

QUESTION TO BE ASKED OF THE PRESIDENT OF THE ENVIRONMENT AND PUBLIC SERVICES COMMITTEE ON TUESDAY 15th JULY 2003, BY SENATOR E.P. VIBERT

Question

Would the President inform the Assembly –

- (a) of the methodology used by the then Public Services Committee to calculate the likely 12 months revenue that would be achieved by the Connex Bus Company in providing the Island bus service?
- (b) whether this revenue figure was crucial in the consideration of the size of subsidy to be paid by the people of Jersey for Connex to provide that service?
- (c) what that figure was, how it was arrived at, who provided it and what checks were carried out to ensure accuracy?

Answer

- (a) The estimation of annual revenue expected for 2002-2003 was calculated in January 2002, and was based on fare income contained in a report quoting financial accounting figures of Jerseybus in 1992 and 1993, when a similar level of service was operating. These were the last figures provided by the Diamond Jersey Group, parent company of Jerseybus. This income figure was adjusted for inflation and fare increases, and an allowance made for a reduction in fare paying passengers in the intervening period.
- (b) An estimated revenue figure of the same order of magnitude was provided to all tenderers and was relevant to the bidding process only as being indicative of the passenger loadings to be expected. It does, however, have a bearing on the subsidy required to operate the same level of service as operated by Jersey Bus in 1999/2000. This level of service was approved by the States as part of the Bus Strategy, (P.104/2001). The difference between the likely revenue as calculated above and any accepted tender is, therefore, the likely subsidy on behalf of users of the service.

Members will recall that the then Public Services Committee formed a Bus Strategy Steering Group in September 2001 to develop the strategy and oversee the tender process. This group consisted of members of the States drawn from the then Public Services, Finance and Economics, and Industries Committees together with a member from the Jersey Transport Authority.

Because of the inability to determine the exact bus income figure from Jerseybus, the approach, recommended by transport consultants Halcrow Limited, advising the Bus Strategy Steering Group, was that, in order to attract meaningful tenders for the service, the States would have to accept the risk of achieving the estimated income level and pay a fixed contract price for the provision of the service. Had any operator been required to take the whole income risk as part of their tender, based on the lack of financial information, the tenders for the contract would almost certainly have been much higher.

- (c) The likely income figure was estimated at £2.5 million.

It was calculated by Department officers as described in (a) above. It was considered an achievable target by consultants Halcrow Limited and was agreed as such by the then Public Services Committee and Bus Strategy Steering Group. The Finance and Economics Committee was advised of the figure at its meeting on 12th March 2002, when determining the amount of subsidy to be provided in the first year's operation.

There was no other means of determining a more accurate level of subsidy in the absence of any further contemporary and relevant information from the Diamond Jersey Group, parent company of Jerseybus.