CASHED OUT

SYDNEY’S TRANSPORT NETWORK IS ROLLING OUT A PREPAID TICKETING SYSTEM THAT COULD DISADVANTAGE LOWER INCOME COMMUTER GROUPS, A RECENT SURVEY FINDS. DAVID GOELDNER WRITES

Against a trend towards prepaid-only bus tickets in Sydney, Forest Coach Lines Joint Managing Director David Royle wanted to know why about 40 percent of his regular passengers were still paying in cash.

Even with a prepaid regime and standardised fares coming into place, there were still a large number of frequent passengers on his northern beaches and Sydney CBD services who still prefer to pay cash on boarding.

It’s a habit Royle is trying to break, but to do that, he took the initiative to recruit University of Sydney ITLS researcher Peter Graham to find out why people still preferred to pay cash, even when big discounts were on offer to save money with prepaid tickets.

The timing of Royle’s quest to find the answer predated the NSW Government’s introduction of MyZone prepaid ticketing by a matter of weeks.

In fact Royle had no idea MyZone was going to be introduced until he read about it in a media release, having already commissioned Graham to investigate his own company’s passenger habits on paying cash.

“The week before we met with ITLS the NSW Government announced MyZone,” Royle says.

“So we thought maybe this is an ideal opportunity to do a before and after study - so it was quite good timing.”

The original objective of Graham’s research was to find out why Forest Coach Lines passengers still paid cash when there was a Forest-only Faresaver Smart Card available to use at a discount - about 10 percent less than a cash fare - on all Forest buses.

Graham pursued this line of inquiry with a pre-MyZone survey of Forest’s regular passengers.

With the data in and MyZone launched, Graham conducted a second survey, again asking why passengers still paid cash, and whether they had changed their minds now that MyZone was available.

As it happens, there was a ten percent drop in the cash fare rate after MyZone’s introduction, but with 30 percent of passengers still paying cash, Royle and Graham remained concerned.
The two surveys haven’t derived any solutions as such, but they have come up with some explanations for the cash-paying habits of many passengers.

Graham’s resultant research paper

"THERE SHOULD BE SOME RECOGNITION THAT PREPAY ENHANCES THE BUS JOURNEY"

‘Cash or Prepay: Motivations for Passenger Payment’ outlines why Forest Coach Lines passengers showed a reluctance to take up prepay tickets.

"Prepay is desirable from an operators perspective and it should be from a customer’s perspective as well, especially in terms of cost savings, better quality of service and dwell times," Graham says.

"So there should be some recognition that prepay enhances the bus journey.”

He says the study was essentially about why frequent passengers who should be knowledgeable about tickets and have the most to gain through prepay, would forgo the benefits.

"Basically it's to understand why some people would adopt prepay and others would continue to pay cash.”

Royle says from Forest Coach Line’s point of view, he particularly wanted to know why people would forgo a ten percent discount.

The answer lay in the income bracket for each traveller, with lower income travellers tending to continue with cash-only fares and those on higher incomes choosing prepay.

Graham says for every income range the more the individual earned the higher the chance they would use one of the prepaid ticket types, such as the MyZone Travel Ten ticket.

He says those continuing to pay cash represented low income earners who demonstrated high sensitivity to their transport costs.

"Which is ironic because these are the people who prepay should help," Graham says.

MyZone prepaid tickets can reduce the cost of travel by as much as 20 percent, but to get the discount requires some initial outlay of funds where the cheapest multi-ticket costs $41 a week.

"For some people that’s quite a significant investment of money upfront at the start of each week, even though over the course of that week the ticket would pay for itself," Graham says.

"It’s still inhibiting the use of that ticket, and it seems that a lot of the upfront costs are responsible for people avoiding prepay.”

Graham says it raises interesting points about prepay.

"You don’t want to put people off the upfront investment," he says. “And different prepay products also appeal to different people along socio-demographic grounds.”

For example, younger people fresh out of university into new jobs where travel requires multi-modal interchange will be more likely to go with MyZone prepay, even though their starting incomes may be low.

"We saw at Forest where customers for the first time had access to this multiple mode ticket and who had been paying cash and interchanging started using the multiple mode," Graham says.

But it wasn’t the case for all passengers with many steadfastly reluctant to make the switch even though almost all commuters thought MyZone prepaid ticketing was a good idea.

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**Breakdown of tickets used pre- and post-MyZone by ‘frequent’ passengers before and after the introduction of MyZone ticketing**

[Graph showing percentage breakdown of ticket types pre- and post-MyZone implementation]
OPERATIONS

CASH VERSUS PREPAY TICKETING

“...We tried to get a sense of what passengers thought about prepay and what they thought about the MyZone tickets,” Graham says.

“There was huge support for prepay tickets in principle, people recognised that it did lead to faster journey times, and they were disgruntled with people who took a long time paying cash with the driver.

“So it is a system that people favour.”

Graham deduced that the resistance may

“THE AMOUNT OF DISCRETIONARY JOURNEYS OUT THERE IS BEING UNDERESTIMATED”

relate to inconvenience with the actual physical purchasing of the prepaid ticket, a conclusion he believes wasn’t reached by Transport NSW when MyZone was rolled out and cashless bus stops introduced.

CASHLESS BUS STOPS

Forest Coach Lines recently introduced four cashless bus stops for their northern beaches to Sydney CBD commuter services.

The four stops are at Forest Way and Forestville, the operators busiest morning in-bound stops, and in the CBD at Queen Victoria Building (QVB) and Wynyard in the afternoons.

“We had no negativity about it in the first week,” Royle says.

“Loading times per passenger went from 6.44 seconds down to 4.51 in the first week.”

Royle says matters of a second or two off the loading times demonstrates to Transport NSW that they are optimising loading times at crowded kerb-space, particularly at the Wynyard bus interchange where STA’s Metrobus expansion has started crowding out private operators competing for peak hour space.

“It became critical that we could prove with our congestion issues that we could manage the kerb-space as efficiently as possible by optimising our loading times,” Royle says.

Going cashless at the four stops during December demonstrates that commitment, he says.

But to make it work efficiently and gain passenger acceptance, Royle carefully selected bus stops positioned close to outlets where prepaid tickets could be purchased, and also provided staff on site at the stops to explain the changes.

“We chose stops adjacent to a newsagent where you can buy a prepaid ticket, whereas STA has gone cashless at stops where you can’t buy a ticket nearby,” says Royle, adding that he was conscious of accessibility to prepaid purchasing when Forest introduced cashless stops.

“And it’s important to have people at the stops fielding questions about the changes because the person in the 7-Eleven isn’t going to know about travel planning,” he says.

Royle believes it was a negative move by STA to introduce cashless stops where you couldn’t get a prepaid ticket nearby, and has led to a certain amount of negativity among passengers.

Graham says this negativity was evident in survey responses.

“Given the fact that prepay should appeal to passengers, and the fact that there is negativity is worrying,” he says.

“It has something to do with the implementation of MyZone.”

Graham says it’s not just the benefit of the prepaid ticket that should be considered in implementation of the new system.

“If you implement it well and make it easy for people and clearly articulate the benefits no-one should be against it, it should be a painless process,” he says.

“But given the introduction of cashless stops by STA wasn’t painless there are lessons to be learnt.”

Royle is concerned that STA’s pre-Christmas 2010 promotion of cashless bus stops informs prospective passengers to get their friends and family to buy their prepaid tickets for them.

“I think the suggestion that people plan their journeys to that degree is a complete misconception,” he says.

“The amount of discretionary journeys out there is being underestimated, and people want flexibility of payment.”

An example of the discretionary use of public transport is in Sydney’s high density corridors near the CBD where people have the option to walk or take a bus.

“You may just simply decide based on whether the bus is there to get the bus;” he says.

Royle believes the NSW Government’s objective with MyZone is to achieve consistency across the Sydney network leading up to a new Oyster smart card-style electronic ticketing system currently under development.

“The Government knew that some consistent fare base had to be introduced before you could even contemplate consistent hardware across the whole transport network,” Royle says.

Frequent Cash Passengers

Selected Reason for Not Using Prepay

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do not want to pay in advance</td>
<td>28.8%</td>
</tr>
<tr>
<td>I would only use pre-pay if I have to</td>
<td>19.7%</td>
</tr>
<tr>
<td>I am not aware of where to purchase the passes</td>
<td>12.1%</td>
</tr>
<tr>
<td>There is no store near me selling prepay tickets</td>
<td>12.1%</td>
</tr>
<tr>
<td>I use the bus infrequently</td>
<td>10.8%</td>
</tr>
<tr>
<td>I would only use pre-pay if it saves me money</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

THE RESPONSES OF WHY PEOPLE STILL PAY CASH
Each fare section is 1.6 kilometres and then sections are grouped into bands and you pay for a ticket based on the band.

MyZone has reduced the number of bands or travel sections from 16 down to six, which Royle believes was a positive move.

"Given the fact that people with lower incomes live further out of Sydney, capping the highest fares at 6 zones is definitely an effort to reduce the financial burden on those long distance commuters who are less well off financially," says Royle.

But there still remains the challenge of converting cash travellers on to prepay.

Graham believes a London Oyster card-style feature should be pursued where lower income groups don’t need to be concerned about having a separate ‘purse’ just to pay for transport.

The idea is to link to a personal account, like a debit or credit card so that it doesn’t affect personal cash flow.

"That technology exists now with retailers where you can touch a bank card for purchases under small amounts, like $10," he says.

Graham maintains there is no ‘one size fits all’ when it comes to prepay.

"I think the products need to be targeted specifically to the needs of the passenger in mind based on their journey patterns, and if they don’t see a ticket that suits them the default is just to pay cash."

"THERE IS AN ENORMOUS AMOUNT OF EXPECTATION ON PUBLIC TRANSPORT THAN THERE USED TO BE"

Royle has a separate motive for bringing Graham’s ticketing and logistics expertise into Forest Coach Lines during the survey period.

"It’s good to have another set of eyes looking over the business, someone coming in fresh that’s not doing a task related to the daily operation," he says.

Royle believes it can be a ‘trap’ when you have a head office attached to a depot.

"You can get caught up with the operation, rather than the analytical side of the business and the broader strategy."

ITLS was an obvious choice to approach for that ‘fresh set of eyes’.

"I’ve got a lot of respect for ITLS and Professor Hensher and his team, and I can only see that relationship growing in the future - it’s been good for us."

And it also assists Forest Coach Lines to ‘dig deeper’ into issues affecting consumer behaviour in public transport, he says.

"There is an enormous amount of expectation on public transport than there used to be," Royle says.

"It’s difficult for any operator now to sit back and say we are going to tinker on - you get deeper or you get out."

He says bus public transport is the number one topic of conversation across Sydney’s northern beaches.

"You are either performing or you face an enormous public backlash in the service you are delivering."

Investigating consumer behaviour with the view to influencing change from cash to prepay is just one example of how Forest Coach Lines is taking the new era of public transport seriously.