

**TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)**

**AMENDMENT OF THE TARIFF FARE
CHARGES FOR REA VAYA REA BRT
FOR THE PERIOD 1 JULY 2015 TO
30 JUNE 2016**

1. STRATEGIC THRUST

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

2. OBJECTIVE

To obtain approval for the amendments to the current tariff charges for Rea Vaya BRT fares for the period 1 July 2015 to 30 June 2016.

3. BACKGROUND ON REA VAYA FARE STRUCTURE

Rea Vaya BRT's current fare structure is distance based, which was approved by Council in 2011. It also launched the Automated Fare Collection (AFC) system during the last quarter of the 2012/2013 financial year.

The Rea Vaya BRT's current approved 2014/2015 tariffs are detailed below:

3.1 Non Frequent users, including penalty fees

For the purpose of this report, non-frequent users are regarded as users that do not make use of the frequent Rea Vaya fare products, i.e. RV10 and RV40 trips fare products. The non-frequent fares are split into peak and off peak rates, and were not adjusted in the 2014/15 financial year. The current fares are depicted in Table 1 below:

Table 1: Current approved 2014/15 non-frequent fares

Rea Vaya Journey Length	Non-Frequent fares	
	Current Approved Fares (Peak)	Current Approved Fares (Off Peak)
Less than 5km (Minimum Fare)	R5.50	R 5.00
More than 5km but less than and equals to 10km	R7.20	R 6.50
More than 10km but less than and equals to 15km	R9.00	R 8.10
More than 15km but less than and equals to 25km	R10.70	R 9.60
More the 25km but less than 35km	R11.50	R 10.30
More than 35km (Maximum fare)	R12.50	R 11.20
Penalty Fees	R 12.50	R 11.20

It should be noted that the above mentioned fees do not include the loading fee as provided for in the Banking Service Agreement with ABSA. The loading fee is charged at 2.5% of the loaded amount with a minimum fee of R1.50 per load.

3.2 Card fees

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

**TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)**

Table 2: Current approved 2014/15 EMV and occasional user trip cards

Card Type	Approved tariff
Occasional Users – One Trip Card	R 13.00
Occasional Users – Two Trip Card	R 25.00
EMV Card	R 20.00

3.3 Fare products for frequent users

The Transport Department introduced fare products in 2014/2015 for frequent commuters by offering these commuters discounts for bulk purchases of trips. These products are aimed at frequent commuters who travel either weekly and similarly to monthly travelers although the products will not expire after a week or a month.

It should be noted that these products do not attract any loading fees as in the case of non-frequent fares.

These products are:

3.3.1 Rea Vaya Travel 10 (RV10)

This is an EMV based product which is a weekly equivalent to 10 trips that are discounted at a maximum of 10% with no loading fee and no off peak discount. The trips will never expire except in accordance to the Consumer Protection Act. Table 3 depicts the price of the purchase and the fare per trip

Table 3: Current approved 2014/15 RV10 tariffs

Rea Vaya Journey Length	Rea Vaya Travel 10 (RV10)	
	Purchase Price	Fare Per Trip
Less than 5km (Minimum Fare)	R 49.50	R 4.95
More than 5km but less than and equals to 10km	R 65.00	R 6.50
More than 10km but less than and equals to 15km	R 81.00	R 8.10
More than 15km but less than and equals to 25km	R 96.50	R 9.65
More the 25km but less than 35km	R 103.50	R 10.35
More than 35km (Maximum fare)	R 112.50	R 11.25

3.3.2 Rea Vaya Travel 40 (RV40)

This is an EMV based product which is a monthly equivalent to 40 trips and 20 days of parking that are discounted at a maximum of 15% with no loading fee and no off peak discount. The trips will never expire except in accordance to the Consumer Protection Act. Table 4 depicts the price of the purchase and the fare per trip

TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)

Table 4: Current approved 2014/15 RV40 tariffs

Rea Vaya Journey Length	Rea Vaya Travel 40 (RV40)	
	Purchase Price	Fare Per Trip
Less than 5km (Minimum Fare)	R 187.00	R 4.68
More than 5km but less than and equals to 10km	R 245.00	R 6.13
More than 10km but less than and equals to 15km	R 306.00	R 7.65
More than 15km but less than and equals to 25km	R 364.00	R 9.10
More the 25km but less than 35km	R 391.00	R 9.78
More than 35km (Maximum fare)	R 425.00	R 10.63

3.4 Rea Vaya approved concession products for the elderly

A concession product for Rea Vaya commuters who are over 60 years old was approved for the 2014/2015 financial year. This product is to provide relief to pensioners from the burden on transport costs by offering them a discount of up to 37.5% per trip travelled on Rea Vaya during off-peak.

The cost of the initial card and the personalization is covered by the City but any replacement cards will be charged at R20.00 per card. Similarly to the fare products for frequent commuters, this concession product does not attract any loading fee. The fares for the elderly concession are depicted in table 5 below.

Table 5: Approved concession travel fares

Rea Vaya Journey Length	Concession Product	
	Off-Peak Travel	Peak Travel
Less than 5km (Minimum Fare)	R 3.40	R 5.50
More than 5km but less than and equals to 10km	R 4.50	R 7.20
More than 10km but less than and equals to 15km	R 5.60	R 9.00
More than 15km but less than and equals to 25km	R 6.70	R 10.70
More the 25km but less than 35km	R 7.20	R 11.50
More than 35km (Maximum fare)	R 7.80	R 12.50

3.5 Rea Vaya Regular Park and Ride for 2014/2015

Parking fares for Rea Vaya Park and Ride were approved for the 2014/15 financial year. These parking packages are for Rea Vaya and non-Rea Vaya users. Frequent Rea Vaya users are also paying less than the non-frequent users. The table of the parking fares is as below.

Table 6: Approved park and ride fares

Type of User	Parking Fare Per Day Per Car
Frequent Rea Vaya User	R 6.00

**TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)**

Non-Frequent Rea Vaya User	R 10.00	3.6 Rea Vaya Event
Non-Rea Vaya User	R 20.00	
Overnight Parking	R 50.00	

Park and Ride for 2014/2015

The approved charge for Park and Ride Events is R50.00 per anticipated commuter where Rea Vaya supplies tickets to a Park and Ride operator for use on Rea Vaya services. It was further approved that the Head of Scheduled Services Management Agency may negotiate alternative forms and levels of payment; but this cannot be less than the tariff amount, for Rea Vaya services with an event organizer if an alternative arrangement to individual event tickets is required (for example the use of CompuTicket).

4. PROPOSED FARE CHARGES FOR 2015/16

4.1. Distance based versus flat fare

The Rea Vaya fare policy sets out that a fare structure can be distance, flat or zonal. The Mayoral Committee has determined that the fare structure is distance based but that the amount that the fare rate increases over longer distances is reduced. The Transport Department stated in its 2014/15 tariff report, after deliberations and consultations, its desirability to move towards a flat fare in 2015/16. This move however should only be made after an extensive research, policy development and public participation.

The department's argument for this move includes:

- It would address our apartheid legacy that people living further have to pay more;
- Will increase patronage;
- Will simplify the AFC system including eliminating the need to "tap out" of the bus, enable the use of cheaper cards, simplifying the complex product fare structure and also lead to less abuse and reduction of inspectors, etc.

However also under consideration was the following:

- Should or can there be different poverty targeting approaches across the City? This would create a precedent and is this desirable?
- What would be the reaction from the competitors especially the mini bus taxi industry?
- Could it lead to subsidizing the middle class to shift to public transport or is this worth it in return for improving urban functionality?

Due to the extensive research required in order to determine whether the department should move to a flat fare structure for Rea Vaya, the School of Governance at the University of the Witwatersrand was appointed to undertake the research on a fare policy for Rea Vaya.

The outcome of research will only be known later in the year, and should the recommendations indicate that the department should move towards a flat fare structure for Rea Vaya, it is very unlikely that a flat fare structure will be in place on 1 July 2015.

TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)

It is therefore proposed that the Department continue with the distance based fare structure in 2015/2016.

4.2. Proposed 2015/16 tariffs

4.2.1 Impact of reduction of fuel price on the fee per kilometer

The Transport Department has done some modelling as to what fares would be affordable to passengers, how to make Rea Vaya more accessible to especially new users and how to ensure that the direct bus operating costs are covered by the City and not grant funding as is required by the National Department of Transport. These direct bus operating costs are included in the fee per kilometer as negotiated with the Phase 1A bus operating company, Piotrans, and is paid to Piotrans on a weekly basis. The same model is being followed for Phase 1B and the fee per kilometer has been agreed with the operators.

One of the major cost drivers of the fee per kilometer is the fuel cost and any changes in the fuel cost will therefore have a significant impact on the fee per kilometer. The weighting of the individual direct bus operating expenditure items in respect of the total bus operating expenditure is as per the table below:

Table 7: Phase 1A direct bus operating expenditure items

Variable expenditure	Articulated		Standard	
	Amount	%	Amount	%
Diesel / fuel	8 730 669	29.1%	17 177 473	27.7%
Tyres	1 165 544	3.9%	2 473 556	4.0%
Driver wages	7 679 378	25.6%	18 467 077	29.7%
Maintenance	4 090 832	13.6%	7 372 167	11.9%
Salaries	1 369 505	4.6%	3 293 335	5.3%
Overheads	6 989 084	23.3%	13 300 608	21.4%
Total	30 025 014	100%	62 084 216	100%

Although the fuel price has decreased from September 2014 to January 2015, which lead to decrease in the Phase 1A fee per kilometer, it is unlikely that the current reduced fuel price will continue into the future. The February unaudited mid-month fuel price data issued by the Central Energy Fund indicated that the months-long downward trend in fuel prices has reversed sharply in February, which was also confirmed by the Automobile Association (AA). This was due to the increase in international fuel prices by 20% since the last week of January as well as a spike in the rand/US dollar exchange rate. Based on this, it is projected that the fuel prices will increase in the foreseeable future and Rea Vaya will not benefit from these the low fuel prices as from July 2015.

It is therefore proposed that the Rea Vaya tariffs be increased by 6% for the 2015/2016 financial year as per the City's CPI projections for the 2015/2016 financial year.

It is further proposed that the current two fare products be replaced by introducing three new fare products, which will be less restrictive in terms of origin and destination and will offer better value for money for passengers without having a negative impact on the City's revenue from Rea Vaya fares.

**TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)**

The proposed tariffs are discussed in more detail below:

4.2.1 Non-frequent users

It is proposed that the 2015/16 non-frequent fares for both peak and off peak be increased by 6%. The proposed peak fares and off peak fares are depicted in Table 7 and Table 8 respectively below.

Table 8: Proposed 2015/16 non-frequent peak fares

Rea Vaya Journey Length	Non-Frequent Peak Fares	
	Current 2014/15 Approved Fares	Proposed 2015/16 Fares
Less than 5km (Minimum Fare)	R5.50	R5.80
More than 5km but less than and equals to 10km	R7.20	R7.60
More than 10km but less than and equals to 15km	R9.00	R9.50
More than 15km but less than and equals to 25km	R10.70	R11.30
More the 25km but less than 35km	R11.50	R12.20
More than 35km (Maximum fare)	R12.50	R13.30
Penalty Fees	R12.50	R13.30

Table 9: Proposed 2015/16 non-frequent off peak fares

Rea Vaya Journey Length	Non-Frequent Off Peak Fares	
	Current 2014/15 Approved Fares	Proposed 2015/16 Fares
Less than 5km (Minimum Fare)	R 5.00	R 5.20
More than 5km but less than and equals to 10km	R 6.50	R 6.80
More than 10km but less than and equals to 15km	R 8.10	R 8.50
More than 15km but less than and equals to 25km	R 9.60	R 10.20
More the 25km but less than 35km	R 10.30	R 11.00
More than 35km (Maximum fare)	R 11.20	R 12.00
Penalty Fees	R 11.20	R 12.00

4.2.2 Frequent users

It is proposed that the two current transit products, i.e. RV10 and RV40 be replaced by a new point product, which will offer passengers with additional value load should they load more than R50. The current RV10 and RV40 products are very restrictive as it only allow for passengers to travel between pre-selected origin and destination stops, which result in penalties should passengers want to travel from/to another origin/destination.

In addition passengers will not be required to pre-select their origin and destination and will be able to travel between any two stops and or stations. Rea Vaya would like to launch a new point's product that will be called the Rea Vaya Rands. These Rea Vaya Rands will have the same value as South African Rands. The only difference however will be that this money can only be used for travel on Rea Vaya. Passengers will receive extra value on loading that they can use on traveling Rea Vaya.

This product will therefor offer passengers extra value based on how much they load.

TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)

Table 10: Proposed 2015/16 Rea Vaya Rands Value

Rea Vaya Passenger Load Values	Additional Bonus Percentage	Additional Bonus Value
From R10 – R50	0	R0
From R51 – R100	10%	From R5.10 – R10.00
From R101 – R200	15%	From R15.20 – R30.00
From R201 – R300	20%	From R40.20 – R60.00
From R301 – R700	25%	From R75.30 – R175.00

4.2.3 Concession product for the elderly

This product is for Rea Vaya commuters who are over 60 years old, by offering them a discount of up to 37.5% per trip during off peak. The proposed fares are as per the table below.

Table 11: Proposed 2015/16 concession fares for the elderly

Rea Vaya Journey Length	Peak pricing	Off-peak pricing
Less than 5km (Minimum Fare)	R5.80	R3.60
More than 5km but less than and equals to 10km	R7.60	R4.80
More than 10km but less than and equals to 15km	R9.50	R5.90
More than 15km but less than and equals to 25km	R11.30	R7.10
More the 25km but less than 35km	R12.20	R7.60
More than 35km (Maximum fare)	R13.20	R8.30
Penalty Fees	R13.20	R8.30

4.2.3 Proposed park and ride charges

The proposed charges for the park and ride services for frequent and no-frequent users are as per the table below.

Table 12: Proposed 2015/16 park and ride charges

Detail	Charges
Event park and ride	R53.00
Frequent Rea Vaya park and ride users (with valid fare products)	R6.30
Non-frequent Rea Vaya park and ride users	R10.60
Non-Rea Vaya users	R21.20
Overnight parking	R53.00

4.2.4 Fare media and other charges

Table 13: Proposed 2015/16 fare media and other charges

Details	Peak pricing	Off-peak pricing
Occasional users – one trip card	R13.80	N/A
Occasional users – two trip card	R26.50	N/A

**TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)**

EMV card (new user)	Free	N/A
EMV card (replacement)	R25.00	N/A
Concession card (new user)	Free	N/A
Concession card (replacement)	R25.00	N/A
Penalty fees for fare evasion	R13.25	R12.00
Penalty fees from inspection	R21.20	N/A

5. POLICY IMPLICATIONS

Proposed increase in fares for the 2015/16 financial year to be implemented from 1 July 2015.

6. LEGAL AND/OR CONSTITUTIONAL IMPLICATIONS

When the City intends to amend the tariff, it must inform the Public about its intention to amend so that it may take the comments of the public into account.

7. FINANCIAL IMPLICATIONS

The expected revenue to be generated from the 2015/2016 Rea Vaya proposed fares is R 141 499 000.00

8. COMMUNICATIONS IMPLICATIONS

The relevant information regarding the 2015/2016 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.

9. OTHER DEPARTMENTS / BODIES CONSULTED

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

For tariff fare charges for Rea Vaya Rea BRT.

- 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;

**TRANSPORT DEPARTMENT
(Scheduled Services Management Agency)**

- (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 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.

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..... Date:

Jeff Ngcobo
Head: Schedule Service Management Agency

..... Date:

Mandla Magagula
Legal Adviser: Transport

..... Date:

Lisa Seftel
Executive Director: Transport

..... Date:

Cllr Christine Walters
Member of the Mayoral Committee: Transport