



STRATEGIC PLAN: 2018 - 2023

AUTOPAX PASSENGER SERVICES (SOC) LTD



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1. Introduction

Autopax Passenger Services (SOC) Ltd also known as Autopax is a wholly-owned subsidiary of Passenger Rail Agency of South Africa (PRASA). Autopax exist to service the second primary mandate of PRASA which is, *provide in consultation with the Department of Transport, for long haul passenger rail and bus services within, to and from the Republic in terms of the principles set out in section 4 of the National Land Transport Act, 2009 (Act No. 5 of 2009).*

The company derives its mandate from the shareholder's compact. Based on the Shareholder's compact, Autopax is mandated to deliver quality and safe long distance bus passenger services in South Africa with a view to grow the market share and expanding the business and thus creating shareholder value.

2. Executive summary and background

Autopax has ambitions of assuming leadership in the long distance road passenger transport solutions. The attainment of this ambition is centred on the company's mission of providing a preferred, sustainable, high quality, seamless and affordable road passenger transport services. This strategy is necessitated by a number of business challenges that confronts the company today. In the process of crafting a strategic plan that will return the company to a financially sustainable level, the leadership of the business is confronted with the challenge of effectively managing the current business whilst creating and implementing the future Autopax business based on this strategy.

The organisation finds itself in a distress state requiring, management and leadership with aptitude that can catapult the business into new frontiers. The company is also confronted by a business unfavourable organisational culture that permeates within its human capital that is compounded by the collapse in employee morale and motivation. The company has overtime experienced a decline in corporate and ethical culture, leading to collapse in corporate governance.

Due to major cash flow challenges to sustain the business, there is a high number of the bus fleet that is off the road (parked due to mechanical breakdowns), the cash flow constraints has also contributed hugely to poor fleet maintenance regime leading to unreliability of services.



This has in the main resulted in unacceptable lower levels in passenger numbers, market share and revenue collection. The external creditors' book has increased to the level that threatens the continued trading of the company. The Auditor-General South Africa has raised a finding of reckless trading during the audit of the 2016/2017 financial year.

The lack of robust Information and Communication Technology (ICT) solutions which is a basic requirement in any bus operations has also contributed to the multifaceted challenges that confronts the business. These challenges include, but not limited to inadequate fleet management and monitoring, poor revenue collection and protection systems and inadequate inventory and materials management.

2.1. Why is the business in this state?

During the 2014/2015 financial year the company posted a profit of R7 920 829.00, however in the following two years the company made losses. It is projected that the company will post loss of over R300 000 00.00 at the end of the current financial year. It is clear that the challenges that the company is currently experiencing today are a manifestation of what happened since 2015/2016 financial year.

Management has taken time to reflect on the above and concluded that the following are some of key reasons the company has deteriorated over a period of time.

- a. **Lack of core technical expertise:** The Company has overtime lost individuals with core technical expertise, most of this positions have not being filled or replaced with right skills due to cash flow challenges in the business. The business also has a number of employees in leadership, management and at critical junior level functions without core technical skills. This challenge permeate in a number of areas in the business including the collapse of the fleet maintenance regime in the Technical Department. The high number of the fleet breakdowns points directly towards lack of core technical skills in the business. This situation has been very prevalent in the operations planning environment like bus scheduling and dispatching which is at the core of any bus industry operations.

- b. **Lack of management and leadership skills:** Leaders and Managers in the business without relevant experience in the bus industry has also impacted hugely on the challenges confronting the business. This was clearly demonstrable when the company entered the commuter operations which many commuter bus companies are able to run this business profitable, but Autopax failed dismally in this regard. This was observed when the company deployed luxury Mercedes Benz Translux buses in this operations instead of commuter friendly MAN Buses. The fact that the company was not able to understand and diagnose that the Autopax products (Translux and City-to-City) was in a decline stage in terms of the product life cycle is another clear indication of ineptness in the management and leadership. The fact that the company did not have robust plan to respond to new entrants in the long distance bus industry market is a sign of lack of requisite management and leadership skills. When the company settled the Mercedes Benz purchase, the management and leadership at the time was unable to ensure that the instalment is then redirected towards Capital budget.
- c. **Lack of effective employee skills development:** The Company has overtime invested less and less in employee skills development and management & leadership development due to cash flow constraints. This impacted a lot on the skills in the company across all levels of the business. The company was previously accredited as a fleet repairer by various Original Equipment Manufacturers, this accreditation has been lost. The issue of ineffective employee skills development is also prevalent in all spheres of the business including Sales and Marketing.
- d. **Performance management:** Over the years the company has failed to implement effective and efficient performance management in the business. Consequence management has also collapsed over a period of time. Managers and Leaders in the business are oblivious to multiple misdemeanours by employees due to the fact that they are shy to engage in difficult discussions with employees. This challenge also persist in the management of service providers. Most service providers have realised this shortcomings within the business and are abusing this situation. Service providers are not made to account in case of poor service delivery despite the fact that the company will continue to pay for sub-standard services. The lack of effective performance management has led to the collapse in the control and governance in the business.



3. Business overview

The 2018 – 2022 strategy will begin to refocus the company towards a radical organic (Internal) growth trajectory based on market development and market penetration. There is significant growth potential on intercity and cross border market, diversified revenue streams need to be utilized to improve the financial position of company focusing on Charter services and Rail Operations support. Several operational efficiencies need to be employed to reduce the cost structure business and increase revenue. The organizational structure must be realigned in order to achieve the strategic goals of the business.

During the third quarter of the 2017/2018 financial year the Board of Directors of the company approved a Turnaround plan for the business that is aimed at addressing the following key matters:

3.1. Decrease in fleet availability – Autopax is currently struggling to meet its daily operational requirements as per the schedule. The business is still experiencing the impact of Commuter operations on the mechanical health of the fleet, this was in the main due to the fact that the business used the fleet that was not technical designed for commuter operations. More than half of the total fleet is parked at the depot or with various service providers due to either mechanical breakdowns or accidents. The reduction in fleet availability has direct detriment effect on revenue, passengers and customer satisfaction.

3.2. Inadequate fleet maintenance regime – Due to cash flow challenges in the business the company is unable to implement and execute an effective preventative fleet maintenance regime. The inadequate preventative fleet maintenance regime has a negative impact on the durable lifespan of the fleet as well reliability of the service.

3.3. Ineffective route and fleet optimisation – The Company continues to operate a service schedule that assumes the original 100% (520 buses) fleet availability for the long distance operations. A number of routes were subsequently cancelled due to lack of buses to operate all the scheduled services. Again this, is as a result of the impact of the commuter operations on the mechanical health of the fleet. The Commuter operations was prioritised over the long distance operations, this impacted hugely on the route and fleet optimisation.

3.4.Reduction in revenue and passenger number – Since the 2014/2015 financial year, the company has been experiencing a decline in fare revenue coupled with increase in net losses. This is directly attributable to the reduction experienced in passenger numbers due to reduced fleet available for operational requirements. This position is further compounded by increase in cash pilferage in the business.

3.5.Unsustainable cost structure – The Company has experienced a marked increase in the cost structure of operating the business. The increase in the operational cost is as a result of reduced revenue collection. Employee costs constituted 37% of Operational Expenditure as at the end of 2016/2017 financial year, this figure shot up to 42% during the 2017/2018 financial year. The other operational costs that have increased in the last three financial years include fuel and general operational costs.

3.6.Control environment – The Auditor General South Africa, Internal Audit and internal Risk Management team has raised serious concerns about the collapse in the control environment within business. This situation is compounded by the complete lack of consequence management in the business, flagrant disregard of existing policies and procedures and in some cases absence of basic operating procedures.

3.7.Lack of accountability – A number of key positions (Chief Executive Officer, Chief Finance Officer, Company Secretary, Senior Manager: Fleet Maintenance) in the company are vacant or occupied by employees in acting capacity. This has a negative impact on the business in terms of business continuity and performance. There are a number of challenges in the company that are attributable to the lack requisite skills and experience in certain key roles of the business. The lack of effective and functional consequence management system within the leadership and management team is evident in the current operations of the business. Operational efficiencies have been compromised by the company’s inability of operate the scheduled services on time, this has negatively affected safety and reliability of the services.



3.8. Lack of necessary ICT systems – The Company operates without the necessary ICT systems to support the business to carry out basic operational requirements. This contributes directly to ineffective revenue collection and protection systems in the company as well as inability to effectively manage all key resources in the business including but not limited to fleet, fuel, passengers and inventory.

4. Vision, Mission, Values and Leadership

4.1. Vision: The leader in road passenger transport solutions to the nation and SADC Region

4.2. Mission: We provide preferred, sustainable, high quality, seamless and affordable road passenger transport services

4.3. Values: To align with the values of PRASA being:

- ❖ **Fairness and Integrity** - Treating our customers and our colleagues the same as we would like to be treated.
- ❖ **Service excellence** - Provide the kind of service that ensures that our customer leaves with a smile.
- ❖ **Performance driven** - Developing the ability to venture into new breakthrough areas of opportunity whilst offering quality products to our customers.
- ❖ **Safety** - Ensuring our customers and colleagues enjoy their journey and arrive safely and refreshed.
- ❖ **Communication** - Sharing information with our customers and colleagues in an open and honest way.
- ❖ **Teamwork** - Working together with our customers to achieve a common goal and recognising each other's worth.



4.4. Leadership

A true leader is not the one with the most followers, but it is the one who creates the most leaders.

The job of managers and supervisors at Autopax is to make it easier for their employees to serve customers — both internal and external. Leading other people at Autopax is not a right, it is a privilege and responsibility that must be continuously earned by serving and mentoring others to help them grow by sharing information, providing respectful feedback and being accountable.

Autopax considers its leadership as conduits of its value system and has thus adopted an approach towards transforming each leader into a “**Servant Leader**”. The approach towards servant leadership emphasizes the serving of others as the leader’s number one priority, a holistic approach to work, promoting a sense of community, and the sharing of power in decision making.

Complementary to the organizational values as detailed above, the following additional characteristics or attributes will be actively cultivated in the leadership of team Autopax.

- ❖ **Listening:** A critical communication tool, necessary for actively demonstrating respect for others.
- ❖ **Empathy:** The ability to mentally project one’s own consciousness into that of another individual.
- ❖ **Healing:** The servant leader recognizes the shared human desire to find wholeness in one’s self, and support it in others.
- ❖ **Awareness:** The ability to practice “*intelligent opportunism*” in a quest to maximized opportunities for Autopax.
- ❖ **Persuasion:** The effective servant-leader builds group consensus through ‘gentle but persistent persuasion’ and does not only rely on position as a source of power.
- ❖ **Conceptualization:** The servant leader must conceive solutions to problems that do not currently exist today (Scenario Planning).
- ❖ **Stewardship:** Organizational stewards, or ‘trustees’ are concerned not only for the individual followers within the company, but also the organization as a whole and its impact on and relationship with all of society.
- ❖ **Commitment to the growth of people:** A demonstrated appreciation and encouragement of others. The secret of institution building is to be able to weld a team of such people by lifting them up to grow taller than they would otherwise be.
- ❖ **Courageous:** Having uncomfortable conversation and saying what needs to be said, communicating openly when you don’t have all the answers and making a decision to move ahead.



- ❖ **Perseverance:** Ability to persevere even when the going is tough and the team morale is low.
- ❖ **Decisiveness:** Ability to make quick decisions in a difficult or complicated situation.

5. Legislative and regulatory framework

The crafting of the Autopax Turnaround plan takes cognisance of the legislative environment with specific reference to:

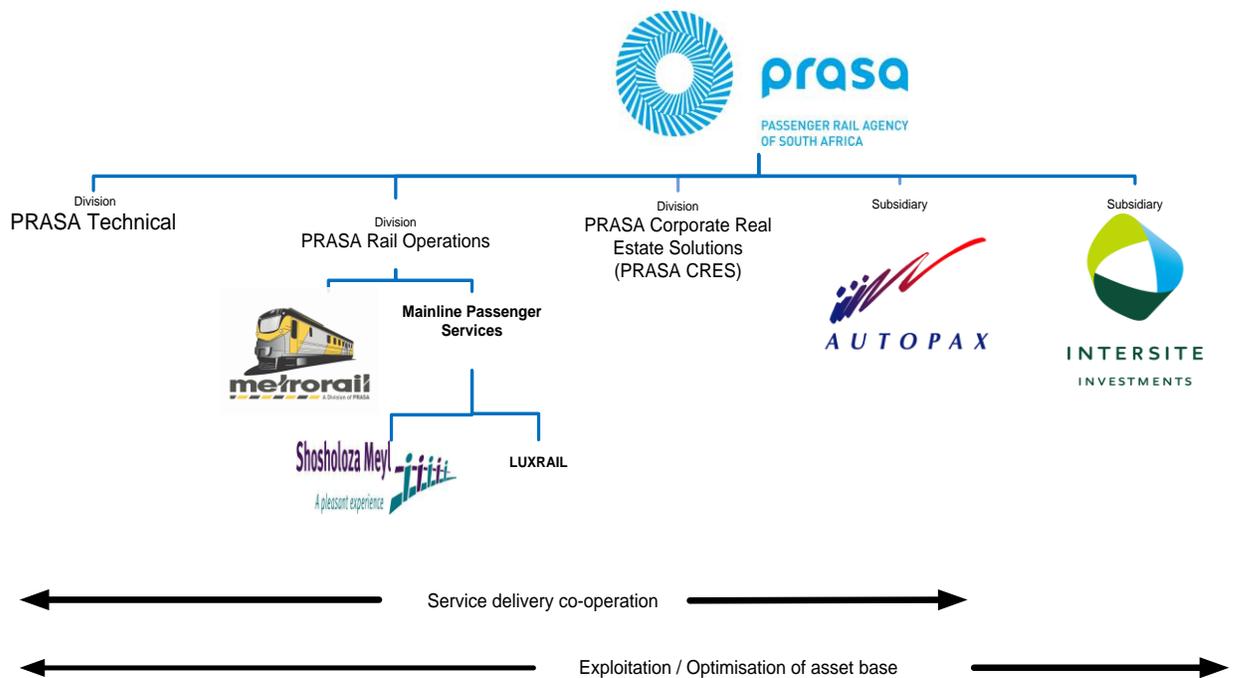
- ❖ The National Land Transport Act (Act 5 of 2009).
- ❖ Legal Succession Act of South African Transport Services (SATS) Act of 1989 *as amended*.
- ❖ National Land Transport Transition Act (Act no. 22 of 2000).
- ❖ Public Finance Management Act no. 1 of 1999
- ❖ Companies Act no. 71 of 2008
- ❖ Labour Relations Act no. 66 of 1995
- ❖ Employment Equity Act no. 55 of 1998
- ❖ Basic Conditions of Employment Act no. 75 of 1997



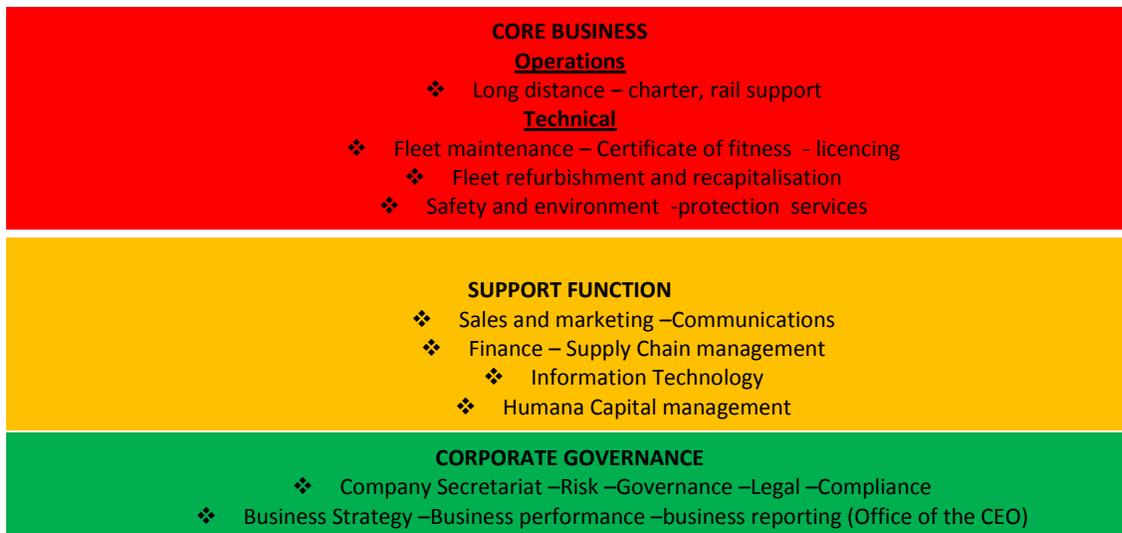
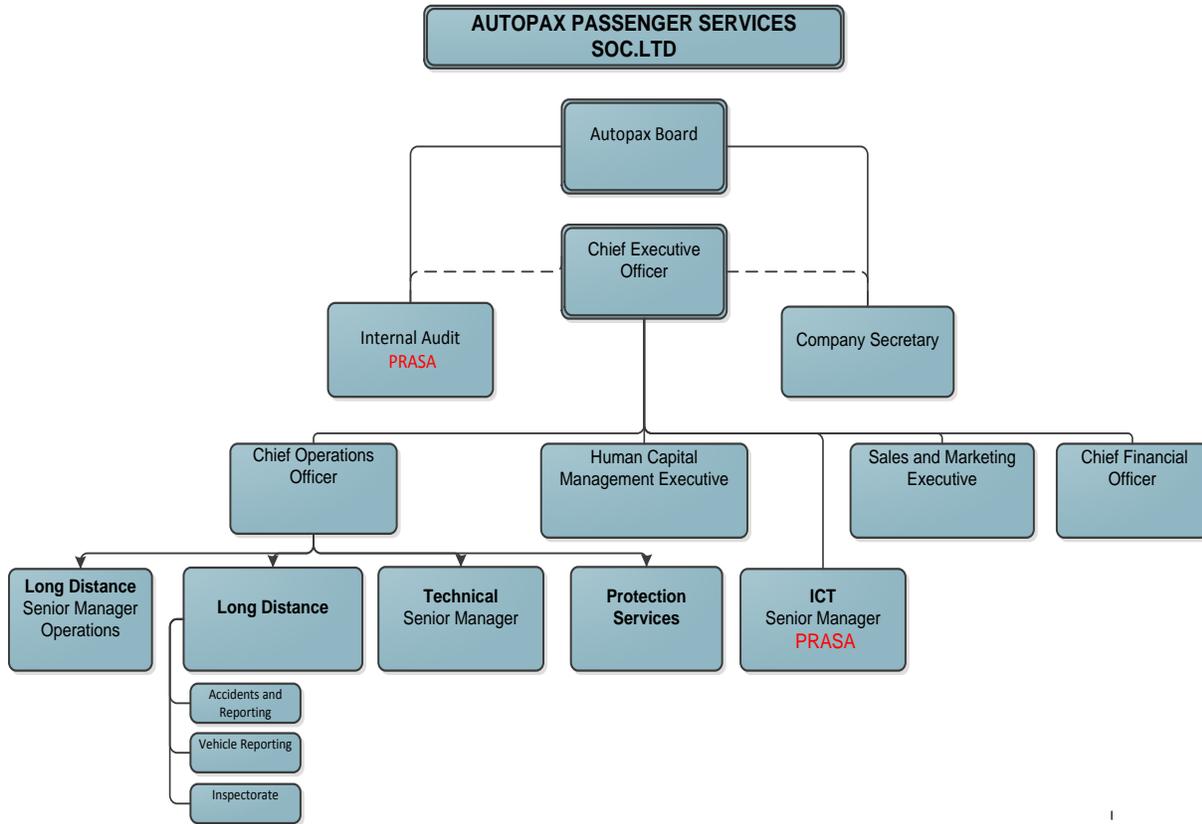
6. Legal and operating structure

The PRASA legal operating structure comprises of the Board of Control, a Corporate Head Office (PRASA), two divisions (PRASA Rail Operations and PRASA Corporate Real Estate Solutions) and two subsidiaries (Autopax and Intersite).

Figure 1: PRASA Legal Structure



7. AUTOPAX OPERATING STRUCTURE



8. Situational analysis

Despite the recent rapid growth in car use, public transport and walking are still the predominant “lifeline” forms of mobility for the vast majority of South Africans in order to access work, schools and services*.

The following statistics were provided from the National Household Travel Survey (NHTS) of 2013:

- 38 million citizens live in households with no access to a car;
- 80 per cent of adults do not have a driver’s licence;
- 14 million children walk to school, 7 million workers and learners use public transport;
- 13.7 million people used public transport at least once a week while only 7 million used a car.

Table 1: Weekly use of travel modes Days used	Number of people that used mode in past 7 days (during the survey)			
	Train	Bus	Minibus-taxi	Car
Number of users	1 083 000	2 566 000	10 080 000	7 088 000

The service offering for land-based long distance public transport is typically of poor quality, informal and expensive. There is a large existing market of migrant workers, students, tourists and occasional travellers that warrants a far more formalised and improved quality of service. The below matrix demonstrates demand usage and utilisation of long distance transport:

Province	No of People	No of trips per year	Bus % usage
Western Cape	562 000	1 202 000	5
Eastern Cape	496 000	817 000	23
Northern Cape	104 000	164 000	2.6
Free State	323 000	718 000	9.4
Kwazulu Natal	424 000	827 000	8.8
North West	331 000	646 000	13.5
Gauteng	887 000	1 657 000	13.1
Mpumalanga	396 000	886 000	10.5
Limpopo	554 000	1 012 000	30.1

High level overview of the performance of the business in the past five years is as follows:

	Company performance in the past five years				
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Total Revenue	824 273 017	848 058 302	913 897 048	943 216 225	915 686 367
Fare Revenue	702 282 343	683 452 962	750 688 611	709 299 138	616 971 349
Operational Expenditure	846 491 864	888 035 246	879 603 569	959 992 612	1 004 366 494
Profit/(Loss)	-13 274 407	-75 102 504	7 920 829	-28 548 430	-212 457 978
Passenger Numbers	2 919 886	2 737 150	2 725 890	2 515 873	2 252 011
Total Employees	1 741	1 770	1 447	1 619	1 376
Employee Costs/Opex	30%	32%	35%	36%	37%
Customer Satisfaction	82%	74%	77%	74%	62%
Kilometres travelled	59 231 917	54 484 358	55 556 374	57 627 360	53 623 691

In terms of the last market size estimation for long distance bus operations, it has been established that Autopax has between 22% and 25% market share on the long distance bus market by number of buses. Autopax has a total fleet of 518 buses. A comparative market share with other bus operators is available monthly, however it might not serve the purpose to inform the strategic thrust for Autopax. Autopax will in the beginning of the 2018/2019 financial year engage in a market share survey that will be led by PRASA Group Strategy, Research and Development. This survey once completed will continue to drive and guide Autopax growth strategy trajectory.

9. Strengths, Opportunities, Weaknesses and Threats (SWOT) Analysis

Strength	Weakness
<ul style="list-style-type: none"> 1) Brand loyalty due to our extensive route network 2) Well trained drivers with positive impact on our road safety record 3) Fleet strength 4) Product quality endorsed with SABS Accreditation 5) Affordable fares 6) Well established brands 7) APX Subsidiary PRASA 	<ul style="list-style-type: none"> 8) Aging fleet 9) Financial constraints leading to our inability to meet business requirements 10) Unstable ICT Environment and outdated systems 11) Lack of appropriate technical expertise 12) Revenue leakages in our direct sales channels 13) Limited training and development 14) Limited brand visibility 15) High maintenance costs 16) Inability to attract and retain skilled employees
Opportunities	Threats
<ul style="list-style-type: none"> 1) Operational synergies (Rail Operations) 2) Intercity services market 3) Cross Border operations 4) Charter business market 	<ul style="list-style-type: none"> 5) Competitors investing in new fleet rendering Autopax a non-player in the luxury market 6) Taxi intimidation at strategic loading points 7) High rate of unemployment which leads to less travelling and less demand for our services. 8) Lengthy administrative process on issuing permits 9) New entrants in the market diluting Autopax's market share 10) Stagnant economic growth 11) Volatile labour industry 12) Service delivery protest 13) Inconsistent operational requirements from law enforcement agencies that lead to bus impoundments

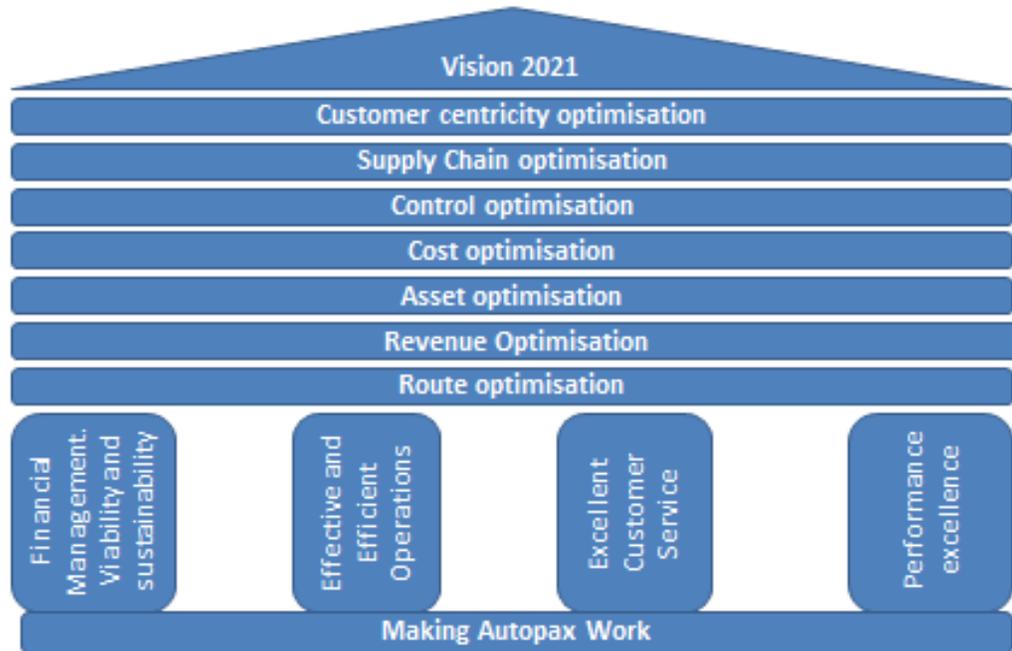
10. Risk Management

NO	TURNAROUND FOCUS AREAS	RISK	INHERENT RATING	STATUS	MITIGATION	RESIDUAL RATING
1.	Financial Management Viability and Sustainability	Going Concern (Reckless trading)	Extreme risk	Materialised	Approval of turnaround plan by 31 October 2017	Low
2.	Route Optimisation	Inability to operate all routes	High Risk	Materialised	Availability of funding by 15/11/17 to enable the requirement of the 270 fleet. Adopt a fluid route scheduling programme together with an optimum asset utilisation approach	Low
3.	Asset Optimisation	Inability to operate 270 buses by 1/12/17 Inability to dispose of 249	High Risk High risk	Materialised	Availability of funding by 15/11/17 to enable the requirement of the 270 fleet Approval for disposal by 31/10/17. Appointment of Auctioneers to facilitate the process.	Low
4.	Cost Optimisation	Unsustainable cost structure Delay and/or Non-approval of Sec.189 Non approval of waiving of annual increment 2018-2019 Delay and /or Non-approval of Divisionalisation	High Risk	Materialised	Approval for reduction in the staff complement by 325 heads(Effective 1/02/18) Approve to proceed with Sec.189 by 1/11/17 Approval for the waiving of the annual increment (2018-2019) by the 31/10/17 Approval of divisionalisation by the shareholder/NDoT by 30/11/17	Low
5.	Control Optimisation	Inability to fund control enhancement	High Risk	Materialised	Availability for funding by 30/11/17	Low
6.	Procurement Optimisation	Non-compliance to SCM policy	High Risk	Materialised	Enforce demand management plans (2017-2019) by 1/11/17 Enforce SCM policy requirements via training and consequence management on non-compliance management issues All services procured must be preceded by a PR and PO process Effective contract management and reporting Appointment of experienced and reliable personnel to procurement committees	Low
7.	Customer Service	Declining customer service satisfaction levels	High Risk	Materialised	Improvement in service quality with focus on: <ul style="list-style-type: none"> Improved departure times (Technological improvements) Enroute monitoring and consequence management Ensure that the fleet is cleaned as per scheduled rosters Adherence to schedule via technological solutions (Funding required) Prompt communication between Sale, Operations and Customers. 	Low



11. Pillars guiding the company's 2018-2022 strategic thrust

TransLux | City to City | **AUTOPAX Charters**



AUTOPAX subsidiary of



12. Key Strategic levers

#	Strategic levers	Key strategic focus area
1.	Financial management, viability and sustainability	Route optimisation
		Cost optimisation
		Revenue Optimisation
		Asset optimisation
2.	Effective and Efficient Operations	Asset optimisation
		Revenue Optimisation
		Cost optimisation
		Control optimisation
		Supply Chain optimisation
3.	Excellent Customer service	Customer centricity optimisation
		Revenue optimisation
4.	Performance excellence	Control optimisation
		Performance management
		Cost optimisation



12.1. Key strategic focus areas

a. Route optimization

The company has reviewed the current routes and the schedule with a view of identifying profitable and non-profitable routes. This process has culminated in the reduction of future routes to be serviced being reduced from 249 to 199. The identified routes will ensure that Autopax is in a position to realise a minimum of 75% seat utilisation on each service off-peak and 95% seat utilisation during peak. All identified non-profitable routes will be terminated with immediate effect. The company will also implement measures to effectively combat pilferage in the company at all level of operations.

It is management's considered view that the implementation of the Route Optimisation will lead the company to realise the desired **financial management, viability and sustainability**.

b. Revenue optimisation

The company is embarking on a radical organic growth strategy through market penetration and market development. The main aim of pursuing this radical growth strategy will be to ensure that the company increases its market share through improved and reliable bus service. The market penetration strategy will have a high success rate given the passenger loyalty towards both Brand Translux and City-to-City. On the other hand the market development growth strategy will be realised through strengthening and resourcing the Autopax Charter Services, complete support of Rail Operations and Cross Border Services. The Revenue optimisation will focus on Revenue generation, Revenue collection and Revenue protection.

It is management's considered view that the implementation of the Revenue optimisation will lead the company to realise the desired **financial management, viability and sustainability**.

c. Asset optimisation

Through the process of defining what will **Make Autopax Work**, the strategic review has determined that it is crucial that Autopax operate the maximum complement of fleet. The



company will immediately embark on a process of identifying the fleet that can be operational in a short space of time. The process will be supported by a robust fleet maintenance regime that will ensure that all operational vehicles remain on the road all the times. Based on this position Autopax will also ensure that there is adequate fleet to support Rail Operations, strengthen Charter services and pursue the Cross Border market.

The implementation of the asset optimisation process will ensure that the company realises the desired **effective and efficient operations**.

d. Cost optimisation

Management has engaged in a robust and detailed process of understanding the company's revenue generation potential and the cost of doing the business. This process was intended to ensure that the company's cost structure is proportionate to the revenue generation. Other measures to realise this objective will include total moratorium on all external permanent appointments, unless approved by the Chief Executive Officer. Through this process the company will also review the impact of inter-company costs on the financial management, viability and sustainability of Autopax. The fact that Autopax does not own the infrastructure that it uses to operate its core business poses a challenge to the balance sheet of the company.

The implementation of this objective will ensure that the company realises the strategic lever of **financial management, viability and sustainability** as well as **effective and efficient operations**.

e. Control optimisation

Based on the harsh reviews by the Auditor-General South Africa and internal Risk Management, the Business plan will also focus on reviewing and improving the control environment. This process will focus on review of all business processes, policies and standard operating procedures to ensure that the control environment is strengthened.



Autopax like many of its competitors in the industry is operating in a highly technologically advanced industry. To this end, the business plan will also focus on implementing the Information and Communication Technology that supports the day-to-day operations of the business. The company will also ensure that in the near future it explores the opportunities offered by the world of Internet of Things (IoT) for improving efficacies in the operations of the business including implementing measures that will differentiate the company from its competitors in the eyes of the passenger. The objective of optimising the control environment will also require entrenching the culture of consequence management in line with the Board approved Performance Management policy.

This objective will ensure that the business realises the strategic lever of **effective and efficient operations** and **performance excellence**.

f. Supply Chain optimisation

Due to the nature of its operations, Autopax requires a strengthened and fully functional procurement capability. This will be supported by a business focused and aligned demand management framework. The recently board approved Supply Chain Management policy will be implemented swiftly supported by line management capacity building programmes. The company will place most emphasis on strategic sourcing and supplier development focusing on Women, Youth enterprises and Cooperatives.

This objective will ensure that Autopax realises the strategic lever of **effective and efficient operations**.

g. Performance management

Instilling a performance management based culture in the business is at the centre of the company's quest towards performance excellence. The Board has approved the company's policy on Performance Management. All employees on Management levels will be contracted



on performance management. The company will also ensure consequence management in the business to entrench the performance based culture.

This objective will ensure that Autopax realises the strategic lever of **Performance excellence**.

h. Customer centricity Optimisation

Autopax acknowledges that it is operating within a highly competitive environment. The business plan will ensure that the company realise its full potential through passenger confidence in the two brands. The company will also focus on reclaiming its apex position as a dominant player in the industry. This objective will be realised through on-time departure management, effective en-route monitoring with consequence management. The company will ensure improved quality of service through focused customer service and provision of passenger friendly clean fleet. The communication between the Operations and Sales departments will be strengthened to ensure that passenger experience is improved. Customer centricity will ensure that the company focuses on complete passenger satisfaction in terms of Pre-trip (Point of Departure), On-Board and Post-trip. This will led to increase in market share and improved customer satisfaction index.

It is management's considered view that the implementation of the customer centricity will lead the company to realise the desired **Excellent Customer Service**.

13. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2019/2023

Performance Targets 2019 - 2023										
STRATEGIC OBJECTIVE	Strategic Priority APK	Key Performance Area	Performance Indicator	Performance Targets 2019 - 2023						
				Base	2018/19	2019/2020	2020/2021	2021/2022	2022/2023	
Financial Management, Viability and Sustainability	Asset Optimisation	Revenue Generation	Operational Generated Revenue	R441 579 851	Increase revenue to R897 303 212 - R 991 756 182 by March 2019	Increase Revenue to R996 960 485 - R1 1019 03 693 by March 2020	Increase Revenue to R1 098 162 498 - R 1 213 758 550 by March 2021	Increase Revenue to R1 205 303 941 - R 1 332 178 040 by March 2022	Increase Revenue to R 1 323 158 713 - R 1 462 438 577 by March 2023	
	Cost Optimisation	0.16 liquidity ratio	Improve Liquidity ratio	0.29	Improve liquidity ratio to 0.47 to 0.52 by March 2019	Improve liquidity ratio to 0.95 to 1.05 by March 2020	Improve liquidity ratio to 1.43 to 1.58 by March 2021	Improve liquidity ratio to 1.90 to 2.10 by March 2022	Improve liquidity ratio to 1.90 to 2.10 by March 2023	
		1.02 solvency ratio	Improve Solvency ratio	0.52	Improve solvency ratio to 1.23 to 1.36 by March 2019	Improve Solvency ratio to 0.95 to 1.05 by March 2020	Improve Solvency ratio to 0.95 to 1.05 by March 2020	Improve Solvency ratio to 0.95 to 1.05 by March 2020	Improve Solvency ratio to 0.95 to 1.05 by March 2020	
Effective and Efficient operations	Asset Optimisation	Robust Fleet Maintenance Programme	Fleet Availability	39%	85% to 95% Fleet availability	85% to 95% Fleet availability	85% to 95% Fleet availability	85% to 95% Fleet availability	85% to 95% Fleet availability	
			Bus Servicing (On Time service rate)	34%	85% to 95% on time service rate by March 2019	85% to 95% on time service rate by March 2019	85% to 95% on time service rate by March 2019	85% to 95% on time service rate by March 2019	85% to 95% on time service rate by March 2019	
			Breakdowns per 60 000 km	0.41	1 breakdowns per 60 000kms	1 breakdown per 60000kms	1 breakdown per 65000kms	1 breakdown per 65000kms	1 breakdown per 70000kms	
	Passenger and Road safety	Accidents per kilometres travelled	189 accidents	< 180 accidents per 51379599 kilometres by March 2019	< 171 accidents per 52, 136, 955 kilometres by March 2020	< 162 accidents per 56, 136, 955 kilometres by March 2021	< 154 accidents per 62, 136, 955 kilometres by March 2022	< 146 accidents per 69, 136, 955 kilometres by March 2023		
		Fatalities per number of passengers transported	1 fatalities	< 1 fatalities per 2,968,040 passengers by March 2019	< 1 fatalities per 3,263,527 passengers by March 2020	1 fatalities per 3,410,000 passengers by March 2021	0 fatalities per 3,751,000 passengers by March 2022	0 fatalities per 4,126,100 passengers by March 2023		
		Injuries per number of passengers transported	73 passengers injuries	< 55 passengers injuries per 2,968,040 passengers by March 2019	< 52 passengers injuries per 3,263,527 passengers by March 2020	< 49 passengers injuries per 3,410,000 passengers by March 2021	< 47 passengers injuries per 3,751,000 passengers by March 2022	< 45 passengers injuries per 4,126,100 passengers by March 2023		
	Control Optimisation	Control Optimisation	ISO 9001 of 2015 and SANS 10399	Waiting for Results	ISO 9001 of 2015 and SANS 10399 Certifications by March 2019	ISO 9001 of 2015 and SANS 10399 Certifications by March 2020	ISO 9001 of 2015 and SANS 10399 Certifications by March 2021	ISO 9001 of 2015 and SANS 10399 Certifications by March 2022	ISO 9001 of 2015 and SANS 10399 Certifications by March 2023	
			Fuel Consumption	< 39.59Litres /100km	37,05Litres /100km-40,95 Litres /100km	37,05Litres /100km-40,95 Litres /100km	37,05Litres /100km-40,95 Litres /100km	37,05Litres /100km-40,95 Litres /100km	37,05Litres /100km-40,95 Litres /100km	
			Audit Result	Waiting for Results	Unqualified Report for Financial and Performance information 2017/2018	Unqualified Report for Financial and Performance information 2018/2019	Clean Audit 2019/2020	Clean Audit 2020/2021	Clean Audit 2021/2022	
	Effective and Functional ICT systems	Effective and Functional ICT systems	Network Availability	92% Network uptime Availability	92% -95% Network Uptime Availability	92% -95% Network Uptime Availability	92% -95% Network Uptime Availability	92% -95% Network Uptime Availability	92% -95% Network Uptime Availability	
			Preliminary system design and implementation of business application	No funding available (manual Excel sheets)	Develop and Implement 2 Core business Solutions by March 2019	Develop and Implement 1 Core business Solutions by March 2020	Research and design approach for Disaster Recovery Plan	Implement 100% Disaster Recovery for following applications (AFC, OPS, Call Centre)	Implement 100% Disaster Recovery for SAP Finance, SCM, HCM	
			System went live in May 2017 (phase 1)	Modernize the ticket platform by March 2019	Integrate AFC(Automated fare collection) with Ops, SCM, Finance and HCM	Integrate AFC rest of the business application	60% System Integration	100% System Integration		
	Supply Chain optimisation	Value for Money through Smart and Efficient Supply chain Management(SCM)	Strategic Sourcing	Contracts Register	100% valid Contracts as per contracts register by March 2019	100% valid Contracts as per contracts register by March 2020	100% valid Contracts as per contracts register by March 2021	100% valid Contracts as per contracts register by March 2022	100% valid Contracts as per contracts register by March 2023	
	Excellent Customer Services	Customer centricity optimisation	Service Excellence	Increased passengers/ patronage growth (Long Distance Operations)	1 479 413	2 819 638 - 3 116 442 passengers/ patronage on long distance routes by March 2018	3 101 602 - 3 428 086 passenger /patronage on long distance routes by March 2020	3 411 762 - 3 770 895passenger/ patronage on long distance routes by March 2021	3 752 938 - 4 147 984 passenger/ patronage on long distance routes by March 2022	4 128 232 - 4 562 783 passenger/ patronage on long distance routes by March 2023
				On Time Departures from Depature points	64%	80% - 85% on time Departures by March 2019	80% - 85% on time Departures by March 2019	80% - 85% on time Departures by March 2019	80% - 85% on time Departures by March 2019	80% - 85% on time Departures by March 2019
Reduced Passenger Complaints on passengers transported				0	<3% -5% Passenger Complaints on passengers transported by March 2019	<3% -5% Passenger Complaints on passengers transported by March 2019	<3% -5% Passenger Complaints on passengers transported by March 2019	<3% -5% Passenger Complaints on passengers transported by March 2019	<3% -5% Passenger Complaints on passengers transported by March 2019	
Customer Satisfaction Improved (Market Survey)				Waiting for Results	69% - 79% Customer Satisfaction rating for Autopax by March 2019	80% Customer Satisfaction rating for Autopax by March 2020	85% Customer Satisfaction rating for Autopax by March 2021	90% Customer Satisfaction rating for Autopax by March 2022	90% Customer Satisfaction rating for Autopax by March 2023	
Performance Excellent	Control Optimisation	Performance Management	Signed performance contracts and conclusion of performance reviews for management	34%	100% Performance Reviews of all (Management) staff by March 2019	100% Performance Reviews of all (Management) staff by March 2020	100% Performance Reviews of all (Management) staff by March 2021	100% Performance Reviews of all (Management) staff by March 2022	100% Performance Reviews of all (Management) staff by March 2023	
		Training and Development	Training plan for the Business	22%	Obtain 80% of identified training needs by March 2019	Obtain 85% of identified training needs by March 2020	Obtain 90% of identified training needs by March 2021	Obtain 95% of identified training needs by March 2022	Obtain 100% of identified training needs by March 2023	

14. BUDGET ASSUMPTIONS 2018-2019

REVENUE

FARE REVENUE

- **Peak & Off peak days**
 - o All days in school holiday = Peak
 - o All days not in school holiday = Off peak

- **Fare Price**
 - o Basis of fare price based on most current prices (Jan 2018)
 - o Assumed a price increase of 7% (across the board) on 18 Jan 2018
 - o Peak periods = increased with 15%
 - o Peak period in Dec/Jan = increased with 30%
 - o Fri & Sun increased with 5% above normal base fares all year

- **Seat Occupancy**
 - o Translux = off peak (75%), Peak Forward (90%) Peak Return (75%)
 - o City to city = off peak (75%), Peak Forward (90%) Peak Return (85%)

- **Revenue per route**
 - o =Price x %utilisation x seats x 90%
 - o (90% represents passengers not travelling from start to finish as well as elderly and school children not paying full price)

- **Passengers/Seats per route**
 - o =% utilisation x seats

FARE REVENUE – CROSS BORDER

Cross border revenue is budgeted at R 17 656 023m and it is broken down in the following manner:

- **Zambia**
 - o Jhb-Lusaka - 3 times per week with 5 buses between Oct18 - Mar19 at R 6 912 000 with a usage of 244 500 KMs.
- **Malawi**
 - o Jhb- Blantyre - 3 times per week with 5 buses between Jan - Mar19 at R 3 093 750 with a usage of 259 500 KMs
- **Maputo**
 - o Durban- Maputo - 7 times per week with 4 buses between Jan - Mar19 at R 2 008 800 with a usage of 110 670 KMs
- **Maputo**

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

- Pry- Maputo Night - 7 times per week with 4 buses between Jan - Mar19 at R 2 008 800 with a usage of 107 880 KMs
- **Swaziland**
 - Jhb- Swaziland - 7 times per week with 4 buses between Jan - Mar19 at R 1 576 443 with a usage of 73 284 KMs
- **Lesotho**
 - Jhb-Lesotho - 7 times per week with 4 buses between Jan - Mar19 at R 2 056 230 with a usage of 123 690 KMs

FARE REVENUE - LUGGAGE

Budgeted at R 4 100 000 as follows:

Revenue Stream	Projected Revenue
Cross Border Luggage (6 months)	R 1 200 000
Intercity Luggage Revenue	R 2 900 000

FARE REVENUE – CHARTER/SPECIAL HIRE

Revenue was budgeted as follows:

	Revenue	No of busses
Existing Clients	20 000 000	Min 25 busses
Potential Clients	10 000 000	Min 10 Busses
	30 000 000	Min 35 Busses

Increase conversion rate from below 10% to 80%.

Buses will be used inter-changeable with rail as and when require

FARE REVENUE – INTER-COMPANY

Budgeted at R 70 856 260m and consist of Metrorail and Shosholoza Meyl.

Own bus revenue based on R375/hr and R16.50/km on own trips for Prasa Rail from Apr 2016 to Sept 2016. Plus R25m on Revenue for Bus hire plus R25m on expenses for bus leasing.

The budget was allocated as follow:

- R 43 740 080 m for Metrorail Western Cape. Total annual km's budgeted = 660 000.
- R 22 358 163 m for Metrorail KZN. Total annual km's budgeted = 240 000.
- R 1 192 911 m for Metrorail Gauteng. Total annual km's budgeted = 18 000.
- R 3 565 105 m for Shosholoza Meyl. Total annual km's budgeted = 102 000.

Kilometres travelled with Autopax own buses only.

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

EXPENDITURE

PERSONNEL

- An annual salary increase of 8% for junior officials was implemented from 1 April 2018.
- A salary increase of 5,5% for Executives and Senior Management and 5,7% for Managers was implemented from 1 April 2018.
- 1103 personnel were budgeted for. They can be broken down as follow:
 - 21 fixed term contract workers:
 - ✓ 2 Assistant managers
 - ✓ 19 Junior officials
 - 1082 permanent positions:
 - ✓ 3 Executive managers
 - ✓ 7 Senior managers
 - ✓ 28 Managers
 - ✓ 9 Assistant managers
 - ✓ 1026 Junior officials
 - ✓ 9 Risk pool
 - 10 vacancies:
 - ✓ 3 Executives (CEO, CFO and CS)
 - ✓ 1 Senior managers
 - ✓ 5 Managers
 - ✓ 1 Assistant managers
- Directors:
 - Budgeted for R 4 185 803 and this includes 5 current directors and 2 vacant ones plus a 5.5% increase based on the current expense.
- Meal allowance for drivers (GL 439011):
 - Budgeted as per route requirements. Budgeted at a rate of R 60 per driver per day multiplied by the number of drivers on the trip as well as the trips per month for each route requiring meal allowances. A total annual amount of R 6 120 204 was included in the budget.

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

TRAINING

Training was budgeted at R 2.3m and can be broken down as follow:

Planned Intervention	Purpose	Cost	Comments
Artisan Training	Skills Development in line with the approved WSP	R 400 000.00	100 employees@R4000.00/learner
Advance Coach Driver Training	Skills Development in line with the approved WSP	R 1 000 000.00	200 employees@R5000.00/learner
Employee Bursary	Employee Skills development	R 400 000.00	Estimated at R10 000.00 per annum for 40 employees
Other training	Soft skills training (Customer Service, Office packages)	R 500 000.00	100 employees @R5000.00/leaner

CROSS BORDER EXPENSES

- **Commission paid** - 10% of Fare revenue (GL800100). Commission calculated on 50% of sales as it is assumed that 50% sales will take place in SA and 50% cross border.
- **Driver accommodation** - Assuming cost of R 700 per driver per trip. Utilising 2 drivers for each trip.
- **Driver meal allowance** - Assuming cost of R 60 per driver per trip (current meal allowance). Utilising 2 drivers for each trip.
- **Toll fees** - Assuming cost of R 750 per trip (including border entry).
- **Diesel**
 - Zambia – Budgeted at 244 500 KMs and 110 025 Lts. Consumption of 45 litres per 100 km (as bus will be pulling large trailer filled with luggage), bus takes 500L per tank.
 - Malawi – Budgeted at 129 750 KMs and 58 388 Lts. Consumption of 45 litres per 100 km (as bus will be pulling large trailer filled with luggage), bus takes 500L per tank.
 - Mozambique – Budgeted at 218 550 KMs and 98 348 Lts. Consumption of 45 litres per 100 km (as bus will be pulling large trailer filled with luggage), bus takes 500L per tank.
 - Swaziland – Budgeted at 73 284 KMs and 32 978 Lts. Consumption of 45 litres per 100 km (as bus will be pulling large trailer filled with luggage), bus takes 500L per tank.
 - Lesotho – Budgeted at 123 690 KMs and 55 661 Lts. Consumption of 45 litres per 100 km (as bus will be pulling large trailer filled with luggage), bus takes 500L per tank.
 - The WSLP of Jan 2018 was used as base. Increased/decreased the price with the % fluctuation in the forecasted oil price.

- **Permits/cross border permit/Carbon tax to be paid at border**
 - Zambia
 - R 300 000.00 - Assuming carbon tax of R 1000 per border entry (2 entries one way)
 - R 210 000.00 - Assuming border entry of R 700 per border entry (2 entries one way)
 - R 25 000.00 - 10 bus permits @ R 2500 per permit per annum
 - Malawi
 - R 450 000.00 - Assuming carbon tax of R 1000 per border entry (3 entries one way)
 - R 157 500.00 - Assuming border entry of R 700 per border entry (3 entries one way)
 - R 12 500.00 - 5 bus permits @ R 2500 per permit per annum
 - Mozambique
 - R 372 000.00 - Assuming carbon tax of R 1000 per border entry (1 entry one way)
 - R 260 400.00 - Assuming border entry of R 700 per border entry (1 entry one way)
 - R 20 000.00 - 8 bus permits @ R 2500 per permit per annum
 - Swaziland
 - R 186 000.00 - Assuming carbon tax of R 1000 per border entry (1 entry one way)
 - R 130 200.00 - Assuming border entry of R 700 per border entry (1 entry one way)
 - R 10 000.00 - 4 bus permits @ R 2500 per permit per annum
 - Lesotho
 - R 186 000.00 - Assuming carbon tax of R 1000 per border entry (1 entry one way)
 - R 130 200.00 - Assuming border entry of R 700 per border entry (1 entry one way)
 - R 10 000.00 - 4 bus permits @ R 2500 per permit per annum

MAINTENANCE

The budget is based on the actual cost to maintain 415 expected to run at a total +/- 51m Km a year including new cross-border routes as budgeted and agreed between operations and sales and marketing departments. Material price is expected to increase by 6%

- **Preventive Maintenance**
 - Bus Servicing Schedule (22 500Km Multi-grade). Since the servicing schedule is reduced to 22 500km, a 10 000km ATI's for all Polokwane operated buses.
 - A backlog of over +/- 60 000km kilometres overdue the official service schedule.
 - Backlog catch up is catered in the April and May 2018/19 services plan.
 - COF preparation (Maintenance material) if we have our vehicles being maintained properly there will be no need to waste time in preparing the bus before it goes for COF.
 - COF testing (testing fee)
 - ✓ The testing fee in the current financial year is R 1 125 on average p.a. (CT=R 760, PTA=R 1 120 and HRM=R 1 300) this price is not expected to increase since it's been recently increased.
 - Breakdowns
 - ✓ All breakdowns within the 200Km radius will be attended by Autopax using the monthly running repair material demand from the stock from the stores.
 - ✓

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

- ✓ All breakdowns more than 200Km radius will be done by the external breakdown supporting suppliers
 - Maintenance Campaigns (Mitigating breakdowns)
 - ✓ Air blockage “Air Leaks” (leading to vehicle not building air) that requires refurbishment of the air system (two coils, two straight, u-shape and a flex pipe, 4-way protection valve, complete air dryer, air compressor kit).
 - ✓ Engine Overheating (leading to engine knocks)
 - Thermostats, viscos fan (replacement or resetting), jockey pulley bearings and v-belts. 10% of the projected breakdown cost +/- R1.8m over six months.
- **Components Change outs and overhauls**
 - Major Components Change outs/Overhaul (Engine, Gearboxes, Differentials)

There has been no maintenance plan for major components instead these components have been running to failure. Our breakdowns and outwork history reflects that 98 Engine, 50 gearboxes and 102 diffs failed in the past financial years from 2010 as a result we are looking at overhauling 317 engines, 365 gear boxes and 313 diffs in alternate months.
 - Minor Components change outs/ overhaul

This will go according to a maintenance plan of 6 month check and change.
- **Tyre Maintenance and Management**
 - The budgeted mileage for the next financial year based on OPS planning is +/- 51m Km, resulting to an average of 4.3m km per month. In the previous financial year the CPK was 37 cents, assuming an increase of 21% based on the suppliers recent quotes this will results into a CPK of 45 cents.
- **Body Shop maintenance**
 - Bus windows Replacement

During the past financial year window replacements have been +/- 650 units, the next financial year we expect the costs to increase as the running fleet is also expected to increase from +/- 150 to 415 vehicles.
- **Body Refurbishment programme**
 - Based on body dents and scratches, minor and major accidents we have done 31 major accidents interior and exterior and 140 body repairs in the last 4 years. As a result, we look at conducting 244 full body refurb interior and exterior at about +/- R250 000 per bus that will be reflected in our capital budget.
-
- **Workshop Equipment maintenance**
 - Main air compressors (Servicing & Running repair)

As per the OEM maintenance plan these compressors should be serviced at 2500 hours or once a year. One minor R5500 and one major at R25000.

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

- Brake Testing Machines (Calibrations & Running repairs)
As per legislation requirements, the brake testing machines should be calibrated every 6 months at R15 000.
- Stand-by generators (Servicing & running repair)
As per the OEM maintenance plan the generators should be serviced at 600 hours or once a year.
- Oil-water separator plant maintenance (Removal of sludge)
As per the Environmental regulation there is a need to have and maintain an oil-water separator plant. To comply with the requirement, the sludge removal will be done quarterly at R3000 from the previous experience.
- Workshop lifting equipment (testing & repair)
As per legislation requirement for lifting equipment, the workshop lifting equipment must be tested every 12 months with inspections every 3 months at R7000.00 from the past history.

ENERGY / DIESEL

- Diesel was calculated based on the estimated whole sale list price (WSLP) of R 11.95 from April 2018 to R11.27 in March 2019. A base price of R 12.74 (WSLP in Jan 2018) was used and increased/decreased based on the oil price forecast for the period.
- Consumption was based on 39 litres per 100 km for all vehicles, therefore 0.39 litres per km.
- Diesel calculation:
 - The WSLP was multiplied by consumption (0.39) and total km's for each budgeted route and multiplied by the number of budgeted trips per month.
 - Formula = WSLP x 0.39 x km's for trip x number of trips budgeted per month.
- It was assumed that the bus will fill up at the depart depot as soon as it leaves (assuming that it arrived with an empty fuel tank).
- For Metrorail, Shosholoza, the Prasa staff bus and charters the monthly average of the budgeted km's were used for the calculation.

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

LEASES

- Where contracts could be obtained the contractual amount for the budget year was included.
- Where no contracts could be obtained the budget amount was based on the actual lease expenses for the past year with a 10% escalation from 1 April 2018.
- Pool cars are budgeted for with the current contract amount.
- The following inter-company lease cost was not included in the budget:
 - Building leases, estimated at R 15.3m for 2018/19
 - Km' charge for Prasa MAN buses, estimated at R 5 m for 2018/19
 - Johannesburg park station entry charge, estimated at R 21.4 m

COMMUNICATION

- Telecommunication services (GL 473000) – Based on actual costs plus CPI increase.
- Cellular phone costs (GL 473030) – Based on actual costs plus CPI increase. No cell phone allowances were included under this GL (cellphone allowances are included under personnel cost).
- Alarm systems (GL 473040) – Based on actual alarm cost payable per Sales office / Depot. CPI increase implemented on the actual amounts.

INSURANCE

- Insurance Premium (GL 465030) - Based on current year actual with a 10% escalation.
- 3rd Party insurance claims (GL 465025) – No budget included as business cannot budget for anticipated accidents.

AUDIT FEES

- External audit fees – Anticipated Auditor General Fees, based on current year actual with a 10% escalation.

PROFESSIONAL SERVICES

- Professional service consultants (GL 473200) – the following was included:
 - Professional service consultants R 500 000
- Pension administrative costs (GL 473230) – the following was included:
 - Momentum - Pension administrative costs R 63 751

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

SECURITY

- General security services (GL 477200) – based on an average for 9 months (Apr 17 – Dec 17) plus 5,7% CPI increase (As received from Prasa).
- Cash in transit (GL 477205) – based on Dec 17 actuals plus 6,2% x 90% increase for Apr 18-Sept 18 and an increase of 5,8% x 90% for Oct 18-Mar 19 thereafter.
- Inspectorate (GL 477210) – Budget based on actuals for Dec 17 plus 10% inflation increase. Inspection was not budgeted for the first 2 quarters of the financial year as the market is non-responsive to tenders and internal resources will be utilised in this period.

HEALTH AND RISK

- Consist of Health & Sanitation cost, Medical examination cost, cleaning of stations and offices, Fire extinguishing service, Accident Assistance and First aid kits.
- Health and Sanitation (GL 466000) – includes Waste removal, bus and depot fumigation, oil water separator cleaning at wash bay as received from business units – annual amount of R 2 316 000.
- Medical examination cost (GL 466005) – Budgeted at 400 employees per annum at R2000.00/employee – Annual amount of R 800 000.
- Cleaning of offices (GL 466010) – as received from business units – annual amount of R 850 128.
- Fire extinguishing services (GL 466015) – as received from business units – annual amount of R 220 751.
- Accident Assistance (GL 466020) – as received from business units – annual amount of R 100 000.
- Ex-gratia payments to the public (GL 466030) – the annual performance plan indicates 3 fatalities per 3 263 527 passengers by March 2019. Therefore budgeted for 3 fatalities at R 25 000 per fatality (adult rate).
- First aid kits (GL 466040) – as received from business units – annual amount of R 27 500.

TRAVEL AND ACCOMMODATION (MANAGEMENT)

- Consists of Accommodation and meals, Car hire and flights – based on expected travel activities.

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AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

- Accommodation & meals: Amounts based on National Treasury Instruction 03 of 2016/2017): Maximum of R 1 400 per night per person. This rate include dinner, breakfast and parking.
- Car hire: Amounts based on Prasa guidelines: Group B Rate - R465 per day on super cover with 100km free per day.
- Flights: Amounts based on SAA rates as at 07 Aug 2017, the rates include VAT and Airport tax.

TRAVEL AND ACCOMMODATION (DRIVERS)

- Budgeted as per route requirements. Budgeted on different rates per driver per night multiplied by the number of drivers and hostesses on the trip as well as the trips per month for each route requiring overnight accommodation. A total annual amount of R 20 445 524 was included in the budget.

OFFICE EXPENDITURE

- Consist of postal services, stationery and office supplies and plant & garden maintenance. Budget based on actual requirements as received from business units. No CPI increase implemented on the budgeted amounts.

COMMISSION PAID (GL 479200)

- % of Fare revenue (GL800100). Based on actual commission percentages of the past year.

PUBLICATIONS AND MARKETING

- **Advertising and publicity (GL 477005):**
 - Marketing
 - ✓ Attract, increase and retain customers, brand building R 3 000 000
Brand Marketing
 - HR
 - ✓ Newspaper advertisements for vacant positions R 60 000
 - Supply Chain Management
 - ✓ Tender advertisements R 100 000
- **Books and subscription (GL 477010)**
 - Finance
 - ✓ IFRS statements and Income tax act R 6 000
 - Risk

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

- ✓
 - ✓ ISO compliance, Company registration and returns and Converting from ISO9001:2008 to ISO9001:2015 R 124 040
- **Films and videos (GL 477020)**
 - Marketing
 - ✓ On board entertainment R 1 000 000
- **Special promotions (GL 477040)**
 - Marketing R 1 000 000
 - ✓ Trade shows, Charter promotions, channel promotions and in store promotions
- **Branding (GL 477050)**
 - Marketing
 - Office and vehicle brand refreshing R 3 000 000
 - Operations
 - ✓ Vehicle brand refreshing R 3 500 000

COMPUTER EXPENSES

Consist of data network (GL 473015), computer maintenance (GL 451023), computer consumables (GL 472030) and software license fees (GL 473400).

- Data network (GL 473015):
 - Telkom, Neotel and MTN data lines R 2 365 272
- Computer maintenance (GL 451023)
 - Budgeted according to the below breakdown for R733 124

Description	Purpose/Output
Business Connect – Call Centre	System maintenance
Website revamp	Website revamp
Brake testing machines	System maintenance
Maintenance-Computer equipment	Computer equipment maintenance

- Software license fees (GL 473400):
 - Digicore /C-track R 1 764 558
- Computer consumables (GL 472030):
 - Computer & Printing consumables - Printer cartridges R 636 800

AUTOPAX BUDGET ASSUMPTIONS 2018-2019 CONTINUE

OTHER OPERATING COSTS

- Wash & parking:
 - Bus cleaning as received from business units R 16 783 200
- Toll fees:
 - Budgeted as per route requirements. Budget based on the specific rate for each toll Plaza on the route multiplied by the number of trips per month for each route R 32 411 087
- E-toll fees:
 - Budgeted as per route requirements. Budget based on the standard tariff for each e-toll Plaza on the route multiplied by the number of trips per month for each route R 5 149 126
- Vehicle/traffic fines were not budgeted for.

FINANCE INCOME

- GL 804000 (Interest received – bank) - Utilise averages for April 2017 to Oct 2017 (with no increase) R 1 420 608

FINANCE COST

- Interest paid to creditors were not budgeted for

CAPITAL SUBSIDY & GRANT AMORTISATION

- Capital grant amortized R 52 775 980

DEPRECIATION

- Based on expected future depreciation for current assets (SAP system calculated) R 65 253 298
- Does not include depreciation on budgeted capital requirements.
- Depreciation rates used as per Annual Financial Statement's accounting policy.

HISTORIC DEBT

- Based on the projected figures for the next 5 years (please refer to attachment C), the company will start to show profits in the 2019/2020 financial year. Therefore the settlement of historic debt will only start in 2019/2020 (Dec 2017 historic debt for external companies comes to R 148.6 m, based on the projected figures the company will only fully settle this amount by 2021/2022).



Summary	Projection 2017/18 ^a	Budget 2018/19	Forecast 2019/20 ^b	Forecast 2020/21 ^c	Forecast 2021/22 ^c	Forecast 2022/23 ^c
Total revenue	562 512 603	962 223 426	1 049 432 089	1 155 960 524	1 268 740 990	1 392 798 645
Personnel cost	-366 593 059	-393 714 113	-415 762 103	-438 629 019	-462 753 615	-488 205 064
Energy	-180 296 423	-223 034 843	-235 524 794	-248 478 658	-262 144 984	-276 562 958
Maintenance and Material	-89 530 437	-115 749 190	-122 231 145	-128 953 858	-136 046 320	-143 528 867
Other Operating Expenses	-197 916 394	-244 665 636	-258 366 911	-272 577 091	-287 568 831	-303 385 117
Finance Income/(Cost)	924 065	1 420 608	1 500 162	1 582 671	1 669 718	1 761 552
Depr/Losses/Amort	-34 080 156	-12 477 318	-634 737	-634 692	-634 692	-634 692
Total Profit / (Loss)	-304 979 800	-25 997 066	18 412 561	68 269 877	121 262 265	182 243 498

Assumptions:

- ^a The 2017/18 projection is based on actual figures from 1 April 2017 to Jan 2018 and projected figures from Feb 2018 to Mar 2018. No turnaround figures were included in the projection.
- ^b The 2019/20 forecast was based on the 2018/19 budget, adjusted with the following:
 - Revenue 10% increase
 - Personnel cost 5.6% increase (projected CPI)
 - Operating expenditure 5.6% increase (projected CPI)
- ^c The 2020/21, 2021/22, 2022/23 forecast was based on the 2019/20, 2020/21, 2021/22 forecast, adjusted with the following:
 - Revenue 10% increase
 - Personnel cost 5.5% increase (projected CPI)
 - Operating expenditure 5.5% increase (projected CPI)

DATED IN _____ on this ____ DAY of _____ 2018.

SIGNED

 (Chief Executive Officer: Autopax)

DATED IN _____ on this ____ DAY of _____ 2018.

SIGNED

 (Chairman: Autopax Board)