

City of Johannesburg Council 2022-03-16/17

COJ : MAYORAL COMMITTEE 2022-03-13

TRANSPORT

62 AMENDMENT OF THE TARIFF FARE CHARGES FOR REA VAYA BRT FOR THE PERIOD 1 JULY 2022 TO 30 JUNE 2023

1 STRATEGIC THRUST

- An inclusive city
- A business-friendly city
- A smart city

2 OBJECTIVE

For Council to consider the proposed amendments of the current tariff charges for Rea Vaya BRT fares for the period 1 July 2022 to 30 June 2023.

3 BACKGROUND OF REA VAYA FARE STRUCTURE

Rea Vaya BRT uses the Automated Fare Collection (AFC) system, which was launched during the last quarter of the 2012/2013 financial year. The current fare structure is distance based and was approved by Council back in 2011. Distance based fare structure refers to a minimum fare being charged at the point of origin, and thereafter the difference being charged at point of destination based on the distance travelled. The fare charged increases in bands of price until the maximum fare is reached, thereafter there is no further charge for additional distance travelled.

The Euro, MasterCard and Visa (EMV) Automated Fare Collection (AFC) system was launched back in July 2013, which replaced the paper ticket fare collection system. Off peak discounts were introduced in the 2013/14 financial year. Furthermore; Rea Vaya travel bonus points were also introduced. Passengers are offered bonuses when they load a certain amount of points on their EMV cards. The greater the amount loaded, the greater the bonus is offered. This is intended to encourage bulk purchase and to reduce the frequent use of the loading system as well as encouraging purchasing more of the Rea Vaya Travel points as opposed to occasional user fare media.

The transport department remains committed to using a fare structure that will be easily understood by all commuters, and a structure that will promote fairness thus strategically promote economic efficient passenger trips. As a measure to attain this milestone, Rea Vaya provides free transport for pensioners and persons with disabilities during off-peak hours of service.

TRANSPORT**4 REA VAYA BRT'S CURRENT APPROVED 2021/2022 TARIFFS****(1) Non-Frequent user fares and penalty fees**

Non-frequent users are defined as users that do not make use of the Rea Vaya fare products regularly and frequent users are those that are using Rea Vaya for day-to-day travelling. Customers are charged penalties when they fail to check in or out of any Rea Vaya paid areas including in the busses. The frequent-user fares are split between peak and off peak rates and the current fares are depicted in Table 1 below:

Table 1: Current approved 2021/22 non-frequent user fares

Rea Vaya Journey Length	2021/22 Approved Fares	
	Peak Fares	Off Peak Fares
Less than 5km (Minimum Fare)	R9.00	R8.00
More than 5km but less than and equals to 10km	R11.00	R10.00
More than 10km but less than and equals to 15km	R13.50	R12.00
More than 15km but less than and equals to 25km	R15.00	R14.00
More the 25km but less than 35km	R17.00	R15.00
More than 35km (Maximum fare)	R18.00	R16.00
Penalty Fees	R60.00	R60.00
Penalty fees from inspection	R110.00	R110.00

(2) Fare Media fees

The approved fares charged for the occasional users and the Euro Master and Visa (EMV) cards are as per the table below:

Table 2: Current approved 2021/22 fare media fees

Type of card	Fee
Occasional users – one trip card	R25.00
Events occasional users – two trip card	R50.00
EMV card (new/replacement)	R35.00

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(3) Bonus Points for frequent users

Rea Vaya Travel point's fares are distance based and peak and off-peak fares apply. Passengers are offered bonuses when they load a certain amount of points on their EMV cards. The greater the amount loaded, the greater the bonus is offered. This is intended to encourage bulk purchase to reduce the frequent use of the loading system as well as encouraging purchasing more of the Rea Vaya Travel points as opposed to occasional user fare media. The below table shows approved 2021/22 Rea Vaya Travel Bonus Point:

Table 3: Current approved 2021/22 Rea Vaya Travel Bonus Points

Rea Vaya Passenger Load Values	Additional Bonus	Additional Bonus Value
From R10 – R50	0	R0
From R51 – R100	5%	From R2.60 – R5.00
From R101 – R200	7.50%	From R7.60 – R15.00
From R201 – R300	10%	From R20.10 – R30.00
From R301 – R700	12.50%	From R37.60 – R87.50

5 MOTIVATION FOR FARE AMENDMENT

Rea Vaya fares are aimed at redressing the economic gap created by COVID 19, thus re invite lost passengers back to the system and attract new passengers to the system. Attractive travel packages are tabled to strategically promote customer loyalty and competitiveness among other modes of transport. Below it's a detailed analysis of price differentials between Rea Vaya BRT and other modes of transport within the City of Johannesburg as well as neighboring cities. Economic and social effects of fare amendment are critically explored and discussed. Lastly, the section looks into customer satisfaction with regards to Rea Vaya BRT fares.

(1) Competitor Fare Analysis

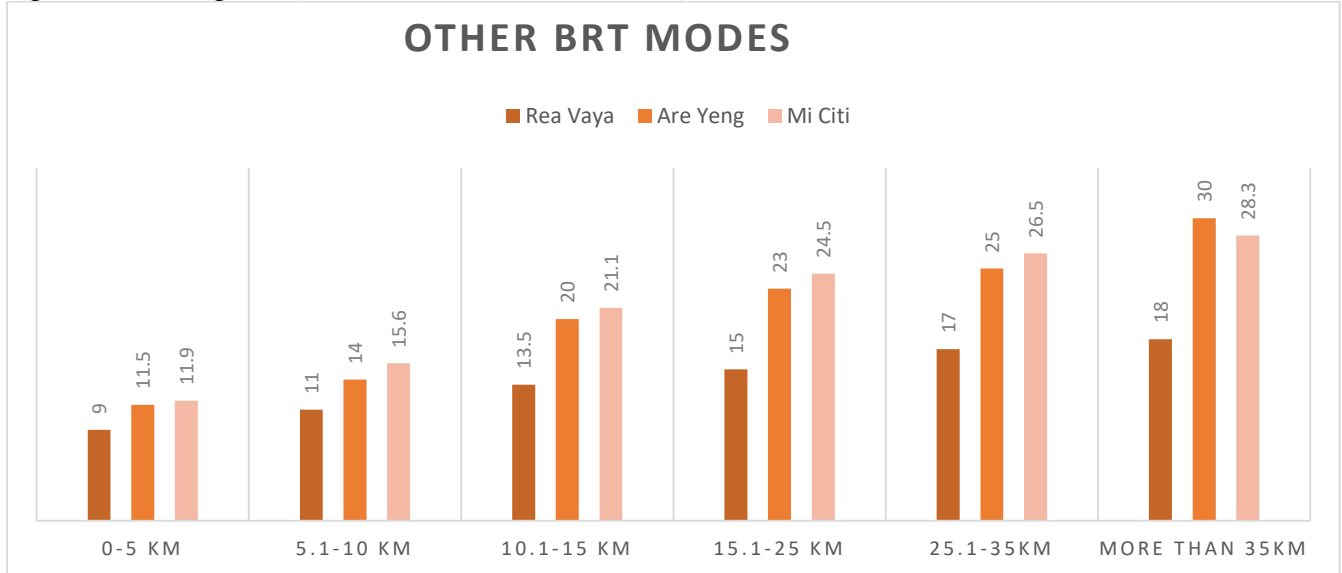
Below study evaluates and benchmark Rea Vaya BRT fares with those of other modes of transport, and also with those of other BRT services. The graph below shows the comparison between Joburg Rea Vaya BRT fares with city of Tshwane's Areyeng as well as Cape Town's MyCiti fares:

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Figure 1: Joburg compared with Tshwane and Cape Town BRT fares:



It is evident from the above graph that Rea Vaya BRT fare are comparatively cheaper than those of other BRT operators across all fare bands. The compared figures are those of 2021/22 financial year.

(2) Socio economic consideration

It remains the mandate of the department to provide efficient, reliable, affordable and safe public transport system that permits movement across the industrial city of Johannesburg. The city's Rea Vaya BRT system affords the residence of Johannesburg the opportunity to access work, school, leisure and prospects for doing business at a considerably low fare. Rea Vaya BRT fares are amended annually to provide social justice by ensuring that even the lowest income group within the city can afford public transport. The hard felt negative effects of COVID 19 pandemic and lockdown related restrictions put residence of Joburg (like all other South Africans) in huge financial distress.

According to World Population Review, Johannesburg has a population size of 6,065,354, with 36% of the city's residents living in poverty and more than 60% depending on public transport for daily commuting. It is in the best interest of the department to always ensure that the new fares do not exceed the 20% threshold of the city's residents' disposable income as stipulated in the Public Transport Policy.

Inherited from the apartheid regime, Joburg is divided where rich live closer to the city and the poor resides on the outskirts of the city. This unpleasant reality is taken into consideration when Rea Vaya fares are adjusted, the fares are strategically structured to redress the spatial segregation gap and promote equality in the city of Johannesburg.

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(3) Economic Consideration

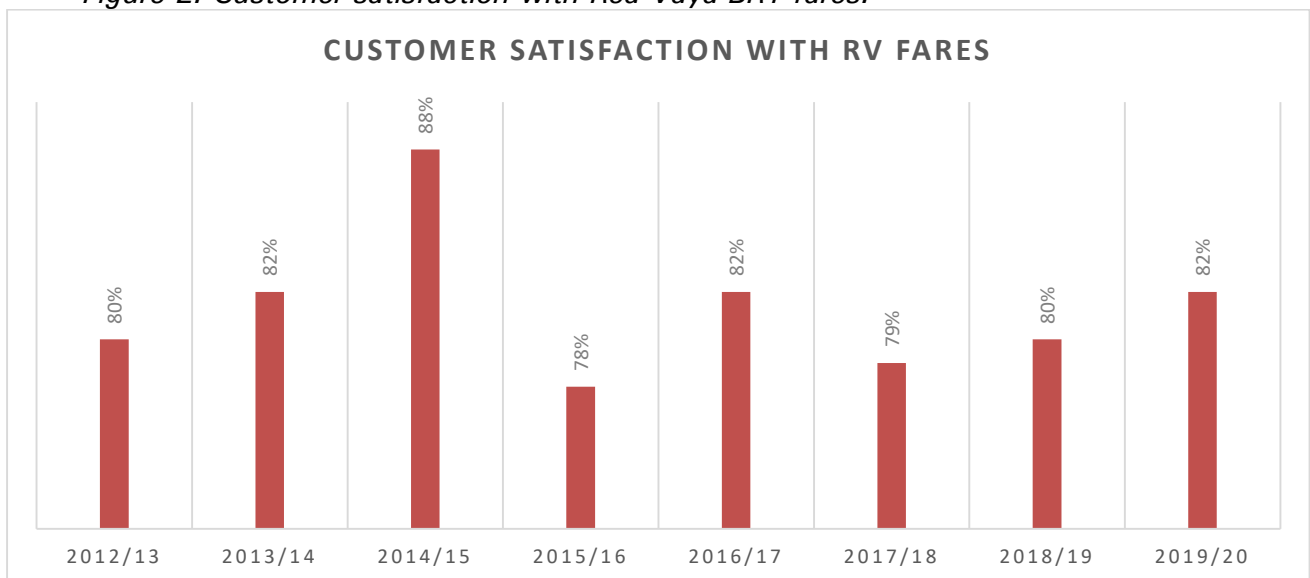
It remains the mandate of the department to promote economic development and Pro-poor development by providing meaningful redress including income and spatial income inequality and efficient and effective public transport.

Annual consumer price inflation CPI of 5.7% in January 2022 was published by statistics South Africa and is used as one of the guideline in determining Rea Vaya fare adjustment. The price sensitivity study for the Rea Vaya BRT service shows that demand for service increases irrespective of the prices going up. This is evidence that Rea Vaya is an essential service and demand for mobility from commuters is inelastic.

(4) Customer Satisfaction

There are no massive customer complaints around Rea Vaya fares on Rea Vaya Social Media platforms. An eight years trend has been studied and below graph shows that customers are generally happy with Rea Vaya fares with the lowest score being 78% (satisfaction) for year 2015/16. Customer satisfaction with fares explains that Rea Vaya fares are affordable to commuters and thus address the mandate of the department which is to run a rapid transit system that is affordable.

Figure 2: Customer satisfaction with Rea Vaya BRT fares:



All the key points discussed above provide economic rationale to adjust Rea Vaya fares with a reasonable percentage that will ensure both business sustainability, as well as affordability to the commuters. Not ignoring the economic downswing resulting from the COVID 19 pandemic; a fair fare adjustment of 5.5% is proposed and the below section details proposed fares (adjusted by 5.5%).

TRANSPORT**6 REA VAYA BRT'S PROPOSED 2022/2023 TARIFFS****(1) Non-Frequent user fares and penalty fees**

An average of 5.5% increase across all fare bands is proposed and below table shows new amended fares. The introduction of Phase 1C(a) will bring affordable transport to the residents of Berea, Yeoville, Orange Groove, Cheldondale, Norwood, Balfour Park, Bramley, Wynberg, Alexandra, Marlboro, Athol, Sandton, Sandown, Longmeadow and Greenstone. This new route will be using the same existing fare structure which is distance based. An additional fareband is proposed, thus making a total sum up of seven bands. The last band will be catering for those traveling more than 45km, this will mainly be commuters traveling from Protea Glen to Sandton.

Peak and off-peak fares are rounded off to the nearest decimal place for ease of doing business. Peak commuters are charged a different fare from off-peak commuters and the primary difference between the two is the travel time. The off-peak fares are 10% lower than the peak fares and main reason being to encourage off-peak travel, thus reducing peak exacerbating service demand. Off-Peak discount is also aimed at aiding unemployed job seekers who cannot afford full fares, as well as pensioners with flexible travel patterns. Penalty fees to remain unchanged at a high R60 (penalty fees) and R110 for penalty fees from inspection. This is primarily to remedy customer behavior of not tapping in or out at Rea Vaya station gates or bus validators.

Table 4: Proposed 2022/23 non-frequent user fares

Rea Vaya Journey Length	2022/23 Proposed Fares	
	Peak Fares	Off Peak Fares
Less than 5km (Minimum Fare)	R9.50	R8.50
More than 5km but less than and equals to 10km	R12.00	R11.00
More than 10km but less than and equals to 15km	R14.50	R13.00
More than 15km but less than and equals to 25km	R16.00	R15.00
More the 25km but less than 35km	R18.00	R16.00
More than 35km but less than 45km	R20.00	R17.00
More than 45km (Maximum fare)	R25.00	R22.50
Penalty Fees	R60.00	R60.00
Penalty fees from inspection	R110.00	R110.00

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(2) Fare Media fees

The proposed 2022/23 fare media cards fees are:

- R5,00 increase for single trip card;
- R5,00 increase for two trip card; and
- EMV card to remain unchanged at R35.00

The increase in both one trip card and two trip card, as well as fee for the EMV card are illustrated in the table below. The R5,00 increase on trip cards is strategically incorporated to discourage one time use of the system, yet not too steep to chase occasional users away from the system. EMV (new/replacement) cards are kept at R35,00 in order to attract new passengers, also to retain existing passengers; thus increase Rea Vaya ridership.

Open Loop Products

The COJ proposes the following for all bank account related (open loop) transactions: A passenger that uses more than R30 but less than R50 in day, will receive 1 bonus trip for the same day of travel. A passenger that uses more than R50 in a day will receive 2 bonus trips for the same day of travel. The above excludes and non-closure fares or penalties.

Table 5: Proposed 2022/23 fare media fees

Type of card	Fee
Occasional users – one trip card	R30.00
Events occasional users – two trip card	R60.00
EMV card (new/replacement)	R35.00
QR Code for Single Use	R25.00
QR Code Event pass	R50.00

(3) Bonus Points for frequent users

Bonus points are aimed at encouraging bulk purchase and ensure customer loyalty, thus reduce the frequent use of the loading system. It is proposed that the additional bonus percentage and value remain unchanged. Below table shows proposed (same as approved 2021/22 bonus points) Rea Vaya Travel Bonus Point:

TRANSPORT*Table 6: Proposed 2022/23 Rea Vaya Travel Bonus Points*

Rea Vaya Passenger Load Values	Additional Bonus	Additional Bonus Value
From R10 – R50	0	R0
From R51 – R100	5%	From R2.60 – R5.00
From R101 – R200	7.50%	From R7.60 – R15.00
From R201 – R300	10%	From R20.10 – R30.00
From R301 – R700	12.50%	From R37.60 – R87.50

(4) Proposed 2022/23 fares for special events, filming and advertising

The following section details the 2022/23 proposed fares for special events, private events, filming activities as well as advertising on Rea Vaya BRT.

(a) Special Events

The proposed fare for any special event including soccer matches, concerts etc. that are likely to take place at stadiums is R60.00. This amount is aligned to the two-trip card as explained above in table 5. The two-trip card will allow the user the privilege to travel to and from the event with Rea Vaya BRT. For any private event request, the fee shall be calculated as per the request to ensure that it covers all additional cost of operation. Private events are regarded as premium, additional and special resources should be allocated to render this service, therefore no bonus points or discount will be awarded for such services.

(b) Filming

For any filming or photo-shoot request that will take place within any Rea Vaya BRT infrastructure, a proposed standard fee of R10 000.00 per day is recommended. The fee will cover any potential loss resulting from inconvenience that Rea Vaya commuters might endure during the filming. All filming and photo-shoot activities to strictly take place during off-peak.

7 POLICY IMPLICATIONS

This report is in line with the Tariff determination policy. Council is authorized to approve this request.

8 LEGAL AND/OR CONSTITUTIONAL IMPLICATIONS

In terms of the City delegations framework council is authorized to approve this request.

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9 FINANCIAL IMPLICATIONS

The expected revenue to be generated from the 2022/2023 Rea Vaya proposed fares is R355 million.

10 COMMUNICATIONS IMPLICATIONS

The relevant information regarding the 2022/2023 Rea Vaya tariffs as determined will be communicated to all role players in the manner as prescribed by law. In addition, commuters will be consulted on the proposed tariff increases during the IDP consultation process and a passenger information campaign will be embarked upon to ensure that passengers are informed timeously about the proposed fare increases.

11 OTHER DIRECTORATES / BODIES CONSULTED

COJ Finance Department.

IT IS RECOMMENDED

- 1 That in terms of Sections 11(3)(i) and 75A (1) of the Local Government: Municipal Systems Act 2000, (Act 32 of 2000) as amended, read with Section 16(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the City of Johannesburg declares its intention to maintain the current Rea Vaya fare structure and the current Rea Vaya Fares as approved by MayCom and propose additional fares with effect from 1 July 2022 as set out in Annexure "A" hereto.**
- 2 That, in terms of Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and Sections 21, 21A(1) and 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, the City of Johannesburg:**
 - (1) displays the notice and the documents and notice in the manner prescribed;**
 - (2) seeks to convey to the local community by means of radio broadcasts covering the area of the City, the information contemplated in Section 21A(c) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended; and**
 - (3) Publishes a notice in the manner prescribed and invites the local community to submit written comments or representatives in respect of the City's declared intention to amend or determine Tariffs of Charges.**

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- 3 That in terms of Section 22(b)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) a copy of the notice and documents be sent forthwith to the National and Provincial Treasury; MEC for local government; as well as any other organ of the state or municipality affected by the budget to solicit their views.**
- 4 That the Group Chief Financial Officer in conjunction with Group Head: Legal and Contracts, in consultation with the Council's relevant Departments and all interested parties, report on the comments received in terms of Paragraph 2 above with recommendations on the final drafts of the Tariffs of Charges for approval.**
- 5 That the report be submitted to the relevant Section 79 Committee for comment.**

(TRANSPORT)
(Thembekile Masanabo)
(Cell. 071 483 8651)
(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

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TRANSPORT**ANNEXURE A****CITY OF JOHANNESBURG****AMENDMENT OF TARIFF OF CHARGES FOR REA VAYA BRT FARES**

In terms of Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and Sections 21(1) and (3), 21A and 75A(3) and (4) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, it is hereby notified that the City of Johannesburg has, in terms of Sections 11(3)(i) and 75A(1) and (2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, read with Section 24(2)(c)(ii) of the Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003), amended its Tariff of Charges for Rea Vaya BRT Fares with effect on 1 July 2022.

Proposed 2022/23 Rea Vaya tariffs

It is proposed that the Rea Vaya tariffs be increased by 5.5% for the 2022/2023 financial year as it will strive to achieve an optimum balance between operational sustainability and user affordability.

The proposed tariffs are as per the tables below:

Table 1: Proposed 2022/23 non-frequent user fares

Rea Vaya Journey Length	2022/23 Proposed Fares	
	Peak Fares	Off Peak Fares
Less than 5km (Minimum Fare)	R9.50	R8.50
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More the 25km but less than 35km	R18.00	R16.00
More than 35km but less than 45km	R20.00	R17.00
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Table 3: Proposed 2022/23 Rea Vaya Travel Bonus Points

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