

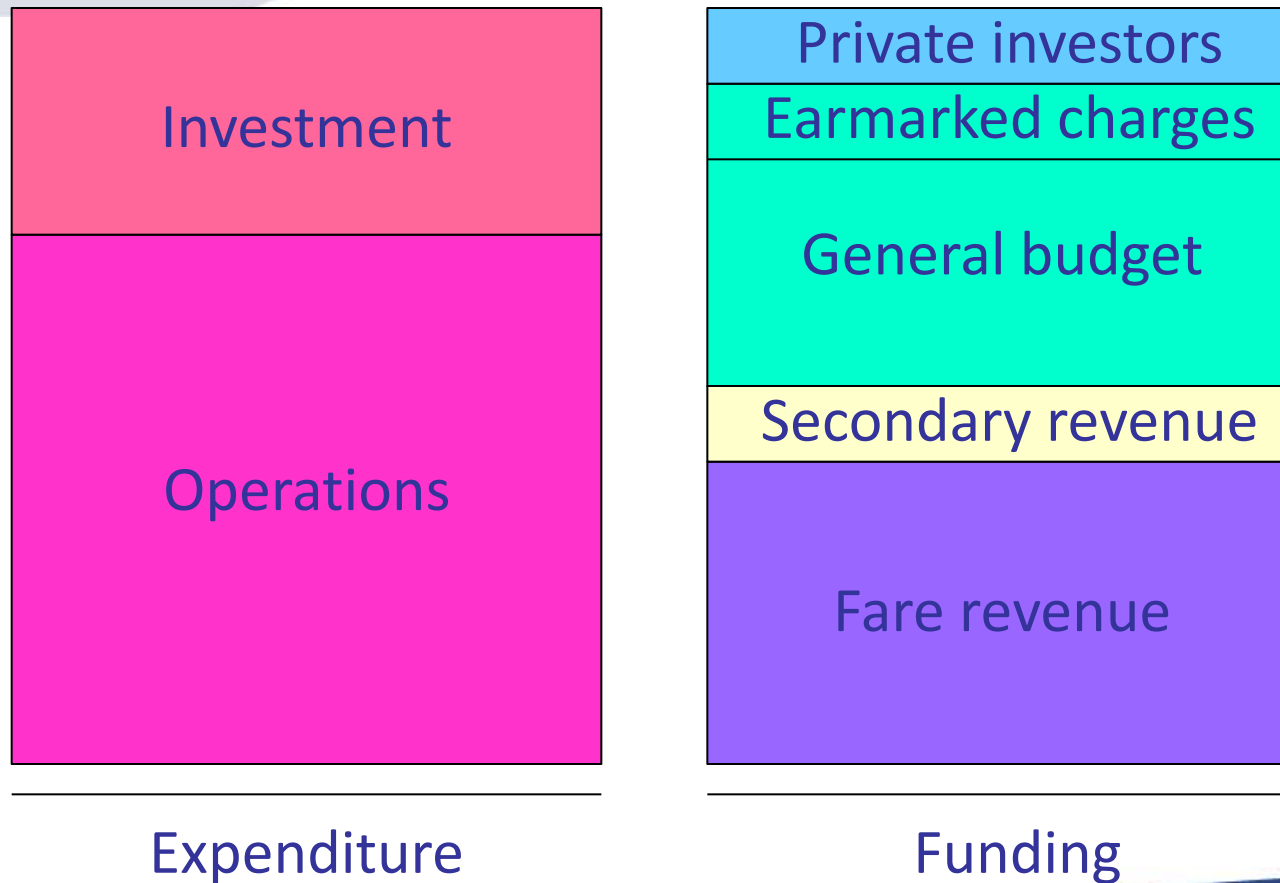


International Association of Public Transport  
Union Internationale des Transports Publics  
Internationaler Verband für öffentliches Verkehrswesen  
Unión Internacional de Transporte Público

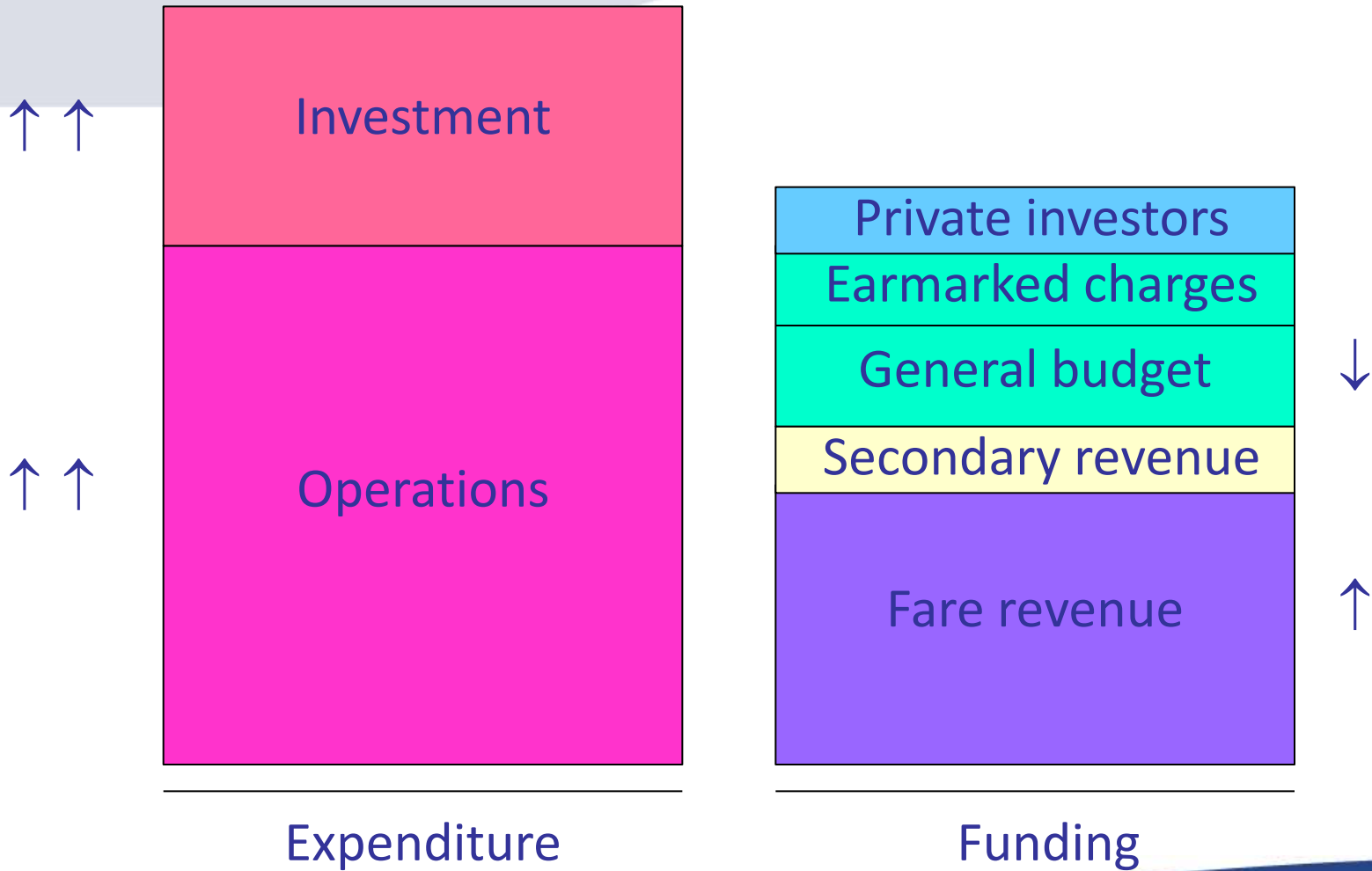
# **Developing a revenue strategy for public transport: inspiration from Asian networks**

***Jerome Pourbaix***

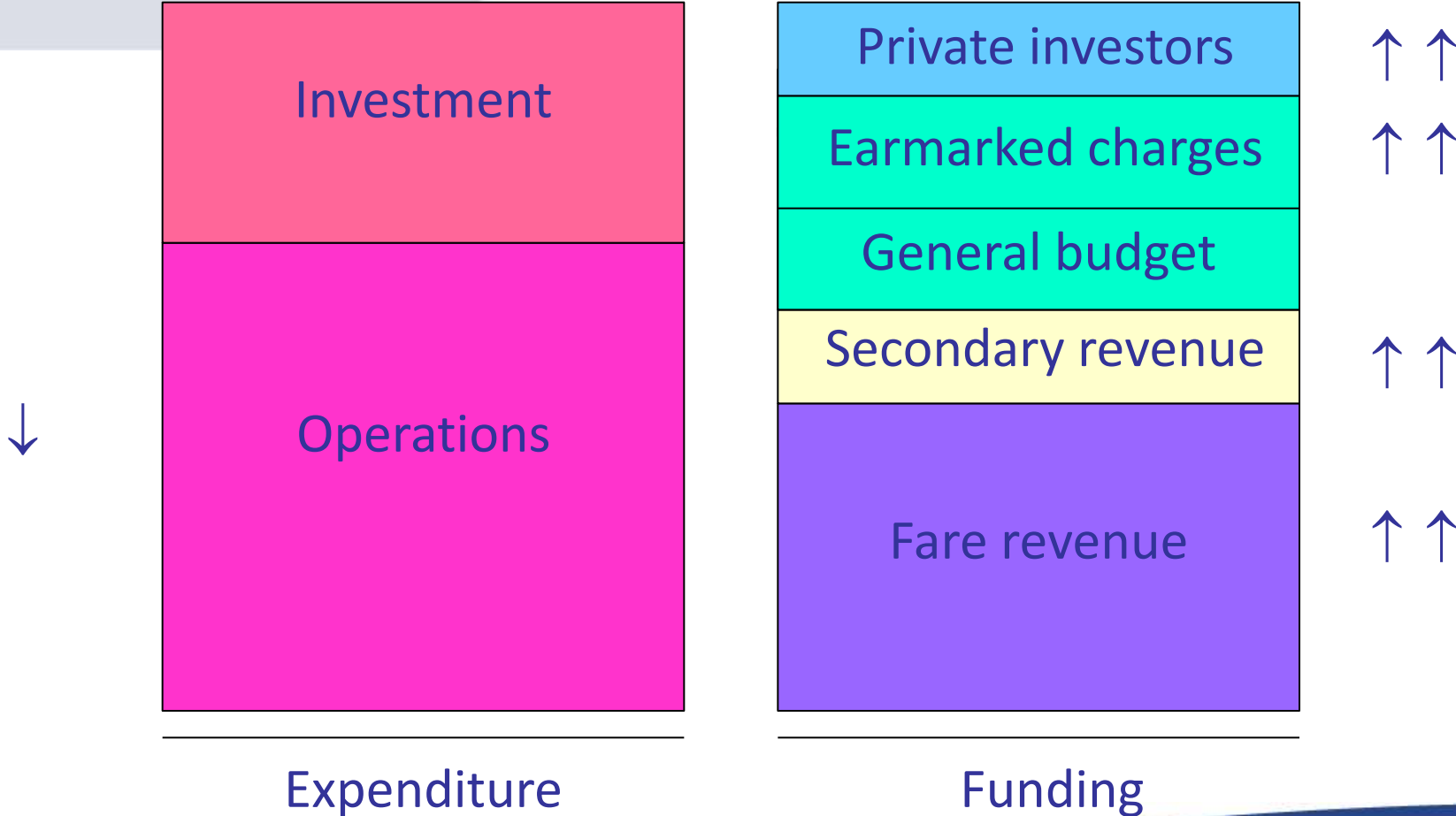
# Public transport funding challenge



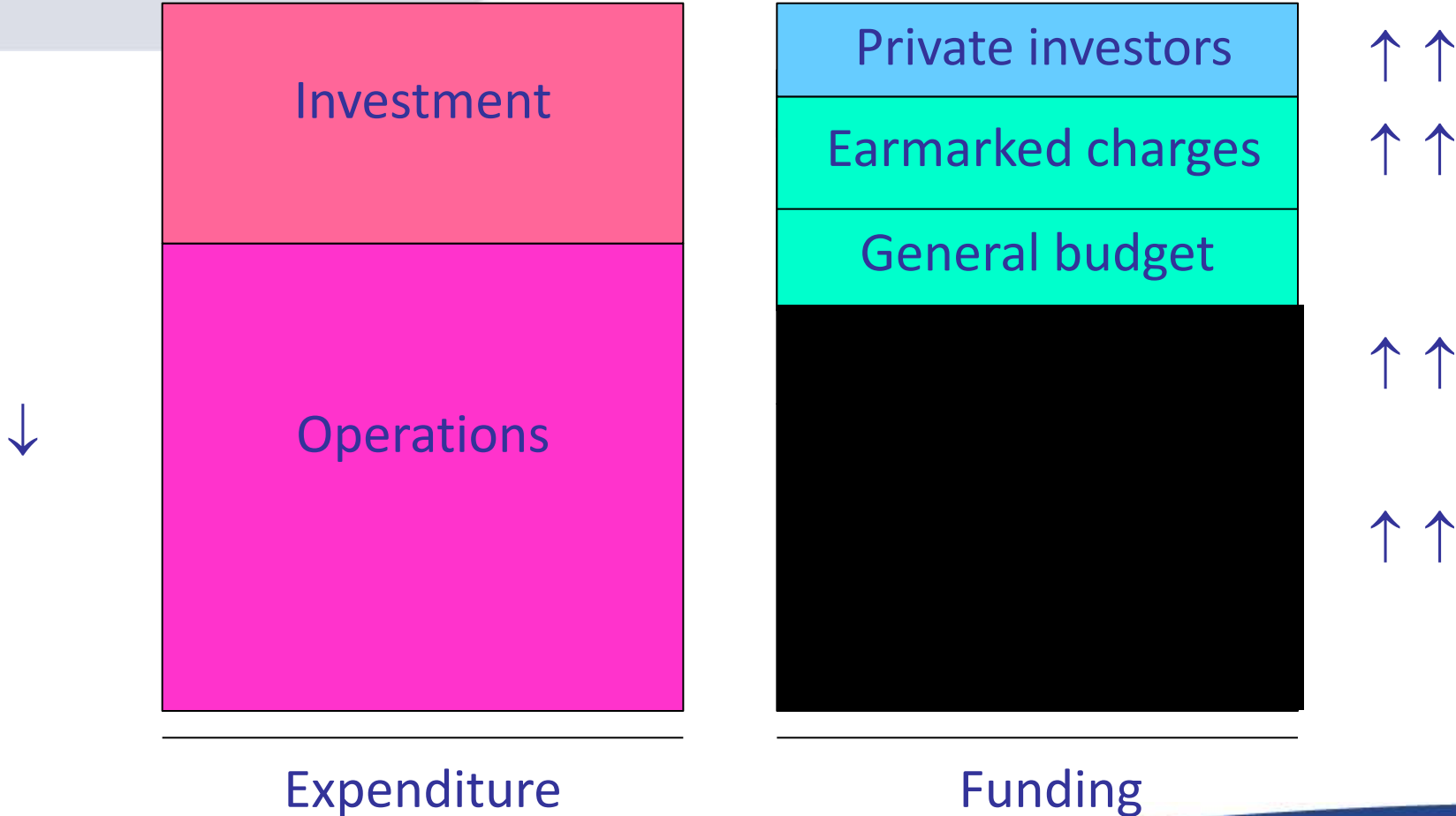
# Public transport funding challenge



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# Revenue strategy for public transport

## **Fare revenue**

1. Fare regulation and adjustment
2. Revenue management
3. Diversification of services

## **Secondary revenue**

4. Optimizing assets

# 1. Fare Regulation and Adjustment

- **Principle:** « Better quality and higher fares = more customers and more revenue »
- **Timing of fare reviews:** annual review, small increment, combine with other changes in service provision.
- **Use of a formula:** increases transparency and reduces uncertainty, but requires flexibility to take into account unforeseen circumstances

# 1. Fare Regulation and Adjustment

## Hong Kong MTR fare adjustment formula

$$0.5 \times \text{\% change in composite consumer price index} + 0.5 \times \text{\%change in normal wage index (transport service)}$$



## 2. Revenue Management

- Providing the right service to the right customer at the right time for the right price (price discrimination, market segmentation).
- Common in many economic sectors.
- Potential for cost reduction and revenue increase.
- Facilitated by automated fare collection technologies.

## 2. Revenue Management

### Distance and time of day pricing

- Fares in Singapore and Hong Kong are distance based.
- Peak vs. off peak differentiation in Hong Kong.
- Suburban railway services are free before morning peak in Melbourne. Financial return positive in the long run. Tested in Singapore.

## 2. Revenue Management

### Loyalty programme (MTR Club)



- Registration using Octopus Card
- Over 1.1 million members
- Enhance loyalty & usage
- Members accumulate points by ride or shop for exclusive gifts redemption
- Additional bonus points for specific trips to shape certain travelling behavior

## 2. Revenue Management

### Loyalty programme (MTR Club)



- Club members spent 1.8 times more than non club members
- Club members exhibited ~5.5% increase in spending per day over the year

### **3. Diversification of services**

#### Premium bus service in Singapore

- Linking affluent residential areas to central business district
- High quality and comfort, dedicated lanes

# 3. Diversification of services

## Tourist products in Hong Kong



**港鐵旅遊票**  
**觀光遊樂大放送**  
**MTR Tourist Value Pack**

由即日起至12月31日，只購買遊客全日票，遊客選擇橫濱遊覽或橫濱神戶橫濱遊覽，即送「歡樂碼頭」，令橫濱大主題樂園乃四種精彩觀光體驗，節省高達港幣**203元**！立即購買，享受精彩的香港之旅！

From now until 31 December, buy a Tourist Day Pass or a Tourist Cross-boundary Travel Pass or an Airport Express Travel Pass to enjoy fabulous offers\* from 2 theme parks and 4 sightseeing experiences and save up to HK\$ **203**!

\* 香港迪士尼樂園、香港海洋公園、港珠澳跨境巴士、山頂纜車及新大嶼山巴士 (只限橫濱遊覽)  
Hong Kong Disneyland, Hong Kong Ocean Park, Hengfeng Ferry, Ngong Ping 360 Cable Car and Star Ferry's Harbour Tour

心繫生活每一程 MTR 港鐵

Tourists are willing to pay a higher price for a better and more convenient service

## 4. Optimizing assets

- Advertisement,
- Retail and property development
- Telecommunication systems
- Merchandizing (company brand)

# Advertisement



Digital Ads in Hong Kong



# Retail in stations

mtrshops

- Expansion & review
  - Renovation of stations
  - Repartition of shop areas
  - Re-layout of station facilities
- Sales & marketing campaigns
- Management service initiatives



UIP

# Retail in stations



# Property development and services (Tokyo)

## Life-style business of JR EAST

	<p>Retail &amp; Restaurants ( "Ekinaka" ) 2,000 stores \ 250 billion</p>		<p>Office 23 Buildings \ 37 billion</p>
	<p>In-Station Shopping Center "Ekinaka SC" 25 zones \ 100 billion</p>		<p>Fitness Club 16 facilities \ 7 billion  * JRE Sports Co. total sales</p>
	<p>Shopping center 148 SCs \ 1,000 billion</p>		<p>Advertising \ 100 billion  * EJ Marketing &amp; Communications Inc. total sales</p>
	<p>Hotel 45 hotels 6,600 rooms \ 44 billion</p>		<p>Regional Revitalization &amp; More</p>



# Hong Kong's rail and property development model










# Telecommunication services (Seoul, Hong Kong)

- “Landlord” partnering with mobile operators
- Forerunner in providing best railway telecom services
  - paging service → 2G mobile → 3G mobile & WiFi
- Telecom system integrator & bandwidth wholesaler (through a subsidiary)



ONP

# Merchandizing (Hong Kong)

	Collectibles	Stationery & Toy	City Travel	Home & Kitchen
Train				
Map				
Station Name				
Signage & Pictogram				
Station facilities				

# Final remarks

- No silver bullet in public transport funding
- Inspiration for revenue strategy from Asian networks
- Need to adapt to local situations and cultures