

# STATES OF JERSEY

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

BLAMPIED ROOM, STATES BUILDING

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Committee: Mr Huw Shephard (President)  
Mr Christopher Blackstone (Member)  
Mr Trevor Garrett (Member)

In attendance Mr Mac Spence (Committee Clerk)

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### EVIDENCE FROM:

**MR C. LEWIS  
(Diamond Group)**

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on

Monday, 24th January 2005

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----- Reviewed 09.03.2005 Committee Clerk

MR SHEPHEARD: Mr Lewis, good morning. You have been asked to come here this morning

to give evidence to the Committee and we are taking the evidence from witnesses on oath, so if you would prepare to take the oath, please.

**The witness was sworn**

MR SHEPHEARD: Thank you. Mr Lewis, you are, I think, the Managing Director of Diamond Group; is that right?

MR LEWIS: That is correct, yes.

MR SHEPHEARD: And that is the parent company of Jersey Bus?

MR LEWIS: It is, yes.

MR SHEPHEARD: And in Jersey Bus your particular sphere of activity is you are effectively the Chief Executive of that company?

MR LEWIS: I am, yes.

MR SHEPHEARD: And the Committee is interested in looking at this matter from when it began effectively and, as a convenient cut-off, it has started looking at events from 1999 onwards. Were you the Chief Executive of Jersey Bus during the whole of the time that the Committee is interested in?

MR LEWIS: I was, yes.

MR SHEPHEARD: I am going to hand over now to my two colleagues, who will be conducting a large part of the questions this morning and I will chip in from time to time if the need arises or if I have any particular points that I want to clarify.

MR BLACKSTONE: Mr Lewis, if we can start off with the period from September 1999, when you were in negotiation for your licence and also fare increases. This period went on essentially through to August 2001, when we move on to a period of competitive tendering. Now, during that period fare increases were considered, licence renewals, service level agreement, fair rate of return. Any other particular matters we should think about?

MR LEWIS: Well, there would be the normal ... there is the issue of the licence from September/October 1999 through to September of 2000, so there would be normal activity during that period, which would have been getting our licence, getting our fare increase, wage negotiations perhaps at that particular ... probably relevant for that year. Um, there was the

Town Hoppa scenario of that first year and what came out of that. Um, year 2, the period really from September 2000 through to September 2001, again, a one year licence, where the intention for a large part of that was working with Public Services to set out a service level agreement. And the same thing again, obviously, there would be ongoing wage negotiations and all the other normal things.

There was always two timetables during that period as well, the winter and the summer timetable, so we would normally be putting in our summer and our winter timetable, which had to be applied for eight weeks in advance. So those are the ... in very simplistic terms, those are the sort of normal things that would happen during that period, but, of course, there were one or two exceptional incidents that occurred as well.

MR BLACKSTONE: Previously you had always had a three year licence, which, in view of the capital investment you have in equipment, seems to me a little bit on the short side, but then you were reduced to one year licences for almost two years.

MR LEWIS: Yes.

MR BLACKSTONE: Did this not make it very difficult for you to operate and acquire new equipment, do maintenance?

MR LEWIS: There was a tremendous amount of uncertainty. Um, in September '99, the Committee decided to only grant a one year licence. They felt that what was needed was or required was a service level agreement with ourselves before they could issue us with a longer licence. So basically in that situation there we were stuck with a one year licence. We weren't granted a fare increase at the time. Um, and, yes, we were also doing very well going into that winter, where we normally incur severe losses. We had applied for a fare increase and we thought we had provided sufficient information at the time for that fare increase, but it was felt at the time it wasn't.

Now, we jumped the gun and we actually put our fares up and we were called to a meeting with the Committee, of which Constable Carl Hinault was the President at the time and he asked us if we would reconsider by putting our fares down, but providing them with sufficient information to deem whether it was necessary as providing a fare increase, which were required

showing some of our financial information, some of our accounts. So we agreed to that. The following week our fares were brought down to the previous levels, and we provided the information to the Public Services Department -- certainly John Richardson was in that department itself -- I think Clive Swinnerton possibly, although I don't recollect him being at the meeting at the time, the President, who would have been Carl Hinault, and also, in addition to that as well, through Finance and Economics and the Chief Executive of the Treasury, which was Ian Black. So the information was provided. **(Pause)** Sorry, I will try to focus my notes on the questions that were asked. I have got the information here.

MR BLACKSTONE: We have a lot of paper too.

MR LEWIS: What we did is ... what we thought was the most appropriate thing to do was to use our audited accounts and the P&Ls from the year before and show the areas where we felt that there would be increases during that particular forthcoming year.

MR BLACKSTONE: Can I stop you there a moment? You said your audited accounts and your P&Ls.

MR LEWIS: Yeah.

MR BLACKSTONE: Did you submit your complete audited accounts too?

MR LEWIS: No, we didn't. We provided the P&L side. I didn't provide the balance sheet at the time. First of all, I wasn't asked to provide a balance sheet initially. Well, I am not aware that I was asked to provide a balance sheet.

MR BLACKSTONE: I thought you were asked to provide audited accounts.

MR LEWIS: Yeah. Forgive me if I am wrong, but I didn't think I was totally obliged to ... I thought I was asked from the accounts the information that was deemed necessary, so I certainly didn't provide a total plc -- sorry, the PWC -- audited accounts, which included the balance sheet. Initially, when I sent this information off to Ian Black, I provided the P&Ls and I provided a breakdown of where were going, or where I thought we were going to perform in the next year.

Now, later I was never asked for the balance sheets, and the reason why I was reluctant to do it was this. Jersey Bus itself, its only assets it actually had, was the vehicles and its stock.

The property itself was owned by one of our own subsidiaries, which was Sunburst. Diamond itself owned a considerable amount of other businesses, but, within Jersey Bus, because it was a subsidiary, it had things to do with cross guarantees and it had elements to do with ... the businesses were in two trusts, my parents' trusts. There were elements of guarantees that they had given themselves. So there were aspects of a personal nature. I thought initially that probably wasn't relevant and what was relevant was to see the value of how we had depreciated our vehicles, the levels of our stock and things like that. So I didn't do it, but I was not asked by Ian Black or John Richardson or anybody else to provide the balance sheets at a later stage.

MR BLACKSTONE:           What they were interested in was your profitability, right?

MR LEWIS:               Well, what I thought was relevant to get a fare increase, which was basically, within that year and that trading account, between basically turnover and expenses, why we would be justified in asking for a fare increase. It is a simple matter of adding and subtracting what costs are likely to go up and what areas of our revenue are also likely to either increase or decrease.

MR BLACKSTONE:           But essentially what they were looking for was to assess your profitability, I assume?

MR LEWIS:               Well, I assessed the justification whether we would require a fare increase would be based on whether or not they thought our performance and our ... yes, I suppose in simplistic terms, but you also have to remember within this that there were no guidelines as to what level of profitability we should be actually performing at. There is no benchmark out of there. At a later stage, the whole aspect of what would be a fair rate of return came into being, but, on that initial fare increase, the idea was to show them basically all our areas of revenue and all our areas of expenditure.

Within the accounts and within the comparison with PWC, there were three areas which would need to be analysed. One was that we had a management charge. Because of our holding group, with Diamond, because of the fact that within the management it charged itself the dividends that would go out, etc, etc, there would be a management charge that would be charged to the different aspects of the group. The management charge was not a realistic charge

to Jersey Bus.

MR BLACKSTONE: Accepted.

MR LEWIS: So that needed to be qualified. We needed to say “Look, these are what we feel are deemed by myself, by my financial director, as the correct charges.” So, for example, the management charge needed to be extracted.

MR BLACKSTONE: Hmm hmm.

MR LEWIS: Another aspect was that the property itself was owned by ourselves.

MR BLACKSTONE: Can I just stop you there, Mr Lewis?

MR LEWIS: Yes.

MR BLACKSTONE: You did also advise Mr Black that no commercial rent was charged for the Weighbridge property and an appropriate adjustment on commercial assessment should be made for that; correct?

MR LEWIS: We did, and to find a value for that we actually used Healey & Baker. We actually brought Healey & Baker in to give us an idea of what we thought the realistic rent would be.

MR BLACKSTONE: Right, and you also entered what I consider a perfectly reasonable charge for two directors’ time working in the business.

MR LEWIS: That is what we thought, yes, Sir.

MR BLACKSTONE: In your balance sheets for these periods, Mr Lewis, there were considerable interest-free loans made by the company to the group.

MR LEWIS: Yes.

MR BLACKSTONE: You also had considerable bank borrowings.

MR LEWIS: Yes.

MR BLACKSTONE: Should you not have also offered an adjustment appropriate to the interest-free loans, because the fact you were making those was reducing your profit accordingly, surely?

MR LEWIS: Well, can we just have a look at the ----

MR BLACKSTONE: You are borrowing money from the bank and using a large part of it to

make loans to other group companies.

MR LEWIS: Well, at certain times within the group each particular part of the group, of those trading businesses, all helped to service the overdraft. Tantivy was from it at certain times and the Living Legend was from it at certain times. So they all ... well, it is a basic cross guarantee from the whole group and the whole group was servicing that overdraft.

MR BLACKSTONE: No, that is not the question I am asking.

MR LEWIS: No?

MR BLACKSTONE: Jersey Bus had bank borrowings of a considerable sum, JMT.

MR LEWIS: Diamond did. Diamond did.

MR BLACKSTONE: No. It is in the balance sheet for JMT 1987 Limited, Mr Lewis, so I think it was JMT.

MR LEWIS: Well, okay, I will accept what you are saying.

MR BLACKSTONE: Presumably you were paying a rate of bank interest, I do not know, at that time of 8, 10, 12%, something of that order?

MR LEWIS: Yes, yes.

MR BLACKSTONE: And yet you were using that money, on which the interest charge appeared in your accounts, to make interest-free loans to other companies in the group.

MR LEWIS: I can only explain the way we operated the thing and, at the end of the day, if that is how you see it ... we had a cross guaranteed group.

MR BLACKSTONE: No, the cross guarantee was to do with the interest charge. The interest charged in Jersey Bus' accounts was an expense, right?

MR LEWIS (after a pause): Okay, I will accept what you are saying.

MR BLACKSTONE: Right, so if you are using that money that you borrowed and on which you are paying interest to make loans to other group companies interest-free, is that not artificially reducing the trading results of JMT?

MR LEWIS: I think that ... I am actually trying to find a point here where we would actually have had the bank charges relating to Jersey Bus. It is possible that, within that interest there, it might be ... I don't know what our bank interest was that year. Let us say it was 30, 40,

£50,000, it is possible that, within that, it may be that the charge to the rest of the group was, or the charge to the Jersey Bus was perhaps not proportionally correct, but ----

MR BLACKSTONE: All I am saying is that you should really have made an adjustment to your figures you gave to Mr Black and Mr Richardson to take into account that interest which wasn't charged.

MR LEWIS: Well, maybe the accounts ... I don't think it would have been a huge amount of money.

MR BLACKSTONE: Well, I worked it out at 8%. Your borrowings at the end of 1998 were 294,000, so that is 23,000 additional ----

MR LEWIS: Interest

MR BLACKSTONE: ---- interest that should have been charged on those loans.

MR LEWIS: Right, well, maybe you are right, Sir. Maybe you are right, that might have falsified our profits or maybe it was another artificially ----

MR BLACKSTONE: All I am saying is if you had given the whole audited accounts and the balance sheet, that fact would have been immediately apparent.

MR LEWIS: Right. Well, I didn't do it for that reason.

MR BLACKSTONE: Yes.

MR LEWIS: I did it because I didn't feel it was that necessary, and I understand what you are saying now about the interest and I take your point, but I also was reluctant to do it because of the whole revealing of the rest of Diamond Jersey's performances, aspects to do with the trusts etc, and I also have to say that they didn't come back and say "Look, can we have the rest of the audited accounts" at that stage. I am not aware of it anyway. I am not aware of Ian Black or John Richardson coming back to me and saying "Look, we would like to see all the rest of these accounts."

MR BLACKSTONE: Hmm hmm. Let us move on then a little bit to the time when Public Services appoint a consultant, Mr John Griffiths. He became, I believe, your main point of contact with PSC in your negotiations with them.

MR LEWIS: Um, in January through to April of 2001?



MR BLACKSTONE: Yes.

MR LEWIS: At the end of ... through the period of '99 ... first of all, we get a fare increase. I am correct to say that we eventually get a fare increase the second time around at the beginning of 2001.

MR BLACKSTONE: 2001, yes.

MR LEWIS: We update our figures. The following year we are meant to be entering into an SLA agreement, again with Public Services and, during January/February of that year, they bring on board this gentleman from an accountancy firm anyway, which I think they had used a lot of service level agreements, called John Griffiths.

MR BLACKSTONE: Did you say he came from an accountancy firm?

MR LEWIS: I think I have got it somewhere. I am not too sure.

MR BLACKSTONE: I understood, to make it clear, that that was a firm of management consultants.

MR LEWIS: Well, okay, I will accept that, yes.

MR BLACKSTONE: Did you meet him alone, or was there anybody else from his firm came along?

MR LEWIS: No. He was the only person we met with, yeah.

MR BLACKSTONE: Now, Mr Griffiths sent you an email on 25th January 2001 to the effect that his areas of specialisation included neither law nor transportation. In the circumstances, why did you find it acceptable to work with him and, indeed, send a fax to Alan Muir of Public Services saying you were happy so to do?

MR LEWIS: In hindsight perhaps it wasn't the right thing to do. I think that there was an urgency to try and get an SLA established. This is a person who had worked with other departments in the States and was recommended. I think the feeling also was the fact that if at some later stage they needed somebody to be brought in who was more of a bus consultant, that would probably happen. I mean, at some point in it, PWC themselves -- obviously they are our accountants, our auditors in Jersey -- they had a department in Ireland and a gentleman called Gordon Poots offered to play a rôle. But, yes, looking back in hindsight now, John Griffiths

obviously was limited in the way he could analyse aspects to do with the ... the aspects to do with buses, but he was bound to be only one of a part of a team. I don't know whether we were hasty or whether it was ... we accepted that at the time. That is a Jersey man.

MR BLACKSTONE: You would have preferred it, presumably, if he knew something about buses, wouldn't you?

MR LEWIS: Sorry, could you ask me that again?

MR BLACKSTONE: You would have presumably to have had somebody who knew about buses?

MR LEWIS: I think it was absolutely essential, yes. I mean, looking back, in hindsight, it was absolutely essential. You also don't know when ... I mean, I'm going back now and one would have expected to ... um, that this person would have had a knowledge. I take your point. I have noticed it since, when I have gone back through my files, that he does say "By the way, I have no knowledge of this area", and, yes, at some point in time it was necessary and, of course, at a later stage Public Services themselves did bring in a bus consultancy company.

MR BLACKSTONE: Is that Halcrow that you are talking about?

MR LEWIS: That's right.

MR BLACKSTONE: Right. When did Halcrow first get involved? Do you know?

MR LEWIS: I first was aware of Halcrow on a completely different exercise altogether, which was to do with the Transportation Centre some years earlier. There had been some difficulties over the design and how much provision should be made towards providing a bus terminus there.

MR BLACKSTONE: No, I am thinking particularly on the bus negotiations.

MR LEWIS: On this particular part with Halcrow I wasn't aware of their involvement until, I think, the summer of 2001.

MR BLACKSTONE: Summer of 2001. That is when they started preparing the documentation for the tendering process.

MR LEWIS: Yes. Until ... they needed approval from the States, which they got through the Bus Strategy Debate in July of 2001. I believe before that they had already possibly ... I am

not aware of the fact, but I just take it for granted that in fact it actually involved somebody like Halcrow to determine how they could go about carrying out and in fact activating the Bus Strategy.

MR BLACKSTONE:            Hmm hmm.

MR LEWIS:    So they must have been brought on board possibly from May/June/July. I mean, I know that you are asking the questions, but prior to this, in April of that year, we still felt that we were in a position where we couldn't see the SLA being finalised and we felt that we were justified in having some sort of subsidy. So we went through another winter of losses. Um, we said "Look, we feel that some of our routes here which were continuing to operate, we feel that they need some sort of route subsidy", and that information then was provided to John Griffiths and to Public Services.

MR BLACKSTONE:            Yeah, yeah.

MR LEWIS:            And that took us through into April. Then, at that point, at that point in time, Public Services then decided to go down the route of the Bus Strategy, which involved bus tendering as opposed to being involved in a long term agreement with ourselves.

MR BLACKSTONE:            Hmm hmm.

MR LEWIS:            And, at that point, they must have then brought on board Halcrow.

MR BLACKSTONE:            Yes. Anyway, going back to Mr Griffiths, essentially, I believe, he was employed by PSC for two objects: firstly, to complete a Service Level Agreement for Jersey Bus and, secondly, to establish a fair rate of return based on a mark-up on expenses.

MR LEWIS:            That's right.

MR BLACKSTONE:            Now, I don't see that there is any direct tie up between those two items. The Service Level Agreement is what sort of service you provide to people in buses and timetables and schedules and all that; whereas the mark-up on expenses is purely an accounting exercise and seeing what else is common in the trade, I believe. One is a document and the other is figures. Am I right in assuming that?

MR LEWIS:            Well, um, John Griffiths' rôle, as I saw it, was for two things. To produce a Service Level Agreement at that stage, it seemed necessary to establish at some point in time, if you enter into a ... the point that we kept making was for a satisfactory long term agreement,

bearing in mind the drop off of holidaymakers, the difficulties of keeping ... not being able to keep up with expenses, and the fall off in the profits, somewhere along the line it was likely that, to sustain the level of services, there was likely to be some form of subsidy. So once you get down the road of subsidy and determine what sort of subsidy, you have then got to determine what is a fair rate of return.

MR BLACKSTONE:            Hmm hmm.

MR LEWIS:    So that is how the two were running parallel with each other. One was an element to do with the Service Level Agreement and the other one was to do with determining what was a fair rate of return for the company.

MR BLACKSTONE:            Yes. Did Mr Griffiths complete either of these exercises to your satisfaction?

MR LEWIS:                No. **(Pause)** You have really got to go to the events at that point in time. At that point in time, between sort of March and April of that year, very little progress had been done with respect to fair rate of return. The Service Level Agreement itself, there wasn't an enormous amount of work involved with that either. We were faced with ... we had also agreed to run an extra town service that winter for the route 88 without any subsidy. And here we were in a situation where it looked as if the Service Level Agreement and a fair rate of return wouldn't be established too readily over the next forthcoming months. We had had one year, the previous year before, no subsidy. We had had the Town Hoppa fiasco, a one year licence here. We were in the second year, um, sort of like about eight or nine months into the year. We had done eight months and we were on another whole winter of losses. So, in conjunction with trying to establish a Service Level Agreement there was also a need to try and establish some sort of subsidy for that summer as well, or for the rest of that year. So, at that particular point, that is when we produced the information on all the different routes and the breakdown of the revenue and the costs per route and how it all dovetailed in with the schools.

MR BLACKSTONE:            Hmm hmm.

MR LEWIS:                We had also received a letter from Clive Swinnerton, who was Chief Executive at the time. By that, according to the Law of 1965 -- and just bear with me, I hope I will be able to

find it, but I don't know where I've put it -- we were obliged to provide information relating to our services. So it was something we had been reluctant to do because it was always our feeling that, if we gave them a breakdown of all our routes, somewhere along the line it would be much easier for competition to come in. But we felt that, at that particular stage, to not provide the information and also because of this aspect to do with the law, at that time we didn't really have a choice.

So there were two things and, to some extent, the long term SLA and the fair rate of return, I wouldn't say were sidelined because they were there, but the main attention was drawn towards this aspect about providing information to determine whether or not we were justified in receiving profits for the profitable routes. So a lot of our attention in that period certainly mainly through April was geared towards that.

MR BLACKSTONE: Yes.

MR LEWIS: So we had to show the routes, the revenue, the costs, how the schools fitted in, the expenditure relating to the costs relating to that and it all had to tie up with our existing accounts and also a forecast for that year, and I do apologise if I am ----

MR BLACKSTONE: The schools are a little bit different because they are on fixed price contracts, aren't they?

MR LEWIS: Yes.

MR BLACKSTONE: So the rate of return really only applied to the public bus service.

MR LEWIS: No, at that point in time, Jersey Bus itself carried out a proportion of the school contracts and proportion with Tantivy, so when we were looking at Jersey Bus and the fair rate of return, we were always looking at how the two dovetailed together. You are right, there is a fixed price for doing the schools, but, at the end of the day, those vehicles, the staff and everybody else weren't exclusively being tied up with the schools, they were doing both.

MR BLACKSTONE: No, I understand that, hmm hmm.

MR LEWIS: So, in fact, yes, when you were looking at fair rate of return, you were looking at a fair rate of return for the company ----

MR BLACKSTONE: Overall, yeah.

MR LEWIS: ---- which did both, apportioned.

MR BLACKSTONE: But the Service Level Agreement was nothing to do with the school contracts; that was purely for the public bus service.

MR LEWIS: Well, there was an element of the ... that is correct. The Service Level Agreement was geared towards the scheduled service and there was an element of an agreement, a Service Level Agreement, as such to do with the school contracts anyway.

MR BLACKSTONE: I am going to move on a little bit, but still with your consultants -- sorry, PSC's consultants -- and you also mentioned PriceWaterhouse Belfast who you brought in, I believe, at one stage.

MR LEWIS: That is right. There was a chap called Gordon Poots who came over. I think his general feeling was that there needed to be somebody who actually understood about buses themselves.

MR BLACKSTONE: Now, PriceWaterhouse, or PricewaterhouseCoopers are here in Jersey and are your auditors.

MR LEWIS: Yes.

MR BLACKSTONE: Their Belfast office is quite a long way away. Is that where they had a specialist transport consultancy?

MR LEWIS: There were two areas that we were aware of. One area was in Belfast, which I think was recommended because I think that is where they have a specialist area. They also had an arm in London as well, and we met with them. We met them on our previous occasion, but they were more geared, I think, more towards acquisitions and sales.

MR BLACKSTONE: Anyway, Mr Poots came to Jersey and he met with you and obviously he also met with various people from either the Public Services Department or the Public Services Committee and, I believe also, Mr Griffiths.

MR LEWIS: I have to say I can't remember who he met with. I know he met with us, because I can remember going out with him for a meal and talking to the officers. But if I could just put my finger on it, there is a letter.

MR BLACKSTONE: I have it right here.

MR LEWIS: Oh you have it. Well, it says in the letter what he actually did, because I have got some feeling that he says that he feels that Public Services -- the gist of it -- they lack experience in this area and that perhaps he could, or their department or their section in Ireland could, help towards brokering an arrangement with all parties.

MR BLACKSTONE: What he actually said on a very much more general level was "*It is apparent that the representatives of PSD have a very simplistic view of bus company operations,*" and he also does refer to "*their consultant*", which can mean only Mr Griffiths. "*I believe that in the future there is the potential for the PSD to make requests for service changes, most probably to save the States of Jersey money. The requests, I believe, will be based on simplistic assumptions, with unrealistic expectations in terms of operating issues and ensuing cost and revenue implications.*" He doesn't sound as if he was very impressed with PSD or their consultants.

MR LEWIS: Well, I think he was stating the obvious. They didn't have the experience for this area. Can I just bring some other point up here which I think we were talking about with respect to John Griffiths and rates of return? For the ... there was one offer from Public Services at the time for a rate of return, for an overall profitability for the Jersey Bus side of the group, including the schools, for that year. They offered a mark-up based on turnover (which, as I said before, the turnover was not keeping pace with expenditure) of 5.3%.

Now, we had also obtained from PWC, and I am not 100% sure we got this from the Irish department or whether we got it from the Belfast department or the London department, figures showing the average returns of bus companies in the United Kingdom. Now, most of the bus companies in the United Kingdom were owned by the big five, National Express, Stagecoach, I think Arriva or First Bus and they were all averaging returns of around about 15%. Naturally we were looking for something on the basis of that as well. When we got an offer of ... that was based on costs, I have to say, that return. An idea of actually having a favourite -- it is all coming back to me now -- the idea at the time was that Finance and Economics were not happy with the idea of having a company trading, a bus company trading, on the basis of costs plus mark-up. They felt that that was too risky.

MR BLACKSTONE: But that is eventually what happens, is it not?

MR LEWIS: That is eventually what happened, but, in our particular case then, from the feedback, from the letters and correspondence I have from Simon Crowcroft and the department, they felt that F&E would not recommend a cost plus mark-up. Now, the problem was that, if you did it on a turnover basis, with your turnover declining on the earlier basis, your margin would have been eroded. That was the offer which we had.

I responded at the time to that by saying "Look, these services are just not making any money. They are not making any money in the summer or the winter." Some of the services were to end early for the summer period and, eventually, when I wrote back, I said "There is the costs. There is the revenue. This is the subsidy. Don't bother with any mark-up at all. And, actually, on those particular routes for that summer, cherry pick. If you determine that, for example, once you cherry pick you decide that some services aren't as important as others ... "

It was £120,000 of subsidy that we were looking for, of which about £20,000 alone was for the route 88. There was a new circular town service which had been operating. It had been introduced since September and it involved more vehicles so it was more costly to operate. There were three services probably out of those services which were loss makers at the time. There was the No. 19, the No. 4 and the 2C. If you had analysed those three services alone it would have cost about £20,000-odd to save them that summer, but that was deemed at the time to be ----

MR BLACKSTONE: Coming back to Mr Griffiths, do you know where he got his 5.3% from?

MR LEWIS: I don't know where it comes from, but I do recollect having a meeting with John Griffiths and, at that meeting with John Griffiths, he felt that, from the analysis he put together about rates of returns on bus companies, that, for our size with the sort of turnover which we had, which was just over £3 million -- that is a breakdown of turnover between the revenue that we collected, Explorer tickets, school contracts and the money that we were paid for the pensions -- based on that, for a similar size company maybe something like 5% or 6% would be realistic.

Now, I pointed out to him and I said "Can you give me examples of these?" These were



subsidiaries of the bigger groups. He mentioned OK Motors as one example. I knew it because my father had had bus companies up in the North East. OK was part of Busways, which was part of, I think, the Arriva group. So it wasn't realistic. Busways itself was actually making 15%. OK itself, as far as management charges, engineering charges and all the rest of it, it wasn't a realistic benchmark on what would be expected. I mean, in our tender itself we would put in eventually a mark-up of 12%, which seemed to be around about average. So 5% seemed to be, yes, definitely unrealistic.

MR BLACKSTONE: Well, I have seen two schedules Mr Griffiths prepared of average returns on UK companies. One came out at 10 and one came out at 8, so I can't see quite what he was suggesting 5.3 for.

MR LEWIS: Right, well, there you go. Maybe I was trying to find a reason for it perhaps. When you said ... no, I don't know where the 5% came from, but he actually started off with 3½% in fact.

MR BLACKSTONE: As you say, your tender included a mark-up of 12%, which was in the middle. Others were as high as 15% or, in one case, 23%, so 5% does seem very low. Perhaps you could just pass that on to Mr Lewis. **(Same handed)** That is a very simple schedule which I did adjusting the accounts of Jersey Bus which you kindly sent to us. I have taken out management fees, which I think, as you said earlier, are not strictly related to bus operations. I have added back directors' remuneration and the rent for the Weighbridge, which we also mentioned briefly. And I have taken out, or I have added back in, notional interest on these group loans to which we referred. After making those adjustments, I produce a figure of return of mark-up on expenses declining from 11% in '97 down through 7% in '99 to 5% in 2000. So it doesn't seem, even if you make the appropriate adjustments to these audited accounts, that the actual bus operation is making excessive profits.

MR LEWIS: In relation to that as well, Sir, from a cash point of view, we had not been investing in vehicles for some time because we were getting one year licences. Another important thing that came at the time was you couldn't buy new vehicles. The main chassis builders themselves, Dennis and what-have-you, were no longer building. As it turned out for

the bus tender, there was a bit of quirk of good fortune, in that they were starting to manufacture for a short space of time in chassis. So, cash-wise within the business itself, we didn't have a rent to really pay. We had our own property, which we knew we were getting a fair rate of return on, but, basically ... so that was helping us get by over those couple of years. But you are actually right, I mean, our return had declined in the space of three years by half and it didn't take an expert to realise that, within a couple of years, we would be making no profit at all. We employed 100 staff in the summer. It went down to probably about 70-odd in the winter time. We required, at that time, 60 buses to operate the whole system.

So, yes, the Service Level Agreement, people wanting a better service, but it just wasn't going to be delivered. Unless we were incompetent, unless somebody came back and said "Look, there is an area where which ..." I mean, you have just pointed out yourself that nobody else did that, but perhaps maybe okay the point about the Diamond Group, but the interest perhaps wasn't realistic enough, but, even so, £23,000 is not going to turn that around. There was clearly nothing within our situation as it was that was sustainable and we were going to get a fair rate of return for what we were doing.

MR BLACKSTONE: Now, the accounts of JMT have always been audited and they have always had a clean auditor's certificate?

MR LEWIS: Yes.

MR BLACKSTONE: Apart from the items I have drawn attention to there, which were readily apparent from the audited accounts, is there anything else from the JMT accounts that does not relate to buses and bus operations?

MR LEWIS (after a pause): I don't think so. No, I thought when we provided it, we provided it and it was pretty straightforward, I believe.

MR BLACKSTONE: I am sure there wasn't, or the auditors would have picked it up.

MR LEWIS: Yes.

MR BLACKSTONE: Fine. So you are quite happy that this is a fair assessment of ----

MR LEWIS: I do, yes.

MR BLACKSTONE: ---- your profitability over those years?

MR LEWIS: Yes.

MR BLACKSTONE: Any reason why Mr Griffiths couldn't have found this?

MR LEWIS: No. He did actually see, by the way, our balance sheets while he was in our premises. That is something that I ... but we were roped in to sending them away. Back in '98 and '99 there was a question, there was a feeling, that perhaps when we had a fare increase that, somewhere along the line, was it justified? Derek Maltwood, Deputy Derek Maltwood, at the time had written a letter saying "Well, they seem to be doing well with the rest of the group. Perhaps there is a way of Jersey Bus, you know, cross-subsidising." So I don't know whether there was an element of suspicion.

Now, in our particular case, as I say, when we analysed it, anybody who was a really knowledgeable accountant/bus consultant would have looked at that and said "Right, that seems to make sense itself. That is clearly how the company is trading." The hardest part to strip out was how the schools worked with the revenue from scheduled services. But somebody who was fairly knowledgeable would have been able to work that out and, if they had had queries, they could have come back to us.

Griffiths himself, a lot of it depends on what his skill was. Now, I spoke to him on one occasion when I sent this information and he said to me "Look, Chris, you have to realise at the moment it's a question of the States don't have a lot of money. They have got limited amounts of money and I'm in a position where I'm trying to justify to some extent in relation to something else." He had been working at the hospital, I believe, obviously at the hospital where a piece of equipment for something would might be a matter of life and death. He has maybe regarded it sometimes as a higher priority than perhaps the profits of a company. And I do know, now I remember, he did see a balance sheet, certainly of Jersey Bus anyway. We provided him with this information. How he was able to come back and determine that perhaps the returns should be only what they are, I don't know. Obviously it wasn't something ... we didn't agree with him on it anyway.

MR BLACKSTONE: And one of the things he was particularly insistent upon was to see the accounts of all the companies in the Diamond Group.

MR LEWIS: Yes. No, no, I don't know if he was actually. What I do remember vividly about the situation was we then moved on to a period where Public Services were seriously considering our carrying out the Bus Strategy. This was from May of that year. We have now gone ahead and decided to cut those services without subsidy. There was an intervention from Trinity. They had a parish meeting and they decided to fund the service. The difference for the subsidy that we were seeking, to run that service, to cover our costs for that summer, was about £8,000. At a meeting there, we went along and said "If he pays £8,000, we will do it. We will provide him with all the information we provided with Public Services." David Crespel, Deputy David Crespel, took it upon himself with the Constable at the time, Cabot, to come and check and monitor our information on a weekly basis so we could provide him with the revenue and the costs. So the number 4 service was taken care of.

We didn't feel at that stage ... we thought that we had a reasonable deal with Public Services to still continue with the Service Level Agreement and the fair rate of return. We felt that what had been brokered from the previous summer was still a long term contract with ourselves. The union themselves also felt that. Now, sorry, I am taking ... getting all long-winded here, but you have to understand that these are men that have been employed by the company. These guys are working six days a week and they are working extremely hard to make a living. This is the second year on the trot where they can see that they have got no guaranteed employment come the end of September. The year before they had seen the introduction of a Town Hoppa service as a threat of competition to them. They felt like they had brokered a deal whereby Jersey Bus would be getting a long term contract and then they were in a situation now where it looked as if Public Services were going to go down the route of a change of tack and, instead of trying to broker a deal with ourselves, to go down the route of the Bus Strategy.

MR BLACKSTONE: And that includes the tendering process?

MR LEWIS: Including the tendering process.

MR BLACKSTONE: That change took place when, July/August 2001?

MR LEWIS: I think it was 31st July, the bus debate.

MR BLACKSTONE: This is the final offer that you had from Public Services.

MR LEWIS: Right. Public Services throughout negotiations were negotiating with the unions on one aspect and negotiating with ourselves, and there are meetings where there are actually representatives from the union and ourselves and Public Services there. In those meetings, after about a couple of meetings, Public Services came forward with a three year to five year deal. A bus consultant would be brought on that would work with both sides, paid by both sides. In it would be established a fair rate of return. We would have to provide all our financial information, our books relating to Jersey Bus, but also it was felt that Diamond was important, was necessary as well.

MR BLACKSTONE: Diamond accounts?

MR LEWIS: Yes. Now, what happened there was this. The only fair rate of return that was required was for Jersey Bus. What we didn't want to be was in a position where ... so we wanted to clarify why the accounts of Diamond themselves would also be relevant and also the accounts of Tantivy. So what we wanted to be clear about with Tantivy was that the purpose of working with the accounts of Tantivy was to determine a fair rate for ... value for money and a fair rate for the portion of the schools Tantivy were doing. Remember, most of the business of Tantivy was not to do with scheduled bus services. It was not to do with scheduled bus services at all. It was a separate company with its own headquarters, its own vehicles, its own staff and we weren't looking for a fair rate of return for Tantivy. We weren't looking for a fair rate of return for Café Romany, Living Legend or any of the other business. So what we wanted to do was be clear.

The other thing was, and it was the very first time that we saw the proposal, is they wanted to look at all the schools, but at a later stage it was referred to as "*the entire bus network*", the school network, but you couldn't put the whole of the school network, the portion Tantivy were doing put straight back into Jersey Bus, because ----

MR BLACKSTONE: Mr Lewis, you have already said is that the Jersey Bus JMT 1987 accounts represented the accounts of your scheduled bus service and, apart from what I have outlined here, there was no cross-fertilisation financially ----

MR LEWIS: No.

MR BLACKSTONE: ---- with any other group in the company.

MR LEWIS: Exactly.

MR BLACKSTONE: Therefore, there was no real reason for them to demand the accounts of other groups in the company.

MR LEWIS: No, but at the end we agreed to it.

MR BLACKSTONE: Companies within the group.

MR LEWIS: At the end we agreed to it, but, by that stage, apparently we had gone past the deadline.

MR BLACKSTONE: Yes, and also, one other point on that final offer which fell down, it fell down, as I understand it, on two points. One was the non-disclosure of the group accounts. The second point was that they wanted you to have all the school bus contracts in Jersey Bus rather than in Tantivy and I believe your reply was "Not possible. We don't have enough buses".

MR LEWIS: We don't. What we would have to do is transfer coaches from Tantivy over to Jersey Bus. One aspect about the school network which is very important is how the whole thing compliments each other. To provide a vehicle, whether it is a bus or a coach, just to do school contracts on a yearly basis ... well, it just doesn't pay. It is essential that in fact those overheads, those vehicles, can be used for other business, so the Tantivy proportion of the work also did private hire; it did tours; it dovetailed in as vehicles would be used for transfers on the weekend. So if you took all the aspect of Tantivy's business on the schools and transferred it to Jersey Bus, actually it would destroy it and have a detrimental affect on Tantivy.

MR BLACKSTONE: Yes, but just ... I think there was a suggestion made by PSC or one of the gentlemen who had a meeting with you that Jersey Bus could easily have taken on all the bus contracts and then made a subcontract to Tantivy at the same price. So, as far as the States were concerned, you would be number one responsible, that is JMT. What you did as subcontracting is irrelevant to them, but you would have a responsibility.

MR LEWIS: Yeah. I think we were confused, but you are right. To some extent, assuming that you could get a fair price for the schools and that they could subcontract ----

MR BLACKSTONE: Then that would have been done.

MR LEWIS: ---- then we would have been prepared to do that. But the feasibility of actually transferring all the coaches over to Jersey Bus would have been ludicrous.

MR BLACKSTONE: No, no, I am not sure about transferring all the coaches, just subcontracting and taking the responsibility.

MR LEWIS: Yes, you could, yes.

MR BLACKSTONE: It is a pity that wasn't done, because that seems to have been one of the two main points ----

MR LEWIS: Yes.

MR BLACKSTONE: ---- on which it fell down. Moving along quite a long way now to the tender process, on 28th February 2002, there was a meeting with Mr Macklin and Mr Muir, Mr Macklin of Halcrow and Mr Muir of Public Services. You were also at that meeting, I believe.

MR LEWIS: I was. I wasn't ... there was a feeling that at times there was a conflict of personnel sometimes getting in the way of brokering deals. So when we started the tendering process, my colleague, our financial director, had died and Mike Cotillard was involved in most of the direct involvement and dialogue. I tried to take more of a back seat, the idea being, again, at the end of the day to take out personnel. Perhaps, to some extent, I had blotted my own copybook at times and I was known to get a bit excitable with the press and what-have-you from time to time. So I took a bit more of a back seat. However, I was at this meeting. I think it is 28th Feb, is that right?

MR BLACKSTONE: Yes.

MR LEWIS: Our tenders had to be submitted before 18th Feb. Ten days later we are now to have a meeting with Robin Macklin, or Mr Macklin anyway, of Halcrow and Alan Muir, who was involved with Public Services.

MR BLACKSTONE: Mr Muir was at the meeting?

MR LEWIS: He was at the meeting, yes.

MR BLACKSTONE: Did he stay throughout?

MR LEWIS: Well, he left. He left only five or six minutes before the end, but he was there for the most majority of that meeting, certainly, for most of the key aspects that were discussed.

(Pause) Sorry, I am just trying to find my notes now.

MR BLACKSTONE: Now, you say that Mr Cotillard was mostly the one involved through the tender process with Halcrow?

MR LEWIS: He was. I mean, I took more of a back seat. That doesn't mean I wasn't involved at all, but Mike Cotillard took more of a rôle, yes. He, for example, was involved. There was a presentation that came about shortly afterwards. He made that presentation with our General Manager at Jersey Bus, Carl Pickering.

MR BLACKSTONE: Yes. But there were various explanatory phone calls and other things during the tender process. Did he deal with all those or did you?

MR LEWIS: He did not. I was involved to some extent.

MR BLACKSTONE: You were.

MR LEWIS: Mike was the one who would, you know, write the information. He would sometimes make some of the phone calls, but most of the stuff I was around and I was certainly at this meeting anyway.

MR BLACKSTONE: Hmm hmm.

MR LEWIS: This was obviously a very important thing for us.

MR BLACKSTONE: Sure.

MR LEWIS: You know, it was either the start of Jersey Bus again or it was the end of Jersey Bus. So, you know, I had a duty to be involved.

MR BLACKSTONE: And obviously this time you had had no luck with the Service Level Agreement and that was long gone?

MR LEWIS: No. We had had a pretty tiring two or three years.

MR BLACKSTONE: So, during this tender process, you dealt with Macklin, or you and Cotillard dealt with Macklin, and also Roger Childs, I believe, and Neil Davies?

MR LEWIS: Yes. I never remember speaking to Neil Davies, but emails were sent and faxes were sent and so there was an element of ... there were bulletins which were sent. There were pieces of information which Halcrow couldn't provide immediately when the tenders were sent out, aspects to do with the premises, for example, so, yes.



MR BLACKSTONE: So those were the three you dealt with from Halcrow and nobody else?

MR LEWIS: No, not that I am aware of, no, no, those were the three.

MR BLACKSTONE: Now, you had had a pretty ropey two years with Public Services and the Public Services Committee up to that time. Did you indicate, or do you know that Mr Cotillard or anybody else from Jersey Bus, indicated to Halcrow personnel that you had had difficulties with PSC?

MR LEWIS: Certainly did at that meeting. Um, overall.

MR BLACKSTONE: Because the tender process went on from something like July 2001 right through to the announcement in April 2002.

MR LEWIS: I remember having a meeting with Roger Childs in the summer. It was an initial preliminary meeting about carrying out ... but this was the summer of 2001.

MR BLACKSTONE: Hmm hmm.

MR LEWIS: At that meeting, when he came to us, he was looking at the aspects of if they were going out for tender, would we, for example, consider allowing our premises to be available and the buses and I got pretty hot and bothered, I must admit, at the time. I had been pretty disappointed with what was going on and I was more or less saying things like "Well, I'll tell you what, they would have to pay us through the nose for it." But then after that, we then had the process of trying to come to an agreement for the final year of our licence while the tendering process had been carried out and Roger Childs was involved then. Now, Roger Childs from Halcrow was involved as a consultant for both sides.

MR BLACKSTONE: What, for you as well?

MR LEWIS: Yes. So you can imagine that Halcrow are acting on behalf of Public Services to carry out the tendering process, but they have also been brought in here to help determine a subsidy for some of the routes. I remember going through the different stages. The summer timetable of May to September of 2001 we cut routes which were not profitable. For the final year to operate we said "Well, look we still don't see a justification for reinstating some of these routes and, on top of that, there are one or two other routes which we feel are unprofitable."

MR BLACKSTONE: Hmm hmm.

MR LEWIS: So it was agreed that Roger Childs of Halcrow and ourselves and Public Services would work together to determine which routes could be subsidised and they would be prioritised. Now, the overall amount to subsidise all those routes for the whole year was just over £400,000 - - £420,000 or £430,000 -- but there were about three or four routes which were regarded as top priority, the 2C, the No. 19 and the No. 4, all of which had been discontinued during the summer but were regarded as essential routes, more important prioritised routes because otherwise people weren't, those areas weren't, being serviced. Another service which was not clearly through the whole year profitable was the No. 8. Now, we gave all the information again that Roger Childs felt was deemed necessary at Halcrow to determine whether or not those services should be subsidised and what the return on them should be.

MR BLACKSTONE: So you were dealing with Childs on a quite detailed, regular basis, were you?

MR LEWIS: All through that, and we got on very well. When I mean we got on very well, there were no problems. We found it ... I have to say, I mean, again, in my file here he carried out quite a detailed analysis of what was regarded as what the fair subsidy should be. Those routes in here, I think we paid £140,000 for those four routes to be sustained.

MR BLACKSTONE: So you consider he was competent?

MR LEWIS: Yes.

MR BLACKSTONE: And he knew about buses.

MR LEWIS: He certainly gave the impression at that stage that he was competent, definitely, and I ... What was questionable then was that certain routes were dropped that then, within the same time, we then reinstated for the tender process.

MR BLACKSTONE: What I am concerned to know is whether you went into detail with him about your appalling relationships with PSC and PSD over the last few years.

MR LEWIS: No, no.

MR BLACKSTONE: You didn't?

MR LEWIS: No, we didn't. The only time I think I let off steam with Roger Childs was in the summer, um, when he came and spoke to us initially about the tender process and said "Well,

look, if you were ... if you lost the tender contract, would you consider selling us some of your buses and your vehicles?" My father was there as well and we are both Celts, so at times we tend to sort of fly off and shoot from the hip and I think, on that particular occasion, I think, you know, we were pretty fed up with what had gone on, but, by the time we had got round to discussing this route subsidy to get through the final year, no problems at all. No, he seemed quite a competent gentlemen and certainly we didn't speak to ... you have to remember at that stage, you know, we were starting to consider whether we were also going to try and go for the tendering of the bus services, so it was quite important then for us to have a more professional relationship, I would say.

MR BLACKSTONE: No, I am just asking these questions because, in Halcrow's final assessment of tender bids, which was presented to PSC, they have come up with the statement: "*We are not however convinced that the spirit of co-operation that is essential to the development of the successful partnership arrangement exists or is possible between the parties.*" So somebody must have told Halcrow that you couldn't get on with PSC.

MR LEWIS: Well, they could only have drawn that directly from us. The only communication we would have had to give any indication of that was prior to the tender process, which was when we had this meeting in the summer. From that process onwards, we didn't have any difficulties with them and they didn't have any difficulties with us and, you know, we were out there to win that tender. So the last thing we wanted to do ... and one of the aspects about this tender process was this whole aspect about partnership. You know, we would have really been shooting ourselves in the foot if we had continually gone on about the fact that, you know, we had had great difficulty in getting on with Public Services. Our objective was to try and put it all behind us and be very positive. That was another reason why Mike Cotillard was tendering. I think he is probably regarded as a little bit more calmer and a bit more mild mannered than me at times as the sort of front man.

MR BLACKSTONE: What I have just read out is a pretty sort of damning statement in the final assessment.

MR LEWIS: Well, that is the first I have heard about that, but yeah. I would say so. That

seems a bit hard.

MR BLACKSTONE: In your non-compliant bid you entered no figures and under each expense heading you merely put “*Substantial savings is envisaged*”. As such, you had no bid figure for the compliant bid.

MR LEWIS: No, I remember ----

MR BLACKSTONE: How did you expect anybody to assess the bid?

MR LEWIS: Looking back, I think we dropped some right clangers with that. I’ll tell you what happened. We weren’t used to tendering. It wasn’t our experience. We hadn’t been out tendering a bus service elsewhere. We felt that we needed to bring some expert advice in in some shape or form. Now, prior to this, we had been introduced to a lady called Anne King. Anne King worked for the Airport in some consultancy rôle. I think he is actually here today, or he was here for a moment, Deputy Rondel. I think initially Deputy Rondel actually introduced to Anne. But, because of all the stickiness that was going on initially with the service cuts and the three to five year deal with the Bus Strategy, at that particular stage we couldn’t really see how our relationship with Anne perhaps helping us could develop. But Anne had been involved with one of the bus companies in the United Kingdom, London bus companies, and she had helped to re-tender their services and been employed there, and I must admit she seemed a pretty competent character. When it got round to the bus tendering from the autumn of 2001, we considered again whether or not in fact Anne could be part of our team. She felt that, because of her contract at the Airport and the fact that Deputy Maltwood was part of the Steering Group, she felt that there may be a conflict of interest. Now, I have spoken to Anne about this recently and she felt that was her opinion. She didn’t speak to Derek Maltwood about that, maybe because, to be fair, she didn’t want to make it difficult with him. But, whatever the reason was, what she did do is she turned around and she said “Look, I know somebody who we dealt with when we were dealing with the London bus tenders, a chap called Mike Heath.” I am sorry I am taking a long time to get to the point. Mike Heath was brought on board. We got to know about him and he was brought on as our consultant from just prior to the tender process, the main tender process in January of that year.

You have to also remember that the tender process itself ... initially we thought that we were going to get the tender document before Christmas and it got delayed into January. When he was brought on board, when we looked at it, we thought "When you start costing all this out, it's going to cost an absolute fortune. How much money has been provided for the bus subsidy in the past? Nothing. How easy has it been to get money? Nothing. Now let's just look at this. This contract, the way that it is starting to pan out at the moment under the compliant bid, it is going to require something in the region of about £1.7 million of subsidy. In addition to that, there was a clause within a contract which said that within the first year of the contract, if Public Services or any States body concerned with it had insufficient funds, they could pull out of the contract.

Now, Public Services, in my opinion, had changed tack on several occasions before. We had been involved in school tenders which had meant to be for four years and turned out to be one. Twice we had meant to be involved in the Service Level Agreement with them and it hadn't been carried out. So, with the experience that we had from Mike Heath, the fact that Public Services didn't seem to have money or a schedule bus service, that this was going to cost £1.7 million or £2 million and was going to continue over a period of a number of years and it was at costs plus, which was something Finance and Economics had not recommended, it felt that the real thing was that the compliant bid was there to get some sort of benchmark between the different companies, but, at the end of the day, the likelihood was that they were going to go down a non-compliant bid and it was going to involve negotiation.

On that basis, again, we lacked experience and our general feeling was not to show too much of our cards. This was an exercise, in a way, to show that they had gone through the process, but realistically speaking it would be better to go down the non-compliant bid and get down to the process of negotiation. So, in fact, when we put in our non-compliant bid, we didn't give those figures. But there were figures, for example ... one of the areas was we didn't honestly believe the garage was going to be ready before the end of September/October. In the tender process I don't think they got planning permission for the garage until the May. So we thought "Why don't we, through negotiation we could reduce that rent on the garage and light

mileage.” So our feeling was, with a non-compliant bid, that was the most likely thing that was going to happen. There was going to be negotiation and we would need to show all our figures in advance of exactly what we could say and we felt that was showing our hand too early. We did give some ideas in the non-compliant bid actually about potential savings, but you are absolutely right, in our list we didn’t show those figures. Looking back in hindsight, I think that was a mistake.

MR BLACKSTONE: I think it was a big mistake, yes, because, from what you said in your covering letter, you did point out quite clearly that you considered that the compliant bid was far too expensive.

MR LEWIS: Yes,

MR BLACKSTONE: But then you didn’t cost the non-compliant bid, so the consultants had every right to say “Well, look, no figures on this bid, it is not a bid. A bid contains figures.”

MR LEWIS: No. We were far too late. We weren’t decisive enough about the non-compliant bid.

MR BLACKSTONE: And yet in the meeting of 28th February I believe Roger Macklin said that the main interest was in your compliant bid.

MR LEWIS: In the first part of the meeting he made two things. He said “The purpose of our meeting today is not negotiation, but clarification on several points and we are merely interested in your non-compliant bid.” But then we actually spent quite a bit of time going through the compliant bid. We went through the long sections.

MR BLACKSTONE: Through the non-compliant?

MR LEWIS: In fact, in the end, as it turned out, we didn’t spend a lot of time on our non-compliant bid maybe because we didn’t spend a lot of time ... we kept thinking “Well, a lot of these are up for negotiation.” That was our feeling at the time, that in fact we were probably going to end up in a two horse race and, at that stage, that is when we would disclose our aspects of what we could negotiate or not. Looking back, yes, that was a mistake.

MR BLACKSTONE: So, anyway, Macklin was interested in the non-compliant bid and, I believe, he even noted some of the savings that could have been made, but you never heard

anything further about it, the non-compliant.?

MR LEWIS: No. Our next ... after that meeting, the next thing we heard was the presentation and then there was an element of delays. I think they were hoping to announce the preferred bidder at the end of March/beginning of April, but certain aspects, changes to the law -- the Traffic Law -- had to be carried out and, as a result of it, that had to take precedence and Public Services had instructions from the Legal Office that that had to be the case. I think it had to go through the States' approval. One of the States meetings got adjourned, sadly, I think, because the Queen Mother had died. Looking back, I think that is probably what happened. So the whole situation ... but, no, they did not come back with the figures to ask us.

The only thing that happened was the only adjustments to our compliant bid were to do with our rents. We had put in our original compliant bid the rent for the Weighbridge was £20,000, which was pretty much what we used to pay, a nominal amount for the Weighbridge area. When it went to the Transportation Centre, it was going to go up to £50,000. We put in 50 from the start because, within a couple of years, that is what was going to happen. The second thing is I think our rates figure needed adjusting. Those were the only two figures that were changed.

MR BLACKSTONE: Right. Moving on then again, Connex comes on the scene and gets a final contract with the States. Are you aware of any differences between that contract and the conditions of it and the conditions that were announced in the tender documents?

MR LEWIS: No, I have never seen that contract. The only area which I can comment on between the differences between the two is from the question and answers which were carried out by Senator Ted Vibert and Deputy Maurice Dubras in February of 2004, where I think one of the questions which was asked was the changes to the contract, and the only area which I am aware of where there appears to have been a change was on the aspect of this insufficient funds.

MR BLACKSTONE: So in your tender you provided, presumably, a contingency sum to cover the fact that the States might pull out through lack of funds?

MR LEWIS: Yeah. I mean, if you are going to ask me exactly what that figure is I couldn't honestly tell you, but we felt ... I think our mark-up wouldn't have been as high, etc, etc. We

just couldn't see this being sustained over a period of time and we felt that within ... we were also under the impression or led to believe that the Steering Group and Public Services and Halcrow would determine who the preferred bidder was and then, at that stage, it would then go to the States for approval.

MR BLACKSTONE:            Hmm hmm.

MR LEWIS:                 And you can imagine a situation where it goes to the States. In fact, in our meeting with Roger Macklin and Alan Muir we bring up this point about what the time schedule is going to be and we say "You know, it does look expensive and there is going to be huge subsidies and what is going to happen when it is debated by the States? All of a sudden they are going to find out that they need, after no subsidy, these huge amounts of money. What if the States turn around at that particular stage and decide to throw it out, decide to adjourn things for another year or they say 'Okay, we will have an interim situation for one year, but we can't sustain the money in the long term?'" So, in our opinion, we felt that that aspect to do with insufficient funds was a real cause for concern. We could see it happening. We could see the States turning round and saying "Look, this is just unsustainable and we are going to have to change the contract." By that stage, he had gone out and bought all his vehicles.

MR BLACKSTONE:            Yes. Just going back to one final question from me, the meeting on 28th February again, was the pay claim discussed, the 2002 pay claim?

MR LEWIS:                 It was.

MR BLACKSTONE:            Was the document tabled? There is a letter from TGWU dated 6th February, I think, setting out their pay claim for 2002. Was that document tabled at the meeting?

MR LEWIS:                 Um, we mentioned the shift allowance. We mentioned why our wages were so high. We ... in our bid, 49% of our ... this is a cost plus, right, so you have got the cost (whatever it happens to be) plus the mark-up. Over £2 million of our costs was the drivers' wages. It was the highest element. It was 49% of our costs. So actually, when we started to go through the process of the different cost areas, we explained why our wages were so high and we explained that one of the biggest elements was to do with the shift allowance.

MR BLACKSTONE:            So the shift allowance was positively discussed?



MR LEWIS: Definitely discussed.

MR BLACKSTONE: And did you put a figure on it?

MR LEWIS: No, we didn't. They didn't ask us for a breakdown and we didn't give it. The shift allowance represented something like £198,000, but there were other big figures that were also emphasised. One was to do with the light mileage running from La Collette. That almost represented £200,000. There was the aspect to do with the release. You know, the services relied on these extra non-scheduled services and that alone, again, would represent something in the region of about not far off £200,000. So those three elements alone would represent about £600,000, but they didn't ask us for a breakdown, no.

MR BLACKSTONE: No. I am particularly concerned at this stage about the shift allowance and I do have a couple more questions on that. The shift allowance, you say, was discussed at the meeting, but was it mentioned that it was £72 a shift from September?

MR LEWIS: Er, no, I think we just mentioned the fact "You are aware of the ---

MR BLACKSTONE: The shift allowance.

MR LEWIS: I think, probably yes, we would have mentioned the £72, yeah. I am pretty sure about that.

MR BLACKSTONE: So anybody who was at that meeting should, therefore, have been aware of the shift allowance?

MR LEWIS: We didn't get any surprises. We didn't see Roger Macklin or Alan Muir think "A shift allowance? What's that all about?" There was no element of surprise. I have to say, in this situation, both sides -- both sides, it is not sides, but both people carrying out what they were carrying out -- they don't want to reveal too much. I mean, naturally, to some extent, we are in a competitive bid. We were looking for maybe some sort of morsel of an indication about how the other companies were doing. If I may read my notes here. **(Pause)** He said that he was aware of our bid and he was also clear that the other bidders had included them as well, included the shift allowances as well, and taken into account certainly the light mileage factor from La Collette.

MR BLACKSTONE: So anyway you are quite clear that the shift allowance was specifically

discussed at the meeting.

MR LEWIS: Yes, absolutely, and, you know, attending that meeting there was not just Roger Macklin and Alan Muir, there was also Mike Cotillard and there was also our General Manager, Carl Pickering, as well. I mean, I have obviously spoken with him on numerous occasions since.

MR BLACKSTONE: But Carl Pickering is not mentioned in Mike Cotillard's notes of the meeting.

MR LEWIS: Well he is there. If you ask him to attend, I think he would certainly say that he was there.

MR BLACKSTONE: This shift allowance, am I right in assuming that the shift allowance was promulgated by TGWU to compensate drivers for loss of overtime in the event that they would no longer be employed in the school bus contract?

MR LEWIS: Exactly.

MR BLACKSTONE: That is correct. If your tender for the Island bus service had been successful, I assume the drivers would have obtained their school bus work and the shift allowance would not have been required by TGWU?

MR LEWIS: We would have negotiated it. What has been asked ... I mean, jumping your question, why did we not at that moment in time sign the agreement?

MR BLACKSTONE: Exactly.

MR LEWIS: Okay, now, first of all, an element of the school contract was being carried out by Tantivy and an element by Jersey Bus -- two separate companies. We were in a position, we felt, that if we won the scheduled bus service we were more than likely to win the school network. So once we had budgeted for the shift allowance we told the men that we had included it. I told the union itself before, because they were very anxious with this situation as well. I told them before we put it that we had budgeted for it. We knew that we were in a situation where, if we won the schools as well, we could have turned round and said "Well, look guys, shift allowance here. You've got it. You are guaranteed, say, three schools or four schools and no shift allowance."

MR BLACKSTONE: That was my next question which you have already answered. Is that why you didn't sign the TGWU agreement ----

MR LEWIS: Absolutely.

MR BLACKSTONE: ---- until the announcement of the preferred bidder.

MR LEWIS: There were several reasons for it, but that is one of them. We knew and also our general feeling was that if we lost the bus contract Jersey Bus wasn't going to continue, so, on that basis ----

MR BLACKSTONE: The bus contracts went on for another ----

MR LEWIS: Sorry, school contracts.

MR BLACKSTONE: School contracts went on for another ----

MR LEWIS: But the bus contracts related to Jersey Bus were up for renewal from July of that year.

MR BLACKSTONE: Right.

MR LEWIS: So our feeling was that, if that was the case, naturally we would just tender then under Tantivy. We wouldn't have a problem with vehicles because 60 of our vehicles would be redundant. So we could easily switch some of those and we could go straight down the route. So, in our position, with a new position, if we ... we had two options. If we won the scheduled bus service, we were almost certainly going to be able to offer a proportion of the school network to Jersey Bus, so there was an opportunity to negotiate there.

MR BLACKSTONE: I believe the school buses have been out to tender before and, apart from Jersey Bus and Tantivy, no one had come forward.

MR LEWIS: I don't know. No, I believe in the past other coach companies had come forward.

MR BLACKSTONE: Like Pioneer perhaps who have since taken over?

MR LEWIS: Yeah. The great trouble they had was, for any other coach company, the school contract ... at one point school contracts required 60 vehicles. By this stage it had been narrowed down to just below 50. To be fair, nobody else could really offer that type of level of service.

MR BLACKSTONE: So, if you were going to get the school contracts, if you were then going to get the Island bus contract as well for the next seven years, you didn't really need to put the shift allowance in your tender, did you?

MR LEWIS: Sorry?

MR BLACKSTONE: This is an assumption. If you had got the Island bus contract, the likelihood is that you would have also got the school contracts renewed because there was clearly nobody else available with the equipment or willing to take on that sort of contract. So you ----

MR LEWIS: We wanted the option of saying to ourselves "There's the bus service. This tender is about the scheduled bus service. We will leave that as it is. The shift allowance will cover that aspect and from the future, in relation to the schools, we will run it through Tantivy. We will have a separate operation." But at least the shift allowance we knew then would compensate the men for the lack of overtime.

MR BLACKSTONE: Would ----

MR LEWIS: We were duty bound to have to do the scheduled school contracts through Jersey Bus.

MR BLACKSTONE: But if you had got the scheduled bus service contract and the school bus services, you wouldn't have needed to pay a shift allowance.

MR LEWIS: We could have. Well, there would have still been an element of negotiation because the men knew that we had included the shift allowance. There was provision for it, so the men knew to some extent that there was going to be some provision put in to there. So whatever it is, they would have to have had a substantial number of, you know, overtime and most of that came from the school contracts.

MR BLACKSTONE: If you looked on the bright side and assumed you would get both contracts, you could have cut your tender by about £200,000 by eliminating the shift allowance.

MR LEWIS: Yes. We could have cut our contract in lots of different ways, but obviously --  
--

MR BLACKSTONE: But that particular way, did Halcrow discuss this at all in their

clarification meeting?

MR LEWIS: No, no. I mean, you know, there wasn't a lot of detail. Well, there was a certain amount of detail, but they didn't ask us for a breakdown of these wages. When you go back to dealing with Roger Childs, I mean, six months previous to do with the route analysis, there was quite a bit of detail and their breakdown of how they came to the figure which they recommended of £140,000 or the option of 400 for all the routes was quite a detailed exercise. But the tender and the breakdown of the costs in the tender was quite simplistic. You had wages; you had premises; you had general costs; you had vehicles.

MR BLACKSTONE: And in the clarification process you weren't asked for any further analysis?

MR LEWIS: No, no.

MR BLACKSTONE: So in fact you could have cut the tender by the shift allowance if you had been prepared to take the risk that you would get the school bus contract as well, which was pretty likely?

MR LEWIS: I know but ....

MR BLACKSTONE: It is an assumption.

MR LEWIS: It is true. If we had other school contracts, we may not have had to provide the shift allowance, yeah.

MR BLACKSTONE: Thank you, Mr Lewis, I have got no further questions.

MR SHEPHEARD: Just one from me at the moment. When did Tantivy come under the Diamond Group umbrella?

MR LEWIS: I think we bought Tantivy back in about 1975.

MR GARRETT: Through my research I have noticed comments indicating that there was opposition, indeed a certain amount of hostility, expressed towards Jersey Bus from members of the States and from the community. Can you explain the basis of those feelings? Were you aware of those feelings?

MR LEWIS: I was really aware of it the day I saw the Bus Strategy. When I saw the Bus Strategy that day, there had been a press statement produced by Public Services the night before

in the *JEP*, explaining why the three to five year deal had not been carried out, that we were not prepared to show our Diamond set of accounts and that transparency and open book analysis was absolutely essential to an agreement and I thought we were painted in a particularly bad way. Continually we were being referred to as reluctant to provide information and regularly ... and I think we had lost the PR exercise about the cutting of the routes. When I was sitting down in the bus debate, watching the bus debate that day -- and you have to remember that, in that bus debate that day, there was nobody there to represent Jersey Bus -- this is Public Services putting forward what they feel is now the best form of strategy, which is to go down the bus tender route and in that particular exercise here, from the different lines that came out from such a large number of politicians at the time, I was sensed it was as if to say "You can't negotiate with Jersey Bus. You know, they won't provide information. They are just very difficult to deal with." One or two politicians had suggested we were a bit too close to the union and the whole feeling was "Let's get on with it, let's not mess about, let's move on." I know Jerry Dorey. Deputy Jerry Dorey put forward a motion whereby he suggested that perhaps there should be more than one year required before the bus tendering should be carried out, so that all these aspects that were needed should be activated. But I sensed that day a feeling from ... (indistinct) ... speeches, of course, one has got to take that to account in that remit. I have to say I don't go into the States Chamber very often, so it was a bit of a new experience for me. I felt at that stage there was a sort of a feeling of "The Bus Strategy is going to be very easy to implement. We have tried as best as we possibly can to deal with Jersey Bus, but they are extremely difficult to deal with." Certainly several politicians brought points about "Well, if they are not prepared to show their accounts", and this and that and the other, which, in my opinion, was not true, but I can understand them getting that opinion from press reports ... not press reports, that's unfair, but certainly that advert that night from Public Services in the *JEP* and from that I felt there was, at that particular point, a reasonable anti-Jersey Bus feeling there and there was a feeling to move on. Does that help in answering?

MR GARRETT: It certainly does, yes. Setting aside the sort of politics of it all, how would you assess the actual performance of Jersey Bus until that time in terms of delivering a bus service to

the community?

MR LEWIS: I thought we did really well. We had run that company for over 30 years. We had never received a subsidy. We received a fuel rebate and we'd, um, received the money for the pensioners, which had been adjusted. Originally when the deal had been brokered by Senator Dick Shenton, back in 1991, we had a fixed amount, but it changed when Public Services at a later stage had taken it over and we were paid per passenger. So I think during that period of time, considering it cost the States' taxpayer a relatively small amount of money, we ran services, we didn't cancel services -- the only time we actually stopped services was to do with the cuts in 2001 -- we were incentivised to maximise revenue on the routes, so we provided a tremendous amount of relief type services, etc, but that was obviously ... we were incentivised at that time. I think that, in relation to what had been happening in the United Kingdom, where already bus companies were receiving contracts and were receiving large amounts of route subsidy etc, which was common practice, I thought we had done remarkably well. The number of visitors to the Island had declined dramatically in the nineties. Costs in Jersey were never easy to keep under control because of Jersey's general cost of living running much above the United Kingdom.

We only had, in my time, running it from '87, we had only had two industrial disputes that were a fall out between ourselves and the staff. One was over the dismissal of a staff member. We suspended him, finished him on the spot. I think the men immediately went out on strike. He hit another driver, or allegedly hit another driver. I think, looking back in hindsight, we should have suspended him and then had a proper hearing about it, which I think was lack of experience on my part there. We had a strike in the May of '89 to do with a pay award and, after that ... so we ran the services well. We weren't asking for massive hand-outs from the Government. We were happy to go out and reinvest in vehicles and get on with our job and I thought, yes, certainly at the time I ran it and previous to that I thought we had run things very, very well.

And we were keen to move forward on to a Service Level Agreement. We could see the point that you couldn't sustain that type of level of service the way things were going, and the

drop-off in the number of holidaymakers to the Island was ... you know, it was going ... that pattern was going to continue. Yes, I thought at that period of time we had done very, very well. We had continually every three years been able to get our licences renewed. We had never had problems between our winter and summer timetables, so, all in all, apart from the difficulties that had occurred -- and I have to say that I felt it was more of a political and a company and a union problem that had been created over those two years -- otherwise the bread and butter operation, it ran extremely well.

MR GARRETT: You touched on the fleet earlier on, and accepting that you were working in difficult circumstances, only having been granted a one year licence, but would you say your fleet was in need of renewal, particularly to respond to concerns about access for disabled people?

MR LEWIS: There are two different aspects to it. There is no doubt about it, we needed to replace our fleet. We had an old fleet. There were two reasons why we weren't doing that. One of the main reasons was ... well, there were three reasons. Obviously the profits were eroding, but that wasn't the main reason we hadn't done it. The width restrictions in Jersey made Jersey buying buses unique. We had Fords, but Fords stopped building buses. We then went on to the Leyland Swifts and Leyland stopped building Swifts. We then went on to buy Dennis Darts and we have 26 Dennis Darts, but Dennis themselves went through a period when they decided that it was no longer effective for them to produce these chassis. The problem on top of that is you had a bodywork problem. So we only stopped really renewing our fleet because we actually couldn't find the manufacturer substantially.

In 2000, during the time prior, within one month prior to the Town Hoppa fiasco, which was July and August, we had gone to the Isle of Man and bought five of their Dennis Darts. They were only a couple of years old. They had hardly done any mileage and, because of the changes that were going on in the United Kingdom, where disabled access was important and as a result they decided to put these up for sale, we purchased them. So, just within a month of the Town Hoppa, we had just bought five Dennis Darts.

Now, disabled access was a different thing altogether. It was motivated by several



groups of people, who all had very noble causes -- Mike Dunn and Gill Curtis, of which in particular were ones that brought it forward and felt that, in Jersey, everybody should be treated equally and that, therefore, as a result, all buses should have disabled access. Now, there were problems with that, and the main problem with disabled access is that the vehicle had to be about three to four inches wider. It was impractical for that to be considered at the time in Jersey because of the narrowness of the roads. Also, for the disabled access to work properly you needed a ramp, and the ramp needs a kerb, and we don't have those in lots of roads in Jersey.

But I went out and we thought that we were trying to strive for this particular exercise and, in fact, some time during the period I would say around about 1980 -- not 1980, 2000 -- we actually brought one of these larger vehicles over to the Island and invited representatives from the States and the media etc to go on board, but it seemed unlikely that a vehicle of that width would get passed, which in fact was the case. When the tender came about, the width restriction was very little different to what happened.

A key thing happened at the time. Dennis themselves, who at the end of the day produced the chassis which is the vehicle which is now being used, that Connex are operating, unknown to us at the time, for the two previous years they had stopped building that width chassis and there was a Cannon chassis, but, again, the company, the whole thing was very up in the air. What had happened is Dennis themselves were a very profitable, very good bus company, but were owned by a much larger subsidiary and they were having financial problems. As a result, they were prepared for a large order of vehicles to prepare, to build a chassis of that size width, which would allow for disabled access.

Now, it just so happened that an order came in from, a requirement came in from, Guernsey at a similar time as it was going to come in from Jersey. So Dennis themselves had an order of nearly 70 chassis to build over a period of six months. As a result, these vehicles could be produced and provide disabled access, but disabled access was never something we were against. You have to remember that the Dennis' themselves were low level entrants, so they had a very good ... they were much considerably better than the old Swifts and the Fords. They didn't have high in-steps. They were relatively low anyway, but what they didn't provide was a

disabled ramp. These vehicles would enable that to happen.

MR GARRETT: As a measure of public perception of your service, can you indicate what the sort of complaint level was? Was it increasing or was it, sort of, sitting at a fairly ----

MR LEWIS: We carried out surveys from time to time and there was no indication from our travelling public that there was any cause for complaint, but it was a really political umbrella situation at the time and the bus company itself had a tremendous high profile. But our travelling public themselves were not turning round and saying "Look, we don't like Jersey Bus, we don't like what they are providing." Admittedly some of our older vehicles, the Fords, yeah, they were getting past it. They were getting old. They have high in-steps. The heating on them wasn't as effective as is the modern vehicles of today. But that wasn't a serious problem, certainly not.

You know, the ticketing which was being introduced by the Wayfarer and you have more flexible ticketing because it encourages people to go for one day travel, the Explorer ticket proved to be very popular with the holidaymakers, but, no, there was no ... there was one individual that came over to Jersey called Caroline Cahm. She represented the United Kingdom Bus Users' Group and when she travelled on the buses she actually travelled and made some comments on the buses before she actually met with ourselves. When she realised the situation everybody was in -- there was lack of money being provided, there wasn't a long-term bus strategy, scheduled bus service strategy, that there wasn't money provided for that, etc -- she felt that in fact at some point in time there was a need to develop -- I am coming to it now -- a customer service package and that perhaps what we provided was a little bit out of date and that would be provided with the Service Level Agreement. So there wasn't anything significant which was regarded as that which we were doing which was below par.

MR GARRETT: Okay. Moving forward, when it was stipulated that, in the event of a new operator coming into play, the staff, your staff, who might transfer would have to be employed under the same terms and conditions of employment, there was a date set as to when or what terms and conditions of employment would apply, and I think it was August 2001.

MR LEWIS: That is the date that the deal was brokered with Dick Shenton.

MR GARRETT: Right. Do you think it was in anybody's mind, bearing in mind that a large part of the terms and conditions of employment focused on wages, that all future wage negotiations would cease until such time as the new operator was in place?

MR LEWIS: That is a very good question. You would have to look at what the principle of a seamless transfer meant. I mean, obviously we weren't a party to the agreement. That was brokered between Public Services and the union. We weren't involved in the activity of the negotiation at the time. Naturally, that was between the union and Public Services. This was immediately after the Bus Strategy had been approved in the States. But the principle was very important. The men had gone on strike to do with the Town Hoppa the year before because they saw their jobs in jeopardy. They had been in a situation where they could see the numbers of passengers travelling, including the number of passengers dwindling. They were in a situation where, within that year, the bus company was only given a one year licence. Here we were, in July of that year, with three months of our contract to run and a competitive operator was coming in, not directly on our routes, but on the fringes of our routes to provide a Town Hoppa, which they were going to be paid a subsidy for. They felt that this was going to be the attempt to bring in competition.

So, as a result of it, the men striked. Out of that, they felt that they got an agreement that within the year there would be a Service Level Agreement and, within that, all their terms and conditions which they had would continue on a long term basis. But naturally wage negotiations, it didn't mean that there would be a pay freeze for a couple of years. The following year, we then got into the situation of, again, there was meant to be a Service Level Agreement and we get to the situation of June of the following year and, at that stage, any chance of having a long term licence with ourselves seems to have evaporated. They were now going down the route, Public Services, of a bus tender.

So when the Strategy was debated in the States, the men felt that their position, their jobs were not secure, that their conditions couldn't be guaranteed. That is when they went and they actually appealed -- I think it was through Mick Kavanagh -- they appealed to see if anybody would be prepared to broker something on behalf of the union, and that is where Dick Shenton

stood in.

So there was no way, as I understood it, and I certainly know, I am sure, from the way the staff understood it, that it would be expected that the terms and conditions or what they were paid at 1st August 2001 would not change for the space of what would be the year in preparation for the new operator and the first year of the new operator operating, because that is what you were tendering. You were tendering on the first year of its operation and we had pay awards in March of each year, so you would have been talking about at least two pay awards that would have applied during that period of time. So, in principle, of course it was always expected that there would be a wage increase during that period.

As part of the seamless transfer as well, Public Services ... the union had a right to see the tender document. When the tender document came out, they went to Public Services and received one. They immediately opened the tender document and they realised that the schools had been taken out. Their whole principle of earning all this overtime, a huge amount of their overtime being taken away. They obviously would be, if there wasn't going to be any schools, they would be in a position where ... there was an agreement whereby a standby, which had been historic for a number of perhaps 20 years, the standby meant that a man could be brought in to do three hours at time and a half. So basically when anybody came in to do a standby for three hours at time and a half, he was paid something equivalent for that period of time of £37. Basically that was to do with schools. If you imagine 50 contracts being carried out by Jersey Bus at the time a week, that is 250 contracts a week. These guys on average were doing three or four standbys a time and that was just going to be taken away. So that is the reason for the shift allowance being introduced. It wasn't just a complete try-on because of the bus tender. They could see that. The contract itself was going to be restricted to a cost of living increase, so if they didn't get their situation right there and then, they were going to lose out. The guys had been working for two years to try and get themselves a sustainable contract. That is how I see it. I had a good working relationship with these men and that is exactly how I saw where they were coming from. This wasn't an opportunity for a big try-on; this was them trying to get what they had been fighting for for the last couple of years.

MR GARRETT: Thank you. To go beyond the issue of terms and conditions of employment, was there a comprehensive document covering issues such as annual leave entitlement, disciplinary procedures and so forth, because the only document that I have seen so far has been on dealing with salaries?

MR LEWIS: There was. I think the thing that attention has been drawn towards has been towards, you are absolutely right, the salaries and the pay claim at the time. I think they also sent a letter around about 13th February also explaining about other aspects to do with working practices, which I recollect. **(Pause)** But there was a little book as well with aspects relating to disciplinary procedure, you know, cleanliness and aspects relating to that, which we also had and which would also have been made available, but I have to say I don't know how we did that. I mean, I just carried it out, but there is something on that basis.

MR GARRETT: So just going back to the agreement of August 2001, really when they were referring to the terms and conditions of employment, were they referring to that particularly?

MR LEWIS: They were merely concerned with the fact that they would all be employed, that nobody would be made redundant and basically that their pay and conditions would be as they were before. That was the basic principle. That was the essence of it all as I certainly interpreted it anyway.

MR GARRETT: Moving forwards, can you tell me when the 2002 pay negotiations commenced?

MR LEWIS: They normally commenced ... the pay would normally come in on the first week of March, so normally we would start having discussions with the union from about January time, and so that is basically what happened. I think they only met a couple of times during that period and that is when they had seen the tender, they came back and then they give us the pay claim. At that stage, under a normal basis, there would have been a like for like and we would have been expecting to budget for somewhere in the region of about a 1% or a ½% above Jersey cost of living. That would have been the normal procedure.

And, you know, again, going back, I had negotiated with my team, with Carl Pickering, I had negotiated with this union for 17 years and I had only had one hitch back in 1989. They

were a reasonable bunch of blokes. They knew what the company basically could afford, but they had to make a living. We managed between us to keep going. I found them very straightforward people to deal with, very honest people and, if it hadn't have been for the fact that the tender process was coming in the way it was, then I am quite convinced that shift allowance would never have been introduced. It was because of the lack of the schools.

MR GARRETT: Was the shift allowance issue raised at the commencement of the negotiations or did it creep in at some later stage when they saw the tender document?

MR LEWIS: When they saw the tender document. The tender documents arrived on 14th January. The tenders had to be in for 18th February. We would have been meeting the men normally between January and February. I think during that period then, I think we had had a ... they received the tender documents. I think there was a meeting pencilled in for around about the 8th or 11th February and, at that stage, that is when we received their pay claim, which included the shift allowance. I think it was ... because of the way the tender worked out, you have to take into account what the likelihood would be for the pay award not just for the March from 2002 through to 2003, but also from 2003 through to the following year. I think they put in something in the region of 4½% and 5%.

MR GARRETT: The letter is actually dated 6th February.

MR LEWIS: Yeah.

MR GARRETT: Was that the first time that the shift allowance was raised?

MR LEWIS: No. The first time we saw the pay proposal with the shift allowance, yes.

MR GARRETT: Right.

MR LEWIS: You see, a very simple way of looking at the whole thing is how do you come round the problem of lack of overtime to do with schools and things like that, and this seemed to be a way of sort of saying ... (indistinct) ... a very simplistic way of doing that. That was the typical thing about the union. They were guys who didn't come up with very complicated aspects of things. It was easy to negotiate with them and, to me, that seemed to make a lot of sense.

MR GARRETT: And they actually suggested it? You didn't have any ----

MR LEWIS: Oh golly, no, they came up with that. I didn't, no.

MR GARRETT: Can you tell me when the agreement was actually signed?

MR LEWIS: Yes, it was signed ... I believe it was signed ... I've got a note of it down in my diary on 15th May, but I have seen a record -- I went down to the Transport and General Workers' Union and it looks like they received it and signed it on about the 21st. But often ... I actually didn't sign it. In fact, I think it is our General Manager, Carl Pickering that signs it. It would then go down and I think it had normally been signed by our branch and it would actually be endorsed by the Transport and General Workers' Union again. But certainly some time between 15th May and probably the 21st May.

MR GARRETT: Really following on from that, from that time on the sort of terms and conditions of employment included a provision for that shift allowance.

MR LEWIS: Yes, but it wasn't implemented until, in our particular case, 1st September or, in fact, I think just before that, the reason behind that being that we were still running school contracts, so our tender, our existing school contract arrangement with Jersey Bus, continued until the end of July. So there was hardly any point in introducing the shift allowance before then. So basically we backdated the basic rate of pay, which I think was 4½% at the time, back to 1st March. We continued to do the overtime for schools. In August they generally had quite a bit of overtime without doing schools because simply it was the busiest month of the year, the August, and immediately on 1st September there were no schools now with Jersey Bus and that is when the shift allowance kicked in.

MR GARRETT: Okay. Moving on to the sort of way in which the letter from the Transport and General Workers' Union was treated, who made the decision to send it to Roger Childs at Halcrow?

MR LEWIS: Well, I think both of us sent one, I believe. They are sent from the Transport and General Workers' Union and it is sent by ourselves.

MR GARRETT: Do you know who within Jersey Bus actually made that decision?

MR LEWIS: Mike Cotillard would have sent it.

MR GARRETT: Okay. Do you know ... you received it on the 6th, but it was actually sent to

Halcrow on the 12th.

MR LEWIS: Yes.

MR GARRETT: What was the cause of the delay?

MR LEWIS: I don't know. Um, you would have had a weekend. I don't honestly know. I couldn't tell you. Maybe we thought for a couple of ... I don't know why. But, I mean, the thing was that it was still sent in sufficient time for everybody to be notified.

MR GARRETT: That letter came back to you, I understand. It came back in fact on the 12th.

Can you just confirm that it was attached to the *Bulletin 2* as issued by Halcrow?

MR LEWIS: Hmm.

MR GARRETT: And that came back on the 12th?

MR LEWIS: Yes. I think it was almost immediately sent back to us, yeah.

MR GARRETT: Okay. Going on to the meeting that was held on 28th February, where was that meeting held?

MR LEWIS: At our offices.

MR GARRETT: Your offices?

MR LEWIS: Yes.

MR GARRETT: Okay. Did Mike Cotillard or yourself record the notes?

MR LEWIS: He may have taken some of his own notes, but I normally by habit, anybody who knows me, I am one of these people that wants doing it ... (indistinct) .... I just tend to have a habit of generally taking notes, detailed notes on meetings.

MR GARRETT: Okay.

MR LEWIS: I haven't got a great memory otherwise.

MR GARRETT: But those notes that are being produced to us, are those your notes?

MR LEWIS: Those are my notes. That is my handwriting.

MR GARRETT: Okay. **(Pause)** Will you bear with me a second? Those were recorded at the time, or did you record rough notes and sort of make a decent copy later?

MR LEWIS: I made copies of those. My notes were a little less scruffy than that.

MR GARRETT: Okay, right.



MR LEWIS: But they are the same thing. There is no difference.

MR GARRETT: What is the time lapse between the time that you ... between the time of the meeting and the time that you produced the refined notes? **(Pause)** Are we talking the same day or a day or so later, or are we talking months?

MR LEWIS: Okay, hang on a second. Um ... **(Pause)** I don't know. Honest to goodness, I don't know. It is not something I have considered.

MR GARRETT: Right. Is it correct that, in reply to a question Mr Macklin confirmed that Halcrow nor bidders were aware of the TGWU proposal on wages?

MR LEWIS: Sorry?

MR GARRETT: Is it correct that Mr Macklin informed you that all the bidders, all the tenderers, were aware?

MR LEWIS: According to those notes, when we mentioned it and we mentioned about why our drivers' wages were so high and we mentioned about the pay claim and the shift allowance as well as several other matters as well, he said "Yes, we are aware of that." There was also no indication that there was an element of surprise when we mentioned it as well. He never said "Well, what's this?" because he ... I mean, obviously, it goes without saying that I think Roger Macklin himself took notes of the meeting. It would have been extraordinary if he hadn't.

MR GARRETT: Can I just confirm that ----

MR LEWIS: I am pretty sure I can visualise him taking notes.

MR GARRETT: Can I just confirm that Alan Muir was present when that issue was raised?

MR LEWIS: Yes, because it was right at the beginning and, I mean, going right through to more or less the last part of our meeting, which was more or less "Well, what happens now? What goes next? What needs to be required?", Alan Muir had played quite an active part in that when he was anticipating what was going to ... just bear with me for a second and I can go back to the notes. **(Pause)** Yes, right at the end of the meeting, towards the end, we sort of get on to this point about we have been talking about non-compliant and the aspects about negotiation, the garage, schools and bits and bobs that go on and we get on to this thing of what happens next and we were asking Alan this and he said "Well, the timetable, I believe, is that the Steering Group

will decide on the preferred bidder on 8th March; on 11th March the preferred bidder will be notified; on 19th March negotiations; and he then goes on to say -- I made a note of it at the time, obviously, which you said -- "You know, how do you think it will go when it goes to the States?" and he said "Well, I can see an element of concern when they realise how much it is going to cost." So he was there. I don't have any notes after he wasn't part of it or wasn't there.

MR GARRETT: Moving on to your tender, did your tender actually include specific provision in relation to the wage claim?

MR LEWIS: Yes.

MR GARRETT: Did you actually make it abundantly clear to any reader that you had ----

MR LEWIS: The tender document itself we mentioned at the start of our compliant bid: "*The Compliant Bid takes into account the wage proposals put forward by the Transport and General Workers' Union, which will also have implications on our traffic, engineering and administrative departments.*" We felt, to some extent, that, with the men receiving a large amount of money like that, perhaps, to some extent, maybe the engineering and the administrative areas may need more than merely a ½% increase. We budgeted for that. In fact, that was unrealistic because the engineering and the admin didn't actually do schools, but that is our main reference to the shift allowance there.

MR GARRETT: You didn't include specific reference to the £72 per week shift allowance?

MR LEWIS: No, I don't think so.

MR GARRETT: However, would you say that anybody who read that would immediately be prompted to ensure that they were aware of what the wage claim amounted to?

MR LEWIS: That's it. I mean, it was an easy part to quantify. You look at the number of drivers used in the summer and winter and the £72 a week divided by the number of weeks and you could see that the figure would come close to something like £200,000. I mean, it is higher than the rent for La Collette. It is not something that one would easily overlook. It has got to be. Going back again to the overall payroll, the payroll of the drivers alone is £2 million. You know, it is 49%. I mean, it seems inconceivable that that would be not recognised.

MR GARRETT: But do you think it would also have prompted the question as to whether or not

the other bidders had included that provision as well?

MR LEWIS: Yeah, you would have just assumed that they would, absolutely, yeah.

MR GARRETT: Can I just move on? Do you know why your non-compliant bid was rejected?

Was it simply the case that you had not put any costs in or were there other reasons?

MR LEWIS: I think, looking back in hindsight now, we weren't specific enough about where we could make savings. We did in our non-compliant bid. We said here some areas where we could have made savings. We talk about the administration, the drivers, on La Collette and we go on to say that there are others subject to negotiation and we refer to the drivers' costs and we don't actually say shift allowance, and it actually comes out at £192,829. So we identified that particular point. But perhaps we should have done. Perhaps we should have said "By the way, drivers' costs, another area for negotiation, if we had had the skills or whatever, is the shift allowance." But we didn't. We did make some points, but those notes weren't transferred over into our non-compliant bid, so we put figures next to our compliant bid. As the gentleman has already been said, our compliant bid had a whole list of "wages negotiable", "this negotiable", but we just didn't put a figure next to it, but there were notes in there that we sent in with our compliant bid. I mean, we had La Collette as a saving, we had cleaners saving, we had management costs saving and, as I said before, if you see the breakdown that we obviously carried out, to get to the £2 million for the drivers' wages, you have actually got the figure of £192,829, which is in fact the shift allowance and you have got the costs of La Collette for light mileage, which in fact was £200,000.

MR GARRETT: Touching on something that Chris raised earlier, but I really want total clarity on it, did anybody come back to you from Public Services or from Halcrow to specifically explore, to check, to clarify, the potential costs of your non-compliant bid?

MR LEWIS: No. The only time that we had reference to the non-compliant bid was in our meeting with Roger Macklin.

MR GARRETT: Can you illustrate your knowledge of the selection process? Do you know how that process was conducted? Do you know what criteria was used to select the successful candidate?

MR LEWIS: No. The only think I can presume is that the fact that all of this came with the non-compliant/compliant bids. Halcrow themselves were involved in taking notes and assessing the whole thing and then they would obviously ... I have got a feeling -- forgive me if I am wrong -- that between the team I think we were the only people that I think they met. I think the rest were carried out through telephone conversations and stuff like that. I think that might actually have been said at the time. I don't know for certain, but then obviously they made these adjustments after meeting with us and discussing the matter with the other bidders. They obviously didn't refer to any figures relating to the other tenderers. Um, the next thing we were aware of was the fact that we are now being asked for these presentations and the bid has now been narrowed down to three.

MR GARRETT: A contentious question for you, but, bearing in mind the comments that you made about the press release and so forth that were issued at the time of the Bus Strategy debate, do you feel that you entered that selection process with a fair chance of being selected?

MR LEWIS: It would depend on the day of the week. There was a point in September of that year, the previous year before the tender process started, where I thought I was almost going to have a breakdown. I was so frustrated with the whole thing and I almost got to the point of thinking "Look, what's the point? We don't have a cat in hell's chance of winning the tender process after what has happened." I think we were fortunate in that there was that period during that autumn when the dust settled, we sat down, we said "Look, we have got to be positive about this" and by that stage we had turned round and said "Look, do we want this?", "Of course we want this". So we thought, "Well, look, let's give it our best shot."

Even when the situation got round to ... um, I am sorry, I do apologise. I have prepared everything based on the areas where I thought we were going to be asked questions and I've not been able to prepare in quite the way I expected them to be asked, so I know I'm shovelling out all over the shop sometimes, but, um, as the process started we became more confident again about our chances of winning. We were the incumbent operator. We knew the operation. We had, despite the media/political element of what had been going on, we had a good track record. We knew what we were doing. Prior to that we had run bus companies in the United Kingdom,

so it was not as if it was the only bus company we had ever run. We didn't run bus companies at that stage; we had sold the UK group a little earlier.

So then we brought Mike Heath on board and, again, he looked at us. He was a guy from the outside. He checked our costs, the way we were looking at things and, again, that gave us quite a bit of confidence. Our general feeling was that in fact the first part of the operation was really to narrow it down to a couple of people to negotiate with. I also thought it was a unique situation in Jersey, that it had to be a company of the right size. Some of the bigger companies, Busways and stuff, wouldn't be interested. Busways or Stagecoach, they wouldn't be really interested in Jersey because it would be too small. So we became more and more confident.

I think it was about the night before. I mean, you know what it is like when before you're waiting for results you start to question and I thought that "I don't know, do they really want to work with us? Do they really believe they can make a partnership with us? Do they really want to be in a position where there might be a monopoly here between us still having all the schools and the buses?" And it started to go through my mind about what had happened prior to the tendering process and, at that point, I thought "I don't know."

You have to look at the Steering Group itself and who was involved in the Steering Group. How many of those people ... I listened to some of the debates, the speeches that were being made on the Bus Strategy and I thought that maybe of that team that were there, maybe some of them had doubts about the bus company. But I don't know. You know what it's like before you're waiting for results; your mind plays havoc with you. I have to honestly say when we got the announcement on the 1st May I was shocked, I was horrified, I was very upset and there was an element of disbelief. One of the first things I saw when I saw it was that they had gone for the compliant bid, the cost it's going to be and how come we are so much more expensive than Connex and Dunn-Line. Dunn-Line and Connex were only within £10,000 of each other. We were in excess of £250,000 more.

My first feeling initially was "Well, they can't have provided the same level of service. Where have we gone wrong?" That is what we thought about was perhaps it, that they didn't include the shift allowance. So it was then that the process started again about why perhaps, you

know, we may not have been chosen. But in that letter it was quite clear that they had chosen it on behalf of the compliant bid, that the lowest of those three finalists had been chosen and that they felt that that company could deliver the goods.

MR GARRETT: Okay. Moving forward, there is a letter from Mike Cotillard to Deputy Hacquoil on 2nd May, I think, 2002. He again wrote in September 2002 questioning whether Connex would be providing the same level of service as was required in the tender documents. In particular, he focused on the provision of relief services. Is it correct, to your knowledge, that Deputy Hacquoil could provide an assurance that Connex would discharge all obligations contained in the formal tender process?

MR LEWIS: I think that is what it says in that final letter. We do, in particular, bring up the point of the reliefs. Now, I have to say at this point that the services started, I think, on 28th/29th May, but we received a letter on 30th May and Connex certainly did not have 33 buses operating on that day. So that was a fact. Now, right from the start we actually had a meeting with Connex between 1st May and, I think, 7th May, a very brief meeting. There was an element of denial on our part, "Is this really going to happen?" You had to look at it and say to yourselves: "Well, it's got to go through the States. Will the States actually go for a contract that is going to need so much subsidy, when the only real significant difference is some new vehicles and a load of services that are being reinstated that Public Services decided weren't worth reinstating a few months earlier. So would that be achieved? Then you had to ask yourself "The garage has got to be there and on time", and the planning permit hadn't even been approved at that particular stage. I mean, I don't think. Forgive me if I am wrong, but I think that is the case. The vehicles? Where would they get the vehicles online so quickly?

When we met with Connex, it was a very brief meeting. I think there was an element that, somewhere along the line, the whole thing might fall apart anyway and we didn't want to blot our copybook, but our feeling from talking to them very, very briefly ... I only met Denis Ord, who seemed a reasonable enough and quite an experienced chap -- I think his background was in engineering -- and we asked him, I think, the key question we asked him about was about vehicles. We said "Vehicles? Where are you getting them from?" and he said "They will all be

new.” And I said “Where?” Denis said “From Dennis.” I said “Fine.” “And they’ll be ready in September.” I just couldn’t think for the life of me how they could do that. Then the point came across, “Well, what type of vehicles are they?” He said “Well, they’re the normal width specification, generally speaking, but they’re 29 seaters.” So I said “Well how many are you buying?” He said “Thirty-three.” I thought “Thirty-three, 29 seaters? They are not going to have enough capacity. It is just not going to be there.” Well, we didn’t want to bring it up. We just thought “All right, that’s fine.” Anyway, the general thing was that we would both help each side, congratulated them on winning and if anything would happen, it was a general cordial thing. Naturally, if you were going to meet with somebody who was going to take over as successor, you want to meet as cordial as possible and they were certainly nice with us. They certainly weren’t ... you know, they were quite modest. In fact, I got a bit of an impression, if anything, that he gave the general impression that he was a bit pleasantly surprised that they had won it.

So our feeling through the process was would Connex actually deliver on time? Would they actually get the vehicles? I actually went over the fact and I spoke to Dennis. I spoke to a chap, David Cheeseman from Dennis at the end of June and he said “Oh Chris, we are building the chassis.” I said “Well, you couldn’t build them before.” He said “No, we have built them, we have had an opportunity.” I said “What about the ones to do with Guernsey?” He said “Well, we are going to do these first.” I said “Well, who is the body operator?” and they mentioned Caetano.

We went over to Caetano to have a look at them. The Caetano factory was in Portsmouth. I went there about three weeks before they were ready to start and I couldn’t see them getting more than about 25 vehicles over, operational and ready on the day when they started the operation. So, no, I just couldn’t see that they would have the sufficient level of service that was required on the first day of the operation. It would have been a miracle. And I have to say I think they did remarkably well to be able to produce what they did by that first day of service. It certainly wasn’t the correct amount. There is no doubt about that.

You have to also understand these staff have been my staff. They have now moved over

to Connex, but it doesn't take us five minutes. I can meet them for a cup of tea. I am asking them how they are doing and they are telling me that for the first few days the level of service wasn't there, that the reliefs weren't being provided, that they had had to cancel services at different times, but you would have expected those sort of teething problems, to be fair. Obviously they were there at the time, but, no, certainly the level of service wasn't at the right amount on day one and it would have been impossible, I would have thought, for somebody else to do it. It would have been easy for us to do it because, basically, we had been doing it anyway..

MR GARRETT:           Okay. Coming right forward to today, how would you judge the performance of Connex against the original tender documents?

MR LEWIS (after a pause):           I don't know how to answer that question. I think they are reasonably competent operators and they have proved themselves elsewhere. I don't see the contract. I don't know how much it has been changed from where it was originally. The things that came up that were a total surprise to me and a horror, I have to say, at the same time was that in the autumn of 2003 we were aware that there were potential service cuts to be carried out from January of the following year.

I knew some of the staff and they had been saying that they had been carrying out some surveys, but the surveys themselves weren't to be disclosed. The proposals were put forward, they were put through Public Services and one of them was that there was going to be no 8A going to the Living Legend. Now, Living Legend is the top fourth tourist attraction in Jersey. It gets over 300,000 visitors a year and this service was no longer going to have a bus service because ... well, the definition that was used at the time was that this would be a better way of using the service. They said it would be a more efficient way of operating things. I thought well, it is not going to be for the bus public or for the holidaymaker.

Then, in the middle of December, I was listening to the question time brought forward, but I think at the same time the President of Public Services and Planning, P&E, was making a statement and he had a report about Connex's first year of operation and that is when the shift allowance was brought forward and I was horrified. I was horrified that we had been accused. I was ... you know, to be blamed for something like that was just ... publicly being told that we



were to blame, you know what I mean, with the Transport and General Workers' Union with the shift allowance, that is the first I had known about it. I was just horrified. I was upset. I was horrified. I was surprised that we hadn't heard anything about it before then, which we hadn't. The first thing I did is I thought "Blimey, I'd better get back to my files and start looking at things" and that is really when I started the process of putting together the files on this.

So you are asking me from how I thought Connex had performed. It is difficult for me, isn't it, I mean, because of from where I am. But how have Connex performed? They haven't provided a level of service with respect to reliefs and capacity that I believe was required. The only company who knew what was required was ourselves. Deputy Maurice Dubras answered that question in that way when he was asked these questions from Senator Ted Vibert in the February, that the only one that would know was Jersey Bus. You have to ask yourself, if that is the case, why discard us and, if you're not going to discard us, why don't you use us as the benchmark? It is not just the number of vehicles, it is the capacity on the vehicles. It is the fact that our vehicles were all 40-odd seaters. We could carry up to 54 people. That is what is important. It is that extra 15 people on a vehicle that is so important at peak times. It is not just the number of extra reliefs that are provided. So, looking back, I suppose Connex looked at it ... honest to God, I don't ... Um, how have they performed? From five to ... well, I ... **(Pause)** It is a little difficult for me to answer that one, I am afraid. Public Services have given the impression that they are happy.

MR GARRETT:           Okay, just picking up on something you said there, do you think an error was made on the capacity issue, because there is a great deal of attention paid to the number of buses as opposed to the actual carrying capacity of the buses?

MR LEWIS:           I don't have privy to the analysis that was carried out on the tenders, but what was absolutely essential was to get the capacity right. It is interesting, Sir, that you brought up the question a little earlier about disabled access. There was a lot of attention brought towards vehicles prior to the whole tender process about disabled access. Dennis themselves ... Connex themselves were going to go for vehicles that had ... there was no problem at that stage. A body ... I mean a chassis could produce wheelchair access, but that reduced the seating capacity by

about four people. Instead of being provided with standing ... the point is that the vehicles weren't long enough. You needed more seating on board, so, yes, that factor appears to have been grossly overlooked.

MR GARRETT: Okay, moving on to the claim submitted by Connex in relation to provision of relief services and the shift allowance, how did you react when you first heard of their claim?

MR LEWIS: Sorry?

MR GARRETT: How did you react when you heard of the claim for the shift allowance?

MR LEWIS: Sorry, to be honest, I am still thinking about the other questions that we went through before. I do apologise. Ask me again.

MR GARRETT: Dealing with the claim submitted by Connex for the shift allowance and the relief services, they went to the States and said "Please give us some more money." What was your reaction when you heard of that?

MR LEWIS: Horrified. I just couldn't believe it. You have also got to remember that this situation is ... as far as we are concerned, we have made through our access Connex aware of our shift allowance. The Transport and General Workers' Union have done it. We have budgeted for it. We have mentioned it. The shift allowance is essential unless you can negotiate it through school contracts or whatever. We have signed the agreement on 15th ... sometime between 15th and 21st March (sic) I believe, by 21st June, Connex contacted us to ask for the terms and conditions, details about our staff and I believe that Mike Cotillard replies with the details on 27th June. Now, there is no hiccup at that point. Nobody comes back and says "What's all this about shift allowance? We didn't expect this. This is the first we have heard." Not a dickie bird. We are not privy to the negotiations which the drivers are having, the union are having with Connex. There doesn't seem to be very much activity at all during that period between June/July and early August. I have to say from our own point of view, what we were diverted to were school contracts. We were now getting ready for school contracts to be re-tendered for and it transpired that it wasn't clear that the same amount of money was going to be available for the school contracts as previously. We tendered for it. We got a very simple reply to it, basically along the lines of "It wasn't what we were looking for." I am not saying ... I would have to find

the exact section to look at the reply. Then, all of a sudden, the question was it didn't look as if some of the schools were actually going to have any schools, so we had lost the bus services and now we were focused on what was going to happen with the schools. It took until about the end of July to actually come to a solution with a smaller budget whereby, between ourselves and Mike Collier, we came out with a solution whereby we could provide as much schools as we possibly can for the level of service.

So there wasn't any dialogue. There was no come-back from Connex. There seemed to be no problems at all that we were aware of with the shift allowance. What I do recall was that, in about ten days to a week before Connex taking over or taking over the licence, a couple of the union members saying to us "They've tried to ignore the shift allowance" and the guys saying "Well, we pointed out to them that it is included and all the rest of it and they have accepted it, but they are not calling it entirely a shift allowance, part of it is to do with productivity." So there had been no problems that we were aware of. Connex seems to have accepted it. It was part of the whole process. We were aware from them taking over that they were paying the shift allowance to the men. There was no reason in our minds to suggest that there had been a problem. The first again, the next time we hear about it is when we hear about the statements in the States or the media and the report and that, you know, horrified me.

MR GARRETT:           Based on your knowledge of everything that happened, do you think that it was appropriate for the States to have actually agreed to pay Connex that money?

MR LEWIS (after a pause): That is another of those questions I didn't think you were going to ask me. I'm not prepared for these. Obviously this is for the Inquiry to determine at the end of the day once it has produced together all the facts and evidence. But, in my opinion, when you put in that compliant tender, our tender, your tender was binding. If you had overlooked a cost, if it was incorrect, if there was something that you had underestimated, that was your problem. So as I can see from what I have gathered so far, all the tenderers were aware of the shift allowance. I have read press reports and I am under the impression that in some way or another everybody made provision for it. Connex learn about it. They seemed to accept it. They paid the men and then, at a later stage, they seemed to, which I am not sure when they actually come back and ask

for it. No, I just can't see any justifiable reason why Public Services would pay them out. It seems inconceivable to me, absolutely inconceivable.

MR GARRETT: Again, moving on, there was a press release on, I think it was, 18th April 2002, where Robin Hacquoil was quoted as saying "*For 25 years we have really not had a quality bus service in Jersey.*" What is your reaction to that statement?

MR LEWIS: I thought it was a kick in the teeth. I thought it was very cutting and I suppose, under different circumstances ... is this April 2002?

MR GARRETT: Yes.

MR LEWIS: So, right, we are in the process of waiting to find out what ----

MR GARRETT: That is correct.

MR LEWIS: Well, I'm hardly going to ring up the phone and ring up the President and say "I think you're a bit out of order there because we're still waiting to see whether we're going to win the tender." So, secretly, yes, I thought it was pretty unjustified, but my reaction was obviously kept to myself.

MR GARRETT: Okay, bear with me because you have answered some of the questions which I had lined up.

MR LEWIS: It is all right. I am pretty much in a muddle myself now. It doesn't take much for me to confuse myself, I have to say. **(Pause)**

MR GARRETT: Again, moving to December 2003, can you describe your reaction to the report -- this was the report or comments from Deputy Dubras, where he actually said that in May 2002, after Connex was appointed, the Committee was ... Connex was made aware that Jersey Bus and its employees had negotiated an agreement whereby, from September 2002, that is one month after the transfer of the operation, drivers would receive an additional shift allowance and linked to that was the suggestion that the first that Environment and Public Services knew of it was when they first met, which, in the case of that Committee, probably would have been 2003? I mean, are you satisfied in your own mind that the Committee, through their agents, consultants, officers and in the form of Alan Muir, were fully aware of that wage negotiation and that everybody should have been, everybody within the Committee should have been, aware of it

before that time?

MR LEWIS: Well, a lot of it depends on the dialogue between Halcrow and the Public Services Department. I mean, our only connection of making it aware directly to Public Services was at the meeting when Alan Muir was there. It is our only ... because our dealing in September was through Halcrow. But one would presume -- and I have read a little bit of the press reports -- that the information was sent through to Public Services or it has been lost as a hard copy or something on an email that they haven't been able to identify a copy in Public Services. But Halcrow themselves give the impression that they had passed that information on to Public Services.

So the reality is in May that the shift allowance, they are aware that the shift allowance has been implemented. Now, we have got no idea what happens after that, but it seems absolutely inconceivable to me to go through the whole process asking Halcrow "Were you aware of the shift allowance?" "Yes." "Was it in Jersey Bus' tender?" "Well, we think it was." The first thing you do is you go back, if you haven't done it beforehand, and say "Well, hang on a second here. Let's get all the tenderers together and see whether we have actually included it or not." We weren't contacted, so I don't know what the investigation was, what was carried out. It was just assumed somewhere along the line that this was some conniving trick which Jersey Bus and Transport and General Workers' Union had sort of concocted after Connex were awarded it. Surely you do your homework? And then, on top of that, you have to ask yourself, if this is an award that is going to cost not far off £200,000 and is going to be there for the life of the contract, we were talking about, what, 1.4 million. In fact, in the second year, which I find even more, in a way, shocking an amount of money, as a consequence its services were going to be cut. You would have expected that there would have been something accurately carried out then between Halcrow, Public Services, the officers and obviously the Committee and the Steering Group itself. The President at the time in 2003, of course, was Deputy Maurice Dubras. He is not part of the Committee when this first happened, but he was part of the Steering Group. How much discussions there were, whether they were brought up at Public Services' meetings, I honestly don't know. I just find it unbelievably staggering.

Then, of course, it is not even as if it is something which they find within their own funds, but they request the money off Finance and Economics. I mean, would Finance and Economics just accept it that that was the story and not go back and say “Well, can we have an investigation into it? Can we just find out exactly whether or not the other operators included the shift allowance and whether or not in fact they had actually been sensible?” Nobody is approached. Nobody is approached about this particular incident.

What happens when we hear about it? We are horrified. The first thing we do is get our file out and we consider contacting our lawyers. One of the things is not just we’re being accused, but we’re now questioning about whether or not the whole tender process has been carried out properly, whether in fact at the end of the day that maybe if all these other people had budgeted for the shift allowance, we wouldn’t have been the highest of the last three tenderers, so we are looking at that to see whether there is a potential claim.

And what does also happen is Senator Ted Vibert comes down and he asks us for our information as well, because since the process has occurred nobody has ever once come back and questioned whether the deal was right. Senator Ted Vibert had become a new senator in the spring of 2003. I had met him. I actually invited him up to the Living Legend to talk to him because he had an opinion on casinos and I was quite interested in seeing what ... in the press he had said he was against the casino and yet he had been a casino ... involved in a casinos in Australia, so we talked a long time about the tourist industry and at the end of it he said “You were the owner of the Jersey Bus Company, weren’t you?” and I said “Yeah”. He said “How do you feel about that?” I said “Pretty bad, yeah. I think it has been a bit of an upsetting experience for us.” He said “What’s it costing now?” I said “Oh it’s a good deal more than it cost before.” He said “Have you got any background information on what would have happened through the whole process building up to the tender etc?” I said “I have.” I said “Well, have you got any time?” He said “I’ll have a look at it and see what I think.”

Then through that summer of 2003 he started to ask questions about the level of service Connex were providing. You know, one of the aspects was about the Service Level Agreement and about whether or not or how it was being monitored. Again, one of those questions that was

replied to by the Deputy there was they said “Well, we haven’t got a large amount of staff to monitor it.” The whole thing was about the SLA. They were paying 1.7 million or 1.5/1.7 million for a service which was practically the same that we provided with a fraction of the subsidy and they were saying that they didn’t have the staff to monitor it. We were aware that the bus conductors were not going out on to the road to ensure that fares were being collected properly.

So questions were being asked and when this thing came up about the shift allowance, Senator Ted Vibert, the penny dropped with him and he said “That doesn’t seem to be right” and that is why he came down and he asked us if we had any information relating to the shift allowance, and that is when we ... well, then we were working all week. He asked us for some information and we provided him with it. Then, of course, the whole thing started to develop through the media and then in the question time in the States at the beginning of February. I am sorry, I don’t know if I have answered your question there.

MR GARRETT: On the issue of the question, the question that was asked by Senator Vibert. Can I focus on one specific one, which is the response to question 3, where Deputy Dubras stated: “*The Director of Traffic and Transportation*”, which was Alan Muir, “*attended this meeting*”, which was 28th February, “*with the consultants’ representatives. The record of the meeting did not contain any specific details of the pay claim, particularly any explicit claim for £72 per week shift allowance and it appears not to have been expressly discussed.*” Now, at that stage, that answer was given about two or three weeks after you had supplied all of the material to Mr Vibert; is that correct?

MR LEWIS: I believe so. We are talking about this period of January/February of last year?

MR GARRETT: When you gave that material to Mr Vibert you had included a copy of the notes which we discussed earlier on?

MR LEWIS: Hmm.

MR GARRETT: Which showed that the issue had been discussed.

MR LEWIS: Hmm.

MR GARRETT: What was your reaction when that answer was given in the States?

MR LEWIS: Staggered. I mean, it is not a minor point. It is a massive point. It is a bad point

that has cost the Island in the first year nearly £200,000 and it is going to have repercussions. It could have made a bit of difference to the whole tender operation. It is a huge amount of money. At our meeting with Alan Muir we had adjusted a rates figure by a couple of thousand pounds. We had adjusted the rent for the Weighbridge building from 50,000 down to 20, and yet something like the figure for the shift allowance he doesn't appear to have any recollection of. No, I find that quite remarkable. I find it almost inconceivable. But, on top of that as well, you would have thought that, when the situation came about again with Connex and they were aware of it, you would have thought that would have jogged his memory. You would have thought that prior what we are talking about, even before Connex actually take over, somewhere along the line there would have been some form of going back over notes, checking with Halcrow to see whether or not ... whether this whole thing happened. So for him to have no recollection, I am sorry to have to say it, but I am aware of this. Apparently he was asked initially and he had no recollection of going to the meeting and then, when he went to the meeting he was only there for a few minutes and then, at a later stage, he did take notes. Well, I mean, he has changed his mind three times. So I do find it inconsistent to say the least.

MR GARRETT: This is a bit of a hypothetical question, but I am going to ask it anyway. If you were embarking on this project again, what would you do differently and why would you do it differently?

MR LEWIS: That's a big one, isn't it? **(Pause)** It was better for the States, there is no question about it, to negotiate with ourselves on a short term project. A proper bus consultant goes in. The deal that was on the table was a three to five year deal and that was the best way to do it. That process, during that process, the States could have learned all about the in-goings of the bus companies and they would have been in a much better position to tender. That is where the whole thing went horribly wrong.

Whatever the situation was at that point in time, Public Services had exactly what they wanted. My gut instinct was that -- and I don't know, I'm just making my own guess here -- is that we have been betrayed so badly by lots of politicians, didn't have a good press coverage and I probably didn't create a very good PR. I think sometimes I was a bit too honest about how I



spoke about certain things. We had been betrayed about not providing information and how it was unreasonable for us to cut routes. So, with that in mind, I noticed that at the Bus Strategy, the Steering Group all represented other Committees. Deputy Maurice Dubras was head of Industries Committee. He was for it. Alistair Layzell always wanted the bus tender in the first place. He had explained about ... He was Head of Home Affairs. He had explained about the bus tender was the best route, how it had been successful with Condor when they set up the sea routes, but the problem that Alistair Layzell had not mentioned was that, as far as I am aware, the sea tender didn't require a fair rate of return. It didn't require a subsidy. This was a different situation altogether.

So there was almost a point when this three to five year deal that was coming about, I always feel that the Public Services Committee were in a very difficult position. There were a lot of people, a lot of political pressure at that stage: "For heaven's sake, go ahead with the Bus Strategy", and I almost felt in the end really that it was as if to say "Well, we'll look for any old excuse at the last minute not to go ahead down that route." You know, "You've not really clarified sufficiently. You didn't hit the deadline in the right words."

You have to remember on that Thursday that I spoke to Clive Swinnerton, I am actually convinced we have got this deal for the five year agreement, the three to five year agreement. He comes back and he plays with the words. I couldn't understand it. So, the following day I look at it again and send it. The following morning we have Terry Le Sueur, Jerry Dorey, Paul Le Claire, David Crespel and ourselves all trying to look at what's the difference from between what we'd offered from Diamond Group and what Public Services were looking for, because the only thing we could see was the playing with words. In fact, in the end, although the actual final wording of our response came from ourselves, I know they all played an active part in it and particularly Deputy Jerry Dorey. He apparently is skilled with writing and we got what we believed to be the right thing. The next week it was no, they are not prepared to play ball, they are going down the route of the Bus Strategy, and I feel at that stage the overwhelming pressure in a way to encourage almost to build up a well of support to go for the Bus Strategy had been there and by that stage Public Services couldn't pull out. So they had a fantastic deal on the

table and the question was at that stage “Anybody but Jersey Bus. Get them out. Let’s find somebody else. Let’s take them to task.” That is my gut instinct. At that particular stage, really that was the best way forward, that was the best deal

We provided information. The law required us to provide information on our routes, but they had all that in front of them on a yearly basis and, at the end of it, they would have been in a better position to really go out and produce the tender. You did have to make provision. You have to have a long term licence. You had to be able, the operator, to go out and reinvest in vehicles. I totally understand the argument about the States themselves providing their own garage. I have to say that had we been earmarked for that site, we would have built our own garage at about £1 million, I have to say, not the £2.2 million which it cost the States at the end of the day. That garage that they had down there is not necessary. They have got something about half of that size that is really required. So automatically the operator is paying probably about £80,000 more for those bus premises.

If you look at the whole thing was put together it just made it too expensive. The schools should have been involved. Certainly a portion of the schools should have been involved, but the whole aspect to do with light mileage, let me explain this. We over-budgeted for like (?) mileage. We thought all the breaks, all the stops had to be carried out at La Collette. As it turned out in the end, Public Services provided an office at the Weighbridge, but they also provided the canteen, so most of the men could carry out their breaks. It reduced the light mileage by about £100,000. Now, okay, maybe we didn’t read that particular aspect clearly enough and, yes, Public Services were obliged to provide an office down at the Weighbridge, which I have to say they also paid for at an extra £30,000 to the taxpayer and they kitted it out for Connex. Fair enough, okay. But what they didn’t do is they didn’t go back to Connex and say “Well hang on, can we look at what you have originally made provision for in light mileage” because I am absolutely sure if it was the case that there probably could have been a saving of £50,000 to £60,000 off the price. But there is no evidence that the Connex price has been reduced.

So the whole thing was a rush job in the end. I think a three year contract would have

been a far better way of looking at the whole aspect. You could have seen where the schools fitted in; they could have understood the service; and I think in the end because of the delaying of the process towards choosing a preferred operator, they had such a tight window to go ahead with it and I think, when they saw the tenders come in and the prices were as high as they were, the best thing they should have done is say “This is just too expensive. We need a year’s grace. We need to be able to sit back and decide.”

Now, at that point, I feel there were people there who said “What, negotiate with Jersey Bus for another year? You must be joking.” They said “We have got to go ahead with this. We have found somebody who is reputable and they can deliver the goods.” Instead of looking at it and checking it all through, they committed themselves to seeing it right to the end regardless. That was the big mistake. There wasn’t enough time. They should have created a stop gap of a few years so they could really understand and they should have had a proper bus consultant on board more or less on a permanent basis, certainly over that period over the years. What would it have cost them, £40,000, £50,000, £60,000 a year? In relation to what it has cost the whole project, it is a drop in the ocean.

MR GARRETT:           Okay. I think I have reached the end of the questions that I had prepared, but one last one. Do you want to make any statement on any of the issues that we haven’t covered or direct us towards any subjects that you think we should explore more thoroughly?

MR LEWIS:           Probably, but I can’t think of anything. I mean, I think obviously in some respects we have gone through the reliefs and I think we have made the point about the question in the States about the relief services. Why did they not use us as a benchmark? On two or three occasions we explain our experience and what is required, the number of reliefs and the capacity. Why was that not used as a benchmark? The answer provided by Deputy Dubras in the States was “Well, only Jersey Bus would know.” So why didn’t they use our information available to them? Big mistake.

In a round about way, you asked me, looking back, looking back in hindsight, what perhaps were the criticisms of the tender, the contract. We have mentioned about the fact that transparency was such an issue. I thought we had provided sufficient transparency. I have to say

I have been partly corrected on the point to do with Diamond Jersey's accounts and the aspect to do with interest, but you are still talking about a relatively small amount which we are still prepared to pay. You know, the accounts of Connex trading in Jersey are not public. There is no longer transparency. That is part of the confidential agreement, so it seems ironic to me that we weren't prepared to co-operate when we were and now in fact they have got a Service Level Agreement and a deal with somebody like Connex and it is confidential. Even the information that is provided, we are still waiting for the report for last year. We don't know how they have performed on the different routes.

A big mistake on the schools. I think I have said that already. A big mistake on the ... this incentivisation. It sounded a great idea, but the reason was that in the first year of operation Public Services had no knowledge of the revenue. We had provided them with sufficient revenue to get a pretty good ball park figure about where we were over a period of time. I know that we haven't gone into that in an enormous amount of detail, but I know that. I gave them a break down of the routes. It wasn't passenger carryings but revenue. We wouldn't have taken anything, but you simply come back here for a fact that the average fare is £1 or something, so if you take £20,000 on a route, you know you are going to carry 20,000 passengers. It doesn't take much working out.

By law they were able to get that information from us. I have been told and I have listened to the reports on numerous occasions. Even Deputy Guy de Faye the other day was saying "Because of no information from the previous operator". Well, it must be lost somewhere because I know damn well I gave it. By law we had to give that information and by law they exercised that in April of 2001. In addition to that, during the year of the tenders ... sorry, the year before the tender operation came into being, they could have, again, exercised that law and said "Would you mind providing us with it." During our tender, another point which Roger Macklin came up with is he said "If you win the tender, would you like to provide you historic information?" We said we would. When Connex were being appointed, we said again "Our information is available." The problem was in the first year of operation incentivisation didn't come into being. He had actually paid the operator to minimise the revenue because in year 2

anything above the cost of living increase they got a share of. That is why you have got no inspectors on buses. That is why there is no incentive. Your incentivisation for the operator was down to minimise the level of service and minimise your costs. Why did they not ask us for the information? They had got it in the past. For some reason there seems to be a block.

Now, many politicians, and Deputy Dubras is not one of them, nor Guy de Faye and I can only presume that when they are asked from their officers that is the statement they get from them, because the officers, John Richardson and Alan Muir, have been provided with that information on several occasions and they knew by law that they could get it from us.

So the aspect about incentivisation, it sounded like a marvellous idea, but in fact the whole first year they had no information to go on. They had wonderful opportunities to go back and find out this information. What would it have cost if they had asked us? We got nothing out of selling Jersey Bus. We scrapped 40-odd vehicles and we couldn't use our stock. We got nothing. You know, even if we had got maybe £10,000 for selling our information, we would have done it.

The pensioners, we carried out all the administration for the pensioners. We thought that was part of the contract. As it turned out in the end, yeah, we had that information. If they had offered us £5,000 or £6,000 for all the information, we would have provided them with it, which we used to do free while we did the contract and we expected to do it free. But, apparently, it was carried out by another operator when Connex took it over and it cost them nearly £60,000 in the first year. Again, reluctance to use us.

I have got to say this. In the first week of operation Connex didn't have enough vehicles. They were hiring minibuses. We could see it. My office looks out on to the Weighbridge area. Eventually one of Connex's management rings up our sister company, Tantivy, and asks if they have got any coaches available. My manager there rings me up and asks me. I said "Well, they have got loads of buses available. Why don't they ask us?" So we contact Philippe. Philippe says "I will contact my headquarters in France." He says "It will either be yes, no or maybe", bless him. His English at that stage,... but obviously he ... he came back and told us at a later stage that it would be okay with him, but Public Services wouldn't

allow it. Now, please, ask me when the situation occurs.

So aspects about information and aspects about vehicles and information which would have saved a fortune. The timescale I think I have mentioned and the insufficient funds. This clause that now appears to be taken out made it a lot more expensive. The aspect about the SLA. The fact that, you know, the SLA is in place. You know, one of the aspects about law changes, and there had been a hearing before that Diamond activated to do with the Town Hoppa. It was determined from that hearing that the regulator couldn't be in a partnership with the operator. He couldn't be. He couldn't have the two rôles. The original strategy planned for the regulator to go JCRA. It still hasn't happened, but the reasons we have been told is that JCRA aren't ready. Before it was at Public Services the regulatory authority was Defence, Home Affairs and it got changed to Public Services back in 1993. Why couldn't they handle it? It doesn't need a great deal of sophistication, but what you can't do ... how can you possibly have a political team of people and their officers involved one minute with a partnership with a company and the next minute being the regulator. What is going to happen with the Easylink service and the schools go out to tender? How will we honestly feel we are going to get a fair crack of the whip when the regulator is in partnership with one the operators? That could have gone to another Committee. Maybe some of the other Committees aren't too keen to take it over.

The mistake on the vehicles. They had to be ten years old, only ten years old, from the start of the operation. But they also had to be only ten years old at the end of the operation. It would have made a lot of sense. We had 26 Dennis Darts that were well below the age of ten years old when we started the operation. Our costs could have come down.

I have mentioned the schools. They were so insistent on finding out information about the schools, getting the tender for the price of the schools and how the whole thing merged and then, for some reason, they decided not to introduce the schools. They were going to be tendered a couple of months later anyway. What was the difference? There are only two things I can think of because putting the two together meant more buses and it favoured us because we had the buses. For somebody else to come in and provide more buses in time and the school contract

started a month earlier, it put us in a favourable position. That is the only logical reason that I can think of.

Then there is another one. They reinstate a set of services that in the previous six months twice they had decided weren't worth subsidy. Okay, so they bring them back into the pot, which costs an additional £300,000, I think. Some of those services have been adjusted since anyway. But one of the things that brought this all to a head was the Town Hoppa. Here we are now, two or three years down the route, and the Town Hoppa was never part of the exercise in the first place. Surely it was logical that, rather than to reinstate these services that they didn't regard as worth having, where obviously the revenue would have evaporated, to try and find some way of introducing a Town Hoppa, but it still hasn't happened. Amazing.

I have already mentioned it, but it is this aspect about the high rents. That garage there, it is designed to maintain ... it could have maintained both our fleets. We could have maintained 100 vehicles down there and we could park 70 or 80 vehicles. Connex were coming in with 33 vehicles and they increased their fleet to about 45. So, in a way, they are paying a very high rent for premises they don't really require. It is just a minor point, but all these things add up. Um, I've probably said enough.

MR GARRETT: Thank you.

MR BLACKSTONE: Just a couple of quick ones, Mr Lewis. Going back to this meeting on 28th February, it says here in the notes that "*all bids were based on 40 seaters and the States were consulted that separate 40 seaters are required.*"

MR LEWIS: Yes, that is right.

MR BLACKSTONE: And you quoted on 40 seaters?

MR LEWIS: Yes.

MR BLACKSTONE: Are they much more expensive than the 30 seaters?

MR LEWIS: Not much more.

MR BLACKSTONE: Not much.

MR LEWIS: And in fact it is interesting that Connex have now introduced larger seater vehicles in their second year and, to go back to the aspects about it ... I mean, I went to Caetano.

I went to Caetano and I said to “Can you build a larger vehicle? Can you build them up to 40-odd seats?” and they said “Yeah”. There is one aspect because I went on the pretence of looking at coaches obviously, otherwise I wouldn’t have been shown round the factory. Yeah, they could build them. So it wasn’t going to cost considerably more. But it wasn’t going to be a significant cost to the operator, but it was going to be a significant impact on the amount of lost revenue because of lack of capacity. A very large percentage of our holidaymakers coming to Jersey, they are elderly. They travel on a bus and they go to Greve de Lecq or they go to Five Mile Road or they go to Gorey. They don’t want to stand up for half an hour. They want to be able to sit down. It is just such a fundamental problem, a fundamental point. I don’t think it would have changed the civil access fact, but in Jersey there was always this sexiness about cuter, small buses -- “Why don’t you have lots of smaller buses?” -- well, the thing is, at the end of the day, it is the cost. You end up having two vehicles, two vehicles to maintain and double the amount of drivers. That is the reason for it.

MR BLACKSTONE: So the 40 seater was not that much more expensive.

MR LEWIS: No, not at all.

MR BLACKSTONE: It didn’t have a big cost impact on your tender?

MR LEWIS: No, not at all.

MR BLACKSTONE: It just means that the other people are not providing the capacity.

MR LEWIS: And at the end of the day I don’t think it was a big cost saving to any of the other operators. I mean, I don’t know what the other operators offered, so I only can see what Connex provided. But, no, it wasn’t going to be a big costs saving to Connex by having smaller vehicles, but it was a big risk and a loss of revenue to Public Services and to the Island.

MR BLACKSTONE: Sure. The Easylink service. You started this in 2003, was it?

MR LEWIS: Yes.

MR BLACKSTONE: In direct competition with Connex. Were they running buses on those routes that you are aware of?

MR LEWIS: It was a year ago that we lost the case. It was deemed at the time by the ----

MR BLACKSTONE: Yes, they are still running.



MR LEWIS: Then, of course, there was deemed the need for it, so in fact we were given ... we were issued a licence for the first year. Sorry, I missed your point. Here I am going on all day.

MR BLACKSTONE: I was just saying that obviously when you considered providing that Easylink service was it to fill a gap in Connex's services?

MR LEWIS: We could see by the autumn and talking to staff -- you know, I don't want to mention the names of the staff, but you can imagine these people had been ... I knew them well. I'd go to the pub and have a pint with them you know, whether they are drivers or whether they are mechanics. Connex were ... the general drift of things is that they were going to provide the bare minimum and they were not going to be providing a tremendous number of vehicles for the next summer. As a result of that, we realised that there was going to be an element of spare capacity that wouldn't be taken up. If you were to ask, I am sure -- if you were to ask Ian Everson over there or ... I mean or one of the drivers or one of the Town Hall ... one of the meetings in the Town Hall in December 2003 said "Yeah, thank heavens Easylink have been around during that summer to mop up the additional capacity." But we felt that was a halfway house between the coach operation and the bus operation. We knew that we weren't going to be totally in direct competition with the bus company because we couldn't stop at all the normal public stops. You could only make it work if you were at the Weighbridge and you went directly to the tourist stops which were on private land. But we also knew ... the risk that we had was that we also felt that it would have a detrimental effect on our coach business. Now, our tour business that year, Easylink that year took £300,000 of revenue.

MR BLACKSTONE: The point I am trying to get at actually is ----

MR LEWIS: Sorry.

MR BLACKSTONE: ---- you said or implied that Connex had a shortfall on that particular tourist service.

MR LEWIS: The number of ... Connex didn't have sufficient capacity on those vehicles to satisfy all the demand of holidaymaker bus passengers that were around in that first summer. It was impossible.

MR BLACKSTONE: Did Jersey Bus provide that adequate service this year?

MR LEWIS: Yes. But you have also got to remember that our incentivisation was totally to maximise revenue. We lost money in the winter time. It was all about us and it was all about the key routes. Not providing ... let me just explain about how the whole thing dovetailed beautifully together. You had your ... during the summer timetable for what was around about 18 weeks, you had your set timetable whether you were going to St. Brelades or whether you were going to the Zoo or wherever they were going to be. In addition to that, we had these surplus vehicles that could be used for reliefs. So in the morning some of them would go out and they would mop up the busy route 15 and the route No. 1s coming in. So they would go out and follow the existing scheduled service picking them up. Now, it could mean the special was one of them, but there were several others. It paid us to do that because we at the end of the day had to maximise our revenue on the key routes.

Other buses would go out and do schools in the morning. They would come back and within that standby at that point in time the people would start collecting on the Weighbridge to start to go wherever they decided to go that particular day. Depending on the weather, it might have been sunny the day before, so they had all gone to the Zoo or they had all gone to St. Brelade's Bay. This day it is raining, so they all want to go to the Underground Hospital or they all want to go to the Living Legend. They all want to go to an indoor attraction. To satisfy demand, these relief vehicles backed up the existing scheduled service, so we could put four relief vehicles on to mop it all up and take these people to where they wanted to go. If it was all timetabled you wouldn't be able to do that.

So, yes, we were geared to maximising our revenue in the summer, but we could see over that period of time that ... we maximised our Explorer ticket. We went out into the hotels. We provided brochures and marketing materials so that people would buy the ticket. It was value for money. That never happened with Connex. Connex never sent brochures out exploring equivalent to an Explorer ticket. So all in all we knew with Easylink that there was going to be an element of surplus demand. We also combined routes that were purely geared towards the tourists, so you could on one service do a bay and you could also do a zoo and you could also do the Underground Hospital.

In addition to that as well we had been looking at our coach business and our tour business and we felt that this was a window of opportunity in effect. Our tour business that year took a right hiding because people weren't going on Island tours the way they had been previously, because this was a cheap alternative. Our tour business that year dropped by £190,000. So if you asked yourself where the £300,000 from Easylink came from, our tour business dropped by £190,000 and we may have extracted something between £100,000 and £150,000 from Connex, but they would have never had that because they never had the capacity in their reliefs to pick them up in the first place and they were never out there to market themselves like we were. We went with our ticket. We went into the hotels. We gave the courier ticket books. We gave them a discount, a commission, as would be expected, for doing that sort of thing. So the incentivisation wasn't there.

MR BLACKSTONE: So essentially what you are saying is that there was a basic flaw in the contract in the fact that they had no ... they were interested in keeping the income at a low level because they got a bonus the second year?

MR LEWIS: I think it was something which I think, when they were probably, when Halcrow and Public Services and the Steering Group were producing the contract I think they thought "Well, with an incentivisation in year 2, it will encourage them from year 2." I don't think they were aware at the time that this would be a loophole, but I think it is something which became more evident as time went on. But you have got to remember we wouldn't have had that privilege because immediately what would have happened is that they would have turned round if on day two or three we weren't providing sufficient capacity. If we had been leaving people at bus stops, Public Services would have turned round and said "Well, how were you running it before? We want to see your previous information", and they would have been entitled to it. So we knew that from day one we had to get it right. But for somebody else coming in, they had this marvellous void because they could say "Well, we didn't have the information." So we had to play it by the book, but it enabled somebody else to come in and play dumb. If we had been in Connex's shoes and somebody had come on with an Easylink service, like the Town Hoppa, we would have turned around and said in the old days, if somebody had come in with a Town

Hoppa, we would have turned round and said “Hang on, this is milking our runs.” We would have made an objection to Public Services. I was never aware that Connex made one. I mean, we don’t know how much they were against Easylink or whether it was just carried out through Public Services.

But I am not aware of it because, again, they didn’t have the capacity and for them they were satisfied with the contact they had. In year one, yeah, in a way, and I am not saying that is what they said, I have never heard anybody deliberately say that “We wanted to minimise our revenue”, but I am just putting two and two together here, but, yeah, in a way, by next year, the following year, where hopefully the tourist service was expanded, they would then be able to say “Right, we need 10 vehicles and we want X amount of money for doing them” or they got the benefit of the revenue. So I think it was something that was exploited. I think it was something that was I can see that that was overlooked at the time, but it proved to be another mistake.

MR BLACKSTONE:           Anyway, your conclusion is that Easylink saw an opportunity, or you saw an opportunity for Easylink, and you were able to make a bit of money out of it, which the taxpayer could have made if Connex had pulled their weight and done the service properly.

MR LEWIS:                If Connex had had that capacity, if they had had them on those routes.

MR BLACKSTONE:           The taxpayer would not have suffered?

MR LEWIS:                I don’t think Easylink ... I think what would have happened then is that it may be that that would have been implemented right from the start because the capacity wouldn’t have been there, yeah.

MR BLACKSTONE:           I have just got one last question. You have made quite a few comments, very veiled I might say, about the Public Services Committee and the Public Services Department. I think I have seen in correspondence possibly rather more explicit statements. Who do you feel particularly in either of those bodies was biased against Jersey Bus?

MR LEWIS:                That is a big one, isn’t it?

MR BLACKSTONE:           I think ----

MR LEWIS:                Do you want me to answer this? I mean, I am here on oath.

MR SHEPHEARD:           You are on oath. You can answer the question. You are protected by the

privilege. Nobody can sue you for what you say here.

MR LEWIS: Over the years I have seen the statements come out by Presidents and people from the Committee, in common parlance, and there has been a consistency. I think that the Presidents and the Committees are very reliant on the officers. I think that, as a result of it, when you expect your officers to brief you at the end of the day, the Committee are responsible for making these decisions. The Committee are responsible for ... they put their head on the block. They are the ones who make the statements to the media. They are the people who make the statements, and I think the people that were probably ... if I was to say whether they were really impartial, that someone there had a great mistrust about Jersey Bus, I would have to say would be the officers. I would say it is John Richardson.

I felt right from the start, right back in '99 when the first school bus tender, he felt somewhere along the line we would pull a fast one on him because he had budgeted a certain amount of money and cut it back. He forgot that the whole bus service had been increased by 30%-odd and I felt that, after that, somewhere along the line and I have no proof, absolutely it is my gut instinct, and I have to say now that I would have to question Alan Muir because of the activities to do with the shift allowance.

Mike Collier has been involved in the scheduled bus operation, where he sits in for when the new operator was on board. When Mike Collier dealt exclusively with the school contracts there was no evidence I felt in any way at all. I thought he was fair. He was just doing his job. I felt once the situation came on board and the bus company came as part of the partnership, I felt ... my gut instinct was that he has been part of that team as well. I don't know how much he has been involved in the shift allowance exercises, the relief exercises. I don't know how much. I have to say the report in December 2003 was pretty harsh on us. So you have to ... and I think there is an element of bias/prejudice in that report and you have to work out who wrote those reports, possibly Alan Muir or Mike Collier, so possibly Mike Collier. But I would say, if you go through it and bearing in mind we have now had X number of Presidents, you have got, that a very large percentage of that responsibility for that would have to go back to those officers, particularly John Richardson and Alan Muir. That is my feeling.

And my main point is continually this aspect about the information. I just can't understand with providing them with this level of information and what them people were provided with, I sat down with John Richardson. For the statements to come out that we haven't provided the information, to me it is just baffling and I can only assume that the representatives, the political representatives, asked for the information to be prepared for them by the officers, they trust their officers and they assume that it is correct and when they get it, they just speak it. They don't go back and double check as thoroughly as perhaps maybe they should. It is difficult. I mean, they are big departments these two areas, but that has been a consistent area. So I would say if there has been an element of prejudice more than anything else, more than ... yes, the point about perhaps the previous President, Robin Hacquoil saying right in the middle of the tender process "We don't think they are a very good service in the past", whatever, but that all aside, I would say that the people that have perhaps been a little unkind to our company has been those officers.

MR SHEPHEARD: Mr Lewis, before we finish taking your evidence, there is one aspect, or two aspects in fact, that I want to ask you about. First of all, in relation to pensioners' travel. Now, you referred to this earlier in your evidence when you said that a deal was struck in 1991 involving Senator Shenton.

MR LEWIS: In fact it was earlier than that. I do apologise, it was actually 1988.

MR SHEPHEARD: All right. And that was, I understood you to say, that the States were paying Jersey Bus a lump sum each year for carrying pensioners free of charge?

MR LEWIS: That is correct. What happened then was that ... we are going back a bit now. Um, but, when it was first ... to come to that figure there was an estimation of how many pensioners travelled. There was a generation factor built in because the fact that now pensioners would be able to travel free. So I think the initial figures came to somewhere in the region of about two hundred and something-odd thousand pounds. That was initially carried out by the Defence Committee at the time and I think the officers involved in that were people through DVS. Brian Rumbold would have been the ... and later Rohan Minkley. At the last minute, the HIE card users were introduced and we were told they were a relatively small amount, but over a

period of time they proved to be ... to increase. In about '91, we had a pay award that we paid to the men and there were a couple of things that happened. But, anyway, we agreed ... at that stage initially I don't think the pensioners travelled free at peak times in the morning and, as part of a gesture of goodwill and one or two other things, but I don't think it was massive, we then agreed to allow the pensioners to travel free at any time. Now, I have to say, because there has been a thing recently about making pensioners ... the option of making pensioners pay for travel at peak times. We didn't see as a result of it a loss in revenue, nor the fact that we would actually have to provide significantly more capacity.

Now, the regulatory authority was passed over from Defence to Public Services in about 1993. I remember I think the first President was Derek Carter. At that stage they wanted to review the whole thing to do with pensioners and, within a period of time, we had representatives to come round to check to see how the pensioners were recorded, etc., etc. Finally, Public Services came up with a scheme of saying "We will pay you. There have been questions about whether you are getting a very large level of subsidy here for this, a hidden subsidy, for the amount. We want to pay you for each pensioner."

Also, that is another point. In 1991, the Wayfarer machines came in, the new Wayfarer 2s, and it was easier to record pensioners travelling on buses. So with that in mind, we were now able to record the number of passenger journeys and we said to them "Well, if that is the case and you want to pay us", in other words, if a pensioner gets on a bus and he is paying a 70p fare, we would now claim back a 70p fare -- well not claim back, to be honest we used to get this payment in advance and then it was adjusted at a later stage -- we said "I think you will find that the amount of money that you pay for the pensioners is going to increase quite substantially." They said "We think that is a better way of carrying it out." So, as a result of that, that is what happened and, in fact, yes, if one was to look at the amount of money paid for the pensioners' scheme, you will see a big increase in the sort of ... I don't know, it could be some sort of period between '93/'94 and about '97. Once it had got to that level, it has been monitored and we then got to the point that we had to provide them with the figures on a monthly basis so we could justify it. We would get paid in advance and then it would be offset against the amount of

people we were carrying. I think there was a system there which both parties were happy with. It is interesting, isn't it, that ... because I saw the report from the first year of the pensioners' numbers carried through the Connex system and there was hardly anything in it. So whatever the reasons were, what we were paid and the rest of it hasn't deviated very much. I don't know if that has answered your question, but ...

MR SHEPHEARD: The point I was trying to get to was whether in fact it ended up with the pensioners' journeys being paid for by PSD with a fairly accurate accounting rather than a ----

MR LEWIS: They were definitely happy with that system. They were able to come back on regular occasions if they felt it needed to be ordered in a different way. So there didn't seem to be a problem there. Possibly ----

MR SHEPHEARD: But what you are saying, in effect, Mr Lewis, is this, isn't it, that, although it might have looked like a subsidy when it first started, it certainly wasn't a subsidy in any way shape or form by the time it was ... well, by 1997, shall we say?

MR LEWIS: There wasn't much in it. I think what the advantage that we had as an operator was was that it was pretty much a guaranteed income through the year. And, to be fair, pensioners were, considering we were getting paid for each fare, pensioners were more likely to maximum their journeys because they were free. So, for us, it was better than not having it, but it wasn't a massive subsidy in any shape or form at all and, again, we carried out the administrative side which we took on board. So it was swings and roundabouts over the years, but, no, it certainly wasn't a huge source of subsidy, certainly not.

MR SHEPHEARD: Right. That is that point. The other point that I wanted to go over, and very briefly, is the agreement under which the Jersey Bus's employees were able to transfer to Connex on the same terms and conditions. Now, there was an agreement brokered by Senator Shenton in August of 2001. What part did Jersey Bus play in that?

MR LEWIS: We didn't play a part. What happened ... well, not directly. Going back to the three to five agreement which we were hoping to broker, there were tripartite meetings. There were meetings with ourselves, Public Services, representatives of our company and with the union all trying to strive towards a situation for this three to five year deal and the union



themselves explaining why they thought it was the best way forward. They felt that, from an arrangement they had had relating to the Town Hoppa, they felt that Public Services were obliged.

Now, there was the Bus Strategy on the ... I think that Bus Strategy debate was on July 31st, which I think was a Wednesday, a hot day. The following day, the men went on strike because they didn't feel that -- correct me if I am wrong, but they went on strike because they didn't feel that their part of the whole thing would be ... that their contracts were going to be secure. Out of that, within the space of a day, Dick Shenton had offered to help to broker with the union this seamless transfer deal. They went back to work, I think, on the Friday and then discussions occurred between the union and Public Services with Dick Shenton. We were not a party to that, but obviously we understood what the union were trying to achieve and what their objective goal was and, once they got something which they felt they could live with, they actually informed us of it. That goes without saying. But, no, that was something they fought for or they negotiated themselves.

MR SHEPHEARD: Right. Well, thank you, Mr Lewis, I think that clarifies everything from my point of view.

MR GARRETT: I have just got one supplementary going back to a question I should have asked. You said that the notes of the meeting of the 28th, the ones that we have, were a sort of final copy of your recollection of it, from notes that you recorded at the time, basically jottings. Are those basic jottings available now or were they destroyed?

MR LEWIS: I haven't been able to put my finger on them, but I know that, by the time that I was asked for ... I didn't put my finger on anything there and them. I mean, I just didn't have files at that point in time and that copy which you have there and which I have was the copy that we've used and that I was able to put my finger on at the time. So, going back from my original notes to that copy, I can only presume that I did that shortly after our meeting with ----

MR GARRETT: Would the original notes be available?

MR LEWIS: I have never seen them. I will still have a look. I am only too happy to go and do that, yeah.

MR SHEPHEARD: Mr Lewis, thank you very much for giving us your time this morning.  
Looking at the clock, I think it would probably now be a convenient moment for us to adjourn for lunch.

MR LEWIS: Thank you. Thanks for your time. I shall be better prepared next time. **(Long pause, sound of people leaving the room)**

MR LEWIS: There is just the point actually, because you were absolutely right about the interest. We would also have been in total isolation. Jersey Bus itself would have had more cash in its bank and it would actually have been earning interest. So your £23,000 might even have been a little bit more than that, but, because of the whole cross-guarantee thing and the way it was, we ----

MR BLACKSTONE: No, I am happy with my final figure there.

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