

## **The Sunday Saver and Seniors Sunday Pass – Growing Public Transport Patronage at Reasonable Cost**

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### **1 Introduction**

The Victorian Government has implemented two innovative ticket initiatives to boost public transport patronage on Sundays – the \$2.50 Sunday Saver and the free Seniors Sunday Pass. These initiatives have met their objectives of dramatically increasing patronage at very low cost, and increasing the utilisation of spare capacity on the network.

These initiatives have demonstrated that changes to ticketing and fares at off-peak times can quickly and cheaply deliver significant patronage increases. Discounts at off-peak times where surplus capacity is available represent one of the most cost effective methods available to Governments to boost patronage and provide a community benefit.

Melbourne's ticketing system is based on zones and time. Melbourne's three zones were collapsed into two in March 2007. Zone One covers inner suburban areas and Zone Two covers outer suburban areas. Tickets are generally time based with the most popular tickets including 2-hour, Daily, Weekly, Monthly and Yearly. Tickets can be purchased in advance of travel and validated prior to use. Discounts are provided to encourage passengers to purchase in bulk with tickets such as the 10x2hr and 5xDaily discounted by up to 30%. Tickets are multi-modal and valid for travel on trains, trams and buses.

The Sunday Saver provides unlimited travel across metropolitan Melbourne on Sundays for just \$2.50 and the Seniors Sunday Pass enables Victorian Seniors to travel within metropolitan areas for free on Sundays.

### **2 History of Sunday Services**

Sunday public transport services in Melbourne have been significantly improved since the late 1990s, with service quality on Sundays having historically been much lower than Saturdays. During the nineteenth century, there was a lot of debate about the religious merits of running Sunday trains at all. The privately owned Geelong and Melbourne Railway Company did introduce a Sunday service shortly after it began operation in 1857, but was forced to withdraw this under pressure from its British shareholders who objected on religious grounds to Sunday operations.

Sunday services were progressively introduced, but increasing car ownership in the post-war period saw demand for services decline significantly in the 1960's. The Victorian Railways started to reduce the level of service offered to reduce costs.

During the mid-1990's, significant improvements were made to enhance the level of Sunday services and this culminated with the timetables introduced in July 1999, April 2000 and November 2000. These changes have resulted in Sundays now having approximately the same train and tram frequencies as Saturdays for most of the day.

In 2006, the Victorian Government commenced a program to upgrade more than 250 bus routes, including services operating at least hourly on Sundays from 9am to 9pm. Bus routes in major regional towns and cities have already been or are scheduled to be upgraded to

include Sunday services, with particular emphasis on Ballarat, Bendigo, Geelong, the Latrobe Valley and Warrnambool.

### 3 Weekend Patronage

Prior to the introduction of the Sunday Saver and Seniors Sunday Pass, patronage and revenue on Sundays in metropolitan Melbourne remained significantly lower than Saturdays. For instance, revenue from short term tickets used on weekends was \$21M per annum on Saturdays and \$11M on Sundays.

The number of customers travelling on periodical tickets (weekly, monthly, yearly) has been progressively decreasing as a percent of overall market share in part due to changing work patterns. A large number of travellers on weekends have traditionally been periodical ticket holders for whom price was not a factor in their decision to use the network (the marginal cost of their travel was zero). With an increasing number of customers using bulk-purchased short term tickets (such as the 10x2hour and 5xDaily tickets) because of their increased flexibility, there was a need to encourage these regular users to also use weekend public transport services and ensure that price did not act as a disincentive.

### 4 Sunday Saver Product Design

The Sunday Saver enables all customers to travel anywhere in the metropolitan area for just \$2.50 per day. The product is simple and easy to understand, but is carefully targeted to grow patronage without foregoing a significant amount of existing revenue.

The majority of public transport patronage in Melbourne is within Zone 1. Protecting this existing revenue base was important in the design of the product. The product is designed to offer only a small discount for short distance customers, but a much larger discount to long distance passengers who would otherwise be discouraged from travelling due to higher public transport fares.

When the Sunday Saver was implemented in April 2005, the cost of a Daily Zone 1 Concession was \$3.10. These customers saved 19% by transferring to the \$2.50 Sunday Saver. In contrast, the cost of an Adult Daily Zone 1+2+3 ticket was \$12.40 resulting in a discount of 80%. In many cases, certain ticket types remained cheaper than the Sunday Saver – for example a Zone 2 Daily concession was \$2.20. These customers continued to use their existing tickets.

Standard Fares		1	2	3	1	2	2	3	1	2	3
Zones											
2 hour	Full	3.10	2.30	2.30	5.10	4.10	7.10				
	Concession	1.80	1.20	1.20	2.70	2.30	3.50				
Daily	Full	5.90	4.10	4.10	9.50	7.90	12.40				
	Concession	3.10	2.20	2.20	4.90	4.00	5.40				

The Sunday Saver effectively reduced fares for long haul adult passengers while preserving the majority of revenue within Zone 1 and revenue from shorter trips elsewhere in the network. Extensive research of price elasticities indicated that Sundays are actually the most

price sensitive times of the week – because of the very high level of discretionary travel being undertaken. It was accurately predicted that the price elasticity of services on Sunday would be approximately 0.6 - that is for every one percent that fares decreased, demand was expected to increase by 0.6 percent.

The pricing of Sunday Saver ensured that total Sunday revenue only decreased from \$11M to \$10M per annum, while delivering savings of up to 80% for some customers (from \$12.40 for a Zone 1+2+3 Daily to \$2.50 for a Sunday Saver).

## **5 Implementation of the Sunday Saver**

The Sunday Saver was introduced in April 2005. To reduce the cost of implementation, the ticket is only available from railway station booking offices, Metcard retail agents and online. The cost of modifying ticket vending machines to include the Sunday Saver would have been too expensive and would have involved hardware and software changes.

While there was limited criticism of the availability of the ticket, many customers have quickly learned to pre-purchase tickets days or weeks ahead of time. More than 40% of Sunday Saver tickets are sold from Melbourne's network of 900 retail agents. This is significantly higher than the network average where 14% of tickets are sold at retail agents (representing 26% of network revenue).

The Sunday Saver has provided many customers with a financial incentive to pre-purchase tickets and has led to greater awareness of retail agents. One of the key ticketing objectives for Melbourne is to increase the number of customers travelling on bulk purchased tickets such as the 10x2hr, so that the number of ticket sales can be reduced. The Sunday Saver has encouraged many users who are not periodical ticket holders to consider the benefit of pre-purchasing.

## **6 Customer Reaction to Sunday Saver**

Not surprisingly, the customer reaction to the Sunday Saver was very positive. The take-up of the product was rapid. Demand on Sundays is influenced by a number of highly variable factors, including special events and weather which means that a long time series of data was required before the success of the product could be assessed. Public transport patronage in Victoria is increasing rapidly. However, the growth rate of patronage growth on Sundays has been even higher.

## **7. Seniors Sunday Pass product design**

Victorian Seniors are entitled to travel at the concession rate on all public transport services in Victoria. They are also able to purchase the Seniors Daily ticket for \$3.10 which provides unlimited travel across metropolitan Melbourne. In August 2006, the Victorian Government introduced the Seniors Sunday Pass that provides Victorian Seniors with free travel within metropolitan Melbourne and major regional cities.

A pressing issue for Australian society is in managing the economic and social pressures of an ageing population as the demographic bulge of post-war baby boomers reach the age of 60 and approach the nominal age of retirement. To give some measure of the magnitude of

the situation, the number of Victorians over the age of 65 will almost double in the forty years from 2001 to 2042 from 13 per cent to 25.8 per cent<sup>1</sup>.

Beyond the obvious challenges to labour markets, healthcare and housing thrown up by arising from an ageing population, there will be a greater demand for public transport services from this growing market. Despite policies by State and Federal governments to keep older Australians engaged in the workforce, there will be less emphasis on peak period commuter travel and more emphasis on local transport and journeys made at off-peak times. These travel patterns will be reinforced as the ageing population transitions from driving to other forms of transport. Demand by Senior Victorians for public transport is expected to increase, particularly in areas with a high concentration of seniors - outer metropolitan areas of Melbourne and in regional Victoria..

In putting together a business case for the Seniors Sunday Pass, it had to be shown that patronage could be grown without foregoing significant revenue. In Melbourne, many Seniors Card holders live in the outer suburbs and already travelled on Sundays using either the (then) \$3.00 Seniors Daily ticket or \$2.50 Sunday Saver ticket, both of which allowed travel on all train, tram and bus services across all metropolitan zones. As both tickets were already significantly discounted the Seniors Sunday Pass involved only a minimal amount of foregone revenue, of around \$1 million a year. In the major regional cities (Ballarat, Bendigo, Geelong) foregone revenue was estimated to be negligible.

A further design feature of the Seniors Sunday Pass was to ensure successful applicants were effectively 'pre-registered' for a Seniors public transport smartcard under the new myki ticketing system - scheduled to be introduced progressively from late 2007. This was achieved by only making the Seniors Pass available by application (mail, online or at a staffed railway station). It was considered that the Seniors Sunday Pass was an important transition step for Seniors Card holders from the current to the new myki ticketing system that would capture only those Seniors Card holders who actively used public transport.

## **8. Seniors Sunday Pass implementation**

The Seniors Travel Package was announced in May 2007 as part of the *Meeting our Transport Challenges* (MOTC) public transport action plan. The Seniors Sunday Pass was one of three elements in the Seniors Travel Package of public transport incentives for Victorian Seniors Card holders, which also included the alignment of Victorian Seniors Card transport concessions to match other concession groups (concession fares on all services at all times) and two off-peak travel vouchers for travel on regional rail and coach services.

With the start date of the Seniors Travel Package set for late-August 2006, there was a short 100-day timeframe between announcement and implementation. Within that 100-day period, the following major tasks needed to be accomplished for the Seniors Sunday Pass to be ready by the chosen date of Sunday 27 August 2006:

- Production of sufficient ticket stock to fulfil initial and ongoing demand for Seniors Sunday Passes
- Printing Seniors Sunday Pass application forms and distributing them widely across Victoria to a network of railway stations, ticket agents and transport operators
- Testing and installation of changes to the Metcard ticketing system to accommodate the Seniors Sunday Pass by July 2006 and to ensure that the changes were stable prior in advance of implementation day

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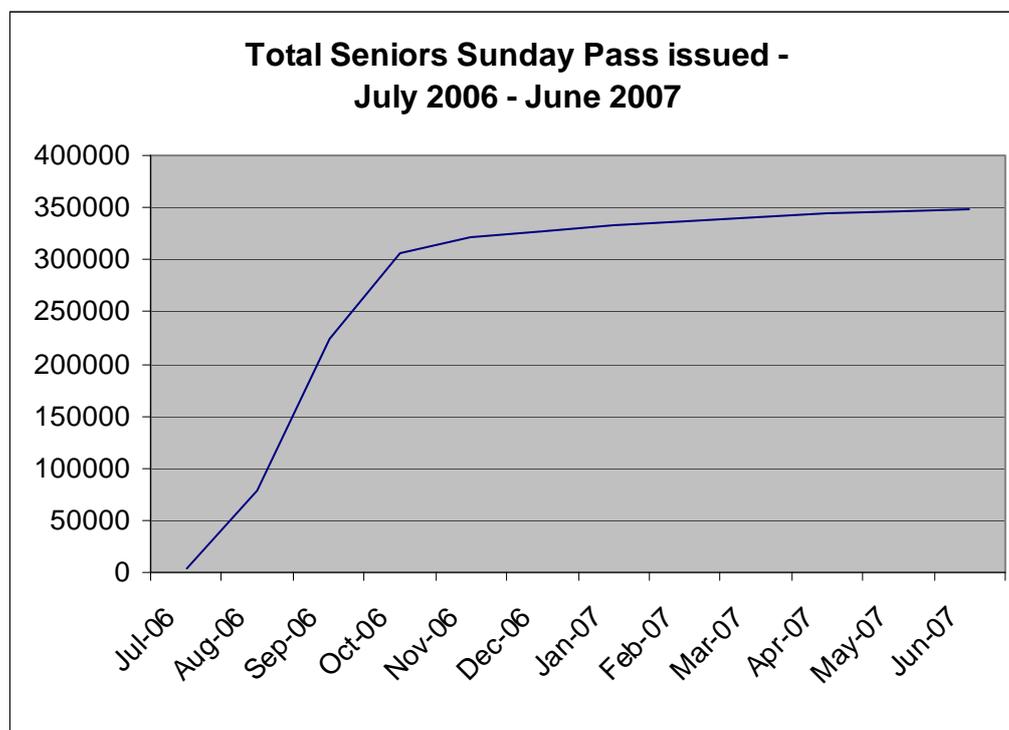
<sup>1</sup> Victorian Department of Treasury and Finance (2004): *Preparing for Victoria's Future Challenges and Opportunities in an Ageing Population*, p. 6.

- Creating a network of distribution points at staffed railway stations across Victoria to issue Seniors Sunday Passes on the spot, which began issuing Seniors Sunday Passes from 31 July 2006
- A mass-mailout to over 800,000 Victorian Seniors Card holders to tell them about the Seniors Travel Package and to invite them to apply for a Seniors Sunday Pass
- Contracting an organisation to process the applications as they were received, including eligibility verification, the development and maintenance of a data base and posting passes to successful applicants
- Training 8,000 frontline staff in Melbourne and major regional cities to recognise and accept Seniors Sunday Passes as valid for travel and to check for a Victorian Seniors Card as proof of concession entitlement
- An additional Seniors Sunday Pass 'signup day' at 18 locations across Melbourne and in Ballarat, Bendigo and Geelong where Victorian Seniors Card holders could receive a Seniors Sunday Pass on the spot after completing the application form and showing their Seniors Card.

The lessons learned in a number of areas from the Seniors Sunday Pass experience will have direct impacts on the rollout of Victoria's new ticketing system.

## 9. Customer reaction to Seniors Sunday Pass

Customer reaction to the Seniors Sunday Pass has been extremely positive, with over 350,000 Seniors Sunday Passes issued since they were made available from the end of July 2006. Like the Sunday Saver, take up of the Seniors Sunday Pass was rapid, with over 300,000 Seniors Sunday Passes issued between August and October 2006 alone. As a result, more than one in three Victorian Seniors Card holders (and 5 per cent of Victorians overall) now travel free on Sundays.



Source: Department of Infrastructure 2007

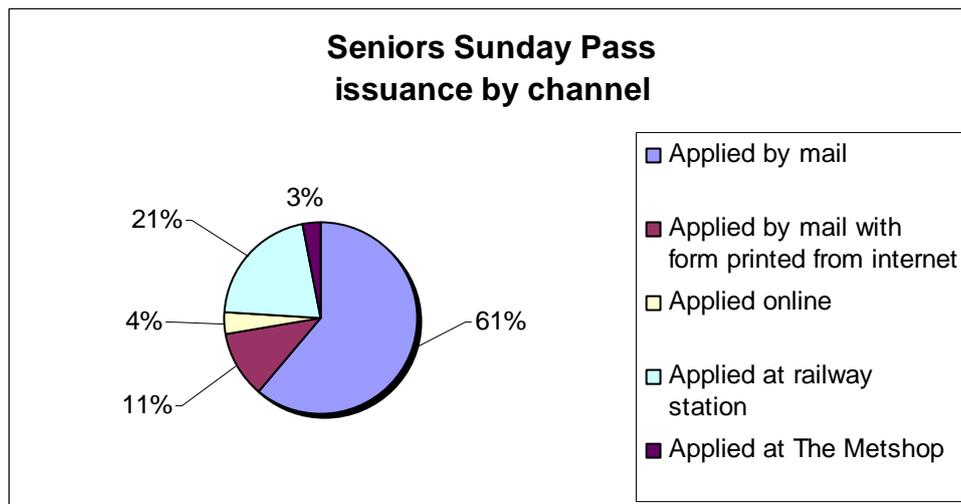
While there was limited criticism of the Seniors Sunday Pass, mostly due to its inability to be used on V/Line services to Melbourne, the Seniors Sunday Pass has seen continued growth of use (based on validations) in the first 12 months of operation. Interestingly, the introduction of free metropolitan travel for Seniors Card holders on Sundays has not noticeably affected sales of the Sunday Saver.

## 10 Lessons Learned from Seniors Sunday Pass

Some useful lessons were learned from the introduction of the Seniors Sunday Pass, particularly for the implementation of the new ticketing system.

Firstly, any ticketing initiative marketed at Seniors requires high levels of personal contact, whether it takes place through applying for a pass at a railway station or through a telephone conversation at a call centre. This will require extra resources at call centres and railway stations to deal with longer than average transaction times during the initial take up period.

Secondly, for the Seniors segment of public transport users, paper-based letters and forms and the postal system remain important as a means of communication and application for public transport ticketing. As the graph below shows, over 7 out of 10 Seniors Sunday Pass applications were made by submitting a printed paper form through the post. The relatively low uptake of Seniors Sunday passes by online methods is a distinguishing feature of this market segment, but is likely to change as people who are more computer literate turn 60.



Source: Department of Infrastructure 2007

Thirdly, the rate at which Seniors Sunday Passes were applied for suggests some key features which may be replicated for the introduction of the new ticketing system. The rapid initial adoption of the Seniors Sunday Pass meant that most Seniors Card holders who wanted a Seniors Sunday Pass had one within the first three months.

This rapid uptake shows the kind of demand that could occur for a new ticketing product (such as a long-life smartcard). Planning is required to ensure that initial uptake of the product does not impact on other aspects of the system. The application form for the Seniors Sunday Pass explained to customers that their data would be used to issue them with a smartcard when the new ticketing solution is implemented. This will ensure that more than 350,000 people can be automatically provided with a smartcard without application – removing a key challenge for the new ticketing system.

A strategy of pre-registering applicants for concession smartcards has also been pursued for an additional 140,000 primary, secondary and tertiary students in Victoria. This will ensure that almost 500,000 public transport users will be diverted from issuing locations during the rollout of the new ticketing solution will receive their card in the mail without further application.

## **11 Cost Efficiency**

Decreasing public transport fares on off-peak services where surplus capacity is available is one of the most cost effective ways of increasing public transport patronage and serves to . reduce the impact of climate change and increase social inclusion

Many concessions offered by the Governments require funding on a dollar for dollar basis. For example, every dollar provided by the Victorian Government's Winter Energy Concession to reduce electricity and gas bills needs to be fully funded. By contrast, reducing fares during off-peak times enables the Government to leverage its existing investment in services to provide additional community benefit.

The Sunday Saver and the Seniors Sunday Pass have actually reduced the Government's subsidy per passenger on Sundays – as the investment in services is now spread across a greater number of passengers. The reduction in fares has ensured that the utility of the existing investment in services can be dramatically increased.

## **12 Future Directions**

The Victorian Government is likely to continue to innovate in the area of off-peak pricing to encourage flexible customers to avoid peak time and to encourage new patronage when surplus capacity is available. The introduction of the myki ticketing system will enable off-peak discounting to be provided in a customer friendly manner. The new ticketing system will remove the need for customers to juggle peak and off-peak tickets to get the lowest fare as it can be calculated automatically.

## **13 Conclusion**

The introduction of the Sunday Saver and the Seniors Sunday Pass have dramatically increased public transport patronage at the cost of just \$2M per annum. They have delivered significant benefits to customers.

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