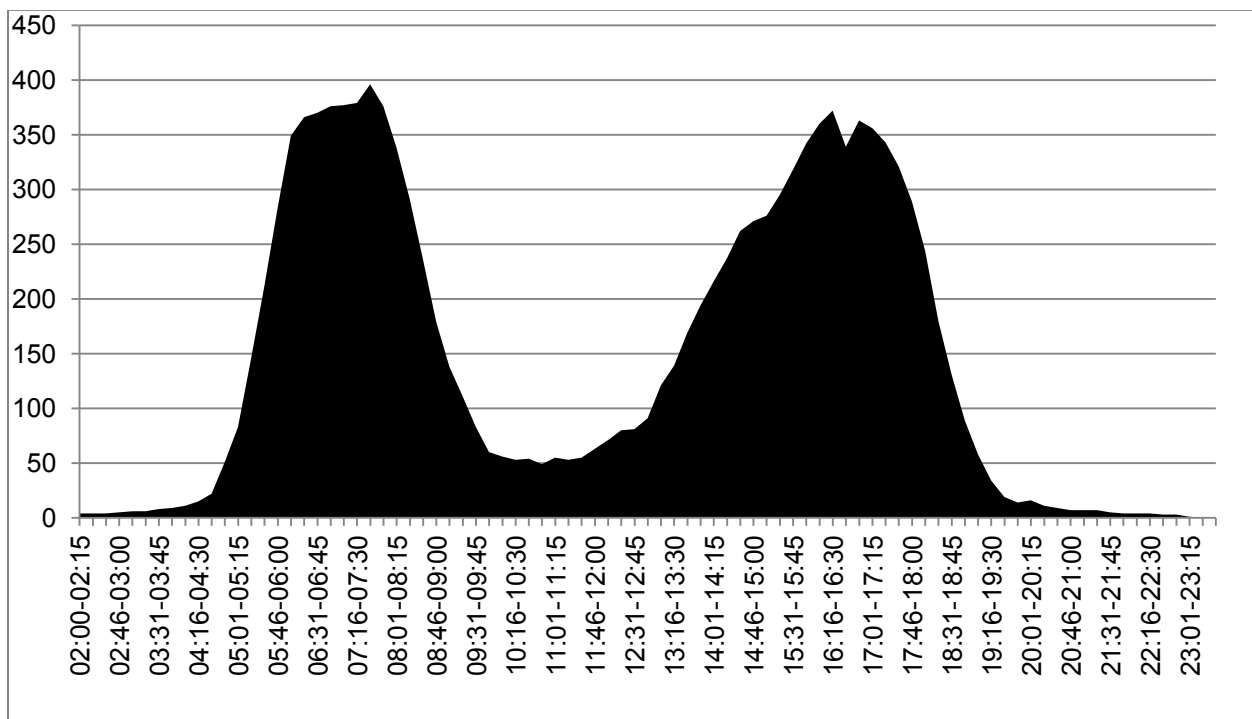
- Buses are operating with valid licenses;
- Route Operating licenses are valid;
- Drivers have the necessary valid licenses and professional driving permits;
- Fines for traffic violations are paid or deferred to the offenders especially bus drivers. If this is not done, then the proxy of the Company could possibly face arrest;
- Buses have valid Certificate of Road Worthiness (C.o.R). Our Technical Services Department ensures that buses are prepared for inspection by the Testing Stations conducting roadworthy tests.
- Annually, fares have to be increased and our fare increase proposal has to be approved by Council before it can be implemented on 1st July every year.

Tasked with ensuring that operational fleet requirement is provided is the Technical Services Department (TSD) which is the organization’s support mechanical engineering arm responsible for the regular maintenance and repairs to the entity’s fleet. The TSD is tasked, primarily with the Cost effective maintenance of buses i.e. ensuring that the buses are Available to the Operations Division and that the same buses are Reliable (no Breakdowns), and are Environmentally friendly (Clean and Pollution-free), and above all Safe for the commuters, public and our employees.

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

Currently Metrobus’ peak travel demand is as highlighted in the figure below.

Figure 3.1: Peak Travel Demand



Metrobus success in achieving the mandate is driven by the following factors:

- Number of buses available (Fleet capacity)
- Condition of available buses
- Correct scheduling of buses
- The quality of service
- Passenger information
- Bus operations (drivers, managers and scheduling))

Table 3.1.1: Fleet Capacity

Availability	Milpark	RP	VM	Total
For Operational Use	212	71	203	486
OOO	57	12	59	128
Peak Requirement	171	55	155	381
Available To Operations	155	59	144	358
Variance	-16	4	-11	-23

The excess capacity at Rooderpoort will be reallocated to the other two depots depending on the demand.

Table 3.1.2: Non-operational (Out of Commission) Buses History

Count of Bus Type	Month						Grand Total
	Jul	Aug	Sept	Oct	Nov	Dec	
ERF STB		1					1
MERCEDES BENZ 1725/59	31	25	35	42	35	34	202
MERCEDES BENZ 1725/DDF	1	4	7	13	5	6	36
Mercedes Benz 1726 Euro 5	8	9	8	18	24	11	78
Mercedes Benz 1738 Euro 3	3	4	3	4	8	1	23
MERCEDES BENZ 407		1					1
VOLVO B10M	1	6	3	3			13
VOLVO B7L	65	65	70	78	58	65	401
VOLVO B7R	17	16	18	22	15	11	99
Grand Total	126	136	144	180	145	128	859

To meet the current peak demand in the existing routes, the Operations Department requires three hundred and eighty one (381) buses to run all scheduled 229 390 planned trips for the first half of the year and an average of 330 buses (301 in the first quarter and 358 in the second quarter) operational buses were available. The operational shortfall for second quarter was twenty three buses (23) against the shortfall of eighty (80) buses experienced in the first quarter. 71% reduction in non-operational buses is a significant improvement. The average number of non-operational buses over the period under review was 143. The highest number of non-operational buses comes from the 16 year Volvo B7L (double deck buses) as well as 10 year old Mercedes Benz 1725/59

In the first six months of the financial year the Technical Department put a lot of effort in programs that ensures limited breakdown, smoke emissions reduction and fuel consumption management. The fleet availability to operations is hampered by the age of the fleet which makes it prone to frequent breakdowns. The biggest percentage of breakdowns comes from the older buses and in particular the B7TL and the 1725's (see Table 7). The biggest cause of breakdowns is overheating.

3.1.3: Breakdowns Trend

Bus Type	Jul	Aug	Sept	Oct	Nov	Dec	Total	Age
ERF STB			1	1		1	3	22
MERCEDES BENZ 1725/59	39	59	87	72	57	36	350	10
MERCEDES BENZ 1725/DDF	8	20	20	31	43	20	142	10
VOLVO B10M	2	9	3	2	3	1	20	21
VOLVO B7L	50	63	83	89	89	49	423	16
VOLVO B7R	10	12	31	26	21	11	111	16
Mercedes Benz Euro 3	5	6	7	3	3		24	1
Mercedes Benz Euro 5	7	16	17	7	21	10	78	0
Grand Total	121	185	249	231	237	128	1151	

The main reasons for the breakdowns are Overheating, Fuel issues, Air pressure, and no power.

In the previous financial year Metrobus engaged the services of Intern management practitioners from the University of Johannesburg to do an analysis on breakdowns and the overall reliability of the fleet. This has resulted in the proposal to introduce a Reliability unit within TSD to reduce breakdowns and increase availability and accountability to providing safe and reliable transport. This department will result in consolidating our resources to ensure that each bus is inspected twice a month, the Service and COF schedules are efficiently and effectively maintained.

3.2. Highlights and Achievements

3.2.1 Passengers Conveyed

A total of 2 375 704 passengers (including transfers) were transported for the quarter against the target of 3 million passengers. The contributing factors for not meeting target were:-

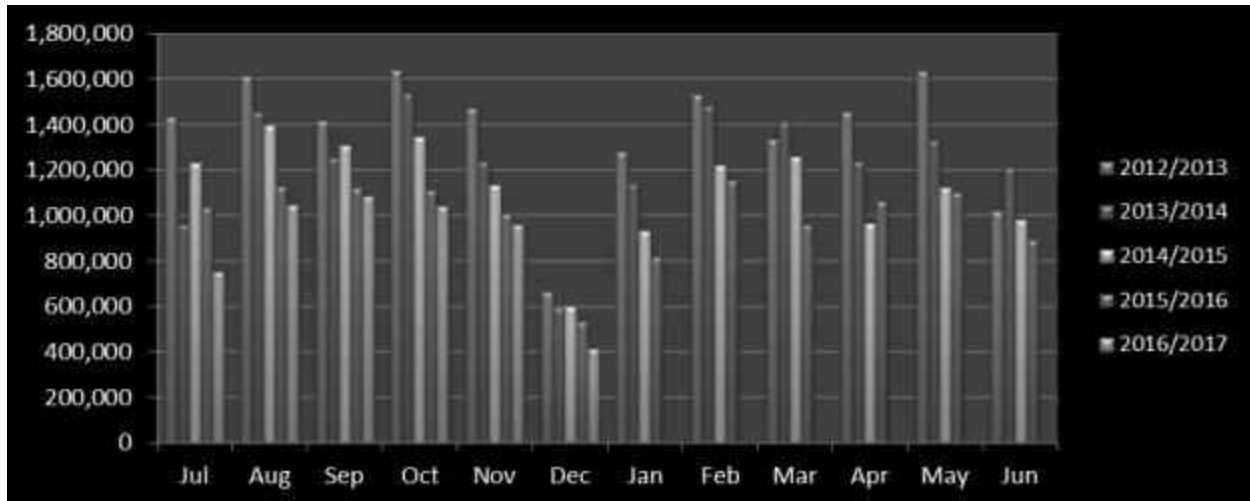
- The fees must fall protest did have an effect on the number of passengers being transported for the quarter. When it did end it was during examinations period which meant that students only went to write exams and not to attend lectures.
Students travelling on Metrobus to attend the different Universities and FET Colleges in the City come from all parts in the City. Metrobus services different routes from the South and West of Johannesburg. For example a bus travelling from the West of Johannesburg (i.e. say route 412 Witpoortjie - Ghandi Square and vice versa) will carry students that will alight at UNISA Campus in Florida, UJ, Wits and several FET colleges in Johannesburg. The same bus on a return leg will do the same probably including patients to Helen Joseph hospital ending up dropping students UNISA Florida including Monash University. On busier days the depot can actually run short trips ending at Helen Joseph back to Ghandi Square with few (i.e. 2 or 3) instead of all 8 buses. The rest of the scheduled buses will still longer trips to Witpoortjie/ Westgate.
- The December month as well also brought just under 500 000 passengers which is less than half the passengers being transported on monthly average in the months before;
- The bus fleet reliability has substantially improved with the arrival of the new fleet. The number of breakdowns that still take place still has effects on some of the captured customers.

The following graph reflects the declining passenger numbers. Though this reflects the seasonal trend, the fees must fall campaign by the students did have an impact as well on this numbers. There is a sharp decline in the month of December. This trend is expected to be on the upward swing from the month of January 2017. It is anticipated that these numbers will exceed 1 million passengers again on a monthly basis.

Table 3.2.1 Number of Passengers Ferried

Description	Q 2 (3 months) October - December 2016			Year To Date		
	Target 2015/16	Actual 2016/17	Variance to target	YTD target	YTD Actual	YTD Variance
Passengers	3 000 000	2 375 704	624 296	7 000 000	5 256 584	1 743 416

Figure 3.2.1: Passenger Trends over the Last Four Years



The figure above highlights a declining trend in patronage which can be linked directly to the entity's decline in reliability of the bus service over the years as well as the aging of operational fleet.

3.2.2. Reliability of Service

Reliability of Metrobus service is measured by the number of scheduled (planned) trips successfully operated. During the first six months a total of 207 552 scheduled trips were operated successfully out of a total of 225 390 scheduled trips. This translates to 92% service reliability during the first half of the year.

The reliability of the service has been impacted by the non-availability buses. On average, Metrobus has had an average of 143 buses out of commission for different reasons, which leaves the entity with the fleet availability of 358 operational buses. This results in an operational shortfall of 23 buses.

The gains of the additional fleet are starting to show as can be seen in the increase of 2.9% in scheduled trip adherence from an average of 88% in 2015/6 to 92% average in the first half of 2016/17 financial year.

Table 3.2.2 Reliability of Service

	October - December				Year to date			
	Actual 2015/16	Actual 2016/17	Target 2016/17	Variance to target	Actual 2015/16	Actual 2016/17	Target 2016/17	Variance to target
Percentage Reliability	88%	93%	95%	2%	90.1%	92%	95%	3%

3.2.3 Attracting More People to Our Buses

Metrobus service reliability has improved by 4% but patronage is still on the decline. An aggressive plan to recapture passengers who were forced to use alternative transport due to non-reliability challenge; and

to attract new passengers has to be put in place as a matter of urgency. Metrobus is working with Department of Transport marketing team developing of a marketing and communication strategy to reposition the entity. Terms of Reference for the procurement of a Marketing and Communications Agency who will assist in the development and execution of a comprehensive marketing and promotional campaigns and advertising of Metrobus services is in progress. Also a communication plan with targeted messages has been drafted and once approved, it will be implemented

One of the key elements identified as critical for this project is the outcome of the customer satisfaction survey which has to inform Metrobus passenger profile; Passenger awareness of Metrobus service improvement and integrity tools like Tip off anonymous, Commuter Forum, Call Centre, complaints handling procedure, service standards etc.

The development of the marketing and communication strategy is a long process, in the interim Metrobus has strengthened its campaigns around creation of awareness with regards to Hotline, Call Centre, Commuter forum as well as publishing the Customer Charter that will be published in the third quarter

3.2.4 Staying connected

In June 2016 the City launched a Vaya Moja App to improve and support seamless travel on public transport in the City. This app provides information on routes and fares of both the Rea Vaya BRT system and the Metrobus service. It is expected that by the end of the year the app will have “track my bus” functionality. The app is already up and running and is available on both Android and IOS platforms and can be downloaded for free.

Following the launch of the Vaya Moja App in June 2016 we have seen an uptake in the downloading and use of the app. As at 30 September 2016, we had 427 downloads for Android and 1500 downloads for Apple. Metrobus normally distributes approximately sixty thousand timetables per quarter and with the introduction of the app it is estimated that the costs of printing timetables will be reduced significantly as more passengers download the app. The target is to ensure that by the end of the financial year the buses will have fully operational “track my bus” functionality.

The installation of a Tracking device in most buses has been completed; however Tracker has picked up some installation issues that they will have to rectify. Demonstration of the new functionality will be on the 26th of January 2017 and if successful, the new app will be ready on the 14th of February 2017.

On-going awareness campaigns are in place. From the second quarter Metrobus put notices on buses to promote downloading and use of the app that enables commuters to access time tables, zones and fares using their cell phones. Also commuter forum discussion agenda includes this item.

Despite these actions, there is still a huge demand for printed timetables. A review of our customer engagement activities is currently under way to assess other alternatives of promoting the new Vaya Moja application. With uptake in the use of the Application we are likely to see reduction in the use of printed timetables.

3.2.5. Safety and security Issues

Safety remains one of Metrobus top priorities in order to ensure that our passengers arrive safely at their destinations and that our employees work in a safe environment. Recent improvements to the entity's

practices including driver training helped the entity to better managed safety throughout the operating environment with fatalities reported over the last twenty (20) months.

3.2.5.1 On board security incidents

On board security incidents are incidents of criminal activities; threats of security and violation of passenger safety (other than an accident) on route. No incident was reported during the first six months of the 2016/17 financial year.

3.2.5.2 Accidents

While vehicle accidents are unfortunately inevitable, during the period under review 0.081 blameworthy accidents were recorded per 100,000 kilometres against a target of 0.75. This actually means that during the operation of 54.3 million kilometres between July and December 2016, we experienced 44 accidents. In most cases these accidents are of a minor nature without any injuries being sustained. The traffic congestion within the City's boundaries is a contributing factor.

Table 3.2.5 (a) Safety and security

	Quarter 2(3months)				YTD (months)			
	Actual 2015/16	Target 2016/17	Actual 2016/17	Variance	Actual 2015/16	Target 2016/17	Actual 2016/17	Variance
Security incidents	0	0	0	0	0	0	0	0
Accidents/100,000 km (safety)	0.63	0.75	0.94	-0.19	0.50	0.75	0.81	-.06

3.2.3 Customer Satisfaction:

3.2.3.1 Passenger Complaints

Customer satisfaction is measured by two elements: Number of customer complaints received and customer satisfaction index. Metrobus conducts customer satisfaction survey once a year, in the fourth quarter. A total of two hundred and eighty one (281) complaints were attended to during the first half of the financial year compared to eight hundred and forty five (845) passenger complaints received for the same period in the previous year. The decrease in number complaints could be attributed to effective inspection and monitoring. These 281 complaints in the main are as a result of the reliability, customer care and damaged tags for the period.

Reliability = 39%

Customer Care = 33%

Damaged Tags = 28%

A new inter fare collections system is imperative to correct the main challenges around damaged tags.

The passenger complaints reduction significant in the reliability category could be attributed to improved reliability, introduction of Vaya Moja App, effective on-route inspection and monitoring.

3.2.4. Communication and Engagement of Commuters

On a monthly basis Metrobus meets with the Commuter Forum which is made up of regional commuter representatives to discuss bus service provided by the entity and to listen to the views of the commuters on how to improve the service. The process of redefining the Terms of Reference of the forum is in progress. This process will be followed by reconstituting the forum. In the third quarter Metrobus will embark on Regional road shows to create awareness of the Forum and its role before it is reconstituted.

3.2.5. Governance and Compliance

3.2.5.1 Operating Licenses

Buses are required to have valid permits to convey passengers. The NLTA requires that these permits be converted to operating licences and during the previous year 213 permits were converted to operating licences. The application for the conversion of the remaining permits has been made and is in the process of being finalised by the authorities. The department of transport will be engaged to ensure that this process is concluded as soon as possible.

3.2.5.2 Traffic Fines

Some of our drivers receive fines for traffic violations which they are responsible for settling. There is a correlation between blameworthy accidents caused by drivers and the traffic fines issued to them. The entity is focusing seriously in this regard in ensuring that unacceptable driving behaviour is dealt with especially in view of the fact that drivers were trained in the first three periods of the previous financial year.

3.3. Service Delivery Challenges

The following delivery challenges experienced in the first six months are but not limited to the following:

- **Inadequate fleet capacity to operate scheduled trips.** The reliability of the service has been impacted by the non-availability of an average of 51 buses per day. The one hundred and seventy five (175) new buses against the fleet requirement of three hundred and eighty one (381) buses are not enough to operate all scheduled trips and Metrobus continues to rely partially on old fleet. The aged fleet continues to experience breakdowns.
- **The ICT infrastructure is in bad state and has a pervasive effect on the entire business.**

This is high priority for the organization and there has to be significant investment in the ICT infrastructure in order for a stable base of reporting to be set. There has been significant improvement in the interfaces in the system however; there is need for investment in the infrastructure especially in the bus operating environment including revenue collection as well as fleet management.

- The new culture of employees embarking on wildcat or illegal industrial actions whenever Metrobus is implementing strategies to improve Metrobus performance. This is addressed through disciplinary policy and on-going engagements with Organised Labour.
- The fees must fall protest did have an effect on the number of passengers being transported for the quarter. When it did end it was during examinations period which meant that students only went to write exams and not to attend lectures;
- The December month as well also brought just under 500 000 passengers which is less than half the passengers being transported on monthly average in the months before;
- Recurrent breakdowns in high capacity buses (16 year olds double decks)

3.3 Performance Improvement Strategies

3.3.1 External Inspectorate

In July 2016, Metrobus contracted independent company to carry out inspectorate services on behalf of Metrobus to ensure that Service Delivery Agreement objectives are met by the entity. The main focus during the six months period was in the following areas:

- Ticket and Pilferage related matters
- Revenue collection machines functionality
- Driver behaviour
- Technical defaults

Figure 3.3.1 (a): Ticket and Pilferage related matters

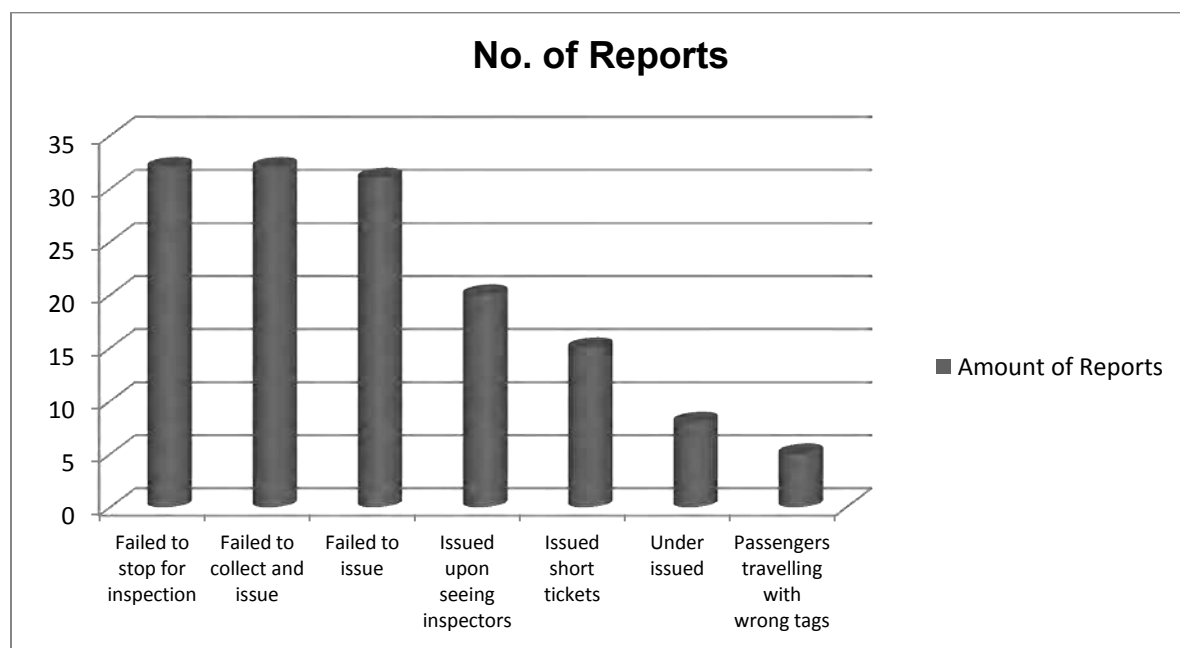
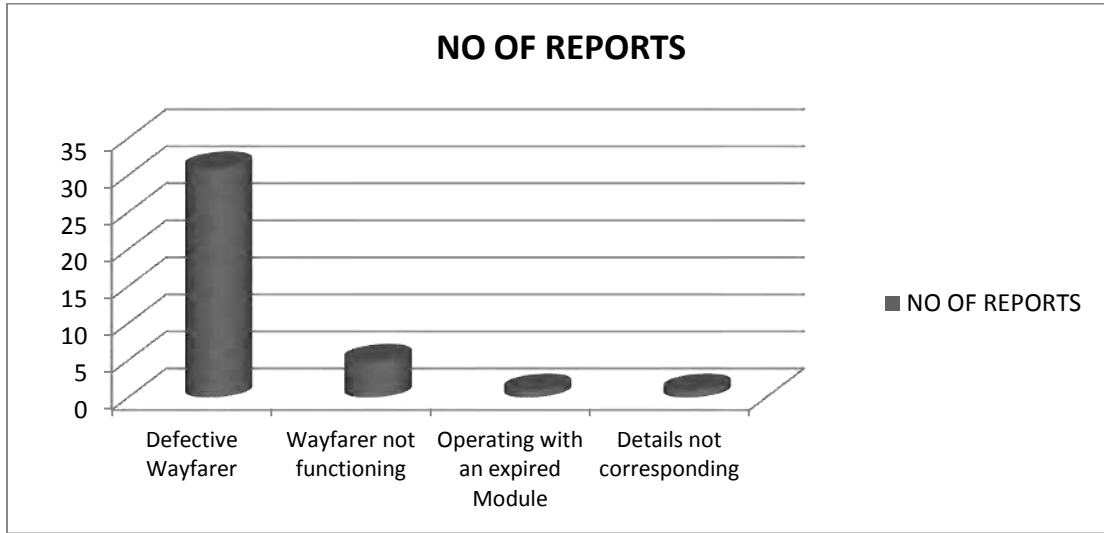
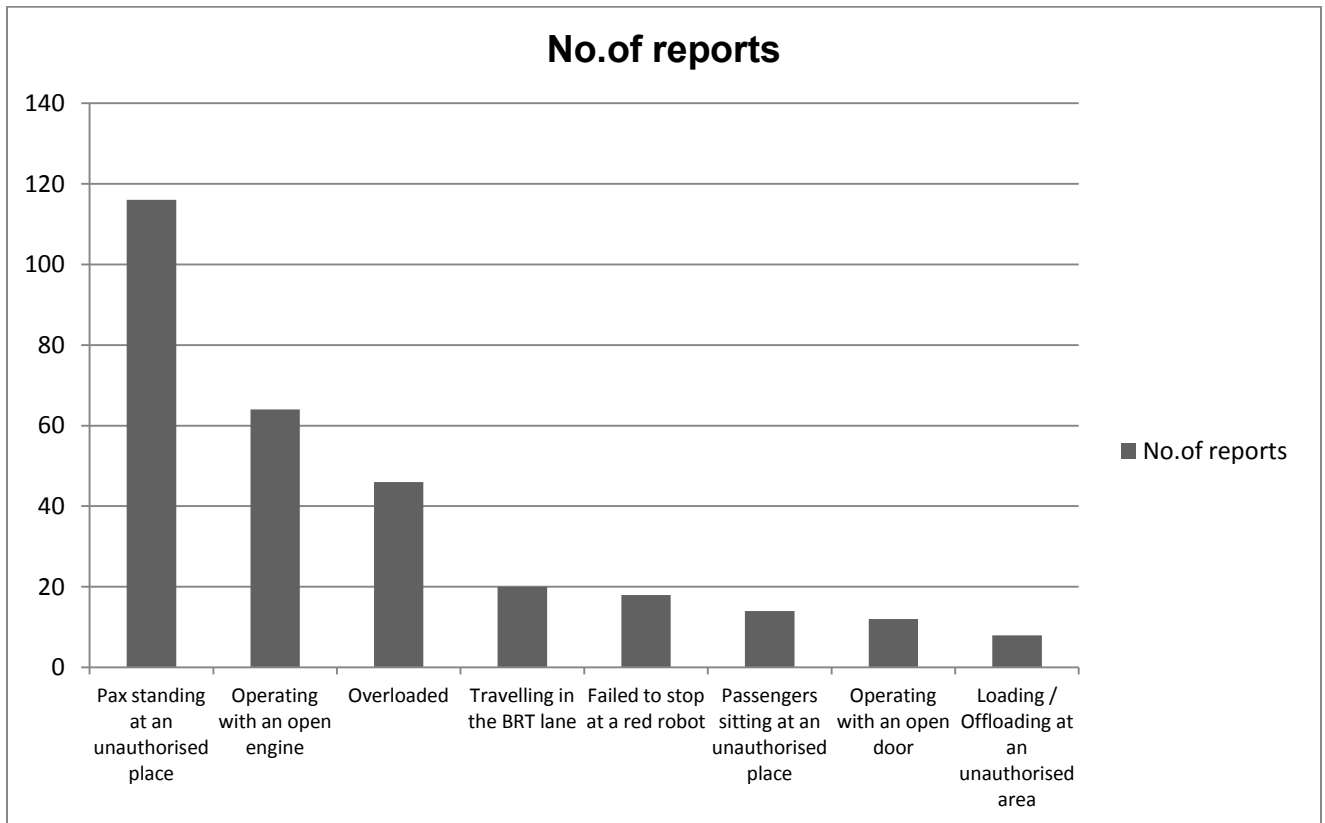


Table 3.3.2 (b): Revenue Collection System Functionality



The defective wayfarer machines remain one of the most significant challenges for Metrobus to collect all revenue due.

Table 3.3.2: Driver and Passenger Behaviour



Metrobus strategy is to ensure that by the end of the third quarter; revenue collection related matters and driver/ passenger behaviour matters are reduced significantly. This will be achieved through on-going communication and adherence to disciplinary code.

3.3.3 Technical Services Department (TSD) Working Hours

The longest time in a day in which an artisan can attend to a bus is during the night.

Metrobus is engaging with Organised Labour on a proposal to introduce shifts from 20:00-04:00. Buses will then be ready for Operations as from 04:30 daily. This plan might have some financial implications with regards to night shift allowance but with huge returns on bus availability.

3.3.4 Establishment of a Reliability Unit

Metrobus is in the process of establishing a reliability unit. The Breakdown situation can be alleviated by a fully functioning Reliability Unit. Reliability Unit will help in identifying problems before they occur.

3.3.5 Engine Modification

We will be looking into the modification of the engine compartment to increase the airflow and reduce the accumulation of heat. Busmark modified the engine compartment of a double-deck bus 5012 (for free) a year ago and that eradicated the overheating of the bus. Engagements with Labour Union and the Board regarding this matter are underway. A presentation was done at the Union Management Meeting in December 2016.

There will be further engagements to ensure that this can be implemented as soon as possible.

3.3.6 Route Optimisation and Shift Picking

Metrobus has embarked on a route optimisation exercise to ensure that scheduling of buses and route planning is determined by the demand as well as reduction of non-revenue kilometres. This will result in the reduction of repositioning kilometres, Operations Department Overtime piloting of some lucrative routes from the new operational plan as well as improved service frequency.

3.3.7 On-going Engagements with Key Stakeholders

For all these improvement strategies to be successful, on-going consultation and communication with key role players (Metrobus employees, Labour Unions Passengers, Passenger representative bodies) is critical. This is part of the communication plan drafted by Metrobus in collaboration with Transport's Marketing Department.

3.4: Game Changers

Communication was identified as the most critical game changer for the City of Joburg in order to close the gaps between perceptions, trust and confidence that people have in the City and the actual experiences. In an effort to improve communication challenges facing the City and engage the citizens Metrobus performs the following:

- **Swift response to Media queries.** Media queries and articles were monitored closely and responded to swiftly.
- **Branding and advertising:** Metrobus collaborates with Rea Vaya and the City Marketing Department in communicating with the stakeholders.
- **SMME Development - Jozi@Work:** In line with the City economic development, Metrobus identified for bus cleaning and supply of consumables as a work package for Jozi@Work. The three SMMEs that were appointed for a in April 2016 at three Metrobus depots: Roodepoort; Milner Park and Village Main under Region C and F are still running. Their contracts expire in April 2016. Thirty nine (39) jobs have been created. The Capability Support Agent in this contract Busmark continues to support these SMMEs.

Below is the summary of Jozi@work contracts:

Enterprise	Depot	No of jobs
Singalakha Ikhaya General	Roodepoort	9
Mageba and Mbuyisa Enterprise	Milnerpark	19
WAF Building Construction	Village Main	11

- **Service disruption communication:** All potential work stoppages are monitored closely in order to communicate to the commuters via print, radio and Television media prior to the time scheduled for buses to allow commuters to make alternative arrangements. The website has been upgraded.

3.5 Performance against SDBIP (Scorecards)

3.5.1 Company Scorecard

Metrobus', 201/business plan is particularly aligned to the City's priority areas and ultimately, the GDS 2040 outcomes relating to economic growth and sustainable human settlements. To manage the execution of the strategy, Metrobus has developed a Corporate Scorecard which is premised on a set of strategic levers. These Strategic levers will serve as programs of action for the period of the current strategy period. Total Key Performance Indicators (KPIs) on Metrobus five year strategic document is 40 but only 23 are included in the Metrobus scorecard with the remaining indicators incorporated in various departmental day to day as well as individual executive management scorecards.

Below are the strategic levers Metrobus is focusing on:

Program	Description	<u>No of high level KPI's</u>	<u>Number achieved</u>
<ul style="list-style-type: none"> • Program 1: 	Customer service, stakeholder engagement and communication	7	4 out of 6 as one is only measured at year end

			therefore is not applicable in this quarter
• Program 2	Innovation and the green economy	1	1
• Program 3	Enterprise development and job creation	2	2
• Program 4	Financial management, viability and sustainability	4	2
• Program 5	Operational excellence	4	4
• Program 6	Technology and business enablement	2	1
• Program 7	Institutional planning, transformation and organizational development	3	1 out of 2 as the 3 rd is only measured at year end therefore is not applicable
	Aggregate	23	16 out of 21 applicable in this period

3.5.2 Performance against Company Scorecard

A total of twenty one (21) KPIs were measured in the first six months and fifteen (15) KPIs were achieved. The unachieved KPIs relates to reliability of service, ICT environment, Human resource planning as well as financial performance. Detailed performance measures attained for the three months against predetermined objectives and corrective measures planned are detailed in **Annexure A** attached to this report on page 66.

Below is the summarized organizational performance against various programs

Summary	Total No of KPIs measured	KPIs achieved
Number of KPI's measured	21	15
% achieved	100%	71%

3.6 Performance against Service Standards

A total of ten (10) service standards were agreed upon between Metrobus and the City in the 2016/17 Shareholder Compact. Metrobus achieved seven out of ten service standards, that is, 70%.

Table 3.4 Performance Against Service Standards

Core business	Service Standard	Status	Comments
Reliability of scheduled trips	<ul style="list-style-type: none"> 98-100% arrival of scheduled trips monthly 	✘	Metrobus managed to operate 92% of the scheduled trip
Bus timetable	<ul style="list-style-type: none"> 98-100% adherence to daily bus schedule (<5 min headway) 	✘	With the current shortage of buses, Metrobus only operated to 92% of scheduled services.
Bus safety	<ul style="list-style-type: none"> Accident rate: <0.75 per 100,000 bus-km per month. 	✔	Metrobus' accident rate was 0.75 per 100 000 bus km per month.
Information availability	<ul style="list-style-type: none"> To display information/timetables at all bus facilities "Metrobus app" to be developed and introduced 	✔ ✔	Metrobus distributes information and timetables at its major service points (Ghandi square etc) and puts notices on buses. The total number of timetables distributed in the third quarter is 61 400 against a total of 50 000 Vaya Moja App was launched in June 2016 and Metrobus passengers are downloading the app.
Driver competency and etiquette	<ul style="list-style-type: none"> 0% incidents of traffic fines due to absence of driver licenses (i.e. PrDP) and other similar traffic infringements. 	✔	No bus driver is allowed to drive a bus without a PrDP
Cancelled trips	<ul style="list-style-type: none"> 95 % operation of scheduled trips monthly 	✘	17 830 trips representing 8% were cancelled out of the total planned trips of 225 390 due to shortage of buses
Safety of commuters	<ul style="list-style-type: none"> No mugging incidents on buses Driver panic buttons Enforcing of bus seating-standing in line with applicable regulations 	✔ ✔ ✔	No mugging incidents on buses were reported Metrobus fleet does not have panic buttons but all bus drivers have cell phone devices on speed dial to communicate in case of emergencies. Buses do not leave the depots without the carrying capacity notification

3.5: Capital Projects & Expenditure

A total of R46.3 million was budgeted for the second quarter and 137% of that budget has been spent. Below is the detailed allocation of Capital expenditure:

Capital Expenditure: Metrobus Services									
Capital Projects	2016/17								
	Annual Budget	Q2 Budget (20%)	Quarter 2 Actual Expenditure	Variance from original budget	Variance	YTD Budget (50%)	YTD Actual Expenditure	Variance from original budget	Variance
Total All	231 610 000	46 322 000	163 796 553	-117 474 553	-137%	115 805 000	228 480 713	-112 675 713	-97%
Building - various upgrades	1 200 000	240 000	153	239 847	90%	600 000	188 000	412 000	69%
Gear box replacements & Engines	2 610 000	522 000	2 610 000	-2 088 000	-233%	1 305 000	2 610 000	-1 305 000	-100%
Furniture replacements	400 000	80 000	7 000	73 000	82%	200 000	29 000	171 000	86%
IT Equipment	300 000	60 000	-	60 000	-254%	150 000	318 713	-168 713	-112%
Computer software	-	-	-	-		-	109047	-109 047	
Plant and Machinery replacement	300 000	60 000	-	60 000	100%	150 000		150 000	100%
Replace vehicle fleet	300 000	60 000	-	60 000	100%	150 000		150 000	100%
Purchase of new Buses	226 500 000	45 300 000	160 701 793	-115 401 793	238%	113 250 000	226 500 000	-113 250 000	-100%

The organisation is in the process of finalising the procurement processes for the line items which have had no expenditure to date.

3.7 Supply Chain Management

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

- The evaluation of bids is based firstly on functionality, then price and BEE in accordance with National Treasury circulars.
- The adjudication process is applied as per the MFMA and as per the Supply Chain Management Policy, as adopted by the Board of Directors in 2016.
- Declaration of interest certificates are required for all parties registering on the Metrobus Supplier Database.
- BBBEE is calculated and based on information received from the suppliers, and verified by certificates confirming their BBBEE status where possible.
- The latest Internal and External Audit Reports have identified areas for improvement which are being addressed.
- Estimated budget is allocated in terms of the draft specification of bids to be advertised.
- All procurement committees' members are duly appointed by the Accounting Officer (Managing Director) as required by the Supply Chain Management Policy.

The SCM unit remains a challenge for the organisation. The AGSA raised the need to ensure that the environment is improved in order for the organisation to attain a clean audit. The recruitment of the Demand and Acquisition Specialist has assisted the organisation in ensuring the effectiveness of the Unit. The process of recruiting a permanent SCM Manager has commenced and the process should be finalized in the 3rd quarter. There was irregular expenditure amounting to R 5 217 331 mainly due to some contracts which were extended whilst awaiting the finalization of the procurement process.

3.7.1 BBBEE Expenditure

The organisation procured goods amounting to R 132 962 502 @ average BBBEE of 103%. The entity is still continuing with its Jozi@Work programme where three service providers render cleaning services at the three depots of the organization. The challenge which is currently being experienced is the finalization of the bids above the threshold due to shortage of capacity in the organization. The only setback within the organization is that the Supply Chain Manager left the organization at the end of September and this created a gap with regards to the status of the SCM matters.

Total payments made during the quarter amount to R127.2 million of which R126 million (99%) was spent on all level 1 to 5 BBBEE service providers. Using the National Treasury BBBEE expenditure measurement framework where 75% percentage achievement reflects poor performance and 135% reflects excellent performance, Metrobus achieved 115% which above the acceptable target of 105%.

3.7.2 Contract Management

Metrobus has fourteen (14) contracts recorded in the contracts register. Budget overruns and contract expiry dates are monitored closely to avoid unnecessary deviations. Process of issuing tenders that have expired is underway. A complete contract register is being compiled by SCM and Legal Counsel advises on steps to be taken to regularize and assist with drafting of contracts for all.

Two contracts were awarded in the first quarter of 2016/17 financial year. Information on contracts awarded can be found in Metrobus' and /City's website.

3.8: Statement of amounts owed by and to Government Departments and Public entities

For the period under review, Metrobus does not owe any Government Department or Public Entity

Table 3.8: Details of amounts owed to Metrobus

Government Entities owing Metrobus as at 30 December 2016								
Customer	Outstanding		1-30 Days	31-60 Days	61-90 Days	91-180 Days	81-360 Days	361+ Days
	Amount	Current	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due
Department of	25 901	-	-	-	-	-	-	25 901
Metrorail	228 215	-	-	-	-	-	-	228 215
Department of	-	-	-	-	-	-	-	-
Office of the F	94 850	-	-	-	-	-	75 000	19 850
Provincial gove	7 000	-	-	-	-	-	-	7 000
Department of	11 560	-	-	-	-	-	-	11 560
D20/95-Eldora	43 717	-	-	-	-	-	43 717	-
	411 244	-	-	-	-	-	118 717	292 526
COJ and its Entities owing Metrobus as at 30 December 2016								
Customer	Outstanding		1-30 Days	31-60 Days	61-90 Days	91-180 Days	81-360 Days	361+ Days
	Amount	Current	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due
COJ-Mayor	370 820	5 750	-	-	-	-	228 390	136 680
COJ -Office of	15 480	2 040	-	-	-	13 440	-	-
JDA	6 320	-	-	-	-	-	6 320	-
JOSHCO	-	-	-	-	-	-	-	-
JHB City Parks	-	-	-	-	-	-	-	-
Johannesburg	7 540	2 950	-	-	-	4 590	-	-
CoJ - Commun	11 180	-	-	-	-	4 860	6 320	-
City of Johann	30 180	4 400	-	-	-	-	-	25 780
JHB Roads Ag	-	-	-	-	-	-	-	-
COJ-Housing	-	-	-	-	-	-	-	-
COJ-Health	-	-	-	-	-	-	-	-
CoJ - Social D	-	-	-	-	-	-	-	-
Economic Dev	-	-	-	-	-	-	-	-

The long-outstanding debtors are being escalated to Head of Departments and Entities and in some difficult cases Group Reporting is always requested to assist especially with the ones that are older than 180 days. Group Reporting will be holding an all-inclusive meeting to ensure that the entities have an agreed upon position failure of which will result in these amounts being written off.

CHAPTER 4: HUMAN REOSRCES AND ORGANISATIONAL MANAGEMENT

4.1 HUMAN RESOURCES MANAGEMENT- OVERVIEW

During the period under review Metrobus finalised the process of migrating payroll data from the Oracle payroll system to SAP Payroll system in line with the resolution of the Board. This has captured a lot of attention and excitement among employees. The primary focus was on migrating data from ORACLE to SAP including ensuring that credible and accurate data is migrated to avoid mishaps during the first payroll run on SAP that took place in the payroll run of October 2016. In order to ensure stability, parallel payroll runs on both Oracle and SAP will be embarked upon probably for the month of October 2016 only and employees are paid on SAP Payroll since.

Following successful migration of all staff on the SAP payroll system and attainment of stability thereof, focus will turn towards stabilising the personnel structure, further training and development of HR staff on SAP and making sure that there is zero tolerance for errors on our payroll system by incorporating and implementing all concomitant quality assurance systems in this regard.

Significant amount of work was done including dealing with the human side of this change by conducting change management sessions and briefing sessions with Organised Labour (OL) and staff in general. It is essential to report that at least 90% of all work stations have now been reached by these change management and information sessions where employees had an opportunity to listen to presentations and interact with the SAP migration team during the questions and answers sessions.

All Metrobus employees, Board members and the Executive were uploaded on the SAP system and have been live on SAP system since October 2016. The following are numbers of employees that were reached through the change management processes:

#	Depot	Date	Number of employees
1	Milpark	21 September 2016	156
2	Randburg	22 September 2016	63
3	Village Main	23 September 2016	88
4	Head Office	21 September 2016	19

Notes: The total number of employee reached during the change management workshops held with employee to explain the migration from ORACLE to SAP and the changes on their payslips.

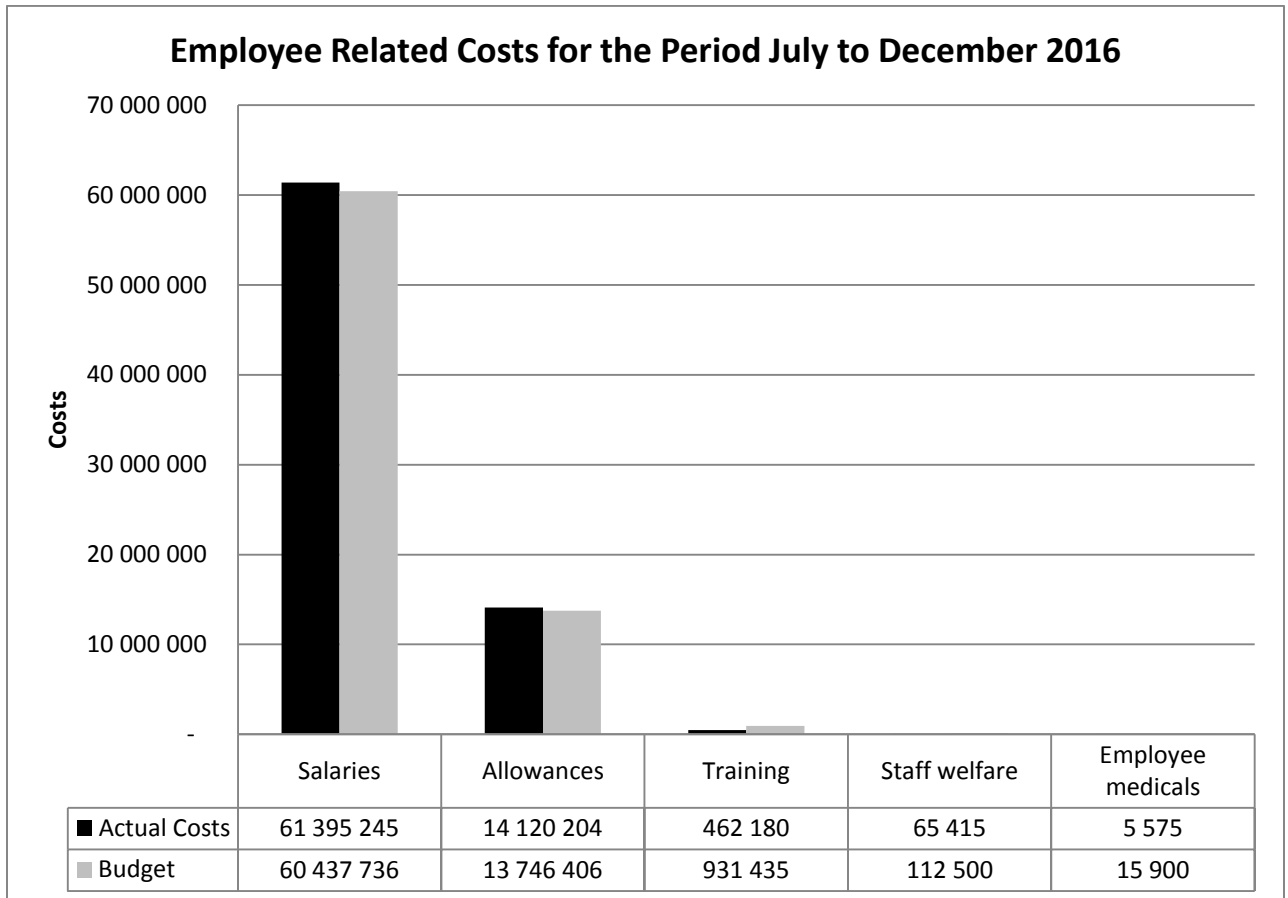
In addition, focused training for users within Corporate Services was conducted and all users within Metrobus Human Resources have underwent training on SAP and the City has been kind enough to agree to provide mentoring and on the Job training to all HR users during the transitions and once there is comfort that the Metrobus users have grasped and are able to run on their own will the resources be scaled down.

Added to this,, a Frequently Asked Questions (FAQ) sheet was prepared and distributed among employees dealing with questions that were asked frequently and providing the answers thereto.

Although much of the focus for this quarter was on the SAP migration, it is worth indicating that the consolidated Workplace Skills Plan (WSP) has been approved by the Transport Education and Training Authority (TETA) and is now being implemented. In line with this plan the Bus Operator training which

was conducted during the previous financial year was complemented by further training interventions in the form of Advanced/Defensive driver training and well as refresher training for Bus Operators.

4.2 Employee Remuneration (total costs including Executives)



Notes: The total employee costs (including Executives) for the first half of the year stood at R 61, 395 224.00 against a budget of R 60, 437, 736.00. The over-expenditure on allowances is in the main due to misalignment in the budget which is being addressed as part of the budget review process with the Finance Department. The total employee costs as a percentage of operational costs is currently at circa 49%. The Executive Management Team whilst being mindful that the ratio of employee costs to operational expenditure is a function of the funding model, the team is currently considering a number of measures to curtail the employee costs and reduce the same to 45% by June 2017. These measures will amongst others include natural attrition, review of support roles in the whole business as well as restructuring of the funding model.

It is important to note that the current ratio of employee cost in relation to operational expenditure will remain as the entity is undergoing an institutional review process. The Institutional review process will introduce a number of new roles that are intended to create the much needed capacity to realise the medium and long term strategic objectives of the entity.

4.2.1 Overtime

The Basic Conditions of Employment Act No 75 of 1997 as amended (BCEA) sets minimum standards relating to working overtime in section 10 thereof. In *casu*, the Entity as an employer is duty bound to adhere to the minimum standards set for overtime work.

Section 10 (1) reads “*subject to this Chapter, an employer may not require or permit an employee to work-*

- (a) *Overtime except in accordance with an agreement.*
- (b) *More than ten hours’ overtime a week.”*

Accordingly, where employers require of employees to work overtime, such overtime must comply with the provisions of the law (BCEA). Below is summary of overtime worked over the 1st quarter of the 2016/17 financial year and the following are observations emanating from the table below:

- ✓ In some instances, employees are allowed to work excessive overtime, in excess of the legal limits placed by the BCEA;
- ✓ There is no agreement regulating overtime in place, and even if such agreement was in place, the current overtime would in any case have exceeded the legal limits of 12 hours allowed for in law. (BCEA (1) (1A)).

In order to address the challenges posed by this, taking into account the massive financial implications that this has, as well as the legal implication of a possible adverse audit finding and intervention by the Department of Labour (DOL); the Entity needs to consider one or a combination of the following:

- ✓ Placing a moratorium on overtime,
- ✓ Paying overtime only to employee falling within the current threshold of the DOL, namely R 205 433.30,
- ✓ All other employees falling above the threshold be allowed to take time off in lieu of overtime,
- ✓ Optimal utilisation of employees, inclusive of Drivers
- ✓ Introduction of shifts that ensure optimisation of the utilisation of human resources, and
- ✓ Filling critical vacancies that coerce departments into reducing the working overtime.

Above this, it is submitted that the EMT consults with all employees to inform them of the following:

- ✓ The provisions of the law in relation to overtime work,
- ✓ The actual financial implications of overtime and the status of the budget,
- ✓ Austerity measures to curb over expenditure,
- ✓ Introduction of plans to optimise the utilisation of employees, especially Drivers and
- ✓ Overall financial being of the Entity.

4.3 Staff Establishment, Vacancies and Critical Vacancies

#	Division	Compliment	Strength	Vacancies	Critical Vacancies
1	Office of the Managing Director	5	3	2	2
2	Corporate Services	99	83	17	8
3	Legal Counsel and Company	5	3	2	1

	Secretary				
4	Information Technology and Communication	16	7	9	3
5	Internal Audit and Risk Management	3	2	1	1
6	Finance	43	20	23	6
7	Operations	585	529	56	2
8	Technical	231	203	28	5
TOTAL		987	850	138	28

Notes: The table above is based on the approved organizational structure; the figure of 987 employees represents the total number of positions on the approved structure of the Entity. It is also important to note that the organizational structure is still a subject of negotiations with the City on the future funding model. The Executive Management Team has also taken a decision that, owing to possible funding shortfalls, not all vacant positions will be filled immediately. To this end, only 50% of the vacancies identified as critical and or newly created vacancies may be filled immediately obviously subject to the availability of funding.

4.3.1 Estimated Cost of Filling the Above-mentioned Critical Vacancies

#	Job Level	Job grading	Total per Job Level	Annual cost per Job	Total Annual Cost
1	Senior Management	DU	7	997 793.41	6 984 553.87
2	Management & Specialist	DL	6	605 606.09	3 633 636.54
3	Officers	CU	8	484 484.87	3 875 878.96
4	Administrator	BU	4	206 786.98	827 147.92
Total critical vacancies and costs			25		15 321 217.29

Notes: The table above depicts critical vacancies and the costs associated with filling of the identified critical vacancies.

4.4 Employee Skills Development

The Entity continues to comply with the requirements of the Department of Higher Education and Training as encapsulated in the Skills Development Act and submission of the Workplace Skills Plans (WSP) and Annual Training Reports (ATR) as well as making sure that all skills programmes are developed and submitted in line with these plans and the relevant provisions of the law. The main area of focus for this quarter was on capacity building with a strong emphasis on defensive driving skills, technical skills development programs including Health and Safety in the workplace, advanced Excel for Finance staff and Supply Chain Management training.

It is on the strength of these plans and reports that the Entity continues to benefit greatly on the discretionary grants and skills levies from TETA. In relation to rebates emanating from training, the Entity received R 273 687.38 from the SETA, and as legislated the rebate can only be used for purposes of training going forward.

4.4.1 Leadership Development

The City of Johannesburg (CoJ) currently has an agreement with the Wits Business School relating to the provision of Leadership Training for Executives and Management. The Entity will begin engagements with the CoJ with a view of entering some of its employee on this epic programme.

4.4.2 Certificate in Local Government

The City of Johannesburg (CoJ) currently also has an agreement with the University of Johannesburg to run the *supra* training programme. This programme is aimed at senior to middle Managers to provide them with Local Government skills. In *casu*, the Entity will also embark on a process of identifying members of staff to participate in this programme.

4.4.3 New Manual Bus Training

Training is continuing on the new Euro 3 (manual gears) and Euro 5 buses (automatic), to this effect three (3) Instructors and twenty (20) Technical staff members went on training at Mercedes Benz for orientation and training on the new Euro 5 bio-fuel (gas/diesel) buses. This intervention is conducted using internal resources to capacitate the Bus Operators to operate a manual transmission the intervention covered the following core modules:

- Moving off & stopping
- Route planning
- Lane changing
- Over-taking
- Left turn & right turn

4.4.4 Apprenticeship Programme

The apprenticeship program has been a major contributor for skills pipeline within the Technical Department. The current apprenticeship program which is benefiting thirty-six (36) youth is intended to prepare these young citizens for the world of work in the following areas:

Table 4.4.4 Number of Apprenticeship

Trade	Number of Apprenticeship	Gender		Race		
		Male	Female	B	I	C
Diesel Mechanic	18	17	1	17	0	1
Auto Electrician	14	7	7	11	1	2
Body build	2	2	0	0	0	2
Motor Mechanic	2	2	0	1	0	1
TOTAL	36	28	8	29	1	6

Notes: The table above provides a summary of the apprentices currently in the service of Metrobus inclusive of their area of speciality and employment equity status.

4.4.5 Professional Bus Driver Learnership Programme (Women in Transportation initiative)

It is essential to report that the fifteen unemployed female youth who underwent training on Bus Operation received their TETA Professional Driver Certificates on the 11 July 2016. These certificates are crucial in creating future employment prospects for our unemployed citizens within the transportation industry. This program is of strategic importance to the Entity as it contributes immensely in improving the current demographic profile in the Metrobus and in the Country which shows that women and in particular black women are not sufficiently represented in this industry. During this quarter a total of fourteen (14) bus Operators, returning from long sick leave were taken through a refresher training course plus further retraining of three (3) reinstated Bus Operators.

4.4.6 Certificate in Bus Transport Administration

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

4.4.7 Workplace Integrated Learning

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

4.4.7.1 Workplace Integrated Learning (Post Graduates)

The Entity has in collaboration with the Transport Education and Training Authority recruited twenty-five (25) recently graduated unemployed youth in order to provide them with integrated workplace learning. TETA is funding 10 of these learners to a total value of R540, 000.00. The 1st tranche was delivered on 31 August 2016 to the value of R216, 000.00. The remaining fifteen (15) candidates are Technical Interns funded by EPWP, to the value of R650, 000.00.

#	Field of Study	Number of Learners
1	Human Resources Management or Labour Relations	3
2	Finance (including SCM)	3
3	Information Technology or Computer Sciences	2
4	Technical departments (Management Services Practitioners)	14
5	Occupational Health and Safety	3
Total learners on the Internship programme		25

Notes: The table above provides a summary of fields of study embarked upon by the current crop of Post Graduates recruited in collaboration with the Transport Education and Training Authority

The objectives of the programme are as follows:

- ✓ Bridge the gap between academic study and workplace requirements.
- ✓ Offer young recently qualified, people with potential to gain workplace experience and skills in the world of public Bus Transport.
- ✓ Offer structured training programme relevant to local government and public bus transport.
- ✓ Each intern will work with a dedicated coach who offers soft skills training and practical on the job training.
- ✓ Prepare interns for future employment opportunities.

The programme has attracted in the main young female learners that can be become a talent pipeline for the entity into the future. This programme started on 01/11/2015 and will end on 31/10/2016.

4.5 Employee Relations and Performance Management

Following the finalization and approval of the business plan for the financial year 2016/17 performance contracting for members of the Executive Management Team and Senior Managers has

been completed The future focus of the entity on Performance Management will culminate in the process of performance contracting that should ideally include all employees, obviously once the Performance Management Policy is reviewed and consultation with Organized Labour (OL) is concluded, informed by the imperative of organizational stability and the conclusion of the Political Facilitation Agreement (PFA) processes of the City.

4.6 Disciplinary Matters and Outcomes

Although discipline takes place within the entity, there are areas that need attention to ensure that quality decisions are arrived at and that standards of discipline and sanctioning are applied fairly and consistently. Metrobus will partner with the City's Group Corporate and Shared Services' Employee Relations Directorate to conduct training of Presenting and Presiding Officers to beef up their skills in dealing with discipline.

In its assessment of the state of the Employee Relations in the company regard it had to the following key indicators:

- ✓ The efficient and timeous management of discipline;
- ✓ The efficient and timeous management of Appeals against disciplinary action meted out;
- ✓ Number of disputes declared, the nature thereof and the success rate achieved at either the CCMA or Labour Courts;
- ✓ The efficient and timeous management of grievances lodged inclusive of quality decisions made that would minimize the number of disputes emanating from grievances;
- ✓ Functionality of the Union-Management Committee (UMC);
- ✓ The management of conflict and disputes emanating from engagement with Organised Labour;
- ✓ General employee and Union/Management relations.

4.6.1 Disciplinary Case Statistics for the period ending 31 December 2017

Depot	Opening Balance	New	Finalised	<48 days	>48 days	Closing balance
Milpark	27	2	8	20	1	21
Village Main	57	47	33	43	28	71
Roodepoort	1	5	5	0	0	1
Head Office	2	0	2	0	0	0
Total	87	54	48	63	30	93

Notes: The table above provides a summary of disciplinary processes; as part of consequence management; that were initiated against employee of Metrobus for contravention of standards of conduct as per the disciplinary procedure.

4.6.2 Sanctions Meted and Categories of Offences

Sanction	Number	Category	1 July – 31 December 2016
Dismissal	5	Dishonesty	71
Final Written Warning	19	Time and Attendance	2
Written Warning	6	Insubordination	7
Withdrawal/Acquittals	18	Execution of Duties	13
Total	48	Total	93

Notes: The table above summarises sanctions that were meted out to employees who appeared before a disciplinary hearing and were found guilty and further provides a summary of the allegations that were levelled against the employees.

4.6.3 Disputes and Litigation CCMA Case Statistics

#	Unfair Labour Practice	Unfair Dismissal	Unfair Discrimination	Mutual interests/ Organisational Rights	New	Finalised	Balance
17	2	13	0	2	6	9	8

4.6.4 Abridged CCMA case description and progress

4.6.4.1 Alleged Unfair Labour Practice (ULP). The employee was not shortlisted for the position of Depot Manager, of which he contends to have been the most suitable candidate. The case is still on Arbitration and next sitting is on 03 November 2016

4.6.4.2 Alleged Unfair Dismissal (UD). The employee was dismissed for Negligence which resulted in a fatality. The case is on Arbitration and the last sitting was on 19 September 2016. A further arbitration date is pending from the CCMA.

4.6.4.3 Alleged Unfair Dismissal (UD). The employee was dismissed for unauthorized use of Metrobus property. The case is on Arbitration and the next sitting is not yet confirmed.

4.6.4.4 Alleged Unfair Dismissal (UD). The employee was dismissed for unauthorized use of Metrobus property. The case is on-going and the date for Arbitration is yet to be confirmed by the CCMA

4.6.4.5 Alleged Unfair Dismissal (UD). The employee was dismissed for ticket irregularities. The case remains unsolved after Conciliation.

4.6.4.6 DEMAWUSA obo its members – This is case wherein a new union is seeking organizational rights at Metrobus.

4.6.4.7 Alleged Unfair Dismissal (UD). The employee was dismissed for excessive absenteeism. The matter remains unsolved after conciliation.

6.4.8 There are three new referrals received for the period under review relating to Unfair Dismissal.

In relation to the management of disputes, Metrobus is a user of the services of the CCMA and work under their directive. Therefore the time frames of dealing with disputes are dictated upon by the CCMA

and Metrobus simply obliges to the said directives of the CCMA.

4.6.5 Labour Court Case Statistics

Table: 4.6.5: Disputes referred to Labour Court

Opening Balance	Unfair Labour Practice	Unfair Dismissal	Unfair Discrimination	Mutual interests	New (Civil)	Finalized	Closing Balance
5	0	4	0	0	1	0	5

Notes: The table above provides a summary of disputes referred to the Labour Court for adjudication

4.6.6 Abridged Litigation Case Statistics

4.6.6.1 Alleged Unfair Dismissal (UD). Employee dismissed for gross dishonesty. Labour court ruled that the matter be referred back to the CCMA for a *de novo* (re-seating) hearing. An award was made in favour of Metrobus. Employee has applied for a review of the award. Metrobus is opposing the application. Matter has not been set down for hearing.

4.6.6.2 Alleged Unfair Dismissal (UD). Employee dismissed for gross dishonesty. CCMA found in favor of Metrobus. The employee applied for a review of this award. A Court date is currently pending.

4.6.6.3 Civil Claim – The employee has proceeded to file a claim to the value of R100 00.00 in each case against four Metrobus employee who testified against him in the internal disciplinary hearing. Metrobus has assisted these employees to file opposing papers in this regard. Matter is currently in progress

4.6.6.4 Alleged Unfair Dismissal (UD). An award was made by the CCMA against Metrobus in 2009; same was successfully reviewed at Labour Court. Employee has filed this matter with the Constitutional Court which heard the matter on 1 September 2016. Judgment is pending in this regard.

4.6.6.5 Alleged Unfair Dismissal (UD). Employee dismissed for Gross misconduct. The employee submitted late at the CCMA and applied for condonation which was not granted. The employee applied to the Labour Court for a review of the CCMA ruling.

During December 2016, Metrobus received a Constitutional Court judgement relating to the dismissal in 2009 of one employee who was reinstated by the CCMA with retrospective payment. The employee however did not return to work to effect the CCMA award that was in his favour. About four years later he applied to have the award made an order of court. Naturally the employer raised the prescription (the award has lost force and effect). The Labour Court accepted the employer's plea for prescription. The matter proceeded to the Labour Appeal Court which agreed with the judgement of the Labour Court. The matter proceeded to the Constitutional court which has now found against Metrobus in this matter. This means that Metrobus has to honour the terms of the initial award by reinstating the ex-employee on terms no less than when he was dismissed. Additionally Metrobus must compensate retrospectively to the date of dismissal. This is quite a blow however no other legal remedy exists. Agreement has been reached between our attorneys and those of the employee that he will be reinstated as of 1 February 2017 with appropriate retrospective payment in full. Such payment must include salary and its increments over the years, employer contribution to medical aid and pension, progression benefit.

4.6.7 Strike Management

During the month of July 2016, a total number of approximately 60 employees staged an unprotected industrial action based on a demand for management to desist from introducing the services of independent route auditors (inspectors). The action resulted in the loss of circa 20 hours of work. After

engagement between management and organized labour representatives a settlement agreement was reached. Chief among the tenets of the agreement are the following:

- Continuation of the services of the independent route auditors.
- Introduction of a route auditor development program for the benefit of employees.

In resolving the strike at hand, a further settlement agreement was reached with the South African Municipal Workers Union (SAMWU) on matters raised during the past financial year.. It is worth noting that all the substantive matters which gave rise to the agreement are settled, save those matters which are subject to particular processes as agreed between parties.

Further, during November 2016, the General Manager: Operations convened a meeting with his staff, and on the day, employees who are members of the Democratic Municipal and Allied Workers Union of South Africa (DEMAWUSA) disrupted the meeting and called an unprotected strike action. This resulted in the disruption of an afternoon shift as well as the following day's morning shift.

As a result of this behaviour, Metrobus approached the Labour Court on an urgent basis to interdict the strike, needless to say that the strike was indeed interdicted. Also, during December 2016, DEMAWUSA served a notice of strike intended to commence on 11 January 2017. Metrobus placed them on terms to withdraw their strike notice which they refused to do following which an urgent application was launched with the Labour Court to interdict the strike.

4.7 Employee Wellness

4.7.1 Occupational Health

During the period under review much attention was focused on counselling employees on what has colloquially become known as the "Lifestyle Diseases". An education and awareness drive has been held with the objective of ensuring that employees are aware of the various life style choices that lead to holistically healthy lives. This is in keeping with the key strategic objective of educating employees on health issues as outlined in the Metrobus Occupational Health, Wellness and Safety Strategy.

Respiratory, muscular/skeletal, hypertension and blood pressure continue to be the leading causes of employees seeking medical attention. Engagements with the medical aid providers are on-going regarding the effectiveness of chronic disease management. These trends are consistent with the findings of the health assessments as conducted at the end of 2014. A further consolidated employee health assessment drive will be conducted at the end of 2016 in conjunction with activities of World Aids day.

4.6.2. Employee Assistance Programme

The peer educator programme is maintaining appropriate traction with focus on encouraging proper lifestyle choices towards the maintenance of a healthy employee population. A concerted effort during this period has been an informal re-launch of the gym facilities that are available at every depot and the services of the resident gym instructor. Employees continue to test using the internal service as provided by the resident occupational nurse.

4.7 Employee Safety, Health and Environment (SHE)

During the six months under review, Metrobus continued on its quest to ensure that all legal requirements emanating in chief from the Occupational Health and Safety act (the Act) and all its related regulations are complied with. During the period under review the following elements continued to receive focus:

- ✓ Health and Safety Audits
- ✓ Implementation of remedial programs based on safety audit outcomes
- ✓ Safety equipment and personal protective clothing
- ✓ Exposure to Hazardous Chemicals

During the period under review the entity has secured the services of the National Institute for Occupational Health to carry out a study on the exposure of Metrobus employees to Hazardous Chemical Substances. The aim is that the said study will be conducted during the next quarter, and should the study be completed before the end of the quarter, same will be provided. The results of same will assist Metrobus to implement proper control measures based on objective risk assessment in this regard.

A total number of four (4) safety related incidents were reported during the period under review. These incidents resulted in a total of two (2) man days lost during the period under review.

The following represents the statistics per location of operation in respect to injuries and man-days lost.

4.8 Employment Equity (EE)

4.8.1 Employment Equity Summary of Demographic Profile

Present and Expected		Male				Female				Total
		A	C	I	W	A	C	I	W	
All Employees	Current	595	56	3	22	158	7	1	7	850
	Proposed	533	60	15	20	217	17	13	10	987

There has been minimal movement in the Entity's EE stats. During the period in review the Entity employed one employee, a Black Male thus not impacting much on the previously reported EE statistics.

CHAPTER 5: FINANCIAL PERFORMANCE

5.1 Statement of Financial Position and notes

ASSETS	31-Dec 2016 R Actual	30-Jun 2016 R Actual
NON-CURRENT ASSETS	719 591 179	591 801 686
Fixed Assets	688 373 970	558 052 502
Loans to shareholders	28 926 970	28 926 970
Intangible Assets	2 290 239	4 822 214
CURRENT ASSETS	46 177 238	217 290 855
Inventories	21 610 314	12 556 497
Trade Debtors	7 433 485	196 370 998
Prepayment	9 353 086	4 749 437
Insurance Fund	7 430 447	3 436 644
Cash & Cash Equivalents	349 906	177 279
TOTAL ASSETS	765 768 417	809 092 541
EQUITY & LIABILITIES		
CAPITAL & RESERVES	(200 490 890)	(171 559 683)
Share Capital	54 774 331	54 774 330
Revaluation surplus	115 658 653	115 658 653
Accumulated Profit(Loss)	(370 923 874)	(341 992 666)
NON-CURRENT LIABILITIES	325 723 823	341 608 602
Interest Bearing Debt	308 453 011	324 337 790
Retirement Benefit Obligation	16 535 470	16 535 470
Finance lease obligation capital	735 342	735 342
CURRENT LIABILITIES	640 535 484	639 043 622
Trade Creditors	69 182 890	166 734 693
Loans from Shareholders	533 731 474	424 152 840
Finance lease obligation current	1 343 728	1 343 728
Other Financial Liabilities	29 401 427	29 912 945
Provisions	3 700 242	12 947 880
Deferred Income	3 175 723	3 951 536
Cash & Cash Equivalents	0	0
TOTAL EQUITY & LIABILITIES	765 768 417	809 092 541

The major changes to the statement of financial position from the position at year end are due to the deliveries of the remaining 48 buses post year end. The drop in the trade debtors from the year end position is due to the shareholder paying off the balance which they owed Metrobus after year end. This has then resulted in the increase of the fixed assets by R 128m as well as the Loans from shareholder

(current) by R 109 million. Trade Creditors' balance dropped by R97m in the current year due to the payment of buses which were already delivered as at year end.

The financial position of the entity reflects a very weak position and in need of urgent attention. The ratios shows that the organization is technically insolvent and in need of urgent capital injections. Though the shareholder is recapitalizing the business through the injection of assets however, the method of funding is not appropriate. The funding of long term assets through a short term facility is not sustainable for the business. This results in an increase in the finance costs which the organization will pay. Any capital funding should also be accompanied by a corresponding working capital funding this was not done in this case. The debt equity ratios show that the amount of investment done by the shareholder is way below the requirements of the business.

5.2 Statement of Financial Performance and Notes

The table below summarises the financial performance for the first 6 months ending 31 December 2016.

	Dec-16 Q2- '000			YTD 06 months-'000			Q2 Variance to budget	Q2 Growth to prior year	YTD Variance to budget
	Actual	Budget	Prior year	Actual	Budget	Prior year			
Revenue	144 234	157 643	130 877	287 086	316 453	262 791	-13 409	13 357	-29 367
Grants and subsidy	123 975	119 209	107 993	242 561	238 418	215 987	4 766	15 981	4 143
Fare revenue	21 136	38 231	22 485	45 028	77 582	46 107	-17 095	-1 349	-32 553
Sundry revenue	-877	203	399	-504	453	697	-1 080	-1 275	-957
Direct costs	22 544	36 999	39 230	50 816	82 624	79 561	14 455	16 686	31 808
Diesel	13 198	19 905	16 473	30 222	40 772	34 815	6 708	3 275	10 549
Rep & Maint	5 308	12 811	18 227	12 825	33 769	36 741	7 503	12 919	20 944
Other	4 039	4 282	4 530	7 769	8 083	8 005	244	492	314
Margin	121 689	120 644	91 647	236 270	233 829	183 230	1 045	30 043	2 441
Expenses	90 465	96 298	94 539	186 482	191 107	184 146	5 833	4 074	4 625
Staff	70 235	75 226	73 077	147 137	150 470	144 591	4 992	2 843	3 333
Property expenses	3 589	2 858	3 126	7 286	5 715	5 844	-732	-464	-1 571
Security	1 856	1 939	2 075	3 884	3 877	4 105	83	218	-7
Consultants	2 232	2 319	1 687	3 906	4 769	3 195	88	-545	863
Bad debts	0	0	0	0	0	0	0	0	0
Bus rental	2 060	3 006	2 995	4 580	6 011	6 397	945	934	1 431
Licences buses	3 031	2 154	2 439	6 290	4 172	4 763	-877	-592	-2 118
Insurance	582	1 339	1 135	1 769	2 677	2 270	757	553	908
Legal exp	326	800	529	1 259	1 600	1 650	474	203	340
Audit fees	2 702	2 733	4 103	3 060	3 908	4 297	30	1 401	847

Computer costs	951	834	930	2 202	1 668	2 117	-117	-21	-534
Marketing	1 400	993	773	2 216	2 036	1 871	-407	-627	-180
Telecommunications	340	737	696	1 040	1 482	1 232	397	356	442
Other costs	1 162	1 361	975	1 853	2 721	1 815	199	-186	868
Operating result before depreciation & interest	31 224	24 346	-2 892	49 787	42 722	-916	6 878	34 116	7 065
Depreciation	28 631	19 016	15 017	46 134	38 032	23 637	-9 615	-13 614	-8 102
Interest paid	18 124	7 788	7 826	32 501	15 577	13 866	-10 336	-10 298	-16 924
Surplus / Deficit	-15 531	-2 458	-25 735	-28 847	-10 887	-38 419	-13 073	10 204	-17 960

5.2.1 Performance of the Organization

The performance of the organisation in the second quarter was below expectations. The organisation incurred a net loss after interest costs and depreciation of R15.5m against a budgeted loss of R 2.5m in the quarter (a loss was anticipated in the quarter taking into account the cyclical nature of the business). It is however, important to state that the organisation had an operating surplus before interest and depreciation of R 31.2m for the quarter. This highlights that the operations of the organisation are in the positive and at the same time raises questions on the method of asset financing which is utilized by Metrobus. The organisation finances its capital assets through shareholder debt funding and in the process incurs significant interest costs.

The majority of the interest costs are a result of the acquisition of the buses which were financed through debt funding from the shareholder. This debt funding geared the organisation beyond its ability to sustain itself. Though the organisation is containing the non- asset financing related costs these costs savings in the other areas are cancelled by the ballooning interest costs. The organisation in its mid-year budget adjustment submitted a subsidy adjustment request of R44m to cater for these interest costs. It is important that the shareholder considers favourably this request in order for the position of the organisation not to deteriorate further.

A route analysis of the different services which are being carried out by the organisation reveals that 34% of the routes operated by Metrobus have a negative gross contribution and 22% of the routes operated by the organisation average less than 500 passengers per month. These factors of negative gross contribution on routes and insufficient number of passengers requires of the organisation and the shareholder to act decisively. These routes are determined by the City and it would be beneficial for the organisation to rationalise these routes in terms of service frequency in order to service the routes with a sizeable number of customers. There has to be a policy decision which will streamline the organisation into operating and servicing particular segments of the market while awaiting implementation of the new operating model (revised routes)

Revenue

In the quarter under review there was a revenue shortfall of R 17 million, bringing the total revenue shortfall for the year to R32.5m. The major contribution to this shortfall is the drop in the passenger numbers and the skewed pricing which is in place within the organisation. In the quarter under review there was a loss of 261 000 passengers relative to the same period in the prior year. In the current quarter the total number of passenger ferried by Metrobus is 2.4m against a break even passenger numbers of 4.8m people per quarter (at the current pricing levels). Below is an illustration of the passenger numbers for the quarter in comparison to the prior year.

Passenger numbers analysis

Description	Three months ending 31 December 2015-'000	Three months ending 31 December 2016-'000	Growth / (Reduction in numbers)-'000	% growth / (reduction)
Passenger numbers	2 700	2 439	(261)	(10%)
Total Revenue (R)	130 877	144 234	13 357	10%
Fare Revenue excl. subsidy (R)	22 485	21 136	1 349	6%

In addition to the reduction in the number of passengers the fares which are charged by Metrobus particularly for the coupon revenue are highly discounted. There is a coupon discount of 30% from the cash fare (which is already discounted) and this discount affects the ability of the organisation to meet its revenue targets. The average price for the fare revenue is currently R6.89 (2015: R 6.18), this low passenger price base contributes significantly to the non-attainment of the revenue goals. Whilst Metrobus should transport people at affordable

fares, there is however a need to balance this goal with ensuring that the organisation continues to be financially sustainable. Below is an illustration of some of the pricing disparities which are faced by the organisation on the coupon prices;

Discounts level for the different coupon product offering.

Product Offering	Discount Applicable	Effective Discount off cash
Adult	-	30%
People With Disability	50% off adult price tag	65%
Pensioners	86% off adult price tag	90%
Scholars	30% off adult tag price	49%

The tables above shows that Metrobus is operating at pricing which is significantly discounted from the market rates. These pricing challenges need to be addressed in approvals of the pricing in the budget cycle.

There is also a need to invest in new revenue collecting equipment to replace the ageing equipment which has been in operation for the past 15 years. This ageing equipment creates a loophole for pilferage and abuse by the bus operators. The City has not availed any funding for this critical part of the business.

Expenditure

The overall expenditure for the quarter amounted R 159.8m which was R337 000 below the budgeted expenditure. The major savings were a result of savings from the diesel and repairs and maintenance costs which were below budget by an amount of R 14.4m. The under expenditure compensated the shortfall in the revenue to a large extent. The impact of these savings were however reversed by the finance and depreciation costs which are expenses directly linked to the new buses.

Variance Analysis

Spending variances on major expense categories are reflected and discussed below:

Analysis of major expense categories

Description	Actual for quarter ended 31 December 2016	Budget for quarter ended 31 December 2016	Variance
	R '000	R '000	R '000
MAIN COST DRIVERS			
Diesel on buses	13 198	19 905	6 707
Repairs and maintenance on buses	5 308	12 811	7 503
Employee costs	70 235	75 226	4 991
OTHER			
Finance charges	18 124	7 788	(10 336)
Depreciation charges	28 631	19 016	(9 615)

Analysis of variances of main cost drivers

Diesel costs. The diesel used for the quarter is below the budget mainly due to the less distance travelled as well as the less number of days in operation in the current quarter.

Repairs and maintenance. Repairs and maintenance was under spent by R7.5million a result of an increase in the number of new fleet on the road.

Employee costs: The employee costs are below budget by R4.99m for the quarter. This was mainly due to a substantial amount of leave being taken by staff in the month of December. Though the overall budget for the salaries is within the budget the overtime is above the budget mainly due to the core departments who are incurring overtime beyond the budgeted amounts.

5.3 Cash Flow Statement

	31-Dec 2016	31- Dec 2015
Net Cash Flow from Operating Activities	69 342 186	(77 396 668)
Grants & subsidies	237 173 000	215 987 000
Other income	42 977 076	44 662 218
	280 150 076	260 649 218
Employee costs	(143 342 381)	(144 590 642)
Suppliers	(20 088 668)	(142 318 582)
Finance costs	(33 393 970)	(13 866 166)
Other payments	(13 982 871)	(37 270 497)
	(210 807 890)	(338 045 886)
Cash Employed in Investment Activities	(162 351 896)	(172 392 000)
Expanding of Capital Base	(158 358 093)	(172 392 000)
Movement of insurance fund	(3 993 803)	0
Cash Consequences of Financing Activities	93 182 337	249 599 052
Other financial liabilities	(16 396 297)	(10 555 670)
Movement of sweeping account	109 578 634	260 154 722
Finance lease payments	0	(0)
CASH FLOW FROM ACTIVITIES	172 627	(189 616)
Net Increase / (Decrease) in Cash & Bank Balances	172 627	(189 616)
Cash & Bank Balances Beginning of the Year	177 279	277 998
Cash & Bank Balances End of the Period	349 906	88 382

The significant movements in the cash flow statement are due to shareholder funding and financing matters.

5.4: Ratio analysis

5.4.1 Stability Ratio Analysis

Stability Ratio Analysis

Ratio	31 December 2016	30 June 2016	Group norm
Current Ratio	0.07:1	0.34:1	1:1
Acid Test Ratio	0.04:1	0.32:1	N/A
Debt/Equity* (excluding accumulated losses)	494%	456%	N/A
Solvency Ratio			2.1:1

Current Ratio measures the ability of the entity to be able to pay its creditors in the short term

Acid test ratio measures the ability of the entity to settle its commitments in the short term excluding the amount of inventory on hand.

Gearing Ratio shows the extent to which the assets of the organization covers the amount owed.

Debt to equity shows the extent of the shareholder's investment covers the amount of debt owed.

The ratios of the organisation remain weak and in need for addressing them urgently. The noncurrent assets have grown by R127m a result of the delivery of the additional buses during the quarter. The current and the acid test ratios are way below the expectations of the City and cannot be solved internally without the shareholder intervention. The solvency position of the organisation is also a challenge and negotiation with the shareholder by the mandating committee is a significant step in resolving these challenges.

5.4.2 Efficiency Ratio analysis

	Q2 Actual	Q2 Budget	Q2 Prior Year	YTD Actual	YTD Budget	YTD Prior Year
Gross Profit %	84%	77%	70%	68%	67%	62%
Net Profit/(Loss) %	(11%)	(2%)	(20%)	(10%)	(3%)	(14%)
Overhead/Direct cost ratio	4.01	2.60	2.41	2.49	2.17	2.04
Salary/Income ratio	49%	48%	56%	51%	47%	54%

Gross profit % measures the percentage of monies left from the income after deducting the direct costs incurred to generate the income

Net profit % measures the extent of funds relative to the revenue left from the income after the deduction and payment of all the expenses

Overhead/direct costs ratio measures the number of times the overheads exceed the direct costs of the business

Salary/income ratio measures the extent to which the income earned by the organization is spent on staff costs.

The ratios of the organisation remain weak and in need for addressing them urgently. The noncurrent assets have grown by R149m a result of the delivery of the additional buses during the quarter. The

current and the acid test ratios are way below the expectations of the City and cannot be solved internally without the shareholder intervention. The solvency position of the organisation is also a challenge and negotiation with the shareholder by the mandating committee is a significant step in resolving these challenges.

5.4.3 Organisational Sustainability (*From ratios above*)

The structure of the organization is not financially sustainable. The organization's gross profit percentage is healthy currently sitting on 87% for the quarter as well the 76% for the year to date. This means that the organization retains a significant portion of the money per R1 earned. The net profit for the quarter is sitting on 5% (loss of 7% YTD) which means that we are spent R1.07 for every R1.00 earned in the financial year. This points to either uneconomic fares being charged or a misaligned cost structure. The organisation is quite inefficient with regards to the overhead costs. The organisation spent R 5.61 on overheads costs per each R1 which was spent on direct costs. The salary to income ratio is currently at 53% way above the ratio of 49% as per the budget, again pointing to a cost problem.

5.5: Report on Irregular, Fruitless and Wasteful Expenditure and Due processes

Irregular expenditure amounting to R 5 217 331 was incurred mainly due to some contracts which were extended whilst awaiting the finalization of the procurement process. The filling of the Supply Chain: Contracts Management and Demand Specialist has seen an improvement in ensuring that procurement processes are finalised before contracts expire.

5.6: Insurance Claims to Metrobus.

During the period under review, Metrobus made forty six (46) claims amounting to two hundred and thirty four thousand Rands (R234, 000). These claims relate to bus accidents caused by third parties. None of the claims have paid by the insurance company. There were no insurance claims made against Metrobus.

CHAPTER 6: AUDITOR-GENERAL FINDINGS

INTERNAL AND EXTERNAL AUDIT FINDINGS

6.1: Results of Internal audits

The 2016/17 Internal Audit plan was designed in a manner that ensures that Internal Audit does not compete with the Auditor General during the External audit period. The final Auditor General report was received on the 30th of November 2016. The results of the External audit were then also included in the Internal audit plan to ensure completeness of the plan. There are currently no results for the second quarter; however the implementation of the 2016/17 internal audit plan is currently underway.

6.2: Progress on Resolution of Internal and External Audit Findings







The AGSA had raised 33 audit findings for the financial year ended 30 June 2016. These are broken down as follows: - Matters that affect the audit report 9; other important matters 22 and Administrative matters 2. This is a great improvement when compared to the 2014/2015 financial year end which had 62 findings and an emphasis of matter paragraphs.

Metrobus has developed “A 2016/2017 Clean Audit” strategy which starts with resolving the 33 Findings, most of which are within the Supply Chain department, and concurrently with maintaining and improving controls in all other sections of the audit cycle.

The history of the Audit opinion is as per the table below. Metrobus received as indicated above an unqualified audit opinion with no emphasis of matter paragraphs. This was a great improvement when compared to the previous years. The company was able to achieve its commitment to an improvement in the 2015/16 audit and continues to strive for further improvement in the coming 2016/17 External audit.

	2012/13	2013/14	2014/15	2015/16
Audit Opinion	Unqualified	Unqualified - With emphasis of matter	Unqualified - With emphasis of matter	Unqualified

There has also been an improvement in the audit results of Performance Information with the company being unqualified in all aspects in the 2015/16 financial year as opposed to an Adverse opinion on Usefulness in the 2014/15 financial year. Metrobus will continue to invest resources that will lead to an improvement in Performance Information Audit and ultimately an improvement in achievement of set targets. The improvement in the AOPO environment is reflected in the AGSA table below.

Selected [objectives/ development priorities]	Usefulness		Movement	Reliability		Movement
	Current year	Prior year		Current year	Prior year	
Customer service, stakeholder engagement and communication	Unqualified	Adverse		Unqualified	Unqualified	
Innovation and the green economy	Unqualified	Adverse		Unqualified	Unqualified	
Enterprise development and job creation	Unqualified	N/A	N/A	Unqualified	N/A	N/A
Financial management, viability and sustainability	Unqualified	Adverse		Unqualified	Unqualified	
Operational excellence	Unqualified	N/A	N/A	Unqualified	N/A	N/A
Technology and business enablement	Unqualified	N/A	N/A	Unqualified	N/A	N/A
Institutional planning, transformation and organisational development	Unqualified	N/A	N/A	Unqualified	N/A	N/A

6.3 State of Internal Controls

The results of the 2015/16 Audit have shown a huge improvement in the state of Internal Controls. Internal audit however continues to drive the improvement of internal controls through the implementation of the internal control framework. Internal audit is in the process of monitoring the implementation of mitigating strategies to improve controls on a quarterly basis. These results will be communicated to the Audit and Risk Committee and the board on a quarterly basis.

**Annexure A
Performance against
Predetermined
objectives**

No.	PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	2016/17 Mid-year Performance					
						Q2 Target	Q 2 Actual	YTD Target	YTD Actual	Reason for Deviation	Comment and /or corrective action
PROGRAMME 1: CUSTOMER SERVICE, STAKEHOLDER ENGAGEMENT AND COMMUNICATION											
1.	Transforming Sustainable Human Settlements	% planned trips completed	94% of scheduled trips completed	95% of scheduled trips completed	Improve fleet availability and adherence to scheduled trips	95% of scheduled trips completed	93%	95% of scheduled trips complete	92%	The target was not met as a result of the unavailability of buses-although the new buses were delivered buses from the old fleet still experience breakdowns and turnaround time for the repairing of these buses has not been realized.	In the previous financial year, Metrobus engaged the services of Intern management practitioners from the University of Johannesburg to do an analysis on breakdowns and the overall reliability of the fleet. This has resulted in the proposal to introduce i Reliability Unit to reduce breakdowns and increase availability and accountability to providing safe and reliable transport. he Reliability unit will be launched in Milner Park and Village Main in the 3 rd Qtr after the procurement of the necessary tools.

No.	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	2016/17 Mid-year Performance					
					Q2 Target	Q 2 Actual	YTD Target	YTD Actual	Reason for Deviation	Comment and /or corrective action
	PROGRAMME 1: CUSTOMER SERVICE, STAKEHOLDER ENGAGEMENT AND COMMUNICATION									
2	Number of passengers ferried	13 million (51 000 Metrobus passenger trips per working day)	15 million (56 800 Metrobus passenger trips per working day)	Improve fleet availability and adherence to scheduled trips	3 000 000 (60 600 Metrobus passenger trips per working day)	2 375 704 (35 995) Metrobus passenger trips per working day)	7 000 000	5 256 584 (39 823)	Target was not met. In the previous year Metrobus passengers lost confidence in Metrobus service due to non-reliability and the quality of bus service which has been characterized by aged fleet Although the service reliability has improved, passengers are still not convinced hence the continuous decline.	Drafting of the marketing plan is in progress.
3	Number of blameworthy accidents per 100 000 kms operated	Accident rate: <0.75 per 100,000 bus-km per month.		Reduction of blameworthy accidents through on-going bus driver training	Accident rate: <0.75 per 100,000 bus-km.	0.94 per 100,000 bus-km.	Accident rate: <0.75 per 100,000 bus-km.	0.81 per 100,000 bus-km.	Target not met	Blame worthy are in the increase and Metrobus is implementing consequence management in order to curb this increase given that the drivers have been on a dedicated driver refresher training programme.

No.		Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	2016/17 Mid-year Performance					
						Q2 Target	Q 2 Actual	YTD Target	YTD Actual	Reason for Deviation	Comment and /or corrective action
PROGRAMME 1: CUSTOMER SERVICE, STAKEHOLDER ENGAGEMENT AND COMMUNICATION											
4		Number of on-board security incidents	Zero Number of on-board security incidents	Zero Number of on-board security incidents	Monitor and / avoid hot spots	Zero Number of on-board security incidents	Zero	Zero Number of on-board security incidents	Zero	Target met	
5	Engaged Active Citizenry	% of service disruptions communicated	40% of service disruptions communicated	60% of service disruptions communicated	Implement Communication strategy	60% of service disruptions communicated	100%	60% of service disruptions communicated	100%	Target met	
6		Percentage of complaints resolved within the timelines specified in the customer service charter	60% of complaints resolved within the timelines specified in the customer service charter	80% of complaints resolved within the timelines specified in the customer service charter	Improved customer complaints handling process	80% of complaints resolved within the timelines specified in the customer service charter	80%	80% of complaints resolved within the timelines specified in the customer service charter	90%	Target met	
7		% Customer satisfaction index	60% Customer satisfaction index	65% Customer satisfaction index	Improved customer engagements and service quality	N/A- Annual Activity performed in the fourth quarter	N/A			N/A	This is an annual target
PROGRAMME 2: INNOVATION AND THE GREEN ECONOMY											
8	Climate change and resource resilience	% carbon emissions	Maintain hartridge units measurement at 58%	Maintain hartridge units measurement at 58%	Carbon emissions programme : Monthly hartridge units testing	Maintaining the emissions at 58% hartridge	30%	Maintaining the emissions at 58% hartridge	26%	Target met	

No	PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	2016/17 Mid-year Performance					
						Q2 Target	Q 2 Actual	YTD Target	YTD Actual	Reason for Deviation	Comment and/or corrective action
PROGRAMME 3: ENTERPRISE DEVELOPMENT AND JOB CREATION											
9	Informal economy, SMME and entrepreneurial support	Total number of SMMEs supported	50 SMMEs supported	60 SMMEs supported	SMME support programmes Implement Jozi@work programme	40 SMMEs Supported	41 SMMEs have been supported	40 SMMEs	41 SMMEs	Target met	
10		% of total expenditure spent on B-BEEE	30% of total expenditure spent on B-BEEE	30% of total expenditure spent on B-BEEE	Supply Chain policy adherence	30% of total expenditure spent on B-BEEE	99% of total expenditure for the quarter was spent on B-BEEE	30%	99%	Target met	

OPERATIONAL DAY TO DAY

No.	PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	2016/17 mid-year performance					
						Q2Target	Q2 Actual	YTD Target	YTD Actual	Reason for Deviation	Comment and /or corrective action
PROGRAMME 4: FINANCIAL MNGEMENT AND VIABILITY											
11	Financial sustainability	% Spend against approved Operating budget	103% total spending	98% Spend against approved Operating budget	Disciplined expenditure management	98% Spend against approved Operating budget	100%	98% Spend against approved Operating budget	97%	Target met in the 2 nd quarter but not met for the duration of the six months due to savings made in the first (92% was spent) Expenditure control measures implemented to reduce the impact of revenue collection shortfall on the bottom line	The budget is not fully spent due to stringent measures implemented to manage operating expenditure while the entity is unable to collect targeted revenue to cover all operating costs. The budget will be fully utilised at year end.
12		Number of annual leave days balance per employee	36 annual leave days balance per employee	24 annual leave days balance per employee	Quarterly management of annual leave	36 annual leave days balance per employee	Only one employee is sitting on 36 days, the rest of the employees have less than 36 days	30 annual leave days balance per employee	There are employees still sitting on 36 annual days	Target not met	The leave policy that Metrobus is implementing ensures that at the end of the financial year all employees will be having annual leave balances not more than 24 days

No.	PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	2016/17 mid-year performance					
						Q2Target	Q2 Actual	YTD Target	YTD Actual	Reason for Deviation	Comment and/or corrective action
13		PROGRAMME 4: FINANCIAL MNGEMENT AND VIABILITY									
		% Spend against approved capital budget	95% Spend against approved capital budget	95% Spend against approved capital budget	Monitoring of CAPEX on a monthly basis	20% Spent against approved capital budget	137%	50%	97%	Target met	
14		% of Auditor-General South Africa (AGSA) Audit findings resolved	83% AGSA Audit findings resolved	90% AGSA Audit findings resolved	100% implementation of AGSA findings and recommendations with no repeat findings	30% AGSA Audit findings resolved	31%	30% AGSA Audit findings resolved	0%	Target not met	Following the delivery of the AGSA management letter, an audit findings matrix has been drafted
PROGRAMME 5: OPERATIONAL EXCELLENCE											
15	Transforming Sustainable Human Settlements	% of fleet requirement to operate scheduled trips met	74% of fleet requirement to operate scheduled trips met	90% of fleet requirement to operate scheduled trips met	Developed and implemented Repairs and maintenance plan	90% of fleet requirement to operate scheduled trips met	94%	90% of fleet requirement to operate scheduled trips met	87%	Target met in the second quarter but 3% below target for the six months period .Metrobus still utilizes the old fleet which increases the number of breakdowns	A repairs and maintenance regime developed ij the previous year is being implemented to reduce breakdowns year. An analysis on breakdowns and the overall reliability of is conducted by UJ Interns in to reduce this % to 10
16	Good Governance	% compliance with key controls dashboard	Nil	100 % compliance with key controls dashboard	Implement internal controls framework	50% compliance with key controls dashboard	50%	50% compliance with key controls dashboard	50%	Target met	

No.	PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	2016/17 mid-year performance					
						Q2 Target	Q2 Actual	YTD Target	YTD Actual	Reason for Deviation	Comment and /or corrective action
PROGRAMME 4: FINANCIAL MNGEMENT AND VIABILITY											
17	Good Governance	% mitigation actions in the risk registers implemented or up to date	Nil	70%	Identification and mitigation of risks across all Departments	40% mitigation actions in the risk registers implemented or up to date	57%	40% mitigation actions in the risk registers implemented or up to date	57%	Target met	
18	Good Governance	% of pre-determined objectives approved	57%	85%	Strategy improvement plans	85% of predetermined objectives achieved	62%	85% of predetermined objectives achieved	62%	Target not met due to non-achievement of 8 targets	Plan have been put in place to address issues of patronage decline, completion of all scheduled trips, reduction of Out of Commission buses as well as ICT challenges .
PROGRAMME 6: TECHNOLOGY AND BUSINESS ENABLEMENT											
19	Smart City and Innovation	100% implementation of Business Continuity Plan (BCP)	New	100% implementation of Business Continuity Plan (BCP)	Implement ICT strategy	50% implementation of Business Continuity Plan	Target not achieved. The target will be achieved in the next quarter	50% implementation of Business Continuity Plan	Target not achieved. The target will be achieved in the next quarter	Target not met.	The target will be achieved in the next quarter

No.	PIP	Key Performance Indicator	Baseline	Target 2015/16	Key Interventions	2016/17 mid-year performance					
						Q2 Target	Q2 Actual	YTD Target	YTD Actual	Reason for Deviation	Comment and /or corrective action
		PROGRAMME 6: TECHNOLOGY AND BUSINESS ENABLEMENT									
20		% User satisfaction index	Ad hoc ICT service rendering	50 % User satisfaction index achieved	Improve ICT services experience	ICT Service catalogue approved and work shopped at EMT	ICT Service catalogue approved and work shopped at EMT	ICT Service catalogue approved and work shopped at EMT	ICT Service catalogue approved and work shopped at EMT	Target met.	
PROGRAMME 7: INSTITUTIONAL PLANNING, TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT											
21	Financial resilience	% of adherence to performance management system processes and deadlines	Approved Performance management framework	90% of adherence to performance management system processes and deadlines	Roll-out performance management policy to relevant levels	90% of adherence to performance management system processes	90%	90% of adherence to performance management system processes	90%	Target met	
22		% implementation of the leadership and management development programme	New	100% implementation	Assessment of leadership capabilities and Development of custom made leadership strategy	50% implementation	Not yet implemented	50% implementation	Not yet implemented	Target not met.	The target will be achieved in the next quarter
23		% employee satisfaction index	New	50% employee satisfaction index achieved	On-going engagements with employees	N/A- Annual exercise conducted in quarter 4	N/A				This is an annual target

