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2 A PROPOSAL TO AMEND THE PASSENGER FARE STRUCTURE OF METROPOLITAN BUS SERVICES (PTY) LTD FOR THE PERIOD BEGINNING 01 JULY 2015 TO 30 JUNE 2016

1 STRATEGIC THRUST

A resilient, liveable, sustainable urban environment- underpinned by infrastructure supportive of a low carbon economy.

2 OBJECTIVE

The purpose of this report is to seek approval to amend the tariff charges for bus services. Council approval is thus sought for the bus fare increases proposed under item 4 below for the 2015/16 Financial Year that takes effect as from 1st July 2016.

3 SUMMARY

Fares Adjustment Background

Metrobus adjusts its passenger fares annually, which is implemented with the commencement of the financial year on the 1st of July together with other tariffs levied by the City of Johannesburg.

4 DISCUSSION

To amend the passenger fare and tariff structure as follows:-

1.1. Cash fares will increase by 6%.

Cash fares are currently market related and the increase has been kept at 6%.

4.2 The proposed increase for coupons is 7% because coupons for adults are discounted by an average of 32.2% which makes them way cheaper than the cash fares. The intention is to reduce this discount, over a period of time, to a more acceptable level of about 20%.

4.3 2015/16 Fare Structure

The following principles for tariff guidelines were applied to determine the 2015/16 fare increase for Metrobus:

- City of Johannesburg Treasury directive to increase fares by 6% (CPI).
- Tariffs must reflect the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources.
- The economical, efficient and effective use of resources.

2.2

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- The extent of subsidisation of tariffs on learners, pensioners and persons with disabilities.
- Alignment with the GDS and City revenue optimisation imperatives

Arising from the above principles, Metrobus' new passenger fare structure appears in Table A.

Comparative Adult Cash Trip Tariffs – Table A

STAGES	METROBUS (R) CURRENT	METROBUS (R) PROPOSED	PUTCO (R) CURRENT (Dec 14)	TAXIS (R) CURRENT
1	R9.10	9.60	R 10.80	14.00
2	R10.70	11.30	R 11.60	14.00
3	R12.80	13.60	R14.10	18.00
4	R15.40	16.30	R15.30	20.00
5	R17.90	19.00	R18.50	20.00
6	R19.30	20.50	R20.20	24.00
7	R21.00	22.30	R22.00	26.00
8	R22.60	24.00	R24.20	26.00

The fares reflected for Metrobus above are based on market related cash fares although an acceptable competitive advantage has been retained in most instances. This is evidenced by the comparative fares of Putco and the Taxi industry.

Table B - Multi journey tag-fares have been discounted from cash fares as follows:

CLASS OF PASSENGER	FARE BASE
Stored Value	10.0% Discount
Adult Commuters – multi journey tags	32.2% Discount
Scholars	10.6% on cash and further 32.4.0% discount for multi journey fares
SAPD, JMPD and SANDF members in uniform	Free travel on non-dedicated trips
Pensioners	9.0% on cash and 85.7% on multi journey trips
Metrobus staff	Free travel

5 POLICY IMPLICATIONS

The proposed fares increase is in line with the City of Johannesburg's guiding principles on the determination of tariffs and Tariff Policy in that tariff should be equitable and affordable.

6 LEGAL IMPLICATIONS

This report has been finalised in conjunction with Legal to ensure compliance with all relevant Legislation including the Local Government: Municipal Systems Act and the Municipal Finance Management Act and the City's Tariff policy and By-laws. It should however be kept in mind that by virtue of Section 28 (6) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), once the new tariffs have been determined in respect of the 2015/2016 Financial Year, it may not be further increased during that financial year, except when required in terms of a financial recovery plan as contemplated in the Act. For that reason it is essential to

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ensure that the proposed increases comply with the budgeted needs of the Council in respect of 2015/2016 Financial Year.

7 FINANCIAL IMPLICATIONS

The implementation of the proposed fare structure will generate an amount of ± R7.1 million more compared to the current financial year to the operating revenue of Metrobus.

The proposed fare structure will be included in the compilation of the revenue figures for the 2015/2016 budget.

8 COMMUNICATION IMPLICATIONS

The relevant information regarding the amended tariffs will be communicated to all the role players in the manner as prescribed by law.

The commuter forum will be consulted and a communication campaign will have to be embarked upon around May/June 2016 to properly inform passengers of the new structure and its implications. This campaign should be in addition to the public notice from Council as determined by the Municipal Systems Act.

9 OTHER DEPARTMENTS/BODIES CONSULTED

Legal Services
Budget Office Transport Department
Financial Compliance

It is recommended:-

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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 amend with effect from 1 July 2015 its Tariff of Charges:

For the Metrobus Faires as set out in Annexure B.

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) display the notice and the documents and notice in the manner prescribed;

(2) seek to convey to the local community by means contemplated in Section 21 read with Section 21A of the Municipal Systems act, 2000 (Act 32 of 2000) the information contemplated in Recommendation 1 above.

(3) publish a notice in the manner prescribed and invites the local community to submit written comments or representations in respect of the City's declared intention to amend or determine Tariffs of Charges.

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 any other organ of state or municipality affected by the budget to solicit their views

4 That the Group Chief Financial Officer in conjunction with the 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

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Recommendation 2 above with recommendations on the final of the Tariffs of Charges for consideration.

5 That the report be submitted to a relevant Section 79 Committee for comment.

Report compiled by:

**Babs Narain
General Manager: Operations
011 403 4300**

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM

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ANNEXURE "A"

Title of the Report: A PROPOSAL TO AMEND THE PASSENGER FARE STRUCTURE OF METROPOLITAN BUS SERVICES (PTY) LTD FOR THE PERIOD BEGINNING 01 JULY 2015 TO 30 JUNE 2016

What are the major benefits to the Communities of Johannesburg?

Service Delivery Excellence and Good Governance

Which Communities will primarily benefit (if relevant state the region, ward, suburb, or socio economic group etc.)?

An increase in fares will assist in generating additional funds to continue operating daily commuter services. Special rates are applicable to scholars, pensioners and people with disabilities.

If relevant, when will implementation take start?

If approved by Council, the implementation is due to commence on 1 July 2016

If relevant, when will work be completed?

N/A

What is the total cost of implementation?

Note the financial implications provided for in the report

How will communities be informed of the contents of this report?

Note the communication implications of this report

How can communities be involved in the implementation of this report?

Refer to the fares to be paid in terms of cash and coupons

Who can be contacted to provide additional information and/or clarity?

Mr Babs Narain, GM: Operations, Metrobus, 011 403 4300

What other information can be given to assist Councillors to communicate the contents of this report to communities?

Multi journey tag-fares have been discounted from cash fares, refer to page 2 at table 2 of the report

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In terms of Section 10G (7) (e) of the Local Government Transition Act, 209 of 93, as amended, it is hereby notified that the City of Johannesburg has determined the Bus Fares in terms of section 11 (3) of the Municipal Systems Act, 32 of 2000, read with Section 84 (1) (p) of the Local Government: Municipal Structures Act, 177 of 1998 for the use of Municipal Buses, with effect from 1 July 2015

ADULT FARES

STAGE NO.	CASH FARE	STORED VALUE	52 TRIP MONTHLY	44 TRIP MONTHLY	14 TRIP WEEKLY	12 TRIP WEEKLY	10 TRIP WEEKLY
1	R 9.60	R 8.80	R 343.70	R 290.90	R 92.30	R 79.20	R 66.00
2	R 11.30	R 10.40	R 396.50	R 335.70	R 106.70	R 92.10	R 76.40
3	R 13.60	R 12.50	R 481.20	R 407.10	R 129.60	R 111.00	R 92.30
4	R 16.30	R 15.10	R 581.80	R 492.20	R 156.80	R 134.30	R 111.80
5	R 19.00	R 17.00	R 661.00	R 559.40	R 178.00	R 152.40	R 127.20
6	R 20.50	R 18.30	R 724.50	R 613.00	R 195.00	R 166.90	R 139.30
7	R 22.30	R 19.90	R 782.50	R 662.10	R 210.50	R 181.30	R 150.30
8	R 24.00	R 21.70	R 840.80	R 711.30	R 226.30	R 194.10	R 161.70

FARES FOR SCHOLARS IN UNIFORM

			130 TRIP - TERM	44 TRIP	10 TRIP
1	R 6.90	R 6.30	R 608.10	R 203.50	R 46.30
2	R 8.10	R 7.00	R 700.50	R 234.90	R 53.30
3	R 9.40	R 8.70	R 845.90	R 284.90	R 64.80
4	R 11.60	R 10.50	R 1 018.00	R 344.50	R 78.20
5	R 13.30	R 11.80	R 1 163.40	R 391.40	R 88.80
6	R 14.20	R 13.00	R 1 269.00	R 429.00	R 97.50
7	R 15.70	R 13.80	R 1 374.60	R 463.50	R 105.30
8	R 16.60	R 14.30	R 1 467.40	R 498.30	R 113.10

PENSIONER FARES

1	R 2.80	R 2.50	R162.00 FOR 200 TRIPS VALID FOR 1 YEAR IRRESPECTIVE OF THE NUMBER OF ZONES TRAVELLED. CONDITIONS APPLICABLE.
2	R 4.00	R 3.80	
3	R 5.10	R 4.60	
4	R 6.40	R 5.90	
5	R 7.20	R 6.70	
6	R 8.70	R 7.50	
7	R 9.50	R 8.80	
8	R 10.60	R 9.50	

FARES FOR PERSONS WITH DISABILITIES

1	R 6.60	R 6.00	R321.00 FOR 100 TRIPS VALID FOR 6 MONTHS IRRESPECTIVE OF THE NUMBER OF ZONES TRAVELLED. CONDITIONS APPLICABLE.
2	R 7.40	R 6.70	
3	R 9.10	R 8.30	
4	R 10.90	R 9.80	
5	R 12.70	R 11.10	
6	R 13.60	R 12.50	
7	R 14.90	R 13.30	

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8	R 15.80	R 14.10	
FARES FOR CHILDREN BETWEEN THE AGES OF 3 AND 12 YEARS OLD			
1	R 6.90	R 6.30	
2	R 8.10	R 7.00	
3	R 9.40	R 8.70	
4	R 11.60	R 10.50	
5	R 13.30	R 11.80	
6	R 14.20	R 13.00	
7	R 15.70	R 13.80	
8	R 16.70	R 15.20	
			COST OF SMARTCARD R56.00