

STATES OF JERSEY

COMMITTEE OF INQUIRY INTO TENDER PROCESS AND AWARD OF BUS SERVICE CONTRACT

BLAMPIED ROOM, STATES BUILDING

Committee: **Mr Huw Shephard (President)**
 Mr Christopher Blackstone (Member)
 Mr Trevor Garrett (Member)
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In attendance **Mr Mac Spence (Committee Clerk)**

EVIDENCE FROM:

MRS C. ANDERSON
(Public Services Department)

on

Tuesday, 1st February 2005

(Digital Transcription by Marten Walsh Cherer Limited,
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Reviewed 04/04/05 Committee Clerk

MR SHEPHEARD: Mrs Anderson, good morning. You may be aware that the Committee is taking
evidence on oath and I therefore propose to proceed immediately to administer that oath to you.

The witness was sworn

MR SHEPHEARD: Thank you. The questioning this morning is likely to come from any one of us, but we will begin, I think, with my colleague Mr Garrett.

MR GARRETT: Can you, in the first instance, describe your position at Public Services?

MRS ANDERSON: Yes. I was first employed at Public Services in April 2001 as the Director of Corporate Resources. That post carries with it the responsibility for finance, human resources, IT, business planning, health and safety and admin. With effect from August 2004, I assumed responsibility on an acting up basis for Public Services overall as Divisional Director of Public Services following John Richardson's appointment as Chief Executive of the Environment and Public Services Department.

MR GARRETT: What were you doing prior to the first date that you quoted?

MRS ANDERSON: I was Director of Support Services in Employment and Social Security from 1996 until 2001 and, from 1986 to 1996, I was employed in various different positions in the States Treasury.

MR GARRETT: Fine. I really only have a couple of points that I want to raise with you. Can I, in the first instance, refer you to an email? **(Same handed to witness)**

MRS ANDERSON: Thank you. **(Pause)** Yes?

MR GARRETT: Can you tell me what that one was about?

MRS ANDERSON: Can I just ... **(Pause)**

MR GARRETT: Okay, the date of that email is 29th May 2003. My concern is that there seems to be some reference to some figures in the sort of opening paragraph there from Mike Collier. What I am trying to do is to find out what that referred to. The way I am reading it, there is a suggestion there that reference is being made to figures that you either shouldn't have had or shouldn't have known about. Can you clarify what that is about?

MRS ANDERSON: Yes. As far as I am aware, what that is about is the original estimates on which the 3 million gross (2.54 net) income is referring. That is as far as I am aware. Obviously Mike would know better than me. Let me just clarify what I have said here. **(Pause)** I think you will have to ask Mike Collier about that.

MR GARRETT: I am just trying to understand why it is that that information should be withheld from the Committee.

MRS ANDERSON: I can't answer that question -- only if we had information, confidential information. That is the only thing that I can think of. There was confidential information obviously as far as way earlier when the SLA with Jersey Bus was being negotiated and there was a confidentiality agreement drawn up there, to which the Committee wasn't necessarily a party. I wasn't a party either. It was before my time, so I couldn't be.

MR GARRETT: But clearly the information has been shared with you and you weren't a party to that confidentiality agreement, so it begs the question why can't the Committee be drawn into that, because clearly the Committee has got to make adequate financial provision and if all of the information is not being shared with them, it is clearly going to go wrong, surely? Do you not have a duty as a civil servant to make sure that your political ... that the Committee is fully briefed on the issues that they are dealing with of the day?

MRS ANDERSON: Absolutely so. As I say, all I can think of is that there was confidential information there of which the Committee could not have sight. Certainly our estimates of income, which is what this was about, were of the 3 million gross or, with the OAP/HIE subsidy taken off, 2.54, which is what our projections have. That table **there** -- whether that table **there** or my table to the Committee -- always had the 2.54 million income as the assumed or hoped for income in that year one of Connex operations.

MR GARRETT: Can I move you forwards to another email dated 19th June 2003? (**Same handed to witness**)

MRS ANDERSON: Thank you. Yes, I am aware of this, yes.

MR GARRETT: Can you explain that?

MRS ANDERSON: When we did our accounts for 2002, the way that the Connex payments were made, we had accounted for -- I will just check whether it was the contract -- we had accounted for some of the contract expenditure in 2002, whereas it should have been accounted for in 2003, purely because it was ... we pay them on a four weekly basis, 13 lots of four weeks, yes, so there was an overlap. It went something like from 21st December 2003 to 17th January and we had

accounted for that within 2002, whereas it should have been in 2003. So it was purely an accounting adjustment. It was an accrual incorrectly put into the accounts. We simply adjusted it. What we were doing was estimating 2003 at this stage and we simply ensured that 2003 would be correct with the correct accounting procedure.

MR GARRETT: Can I make specific reference to the last couple of lines of the email? It says there *“This makes it look quite good, if that’s possible, because the 2003 deficit is less than the 2002 deficit which F&E funded. You and I know that this is due to an accounting adjustment, but it may make the 2003 figures politically more palatable.”*

MRS ANDERSON: Yes.

MR GARRETT: Is that an objective of yours, to actually make things look *“politically more palatable”*?

MRS ANDERSON: No. What’s important is that the Committee has the correct information and certainly when I took this to Committee we made it plain that there was an accounting adjustment in there, because you can see on the contract -- you might be able to see on the contract figure -- that there was some sort of adjustment and it didn’t look right. The main difficulty here was trying to assimilate year one Connex operations from September to October of a year -- a bit like a school year -- into a financial year, but certainly it is not something that ... the important thing as far as civil servants are concerned, as far as I am concerned, is to ensure that the Committee gets accurate, objective information.

MR GARRETT: Do you think that the wording of your email is slightly unfortunate and doesn’t actually convey a good image?

MRS ANDERSON: Um ...

MR GARRETT: I mean, the way in which I read it ----

MRS ANDERSON: It was an internal email. That is not to say that, you know, with something like this, it doesn’t go external -- I completely accept that -- but, at that time, as you, I am sure, know, anything to do with Connex was very sensitive and it is not that we were trying to hide anything or be not truthful. It was purely that I thought it might show it in a slightly different light. I mean, in hindsight ----

MR GARRETT: It actually conveys the impression that you are engaged in spin doctoring.

MRS ANDERSON: No, no, certainly not.

MR GARRETT: I just put some questions to the States Treasurer. Clearly there is a very difficult financial situation here. How has that situation arisen?

MRS ANDERSON: As far as the fact that we have a bus subsidy that wasn't budgeted for?

MR GARRETT: Yes. My understanding is that you have got a sort of deficit against your budget of about 1.96 million.

MRS ANDERSON: Yes, we have this year, but, in two thousand and ... sorry, we had last year, but in 2005 we have that 1.96 million within our base budget, so we haven't got a deficit.

MR GARRETT: Where has it come from?

MRS ANDERSON: That was allocated through the Fundamental Spending Review, additional monies for ----

MR GARRETT: But was that foreseen at the time that the Bus Strategy was proposed?

MRS ANDERSON: Um, I don't know, given that the Bus Strategy was put together in the first few months of my term of office at Public Services. Certainly monies, I believe, were considered at Committee, but I wasn't at, I don't think, any Committee discussions where that went through. I think the important thing with the Bus Strategy was, having tried desperately to reach an agreement with Jersey Bus and not being able to agree on the subsidy, the Bus Strategy was saying "We will go out to open tender and, if we go out to open tender, then the hope is that it is competitive and that we will get the best deal." Now, I am not saying that the States shouldn't have been asking the question about what the pound sign is on that, but I think you need to ask other witnesses as far as the discussions on the pound sign. As soon as the tenders came in and there was a shadow tender done, as you are aware, from Halcrow's, the sort of figures being spoken about were in the right ballpark figure. As far as I am aware, we alerted Finance and Economics and the States Treasury to those sort of figures as soon as we were aware of them.

MR GARRETT: I accept that you joined Public Services fairly late, but are you aware of any kind of risk analysis exercise where the financial issues would have been considered?

MRS ANDERSON: There was a risk analysis exercise done, yes, in July ... around about the time of

the Bus Strategy.

MR GARRETT: Did that alert anybody within Public Services to the fact that this might be expensive?

MRS ANDERSON: I think it certainly did and I think I have to say that I think Public Services were of that opinion, at that time anyway. Quite what the pound sign was, I mean, quite honestly, what we wanted to do was to get a service in that didn't have any history, so it had to be on the first year on the same basis as the timetables, but to then get something that was hopefully more efficient and effective than had gone before. Now, whether that led to cost savings we weren't to know at that stage.

MR GARRETT: But, bearing in mind as part of the tendering process Halcrow produced a shadow tender, would it not have been feasible prior to embarking on the tendering process to have got somebody like Halcrow to produce some fairly comprehensive costings to determine what the implications might have been for the States?

MRS ANDERSON: Potentially.

MR GARRETT: But you are not aware that anybody thought of that?

MRS ANDERSON: Um, I'm not aware, but the Strategy went through F&E and certainly there must have been some figures discussed there. I am not aware of that. Certainly by the time the tenders came in, of course, there were discussions as far as funding was concerned. The hope was that the overall, once we could assimilate or integrate all the services within, then there would seem to be some savings for the States overall and certainly the renegotiation of the school bus service saved us a significant amount of money, so the difference between what we were paying out prior to the tender and what we were ... sorry, what we were paying out prior to Connex and what we were paying out afterwards isn't as significant as perhaps the public are led to believe.

MR GARRETT: I have no further questions.

MR SHEPHEARD: Mr Blackstone?

MR BLACKSTONE: We obviously had to split our areas of research because we have been bombarded with a huge amount of paper and Mr Garrett did look primarily at your area. Mr

Garrett, could I just have a look at that first email to which you referred because it this does impinge slightly on the areas I research? (**Same handed to Mr Blackstone**)

MR GARRETT: Sorry, is that the right one?

MRS ANDERSON: The first one was 29th May 2003.

MR BLACKSTONE: This is May 2003 from Mike Collier to you, Mrs Anderson.

MRS ANDERSON: Yes.

MR BLACKSTONE: *“We can’t show the Committee the version you have. We are not known to have the figures on which to base it.”* What figures were those -- the ones provided by Jersey Bus?

MRS ANDERSON: Um, that’s as Mr Garrett was asking. I believe so. I haven’t had those. I mean, whatever he gave me was a version of ... I can’t even recall what that attachment was.

MR BLACKSTONE: Perhaps we should be asking Mr Collier these questions, but it does seem to me as if you shouldn’t have had this information. It is possibly, as you said, something that was provided under a confidentiality agreement earlier on.

MRS ANDERSON: That is really all I can assume.

MR BLACKSTONE: Conclude, yes. So, in other words, Jersey Bus, the figures provided under a confidentiality agreement, and I believe the memo, that this referred to possibly Mr Maltwood, Mr Black and one or two others were entitled to receive that information, but it seems that this information is now floating around the Public Services Department.

MRS ANDERSON: I am not aware of that and I can’t say yes or no, whether it is those figures or other figures.

MR BLACKSTONE: Sure. We should really be asking Mr Collier, do you think?

MRS ANDERSON: I think possibly.

MR BLACKSTONE: Yes.

MR SHEPHEARD: Just one thing, I think, Mrs Anderson. You referred earlier on in your evidence to an OAP subsidy. Now, this is not strictly within the terms of reference of the Inquiry, but it is something that evidence has been given on and we have asked questions to probe this a little bit because the evidence that we have had so far is that the funding paid in relation to OAPs and

HIE cardholders was originally a lump sum which bore no relation to the number of passengers using the bus, but, from about 1993 onwards, had become, in effect, the States paying Jersey Bus for that journey made by that passenger because of the improvement in ticketing machines. So I don't know that it is right to refer to it as a subsidy, because what it is conferring a benefit on the pensioners or the HIE cardholders. Their bus fares were being paid for them by the States effectively.

MRS ANDERSON: Correct, correct. I don't know the history of it before that. I know what it was from 2001 when, as you quite rightly say, it was a payment to Jersey Bus for round about £460,000, which effectively reimbursed Jersey Bus for the loss of income of allowing HIE and OAP cardholders to travel free on the bus. Obviously now it is income foregone with Connex. We don't actually pay that. We pay Connex the contract and we get the income, but that income is less the concessionary fares.

MR SHEPHEARD: Yes, yes. Right, okay, I think that has clarified that. That is all I wanted to be sure about. Yes, thank you very much, Mrs Anderson. I don't think we have any further questions. Having one eye on the clock, the Committee is now going to adjourn and we will reconvene at one o'clock.

MR SPENCE: Correct.
