

City of Johannesburg Council 2021-03-24/25

COJ : MAYORAL COMMITTEE 2021-03-16

METROPOLITAN BUS SERVICES (SOC) LTD

8 AMENDMENT TO THE PASSENGER FARE STRUCTURE OF METROPOLITAN BUS SERVICES (SOC) LTD FOR THE PERIOD 1 JULY 2021 TO 30 JUNE 2022

1 STRATEGIC THRUSTS

- Sustainable Service Delivery.
- Sustainable Economic Development.
- Smart City.

2 OBJECTIVES

The purpose of this report is to table the proposed amended tariff of charges for Metropolitan Bus Services (SOC) Ltd for the 2021/22 financial year, effective 01 July 2021.

Tabling is thus sought for the bus fare increases proposed under item 5 below for the 2021/2022 Financial Year that takes effect as from 1 July 2021.

3 SUMMARY

Metrobus adjusts its passenger fares annually. The annual fare increase will be implemented on 1 July together with other tariffs levied by the City of Johannesburg.

4 PRINCIPLES USED FOR 2021-2022 FARES INCREASE

The following principles or tariff guidelines were applied to determine the 2021/2022 fare increase for Metrobus:

- City of Johannesburg Treasury has assumed a forecasted CPI of 4.3% for the 2021/2022 financial year.
- 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.
- The extent of subsidisation of tariffs on learners, pensioners and persons with disabilities.
- Alignment with the GDS and City revenue optimisation imperatives.

Notwithstanding the above, the dynamics of elasticity when setting fares is always an important consideration especially in the Metrobus environment where we are competing with many other transport operators.

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We can therefore say that the demand for our services is very elastic implying that our commuters are only prepared to pay a certain price or will only pay a narrow range of prices for our service. Anything other than that may result in a modal shift.

5 PROPOSED FARE INCREASE

(1) Cash Fare Increase

The proposed increase for the casual passenger who pays cash on the bus will be four-point three percent (4.3%). The fares reflected for Metrobus are based on market related cash fares although an acceptable competitive advantage has been retained in most instances.

(2) Coupon Trip or Multi Journey Tag Fares

Almost eighty percent (80%) of our commuters are using tags. Trips, which uses tags, are bought in advance at a discount of 25%. This makes them significantly cheaper than cash fares. The entity proposes that trips prepaid for, increase by four-point three percent (4.3%).

Private hire and contracts are to be increased by (4.3%). The number of buses and kilometres travelled per month determines pricing as per table below.

6 COMPARATIVE FARES 2021/22

Arising from the guiding principles, Metrobus' new passenger fare structure appears in Tables A and B. Private Hire and Contracts appear in Table C

Table A: Comparative Adult Cash Trip Tariffs

STAGES	METROBUS CURRENT	METROBUS PROPOSED
1	R 12.90	R 13,50
2	R 15.20	R 15,90
3	R 18.20	R 19,00
4	R 22.00	R 23,00
5	R 25.40	R 26,50
6	R 27.40	R 29,00
7	R 30.00	R 31,30
8	R 32.20	R 33,60

8.3

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Table B: Multi Journey Tag Fares

CLASS OF PASSENGER	FARE BASE
Stored Value	8.0% Discount
Adult Commuters – multi journey tags	25% Discount
Scholars	4.3 % on cash and further 25% discount for multi journey fares
SAPD, JMPD and SANDF members in uniform	Free travel on non-dedicated trips
Pensioners	4.3% on cash and 50% on multi journey trips. Pensioners must be restricted to only use buses during off-peak or pay the normal adult fare.
Metrobus staff	Free travel. But to present staff ID card at all times

Table C: Level Of Discounts:

Description	% of Passengers travelling	Discount Applicable	Effective Discount off cash
Adult	62.88%	-	25%
People With Disability	1.68%	50% off adult price tag	63%
Pensioners	9.57%	86% off adult price tag	90%
Scholars	25.87%	30% off adult tag price	48%

7 OTHER MATTERS

The levels of discounts which are currently provided by Metrobus are above the average of the industry. This then creates a pricing challenge within the organisation. A comparison with other operators shows that some operators provide various discounts to the different classes of travellers however, up to a maximum of 10%. This means over the medium term, Metrobus needs to review the level of discounts on its fares.

A comparison with Rea Vaya is not possible as they use distance based policy whilst Metrobus fares are zonal based. This can be an alternative approach which Metrobus wants to take and can implemented once there is a city wide fare policy in place with a system which has the capacity to be able to charge on a distance basis.

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8 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.

9 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 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 2021/22 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 ensure that the proposed increases comply with the budgeted needs of the Council in respect of 2021/22 Financial Year.

10 FINANCIAL IMPLICATIONS

The implementation of the proposed fare structure will generate an amount of ± R6.9 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 2021/22 budget.

11 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 2021 to properly inform passengers of the new fare structure and its implications. This campaign should be in addition to the public notice from Council as determined by the Municipal Systems Act.

12 OTHER DEPARTMENTS/BODIES CONSULTED

- Legal Services
- Budget Office
- Transport Department
- Financial Compliance

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IT IS RECOMMENDED

- 1 That, in terms of Section 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), Metrobus acting in accordance with its mandate from the City of Johannesburg declares its intention to amend with effect from 1 July 2021 its Tariff of Charges for Bus Fares as set out in Annexure "A".**

- 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 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 (1)(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 representations in respect of the City's declared intention to amend or determine Tariffs of Charges.**

- 3 That the Executive Director: Finance in conjunction with Director: Legal and Compliance, 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 draft of the Tariffs of Charges for approval.**

- 4 That the report be submitted to a relevant Section 79 Committee for comment.**

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THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

