

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE ENVIRONMENT AND PUBLIC SERVICES COMMITTEE ON TUESDAY 20th MAY 2003, BY DEPUTY R.G. LE HERISSIER**

**Question**

Would the President confirm that the States subsidy required for the first year of Connex's operation will be approximately £1.4 million, namely the sum quoted when the winning tender was announced in May 2002, or has it been revised in the light of changing circumstances, and, if so, what is the anticipated subsidy for 2002 and 2003?

**Answer**

As set out in P.104/2001, members will recall that the Assembly agreed to seek competitive bids to operate the public bus service and provide public subsidies for these services. At the time the contract was awarded to Connex, there was very little information available on the fare income that had been generated year on year as the previous operator did not furnish this information. It was for this reason that the form of the tender, whereby the States assumed the risk on fare income, was adopted.

The absence of any up-to-date accurate information on fare income, passenger levels, seasonal variations and route profitability severely limited the possibility of providing precise estimates of fare income for the new service. A limited amount of historical information was all that was available to predict what the level of fare income might be. On the basis of this limited information and, in the knowledge that visitor numbers were dropping, it was estimated that fare income would roughly amount to £2.5 million per year. In addition, the States already contributed £460,000 in the form of free travel for OAP's and HIE card holders. The contract for the service provided by Connex amounts to £4.35 million, hence the predicted shortfall, or subsidy, was crudely estimated to be in the order of £1.4 million for the first full year of operation.

While the actual amounts are not yet known, though the major proportion of fare income is generated during the summer period, I am not yet in a position to confirm whether the estimated subsidy requirement is realistic or not. However, I am aware that the amount of fare income collected between the start of operations at the end of September last year and the middle of March this year amounts to £670,000. Members will appreciate, therefore, that at least a further £1.8 million of fare income will need to be collected by the end of September this year to meet the original estimate. Meeting this target will very much depend on the number of residents as well as visitors coming to the Island using the bus service. In this respect, the easylink service is very likely to have an impact on income. It is impossible at this early stage to predict the final level of revenues. However, I must be clear that there is no contingency in my Committee's budget to meet any further shortfall.