



CONFIDENTIAL

ANNEXURE

**MANGAUNG
METROPOLITAN
MUNICIPAL COUNCIL**

**94.16
INTENTION TO TRANSFER IPTN
BUSES TO THE VEHICLE
OPERATING COMPANY**

**FRIDAY
SEPTEMBER 25, 2020
at 11:00**

**MANGAUNG
METROPOLITAN
MUNICIPALITY**

Members are kindly requested
to retain this annexure for use
with the minutes

Bram Fischer Building
BLOEMFONTEIN
SEPTEMBER 22 2020

21 SEPTEMBER 2020

THE SPEAKER OF COUNCIL

COUNCIL ITEM

INTENTION TO TRANSFER IPTN BUSES TO THE VEHICLE OPERATING COMPANY

1. PURPOSE

To request Council approval for transfer of certain assets, i.e. buses procured by the City to Vehicle Operating Company (VOC), consisting of Taxi Industry that will operate bus service on behalf of the City.

To further request that the Mangaung Metropolitan Municipality Council to declare that the assets listed under paragraph 3 below as assets that are not needed to provide the minimal level of basic municipal services and approve the eventual disposal of the assets as referred to in line with section 14 of the Municipal Finance Management Act 56 of 2003 (MFMA) read together with the Local Government: Municipal Supply Chain Management Regulations, 2003; Local Government: Municipal Asset Transfer Regulations, 2008; Mangaung Supply Chain Management Policy and the Mangaung Land Disposal Policy.

2. BACKGROUND AND DISCUSSION

The City envisages operating a portion of Phase 1C of the IPTN, being Phase 1C (Brandwag), known as the “Starter Service”, by February 2021. This Starter Service will provide a scheduled bus service from Hoffman Square to the University of Free State, Tempe and Bloemgate Shopping Centre, and return to Hoffman Square.

In order to commence the Starter Service in February 2021, the vehicle fleet (10 rigid buses) (Initial Fleet) was procured by the City, as the IPTN implementation plan had to

be optimised to ensure an acceleration towards the operationalization of Phase 1 during the 2020/21 financial year as per directive by the National Department of Transport (NDoT). In addition, the MMM and the Affected Operators have not yet concluded the negotiated contract which would assist with facilitating the procurement of the Initial Fleet by the vehicle operating company (VOC) and the Taxi Industry have not yet registered a VOC and would not be in a position to secure funding for the procurement of these buses.

The City procured the Initial Fleet in accordance with its procurement policy, using an existing service provider, with the intent to utilise the PTNG funding to settle the purchase price. The City has 'in principle' support of the NDoT to utilise such grant funding to settle the purchase price of the Initial Fleet.

In line with the agreed principle of vehicle ownership by the Affected Operators via the VOC, the intention is for the City to transfer ownership of the Initial Fleet to the VOC, subject to compliance with all relevant legislation and related regulations, including but not limited to the NLTA, the Local Government Municipal Finance Management Act 56 of 2003 (**MFMA**), the Municipal Asset Transfer Regulations made under the MFMA and the MMM Supply Chain Regulations. It is noted that at the time of the procurement of the buses, the Taxi Industry was not in a position to procure them on their own but it was clear from the onset that the City was procuring them on behalf of the Taxi Industry and the process of transfer is important for the process of ensuring that the Starter Service can commence at the targeted date. This is because when they are operated, the users, i.e. the Taxi Industry should be title holders or owners of the fleet.

3. LEGISLATIVE FRAMEWORK FOR THE DISPOSAL OF MUNICIPAL LAND

Part 2 of Chapter 3 of the Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as "the MFMA"), outlines the principles governing the disposal of capital assets belonging to the Municipality.

Section 14(1) of the MFMA provides that the Municipality may not transfer ownership as result of sale or other transaction, or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

Section 14(2) of the MFMA further provides that capital assets that are not needed for the provision of basic Municipal Services may be disposed of, but only after Council, in a meeting open to the public has decided on reasonable grounds that the asset is not

needed to provide the minimum level of basic municipal services, these are municipal services that are necessary to ensure an acceptable and reasonable quality of life of which, if not provided, would endanger public health or safety or the environment.

It is further provided in Section 14(2) that if it has been determined and decided that the capital asset is not needed for the provision of a minimum level of basic municipal service, the Council must then consider the fair market value of the asset as well as the economic and community value to be received in exchange for the asset.

Section 14(5) provides that once section 14(2) has been complied with, and it is found that the asset is not needed for the provision of services alluded to above, then the sale of that asset must be fair, equitable, transparent, competitive and consistent with the Supply Chain Management Policy adopted by a Municipal Council.

4. FINANCIAL IMPLICATIONS

The buses were from the onset procured on behalf of the Taxi Industry as part of the City's transition to IPTN process. The purchase was catered for under the funding that the City receives from NDoT.

5. RECOMMENDATIONS

It is therefore recommended that;

5.1 Council approves the transfer of the 10 buses to VOC established by the Taxi Industry for operation on the bus service, particularly the Starter Service of Phase 1C.

5.2 The Mangaung Metropolitan Municipal Council, in compliance with section 14(2)(a) of the MFMA, declare the assets listed under paragraph 5 above as assets that are not needed to provide the minimum level of municipal basic services and approve the disposal by way of sale and development thereof to enhance economic growth and social development;

5.3 That the Mangaung Metropolitan Municipal Council, authorise and delegate that the City Manager should finalise the administrative aspect to ensure that the

transaction is complete in compliance with section 14(2)(b), consider and approve the fair market value of the said assets and that the said values be used as the reserve prices for the disposal of the assets;

5.4 That the City Manager is authorised to conclude the agreement with the VOC and/or taxi Industry for the transfer of the buses in line with applicable regulations and legislation.

Submitted


K Rapulungoane
IPTN Unit Head

copy 21/09/2020

Supported/ Not Supported


S Mofokeng

Chief Financial Officer

Recommended/not recommended:


Adv. T Mea
City Manager

21/09/2020

~~Approved/ not approved~~


Cnr L Matsoetsa
Acting Executive Mayor

21-09-2020