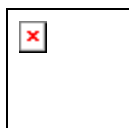


BUS STRATEGY

**Lodged au Greffe on 3rd July 2001
by the Public Services Committee**



STATES OF JERSEY

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion -

to approve the Bus Strategy as set out in the report of the Public Services Committee dated 3rd July 2001, and, in particular -

- (a) to agree that competitive bids for the operation of the Island's bus services should be sought from operators able to demonstrate appropriate experience in operating regulated bus services based on a minimum service specification governed by a Service Level Agreement between the operator and the Committee or any other body appointed by the States to regulate and licence bus services;
- (b) to agree that a licence of up to seven years should be awarded to the operator which best fulfils the specification and which is prepared to work in partnership with the States to enhance the quality of bus services in the Island;
- (c) to charge the Public Services Committee to prepare and present to the States for approval amendments to the Motor Traffic (Jersey) Law 1935, as amended, and any other legislation as appropriate, to give effect to the strategy and, in particular, to transfer the licensing and regulatory functions of the Committee to the Jersey Competition Regulatory Authority;
- (d) to request the Public Services Committee to investigate, and bring to the States for approval, proposals to provide for public subsidies for bus services where required in such a manner as to provide transparency and an assurance that value for money is being obtained;
- (e) to request the Public Services Committee -
 - (i) to consult with Committees of the States, parish authorities, local bus user groups and other interested organisations in order to ensure that bus services meet the needs of the travelling public; and
 - (ii) to monitor the effectiveness of bus operations, set targets for increasing bus usage, and publish regular reports on the implementation of the bus strategy.

PUBLIC SERVICES COMMITTEE

Note: The Finance and Economics Committee's comments are to follow.

REPORT

1. Introduction

1.1 Between its formation in September 2000 and April 2001, the Public Services Committee attempted to develop a voluntary Service Level Agreement (SLA) with the current bus operator, Jersey Bus. The objectives of the agreement were -

- to improve the quality of service provided to all residents of and visitors to Jersey to achieve a reliable, timely, more accessible, safe and good value service;
- to improve the environment of Jersey (by reducing traffic congestion as well as noise and emissions pollution);
- to develop a reliable and attractive form of transport for all residents to travel to and from work, school, the shops, hostelrys and restaurants, and to visit family and friends;
- to encourage visitors to the Island to use the bus to visit the numerous tourist attractions, the parishes, the beaches and beauty spots.

1.2 The Committee believes that the development of a SLA for the Island's bus services is an absolute priority if local bus services are to be improved, that increased subsidies will be necessary to make bus travel more convenient, reliable and attractive, and that transparency and accountability will be required in the way public funds are expended in this area.

1.3 The Committee's Bus Strategy as drafted in the early months of 2001 accepted that the Island's bus services should be subject to a competitive tender. However, it was considered preferable to develop an SLA with the current operator, in order to bring about immediate improvements in bus services. Regrettably this process failed, and the Committee therefore revised its strategy. Its new approach, which has been supported by the Policy and Resources and Industries Committees, was announced in the States on 22nd May 2001.

1.4 Subject to the States' agreement to the proposals set out in its Bus Strategy, the Committee proposes to seek competitive bids from all parties which can demonstrate appropriate experience in operating regulated bus services, for the operation of the Island's bus services. Tenders will be based on a minimum service specification governed by a Service Level Agreement with the successful operator, and award of a licence for up to seven years to the operator which best fulfils the specification and which is prepared to work in partnership with the Committee and its consultants to enhance the quality of bus services locally.

1.5 The Committee believes that Jersey's bus services can best be provided by a sole operator. Jersey's bus network consists of a number of commercially viable routes, particularly the routes to the airport and Gorey, which cross-subsidise the unprofitable routes and services. With the Island's low level of bus usage, it is difficult to envisage a situation in which a number of operators would compete against each other across the whole network. A seven-year licence period has been recommended to the Committee as providing the successful bidder the opportunity to invest in vehicles, as well as providing much-needed stability in the provision of the Island's bus services.

1.6 There is a significant amount of work to be done in a short space of time if the Island is to enjoy a period of stability in the provision of bus services, the benefits of increased private investment and public subsidy, the delivery of quality bus services by an operator which has incentives to meet and even to exceed its performance targets, the assurance that the tax payer is getting value for money, and the improvement in the quality and range of bus services locally that the public expect if they are to switch at least some of their journeys to the bus. The Committee wishes to know that its broad strategic approach is acceptable before undertaking the period of intensive work which will be necessary to achieve this.

2. The Minimum Service Specification and the Service Level Agreement (SLA)

2.1 The Committee is engaging expert public transport consultants to assist in drawing up a customer-focused Island-wide indicative service specification laying down minimum service standards, and including incentives for new investment and service innovation. It is likely, at least initially, that the specification will be similar to the present network; although, the specification will not be too prescriptive, in order to accommodate innovative suggestions from potential operators. However, certain key features are likely to appear in the specification -

- route details;
- service spread (first and last buses);
- days of week of operation;
- service frequency;
- customer-care training;
- vehicle capacity, accessibility and other features such as provision of displays, on-board information, facilities for luggage, etc.;
- passenger charter and public consultation process;
- emissions policy compliance;
- seasonal variations;
- performance indicators;
- open book accounts and reporting.

2.2 The SLA is a formal document which highlights the agreed service provision and quality standards expected by the regulator from the provider of services in return for an agreed level of financial remuneration. The key phrase within an SLA is “Agreement” - all parties must reach an agreement otherwise the SLA will not be operable or be effective. They must be aware of and fully understand the objectives and process of forming the SLA and of course it must be realistic. In essence, it is a partnership where both parties must work together collectively to achieve the desired and agreed objectives as well as its process. It will involve intensive negotiation between the two parties. In this case, it will form part of a formal contract and be used within a service specification.

The SLA above all will be customer-focused. It will ensure that the user’s needs are addressed as practically as possible and will also recognise that different clients will have different needs (e.g. tourist and resident). It will incorporate a cost-effective monitoring mechanism so that the States can ensure that they are getting value for money and achieving their strategic aims, and, where public money is involved, a right of audit.

A draft SLA covering a minimum service level specification for the Island’s bus services has been prepared by the Committee and is available to interested parties.

3. The competitive tender process

3.1 Subject to the States’ approval of its Bus Strategy, the Public Services Committee proposes, immediately upon receiving approval, to invite expressions of interest from reputable bus operators locally, in the United Kingdom and in continental Europe, for the provision of bus services in Jersey. To progress this work, the Committee proposes to expand its Steering Group (currently three members of the Committee and the Vice-President of the Finance and Economics Committee) to include a representative of the Industries Committee, the President of the Jersey Transport Authority, and a transport consultant.

3.2 Both the constraints and the opportunities of the local bus market will be made clear in a scoping document to be made available to interested operators. Constraints will include: high labour and accommodation costs and inflation rate; falling usage by visitors; low volumes of local passengers; relative cheapness of private motoring and parking charges; width restriction on local roads; Opportunities will include States’ transport and environmental policies which support the enhancement of local bus services, and the consequent potential for growth in local bus ridership; States’ commitment to the provision of new infrastructure including bus shelters and the Transportation Centre; the expressed willingness of the States to secure subsidies for bus services where transparency and value for money can be demonstrated; the potential for integrating school and scheduled bus networks; the potential for a successful flagship bus operation in a high profile offshore finance centre and tourist destination.

3.3 Funding issues will need to be clearly addressed in the scoping document. Operators competing for the contract will, in effect, be required to take part in a negative price auction, with the winner bidding for the lowest level of

taxpayers' subsidy needed to sustain the given level of minimum service provision required. Shortlisted operators will be interviewed and an SLA negotiated with the preferred bidder. The Committee believes that it should aim to finalise arrangements with the preferred operator by the end of 2001 so that a new bus service for the Island can be put in place in Spring/Summer 2002.

4. Legal issues and regulation

4.1 Following advice from the Crown Officers, the Committee proposes to make a number of changes to the Motor Traffic (Jersey) Law 1935. These will include -

- defining and differentiating responsibilities between the traffic policy administering authority (Public Services Committee) and the regulating authority;
- providing the vires for the States to offer financial support for transport measures (subsidies, grants, concessions, etc.);
- providing the vires for Service Level Agreements and exclusivity clauses;
- providing the vires for competitive tendering;
- providing for penalties for non-compliance by an operator in aspects of providing services;
- revising the current licensing process.

4.2 Interim changes to the current legislation will be required immediately to permit the strategy to be progressed, while making provision for existing services to continue. Approval of these interim changes will be sought from the States if the Bus Strategy is accepted.

4.3 The Committee understands that the newly established Jersey Competition and Regulatory Authority will be in a position to take on the regulation of bus services, subject to the necessary law changes, and it intends to bring a Report and Proposition to the States to enable the transfer of this function to the JCRA as soon as this is practicable.

5. Funding

5.1 Following the States' approval of the Committee's Sustainable Transport Policy in 1999, a financial appraisal of that policy has been prepared by the Department with the assistance of consultants. Taking its cue from recent Budgets, the findings of the Fiscal Review Working Group, as well as from funding arrangements for improved bus services elsewhere, the Public Services Committee proposes to set up a Transport Fund to provide a ring-fenced source of funding for local transport initiatives, including the targeted subsidies that will be necessary if bus travel is to become an acceptable alternative to the private car, at least for some journeys. As envisaged in the recent draft consultation document on the Island Plan, this approach may involve the requirement, through conditions of planning consent, for developers, in certain circumstances, to make financial contributions to the Transport Fund where appropriate. The Committee is examining a number of potential revenue streams which could also contribute to the Fund.

5.2 The Committee has received the full support of the Finance and Economics Committee in its wish to bring forward detailed proposals for raising the revenue required for this purpose, and, subject to the States' in principle approval of its Bus Strategy, officers of both Departments will continue working on the arrangements for the Transport Fund, with the aim of presenting a Report and Proposition to the States as soon as possible. The Committee recognises that, in future, the public subsidy of bus services, where required, must be arranged in such a way that will provide transparency and the assurance that value for money is being obtained.

5.3 The Committee recognises that the States is required to reduce levels of public spending. However, public spending on public transport is largely non-inflationary. It delivers user and non-user benefits. Indeed, increased use of public transport if coupled with other traffic reduction measures will be good for the local economy, cutting congestion costs for local businesses. It will play its part in environmental protection. It will promote social inclusion, and enhance the social lives of the community, especially among children and other non-drivers. It will also assist in the implementation of the Tourism Strategy, providing a bus service comparable, if not superior, in quality and value for money as our visitors are accustomed to using at home.

5.4 The Committee intends to identify where there is a need for the targeted subsidy of services which provide valuable

links to places, or at times, which would not otherwise be provided, and where public investment is required to make the necessary improvements in transport infrastructure. The town Hoppa bus, for example, as was provided by Route 88 in the 2000/1 Jersey Bus timetable, was not frequent or cheap enough to provide the level of service which, as the experiment during 1999 confirmed, is desired by the travelling public. In this case, subsidy would be required to bridge the gap between what can be operated commercially and what is considered appropriate socially. Equally, States' subsidy could be used to cushion the bus user against fare increases caused by factors beyond the Operator's control such as increased fuel costs. It is recognised that the States and the public expect a high degree of transparency in the expenditure of public funds, and that, in particular, the operator's accounts will need to be of an 'open book' nature. The States will hold a right of audit over the operator and a right of on-bus survey.

5.5 In particular, the arrangements must guard against shoring up inefficient or unattractive practices that continue to render the bus network unattractive to passengers and potential passengers. Incentivisation will be key. Rather than direct subsidy, it may be appropriate to introduce a form of productivity bonus or "availability payment" system that enables investment in new vehicles, and rewards service level improvements. Depending on the type of subsidy arrangements, it may be appropriate to introduce revenue incentive bands where, on subsidised services, the operator is allowed to retain a proportion of any additional revenue above estimated levels.

6. Interim arrangements

6.1 The current operator, Jersey Bus, will be able to take part in the tender process if it wishes so to do.

6.2 Concern has been expressed by Trade Union officials on behalf of their members working for the current bus operator in respect of their job security. The Committee would expect that the routes and services to be provided from the commencement of the new operation in spring/summer 2002 would be similar to those that existed in the summer 2000, and that the delivery of the enhanced level of Island bus services as described in the Sustainable Transport Policy (P.60/99) is likely to require increasing numbers of personnel. Further, the implementation of a long-term quality partnership for the provision of a better bus service in Jersey will lead to a much higher level of job security for employees in this sector than existed before.

6.3 The Committee is aware of the risk that the current operator may make further cuts in services in their winter timetable, unless States' subsidy is provided. In particular, there is likely to be a reduced level of service provided by the current operator's 'winter' timetable, i.e., October 2001 to May 2002, unless subsidies are provided by the States to cover unprofitable routes. The Public Services Committee has always been willing to negotiate with the current operator about subsidies, but States members will recall that inspection of the company's accounts prior to the cuts in the summer timetable revealed that value for money would not be assured if the subsidies demanded by the operator were paid. The Committee will do all it can to ensure that adequate bus services are provided in the coming months prior to the commencement of the new operation.

7. Other issues

7.1 The Committee would intend to consult widely on the strategy as it develops. Similarly, monitoring and reporting progress to stakeholders will be essential.

7.2 The Bus Strategy will form part of the wider Integrated Sustainable Transport Policy, and there will be opportunities to link the Bus Strategy with other significant initiatives. In certain cases, these linking strategies will be essential. For example, it is important that new footways are provided on routes that currently have none, that residents' parking is progressed so that town residents can leave their cars at home and use a Hoppa bus, and that a Parking Strategy is developed and implemented, covering both public and private sector parking, which will complement the aims of the Bus Strategy.

7.3 There are no immediate human resources implications for the States in the Strategy. However, the Committee would wish to appoint a Public Transport Co-ordinator from within its existing human resources.

7.4 It is not expected that there are any human rights issues that will emanate from the Strategy.

3rd July 2001