

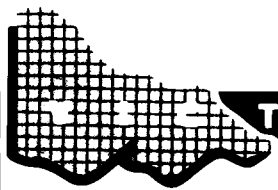
AUDITOR - GENERAL OF VICTORIA

Special Report No. 15

■ **Met Ticket**

November 1990

A U D I T



T O R I A

VICTORIA

Auditor-General
of Victoria

SPECIAL REPORT NO. 15

MET TICKET

Ordered by the Legislative Assembly to be printed

MELBOURNE
L.V. NORTH, GOVERNMENT PRINTER
1990

No. 154



November 1990

The Honourable the Speaker
Legislative Assembly
Parliament House
Melbourne, Vic. 3002

Sir

Under the provisions of section 48A of the *Audit Act* 1958, I transmit a report relating to a review of management practices involved in the development and implementation of Met Ticket.

Yours faithfully


C.A. BARAGWANATH
Auditor-General

PREVIOUS SPECIAL REPORTS OF THE AUDITOR-GENERAL

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PART 1

EXECUTIVE SUMMARY

FOREWORD

Since 1982, a number of reviews of major government programs, which have culminated in matters of concern being reported to Parliament, have been undertaken by my Office. Parliament has accepted that there is a role for my Office in reviewing such government programs to determine whether they are delivered to the public in the most efficient and effective manner.

Earlier in the year I considered it important to examine the management procedures undertaken by the Ministry of Transport and the Public Transport Corporation in developing and implementing the Met Ticket program, the ramifications of which impacted upon a large proportion of the community during 1989-90. In my *Report on Ministerial Portfolios, May 1990* I made comment concerning the deferral of the audit review of Met Ticket due to the evolving nature of the system and problems associated with its initial introduction. I indicated that it was my intention to monitor the continuing developments associated with this program. My officers have now completed the review of the Met Ticket program and a summary of the major audit findings is contained in Part 1.2 of this report.

Met Ticket was introduced as part of the Metropolitan Transport Plan (MetPlan) which was accepted in principle in 1988 by the Government. MetPlan established a framework for the development of the State's public transport system over the next 15 years incorporating strategies for achieving improved efficiency and productivity. Concern was expressed at the fact that it cost 93 cents to collect every dollar of tram revenue, and potential savings of up to \$24 million per year were identified which could be achieved by 1993-94 by the introduction of driver-only trams and a reduction in railway station staff involved in the selling and checking of tickets.

It is pleasing to see that initiatives such as the Met Ticket concept, aimed at implementing micro-economic reform in public transport, have been considered as I have previously suggested to the Parliament that the issue of reviewing work practices needs to be pursued by government. As part of this process I now appreciate the problems associated with changing traditional work practices and consumer behaviour which are amply illustrated by the experiences associated with the introduction of Met Ticket.

Although it may be seen that a number of the findings contained in the report are given with the benefit of hindsight, it is nevertheless essential that for the purpose of public accountability and improved financial and resource management of future government projects that these issues be raised and appropriate recommendations be made.

Notwithstanding the view that few, if any, benefits have flowed from Met Ticket at this stage, it should be mentioned that several benefits have in fact been achieved which should be of assistance in the ongoing implementation of Met Plan. These include:

- ▶ the reaching of an industrial agreement with the relevant unions for the introduction of driver-only trams (pending the finalisation of legal issues and a long-term ticketing system); and
- ▶ the establishment of a retail distribution network of agents to enable the future implementation of driver-only operation of trams.

In view of the impending recommendation by the government Task Force of a suitable ticketing concept to replace Met Ticket, the audit findings and recommendations flowing from this review should be useful when implementing the new ticketing system for Melbourne. Given the problems illustrated in this report I would hope that a sufficient lead time is made available for undertaking a detailed feasibility study and consulting with unions to ensure that the proposed new ticketing system is efficiently and effectively implemented.

In conclusion, I would like to express my gratitude for the co-operation and assistance provided to the audit team by the senior management of the Ministry of Transport and the Public Transport Corporation while conducting the review.

SUMMARY OF MAJOR AUDIT FINDINGS

Key findings and a summary of major audit findings arising from the review of the management practices involved in the development and implementation of Met Ticket are set out below. These findings should be considered in the totality of the discussion in the report. Many comments are derived from the very short implementation timeframe set for Met Ticket which meant that a fast-track method of project management had to be adopted. This feature of Met Ticket was the most critical factor leading to a number of the problems that arose. This report should be seen as a constructive appraisal of the management practices employed by government to launch a major initiative into the marketplace, and one that will be of assistance for the development and implementation of future government programs.

KEY FINDINGS

- ▶ Due to the compressed timeframe for the implementation of Met Ticket, a fast-track method of project management was adopted, which meant that certain desirable project management principles for a major project were by-passed.
- ▶ The Government approved the introduction of the Met Ticket concept in July 1989 based on 2 government proposals. After the Government approved the Met Ticket concept, a number of variations to the initial proposals occurred during the implementation phase of Met Ticket which adversely affected its introduction into the marketplace.
- ▶ Substantial effort and costs have been incurred in the development and implementation of Met Ticket with only minimal benefit to public transport users and the Government.
- ▶ The absolute minimum net cost to the State of this attempted government initiative has been around \$11 million. This estimated cost does not include the full effect of Met Ticket in terms of loss of patronage, fare evasion, industrial disputes preceding the introduction of Met Ticket, vandalism of trams and re-starting costs resulting from the industrial dispute in January 1990, the impact of industrial disputation on the wider business community and total management time involved in developing and implementing the program.
- ▶ The Government's goals for the Met Ticket project in terms of enhancing the convenience of ticketing transactions, improving efficiency and protecting the current revenue base have not been achieved at this stage.
- ▶ As an interim measure, the Public Transport Corporation (PTC) has been compelled to introduce a dual ticketing system whereby tickets may be purchased on board vehicles at no additional cost from tram conductors and bus drivers, or from the established off-system network of retail outlets until a new long-term ticketing system is developed.

A summary of major audit findings, within broad categories relating to major themes of the report, is set out below:

INDUSTRIAL RELATIONS*Page 31*

- ▶ Although it was recognised that there would be union opposition to Met Ticket, particularly in relation to staff reductions, and detailed consultation would have to commence if the Government endorsed the Met Ticket concept, only minimal consultation with unions occurred prior to the introduction of Met Ticket. Audit was advised that the unions were generally not prepared to meet on issues relating to Met Ticket because they were not consulted during the process of policy formulation on the Met Ticket concept and opposed driver-only operations.

paras 3.1 and 3.2

- ▶ The introduction of Met Ticket culminated in industrial action being taken over a 5 week period from 1 January 1990 to 2 February 1990 which caused a backlash of adverse public opinion towards Met Ticket and a significant loss of patronage and revenue to the State.

*paras 3.3 and 3.5***FINANCIAL ANALYSIS***Page 35*

- ▶ While the financial analysis for Met Ticket included a distinction between capital and recurrent items, the calculation of the predicted net annual savings did not take into account a number of capital items amounting to some \$2 million.

para. 4.2

- ▶ The financial projections of Met Ticket disclosed net annual savings of approximately \$24 million by 1993-94. However, such projections by the PTC did not make any allowance for additional costs associated with loss of patronage, and an increase in graffiti and vandalism.

paras 4.1 and 4.6

- ▶ The absolute minimum net cost to the State of Met Ticket to 30 June 1990 was around \$11 million. This cost, which does not take into account a number of unquantifiable costs relating to various secondary impacts associated with the introduction of Met Ticket, adversely affected the PTC's budgetary position for 1989-90.

paras 4.9 to 4.11

FARE EVASION, PATRONAGE AND FARE REVENUE

Page 43

Fare evasion

- ▶ Even though the level of ticket surveillance was not actually altered in the way envisaged by the introduction of Met Ticket, the design of the scratch ticket and the concept of self-validation contributed, in audit opinion, to an increase in fare evasion.

para. 5.1.5

- ▶ A range of fare evasion figures were referred to during the course of the audit, however, a definitive figure for the level of additional fare evasion, attributable to the introduction of Met Ticket, had not been prepared by the PTC.

*para. 5.1.5***Patronage**

- ▶ According to estimates prepared by the PTC, patronage on the metropolitan transport system declined by 7 per cent from 306 million boardings for 1988-89 to 284 million for 1989-90 (the lowest annual total of passengers carried since 1984-85).

para. 5.2.1

- ▶ The most severe decline in patronage related to tram patronage which declined by 20 per cent from 119 million passengers in 1988-89 to one of the lowest ever levels of tram patronage of 96 million for 1989-90.

*para. 5.2.4***Fare revenue**

- ▶ Fare revenue in 1989-90 amounted to \$176.8 million which was \$25.8 million under Budget. This shortfall had significant budgetary implications to the PTC for the year. In fact, fare revenue for 1989-90 was \$9.5 million less than the previous year even though there was a fare increase of 4.1 per cent in August 1989.

para. 5.2.5

- ▶ During the Met Ticket industrial dispute in January 1990, fare revenue compared with Budget declined by \$5.4 million.

para. 5.2.6

FEASIBILITY STUDY

Page 53

- ▶ Prior to the Government decision in July 1989 to implement Met Ticket and thereby change customer and workplace behaviour, the former Metropolitan Transit Authority (MTA) had not conducted a detailed analysis, in terms of community acceptance, to determine whether the concept of driver-only trams including the new ticketing system would be a feasible proposition.

para. 6.2

- ▶ Qualitative market research into public reaction to the Met Ticket concept, which covered 100 people, was not supplemented by extensive quantitative market research. As a consequence, the extent of market research was not sufficient to fully evaluate the likely community reaction to scratch tickets, off-system sales and the removal of tram conductors and station staff from the metropolitan transport system.

*para. 6.8***ADVERTISING, PROMOTION AND PUBLIC RELATIONS**

Page 59

- ▶ Between 19 November 1989 and 30 June 1990 there was a massive decline in patronage from the previous year of some 20 million boardings (11 per cent). This decline, which can to a large extent be attributed to Met Ticket and the associated industrial disputation, indicates that to some degree advertising, promotion and public relations were ineffective in selling to the community and transport employees the move to driver-only operations for trams and the new ticketing concept.

para. 7.7

- ▶ Despite the PTC initially receiving specialist advice in August 1989 which suggested that consumer advertising from mid-November 1989 to January 1990 would not provide the ideal advertising environment, nor would it generate optimum consumer or retail response, the bulk of advertising was undertaken during this period.

para. 7.8

- ▶ Although the proposal for the introduction of Met Ticket indicated that a co-ordinated campaign using advertising and public relations to promote acceptance of the new system and sales of new tickets should commence 2 months prior to introduction, the majority of this activity took place after Met Ticket had been introduced into the marketplace.

paras 7.6, 7.9 and 7.11

- ▶ Audit estimated that from 5 December 1989 to 13 January 1990 at least 5 000 phone calls concerning Met Ticket queries and complaints may not have been answered at the first attempt by the caller.

para. 7.14

ADVERTISING, PROMOTION AND PUBLIC RELATIONS - cont.

Page 59

- ▶ The proposal for Met Ticket required a comprehensive pricing strategy to be developed to encourage off-system ticket purchases and periodical purchases, and called for consideration to be given to introductory discounted prices for bulk multiple-trip tickets purchased off-system. Premium priced emergency on-board tickets were introduced as an alternative to off-system discounts.

*paras 7.6, 7.17 and 7.18***PRINTING AND DISTRIBUTION OF TICKETS**

Page 69

- ▶ An excessive number of emergency on-board premium priced tickets were printed which resulted in the PTC having a stock of approximately 25.9 million tickets on hand at 30 June 1990 for the next 2 to 10 years (for 3 emergency ticket categories, the PTC had stock to cover sales for the next 21, 77 and 137 years, respectively) which had cost about \$600 000 to print.

para. 8.4

- ▶ The PTC could not be assured that it had accounted for all fare revenue as the unused tickets returned from agents at the end of the July 1990 ticketing cycle had not been reconciled with cash collections.

paras 8.8 to 8.10

RETAIL SALES NETWORK

Page 75

- ▶ The original timetable which envisaged the establishment of the retail sales network for the tram system to be completed by 31 January 1990 and 90 per cent of the extensive retail network to be in place by 31 July 1990 was brought forward to 1 December 1989 (tram system) and 1 January 1990 (full retail system). This action adversely affected the implementation of Met Ticket.

paras 9.2 and 9.4

- ▶ The PTC underestimated the required number of retail outlets which necessitated the progressive phasing in of an additional 250 agents.

para. 9.6

- ▶ The audit review identified 37 cases where the PTC had engaged an agency outlet(s) that was located within close proximity of another agent, resulting in unnecessary expenditure associated with merchandising and inspection.

para. 9.9

- ▶ The PTC chose to pay a higher commission to all agency groups in order to secure the services of newsagents as selling agents. At the time the estimated additional cost of this decision was in the order of \$2.3 million per year.

para. 9.12

- ▶ The abolition of the premium priced emergency tickets and the re-introduction of the sale of paper tickets on board trams and buses at no extra cost from July 1990, while also retaining the retail network, has meant that unnecessary costs for maintaining the retail network have been incurred since July by way of commission paid to agents and operating costs involved in the sales support function carried out by the field representatives. This interim situation was unavoidable in the light of the Government's policy to introduce driver-only operations and the need to retain the retail network for the effective implementation of this policy. The longer the interim situation continues, the greater the duplication in costs to the PTC.

*para. 9.14***PASSENGER SERVICES FUNCTION**

Page 83

- ▶ In view of the added potential for fare evasion resulting from the introduction of scratch tickets, the engagement of only 70 revenue protection officers covering 1.7 per cent of all passengers may not have been sufficient to provide an effective revenue protection function over all modes of public transport in the metropolitan area.

para. 10.8

THE ELDERLY AND THE DISABLED

Page 87

- ▶ There was insufficient market research and consultation with the elderly and the disabled while developing the Met Ticket concept.
para. 11.2
- ▶ The initial proposal for people unable to cope with self-validation to have the option of buying a validated ticket from a retail outlet or the driver was not adopted by the PTC.
para. 11.2
- ▶ After Met Ticket was introduced, 9 individuals brought legal action against the PTC on the grounds that Met Ticket unlawfully discriminated against the disabled. Certain allegations of discrimination were also raised by 29 different organisations representing various disabled groups. At the date of finalising this report, this matter remains the subject of litigation.
para. 11.3
- ▶ If during the developmental phase of the Met Ticket concept the PTC had taken more precautions against adverse comments towards Met Ticket from the elderly and disability groups, the implementation of driver-only operations and the anticipated savings would have had a greater chance of being realised. For example, the sale of 60+ daily tickets on vehicles at the same price as that charged at retail agents and the development of a disabled person's pass would have been worthwhile features of Met Ticket.
para. 11.8

DRIVER-ONLY OPERATION OF TRAMS

Page 91

- ▶ Unnecessary expenditure amounting to \$600 000 was incurred in modifying trams to driver-only and then having to convert these trams to their former state as agreement with the Tramways Union had not been initially obtained on an acceptable design for the drivers' cabins.
para. 12.3

PART 2

THE REVIEW

AUDIT OBJECTIVES AND SCOPE OF THE REVIEW

AUDIT OBJECTIVES

2.1.1 The principal objective of the review was to evaluate the procedures followed by the Ministry of Transport and the Public Transport Corporation in the development and implementation of the Met Ticket system in order to:

- ▶ determine whether there were any aspects of project management which could have been undertaken in a more efficient and effective manner;
- ▶ present an audited situation of Met Ticket for the purpose of enhanced public accountability;
- ▶ assess the financial impact of Met Ticket; and
- ▶ make constructive recommendations, where necessary, for the improved financial and resource management of similar projects which may be undertaken by public sector organisations in the future.

SCOPE OF THE REVIEW

2.1.2 The review comprised the examination of relevant records, discussions with senior officers from the Public Transport Corporation and the Ministry of Transport, and an audit survey of retail agents. The audit review was primarily based on financial information audited to 30 June 1990.

MET TICKET CONCEPT

INTRODUCTION

2.2.1 Met Ticket was a government program designed to achieve micro-economic reform in transport, principally by means of driver-only operated trams and better utilisation of railway station staff. The Ministry of Transport was responsible for directing Met Ticket and approving overall policy decisions, while the Public Transport Corporation (PTC) had the major tasks of developing Met Ticket policy and implementing the concept under the direction of the Ministry.

2.2.2 The development of scratch tickets sold through off-system outlets was to be the medium for achieving the proposed reforms. The Met Ticket program was designed to significantly change passengers' purchase patterns from buying tickets within the transport system to an off-system approach which enabled pre-purchase of tickets from retail outlets. Met Ticket's success was therefore heavily dependent on the ability of the Government to ensure that the new ticketing and self-validation system met the requirements of its users and did not erode the PTC's revenue base through additional fare evasion. In addition, the effective implementation of Met Ticket required the support of unions to the phasing out of tram conductors and station staff.

HISTORICAL DEVELOPMENTS

2.2.3 The introduction of automated ticketing systems, including proposals for the use of driver-only trams in Melbourne, has been discussed by senior transport management at various times over the past 20 years. The former Metropolitan Transit Authority (MTA) recognised that in contrast to most public transport operations in developed countries, a high proportion of its operating expenditure was allocated specifically to fare collection, through the provision of conductors on trams, staffed rail stations and revenue support staff (it cost 93 cents to collect every dollar in tram revenue).

2.2.4 Over the years, the MTA considered a number of options to reform Melbourne's public transport system. As part of this process information was gathered on overseas developments in public transport.

2.2.5 In May 1988 the MTA released its *MetPlan Draft Strategy* for the development, operation, staffing and financing of the Melbourne public transport system over the next 15 years. The strategy incorporated innovations (including a new ticketing system) to achieve higher levels of efficiency and to provide the resources needed to operate the expanded system it envisaged.

2.2.6 In the latter part of 1988 a proof of payment ticketing study for Melbourne, undertaken by the MTA, found that the implementation of a new ticketing system was the major productivity measure foreshadowed by MetPlan, and that the estimated recurrent budget benefits would have to be realised if the service expansion program outlined in MetPlan was to be achieved within the financial targets set by the Government. As the existing ticketing system was particularly labour intensive, the productivity benefits of the new system would flow from driver-only operation of trams and light rail vehicles, and reduced staffing levels at stations. The reduction in staff numbers would be achieved through attrition and redeployment. **The study found that an 18 month timeframe would be required to fully implement a new ticketing system.**

GOVERNMENT POLICY

2.2.7 The Met Ticket concept is discussed in 2 government proposals. **In late July 1989, the Government formally approved the Met Ticket concept.**

2.2.8 The Government approval was based on the assumption that Met Ticket, including the gradual removal of tram conductors and station staff through attrition and redeployment, would result in net savings of around \$24 million per year by 1993-94. It was envisaged that additional tram services (a target of 60 additional services) could be provided as a result of driver-only operation of modern trams.

2.2.9 The Government decided that passenger-validation of pre-purchased all-day and 3-hour tickets would be by scratch-off means rather than by the introduction of validating machines. This was brought about because of fears of disruption and vandalism to any machines introduced to replace staff. The Government was of the view that automatic or electronic validation of pre-purchased tickets by machine could be adopted if the more economic passenger-validated ticket did not achieve expectations.

2.2.10 After the Government approved the Met Ticket concept, directions were given by the then Minister for Transport to the PTC for the implementation of Met Ticket. For example, a retail agency network was to be established to commence selling tickets on 1 December 1989. From 1 January 1990 tram conductors were to be gradually phased off modern trams and only emergency tickets were to be sold at a premium on board trams and buses.

2.2.11 While comprehensive planning for a proof of payment ticketing system was undertaken prior to the Met Ticket concept being approved by the Government, a fast-track method of project management was adopted during the implementation phase which meant that certain desirable project management principles for a major project were by-passed due to the compressed timeframe.

DESCRIPTION OF MET TICKET

2.2.12 The Met Ticket concept, which was to involve a move to driver-only operation of trams, a reduction in tram conductors and station staff, and a new ticketing system for Melbourne's metropolitan transport system, was characterised by the following elements:

- ▶ the phasing out of conductors on trams other than on the State's 300 (46 per cent of all trams) "W" class trams (the older type trams where the driver is physically isolated from passengers);



"W" Class tram.

- ▶ progressive reduction of the number of station assistants employed at suburban railway stations to sell and check tickets;
- ▶ use of *scratch* tickets as the primary system of ticketing for single-day or part-day travel on buses, trams and trains (passengers who pre-purchase these tickets to be required to scratch off the relevant month, day and in the case of part-day tickets, time prior to travel); and
- ▶ the confining of ticket sales on trams and buses to emergency premium priced tickets for passengers not in possession of pre-paid tickets.

2.2.13 Other key elements of the Met Ticket system were:

- ▶ the establishment of a network of more than 800 retail agents to sell Met Tickets on a commission basis;
- ▶ the ability to pre-purchase any number of tickets in advance of travel;
- ▶ an expectation that ticket vending machines would be installed at unstaffed and partially staffed railway stations; and
- ▶ the anticipated introduction of some 400 passenger services staff to provide passenger information, check tickets and undertake a revenue protection function.

2.2.14 The goals of the Met Ticket project were:

- ▶ **greater ease of use for customers by:**
 - simplifying the fare structure to make it easy to use and remember;
 - enhancing the convenience of ticketing transactions; and
 - reducing queues at railway stations and boarding delays on trams and buses;
- ▶ **improved efficiency and reduced costs of revenue collection, accounting and control; and**
- ▶ **protection of the current revenue base.**

2.2.15 Examples of the scratch Met Tickets are illustrated below:

ZONES

The Met
3 HOUR
ADULT
Scratch month, day and
next hour before travel
\$2.30

12

	DEC	JAN	FEB	MAR		
	APR	MAY	JUN	JUL		
DAY	1	2	3	4	5	6
89/90	7	8	9	10	11	12
	14	15	16	17	18	19
	21	22	23	24	25	26
	28	29	30	31		
AM	6	7	8	9	10	11
HOURS						
PM	1	2	3	4	5	6
HOURS						7+

No. RD 00040825

ZONE

The Met
DAILY
ADULT
Scratch month and
day before travel
\$2.50

1

	DEC	JAN	FEB	MAR		
	APR	MAY	JUN	JUL		
DAY	1	2	3	4	5	6
89/90	7	8	9	10	11	12
	14	15	16	17	18	19
	21	22	23	24	25	26
	28	29	30	31		

No. PR 00278047

PROJECT MANAGEMENT STRUCTURE

2.2.16 In relation to the development and implementation of Met Ticket, a significant amount of work was accomplished within a tight timeframe using a fast-track method of project implementation in order to launch Met Ticket into the marketplace by the dates prescribed by the Government. The Ministry of Transport was responsible for directing the program and approving overall policy decisions, while the PTC was responsible for developing Met Ticket policy and implementing the concept under the direction of the Ministry.

2.2.17 The project management structure, established to manage the development and implementation of Met Ticket, was as follows:

- ▶ Ministry of Transport. - endorse project proposals and policies related to the project.
- ▶ Met Ticket Steering Group (including the Chief Executive of the PTC, the Manager-Special Projects and representatives from the Ministry). - develop Met Ticket policy and provide direction for the Met Ticket project.
- ▶ Project Manager. } to manage and implement the day-to-day
- ▶ Project Officers (marketing, engineering, operations, human resources, finance, industrial relations). } operation of the project as directed.

2.2.18 The Met Ticket Steering Group, which comprised 16 officers from both the Ministry of Transport and the PTC, met on a weekly basis from late July 1989 through to mid-December 1989 to discuss matters such as:

- ▶ printing and distribution of tickets;
- ▶ appointment of retail agents;
- ▶ industrial relations;
- ▶ advertising, public relations, internal consultation;
- ▶ passenger services function;
- ▶ tram modifications; and
- ▶ ticket vending machines.

2.2.19 In addition, audit was advised that meetings were held between the then Minister for Transport and the Chief Executive of the PTC at least once in every fortnight between August and December 1989 in order to discuss, among other matters, progress in the implementation of Met Ticket.

2.2.20 An overall implementation plan was prepared in August 1989 which was complemented with individual activity schedules for in excess of 1 000 tasks to be performed. Project development and implementation was monitored against these plans and schedules on a weekly basis.

CURRENT POSITION

2.2.21 Due to the difficulties experienced with the implementation of Met Ticket, the present Minister for Transport directed that the premium priced emergency tickets sold on trams and buses be abolished and scratch tickets sold at stations be replaced by cardboard and paper tickets, effective from mid-July 1990.

2.2.22 A Task Force has been established by the Minister for Transport to independently determine the most desirable ticketing system. The Task Force, which includes representatives from the Trades Hall Council and the Public Transport Users' Association, has until late November 1990 to recommend a suitable ticketing concept for the Government to consider.

2.2.23 At the time of undertaking this audit review an interim ticketing system was in place whereby trams and buses only sold 3-hour paper tickets and 60+ daily tickets, railway stations sold daily and 3-hour paper tickets and periodicals (weekly, monthly and annual tickets), and retail agents sold daily and 3-hour scratch tickets and periodicals. Driver-only operations were confined to certain off-peak times at the Camberwell Depot on the Wattle Park route to the city.

PART 3

INDUSTRIAL RELATIONS

INDUSTRIAL RELATIONS

3.1 The general thrust of ticketing reforms was initially discussed by the Government with the Victorian Trades Hall Council and public transport unions in the context of MetPlan consultation in August and September 1988. The Government was informed that detailed consultation with unions would commence after the Government endorsed the Met Ticket concept. It was anticipated that while the Trades Hall Council and public transport unions generally supported MetPlan, they would oppose Met Ticket particularly with regard to the aspect of staff reductions as such measures, aimed at achieving greater efficiency through micro-economic reforms, generally result in the threat of industrial disputation.

3.2 During August 1989 an initial briefing was arranged with 3 of the 4 operating unions which were subsequently issued with a scope report outlining the Met Ticket system. A 2 week moratorium took place in October 1989 during which a number of Met Ticket initiatives were put on hold while consultation occurred with the relevant unions on certain submissions to the Industrial Relations Commission. During this period, no new contracts were let and consultation with staff and community groups was temporarily suspended. **Audit was advised that despite numerous attempts by management to consult with unions prior to the introduction of Met Ticket, the unions were generally not prepared to meet on issues relating to the implementation of Met Ticket because they were not consulted during the process of policy formulation on the Met Ticket concept and opposed driver-only operations.**

3.3 The introduction of Met Ticket culminated in industrial action being taken over a 5 week period from 1 January 1990 to 2 February 1990 concerning driver-only trams and changed ticket arrangements which resulted in a blockade of trams in central Melbourne streets during January 1990.



Trams blockading Bourke Street, Melbourne, during the 5 week tram strike.

3.4 The dispute was resolved by the finalisation of a 35 point agreement between the Government, the Public Transport Corporation, Victorian Trades Hall Council and the Australian Tramway and Motor Omnibus Employees' Association (ATMOEA) on the significant issue of introducing driver-only trams.

3.5 Although the transport strike occurred in the less busy summer holiday period, its duration and consequent impact on the community caused a backlash of adverse public opinion towards Met Ticket and a significant loss of patronage and revenue to the State.

3.6 If detailed discussions with transport unions and the resolution of critical issues prior to the introduction of Met Ticket had been achievable, this process may have avoided the prolonged strike action which eventuated, and the drastic consequences in terms of the inconvenience to the general public, adverse public reaction towards the new ticketing system, revenue forgone to the Government and additional costs associated with vandalism to trams.

Management response by Ministry of Transport

The PTC made many attempts to open consultations with the ATMOEA.

PART 4

FINANCIAL ANALYSIS

FINANCIAL ANALYSIS

4.1 A report of the Met Ticket Steering Group issued in August 1989 revealed that the key elements of the financial assessment of Met Ticket (in December 1989 dollars) were as follows:

- ▶ over 1 500 existing staff positions would be progressively abolished (through attrition and redeployment) leading to savings of about \$48 million per year by 1993-94;
- ▶ over 400 new positions would need to be created, commission would have to be paid to retail agents and salary loadings would have to be paid to staff such as tram drivers for the performance of additional duties resulting in annual expenditure of about \$24 million per year by 1993-94; and
- ▶ net annual savings associated with Met Ticket would therefore total about \$24 million per year by 1993-94.

4.2 While the financial analysis included a distinction between capital and recurrent items, the calculation of the predicted net annual savings did not take into account the following capital costs amounting to some \$2 million:

- ▶ advertising costs of \$850 000;
- ▶ public relations expenditure of \$970 000 to be managed by the Ministry of Transport; and
- ▶ costs of \$300 000 for computer hardware to cope with the anticipated increase in infringement notices.

4.3 In assessing the likely financial effect of the Met Ticket proposal, it was essential that all potential costs associated with the impact of the new ticketing system be addressed. As a consequence, a number of assumptions needed to be made concerning the reaction of public transport users to the change.

4.4 The former Metropolitan Transit Authority (MTA) assumed that a number of features inherent in the Met Ticket concept, principally the use of passenger services staff to be known as *Met Rovers*, the secure stabling of trams and driver supervision would prevent any:

- ▶ reduction in revenue from increased fare evasion and loss of patronage; and
- ▶ additional costs arising from a higher incidence of graffiti and vandalism on public transport and unstaffed stations.

4.5 Audit was advised that based on overseas experience the redeployment of station staff into the passenger services function was seen as a mechanism for the presence of Met Rovers to prevent any loss in fare revenue from additional fare evasion and increase in graffiti and vandalism. Extra costs associated with the possibility of having to hire additional Transit Police to protect passengers, and the acquisition of additional security equipment to address vandalism and misbehaviour on the public transport system were not taken into account in the financial projections for Met Ticket because they were seen as much wider public transport issues than that of Met Ticket. Audit was informed that a commitment was made to increase the number of Transit Police by 100 before the Met Ticket concept was developed and, as a consequence, this aspect was not considered to be a charge against Met Ticket. As such, the former MTA did not consider it necessary to provide for these items in the financial projections of Met Ticket.

4.6 It was envisaged during the developmental phase of the Met Ticket concept that the transport unions would oppose Met Ticket and market research into the Met Ticket concept indicated that certain groups were concerned with passenger safety and security which would have had an impact on patronage. Notwithstanding these factors, the PTC proceeded on the assumptions that all segments of public transport users would accept and use the new system and that policing strategies would eliminate any increase whatsoever in graffiti and vandalism. Given the difficulties which were experienced in the implementation of Met Ticket, it could be argued that these assumptions were optimistic.

4.7 Based on this scenario audit is of the view that in costing Met Ticket some estimate should have been made for additional costs associated with loss of patronage, graffiti and vandalism which would have had an adverse impact on the financial viability of the project. If such additional costs had been included in the financial costings, it would have impacted on the estimated net annual savings of approximately \$24 million by 1993-94. However, audit was unable to quantify the extent of this impact.

Management response by Ministry of Transport

The recurrent savings of \$24 million are sustainable. The Auditor-General argues that the capital investment to supplement the strategy should have been included in the financial projection. The Ministry does not dispute this and has not argued otherwise. The capital investment in 1989-90 and 1990-91 would not effect the recurrent savings of \$24 million in 1993-94.

Transport does not accept that the recurrent savings estimate is optimistic. It is a projection for 1993-94 on the assumption that the project was properly implemented. There is no argument that can be sustained that the ticketing system would have any long-term effect on patronage. Transport has established from a combination of experience with driver-only buses and secure stabling of trams that the costs of graffiti and vandalism are unlikely to increase on driver-only trams. Also, that pre-existing programs for installing closed-circuit TV on stations and providing secure train stabling would reduce graffiti and vandalism on the train network whether or not station manning changed.

NET COST OF MET TICKET

4.8 Direct expenditure on Met Ticket during 1989-90 totalled at least \$12.5 million and comprised at least \$11.5 million incurred by the PTC and \$970 000 on public relations paid by the Ministry of Transport. (Management time at the Ministry has not been brought into the cost of Met Ticket.) No savings have been realised from driver-only operations of trams during 1989-90.

4.9 In order to derive the full cost to the State of Met Ticket for 1989-90 it is necessary to take into account the effect of secondary impacts directly associated with Met Ticket such as the effect on patronage and impact on fare evasion. However, information was not available to enable audit to estimate the total effect of secondary impacts in terms of loss of patronage, fare evasion, industrial disputes preceding the introduction of Met Ticket, vandalism of trams and re-starting costs resulting from the industrial dispute in January 1990 and all management's time involved in developing and implementing the program. In addition, secondary impacts of industrial disputes on the business community, particularly in the Melbourne central business district, also could not be quantified. Such impacts remain a subject of conjecture.

4.10 Based on information maintained by the PTC and after taking into account certain cost savings, **the absolute minimum net cost to the State of Met Ticket to 30 June 1990 would be around \$11 million.** Table 4A sets out the relevant details.

TABLE 4A. NET COST OF MET TICKET
(\$'000)

<i>Expenditure item</i>	<i>Amount</i>
PUBLIC TRANSPORT CORPORATION	
<i>Works and services expenditure -</i>	
Ticket printing, merchandise and distribution	2 996
Advertising and promotion	1 827
Labour (includes sales support staff salaries of \$233 000 and revenue protection staff salaries of \$627 000)	1 563
Consultancy services	791
Rolling stock modifications	610
Computer equipment	399
Security services	318
Motor vehicles	221
Modifications - Gibbs St, Collingwood (Ticket Distribution Centre)	190
Uniforms, clothing etc.	152
Motor vehicle hire	91
Temporary staff	73
Furniture	72
Terminals	40
Other items	845
Total works and services expenditure	10 188

TABLE 4A. NET COST OF MET TICKET - continued
(\$'000)

<i>Expenditure item</i>	<i>Amount</i>	
<i>Operating expenditure -</i>		
Commission on retail sales	917	
Revenue protection	379	
Tram driver loading (Camberwell)	56	
Sales support staff	50	
	<hr/>	
Total operating expenditure		1 402
		<hr/>
Total Public Transport Corporation expenditure		11 590
		<hr/>
MINISTRY OF TRANSPORT EXPENDITURE		970
		<hr/>
DIRECT COSTS OF MET TICKET		12 560
		<hr/>
Additional costs of Met Ticket		
Decline in January 1990 fare revenue compared with Budget due to the effect on patronage of the Met Ticket industrial dispute		5 400
		<hr/>
		17 960
		<hr/>
Cost savings		
Labour and non-labour savings during the January 1990 industrial dispute	3 900	
Additional revenue from the 30 per cent premium charged for emergency on-board tickets	2 400	
Revenue generated from additional fines and police prosecutions	465	
Savings in not having to print the former tickets	400	
	<hr/>	
ABSOLUTE MINIMUM NET COST OF MET TICKET		7 165
		<hr/>
		10 795
		<hr/>

4.11 The combined cost of Met Ticket in terms of its development and implementation, and the effect of secondary impacts adversely contributed to the PTC's budgetary position for 1989-90.

Management response by Ministry of Transport

The extent of the secondary impacts arising from Met Ticket is unclear. This is acknowledged by the Auditor-General. Revenue was below Budget for a range of reasons before Met Ticket (see Chart 5A); the introduction of the 3 zones extended travel entitlements, industrial disputes over the Budget had disrupted reliability, with train graffiti and security concerns affecting patronage.

Transport believes the Auditor-General has overestimated the direct costs attributable to Met Ticket.

Transport identifies \$500 000 of advertising costs in Table 4A which, although they are PTC costs, should not be attributed to Met Ticket. Transport disputes the fare revenue loss attributed to Met Ticket. Fare revenue as shown in Chart 5A was consistently below Budget before the Met Ticket dispute. Revenue loss during the dispute should have been assessed against actual trend not Budget.

The audit report failed to include in the savings of Met Ticket, reductions in tram staff achieved before and after the actual dispute (approximately 90 annual effective full-time staff), at a saving of \$2.6 million to the PTC.

The appropriate net cost of Met Ticket is \$7.7 million in 1989-90. It should be noted that the PTC budgeted to spend \$5 million (net of ticket vending machine costs) during the period on the assumption of the smooth implementation of driver-only trams and a new ticketing system.

Any secondary impacts of Met Ticket on the Budget are unable to be confidently quantified by the Auditor-General because of the impossibility of separating the effect of Met Ticket from revenue and patronage reductions caused by other industrial disputation, poor vehicle reliability, and public concerns about graffiti and vandalism on trains.

PART 5

FARE EVASION, PATRONAGE AND FARE REVENUE

FARE EVASION

5.1.1 An analysis of fare evasion contained in the February 1988 Discussion Paper on *Proof of Payment Fare Systems* indicated that recent surveys revealed that ticketing irregularities, which cost the former MTA between \$5 and \$8 million per year in lost revenue, occurred at the following passenger rates:

- ▶ rail services - 5 per cent (wilful evasion component, 2.6 per cent);
- ▶ government trams and buses - 1.9 per cent (wilful evasion component, 0.4 per cent); and
- ▶ private buses - 4.3 per cent (wilful evasion component, 0.7 per cent).

5.1.2 Based on overseas experience, the Government's strategy for maintaining the existing revenue base with the introduction of Met Ticket was through increased ticket inspection and the imposition of fines as a penalty for fare evasion. It was envisaged that any loss of revenue from increased fare evasion would be offset by the increased level of fines which would result from the expanded level of revenue inspection by the planned squad of 400 Met Rovers. Audit was advised that it was recognised that the introduction of scratch tickets on the scale envisaged for Melbourne represented an unquantifiable risk and, as a consequence, the proposed squad of Met Rovers was increased to include 100 revenue protection officers to address this risk.

5.1.3 Although a formal study had not been undertaken by the PTC, audit was advised that fare evasion could actually be as high as 20 per cent or \$40 million per year.

5.1.4 Various blitzes have been arranged by the PTC throughout the year to counter the extent of fare evasion. As a mechanism to deter potential fare evaders, the PTC, in mid-October 1990, embarked on an advertising campaign which stipulated the following:

"Fare evasion is costing your transport system \$20 million a year. That's why we're getting serious about it and are now conducting a major crack-down on fare evaders. Revenue Protection Officers are patrolling stations and trains checking tickets. If you haven't paid your fare, they'll slap a \$50 fine on you."

IMPACT OF THE DESIGN OF SCRATCH TICKETS

5.1.5 Due to litigation occurring after the introduction of Met Ticket and the subsequent review of ticketing arrangements, conductors were only removed, at specified times during the day, from one of the 7 depots (Camberwell). Under Met Ticket, reductions in station staff were not anticipated until 1990-91. **Even though the level of ticket surveillance on trams was not actually altered in the way envisaged by the introduction of Met Ticket, the design of the scratch ticket and the concept of self-validation contributed, in audit opinion, to an increase in fare evasion. Although the PTC estimated that additional fare evasion due to Met Ticket amounted to \$2.5 million during 1989-90, this amount actually represents the estimated amount of patronage to be regained through revenue protection activities in 1990-91. The audit found that a range of fare evasion figures were referred to during the course of the audit and a definitive figure for the level of additional fare evasion attributable to the introduction of Met Ticket had not been prepared by the PTC.**

5.1.6 As previously mentioned in Part 2 of this report, a specific characteristic of Met Ticket was the use of scratch tickets as the medium for day and part-day tickets to enable driver-only operation of trams and avoid the other option of installing on-board ticket validating equipment which was seen as susceptible to vandalism. Scratch tickets would require the holder to self-validate the ticket by scratching off the appropriate month, date and, with 3 hour tickets, also the time. Although the PTC's Marketing Division was involved in developing rough scratch ticket designs and advice was obtained from the ticket printers, **an external design consultant was not engaged to assist in the development of test designs.** Audit was advised that this initiative was not implemented due to timing restrictions. Audit found that the scratch ticket concept and design contributed to fare evasion by presenting an opportunity for users to abuse the system. Such matters have been brought to the attention of audit in a confidential manner and details of these schemes have been drawn to management's attention. In audit opinion, with proper design advice this problem may have been avoided.

5.1.7 Although audit was advised that the design of the scratch ticket was based on overseas experience, in audit opinion the involvement of an external design consultant in product design for the scratch ticket may have resulted in the production of a ticket less capable of being abused. A more detailed analysis of the various means of fare evasion and its likely effect should have been performed during the development phase of the Met Ticket concept, as one of its key goals was to protect the current revenue base of the PTC.

Management response by Ministry of Transport

Transport accepts that the original ticket design could be improved; in fact, the ticket design has been improved to minimise fraud.

The level of inspection for driver-only vehicles was to be 1:10 - double the rate operating overseas for similar systems.

Any change in ticket inspection levels under Met Ticket was to occur slowly, in conjunction with the attrition of staff. The inspection levels on buses and W Class trams would not change. On stations, staff reductions would only occur in 1991 with the same inspection operating until then. Hence, the level of inspection would continue at the same level on 90 per cent of vehicles.

PATRONAGE AND FARE REVENUE

PATRONAGE

5.2.1 A summary prepared by the PTC of estimated patronage on the PTC's metropolitan transport services over the past 2 financial years revealed that **patronage declined by 7 per cent from 306 million boardings for 1988-89 to 284 million for 1989-90 (the lowest annual total of passengers carried since 1984-85).**

5.2.2 Patronage levels were affected during 1989-90 by issues relating to the introduction of Met Ticket, a dispute with private bus operators, the August 1989 fare changes, and poor train service delivery and reliability at various times during the year.

5.2.3 Issues specifically connected with Met Ticket which adversely affected patronage were as follows:

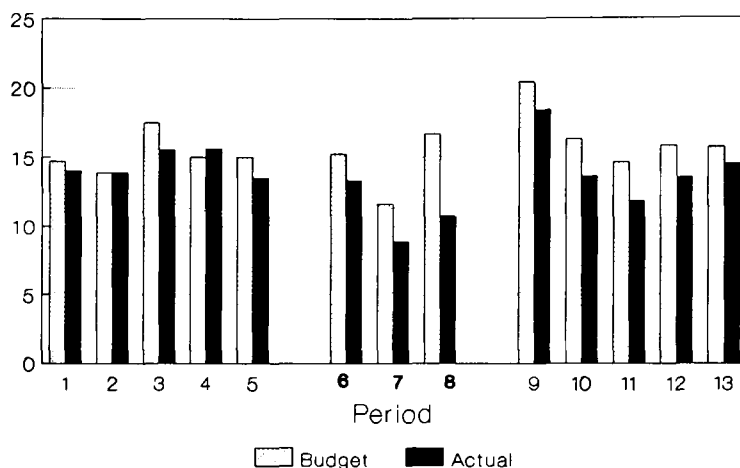
- ▶ several service disruptions and stoppages, linked to the prospect of driver-only operations on trams and government buses, prior to the full introduction of Met Ticket;
- ▶ the 5 week Met Ticket dispute in January and early February 1990 when trams did not operate for most of the time (from 17 December 1989 to 10 February 1990 boardings were down by 9 million or 23 per cent compared with the same period for the previous year); and
- ▶ for some time after the Met Ticket dispute, tram services did not return to normal due to the necessary catch up with vehicle maintenance and crew shortages.

5.2.4 The most severe decline in patronage related to tram patronage which declined by 20 per cent from 119 million passengers in 1988-89 to one of the lowest ever levels of tram patronage of 96 million for 1989-90 (in recent history, the only other years when the level of tram patronage was below 100 million were in 1979-80 and 1980-81 when it was 99 million for each year). This fall in patronage was significantly influenced by Met Ticket.

FARE REVENUE

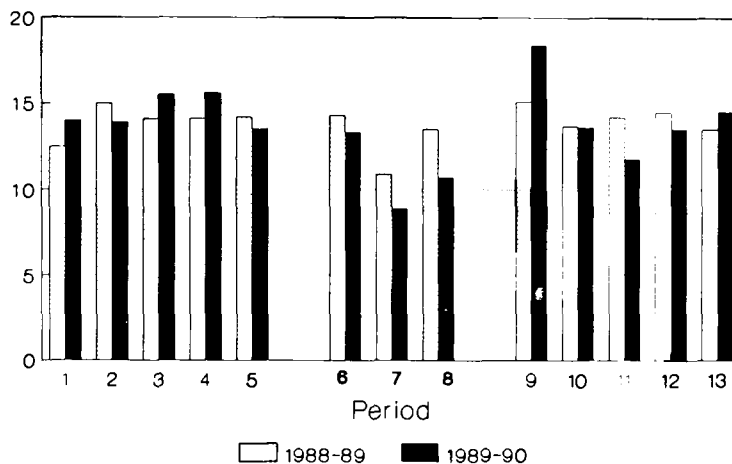
5.2.5 Fare revenue in 1989-90 amounted to \$176.8 million compared with the Budget of \$202.6 million, a shortfall of \$25.8 million. This shortfall had significant budgetary implications to the PTC for the year. In fact, fare revenue for 1989-90 was \$9.5 million less than the previous year even though there was a fare increase of 4.1 per cent in August 1989. Details of fare revenue by period for 1989-90 compared with Budget and the previous year are presented in the following charts. Periods 6, 7 and 8, which covered 19 November 1989 to 10 February 1990, coincided with the introduction of Met Ticket and the subsequent industrial disputation.

**CHART 5A. COMPARISON OF FARE REVENUE WITH BUDGET
ON A PERIODIC BASIS FOR 1989-90
(\$million)**



5.2.6 Information supplied by the PTC indicated that **during the Met Ticket industrial dispute in January 1990, fare revenue compared with Budget declined by \$5.4 million.** This figure does not include any secondary impacts of strikes on future patronage which may have arisen as a result of former users of public transport electing to travel by other means. Audit was also advised that approximately \$3.5 million in revenue was forgone due to industrial disputes between July 1989 and December 1989, some of which was attributable to Met Ticket. In addition, advice received by audit indicated that the campaign of the ATM/OEA, which involved staff not collecting fares, also resulted in a loss of revenue.

CHART 5B
COMPARISON OF ANNUAL FARE REVENUE ON A PERIODIC BASIS
 (\$million)



5.2.7 The chart illustrates that the most noticeable decline in fare revenue occurred in periods 6, 7 and 8 when revenue declined by \$1 million (7 per cent), \$2.1 million (19 per cent) and \$2.8 million (21 per cent), respectively, compared with the same period during the previous financial year.

5.2.8 The introduction of Met Ticket had a substantial adverse impact on the levels of patronage and fare revenue in 1989-90.

Management response by Ministry of Transport

Any change to customer habits can be expected to produce short-term revenue instability.

Met Ticket and the surrounding industrial disruptions had an adverse effect on the PTC's revenue. However, the effect of Met Ticket, compared with the effect of vehicle reliability, traveller concerns about graffiti, vandalism or on-time running cannot be assessed, without some quantitative market research of customer concerns.

Transport systems around the world operate proof of payment ticketing systems. Some use scratch cards, other systems use ticket validation machinery. All operate commuter trams on a driver-only basis and strive for staff efficiencies. Revenue and patronage concerns on these systems focus on reliability, cleanliness and security. There is nothing intrinsic to a properly inspected proof of payment system which would lead to lower patronage and revenue.

PART 6

FEASIBILITY STUDY

FEASIBILITY STUDY

6.1 Since 1986 various preliminary studies had been prepared into a new ticketing system for Melbourne's metropolitan transport system.

6.2 However, prior to the Government decision in July 1989 to implement Met Ticket and thereby change customer and workplace behaviour, the former MTA had not conducted a detailed analysis, in terms of community acceptance, to determine whether the concept of driver-only trams including the new ticketing system would be a feasible proposition.

6.3 In May 1989, the then Minister for Transport directed that a detailed study be undertaken on the feasibility of using passenger validated tickets (scratch tickets) for day and part-day tickets sold from retail outlets. During June and July 1989 the Ministry engaged a firm of consultants specialising in market research to assess public reaction to:

- ▶ scratch-off public transport tickets;
- ▶ sales through retail outlets and ticket vending machines; and
- ▶ proof of payment and onus on passenger to have a valid ticket.

6.4 This qualitative market research study of the reaction of 100 selected people from targeted groups to Met Ticket identified the following public responses:

- ▶ The opportunity to purchase tickets through off-system retail outlets had strong support. Convenience and meaningful discounts formed the essential attraction for most user groups;
- ▶ Reaction to the scratch ticket depended on its design. Its use appeared to be acceptable especially for user groups which were most motivated by the discount opportunities available off-system;
- ▶ Prior to Met Ticket, fare evasion appeared to be widespread as 20 to 25 per cent of public transport users had evaded fares at some time and felt that they had no obligation to pay;
- ▶ Concerns in relation to passenger safety and security which may be exploited by affected unions; and
- ▶ The current level of service information to the public was inadequate.

6.5 The consultants recommended that:

- ▶ As self-validation by machine or scratch may provide a further opportunity for fare evasion, there was a need for a strong message of substantial increase in anti-fare evasion resources and penalties. There may be scope for an increase in revenue with greater ticket inspection;
- ▶ The public be made aware that security was a priority and that new specialist staff (roving ticket examiners) would provide a security network; and

- ▶ Met Ticket be accompanied by relevant, clear *user-friendly* service information. The vastly expanded retail sales network would provide a great opportunity for encouraging increased use of the system.

6.6 The development of an extensive passenger services function, with the introduction of some 400 Met Rovers across the transport system, was seen by the PTC as a method for countering widespread fare evasion and the perception of reduced passenger safety and security. The government strategy for the PTC to combat fare evasion and the resultant revenue loss was to be through the re-deployment of a proportion of ticket-selling staff into a highly visible, mobile ticket checking and passenger assistance and information group which would work in concert with roving guards on trains, conductors (W class trams) and Transit Police. Bus drivers would continue to check tickets. A 10 per cent random ticket check was to be achieved on all modes (that is, each passenger could expect to be subject to a detailed ticket check at least once in every 10 trips). It was expected that the level of fines imposed on passengers not having a valid ticket would compensate the Government for lost revenue through fare evasion.

6.7 It was recognised that there may be a greater temptation for fare evasion at the beginning, but as people found roving ticket conductors checking their tickets, fear of apprehension and being fined would reduce fare evasion. Overseas experience with ticket validation systems demonstrated that fare evasion could be kept to a minimum with correct policing and reasonable public education. **The Government was of the view that if scratch tickets proved to be too vulnerable to evasion, then it would be a simple task to install validators on vehicles in the future. This would be much easier to implement industrially after the new system had been introduced. Audit was advised that the introduction of scratch tickets and the concept of self-validation were always envisaged as interim measures which would eventually be superseded by a mechanical validation system.**

6.8 The market survey, which cost \$25 000, was commissioned to provide qualitative responses to the Met Ticket concept from 11 user groups which each comprised 8 to 10 people. User groups consisted of various categories of peak hour and off-peak travellers, the elderly, students and females with young children. **In audit opinion, this qualitative survey of 100 people should have been supplemented by extensive quantitative research in order to properly evaluate the likely community reaction to scratch tickets, off-system sales and the removal of tram conductors and station staff from the metropolitan transport system. Qualitative findings are somewhat meaningless without a detailed quantitative analysis to determine the extent of these attitudes. In addition, the market survey did not appear to address the reaction of disability and ethnic groups to the Met Ticket concept. Audit was informed that undertaking qualitative research enables an assessment of the concepts to be given in a short timeframe at a relatively low cost.**

6.9 Undertaking a comprehensive evaluation of customer preferences should have provided a clear indication of the attitude of the public towards the introduction of the *scratch ticket* and *emergency ticket* concept, and the removal of tram conductors and station staff from the public transport system.

6.10 Any adverse feedback could have been taken into account during the conceptual phase of the project when developing the most appropriate and acceptable ticketing system to be introduced.

6.11 After the decision had been made to introduce the Met Ticket system, the PTC commenced a community consultation program in September 1989 with a large number of community groups which involved:

- ▶ distributing an information package on the approved Met Ticket program to various groups;
- ▶ seeking views and opinions of organisations, groups and individuals affected by the change; and
- ▶ members of the Met Ticket community consultation team visiting community groups to explain the new system and implementation process.

6.12 The purpose of the community consultation program was to increase the public's awareness of Met Ticket and its implementation process, rather than to form part of a feasibility study into the development of a new ticketing system.

6.13 It is interesting to observe that as part of the process of developing a new ticketing system to replace Met Ticket, the Government has recognised that, in deciding on the most appropriate system to be used in the long-term, the opinions of the general public are important. To illustrate this point, a brochure issued by the Government as a guide to the new tickets for Melbourne's trams, trains and buses includes the following comments:

"Your opinion counts - the Met is a service to the people who live in and visit the City of Melbourne - it's your transport system and, as such, we are keen to hear your opinions and suggestions on how the system can be improved".

6.14 This process will result in a more comprehensive assessment of the public's view than that experienced from the qualitative market survey on Met Ticket which only covered 100 people.

6.15 Prior to the introduction of a new service into the community which, in particular, would necessitate a major change in consumer behaviour, detailed quantitative market research needs to be undertaken to determine whether the new service will meet the needs of its users. The experiences with Met Ticket clearly illustrate that if a comprehensive analysis is not conducted, a government service may be introduced which proves to be unacceptable to particular groups in the community and, as a consequence, that service may have to be substantially modified or discontinued at a cost to the taxpayer.

Management response by Ministry of Transport

Met Ticket in 1989-90 contained 2 interlinked elements:

- (1) driver-only trams running; and*
- (2) a new ticketing system.*

Transport accepts that, notwithstanding the overseas experience which has all commuter trams operated as driver-only, a longer consultation period over driver-only trams in Melbourne would have enhanced public acceptance. Transport also accepts that a longer consultation period would also have enhanced acceptance of a new ticket system.

The PTC made many attempts to open consultation with the Tramways Union. These were unsuccessful. A longer implementation period would not have affected the industrial action against Met Ticket.

PART 7

ADVERTISING, PROMOTION AND PUBLIC RELATIONS

ADVERTISING, PROMOTION AND PUBLIC RELATIONS

7.1 Overseas experience indicated that marketing was particularly important but would probably need to be supplemented by pricing strategies if the required shift to off-system and agency sales, and periodical ticket sales was to be achieved.

7.2 The Met Ticket concept was advertised and promoted by various means which included Ministerial news conferences, media contact, newspaper and street corner advertisements (including background questions and answers), television advertisements, letter box drops to households, and letters and information packages issued to various community groups. **Advertising and promotional expenditure on Met Ticket incurred by the PTC during 1989-90 amounted to approximately \$1.8 million.**

7.3 The Government proposal for the introduction of Met Ticket into the marketplace indicated that public relation strategies should establish a credible environment for the ticketing reforms, and support advertising and sales efforts with effective publicity. **Public relations expenditure incurred by the Ministry of Transport in relation to Met Ticket amounted to \$970 000 during 1989-90.**

THIS IS THE TICKET
-IT'S EASY

Month of travel

Day of travel

Next hour

The new Met scratch tickets are a simple and convenient way to get around Melbourne.

You can buy one or any number of scratch tickets in advance and use them when you need them.

Scratch tickets are also cheaper than the emergency single journey tickets, which are the only tickets that can be bought on trams and buses.

Daily 3 Hour and 60+ scratch tickets are available from authorised newsagents, Amcal Chemists, 7 Elevens, selected mixed businesses, Met Shops and train stations.

Scratch tickets are available for all zones.

To validate your 60+ or daily scratch tickets, simply scratch

out the month and day. On the 3 Hour ticket, scratch out the month, day and the next hour.

For more information, call in at your nearest Met tickets outlet or telephone The Met on 617 0900.

AUTHORISED NEWSAGENTS

MATT V.M.T.#64

Example of a newspaper advertisement placed in January 1990.

7.4 The PTC was advised by a firm of advertising consultants that the advertising strategy should be based on the following key objectives:

- ▶ promoting the new Met Ticket system to the selected retail distribution networks;
- ▶ changing existing ticket purchasing habits and educate the target population of the benefits of purchasing off-system;
- ▶ advising the public of how to use and validate scratch tickets; and
- ▶ informing consumers of the retail network.

7.5 It is significant that the advertising advice provided by consultants to the PTC **did not address as a key objective the impact on the public of the move to driver-only operations.**

7.6 It was proposed that:

- ▶ A co-ordinated campaign using advertising and public relations to promote acceptance of the new system and sales of new tickets would be commenced 2 months before introduction; and
- ▶ A comprehensive pricing strategy was to be developed to encourage off-system ticket purchases and periodical (weekly, monthly, yearly) ticket purchases. It was to be based on overall revenue neutrality and consistency with government pricing policies. The key feature would be the consideration of *introductory* discounted prices for bulk multiple-trip tickets purchased off-system.

7.7 Between 19 November 1989 and 30 June 1990 there was a massive decline in patronage from the previous year of some 20 million boardings (11 per cent). This decline, which can be substantially attributed to Met Ticket and the associated industrial disputation, indicates that to some extent advertising, promotion and public relations were ineffective in selling to the community and transport employees the move to driver-only operations for trams and the new ticketing concept.

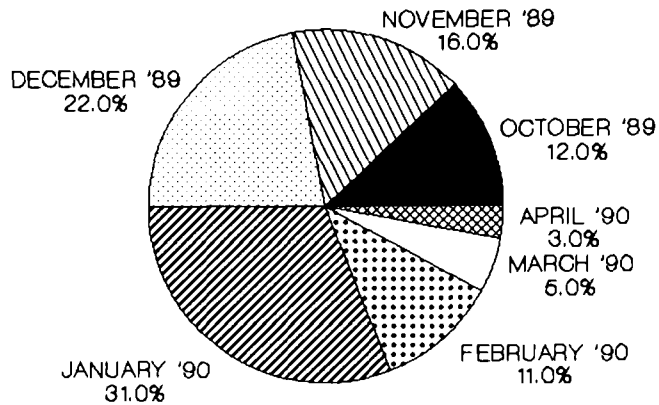
7.8 The effectiveness of advertising, promotion and public relations is heavily dependent on the benefits of the product concerned being conveyed to the target population in a timely manner. **Despite the PTC initially receiving specialist advice in August 1989 which suggested that consumer advertising from mid-November 1989 to January 1990 would not provide the ideal advertising environment, nor would it generate optimum consumer or retail response, the bulk of advertising was undertaken during this period. Expert opinion recommended that the product launch take place in late January 1990.**

ADVERTISING AND PROMOTION

7.9 In audit opinion, the advertising and promotional strategy for the product launch of Met Ticket was not successful due to the following reasons:

- ▶ Certain characteristics of the new ticketing system and driver-only operations were unpopular among the users of the system;
- ▶ Insufficient advertising and promotional activity took place prior to the product launch on 1 December 1989 (only about a quarter of Met Ticket advertising and promotion occurred prior to the product launch). Chart 7A shows the extent of advertising and promotion on a monthly basis relating to Met Ticket;

**CHART 7A. TIMING OF ADVERTISING AND PROMOTIONAL EXPENDITURE
(Months)**



- ▶ The introduction of a new ticketing system from 1 December 1989 and its advertising campaign coincided with the Christmas and holiday period when a large proportion of the community were on leave and were also subject to Christmas advertising campaigns. (As illustrated in the above chart, 22 per cent of Met Ticket advertising took place in December 1989 and 31 per cent occurred in January 1990.);
- ▶ The retail distribution outlets for Met Ticket were in their peak selling period and consequently may not have devoted sufficient attention to selling a new product or concept;
- ▶ A letter box drop to all households in the metropolitan area, which included information explaining Met Ticket and an offer of a bonus ticket on a "buy-one-get-one-free" basis, occurred in late January and early February 1990 rather than prior to the introduction of Met Ticket on 1 December 1989; and
- ▶ Strategies developed to promote the new ticketing system among PTC staff were generally unsuccessful.

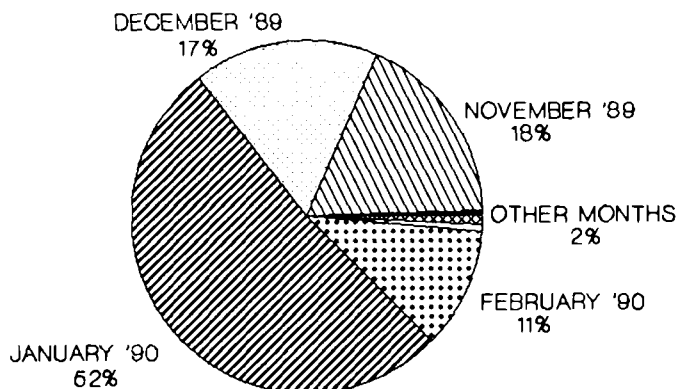
7.10 Advertising and promotion would have been more effective in terms of increasing customer awareness and acceptance of the substantial change to a long established service if:

- ▶ a greater level of advertising and promotion had been incurred prior to introducing the new system rather than after it had been implemented;
- ▶ its timing did not coincide with other major competing campaigns associated with Christmas; and
- ▶ it took place when the users of the new system were more likely to be influenced by the advertising and use the system rather than at a time when many people were on holidays over the summer period.

PUBLIC RELATIONS ADMINISTERED BY THE MINISTRY OF TRANSPORT

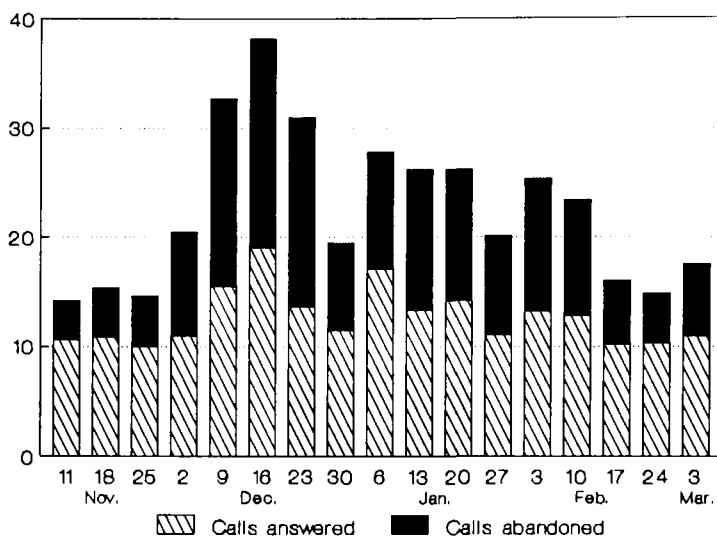
7.11 Although some public relations activity took place prior to (18 per cent) and during December 1989 (17 per cent), the bulk of this campaign occurred after Met Ticket had been fully introduced in January 1990 and primarily focused on the industrial scene at the time. Public relations activity would have had a greater impact and been more effective if it had been focused in November prior to the introduction of the Met Ticket retail network. Relevant details of the timing of public relations expenditure are contained in Chart 7B.

CHART 7B. TIMING OF PUBLIC RELATIONS EXPENDITURE
(Months)



7.12 In addition to the public relations expenditure incurred by the Ministry of Transport, the number of calls received by the PTC's Transport Information Centre increased dramatically after Met Ticket was introduced on 1 December 1989, which resulted in a high number of calls being *abandoned* (not answered by the 15 operators) due to the extreme volume. A comparison of the calls received with the calls abandoned from the week ended 11 November 1989 to 3 March 1990 is contained in Chart 7C.

CHART 7C. COMPARISON OF CALLS RECEIVED WITH CALLS ABANDONED ('000)



7.13 From 5 December 1989 to 13 January 1990 the average number of calls received per week increased by 75 per cent or some 12 000 calls compared with the preceding period. Information maintained by the Transport Information Centre, which may not have been complete, indicated that 3 740 Met Ticket inquiries and 1 200 Met Ticket complaints were received during this period.

7.14 Based on the percentage of abandoned calls, audit estimated that over a 6 week period at least 5 000 phone calls concerning Met Ticket queries and complaints may not have been answered at the first attempt by the caller.

7.15 From a public relations viewpoint, the PTC should have established a separate number for Met Ticket calls and aimed at a higher response rate than around 50 per cent.

7.16 A greater emphasis placed on public relations stressing the benefits of the new system to the public including transport employees prior to introducing the new ticketing system, as well as answering all Met Ticket phone queries, may have improved the attitude of the community towards the new system.

Management response by Ministry of Transport

The Met's advertising and public relations campaign was planned and implemented in conjunction with expert advice. It was planned to link in with a complex industrial relations strategy, the objective of which was to minimise the effect of a dispute on the travelling public.

PRICING

7.17 Although in accordance with the Government proposal for Met Ticket consideration was given to offering introductory discounts for the bulk purchase of tickets from off-system outlets, this strategy was not implemented by the PTC as it was considered that:

- ▶ the provision of discounts was not a strong enough incentive for the transport users to change their purchasing habits;
- ▶ the implementation timeframe would not have permitted off-system discounts to be introduced effectively; and
- ▶ the revenue position of the PTC was not to be compromised at that point of time.

7.18 Audit was advised that based on overseas experience, the PTC chose to impose a premium on the price of *emergency* tickets purchased on board trams as a means of changing consumer behaviour to purchasing tickets off-system. This strategy was selected notwithstanding the market research study which suggested that the provision of meaningful discounts was one of the main attractions for most user groups supporting the use of off-system retail outlets.

7.19 One of the goals of the Met Ticket project was to protect the current revenue base of the PTC. Options which would have had some attraction to the public such as a commitment to either reduce fares or hold fares constant in return for the predicted savings from the new system were not considered a viable alternative to achieve the goals of Met Ticket.

7.20 Although the PTC maintains that the premium priced emergency tickets were successful in achieving a shift from on-board to off-system sales, these tickets have subsequently been abolished. In addition, discount arrangements for certain scratch tickets sold at retail outlets have now been introduced.

7.21 If a new system requires consumers to alter their purchasing habits to buying in bulk, then discounts are likely to provide a greater incentive to change buyer behaviour.

PERFORMANCE INDICATORS

7.22 Although some monitoring occurred within the PTC, there was no evidence to suggest that the PTC developed any detailed performance indicators as a means of measuring the effectiveness of its advertising, promotion and public relations activities. The non-development of suitable performance indicators did not enable the PTC and the Ministry to formally evaluate the effectiveness of advertising, promotion and public relations connected with the introduction of Met Ticket.

7.23 At the conclusion of a major advertising, promotional and public relations campaign, market research should be conducted or internal analysis undertaken against performance indicators to measure effectiveness against stated objectives. This process helps to identify any shortcomings in the campaign which can be addressed prior to engaging in any future product launches.

PART 8

PRINTING AND DISTRIBUTION OF TICKETS

PRINTING AND DISTRIBUTION OF TICKETS

8.1 As mentioned in Part 2 of this report, a key element of Met Ticket was the use of off-system scratch tickets and the sale on trams and buses of emergency premium priced tickets.

8.2 Printing of Met Tickets was undertaken by the following organisations:

- ▶ Company A : Daily and 3 hour scratch tickets (cost - \$1.2 million).
- ▶ Company B : 17.1 million paper tickets - Emergency on-board premium tickets (cost - \$87 000).
- ▶ Company C : 13.7 million paper tickets - Emergency on-board premium tickets (cost - \$539 000).

8.3 Met Ticket printing costs amounted to approximately \$1.8 million for 1989-90.

EXCESSIVE PRINTING OF TICKETS

Emergency on-board premium tickets

8.4 Audit found that the PTC had arranged for an excessive number of emergency on-board premium tickets to be printed by Company C at a cost which was 800 per cent higher than for the tickets printed by Company B. Audit was advised that although the tickets printed by Company B were cheaper to produce as this printing was arranged under a contract which was 3 years old, it was not possible to continue with this arrangement in November 1989 because of industrial bans imposed on Company B, which was located in Adelaide. With the approval of the Met Ticket Steering Committee, the PTC engaged Company C, which was located in Sydney and submitted the lowest quote, to print the additional emergency tickets. In hindsight these tickets need not have been printed as the total number of emergency tickets sold at 30 June 1990 only amounted to 29 per cent of the number of tickets originally printed by Company B. **Approximately 25.9 million emergency on-board premium tickets had not been sold at 30 June 1990. Based on monthly sales, audit calculated that for various categories of emergency tickets the PTC was left with between 2 to 10 years' supply for most ticket types at a printing cost of around \$600 000. For 3 ticket types, the PTC had stock to cover sales for the next 21, 77 and 137 years, respectively.**

8.5 Audit finds it difficult to understand why so many emergency tickets were printed in view of the level of marketing directed at promoting the purchase of tickets through the retail network of agents. Given the emphasis on off-system ticket sales, one would have anticipated that the printing of emergency on-board tickets would have been minimal.

Scratch tickets

8.6 At the end of July 1990, which was the end of the first cycle for scratch tickets, records maintained by the PTC disclosed that 17.6 million tickets remained in stock. This figure did not include the unused tickets returned by agents at the end of July. Audit estimated that, based on monthly sales, the PTC had an excessive number of scratch tickets on hand in various categories at the end of July 1990. **In 73 per cent of scratch ticket types, the PTC had more than 3 months' supply in stock which could no longer be used. As a consequence, unnecessary printing costs amounting to at least \$80 000 had been incurred by the PTC in the printing of scratch tickets.**

8.7 Greater attention should have been given to quantity estimation prior to forming contracts and placing orders for ticket printing. Such a strategy would have avoided unnecessary losses occurring through excess stock holdings at the end of the period.

RECONCILIATION OF RETURNED TICKETS WITH REVENUE

8.8 As the ticketing cycle for Met Tickets ended on 31 July 1990, unused tickets were to be returned by agents to the PTC for reconciliation purposes. This process would facilitate the PTC reconciling revenue from ticket sales with unsold tickets for each agent. In addition, the price rise which took effect from 23 September 1990 meant that tickets for the following cycle unused at that date also had to be returned to the PTC.

8.9 While the PTC was deriving limited assurance from inspections undertaken by the field representatives, the absence of timely reconciliations of revenue from ticket sales with unsold tickets submitted by agents effectively meant that the PTC could not be assured that it had accounted for all revenue.

8.10 Audit was advised in early October 1990 that although reconciliations had not been undertaken due to other priorities, measures had recently been taken to produce an accurate ticketing and sales record for all agents to enable the reconciliation process to commence.

8.11 It is critical that priority be given to completing reconciliations of returned tickets with cash collected on an individual agency basis to ensure appropriate accountability.

ADVERTISING ON SCRATCH TICKETS

8.12 Examination of the Government's proposal for Met Ticket revealed that Met Ticket production costs (ticket printing, distribution and control) were estimated at \$4.5 million per year in comparison with \$1.5 million per year for existing cardboard and paper tickets. The Government expected that this higher cost could be offset through use of some ticket space for commercial advertising.

8.13 Audit was advised that this planned initiative was not implemented because the research undertaken by the PTC's consultants revealed that revenue from this form of commercial advertising would not be substantial due to the following factors:

- ▶ scratch tickets, which were valid for 8 months, would have been more marketable as an advertising medium if they covered a shorter period of about one month (for example, to cover a specific product demonstration);
- ▶ advertising companies could have held the view that they may have been perceived as connected with the industrial situation which could have affected their sales; and
- ▶ the timeframe for implementation of Met Ticket did not enable this initiative to be introduced.

8.14 Although Met Ticket printing costs for 1989-90 of around \$1.8 million were actually less than the original estimate, **the PTC did not achieve any offset of these costs through advertising on scratch tickets.**

8.15 In the more settled period of April 1990, the Ministry of Transport received consultancy advice which indicated that an opportunity existed for the PTC to generate substantial additional revenue from the sale of advertising space on scratch tickets. This matter will need to be addressed when the new ticketing system is determined by the Government.

TICKET DISTRIBUTION - MARKET SURVEYS

8.16 An independent market survey was undertaken for the PTC in late February 1990 to identify the reaction of Met Ticket agents to the retail ticketing system.

8.17 In relation to ticket distribution services the survey, which covered 181 agents (20 per cent), revealed that 60 agents (33 per cent) described the level of service offered by the Met Ticket distribution as "poor" while 45 (25 per cent) rated the service as "fair". In other words, over half the agents surveyed (58 per cent) considered that the standard of ticket distribution was only "poor to fair".

8.18 However, an audit survey of 74 agents in September 1990 confirmed that the level of ticket distribution provided by the PTC to agents had significantly improved. The survey disclosed that 52 agents (70 per cent) described the level of service offered by the PTC's ticket distribution as "good to excellent".

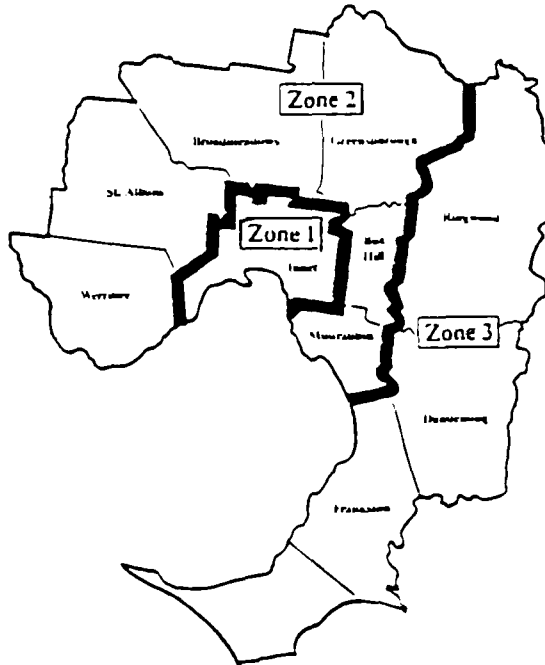
PART 9

RETAIL SALES NETWORK

RETAIL SALES NETWORK

9.1 One of the key elements of the Met Ticket project was the establishment of a retail network of agents. Chart 9A provides details of the 3 zones which make up the retail sales network.

CHART 9A. NEW FARE ZONES



NUMBER OF AGENTS

9.2 A number of changes in direction took place with regard to the development of the retail sales network. It was originally envisaged that the retail sales network for the tram system (Zone 1) would be completed by 31 January 1990 and 90 per cent of the extensive retail network would be in place by 31 July 1990. The PTC initially estimated that 500 agents would be required to service the greater metropolitan area.

9.3 Although the Met Ticket Steering Group endorsed in August 1989 a decision of the Marketing Working Group that the full retail system must be developed before Met Ticket could commence, audit was advised that it was not possible for this strategy to be achieved as the appropriate number of agents could not have been determined until Met Ticket was launched into the marketplace and an analysis undertaken of the market demand.



Retail agent for Met Tickets.

9.4 A retail consulting firm, which was engaged in August 1989 to assist in the establishment of a metropolitan-wide retail agency network to sell Met Tickets, advised that:

- ▶ emphasis must be on customer convenience and ready access which would enhance public relations and stimulate ticket sales;
- ▶ the retail outlets for Zone 1 (the inner suburban tram network) could be in place by 1 December 1989 and the full retail system established by 1 January 1990;
- ▶ based on approximately 500 suburbs in the greater metropolitan area it would be difficult to confine the number of outlets to the PTC's estimate of 500 (with ongoing sales from some 200 railway stations);
- ▶ the required number of outlets could be in the range of 1 000 to 2 000; and
- ▶ negotiations needed to take place concerning the appointment of educational institutions as agents as they represented 40 per cent of the PTC's customers.

9.5 The total cost of this consultancy amounted to some \$357 000 during 1989-90.

9.6 By the commencement of December 1989 the PTC had established 800 retail agents to cover the entire metropolitan area. These agents comprised retail shops such as authorised newsagents, Amcal chemists and 7-Eleven Stores. In view of the number of complaints received when premium priced emergency tickets became the only ticket type sold on vehicle, it would appear that **the PTC had underestimated the number of agents**. Commuters had to seek out retail agents to purchase day and part-day tickets if they were to avoid paying a premium price for an emergency ticket. The undertaking of a mapping exercise and the analysis of complaints and gaps in the network necessitated the progressive phasing in of about 250 additional agents which increased the total number to approximately 1 050 (excluding 200 railway stations) in January 1990.

9.7 When any new system is to be introduced which requires the establishment of a retail network of selling agents, the full complement of agents should be engaged prior to introducing the new system rather than a gradual process of engagement. This practice would enhance community acceptance of the new system and lead to a more efficient and effective process than occurred with the introduction of Met Ticket.

Management response by Ministry of Transport

One of the benefits of Met Ticket is that the PTC have in place an extensive retail network, currently servicing 20 per cent of customers, but capable of servicing 70 per cent of travellers.

A network of 800 agents was in place by 1 December when the dual system was introduced (old system, plus retail network). The size of the network was based on expert advice. Additions were made to the network as consumption pattern estimates were tested in January/February under full retail conditions.

LOCATION OF AGENTS

9.8 Audit was advised by the PTC that as the implementation timeframe required a retail agency network to be established in only 3½ months, the PTC was unable to be selective in determining the most effective location of its agents. As a consequence, the PTC entered into agency contracts with 3 major retail chains which resulted in the engagement of Victorian Authorised Newsagents' Association (VANA) newsagents, Amcal Chemists and 7-Eleven stores as retail agents without regard to proximity. These retail chains formed the bulk of retail agents.

9.9 Although monitoring of monthly sales patterns by the PTC has enabled a reduction in the number of agents, a review by audit of the Register of Agents revealed **37 cases where the PTC had engaged an agency outlet(s) that was located within close proximity of another agent**. While there is an argument in some cases for agents to be located close to one another due to the high volume of sales, audit found that the PTC had engaged a number of agents that were not necessary and incurred expenditure associated with merchandising and inspection which could have been avoided.

9.10 A closer monitoring in the initial stages by the PTC of the location of each proposed agent would have prevented the location of Met Ticket agents virtually next to each other and the resultant additional costs to the PTC of this occurrence.

AGENTS' COMMISSION

9.11 Contractual arrangements provided that agents were to be paid a commission based on ticket sales.

9.12 The audit revealed that even though 2 of the 3 agency groups were willing to accept the PTC's initial offer for the rate of commission, the PTC chose to pay a higher commission to all agency groups in order to secure the services of newsagents as selling agents. The additional cost of this decision, estimated at the time to be in the order of \$2.3 million per year, needed to be incurred for the estimated complement of agents to be in place at the commencement of Met Ticket.

9.13 Although it recognised that newsagents (330) comprised about 40 per cent of the retail network and were therefore an essential component, audit is of the view that the PTC should have evaluated the cost-effectiveness of engaging other retail outlets. For example, as 40 per cent of patronage is derived from educational institutions greater attention should have been given to engaging educational institutions as agents. If this process had been undertaken it is likely that cost savings would have been achieved with regard to commissions paid to agents. It is interesting to note that during December 1989 and January 1990 the PTC received in excess of 300 applications for the Met Ticket agency.

Management response by Ministry of Transport

The commission levels negotiated with agency groups were very reasonable and within Budget.

The Met and its commercial advisers fully assessed the commercial benefits of all possible outlets - schools, nursing homes, banks, post offices, supermarkets etc. before determining its preferred retail mix.

DUPLICATE TICKET SELLING SYSTEMS

9.14 The abolition of the premium priced emergency tickets and the re-introduction of the sale of paper tickets on board trams and buses at no extra cost from July 1990, while also retaining the retail network, has meant that unnecessary costs for maintaining the retail network have been incurred since July by way of commission paid to agents and operating costs involved in the sales support function carried out by the field representatives. This interim situation was unavoidable in the light of the Government's policy to introduce driver-only operations and the need to retain the retail network for the ultimate implementation of this policy. **The longer the interim situation continues, the greater the duplication in costs to the PTC.**

USE OF FIELD REPRESENTATIVES

9.15 The PTC appointed 15 field representatives and one sales manager from within the PTC with responsibility for visiting retail agents and performing the following functions:

- ▶ introducing the new product;
- ▶ providing advice on customer relations and display techniques for promotional material;
- ▶ staff training;
- ▶ replenishing stocks of tickets; and
- ▶ accounting and audit.

9.16 The cost of providing this service for 1989-90 amounted to \$593 000 of which \$283 000 related to salaries and \$310 000 was associated with motor vehicles.

9.17 During September 1990 audit surveyed 100 agents to ascertain their level of satisfaction with the service provided by the PTC. An analysis of the responses received from 74 agents revealed that:

- ▶ 59 agents (80 per cent) regarded the service offered by the PTC's field representatives as "good to excellent"; and
- ▶ 52 agents (70 per cent) described the level of service offered by the PTC's ticket distribution as "good to excellent". This finding was a significant improvement from the view disclosed in the Met Ticket agency survey undertaken by the PTC in late February 1990, which indicated only 35 per cent of agents surveyed described the level of service offered by the Met Ticket distribution as "good to excellent".

PART 10

PASSENGER SERVICES FUNCTION

PASSENGER SERVICES FUNCTION

10.1 As part of the new ticketing system, it was envisaged that approximately 400 PTC staff were to be retrained as Met Rovers in order to provide advice and assistance to passengers. They were to:

- ▶ provide advice to the travelling public about ticketing, general service information, travel options and regulations that apply to train, tram and bus travel;
- ▶ provide physical help to passengers, particularly the elderly and disabled;
- ▶ improve vehicle safety and security of all passengers; and
- ▶ check passengers' tickets and issue "on-the-spot" fines for particular transport offences (a \$50 on-the-spot fine can be imposed or, if the case goes to court, a \$500 fine can be imposed).

10.2 The PTC estimated that the engagement of 400 Met Rovers would enable an inspector to be present on almost every vehicle for at least a part of its journey each day.

10.3 Initiatives relating to Met Ticket to improve vehicle safety and security of all passengers centred on the use of Met Rovers to operate in teams of 2 or 3 on all services in all time periods. Other initiatives irrespective of Met Ticket included:

- ▶ the provision of safety and security equipment including closed-circuit TV at stations and on articulated trams;
- ▶ the extension of the radio security system to encompass the whole tram network;
- ▶ the provision of tram drivers with access to 2-way radio directly connected to Transit Police; and
- ▶ the engagement of additional Transit Police.

10.4 To coincide with the introduction of Met Ticket, a Revenue Protection Department was created which comprised 70 revenue protection officers consisting of former transit patrolmen, tramway inspectors, tramway conductors and station staff. This new revenue protection function provided a larger coverage than the level of revenue inspections previously carried out by the tramways inspectors and the Victoria Transit Patrol Department administered by the Victoria Police Force. Revenue protection officers also assisted passengers with ticketing queries and provided help, when required, to the elderly and the disabled. As the concept of driver-only trams did not eventuate, a pool of displaced conductors had not been created which prevented the PTC from proceeding with its strategy of establishing a team of 400 Met Rovers. In effect, this strategy was replaced with a team of 70 revenue protection officers. **The cost of operating the Revenue Protection Department comprising the 70 officers amounted to around \$1 million for 1989-90.**

10.5 With the introduction of Met Ticket the PTC initially aimed at achieving a first level visual ticket check of 80 per cent of passengers at barriers at stations manned by station staff, W class tram conductors and front door entry of modern trams during off-peak periods. The Government proposed that a more rigid check of tickets by Met Rovers would cover 10 per cent of passengers on all modes (a passenger could expect to be subject to a ticket check on the system at least once in every 10 trips).

10.6 Due to the initial design of the scratch ticket the first level ticket check by conductors and station staff was not an effective revenue protection mechanism. As the full complement of Met Rovers was not achieved, audit calculated that the 70 revenue protection officers were only capable of checking 1.7 per cent of all PTC passengers (boardings) between 1 January and 25 September 1990. During this period some 3 660 000 passengers were subject to a physical ticket inspection with the following results:

- ▶ 19 700 passengers (0.5 per cent) were in possession of an unscratched ticket which was scratched while in the presence of the inspector;
- ▶ 57 600 passengers (1.6 per cent) did not have a ticket and were required to purchase a ticket at the station;
- ▶ 28 700 passengers (0.8 per cent) were issued with an on-the-spot fine; and
- ▶ 7 600 passengers committed offences that were subject to police prosecution.

10.7 Information received from the Victoria Transit Patrol Department indicated that for the period 1 January 1990 to 30 September 1990:

- ▶ revenue collected from infringement notices amounted to \$1.2 million of which \$897 000 related to ticket offences; and
- ▶ revenue collected from prosecutions amounted to \$189 000 of which \$141 000 was for ticket offences.

10.8 In view of the added potential for fare evasion resulting from the introduction of scratch tickets, **audit maintains that the engagement of only 70 revenue protection officers covering 1.7 per cent of all passengers may not have been sufficient to provide an effective revenue protection function over all modes of public transport in the metropolitan area.**

10.9 In audit opinion the PTC should undertake a cost-benefit analysis to determine the optimum number of revenue protection officers in terms of generating more revenue through additional fines, deterring potential fare evaders and increasing patronage (through a reduction in vandalism, crime and graffiti), compared with the costs and benefits of also retaining conductors and station staff.

Management response by Ministry of Transport

The PTC fully assessed inspection requirements in planning for the introduction of a proof of payment ticketing system. Overseas levels of inspection were reviewed and an inspection strategy unique to Met Ticket was adopted. Overseas inspection levels were to be doubled for Melbourne's driver-only operated vehicles.

PART 11

THE ELDERLY AND THE DISABLED

THE ELDERLY AND THE DISABLED

11.1 The Met Ticket proposal submitted to the Government indicated that the benefit of scratch validation was that it could be done at the traveller's leisure and with the help of disabled traveller support mechanisms. Emphasis in the marketing of self-validation was to be given to "*helping your fellow traveller*".

11.2 The audit found that **there was insufficient market research and consultation with the elderly and the disabled while developing the Met Ticket concept.** The qualitative market survey undertaken in June and July 1989 did not appear to cover any disabled groups and the main thrust of consultation with community groups took place after the Met Ticket concept had been approved by the Government. In addition, **the initial proposal for people unable to cope with self-validation to have the option of buying a validated ticket from a retail outlet or the driver was not adopted by the PTC.**

11.3 After Met Ticket was introduced, 9 individuals brought legal action against the PTC on the grounds that Met Ticket unlawfully discriminated against the disabled. Certain allegations of discrimination against the disabled were also raised by 29 different organisations representing various sections of the disabled in the community. For example, passengers suffering from visual impairment, or psychiatric or intellectual disability alleged unlawful discrimination as a result of:

- ▶ the removal of tram conductors;
- ▶ the removal of assistants from railway stations; and
- ▶ the introduction of scratch tickets.

11.4 In view of the judgement handed down by the Equal Opportunity Board in the case of *P. Waters and others v. The PTC* in March 1990 which held that Met Ticket unlawfully discriminated against the disabled, the Director-General of Transport gave the following direction in late April 1990:

- ▶ The PTC has a responsibility to implement the Government's micro-economic reform strategy. The PTC must operate within the framework of government policy and its budget requirements. The PTC must ensure that its actions are in accordance with legislation and in particular take into account the findings of the Equal Opportunity Board;
- ▶ A ticketing arrangement be introduced that removed the discriminatory impact on disabled persons of scratch tickets (in the interim, the PTC was directed to introduce a disabled person's pass);
- ▶ The operation of driver-only trams and light rail vehicle services are not to extend beyond the current level until a further direction is given by the Minister for Transport or the Director-General of Transport;

- ▶ Options for further ticketing changes are to be prepared;
- ▶ Proposals to provide for driver-only duties to provide full and proper assistance to the disabled are to be developed;
- ▶ Proceed with preparation for driver-only operation with appropriate consultation; and
- ▶ Proceed to develop and implement the railway station upgrade program.

11.5 The need for some of these actions was overtaken by the Minister's decision in July 1990 to re-introduce parts of the previous ticketing system as an interim measure.

11.6 In July 1990 the PTC appealed against the order made by the Equal Opportunity Board that the PTC refrain (at least in part) from implementing driver-only trams and the use of scratch tickets. This decision, which was based on the finding that the disabled suffered unlawful discrimination as a result of the changes to the public transport system, was subsequently overruled by the Supreme Court.

11.7 The legal action and judgements handed down by the Equal Opportunity Board and the Supreme Court delayed the implementation of driver-only operations and resulted in a number of reforms to the original Met Ticket concept.

11.8 In hindsight, if during the developmental phase of the Met Ticket concept the PTC had taken more precautions against adverse comments towards Met Ticket from the elderly and disability groups, the implementation of driver-only operations and the anticipated savings would have had a greater chance of being realised. Strategies such as the sale of 60+ daily tickets on vehicles at the same price as that charged at retail agents and the development of a disabled person's pass would have been worthwhile features of Met Ticket.

PART 12

DRIVER-ONLY OPERATION OF TRAMS

DRIVER-ONLY OPERATION OF TRAMS

12.1 The Government proposed that driver-only operations on converted modern trams (by depot) would commence from 1 January 1990 and be fully implemented by 31 March 1990. It was anticipated that staff reductions, managed through attrition, would result in the reduction of 840 tram conductors by 30 June 1993 and lead to savings of \$25.3 million per year. The predicted net annual savings of \$24 million to be achieved in 1993-94 from the completion of all staff reductions associated with Met Ticket by 30 June 1993 was heavily dependent on the effective implementation of driver-only operation for trams. Audit was advised that, despite the PTC developing mock tram designs prior to 1 January 1990 for the introduction of driver-only operations, attempts to consult with unions on these designs were unsuccessful.

12.2 The Agreement between the PTC and the Australian Tramway and Motor Omnibus Employees' Association (ATMOEA) of 2 February 1990, which resolved the 5 week transport dispute, stated that the Tramways Union accepted the introduction of Met Ticket, including driver-only operation of modern trams, and provided that work would commence on tram conversion. As part of this process occupational health and safety issues were to be addressed and resolved.



Modern tram to be driver-only operated.

12.3 Detailed design drawings for the alterations to tram drivers' cabins, to enable one person operation, were developed subsequent to the February 1990 Agreement. These design modifications were implemented on the 55 trams based at the Camberwell Depot. After an initial operating period the ATMOEA rejected these modifications on the grounds that the driver cabins were unacceptable due to occupational health and safety concerns. As a result, trams had to be returned to their normal driver cabin configuration and the equipment and materials required for the modification were placed in storage. **Costs associated with effecting these modifications amounted to \$600 000 during 1989-90.**

12.4 Since the rejection of the modifications, consultation took place between the PTC and the ATMOEA in an effort to negotiate an acceptable design for drivers' cabins. Audit was advised that discussions have been frozen while awaiting a decision on one person operation.

12.5 In the interim, the PTC concentrated one person operation out of the Camberwell Depot on the Wattle Park route to the city. Subject to legal proceedings taking place in the Supreme Court by the PTC against an order made on 9 May 1990 by the Equal Opportunity Board for the PTC to refrain from further implementing driver-only trams and the use of scratch tickets, the PTC directed that on an interim basis one person operating trams would be assisted by the use of conductors on the Wattle Park route during late night operations (for security protection), peak hour operations (for revenue protection) and by conductors located at stops at heavy loading areas (to assist passenger movement). Audit was advised that the Camberwell depot had developed its own systems for handling driver-only operations which took place between 9.30 a.m and 3.30 p.m on the Wattle Park route.

12.6 In audit opinion, the formation of a Committee comprising PTC and ATMOEA representatives to develop an agreed design for a work station for tram drivers operating driver-only trams and to address related occupational health and safety issues, prior to undertaking the required modifications, would have prevented unnecessary expenditure in the order of \$600 000 being incurred.

12.7 Although savings of \$3 million were planned to be achieved in 1989-90 through the reduction of 565 tram conductors, the partial implementation of driver-only operations on the Wattle Park route has not resulted in the achievement of any savings. In fact, in addition to the \$600 000 expended on the modification of trams to driver-only, the PTC also outlayed \$56 000 in respect of tram driver loading to the 66 tram drivers who performed additional duties while being part of driver-only operations at the Camberwell Depot from 4 February 1990 to 30 June 1990. The number of staff at the Camberwell Depot had not been reduced as the current number of conductors were required to staff the peak period shifts. Audit was advised that rosters were arranged to enable conductors to perform other duties such as ticket selling or to cover daily absenteeism during periods of the day when driver-only operations were being implemented.

12.8 Audit recognises that major problems exist for government if unions do not participate in discussions over change. However, the efficiency and effectiveness of the implementation of driver-only operations would have been maximised by reaching agreement with the ATMOEA on issues relating to tram modifications and occupational health and safety matters prior to affecting changes to driver work stations. Extensive consultation with disability groups during the conceptual stage of the Met Ticket proposal may have averted the protracted legal proceedings and its impact on the move to driver-only operations.

Management response by Ministry of Transport

The PTC made many attempts to open consultations with the ATMOEA.

Transport accepts that better consultation with disability groups may have enhanced understanding of the issues involved.

The legal proceedings, now before the High Court, were not avoidable, going as they do to the relationship between equal opportunity legislation and driver-only tram operations, a government efficiency decision.