The Maturing Markets, Six Secrets to Secure Seniors' Bus Markets

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Abstract

Adequate research has not been undertaken to determine the effect of the ageing of the Australian population on public transport revenues. However, it is argued that as the youth culture of the past few decades has given way to the dominance of middle-aged values today, the future value of public transport will be determined by its capacity to provide the quality of service expected by older people.

It is further argued that if older people are not attracted to public transport, or retained on existing services, at the very least there will be a long-term decline in overall public transport use.

Research by the Ageing and Disability Department has determined that there are six principles to be adopted by public bus operators if they are to be successful in market retention/growth based on older people. They are recognition, retention, commitment, community, access and opportunity.

The adoption of these principles will require the majority of bus operators to enhance their current competencies and business practices to better understand the needs of their customers, undertake community consultation and improve service design.

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Introduction

NSW is the most populous State in Australia. It has the greatest public transport fleet carrying the most passengers. There are more than 3550 buses, 1503 heavy rail passenger carriages, a growing fleet of ferries and an expanding light rail system Overall, in the greater Sydney region more than 1 500M public transport trips are made annually. In the Sydney central business district there is, by Australian standards, a high use of public transport for trips to work, with more than 70% of workers travelling by train and/or bus More than a billion dollars per year is spent on subsidising use of the public transport system in NSW.

All of this achievement and investment has not stemmed a decline in public transport use in NSW as a proportion of all trips, though there has been a slight but steady increase in overall public transport trips (Gee J., Hay A. & Bell S. 1996).

The NSW public transport system is attempting to regain patronage with plans to better meet the needs of workers, with new heavy rail, light rail, bus-way and demand management strategies being put in place by the NSW Department of Transport's *Action for Transport 2010, an integrated transport plan for Sydney* (NSW Dept of Transport 1999). More than $300M per year is targeted to improvements in the system A prime target of *2010* is to improve air quality through increasing the use of public transport while achieving a reduction in vehicle kilometres travelled. To achieve this the plan focuses on reversing the decline in workers using public transport.

The *2010* plan is an intriguing document. The stated aim is to increase the use of public transport. The plan essentially focuses on journey to work travel, with no mention of better meeting the needs of older people or any other demographic group who collectively account for nearly 80% of all trips.

Understanding the potential market growth for older people will be critical to reaching public transport patronage targets, or at the very least maintaining current patronage levels. The percentage of older people in our population will rise rapidly over the next five decades.

The transport role of the ageing and disability department's

The NSW Ageing and Disability Department (ADD) is a State Government agency. It is primarily a policy development and program funding body for its target populations. Its principle expenditure is through the Disability Services Program, and the Home and Community Care Program.

In determining how to distribute program funds on an equitable basis ADD conducts regular and wide-ranging consultations with older people and people with disabilities It also reviews program performance against objectives and determines gaps in service provision

Like the majority of social support administrators, ADD relies heavily on existing community infrastructure to underpin the programs it provides. The ideal is to assist the target population to use existing services where possible, rather than funding parallel systems.

Transport is the most regularly identified unmet need of both older people and people with disabilities in each of the last three years of community consultations held by ADD.

Transport, is therefore, a major issue for ADD. Not only does the target population require it, most of the other services which can be provided are contingent on transport being available. The major transport agencies do not necessarily have the resources or inclination to further explore the needs of, or ensure service provision to, ADD's target populations.

ADD has therefore been a regular contributor in a wide range of transport consultations, from the national Accessible Public Transport Standards, through fare and concession reviews, the Olympics and Paralympics transport task, to the NSW Department of Transport's Performance Assessment Regime discussion paper.

ADD has also been conducting independent research into service models that might better meet the needs of its target populations. Many of the 23 continue in their own right after the one year of funding available under the Transport Demonstration Projects ceased at the beginning of 1999. Recurrent funding from the 2000/01 financial year through the Carr Government will allow continued research and comprehensive trials of promising project models.

Beyond policy influence and research, ADD also funds the most significant paratransit system in Australia. ADD estimates that approximately $13M per annum is spent on community transport through its Home and Community Care (HACC) Community Transport and Neighbour Aid sub-programs, with approximately 1.7M assisted passenger trips per annum across 131 regional projects.

Identified Needs

In the course of community consultations ADD has developed a comprehensive understanding of the transport needs of the older community. While there is often a cross-over between the needs of older people and people with disabilities, this paper focuses primarily on the seniors' market.

In addition to community consultations, some of the individual Transport Demonstration Projects conducted community attitude surveys and needs analyses. These surveys identified only one counter-intuitive finding, compared to previously identified issues.

For simplification, the identified service issues can be broken into three cascading categories – opportunity, access and quality.
Opportunity

Opportunity can further be broken into:

a) Proximity of services to home as origin;
b) Proximity of services to preferred destinations;
c) Service operation times suiting older persons lifestyles; and
d) Affordability (range of concessions, total trip price).

Access

Access is related to the design and construction of kerb-side infrastructure, vehicles and information:

Kerb-side infrastructure

a) Location of bus-stops in relation to topographic features;
b) Location of bus-stops in relation to pedestrian facilities;
c) Location of bus-stops in relation to traffic control measures;
d) Design of bus-stops in terms of level access and quality of pavement;
e) Design of bus-stops in terms of protection from the physical environment;
f) Height of bus entrance from pavement;
g) Distance between vehicle and bus entrance from kerb;

Vehicle infrastructure

h) Height, width and number of steps at entrance, exit and from aisle to seat (stepless preferred);
i) Provision of hand rails, preferably brightly coloured;
j) Provision of platform to rest bag while getting money or ticket out;
k) Distance of seat from access door;
l) Knee-room between seats and space for bags (don't like to leave bags in luggage rack);
m) Access to bell from seated position;
n) Distance to exit door;
o) Visibility for driver of exit door to ensure safe egress;

Information

p) Large font timetables with clear information, route maps and limited notations;
q) Bus stop information including location specific timetables in large fonts and with route direction indicators;
r) Simple telephone information access; and
s) On board information provided in both printed and verbal forms (requires skilled drivers with clear diction and knowledge of network connections).

Quality

Older people value safety, comfort, frequency and flexibility. Each of these issues can be further disaggregated:

Safety

Safety is divided into two areas – safety on the bus and security over the entire trip.

a) Bus remains motionless until passenger seated;
b) Bus remains motionless while passenger exits;
c) Sufficient colour-contrasting railings and hand-holds;
d) Sufficient leg room;
e) No hard or sharp surfaces in passenger areas, particularly at leg height;

f) Driver can see all passengers clearly;
g) Seating for older passengers is close to driver;
h) Sufficient space in sitting area for bags and parcels;
i) Bus-stops are well lit and observable by passing pedestrian and vehicle traffic; and
j) Where possible bus-stops in retail facilities and major urban developments are located close to high pedestrian traffic areas.

Comfort:

k) Vehicles have efficient temperature control;
l) Seating is padded;
m) Bell-presses are large; and
n) Drivers are well trained and drive to maximise comfort, avoiding sudden starts and quick cornering.

Frequency.

o) Frequency is minimum hourly in off-peak; and
p) Frequency is maintained between 9am and 5pm on weekends.

Flexibility:

q) Services operate cross-regionally, rather than radially, in off-peak;
r) Need to transfer is minimised;
s) Services in off-peak operate as hail and ride in urban areas; and
t) Dial and ride services are available in low-frequency service areas.

Appropriate service quality

Looking at the above range of service requirements might lead to the conclusion, particularly by bus service operators, that the demands of older people are too great to be met economically. Less resistance might occur if the same service requirements were demanded by all users and potential users.

In fact, this is the case. The reasons for not using public transport across the entire community are remarkably similar (ABS 1998a). If the identified service characteristics requested by older people were introduced in full they would only go some of the way to making public transport more attractive to society in general.

The high cost items identified by the ABS, such as higher frequency and direct routes, are most likely related to the high value given to time by working people. The assumption that time is not quite as valuable to older people is quite possibly wrong. However, being a captive market, older people are usually more accepting of delay and, particularly if not having driven or been a passenger in a private car on a regular basis, may have lowered expectations. Of course, older people also value high frequency and direct routes.

The available evidence shows that older people value quality public transport services as much as the rest of the population. The influence of what older people value will be

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of increasing importance to bus operators as the ageing population affects patronage demographics. It may be that the lower order service characteristics sought by older people will eventually rank equally with the higher order characteristics currently sought by working passengers. Public transport needs to reflect the changes occuring in our society as we move through from the youth culture of the 1960s and 1970s to the current middle-age culture and into the older-persons-influenced new millenium

However, before targeting services at older people they must first be defined as a market and some traits or characteristics identified

### Market characteristics – who are older people?

Older people are not a single market, any more than, for example, people who work. They are simply people who have lived for 60 years, or if Aboriginal or Torres Strait Islander, 45 years. Older people are as diverse as the rest of the community in most respects. In terms of income, a strong indicator of public transport use, there is greater homogeneity among older people at the low end than across the general population

Not only are there more older people than ever before, but the numbers of older people will continue to rise for at least the next 50 years (ABS 1998b). There will be more older people, as a percentage of the Australian and world population, than ever before. This phenomenon is caused by the ageing of those post-WWII children often referred to as 'baby-boomers'

The boomers will have plenty of leisure time on their hands, and represent a potentially lucrative public transport market

Population

Figure 1 - NSW projected population aged 60 or greater (source: based on 3222.0 ABS Population Projections, 1997-2051, NSW (1998), p.59 Series II)
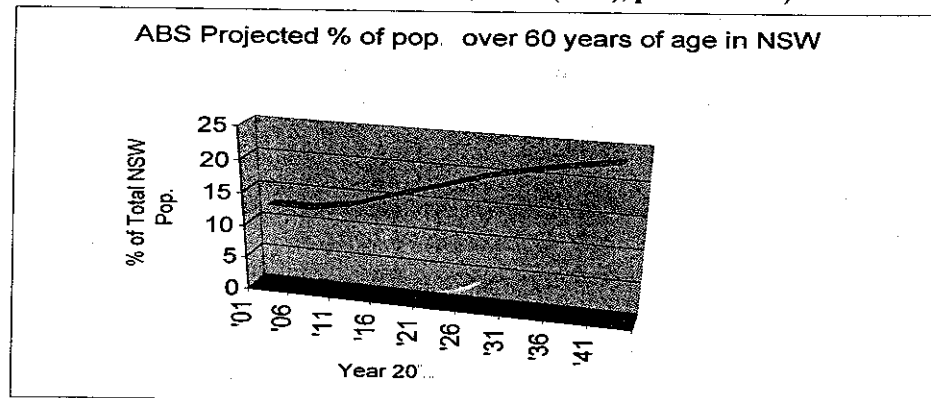
In New South Wales alone over the next two decades there will be a six per cent increase in the number of people aged 60 years or more. This impact will continue rising beyond even an estimate for 2041 of 30% of the population officially being recognised as "older persons." (ABS 1998b)

Older people are also getting older in Australia. The average life expectancy for men is now 75 and for women 81. Furthermore, if a person lives to age 65 they are likely to live to nearly 85 for women and 81 for men (Ageing and Disability Department, 1998a)

An Older, Wealthier World

There has been a significant amount of conjecture and analysis about how Australia will cope with a large increase in the number of older people, given our substantial investment in social security and the inability of the tax-paying population to support a great increase in the number of welfare recipients. As it stands, older people are the poorest group in Australia, with an average income of only $319 per week (ADD 1998b)

Despite the superannuation guarantee, the boomers are considered big-spenders comparative to previous generations and appear to have a spend now, pay later attitude As a group they are yet to show any strong indication of saving for retirement, and are predominantly buying non-income-producing assets. However, reliance on pensions is expected to ease in the next 20-40 years. Government funded pensions are currently the major source of income for approximately 70 per cent of older people (ADD 1998b). This rate is expected to decline slightly, as there will be a steady increase in part-pensions as compulsory superannuation funding kicks in. The race is currently on by governments to convince people who will retire in the next twenty years to start topping up superannuation or begin investing in income producing assets. Few people currently retire with enough capital and assets to support them for 30 years, particularly when they might have only worked for a slightly longer period. The recent upswing in early-retirement is of great concern following the encouraging plateau in the early 1990's and is a predictor of possible long-term reliance on welfare by older Australians.

While we may be becoming a healthier nation, the cost of doing so is extraordinarily high. Public policy debate is continuing around introducing compulsory user pays requirements on high-cost life-prolonging treatments, which might further significantly erode the disposable income of coming generations of older people. Certainly the 1999 Federal Budget is changing health fund structures to penalise older people who do not carry private health insurance.

Older and Healthier

Contrary to popular opinion, older people are relatively healthy. The great majority, 64 per cent, of older people who live in the community rate their health as good, very good or excellent. Ongoing research also suggests that in developed countries such as Australia, older people are not only living longer by enjoying more years without severe handicap. (ADD 1998a)

The most common health problems are arthritis, hearing impairment and vision loss. It is also true that the wealthier people are the healthier they are. Therefore the improved income status of a now predominantly middle-class Australia will have significant flow-on benefits to the new-old.

Despite being healthier, a little over a quarter of older people in NSW require assistance with transport. However, do not expect to see older Aboriginal and Torres Strait Islanders on bus services. Only four per cent live beyond 60, and less than one per cent beyond 75. This fact is highlighted by the official Government classification for the ATSI population of 'older' referring to people living beyond 45 years of age.

How do they travel now?
Private Car

Approximately 60% of older Australians currently use private motor vehicles as their main form of transport (Kilsby & Flynn 1995). If trends continue, the percentage of older drivers will rise considerably over the next 20 years. From 1978 to 1998 in NSW the number of licensed drivers over 60 years of age grew by 133% to more than 700 000. The number of women drivers increased by 5.4% over the same period. Comparatively, the NSW population has increased by just over 15% in this time (Roads and Traffic Authority, 1998).

However, of importance to the bus industry is that while there were 716 981 drivers over 60 years of age, there were only 306 700 licence holders over 70 years of age. There is a slightly greater population of over 70's than those aged between 60 and 70. Therefore the decrease in the number of drives older than 70 can not be attributed to overall death rates. However, the male population does decline significantly past 75 years of age. It is therefore a reasonable conclusion to draw that women over 70 are probably in the market for transport services following the death of partners and friends who previously drove them, though this will likely change over the next decade.

Of course, older people are often passengers in cars, rather than drivers. Rosenbloom and Morris (1996) identified that trips as passengers in Australia rose steadily as a person aged. While at 70 years of age around 70% of car trips were taken as a driver, by age 85 a similar percentage of trips were as passenger. Interestingly, even at age 85, almost 15% of trips were as driver. This last statistic perhaps reflects the importance people place on independence gained by car driving, despite the cost, effort and potential danger faced by frail older people when driving.

Community Transport Services

Community transport, or para-transit, is a funded human services program of the NSW Government. It is not entirely cohesive in structure or eligibility criteria, with six funding sub-programs across three departments. However, it is estimated that more than 85% of transport provided through all of the community transport programs is for frail older people.

Those sub-programs fund individual transport in volunteer and scheme cars and group transport in scheme buses. While a majority of service is provided for medically related trips, a great deal of other services are necessarily provided. Other purposes include

shopping trips, service access trips, visiting family and friends, socialisation trips, cemetery visits and religious trips.

In 1997/98 the HACC Community Transport sub-program provided more than 1.3M trips across NSW. More than 300 000 trips were provided by the NSW Department of Transport's own Community Transport Program. (NSW Department of Transport 1998). It is estimated that up to a further 500 000 trips were provided by the HACC Neighbour Aid sub-program. Therefore, a total of more than 2M trips per annum are currently provided.

The NSW Bus and Coach Association and the NSW Taxi Council have expressed dismay at the number of these services, correctly identifying a potential market. The vast majority of these trips are done in the off-peak, and a lot are done in areas already serviced by commercial transport providers.

It is critical to note, however, that many community transport clients need some form of assistance before, during or after the trip, and those that don't are unable to cope with public transport systems for a variety of reasons.
Public Transport

As age increases the total number of trips by all modes decreases. From age 55 there is a steady decline. However, public transport trips remain relatively steady, and bus trips actually increase as people reach their mid-seventies (Kilsby & Flynn 1995).

Rosenbloom and Morris (1996) contend that older people without car licences make 40-60% less trips in total than those with licences. While there is a range of contributing factors, the greatest is thought to simply be related to lack of access to a car. There appears to be a strong probability that if greater public transport opportunity was in the market place, these people would prefer to travel a similar amount to their car-driving colleagues.

As with the general population, the use of public transport by older people will most likely continue to decline as car use increases unless public transport is made more attractive to all people.

Where do they travel now?

Older people have diverse travel patterns and needs, much like the rest of society. Certainly the community transport sector experiences requests for transport to all sorts of activities and services.

Trip making does not drop much over time. Rosenbloom and Morris's (1996) literature review of travel patterns includes the surprising statistic that older people travel on average 2km per day less than people who work.

The Ageing and Disability Department's consultations reveal that while there is a pattern to older people's travel, the greater the supply of transport the more diverse the trip making becomes. Therefore, given access and opportunity older people will travel more often and further afield. This is reflected in car-trip statistics as well.

Where opportunity and access are limited, a certain hierarchy of needs is imposed on the older person. The initial focus is on basic support services, such as food shopping and banking, closely followed by medically related trips, then broader service access and finally socially oriented trips.

Six principles to secure seniors' bus markets

The reason the community transport sub-programs operate in NSW is that existing commercial services can not meet the transport needs of older people. Certainly, some older people will never be able to access commercial services as their faculties deteriorate. Physical and mental agility can be seriously inhibiting factors. Nonetheless, the Ageing and Disability Department's Transport Demonstration Projects and community transport experience have produced some successful principles for designing bus services that attract and better meet the needs of older people.

These principles can be categorised into six concepts, the six secrets to securing the senior's bus market.

Recognition

It is critical that public transport companies recognise older people as an important market sector. As public transport use continues to decline the recognition of potential growth sectors becomes more critical to patronage stability or growth.

Operators should not rely on Government agencies which provide user subsidies to assist them in tapping this market. All Australian State Governments, and practically all first-world countries, have government funded fare support for older people. Those transport agencies are unlikely to perceive increasing the number of eligible subsidy recipients as a reasonable strategy in a climate of economic restraint, or to transfer the savings from declining school travel subsidy requirements to older people.

While the jury is still out on how much market growth potential there is from older people, population projections are undisputed. Even if a smaller than current percentage of the upcoming older population start using public transport it will provide either growth, or fill those seats vacated by the declining number of younger passengers.

The flipside of the ageing of the population is that there will be a significant decline in the percentage of population who are school age, and a reduction in the number of people of working age. The total population of Australia is barely growing, but it is definitely getting older.

In recognising the potential ageing market service development and design can reasonably cater for older people's needs.

Retention

As car use continues to become easier and cheaper in Australia, the attractiveness of public transport will continue to decline. The opportunity cost of car use is high for people working in the city, but regionalisation of white-collar work is continuing. Technology is making it cheaper for people to work from dispersed offices. Of even greater concern for bus operators is that those people who now use the bus to travel to and from work are highly unlikely to use public transport out of working hours.

Those same workers are the next generation of older people who are to retire. They will be tempted to use their cars more in the absence of cheap, frequent, reliable and cross-regional bus services.

In NSW this presents a particular challenge. Bus companies operate in contracted areas, within which they have monopolies. Currently, these boundaries protect company income and investment. In future years where older people are the majority of passengers and their travel patterns are more diverse, the inability to provide unimpeded cross-regional services with integrated ticketing and no restrictions on pick-ups or set-downs may be the defining issue for viability.

Bus companies need to start working at redefining how they operate and cooperate if they are to retain current passengers beyond retirement. Once those passengers are lost to the private car it may take nearly 20 years to regain them due to ill-health and inability to continue to drive. By that stage they will also be travelling less.

Commitment

Older people are loathe to change their current travel arrangements, or become reliant on a new service, if there is a belief that it is in any way temporary. Trialing new initiatives may appear to make sound business sense, and economically it is a risk-reducing strategy. However, no service change should be publicised as a trial. ADD experience and feedback through customer surveys is that trials are treated cynically, and a service that is introduced as a trial is still treated suspiciously 18 months later.

Older people are intelligent and sceptical. Anybody unwilling to commit to providing a service, by labelling it a trial, is keeping an option open to remove the service. This type of game-playing is as readily seen through. Feedback from older people at ADD consultations is that to attract older people to a service it must appear robust and worth risking other transport strategies which have been adopted. While independence from family and peer assistance is highly valued by many older people, such support is not seen as worthy of risking for a 'trial'. People not only build routines around availability of transport, they also build routines around the requirement to provide transport. Once those routines are broken, older people are aware that they may be difficult to resurrect.

Committing to the service does not mean making bold statements about it never being withdrawn. It is more about stating that the service is being introduced, selling the benefits and seeing how it goes. If it does not attract sufficient patronage to become sustainable, it can be withdrawn as any other service may be.

Commitment, though, comes at a cost. Of the 23 ADD demonstration projects, only one was viable immediately, and the majority of bus services took 12-18 months to build sustainable patronage. The return on investment may take three to five years to be realised, according to a north-coast operator, but once established will most likely remain profitable for decades.

Commitment also means planning to work with as many people as possible to alert older people that the service is commencing, it is aimed at them, their needs have been considered and that you want their support and feedback.
Community

Community is a broad concept. In this context it means working with older people and others in the community who work with your target population. In the case of older people, a relationship should be developed with community service providers, such as Home and Community Care Services, service clubs, day-care centres, residential aged-care facilities, shopping centres, hotels, gaming facilities and other patronage generators. Subscriptions to publications aimed at the older person and scanning local papers will alert bus operators to developments that will attract older people.

Older people tend to be attracted to more social settings as their network of partners and friends die-off. They therefore express a great interest in the concept of community activity and are politically aware of who supports the cause of older people in their community.

It is important, given the potential market, for bus operators to provide reasonable support where they can. Bus companies have traditionally supported sporting clubs for younger people, but these will become less important as the population ages. Long-term plans to either extend sponsorship or assistance to facilities that attract older people, or to transfer sponsorship, should be considered.

Where new facilities are opened, it is worthwhile making the presence of the bus service known and discussing the transport needs of patrons or residents. This proactive community consultation can prevents poor publicity that often is targeted at bus companies when a facility is opened without adequate transport. If the operator has connected well to the community, services might already be provided when the facility itself is launched. Cooperation before commitment may generate better ideas about potential services and infrastructure requirements than those developed in isolation from the community.

Good community relations resulting in appropriate service development also have the capacity to reduce the growth rate of community transport in an area. Certainly in NSW, community transport groups are encouraged where possible to purchase trips from existing operators in preference to providing direct service. However, for this to occur, a trusting working relationship is required.

Access

Physical access is perhaps the most simple of the six principles. World-wide trends are for stepless entry buses. All Australian state ministers for transport recently approved of new service standards being introduced that will require wheelchair access to all bus services within 20 years.

It is unlikely that it will take anywhere like 20 years for the majority of Australian buses to become accessible, as a range of government and private initiatives recognise the market appeal of accessible vehicles to the broader community.

For older people it will mean more people can access commercial bus services for a greater part of their life. Across older people there will be some commonality of requirements to make services more accessible. As Dr Agneta Stahl of Sweden has so often and accurately portrayed, even with modern technology we can not overcome the effects of ageing. Arthritis has yet to attract a wholly successful treatment, never mind a cure. Hearing and sight loss are endemic among older people, and particularly older men. As older people get older there will also be an increase in the use of electric scooters and similar mobility aids.

However, stepless entry is only one of the considerations. Reference to the earlier listing of older people's expectations of quality public transport shows that the whole interior design of the vehicle is critical to older people's ability to use it regularly and in comfort.

Clear, understandable information is critical to expanding older people's use of public transport services. The Ageing and Disability Department has conducted extensive surveying and market testing of the public transport information needs of older people and produced four publications to assist transport operators. The Best Practice Manual for public transport information, the Timetable Research Report and the Practical Guide to Public Transport Information are all, or will soon be, available. For operators, the Practical Guide provides a simple, pictorial guide to information provision. The other reports contain detailed specifications and research.

Understanding the physical capabilities of older people, and what can be done to assist them in using a bus service is an important competence for owners and operations managers of bus companies. A future ADD publication, 'How to Use Public Transport', which is primarily aimed a community educators working with people learning to use public transport after a change in life circumstances, would assist operators in understanding the complexity of public transport use for people with no prior experience.

Opportunity

Opportunity is a function of affordability, service location relative to origin and destination and service frequency, including days of operation.

It seems self-evident that unless the opportunity is provided older people will not access the services. However, that opportunity can be manifested in many ways. For example, the provision of a stepless entry service in the Blacktown region of Sydney by a private

bus operator encouraged 1300 additional passengers per week into the company. That number were not all taking advantage of the stepless entry, as the service provided a new route which included direct service to the local hospital. In other words, by working with the community in determining the structure and style of service, the right opportunity was provided.

Another point of interest in this instance was that the introduction of the new service not only attracted people to it with no dilution of patronage on existing services in the same region, there was a small general rise in patronage throughout the area. The additional publicity of introducing the new service assisted in that outcome, but it appears that people were attracted to public transport by the new service and were keen enough to expand their use beyond the new, accessible service.

In another Transport Demonstration Project an operator reduced the frequency of off-peak services to one return service each way each day. In doing so, significant labour savings were realised, and patronage increased. The key to this success was providing the right opportunity. Passengers must book the service, but in doing so it picks up and drops off at the door. The model has proved so popular that the operator is investing in two accessible midi-buses to expand the service further across his region. In working with the community to set up the service the operator has also generated additional charter work and identified, and taken advantage of, other opportunities.

Affordability is also a key issue. In NSW there is a significant inequity in concession fares for older people between Government owned bus services and privately operated services. This inequity has been highlighted consistently for a decade, but there has been no conclusion to the matter as yet. The Government bus service operates in the wealthier areas of eastern Sydney and the city, where the average older person's income is 25 per cent greater than in the areas serviced by private operators (Kilsby & Flynn 1995). Within the Government operated bus region the concession fare for older people is $1 for all day travel. There has been no increase in the concession fare for a decade.

In the lower income areas concession fares are set at 50% of the standard adult fare for each journey and the fare tends to increase annually in line with or beyond inflation. It is not unusual for a similar distance journey to cost three to five times more with a private operator. Anecdotal evidence from consultations is that pensioners living on the fringes between Government and private areas will walk kilometres to reach the Government area and travel some distance from home to shop in order to convert the transport cost saving into groceries. Both concession rates are set by Government. Government buses are reimbursed the cost of providing the trip less revenue. Private buses are reimbursed the foregone revenue, that is equal to the concession fare revenue.

More than a quarter of the total operating budget of the NSW Department of Transport is spent on subsidising public transport for older people, in today's dollars equating to more than a third of a billion dollars. Of that 37 per cent goes to trains and 26 per cent to buses. Therefore approximately $78M goes to bus services, split roughly 70 per cent in favour of the Government bus service and 30 per cent to the privates. Interestingly, private bus operators serve 67 per cent of the population (Kilsby & Flynn 1995).

Older people are also the predominant users of off-peak services. This, for the operators, is useful revenue generation in what would otherwise be a costly service to provide. Extrapolating from the subsidy cost, around $60M subsidy is paid towards the off-peak services. Private operators require approximately $23 per hour in the intra-peak to recover costs which are otherwise met through a combination of school student transport scheme reimbursements and peak service revenue. The Department of Transport recognised recently, in its Performance Assessment Regime discussion paper, that cross-subsidy between the student subsidy and off-peak regular services occurs.

It is critical for operators to continue attracting older people to their bus services if they are to maintain profits and utilise intra-peak capacity. The number of people travelling to work by public transport is declining, so it may be necessary to capitalise on older people just to maintain income. The decline in workers is unlikely to be arrested in the immediate future as the complexity of travel demand is enhanced by the growth in part-time work and working parents.

Fares set by Government are maximums and operators need to undertake some detailed analysis to determine how they can make their off-peak capacity more affordable to a greater number of older people. The hypothesis to be tested is that if fares are reduced to a level which attracts a greater number of older people in the off-peak the total fare-box income will rise.

Conclusion

It is clear from this discussion that adequate research has yet to been undertaken to quantitatively determine the likely effect of the ageing of the population on public transport revenues. However, it is argued that enough empirical evidence is available to show that the growth in the older population, combined with the decline in the younger population, will be significant in determining the demographics of future public service users.

It is further argued that if older people are not attracted to public transport, or retained on existing services, at the very least there will be a long-term and increasing decline in overall public transport use. On the other hand, it is possible to increase public transport use by improving service quality in line with the needs of older people.

Research and consultation by the Ageing and Disability Department has determined that there are six principles to be adopted by public bus operators if they are to be successful in market retention/growth based on older people. They are recognition, retention, commitment, community, access and opportunity.

The adoption of these principles will require the majority of bus operators to enhance their current competencies and business practices to better understand the needs of their customers, undertake community consultation and improve service design.

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