

**TRANSPORT**

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**9 AMENDMENT OF THE TARIFF  
FARE CHARGES FOR REA  
VAYA REA BRT FOR THE  
PERIOD 1 JULY 2021 TO  
30 JUNE 2022**

**1 STRATEGIC THRUSTS**

Financial Sustainability  
Service Excellence.

**2 OBJECTIVE**

To table in Council the proposed amendments of the current tariff charges for Rea Vaya BRT fares for the period 1 July 2021 to 30 June 2022.

**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 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.

**4 MOTIVATION FOR FARE ADJUSTMENT**

Below it's a detailed analysis on economic and social considerations explored prior to the proposal of fare amendment. The study also tables price differentials between Rea Vaya BRT and other modes of transport within the City of Johannesburg as well as neighboring cities. It further looks into customer satisfaction with regards to Rea Vaya BRT fares.

**(1) Socio-Economic Consideration**

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. 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,

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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.

According to the city's Integrated Development Plan IDP (2019/20 Review), Johannesburg has a population size of 5,783,000, with 45.2% 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.

**(2) Economic Consideration**

No single economic activity in the city can take place without movement, transport therefore plays a crucial role in contributing to the economic growth of Johannesburg. Efficient and affordable transporting is an engine behind day to day productivity in the industrial city like Joburg.

According to the econometric model used by Trading Economics, South Africa's Public Transport inflation increased to 10.9% in October 2020 from 10.6% in September 2020. Statistics South Africa explains public transport price index as an illustration of general price increases in taxis, trains, buses, or other public transport that ferry passengers or goods. The steep increase in public transport inflation mainly results from minibus taxis increasing their fares by up to 172% in June 2020 to cover up losses resulting from the COVID 19 lockdown restrictions.

Mid-month data from the Central Energy Fund (CEF) points to another large fuel hike in February 2021, following a significant increase in January 2021. The CEF data shows an under-recovery in prices across the board, expected to rise around 78 cents per liter for petrol, and 60 cents per liter for diesel. Increase in diesel directly affects the cost of doing business for Rea Vaya and the proposed fare aims to ensure financial sustainability for the department.

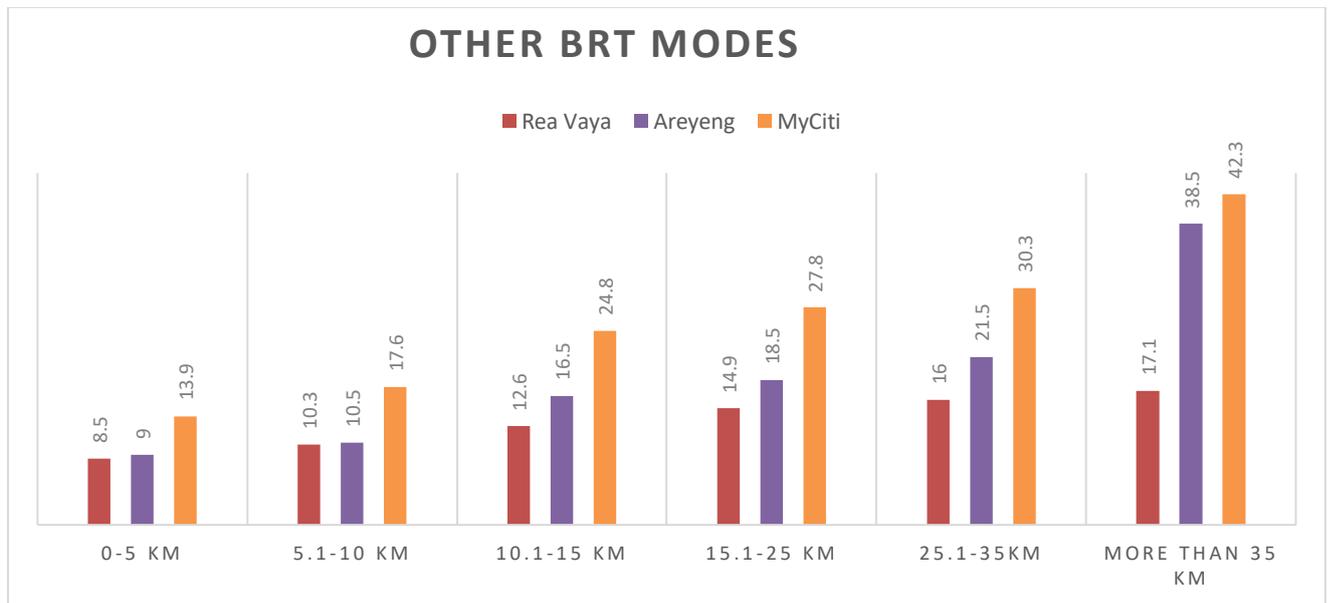
The price sensitivity study for the Rea Vaya BRT service shows that demand for service increases irrespective of the prices going up. This is evidence that Rea Vaya is an essential service and demand for mobility from commuters is inelastic.

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(3) Fare Comparison (Rea Vaya BRT vs other modes)

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:

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

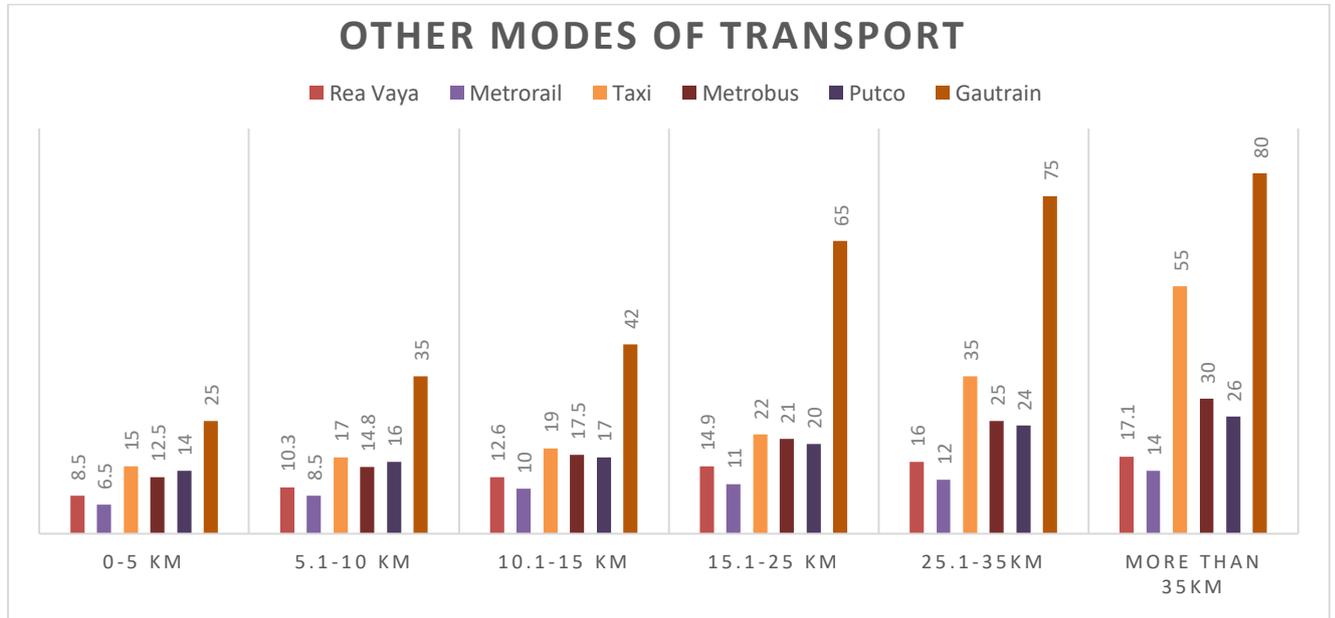


Despite the decision took by Cape Town MyCiti to reduce their fares from the 1<sup>st</sup> of July 2020 to brace the financial impact caused by COVID 19, Rea Vaya fares are still comparably cheaper. The huge difference is evident in upper bands where a Cape Town commuter pays more than double compared to what Joburg commuters are paying.

A further study is conducted between Rea Vaya fares and other modes of transport within the city of Joburg, below graph displays the findings:

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Figure 2: Rea Vaya BRT compared with other modes of transport:



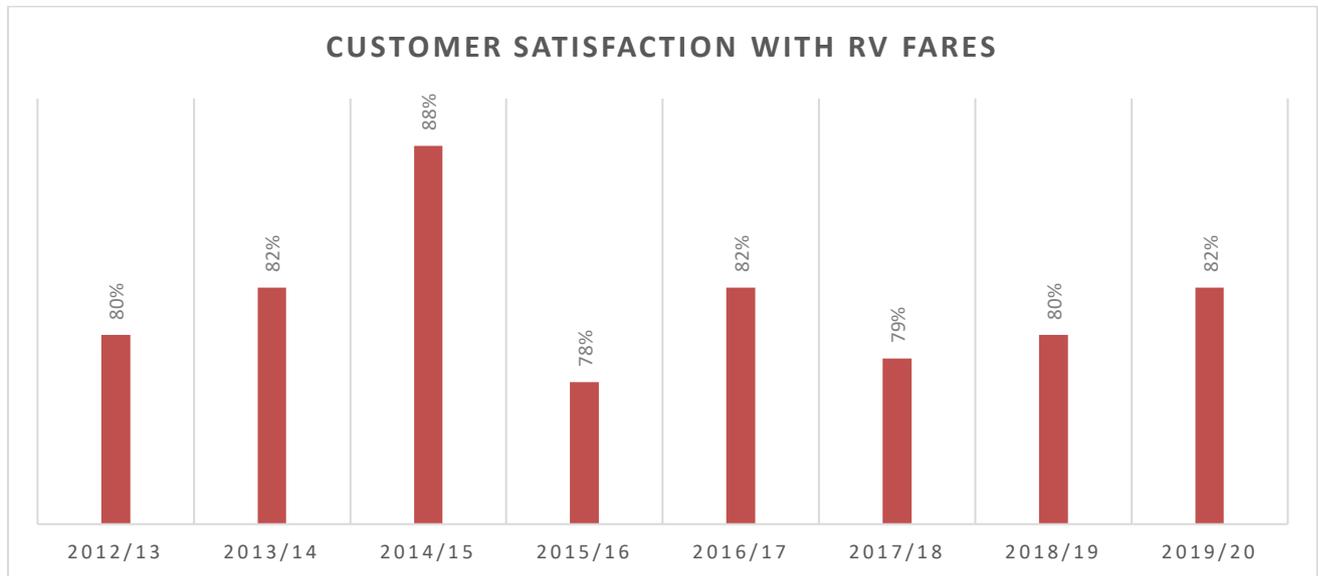
Seventy-six taxi associations in Johannesburg increased their fares by up to 172% on 15 June 2020 to cover their losses during the Covid-19 lockdown, this leaves Rea Vaya fares being less than half of what the direct competitor charges. Of all the modes of transport explored above, only Metrorail charges slightly lower than Rea Vaya.

(4) Customer Satisfaction

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.

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Figure 3: Customer satisfaction with Rea Vaya BRT fares:



All aforementioned key points 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 6% is proposed and the below section details current fares as well as proposed fares (adjusted by 5%).

## 5 REA VAYA BRT'S CURRENT APPROVED 2020/2021 TARIFFS

### (1) Non-Frequent user fares and penalty fees

For the purpose of this report, non-frequent users are regarded 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 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 2020/21 non-frequent user fares

Rea Vaya Journey Length	2020/21 Approved Fares	
	Peak Fares	Off Peak Fares
Less than 5km (Minimum Fare)	R8.50	R7.70

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Rea Vaya Journey Length	2020/21 Approved Fares	
More than 5km but less than and equals to 10km	R10.30	R9.30
More than 10km but less than and equals to 15km	R12.60	R10.30
More than 15km but less than and equals to 25km	R14.90	R13.40
More the 25km but less than 35km	R16.00	R14.40
More than 35km (Maximum fare)	R17.10	R15.40
Penalty Fees	R50.00	R50.00
Penalty fees from inspection	R100.00	R100.00

## (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 2020/21 fare media fees

Type of card	Fee
Occasional users – one trip card	R22.00
Events occasional users – two trip card	R44.00
EMV card (new/replacement)	R34.00

## (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 2020/21 Rea Vaya Travel Bonus Point:

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Table 3: Current approved 2020/21 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

**6 REA VAYA BRT'S PROPOSED 2021/2022 TARIFFS****(1) Non-Frequent user fares and penalty fees**

An average of 6% increase across all fare bands is proposed and below table shows new amended fares. Both peak and off-peak fare are rounded off to the nearest decimal place for ease of trading. 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 primary 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 and penalty fees from inception are increased by R10 each, both peak and off-peak.

Table 4: Proposed 2021/22 non-frequent user fares

Rea Vaya Journey Length	2021/22 Proposed 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	R16.00	R14.00
More the 25km but less than 35km	R17.00	R15.00

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Rea Vaya Journey Length	2021/22 Proposed Fares	
	Peak Fares	Off Peak Fares
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

A proposed 10% increase on the two occasional trip cards and EMV (new card) card is incorporated in the below table to illustrate new fees. The 10% increase results at an equilibrium fee that is fair enough to discourage one time use of the system, and equally so that is not too steep to chase away occasional users. EMV (new/replacement) cards are only increased by R1.00 in order to allow passengers to continuously keep loading trips, thus increase Rea Vaya ridership.

Table 5: Proposed 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

## (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 2020/21 bonus points) Rea Vaya Travel Bonus Point:

Table 6: Proposed 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

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(4) Proposed 2021/22 fares for special events, filming and advertising

The following section details the 2021/22 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 R50.00. 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 as addition 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.

## 9 FINANCIAL IMPLICATIONS

The expected revenue to be generated from the 2021/2022 Rea Vaya proposed fares is R 222 327 000.

## 10 COMMUNICATIONS IMPLICATIONS

The relevant information regarding the 2021/2022 Rea Vaya tariffs as determined will be communicated to all role players in the manner as prescribed by law.

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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 2021 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.**
  
- 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.**

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- 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.**

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(Thembekile Masanabo)

(Cell. 071 483 8651)

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THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

City of Johannesburg Council 2021-03-24/25

COJ : MAYORAL COMMITTEE 2021-03-16

**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 2021.

**Proposed 2021/22 Rea Vaya tariffs**

It is proposed that the Rea Vaya tariffs be increased by 6% for the 2021/2022 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 2021/22 non-frequent user fares

Rea Vaya Journey Length	2021/22 Proposed 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	R16.00	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

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Table 2: Proposed 2021/22 fare media fees

Type of card	Fee
Occasional users – one trip card	R25.00
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Table 6: Proposed 2021/22 Rea Vaya Travel Bonus Points

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