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Rea Vaya – Fare Policy

For Approval



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1 Definitions

Aged Traveller or **Pensioner** means any customer of 65 years or older and who, based on the customer's age, qualifies for a concession fare in terms of the Rea Vaya Fare Policy.

Base Fare means the initial fare deducted at check-in, used in calculating the Rea Vaya fare, and is equivalent to the full fare for a single trip travelled by the customer between the two closest possible points on the Rea Vaya routes.

Child means a customer up to the age of 3 years old, travelling in the care and supervision of a fare paying customer, provided the child does not occupy a seat in the vehicle (eg. sits on the parent's lap).

Child Fare means the fare due for a trip that a child undertakes.

Concessionary Fare means the fare due or paid by a customer classed in a category entitled to a reduced fare as provided for in this Fare Policy.

Conditions of Carriage means the terms that customers are deemed to have accepted when purchasing their fare media to travel on Rea Vaya.

Customer means users of the Rea Vaya to which transport related services are provided.

Elasticity means the ratio of the percentage change in one variable to the percentage change in another variable, which provides a rate of response in quantity demanded due to a price change.

Fare-box Recovery Ratio means the proportion of the revenue generated through fares paid by customers as a fraction of total operating expenses.

Fare Level means the amount paid by a customer as payment for his / her trip.

Fare Policy means the statement of goals, objectives, principles and other fundamentals that determine the manner in which fares are charged to customers of Rea Vaya.



Fare Structure means the system used to determine the fare levels, such as distance based, flat rate or a zonal rate.

Guide Dog means a dog trained to aid or assist a customer with a disability.

Journey means trip(s) undertaken from origin to destination by a customer in the allowed travel time.

Learners means customers who are registered at a full-time primary or secondary education institution.

Rea Vaya means the Bus Rapid Transport system which is governed and operated by the City of Johannesburg Metropolitan Municipality (“the City”).

Seamless Travel means the opportunity for customers to use public transport with a minimum of inconvenience according to their own journey plan, using any combination of transport mode(s) and operators, ideally using a single fare media.

Single trip means the single distance travelled by a customer between two points in one vehicle.

Special Event means a religious, sporting, recreational or cultural event (including entertainment, conference, exhibition or show), which is to be held on a specific day or a series of days at a predetermined venue and for which a fixed pre-arranged fare for customers travelling to and from that event has been arranged.

Students means customers who are registered for full time study at a tertiary education institution.

2 Overview

2.1 Purpose

The Rea Vaya Fare Policy, taking into account national and provincial public transport imperatives, as well as relevant City mandates and policies, and outlines of how fares are to be charged by Rea Vaya.

The Fare Policy will be the guiding document to be used when:

- Finalising the software development for the roll-out of the Automated Fare Collection (“AFC”) system;
- Developing the actual Rea Vaya fare structure and fare levels, and
- Developing revenue management and revenue protection processes.

It will also be used when training Rea Vaya staff and all relevant stakeholders.

The Fare Policy is “fare media neutral”, which means that the Fare Policy can be applied to the paper ticketing system, as well as all forms of “smartcard” fare media solutions.

The Fare Policy also acknowledges the objectives of seamless travel and interoperability in public transport.

2.2 Scope

The Fare Policy applies to all fares charged for services contracted as part of the Rea Vaya Bus Rapid Transit system operating within Johannesburg and its surrounding areas.

The fare policy includes:

- Relevant legislation and policy;
- How the fares are structured;
- Factors to be considered when changing the fare structure and the fare level;
- How to purchase fares;
- Fare products that can be used;
- Addressing exceptions to the norm, and
- Institutional arrangements.

This Fare Policy does not apply to any public transport services that are not contracted to Rea Vaya. Such services that fall outside the ambit of this Policy include, amongst others:

- Commuter rail services provided by Metrorail;
- Johannesburg Metropolitan Bus Service;
- PUTCO Ltd;
- Metered taxi services;
- Non-contracted minibus-taxi services.
- Tourist services, and
- Shuttle services.

Although the respective fare policies for the above-mentioned services remain the responsibility of the providers of those services, this Fare Policy supports future interoperability and potential operator integration with other transport services, subject to the requirements of the Rea Vaya system.

2.3 Objectives

The over-arching objectives of the Rea Vaya Fare Policy, which adhere to the City's Fare Policy, include:

- To provide an affordable BRT service to Rea Vaya's customers by:
 - Promoting passenger growth and loyalty;
 - Equitable and affordable fares, and
 - Listening and responding to the needs of customers.
- Increase mobility and accessibility by ensuring that the fare policy can apply:
 - City-wide;
 - Differently to certain target groups (such as commuters, students, the elderly, low-income groups, people with disabilities, etc);
 - Differently at certain times of the day (eg. off-peak);
 - For certain trip purposes (eg. event services); and
 - With minimum inconvenience (eg. in respect of time) of transfers.
- The need to ensure Rea Vaya services are financially sustainable by:

- Striving to ensure that the operating costs of the Bus Operating Company are covered by fare revenue, bearing in mind the low density nature of the City and our apartheid legacy;
- Improving and maintaining the fare-box recovery ratio;
- Improving and maintaining fare collection efficiency to minimise operating costs;
- Maintaining and increasing the fare revenue stream, and
- Staying economically competitive with other modes of transport.

2.4 Constraints and Requirements

The constraints and requirements of the Rea Vaya Fare Policy are:

- *Equity*: the fare paid must be related to the value of the public transport service purchased (in terms of factors such as distance travelled, comfort, safety, security, travel time – express or local, etc);
- *Social and political requirements*: the fare determined must take into account the ability to pay, the need for service, the need to address apartheid's spatial legacy, etc;
- *Elasticity of demand*: the willingness to use the service at a given fare level, which can constrain choice of fare level and structure;
- *Customer friendly*: the fare system needs to be understandable and convenient to passengers, and
- *Corruption and fare evasion*: the fare system must increase the ease and reduce the cost of fare collection while ensuring adequate controls are in place to prevent corruption and fare evasion.

3 Fare Structure

3.1 Base

The Rea Vaya paper fare structure is a stage based fare structure. The fare levels in use (stemming from the fare structure) distinguish between R3.50, R6.00 and R9.50 trips. A Special Events Ticket of R12.00 was also issued for the special circumstances presented by the 2010 FIFA Soccer World Cup. The aforementioned prices form the baseline standard of the future of the Rea Vaya BRT system. The AFC is more flexible than the interim paper ticketing system, allowing improvements with regards to the fare structure used, fare evasion and data that will be collected.

3.2 Factors to consider when changing the Fare Structure

The fare structure must be easily understood and financially sustainable.

Routes culminating at or passing by airports or at certain events locations may have a premium charged (i.e. customers who board or alight at an event location such as a stadium will be charged a premium).

Economic modelling will determine the optimal Fare Structure used by Rea Vaya. Variables in the economic model include (*inter alia*):

- Operating cost of the Rea Vaya system vs. Ticket Sales (Revenue / Income);
- Market Elasticity;
- Daily subsidised revenue results (evaluation of all possible Fare Structures and determining the most profitable one and its effect on the market);
- Minimum Fare to cover the Operating Cost of the Rea Vaya system vs. Average Fare per fare structure.

4 Fare Levels

4.1 General Principles

The baseline situation is that fares on the Rea Vaya service are based on a single journey from the commencement of the customer's journey on a Rea Vaya bus to the customer's destination on a Rea Vaya bus. The current¹ fares are shown in Table 1.

No transfer fee applies when alighting from one Rea Vaya vehicle to another Rea Vaya vehicle within a defined minimum transfer period as set out in the *Fare Rules*. A customer transferring to or from a non-Rea Vaya service will be required to pay the full relevant Rea Vaya fare for their journey on a Rea Vaya contracted vehicle

Table 1: Current fares for Rea Vaya BRT

Route	Full Fare
Inner-city complementary service	R3.50
Trunk Service (T1)	R6.00
Feeder bus connecting to Trunk Service inner city	R9.50
Complementary Service: Dobsonville to CBD and Ellis Park (Route C1)	R6.00
Naledi via ThokozaPark Station to CBD (Route F1)	R9.50
Jabavu via LakeView Station to the CBD (Route F3)	R9.50
Mofolo via Boomtown Station to the CBD (Route F4)	R9.50
Dobsonville to Maponya Mall (Route C2)	R6.00 ²
Protea Glen via ThokozaPark to the CBD (Route F2)	R9.50
EldoradoPark via ThokozaPark to the CBD (Route F5)	R9.50

¹ As at November 2010.

² Suspended on 19 September 2010.

4.2 Changes to the Fare Levels

This Fare Policy directs that changes in the fare level be incremental (as far as possible) to avoid large increases. The expectation is that fares will be adjusted annually in terms of the MFMA requirements or by other Council approved adjustment methods to reflect an increase in input costs. Adjustments to the fare level should be easy to manage, justify and promote to the public.

4.3 Factors to consider when amending the Fare Level

When considering changes to the fare level, the following factors are to be considered:

- The South African inflation rate;
- Rea Vaya operational costs;
- The expected rate of increase in the cost of transit operations;
- Ridership trends;
- Local economic trends;
- The potential economic impact on Rea Vaya customers;
- Current market conditions and opportunities;
- Future projections;
- The value of the Rea Vaya service to the customer;
- The financial situation of Rea Vaya;
- Replacement subsidies;
- Other revenue sources;
- Maximising the Fare-box recovery ratio;
- Ticket sales, including:
 - Amount of passengers using the route;
 - Days per week the Rea Vaya system is used;
 - Subsidised portions such as concessions, free passes, multi-journeys and other subsidies;
 - Trip kilometres driven per Rea Vaya bus per route / zone equalling the distance travelled;
- Externalities, such as the indirect cost stemming from the impact of third parties or other factors. These can be:
 - Pollution (emission);
 - Waste;
 - Time lost;

- Wear and tear on the roads;
- Cost to the health services for treating people in private car accidents, and
- Cost to employers due to employees missing work because of travel related stress.

The costs associated with the above externalities do not directly impact on operational costs, but they have an impact on the fares charged, and

- Other issues that may directly impact on operational costs in the future, for example carbon (emission) pricing.

The above factors to be evaluated are not exhaustive, and other factors may need to be considered in the future.

The Rea Vaya Project will develop, maintain and monitor a set of Fare Policy performance measures in order to more accurately track the impact and effectiveness of the current fare levels and adjustments in the fare levels.



5 Purchasing fares

All fares for transit *via* Rea Vaya must be purchased prior to entering a Rea Vaya payment area. Rea Vaya fare media will not be sold or reloaded on the vehicles and no cash will be handled on the vehicles. The fares can be purchased at stations or authorised resellers.

5.1 Stations

Stations are located along the trunk routes of Rea Vaya. The stations provide facilities to purchase Rea Vaya accepted fare media and to reload value or fare products onto such fare media.

5.2 Authorised Resellers

Rea Vaya may offer private and public registered and authorised resellers the option of selling fare media and/or top-up value. These authorised resellers play an important role in the distribution of fare media and top-up points to Rea Vaya customers. The resellers will be incentivised in some manner to make it worth their while to sell Rea Vaya fare media and top-up value.

6 Fare Products

The City may choose to use a number of fare products. Modelling, analysis and executive approval will be required before any fare product is implemented.

The following are the proposed fare products that can be implemented by Rea Vaya over time:

6.1 “Pay-as-you-go” Fare Products

The “Pay-as-you-go” Fare Product is a value based product. Therefore it is not based on a specific time period or on a specific fare level. This enables holders to undertake a single trip or multiple trips.

6.2 Off-peak Fares

Off-peak fares are envisaged on Rea Vaya services. The City may choose to implement reduced fares during less busy periods as this may assist in:

- Maximising the productivity and utilisation of Rea Vaya assets, and
- Spreading the utilisation of services by encouraging discretionary travel outside of peak load periods.

6.3 Premium Fares

A premium fare can be charged for a particular special service such as to an airport.

Special events may warrant a special fare. These will be declared and negotiated with operators on a case-by-case basis.

A premium fare will be charged when a customer disembarks at an event location.

6.4 Complimentary Passes

Rea Vaya may issue passes enabling free travel to the holder for a specified period of time. Passes will only be valid between the dates specified by Rea Vaya.

These complimentary passes are issued at the discretion of Rea Vaya and could be used for marketing (attracting new customers to the fixed-route system) and social benefit purposes.

The fare revenue that would be generated by the use of these passes will need to be recovered from another source.

6.5 Concession Fares

Rea Vaya may issue concession fares where certain categories of commuters are eligible for discounted fares during off-peak periods. Concession fares could be sponsored from revenue recovered from an external source.

The underlying principles in regulating which customers qualify for Rea Vaya concessionary fares is to achieve a balance between the principle of socio-economic benefit against the principles of revenue generation and costs of operation.

Some of the socio-economic benefits of concession fares are:

- Supporting to certain categories of people, eg. unemployed, people with disabilities;
- Making public transport more accessible to a wider sector of the population;
- Providing a competitive market in relation to other forms of public transport.

Some of the risks to the City are:

- Financial viability of Rea Vaya;
- Revenue loss;
- Undermining of the objective to cover the cost of operation from the fare revenue collected.

Possible types of concessions are, but are not limited to, pensioners, armed forces, learners or people on social grants.

6.5.1 General process for concession products

Customers will need to apply for a concession at the issuing authority by completing the relevant application forms, providing a valid photo identification document as proof of their age and any other documents required as proof of their entitlement to a particular concession product.

Alternatively, an entity can apply for concessions on behalf of their personnel and the entity will be required to pay for the difference in fares.

The issuing authority will process the application. Once the application has been approved, the issuing authority will then load a concession indicator on the personalised fare media, which entitles the holder thereof to a concessionary fare. This means that the Rea Vaya customer must perform the above step of applying for the concession product before the customer will be entitled to a concessionary fare.

6.5.2 Changes to concession fares

When considering changes to the concessionary fares, the following principles need to be considered:

- The underlying balancing of socio-economic benefit, revenue protection and costs of operation, and
- The changes to the concessionary fares must be in line with section 4.3 “*Factors to Consider when amending the Fare Level*” above.

The above factors to be evaluated are not exhaustive and other factors may need to be considered in the future.

Any changes to the concession fares have to be approved by the Mayoral Committee.

7 Exceptions

There are a number of exceptions that need to be catered for. These are listed below.

7.1 Luggage

Luggage and other packages can be carried free of charge on Rea Vaya, provided the luggage or package is compact enough to be conveyed on the customer's lap. Rea Vaya reserves the right to charge the customer for very large items taking up an additional seat in the vehicle (and therefore incapable of being carried on the customer's lap).

Open liquor containers, inflammable liquids and other potentially dangerous items will not be allowed on the Rea Vaya buses.

7.2 Guide dogs

Dogs used as assistance dogs (guide dogs, hearing dogs and service dogs) will travel free of charge with their owners or handlers, who must ensure that such guide dogs comply with the relevant rules contained in the *Conditions of Carriage*.

7.3 Fare evasion

Fare evasion is an offence under the *City of Johannesburg Metropolitan Municipality – Metered Taxi, Minibus, Midibus and Bus By-laws*³. Customers who travel without the correct fare product may be liable to fare correction, fines and/or prosecution as set out in the above-mentioned By-laws. A customer who fails or refuses to pay the indicated fare is liable for a R300 fine in terms of the said By-laws.

Ticket inspectors are entitled to inspect tickets at any stage of a customer's journey (where valid fare media is mandatory) as per the *Fare Rules* document.

³ Published under Notice no 828 in Gauteng Provincial Gazette Extraordinary No 179 dated 21 May 2004.



7.4 Balance Transfer

The City has a 'no cash refund' policy in respect of defective, stolen and/or damaged fare media. The customer can apply for a transfer of the remaining balance on the stolen, damaged or defective fare media where the fare media is registered and/or personalised.

8 Institutional Arrangements

8.1 Institutional Arrangements

Institutional arrangements refer to agreements and organizational structures both within the transport institution and between institutions. The purposes of these agreements are to promote involvement of management and operations in the planning processes, and to promote a regional planning perspective within an operations environment. The Rea Vaya system aims to be interoperable with other transport systems and institutions; therefore, there is potentially a requirement for agreements between the different institutions to be put in place.

8.1.1 Relationships between the spheres of government

Institutional arrangements are required to make provision for the relationships between various spheres of government and the required interaction between the different spheres of government. Unless specified elsewhere, these relationships are governed by the Intergovernmental Relations Framework Act 13 of 2005. Where the City deems it necessary to establish such relationships, service level agreements or memoranda of understanding are required to be drafted and approved by the relevant executive authorities of the relevant sphere of government, due to the fact that different spheres of government are recognised by the Constitution as being independent.

8.1.2 Multilateral agreements

Multilateral agreements, especially for payment systems, make the processing of payment instructions more efficient by co-ordinating the exchange of payment instructions and providing communication networks and processing services.

8.1.3 City Collaboration

It is essential that there is collaboration between Rea Vaya (including both operations and planning divisions) and public safety organisations, with the key partner being Johannesburg Metropolitan Police Department (“JMPD”) and Emergency Management Services (“EMS”), in order to ensure public safety within the public transport arena. This will be regulated by a service level agreement between the relevant entities.

8.1.4 Monitoring implementation via performance indicators

The Rea Vaya project will ensure that contract performance is properly monitored and managed. Well-designed incentives, created through a sound performance management system linked to performance-related payments, will ensure that all service providers and partners meet or exceed the performance targets.

8.2 Influencing policies and legislation

The Fare Policy operates within national, provincial and city legislation and policy frameworks. In particular, it is cognisant of the following:

- The City of Johannesburg's Fare Policy;
- *Control of Access to Public Premises and Vehicles Act* 53 of 1985;
- The National Department of Transport's *White Paper on National Transport Policy* (1996) provision that commuters spend less than 10 percent of disposable income on transport;
- the Public Participation requirements in the *Promotion of Administrative Justice Act* 3 of 2000 ("PAJA");
- *City of Johannesburg Metropolitan Municipality - Metered Taxi, Minibus, Midibus and Bus By-Laws*, published under Gazette No 179 on 21 May 2004;
- The Integrated Development Plan ("IDP") of the City for the 2010/2011 year; and
- *National Department of Transport – Electronic Fare Collection – Guideline Document October 2008 – Public Draft*.
- Intergovernmental Relations Framework Act 13 of 2005.

9 Review of the Fare Policy

This Fare Policy will be reviewed at least once every five years, although reviews can occur more frequently if required. The review process is necessary to:

- ensure the applicability of the Fare Policy if the circumstances or framework within which the policy operates change materially;
- make allowance for amendments to the Fare Policy with the introduction of new mechanisms to evaluate fare structure, fare levels and/or changed concessions, and
- further maintain and develop institutional arrangements to progress fare media interoperability with other public transport operators and other relevant institutions.



10 Conclusion

This Fare Policy document guides changes to the Fare Level, Fare Structure and the Fare Exception components of Rea Vaya.

The *Fare Rules* document should be read in conjunction with this Fare Policy document, since these two documents are complimentary. The *Fare Rules* document details the high level fare policy concepts (and more) and provides an operational framework within which the Rea Vaya system can optimally function.

All amendments to the Fare Policy must be done with the spirit of interoperability between different operators and other public transport systems in mind.