

# STATES OF JERSEY



## **BUS SERVICES: PROPOSALS TO MAKE FREE OF CHARGE (P.52/2019) – COMMENTS**

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**Presented to the States on 17th June 2019  
by the Minister for Infrastructure**

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**STATES GREFFE**

## COMMENTS

### **The Proposition (P.52/2019):**

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

*to request the Minister for Infrastructure –*

- (a) *to take the steps necessary to ensure that school bus services can be used free of charge by school students from the start of term in September 2019;*
- (b) *to bring forward a plan to enable all bus services to be free of charge to people under the age of 18 and people in full-time education from the earliest date practicable; and*
- (c) *to prepare a plan by the end of 2020 for working towards and then enabling free bus transport for everyone in Jersey.*

#### **The response from the Minister for Infrastructure**

##### **This proposition would do away with the Commercial Principles of 2013 Contract.**

Those Members who have been in the States for a while may remember there was quite a lot of concern shown about the previous bus contract, and that any subsequent contracts needed to be much improved.

The 2011 Comptroller and Auditor General's report on the 2003 Bus Operator Contract recommended that future contracts "*provide an equitable risk sharing arrangement which engages both parties in the contract*".

The Department invested time and resources in developing the new contract to take heed of the comments made.

The risk-sharing philosophy was successfully incorporated within the 2013 Bus Operator Contract, providing the Island with a £200,000 reduction in the direct subsidy<sup>1</sup>, at the same time as increasing the number of bus services by £1.4 million.

This was achieved by placing risk with the party best placed to manage it, thus commercial risk falls to the bus operator, and regulatory risk to government. To make a profit, the bus operator must invest in capacity and improve services to grow their revenue. As the bus service expands, further investment is required to meet demand, thus there has been a 10% increase in the size of the bus fleet since the start of the contract.

Under the operation of this contract with LibertyBus we have had fantastic results, and it has been held up as an exemplar 11 times during the UK Houses of Parliament Bus Bill debate, and officers were invited to headline at an international bus conference in London.

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<sup>1</sup> The 2013 Bus Contract's contribution to the States' Comprehensive Savings Review targets.

The bus operator has increased passengers by 40% since the start of the Contract to 4.9 million journeys per year, bucking national trends of falling bus ridership.

Without that commercial opportunity, that would be overridden by this proposition, to grow revenues to re-invest into the service to further increase ridership, the bus service would stagnate.

Should the bus service be made free or largely free, that commercial incentive for growth would disappear and the Contract would become a “Cost plus”, whereby the Operator would in effect merely be hired to provide vehicles and drivers to run routes as directed by the Regulator, and all investment must come from the Government and compete with other government priorities, in effect rationing what can be provided, and restricting the potential for organic growth.

### **Economics and practicalities of bus operations**

Other jurisdictions have introduced free public transport to varying extents and with varying results. For example, there’s a scheme that was working well but was then found to be unsustainable over the longer term.

Reducing or eliminating fares would appear to be a laudable aim, if such an initiative was guaranteed to deliver the benefits listed in P.52/2019. However, there is no conclusive evidence, from similar schemes elsewhere in the world, that traffic levels are reduced as a consequence of zero-fare public transport. Instead, there are indications that it is in fact walking and cycling levels that decline, with vehicular traffic not materially changing. Zero-fare buses will abstract demand from those modes, in addition to generating additional journeys from existing public transport customers.

It has not been proven that zero-fare bus services attract significant numbers of new users who previously travelled in private vehicles, as cost is often not the principal barrier to public transport usage. This is especially true in jurisdictions where, as in Jersey, motoring is relatively inexpensive, with cheaper fuel, parking, insurance and absence of roadworthiness testing.

Other bus service-related factors are often more relevant, such as geographical coverage, frequency/timing of departures, distance and quality of walking route to/from bus-stops, waiting environment at bus-stops, perceived or actual availability of seating on board, and the need for individuals to adjust their behaviours/routines.

A further complication is that most bus routes in Jersey cannot be operated with what in the United Kingdom and Europe would be considered a “full-size” bus. Because the constrained width of many roads mean a smaller rigid vehicle footprint must be adhered to, buses built for Jersey are approximately 75% of the size that can be operated elsewhere. This means specifying the smallest bus possible that offers a reasonable passenger capacity, but naturally the number of seats is commensurately lower.

Because the vehicle has to be smaller, many bus services in Jersey are already very busy, but augmenting the timetable isn’t cheap. Higher driver wages and reduced single-decker bus capacity combine to increase the cost per seat-mile of bus services in Jersey considerably, compared to most UK operators. Increases in passenger numbers leading to overcrowding, which is likely to occur as a result of eliminating fares, is going to be costly to alleviate.

The proposition would require a “blank chequebook” approach, as the resulting increase in demand for bus travel is simply not known, and impossible to predict without first thoroughly researching the attitudes and preferences of residents and visitors, so that a firmer idea of the potential increase in demand could be obtained. Only then could more robust forecasts of the required additional resources begin to be identified. A study of this nature would take time and does not come without its own cost.

### **Response to the Proposition**

Accordingly, the Minister for Infrastructure’s comments on each paragraph of the Proposition are as follows:

**(a) to take the steps necessary to ensure that school bus services can be used free of charge by school students from the start of term in September 2019;**

As the school service, which is already heavily subsidised, is not operated on the same commercial principles as the main public service, the Minister has lodged “Bus services: proposals to make free of charge (P.52/2019) – second amendment” (*see* [P.52/2019 Amd.\(2\)](#)).

This sets out how a free bus service could be provided for students without damaging the successful contractual arrangements for scheduled public bus services.

However, it should be noted that research undertaken by LibertyBus shows that the cost of bus travel is not among the primary barriers to using the school bus. Students who don’t take the bus state their primary reasons as being that they share a car journey with a family member or friend, or that they live close enough to the school to walk or cycle, before citing cost.

The Minister further notes that there are more progressive measures to provide for transport cost for low-income households than the high cost of blanket free provision of bus services for students.

**(b) to bring forward a plan to enable all bus services to be free of charge to people under the age of 18 and people in full-time education from the earliest date practicable;**

As above, the increase in demand is not known, and this part of the proposition impacts upon the main network of public bus services as well as the school bus network. This spreads the uplift in demand to evenings, weekends and school holidays. It also potentially creates a difficulty in requiring the bus driver to accurately determine which passengers are entitled to the free fare if they are not obliged to present some form of proof of age.

Many of these journeys are likely to be discretionary or for paid employment, and there is a question of fairness as to whether the cost should be borne by the Public, in addition to the undermining of the contractual ethos previously set out.

- (c) **to prepare a plan by the end of 2020 for working towards and then enabling free bus transport for everyone in Jersey.**

The Minister is not supportive of committing to free bus transport throughout Jersey. To do so would risk destroying the commercial principles of the Bus Operating Contract that have made it so successful, adversely affecting the service quality which has taken so many years to reach its current level. It would incur spiralling costs year after year for which no funding has been identified, and cannot be prioritised above Jersey's many other competing needs, and potentially gives rise to other unintended consequences such as congestion at bus-stops.

The Minister does not agree that there is a pressing need to remove bus fares, and does not believe it is high on the agenda of most members of the Public. The Minister does, however, believe that there would be significant opposition to the increases in taxation that would be required to fund this sort of proposal, particularly from those who live in sparse rural areas that currently receive no bus service at all. There is little point in funding a free public transport network if large numbers of taxpayers consider that they cannot use it.

Accepting this provision would undo what has been one of the most successful contractual arrangements for the provision of bus services in Britain, literally turning the clock back for Jersey.

#### **Ministerial recommendation**

The Minister is not supportive of the proposal, and would not intend to seek additional funding to secure the removal of fares from either the school bus network or the main public bus network.

#### **Financial and manpower implications**

The financial implications of the proposal are significant and unaffordable. Funding free school buses and maintaining the current coverage of the school bus network goes well beyond the £300,000 loss of income referred to in the proposition, as set out in the Minister's proposed amendment to P.52/2019 (see [P.52/2019 Amd.\(2\)](#)).

Free bus services throughout Jersey imply a different quantum of public investment altogether, and would certainly increase the amount required from the present £4.5 million to over £10 million in the first year of such a policy. Indications from other zero-fare experiments such as Hasselt in Belgium suggest that the annual costs, in 2019 prices, could be in the region of £25 million within a decade.