Economies of Scale
in a disaggregated market

BUS SA CONFERENCE

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KPPM STRATEGY

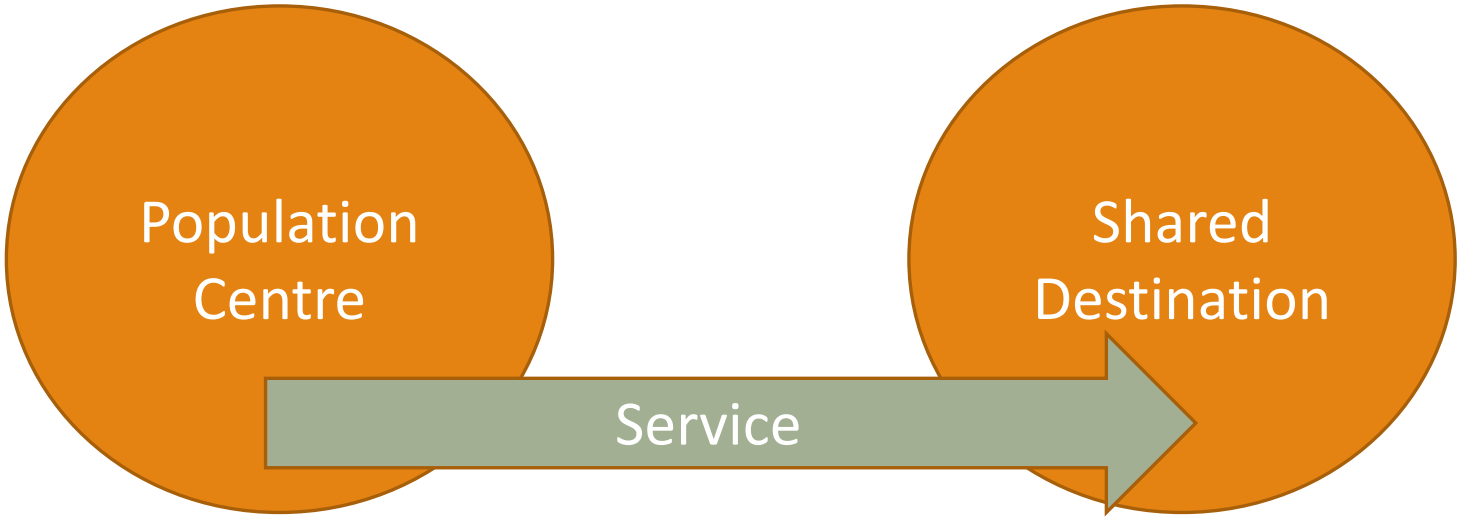
Moving people in Regional South Australia…

Where are they, where will they be,
and where do they want to go?

And… how are we going to make money doing it?

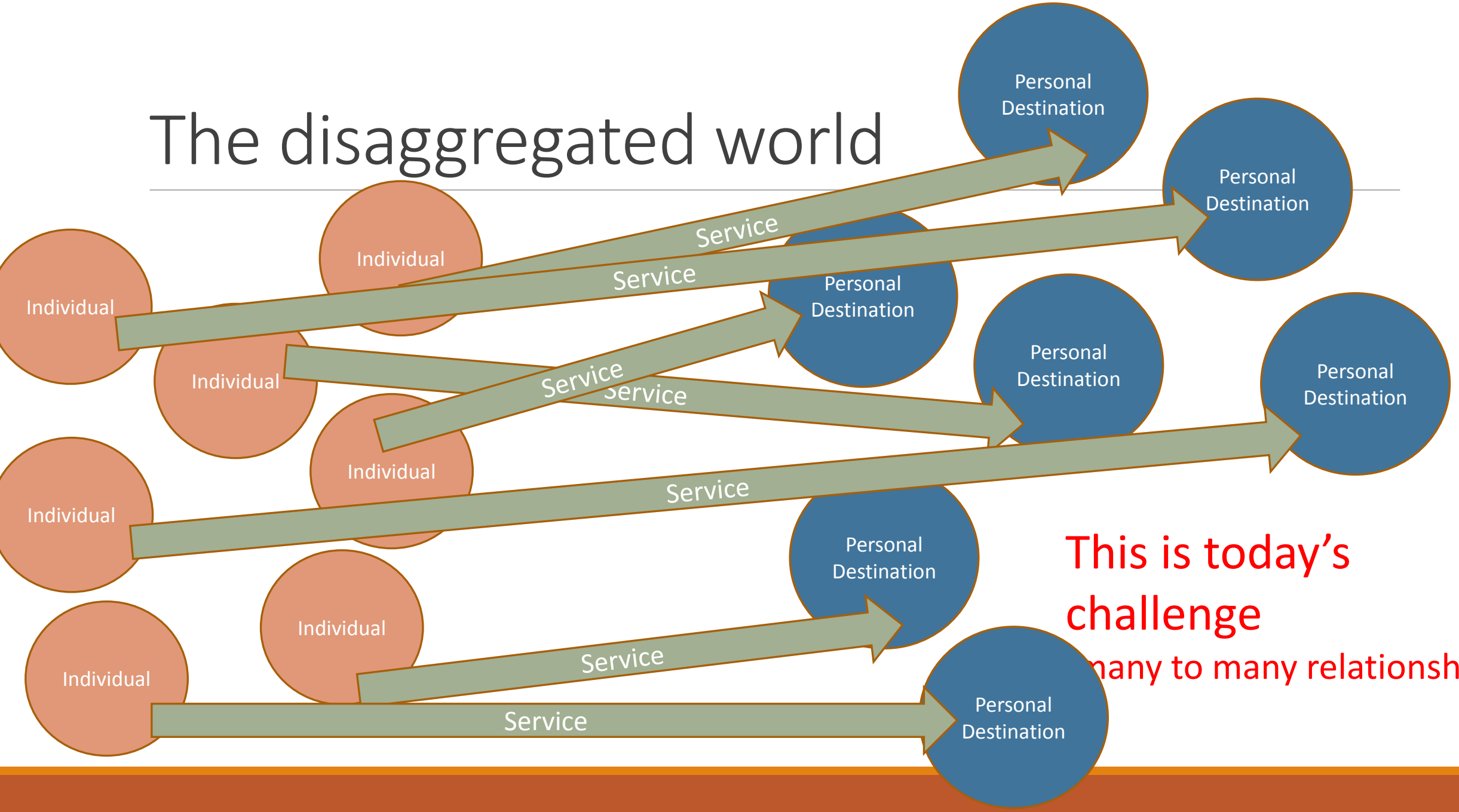
The world has changed

Old models of agglomeration are no longer working, and our business models need to adapt



This is how we used to make money
(one to one relationships)

The disaggregated world

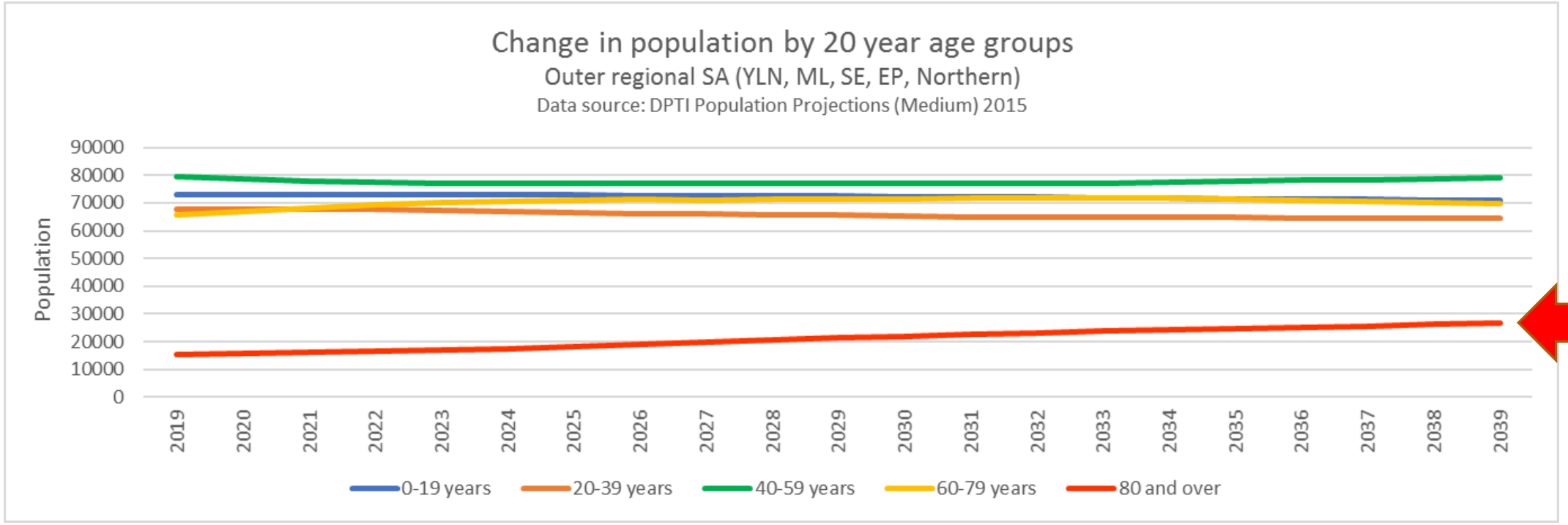


This is today's challenge

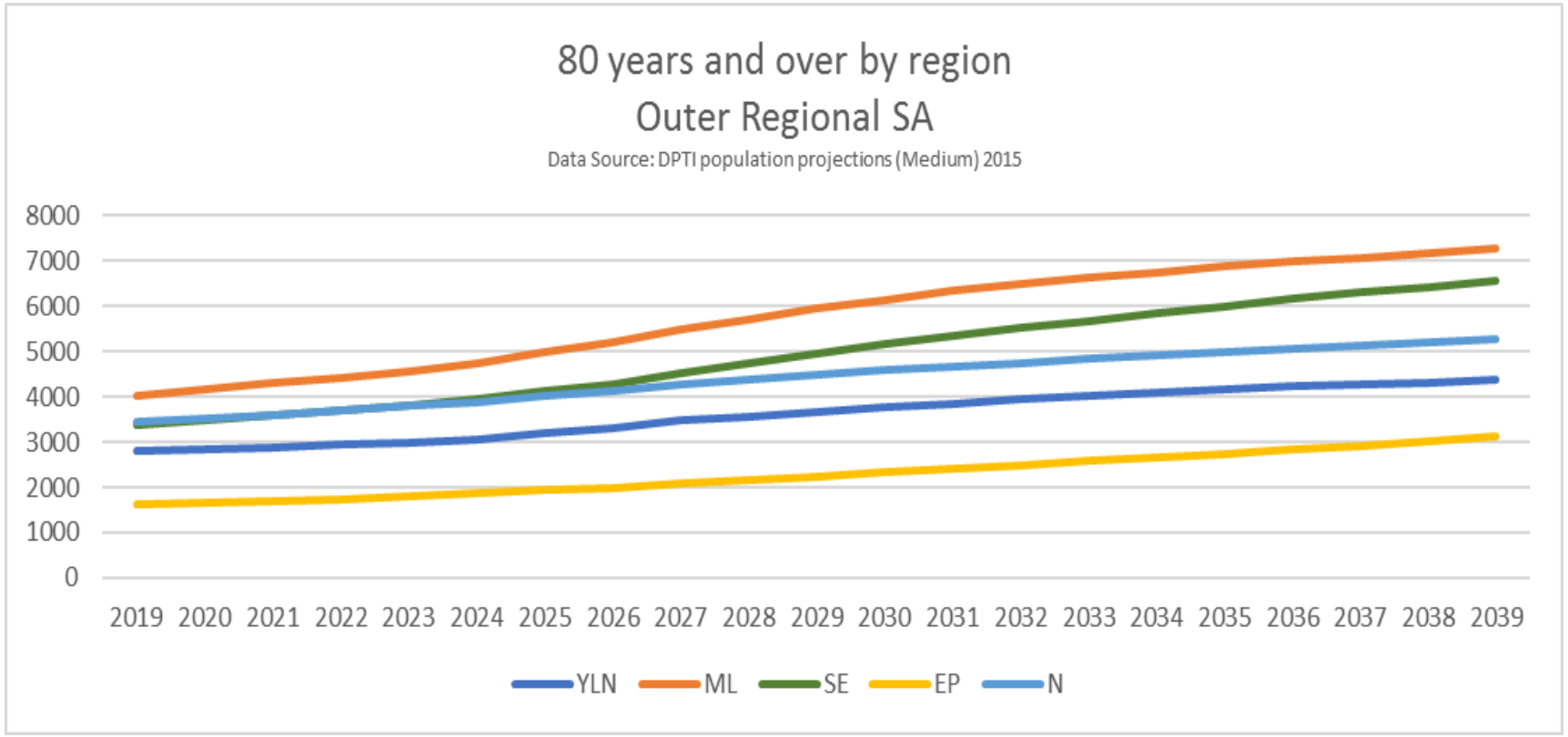
(many to many relationships)

Tomorrow's challenge

(or... where will we be in 20 years?)



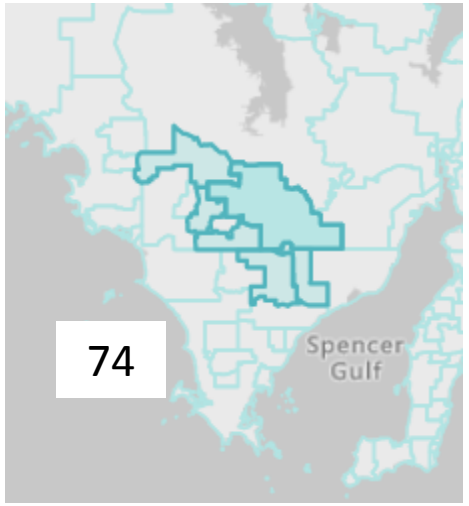
Older populations in more detail

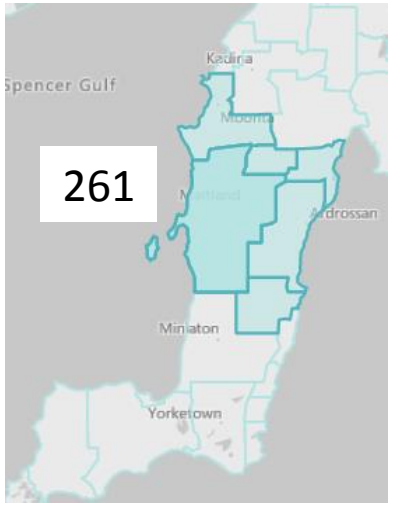


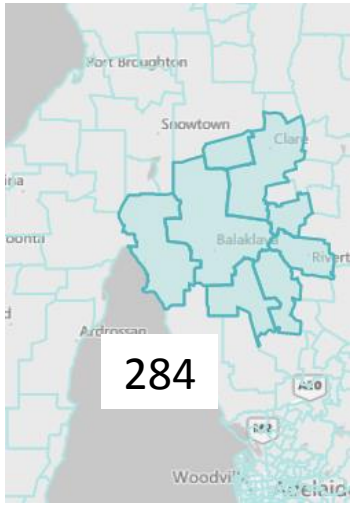
Region	% change >80 years 2019-2039
South East	193%
Eyre Peninsula	191%
Murraylands	181%
Yorke & Lower North	157%
Northern	153%

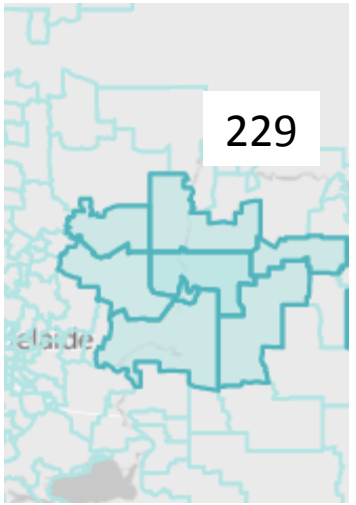
NDIS

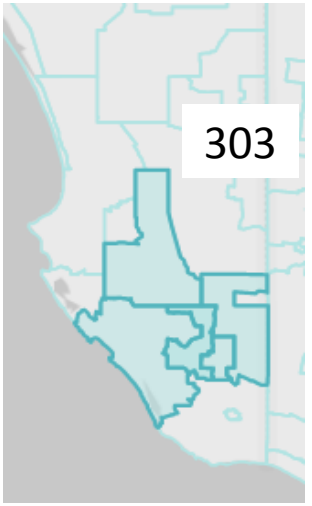
Transport to services is a key issue
(and currently not appropriately funded in rural areas)









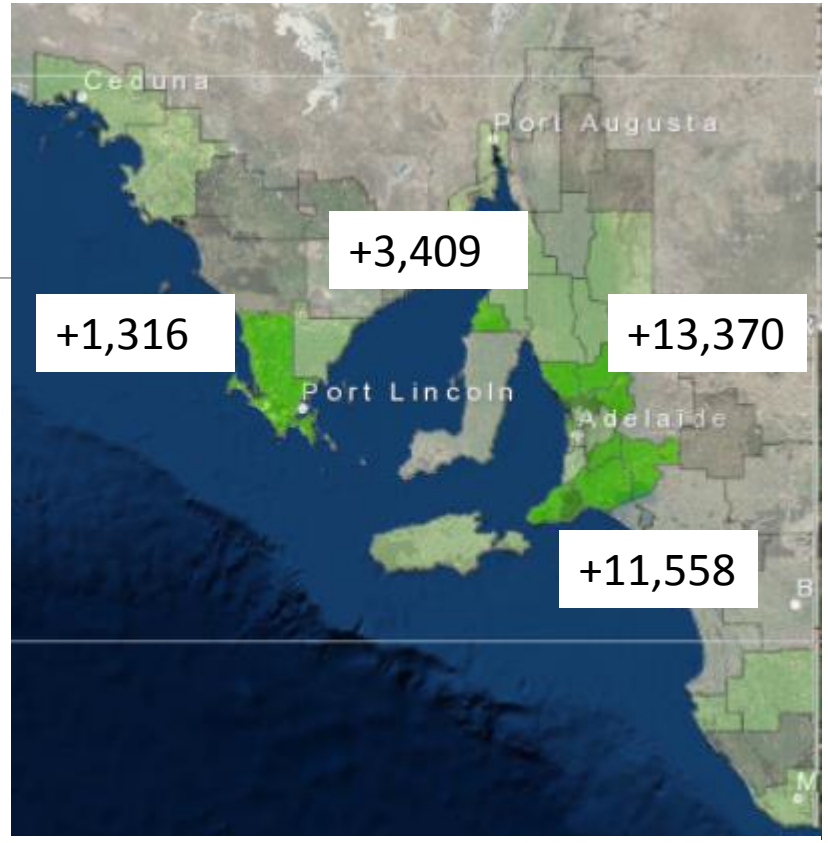


Predicted number of NDIS participants by 2023 in selected (isolated) rural areas

NDIS won't make a significant contribution to the problem of scale

Sea and tree changers

- Value scenery and amenity
- Expect good internet and ‘app based’ services
- Have ‘city expectations’ re service responsiveness
- Cluster at larger population centres as they age (access to health services, arts and culture, coffee)
- Generally have own transport when they first move, but as they age will need assistance with transport to specialist health services outside the region

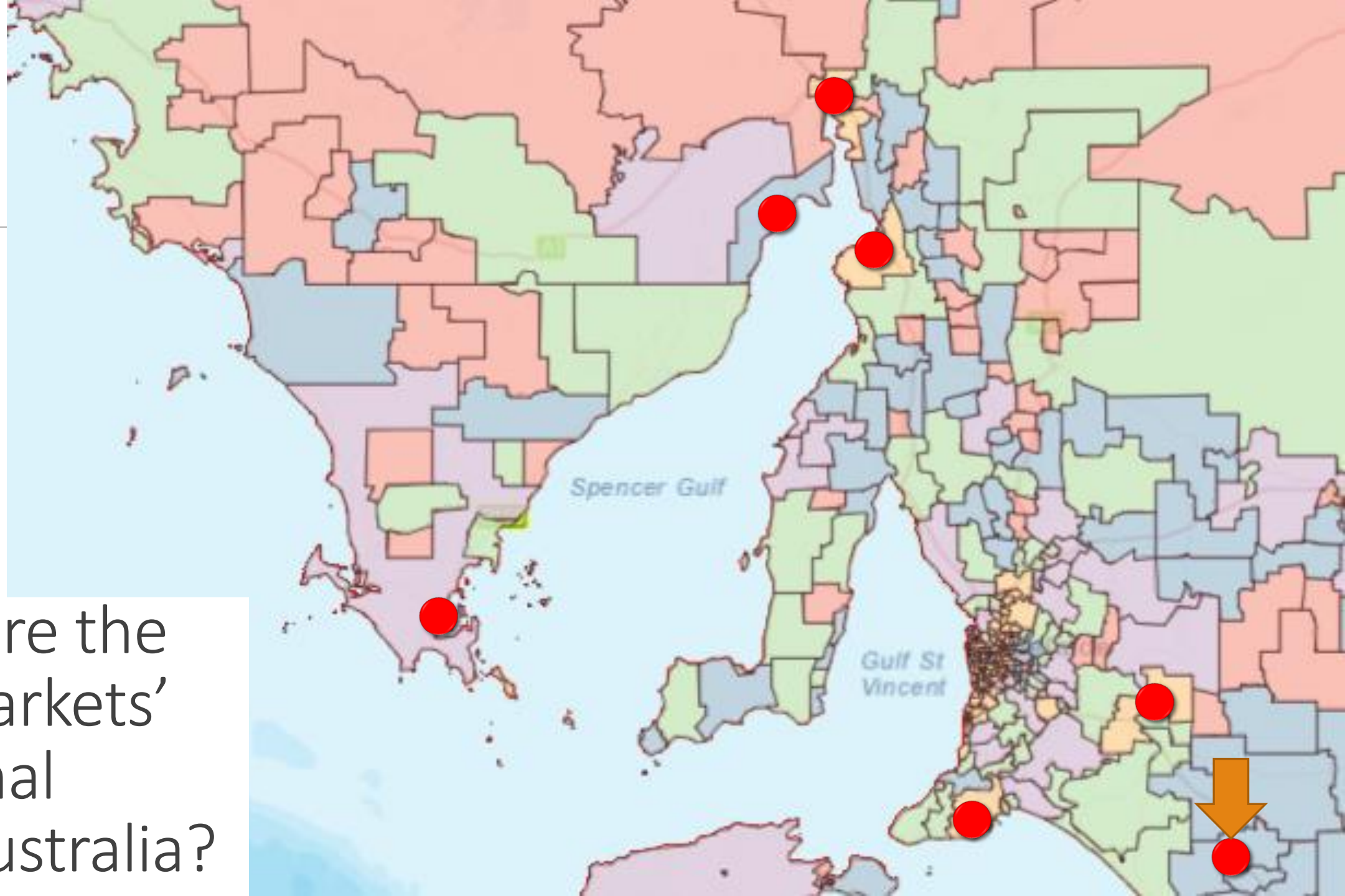


2011-31 Projected Average Annual Population Change by Local Government Area [Source: locationsa]

Thick and thin markets

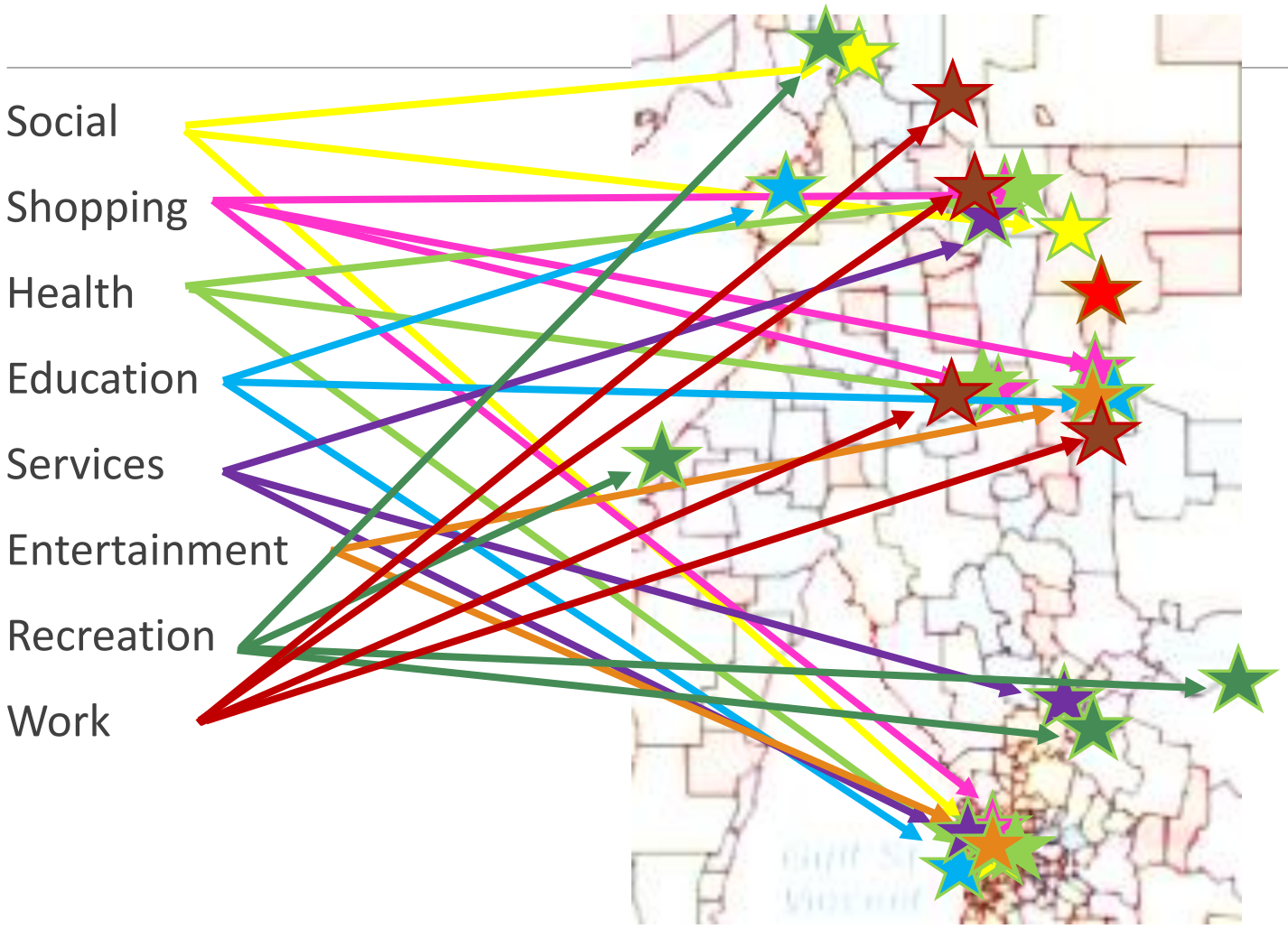
Thick markets =
lots of customers close together (+$$)

Thin markets =
customers dispersed (-$$)



Where are the ‘thick markets’ in regional South Australia?

Where do people want to go?



And if that's not hard enough…

- We want to go at a time that suits us
- And not have to wait around for others
- And to be able to vary our arrangements at short notice
- And it's got to be cheaper than running a car

Regional Accessibility Project

In the Bus SA Port Pirie project, 47% of transport-related enquiries could not be solved…

and that's in a large rural city

Mobility Requests/Inquiries	Number
Solved	66
Unable to Solve	41
In progress	17
Total	124

Moving People Pirie

For Locals, By Locals

What does this mean for bus operators in regional areas of South Australia?

- 0-19 year olds and 80+ are most likely to need public transport – but (apart from rural cities) they aren't clustered
- There will be further population dispersal as housing costs increase in desirable locations and planning laws change to allow sale of household blocks on rural properties
- Net loss of young population: school bus demand is likely to be stable overall, although services will change as some towns grow and others shrink
- NDIS transport payments (even if sorted) will not deliver economies of scale
- Distance is not a barrier to consumer expectations of online services;
  there will be continued growth in low transaction-cost *many-to-many* solutions;
  business models must start with choice-driven users

Other factors to consider…

Risk continues to be a driving force

Everyone is trying to pass risk onto someone else

School Principals are personally responsible for risks at their school – including weekend use of school facilities by other groups, *and* the wellbeing of students on school buses.

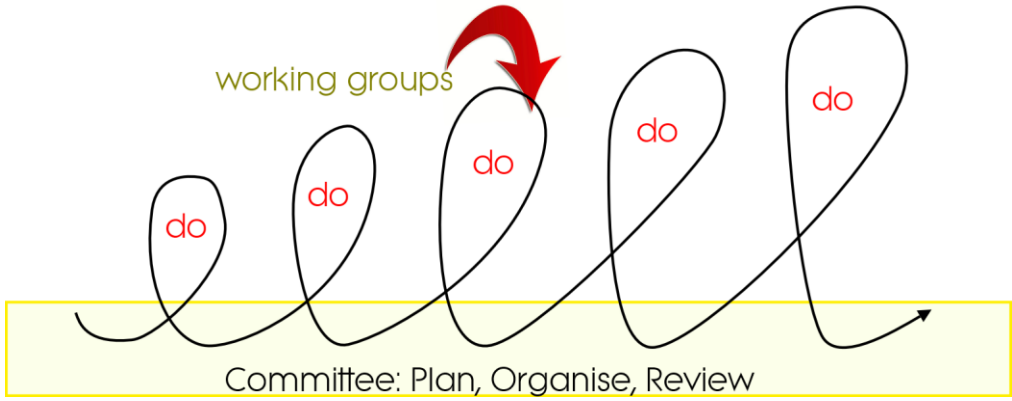
WHERE ARE ALL OUR SCHOOL PRINCIPALS?

More than 20 of the state's public schools have started 2019 without a tenured principal

The logic of multi-use is undermined by risk management

Volunteer capacity is shrinking

- Baby boomers are becoming the recipients of volunteering support, rather than the providers
- Younger generations volunteer for different reasons:
  - Are less likely to ‘help forever’
  - Want volunteering to be an ‘experience’ (e.g. cows for Cambodia)
  - Are often already committed to help with sport, family support, industry groups
  - Prefer to engage in ‘burst of action’ sessions
- What future community-driven ‘as needed’ (CPN) transport services?



Spin or service?

Improving ‘information and awareness’ is no substitute for services

So what will regional South Australia look like?

Winners and Losers

The challenge of equitable services for all South Australians

Designing services for the new economy

New technologies and business models

- Services taken to the customer (e.g. NDIS, online shopping) further erode transport economies of scale
- Increase in consumer driven share economy solutions (car share/pool): it might happen without you
- Self driving vehicles and automated transactions drive down operating costs (higher capital, lower labour costs)
- Geospatial and on demand responsiveness (small, distributed services)
- Data driven business decisions (we can measure *everything* in real time)

What's the key question for economies of scale in rural areas?

Where do people shop for food?

Everyone has to eat…