

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2022- 2025 (P.90/2021):SIXTH AMENDMENT (P.90/2021 AMD.(6)) – COMMENTS

**Presented to the States on 9th December 2021
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes this proposal and urges States members to reject the Amendment.

If adopted, paragraph (f) of the Government Plan proposition (P.90) would read as follows –

to approve the proposed amount to be appropriated from the Consolidated Fund for 2022, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report, with funding to be allocated from the Covid-19 response head of expenditure in Summary Table 5(i), and made available for use by the Minister for Infrastructure, to provide for the establishment from 1st January 2022, or as soon as possible thereafter in 1st quarter of 2022, of a bus pass scheme (for which a charge of £20 per annum should be levied on the individual) for all people eligible to pay fares aged 18 years or under; with the overall cost of, take-up of, and customer satisfaction with the scheme, to be subsequently reviewed by the Minister and the outcome of the review to be published by the end of the third quarter of 2022

In effect, the Deputy is proposing that the Contract Price paid to CT Plus Jersey Limited for the operation of the Jersey bus service network in 2022 should be raised by an unknown amount so that unlimited bus travel can be offered, almost for free, to an unknown number of beneficiaries. The amendment is a repeat of the Deputy's recent attempts (2nd amendment to P.128.2019 – Sustainable Transport Policy and 9th amendment to P.130.2020 – Government Plan 2021-2024) to bring about a heavily discounted travel pass for young persons. The States Assembly did not adopt those amendments.

This amendment principally affects the school bus network. The gross cost of operation of school buses is already significantly above¹ the income from fare revenue on these services, despite buoyant passenger demand. This amendment also has an impact on the network of regular public bus services, on which significant numbers of young people travel for both home-to-school and leisure purposes. It is not known how many journeys on the public network relate to passengers under the age of 19. A proportion of them are in no longer in full time education, and therefore pay the standard adult bus fare or opt to purchase multi-journey tickets which provide cheaper travel for regular users.

The Deputy's amendment proposes taking funding from the Covid-19 response head of expenditure.² As of autumn 2021, bus passenger numbers are around 75% of 2019 levels but recovery has been fragile and sensitive to changes in Government emergency

¹ The cost of using the school bus service, at £0.85 per journey when using a pre-paid smartcard, is subsidised well below the break-even level with total fare income on this network equating to approximately only 20% of its gross operational cost.

² The Covid-19 response head of expenditure has an allocation of £34 million as set out in Summary Table 5(i), but the amount being made available specifically for support of the Bus Contract in 2022 is £1.2m as per Table 8 on page 122 of the Government Plan. This is to ensure that provision is made in the event that the continuing impact of Covid-19 causes fare income, particularly from commuters and visitors to Jersey, to fall below forecasts.

restrictions which react to the spread of new variants of the virus. Despite measures to reduce operational costs, at this level of demand the public transport network does not generate a profit. The Covid-19 support funding is intended to help ensure that Jersey's bus operator remains in a viable financial situation, and is therefore in a sound position to recommence growth of the service when emergency restrictions are fully lifted.

The amendment is vague, in that it does not propose a cost to the Government, and is flawed because it fails to acknowledge the effects of induced demand. The Deputy is in effect asking the Assembly to approve a "blank cheque" for the reimbursement of bus travel made by young persons. While it is possible to estimate the revenue that would be foregone, based on historic usage, it is not possible to identify the volume of additional future passenger trips that would be generated by the provision of travel passes which in allow the holders to make bus journeys free. It is however likely that a significant number of additional journeys would be discretionary and short-distance, made in preference to active travel modes of cycling and walking.

This becomes problematic when that additional demand takes up all the remaining capacity on an established bus departure. If buses fill up earlier in their journeys than at present, there is a risk of overcrowding and leaving passengers behind. Mitigation of this would involve augmenting service levels with more buses and drivers, but the net cost of providing extra capacity is expensive to provide and without fare income from passengers, unaffordable. Some school bus journeys are already at capacity and cannot accommodate any more demand. The cost of those additional resources is unable to be quantified but represents an additional liability beyond the value of revenue foregone.

Therefore, the total financial implications of the proposals are unknown. In 2019 it was estimated that the revenue foregone associated with introducing free fares for young people in full time education could be in the order of £700,000 in its first year, plus an unknown amount (but certainly a further six-figure sum) relating to the proportion of young persons who are not in full time education. This estimate, based on 2018 figures, is very likely to be unrealistic as it assumed no change in passenger demand and therefore no additional resources required. Because reducing the price of anything stimulates significant increases in consumption, the actual figure would be much higher.

Given that in 2019, over 900,000 journeys related to young persons' bus fares (child or student ticket types) and as of October 2021 there were around 4700 student smartcard bus passes in use, to allow for the inevitable growth in demand and therefore reimbursement that would arise from issuing unlimited travel passes to any young person who wanted one would put the annual cost at over £1.5m in the form of reimbursement to LibertyBus. This is more than the total allocation within the Covid-19 response funding which, once exhausted, would require the established fare structure to be reinstated or alternatively:

- an increase in bus fares to adults aged 19 to 65, or
- a cut in the number of bus journeys operated

Neither of these are likely to be seen as acceptable by the Jersey public, particularly if the increased demand for bus services means a reduced number of seats available to farepayers.

Conclusions

This amendment brings with it an increased net cost of operating Jersey's bus route network which is not budgeted, does not represent good value for public money and undermines the safety net put in place to protect bus services from the adverse impacts of Covid. Additionally, without customer fare revenue growth to supplement government funding, the ability to expand services to meet demand will always be constrained, either resulting in over-crowding due to insufficient capacity, or necessitating the removal of less popular but socially-important routes. Therefore, by proposing to use public funds to make it cheaper for some passengers to use the service, the bus service is in fact being starved of the income it needs to maintain and grow the network.

Logically, making public transport fares free or very cheap should, in the theoretical world, lead to a reduction in private motor vehicle use, easing traffic congestion and reducing air pollution. But, in practice, studies in locations where these policies have been put in place have found disappointing reductions in traffic levels³, while the amount of taxpayers' money required to provide the appropriate level of increased capacity on public transport services spiralled in the years after implementation⁴.

The States, having adopted the Sustainable Transport Policy, has already committed to a holistic review of the public transport service through the Bus Service Development Plan. This is the right process to shape the future of the bus service in a considered manner, using data and evidence to develop policy rather than ad-hoc opportunistic interventions with unknown financial and service implications, however well-intentioned.

States Members are urged to reject the Amendment.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]:

These comments were submitted to the States Greffe after the noon deadline as set out in Standing Order 37A due to time constraints from the States Meeting being moved forward to Monday 13th December, which in turn affected the final deadline for Comments, and the requirement to undertake final due diligence and review processes.

³ Evidence from Tallinn, Estonia (only 5% reduction in car use after 1 year but 40% drop in walking): <https://link.springer.com/article/10.1007/s11116-016-9695-5>

⁴ The 10-year free fares experiment in Hasselt, Belgium (8 buses on 2 services became 46 buses on 9 services, with costs rising commensurately): <https://web.archive.org/web/20081020214003/http://www.hasselt.be/content/content/record.php?ID=4418>
