

LOCAL AUTHORITY NOTICE

CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY

INFORMATION STATEMENT IN TERMS OF SECTION 33(1)(a)(i)(aa) AND (bb) OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003 RELATING TO THE LONG-TERM BUS OPERATING CONTRACT THAT THE CITY OF JOHANNESBURG INTENDS TO CONCLUDE IN RESPECT OF PHASE 1B OF ITS REA VAYA PROJECT

In terms of section 33(1)(a)(i)(aa) and (bb) of the Local Government: Municipal Finance Management Act 56 of 2003, read with section 21A of the Local Government: Municipal Systems Act 32 of 2000, the City of Johannesburg hereby publishes the following Information Statement summarising the City's obligations in terms of the accompanying draft Contract relating thereto, which proposed long-term bus operating contract, which the City intends to enter into in respect of Phase 1B of its Rea Vaya BRT Project ("the Project"):

INFORMATION STATEMENT

BUS OPERATING CONTRACT

1. PURPOSE OF THE CONTRACT

To provide a bus operating service in respect of Phase 1B of the BRT Project. The bus operating contractor will be paid an agreed rate per kilometer to operate the service, but will not be responsible for fare collection or retain any fare revenue, save when required in terms of a contingency plan. Payment will be based on a fee for kilometers operated in accordance with a schedule determined by the City. The contract will be performance based with incentives for good performance and penalties for poor performance and will guarantee a fixed number of revenue kilometers over the agreed contract period.

2. PROPOSED TERM OF THE CONTRACT

A maximum period of 12 years as prescribed by the National Land Transport Transition act (NLTA) and to coincide with the repayment period of the bus operating contractor of its bus purchase funding arrangements in respect of the buses required for Phase 1B of the BRT Project. The bus purchase repayment obligations of the contractor are anticipated to be stretched over a 12 year period.

3. FINANCIAL IMPLICATIONS OF THE CONTRACT

Preliminary indications are that the costs pertaining to the bus operating contract for Phase 1B could range between R130m per annum and R164m per annum, depending on various factors such as the actual bus prices, loan finance costs, and the price (fee/km) that would result from the contract to be negotiated with the affected operators.

These costs are to be funded wholly or in part from fare revenue to be derived from Phase 1B. The fare revenue estimates have been based on pricing fares at similar levels to present Rea Vaya fares, and could reach about R122m from the Phase 1B services. If ridership though remains at the medium-range levels experienced in Phase 1A, the Phase 1B revenue could be as low as R92m.

That could result in a deficit or subsidy requirement of up to R70m per annum for the Phase 1B bus operating services should ridership remain at moderate levels and the bus operating contract proves to be more expensive. Good ridership, a commercially priced contract, affordable bus prices and attractive loan finance costs, could though result in a more or less breakeven situation or a modest deficit of about R8m.

Any person who wants to submit comments or representations in respect of the proposed contract, must within 30 (thirty) days after the date of the first public display or publication of this notice in the press lodge such comments or representations in writing with the official designated herein-below. If such person cannot write, he or she may visit the official designated herein-below (or his nominee), who will assist that person to transcribe such comments or representations:

Copies of the above-mentioned draft Contract and the Information Statement relating thereto will lie for inspection at the following addresses during office hours for 30 (thirty) days from the date of publication hereof in the press:

1. 11th Floor, North Wing, JRA Building
66 Sauer Street (cnr Jeppe Street)
Johannesburg
Fax: 011 870-4611; E-mail: SegalaM@joburg.org.za
Attention: Mr Segala Malahlela
2. Ground Floor Foyer, A-Block, Metropolitan Centre, 158 Loveday Street, Braamfontein.
3. Region A: 300 15th Road, Randjiespark, Midrand
4. Region B: ACA Krans Building, 35 Symonds Road, Auckland Park
5. Region C: 100 Christiaan de Wet Road, Florida Park
6. Region D: 1 Koma Road, Jabulani, Soweto
7. Region E: c/o West Street and Rivonia Road, Sandton
8. Region F: CJ Cronje Building, 80 Loveday Street, Johannesburg
9. Region G: Old Corobrick Building, K43 Highway Road, Lenasia
10. All Satellite Municipal Offices and all 42 Municipal Libraries.

Trevor Fowler
CITY MANAGER
CITY OF JOHANNESBURG