

LOCAL AUTHORITY NOTICE

CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY

INFORMATION STATEMENT AS CONTEMPLATED IN REGULATION 5(3)(b) OF THE MUNICIPAL ASSET TRANSFER REGULATIONS

PROPOSED POSSIBLE FUTURE DISPOSAL OF REA VAYA PHASE 1B BUSES TO PHASE 1B BUS OPERATING COMPANY:

1. Valuation of the capital asset to be disposed of and the method of valuation used to determine that value:

The value of the buses shall be determined in accordance with the accounting standards that the City is required by legislation to apply in preparing its annual financial statements.

If there is a lack of sufficient guidance in the City's accounting standards regarding the valuation of the buses in , the City shall apply any of the following valuation methods:

- (a) Historical cost of the buses, adjusted for accumulated depreciation and any impairment losses as at the effective date of the installment sale agreement; or
- (b) The depreciated replacement cost of the buses.

2. Reasons for the proposal to dispose of the capital asset

The City of Johannesburg Metropolitan Municipality ("the City") has adopted a policy framework ("the BRT Policy Framework") whose objective is to integrate the relevant existing bus and mini bus taxi services into an Integrated Public Transport Network, as contemplated by the National Land Transport Act. This policy sets out how the above should be achieved including through ensuring that affected operators would own and manage the bus operating companies who would provide BRT services.

On 23rd November 2006, Council of the City approved the implementation of Phase 1 of the Rea Vaya BRT System, which was subsequently revised on 7th August 2008 for implementation in two parts, i.e. Phase 1A and Phase 1B. The model contemplated by the City is as follows:

- The establishment of various bus operating companies ("BOCs") by those public operators affected by the BRT Routes ("Affected Operators"), which companies will be responsible for providing the required bus services;
- The BOC should enter into a bus operating company agreement ("the BOCA") with the City, being the agreement contemplated in section 41(1) of the NLTA (the Section 41 Negotiated Contract"), in terms of which it shall provide, amongst others, bus transportation services, and be paid a fee per kilometre travelled;
- The BOC should raise funds from third party funders, buy and own the buses; and
- The City shall pay the BOC a fee per kilometre travelled, which takes into account the agreed cost structure required to operate the buses, plus an agreed profit margin

In considering the affordability of Phase 1B Rea Vaya Programme, the City formed a view that utilization of the Public Transport Infrastructure System ("PTIS") funds to finance the bus acquisition would make Phase 1B of the Rea Vaya Programme more financially viable.

Utilisation of PTIS Funds to acquire the buses required the approval of the National Treasury. After various engagements between the City and the National Treasury, it was resolved that the City can utilise the PTIS funds to acquire the buses, provided that ownership would vest with the City, and that after a period the City may dispose of the buses to the BOC, in accordance with applicable legislation including the Municipal Asset Transfer Regulations.

Thus, it is the City's intention that the Section 41(1) Negotiated Contract (BOCA) includes agreement on the disposal and sale of the buses to the BOC, by means of an installment sale mechanism, within 5 years of the effective date of the BOCA.

3. Expected benefits to the City that may result from the disposal

By disposing of the buses, the City is able to maximizing public transport transformation including the empowerment of previously disadvantaged operators, in particular the mini bus taxi industry. Affected operators who would have become shareholders in the Phase 1B BOC will not only be receiving a fee per km for running the bus service but also own the buses and this is an asset which is a form of wealth.

Secondly, while the Constitution provides that 'Municipal bus services' is a local government competency, the NLTA envisages a situation where municipalities' key role is to regulate public transport services that are operated by private companies. The disposal of the buses to the BOC will enable the achievement of this objective

4. Expected proceeds to be received by the City from the disposal

The purchase price of the buses to the Phase 1B BOC shall be the value set out in the balance sheet of the City, having applied any of the valuation methods set out in paragraph 1 of this Information Memorandum.

5. Expected gain or loss that will be realized or incurred by the City arising from such disposal

There shall not be a loss to the City as the purchase price for the buses will be based on the book value as appears on the City's balance sheet, having adopted any of the valuation methods set out in paragraph 1 above.

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 lodge such comments or representations in writing with Mr Segala Malahlela, 11th Floor North, JRA Building, 66 Sauer Street (cnr Jeppe Street), Johannesburg (Fax: 011 870-4611; E-mail: segalam@joburg.org.za). If such person cannot write, he or she may visit the said official or his nominee, who will assist that person to transcribe such comments or representations.

Copies of this Information Statement will together with copies of the amended draft Phase 1B BOCA and an Information Statement relating thereto be available on the City's website at www.joburg.org.za or can be inspected at the following addresses for 30 (thirty) days from the date of first public display or publication hereof:

1. Ground Floor Foyer, A-Block, Metropolitan Centre, 158 Loveday Street, Braamfontein.
2. Region A: 300 15th Road, Randjiespark, Midrand
3. Region B: ACA Krans Building, 35 Symonds Road, Auckland Park
4. Region C: 100 Christiaan de Wet Road, Florida Park
5. Region D: 1 Koma Road, Jabulani, Soweto

6. Region E: c/o West Street and Rivonia Road, Sandton
7. Region F: CJ Cronje Building, 80 Loveday Street, Johannesburg
8. Region G: Old Corobrick Building, K43 Highway Road, Lenasia
9. All 85 Municipal Libraries.
10. All Municipal 'Satellite Offices'

Trevor Fowler
CITY MANAGER
CITY OF JOHANNESBURG