

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2024 - 2027 (P.72/2023) – NINTH AMENDMENT (P.72/2023 AMD.(9)) – COMMENTS

**Presented to the States on 7th December 2023
by the Council of Ministers**

STATES GREFFE

COMMENTS

States Members are urged to **reject** the amendment (Amd.(8))

Commercial Tender Process

Infrastructure and Environment does not run Jersey's buses. It is, as set out in the Bus Strategy adopted by the States Assembly in 2001, responsible for securing the operation of a public transport network for which it administers a commercial contract with the bus operator. The next bus contract from April 2025 onwards is currently out to tender. Tender documents have been issued and bids will be submitted based on 2023 fares/service levels. This specification will not be varied prior to the tender submission deadline.

Operator Risk

The contract is awarded via competitive tender. A key principle is that the revenue risk rests with the contractor, not the department or Government of Jersey. In other words, the income from fares paid by passengers is retained by the bus operator and was budgeted for as part of its original commercial submission. By imposing alterations to the fare structure in the form of free or reduced-cost travel passes, the elasticity of demand is affected and the operator's revenue per passenger carried is diminished. The risk for the contractor is impacted, and therefore so is their incentive.

Data Availability

It is difficult to accurately identify the number of people who would take up this subsidised annual pass. Currently 155 annual travel passes are in circulation, though there are over 6600 unlimited travel passes of one-week or four-week duration and passenger journeys recorded against both types of unlimited travel pass currently account for around 10% of all trips made.

Revenue

This amendment, if successful, would impose upon the operator to absorb any additional demand without reward or contribution towards increased operating costs, and thus require a further re-negotiation of the Contract and cost to the taxpayer.

The total financial implications of the proposals, both in terms of fare revenue foregone by the bus operator and additional operational costs, are unknown.

The cost of this amendment only covers 1 year if the maximum number of passes is redeemed by those who meet the criteria based on 2021 census data. There is no further funding to then carry this on past this initial year, and it is not anticipated that there will be a budget allocation to do so in 2025 when the next bus operator contract commences.

Cost to the user is not a barrier to bus usage, as studies have shown public transport customers to be relatively price-insensitive. This amendment does not target the financial assistance to those who would benefit most.

Current fare levels

The range of LibertyBus fares and unlimited travel passes are already significantly discounted compared to a break-even level. They continue to represent excellent value compared to the cost of private motor vehicle use and there is no evidence to suggest that the price of bus travel is a barrier to its usage. Passenger numbers have returned to pre-Covid levels and demand is on course to total approximately 5 million journeys in 2023.

The annual travel pass has been held at £495 for a decade (approx. £1.37 per day) and is already very cheap compared to other bus networks: Brighton £820, Edinburgh £650, London (bus & tram) £988, Birmingham £660, Isle of Wight £1120, Oxford £700, Cardiff £620.

Bus Capacity and induced demand

Further discounting bus fares would likely lead to bus capacity problems. By making fares artificially cheap, it follows that passenger demand will rise but it is not possible to state what this increase would be, either in the short-term or the long-term. On many services, the capacity for growth does not exist, so to prevent overcrowding or leaving potential passengers at bus stops, this would have to be accommodated by deploying additional resources in the form of more buses and bus drivers. However, these resources are not readily available requiring time and additional expenditure to put in place.

Where services operate on an hourly frequency, as they do in many parts of Jersey, additional capacity means doubling the resources allocated, for no additional revenue.

Operational delivery

With a fixed budget, every pound from the public purse spent on making it free or cheaper for more people to travel on Jersey's buses is a pound that is no longer available for improving the service, principally through increased frequencies for near-capacity services which require additional vehicles and drivers. It is also money diverted away from potentially being used for enhancing and maintaining the associated infrastructure.

Reducing vehicle journeys (*overarching principle of States adopted Sustainable Transport Policy*)

Members may be tempted to conclude that allocating public money to further subsidise the cost to the user of using the public transport network for more and more people will directly result in fewer car journeys and lead to greater availability of parking spaces. But there is no evidence to show that the free travel being proposed will do anything other than support existing users of the bus network, and people who currently walk or cycle may take the bus instead.

Impact on TR1 Electric Vehicle Incentive of Carbon Neutral Roadmap

A significant proportion of the Island's greenhouse gas emissions come from fossil-fuelled private vehicle use. Increasing bus travel is one important way of achieving this, however we need to acknowledge that people will continue to make journeys by private

vehicles, and reducing emissions from this sector is a crucial part of our emission reduction pathway.

This was recognised in the inclusion of policy TR1. Accelerating the uptake of electric vehicles, with the Electric Vehicle Incentive in the Carbon Neutral Roadmap, was publicly consulted on and then agreed by the States Assembly in 2022.

The electric vehicle incentive needs to be considered together with policy TR5 which is the legislation to ban the importation of petrol and diesel vehicles from 2030. The incentive was identified as an important part of the market preparation for the introduction of this legislation.

It is funded through the Climate Emergency Fund through a fuel duty (impôt) escalator charge and Vehicle Emissions Duty, hypothecated into the fund to directly support decarbonisation measures. The Carbon Neutral Roadmap agreed by States Assembly in 2022, included budget for the electric vehicle purchase incentive of £4,334,000, with an additional £521,000 for an electric vehicle charger incentive.

The electric vehicle purchase and charger incentives were launched at the end of August 2023. Up to £3,500 is offered to new and second-hand electric vehicles registered for the first time in Jersey, up to a maximum vehicle value of £40k. Up to 27.11.23, 228 EV purchase incentives had been issued, and 25 charger incentives. The total direct costs of EV grants committed to this date was c£790k.

A significant increase on electric vehicle registrations has been observed since the start of the incentive. In 2022 there were 270 new electric registrations and 179 used electric vehicle registrations. Up to end Oct 2023 there were 245 new electric and 310 used electric vehicle registrations. The total of electric vehicles registered in the Island to end Oct 2023 is 555 compared to total of 449 for the whole of 2022 and 452 in 2021.

Resource implications

I&E is likely to need additional resources to operate any further public transport subsidies, as evidenced through the e-bike and electric vehicle incentives. This aspect has expanded considerably since the start of the current bus operator contract. LibertyBus would need to take account of the extra admin required to their financial processes to reconcile the two separate payments for one annual pass. It is not known at this time, what this impact will be as it is based on the number of people who would take up the offer of a reduced-cost travel pass.