

# STATES OF JERSEY



## BUS FARES 2015: REVIEW

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Lodged au Greffe on 1st April 2015  
by Deputy G.P. Southern of St. Helier

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STATES GREFFE

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

to request the Minister for Transport and Technical Services to –

- (a) review his policy on fare pricing for 2015; and
- (b) renegotiate the terms of the agreement between the Minister and CT Plus Jersey; and
- (c) bring to the States for agreement a revised policy which conforms to the States' anti-inflation policy.

DEPUTY G.P. SOUTHERN OF ST. HELIER

## REPORT

The Minister for Transport and Technical Services recently announced a set of proposals for the structure of bus fares to be introduced on 1st March 2015. These structural changes, we were told, were designed to encourage passengers to swap to the Avanchi card as their preferred method of payment. With some fares increased and others reduced, it was not immediately evident what the overall effect of these changes would be on average.

On 24th February, the Minister produced the response below (see **Appendix 1**) to my question on the development of the ridership of our bus service. Members will note the welcome news that ridership had topped 4 million journeys in 2014.

Members will note also that the majority of users (56% to 44%) rely on cash for their method of payment rather than choosing the Avanchi card.

What the Minister has failed to do in any of his responses is to clearly state to members what the overall effect of his changes to fare levels was. The Minister, at question time on the 24th stated that it was not possible to calculate a figure for the overall change in fares. However, the figures revealed in his answer, along with more recent data, allow us to obtain an estimate of what the rise is. What this shows is a rise much greater than RPI, demonstrating a failure to stick to the States' policy on inflation, which, back in 2000, contained, amongst other actions, the following –

- (a) to agree that reducing the rate of inflation in Jersey should be a very high strategic priority, requiring concerted and sustained action on many fronts, by all sections of the Island's community;
- (b) to adopt an inflation target of 2.5 per cent based on the RPI (X) measure of inflation; and
- (d) to agree that increases in States charges should be limited to a maximum of 2.5 per cent a year, with any exceptions, in extremely compelling cases only, to be subject to prior approval by the Finance and Economics Committee.

The annual increase in RPI stood at 1.3% in December 2014 (RPI X 1.5%) and yet the fare changes for cash passengers which came into force on 1st March 2015 reveal rises far in excess of RPI –

**TABLE A**

<i>CASH</i>	<i>2014</i>	<i>2015</i>	<i>Rise in pence</i>	<i>Percentage</i>
Band A	£1.30	£1.50	20	15%
Band B	£1.80	£2.00	20	11%
Child	£0.80	£1.00	20	25%

In 2014, ridership of the bus service reached 4 million trips. I assume that this figure includes all passengers, that is, all paying customers and those with concessions. The breakdown given in **Appendix 2** shows a fairly even distribution of passengers, as follows –

**TABLE B**

<i>Group</i>		<i>Number of journeys</i>
Band A	25.1%	1,004,000
Band B	22.4%	896,000
Child	25%	1,000,000
Other*	27.5%	1,100,000

\*‘Other’ includes concessions and Avanchi Unlimited (8%).

The majority (56%) of passengers paid by cash, so to put the figures in Table A into context, this increase in fares produces an additional £416,000 in revenue –

$$4 \text{ million} \times 20\text{p} = £800,000 \times 56\% = £448,000.$$

All cash passengers, that is, over half of all passengers, have seen a substantial increase in fares, “averaging” over 17%. This increase is somewhat balanced, as the Minister suggests, by decreases in some Avanchi card rates. The Minister goes as far as to say –

*“In one case (PAYG Zone B), a price reduction will be implemented... this is currently the most popular ticket and good news for a large proportion of bus users.”*

The changes to Avanchi PAYG users overall are as follows –

**TABLE C**

<i>Group</i>	<i>2014</i>	<i>2015</i>	<i>Change</i>	<i>Percentage</i>
Band A	£1.20	£1.30	+10	+8
Band B	£1.70	£1.60	-10	-5
Child	£0.70	£0.75	+5	+7

These changes overall show an increase in fares, albeit a relatively small one “averaging” +3%. However, it must be noted that these changes apply to only 36% of passengers. For the vast majority of passengers there will be a large increase in the fare paid.

Finally, we turn to the Avanchi Unlimited fares, where significant discounts are to be given to encourage passengers to transfer to this more convenient method of payment and one which reduces administration costs. Remember that this applies to only 8% of fares at present.

**TABLE D**

<i>Avanchi Unlimited</i>	<i>2014</i>	<i>2015</i>	<i>Change</i>	<i>Percentage</i>
Weekly	£19.50	£15	-£4.50	-23%
Monthly	£49	£45	-£4	-8%
Annual	£537	£495	-£42	-8%

Announcing the engagement of a new provider in July 2012, the then Minister gave details of the contract as follows –

*“The contract has been awarded for a 7-year period at just under £3.5m per annum. However, there has been a major change to the contract terms and the income from fares will go directly to the operator. This will give CT Plus Jersey the incentive to grow the service and make it more efficient. The States will receive 50% of any operating profit which is in excess of 3% of turnover for reinvestment in sustainable transport initiatives.”.*

While it may be legitimate to encourage the use of the Avanchi card, due to its lower administration costs, by offering a promotional discount on the cash fare, it is not acceptable to raise cash fares by a margin that way outstrips inflation. In effect, the Minister has agreed fare rises that amount to a stealth tax on bus users. This not only ignores the States’ anti-inflation policy as mentioned earlier, it also surely breaches the duty of the Minister as outlined by Article 14(2)(a) of the Motor Traffic (Jersey) Law 1935 –

*“to protect and further both the short-term and long-term interests of the users of omnibus services”.*

### **Financial and manpower implications**

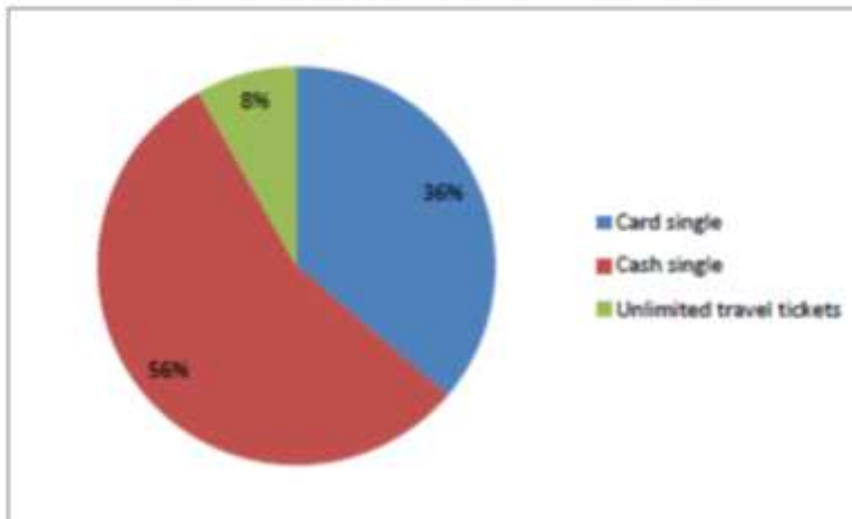
There are no manpower costs for the States arising from this proposition. There will be a drop in projected bus fare revenues, the extent of which will be governed by the terms of any revised agreement, but should not exceed £400,000.

## APPENDIX 1

### Oral Question 8658 (Dep Southern: Bus ridership and fares changes)

The total number of recorded passenger journeys across all LibertyBus services in 2014 was just over 4 million, the first time this figure has been achieved in a single calendar year, representing a 10.6% rise over 2013 (3.6 million).

Method of payment for bus journeys, 2014



To stimulate take-up of the new ticketing options, Avanchicard products offer discounts relative to the on-bus cash fares. All prices were held at 2012 levels throughout 2013. Avanchi Pay As You Go PAYG prices remained static when cash fares rose in 2014, to encourage a change in passenger behaviour. The premium that now applies to cash fares reflects the service inefficiency and additional operational costs associated with cash handling.

On-bus, cash	2012	2013	2014	2015
Band A	£1.20	£1.20	£1.30	£1.50
Band B	£1.70	£1.70	£1.80	£2.00
Child	£0.70	£0.70	£0.80	£1.00

Avanchi Pay-as-you-go	2012	2013	2014	2015
Zone A	-	£1.20	£1.20	£1.30
Zone B	-	£1.70	£1.70	£1.60
Child	-	£0.70	£0.70	£0.75

From 1 March 2015 the differential will widen. In one case (PAYG Zone B) a price reduction will be implemented, returning this fare back down to its 2010 level. This is currently the most popular ticket and good news for a large proportion of bus users.

Avanchi discount	2013	2014	2015
Zone A	0%	8%	13%
Zone B	0%	6%	20%
Child	0%	13%	25%

For the most regular passengers, it has always been convenient and cost-effective to purchase bus travel in advance. This benefits both the bus operator and the passenger by minimising boarding times. However, prior to 2013, apart from a range of more expensive products targeted at visitors to Jersey, only the annual ticket offered true unlimited travel. Therefore, a very low proportion of travellers have historically opted to pre-pay for their bus tickets.

LibertyBus now offer a comprehensive range of Avanchi season tickets which allow bus users to make as many journeys as they like for as little as £1.36 per day:

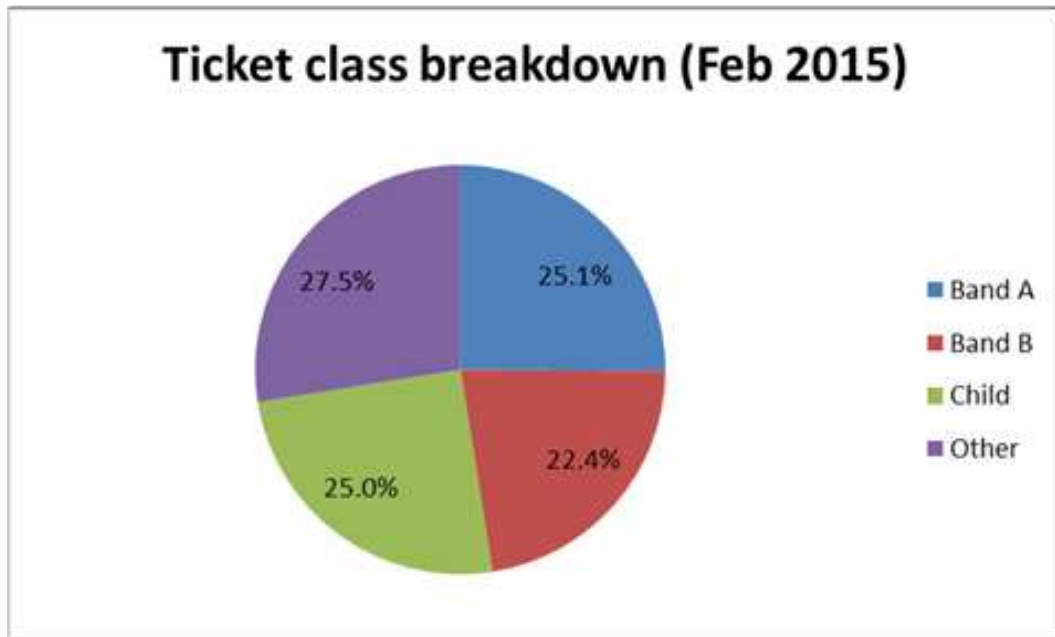
Avanchi Unlimited	2012	2013	2014	2015
Weekly	-	£20.00	£19.50	£15.00
Monthly	£50.40*	£52.00	£49.00	£45.00
Annual	£537.35	£537.35	£537.35	£495.00

\* Nearest equivalent = Connex commuter pass restricted to two journeys per day only

The revised prices for 2015 are aimed at encouraging the less frequent passenger to benefit from discounted bus travel by moving from cash payments to the Avanchi PAYG product, and encouraging more regular users to recognise the savings available by selecting the Avanchi Unlimited passes.

In creating a differential between on-bus cash fares and pre-paid travel tickets, LibertyBus is following best practice elsewhere in the public transport industry, such as in London, where the on-bus cash fare was latterly a full £1.00 more than the £1.40 Oyster smartcard fare. When the proportion of cash payments fell to below 1% of all passenger journeys, Transport for London announced that cash would no longer be accepted on buses with effect from July 2014.

Although there are clear advantages in maximising the amount of pre-payment for bus travel and reducing the number of on-bus cash transactions, there are no current plans to completely eliminate the facility to buy a ticket on board a bus with cash. LibertyBus are expecting these fare revisions to be revenue-neutral, but over time will benefit from reduced operational costs with quicker boarding times permitting faster bus journeys, helping to increase further the attractiveness of bus travel.



'Other' includes concession users and unlimited travel cards.