



Visitor Hire Car Support End of Scheme Review

DECEMBER 2022

1. Summary

1. Three businesses were reached by the Visitor Hire Car Support Scheme, all of whom continue to trade today.
2. In total, £640,820 was paid out to car hire businesses between March and December 2021 (see annex 1). In January 2023, £249,127 has been returned to the Government due to higher-than-expected profits, exceeding the scheme's allowance.
3. The peak number of cars available was 651 vehicles in August 2021.
4. It is difficult to assess the "counterfactual", i.e. what would have happened to these businesses without the support from the Government, however, it is clear that the participating businesses in the industry would not have been able to maintain the fleet size required by the tourism industry.

2. About the Scheme

The Visitor Hire Car Support Scheme (VHCSS) provided financial support to businesses in the car hire sector from March to December 2021. These businesses were hit by depressed demand during the Covid period. Whilst other parts of the tourism sector benefited from a local tourism boom in early summer of 2020, the hire car sector did not as few people will have hired cars for staycations. The scheme aimed to encourage businesses to maintain their then-current fleet of cars as well as acquire additional vehicles to meet the anticipated demand of the summer of 2021 by underwriting the risk and financial consequence of non-rentals.

The scheme provided an unused vehicle per day payment of £12 to the rental companies, capped at the required number of cars on the Island and a maximum payment of £250,000 per company over the lifetime of the scheme.

This scheme was open to the three car hire providers where they demonstrated they were servicing the visitor economy. When claiming on this scheme, businesses were not eligible to apply for support from either the Fixed Costs Support Scheme or the Visitor Attractions and Events Scheme.

Businesses were originally eligible for the scheme if they met the following criteria:

1. The applicant company would have been actively operating as a car hire business and holding a minimum of 50 vehicles on 1 January 2021.
2. Have had the capability to increase current fleet numbers by a minimum of 60 vehicles per business.
3. Showed a commitment to maximise new car options on the basis that the scheme was underwriting current stock, to provide an increase in total hire car stock availability. A net increase of 60 vehicles was to be maintained until at least the end of September 2021.
4. Jersey Business Limited provided a Jersey Business health check to validate each business continuing as a going concern, including a cash flow forecast and review of prior year financials.

3. Objectives of the Scheme

The core objective of the scheme as set out in the business case is:

1. Ensure that Jersey maintains the core infrastructure to operate an effective and competitive visitor hire car business.

A further secondary objective included:

2. Indirectly support key attractions and hotels by providing the alternative transport required.

4. Economic Situation – Rationale for Intervention

The Covid-19 pandemic and mitigating actions by the government and individuals caused a significant economic downturn. In 2020, GVA fell by 8.7%, which was the largest fall since comparable records began in Jersey. Likewise, the number of individuals who were actively seeking work grew to 2,300 in May 2020 and did not fall back to 2019 levels until late 2021.

Many businesses in the Island were affected by the government restrictions. Global travel restrictions imposed early on by the Jersey, UK and foreign governments and thereafter, a hesitancy to travel led to a large fall in tourism numbers in 2020 and 2021. The number of passenger arrivals falling dramatically from 1.2m in 2019 to 250k in 2020. Whilst there was some recovery to 405k in 2021, this was still significantly lower than 2019.

This reduction in tourism and introduction of public health restrictions led to lower turnover for many businesses and for some of these, their fixed costs remained relatively constant. Car hire on the Island is almost entirely a seasonal industry and the success of these businesses is heavily reliant upon visitor numbers. The car hire operational and financial model differs greatly compared to most other industries; there is need to maintain significant fleet numbers to meet with seasonal demand, and with this comes an additional and significant financial burden due to fleet finance costs and depreciation.

The number of vehicles available for hire fell from 1,250 in the 2019 high season to 625 in 2020 to 340 in March 2021 (thereafter projected to decrease by 15 cars a month for working capital), which would have been insufficient to meet the anticipated demand to support the tourism industry. The participating businesses would not have had the confidence or finances to commit to the supply of new vehicles, making government intervention crucial in order to support the tourism industry, for which car hire is an important ancillary service.

5. Economic Recovery – Bounce Back from the Pandemic

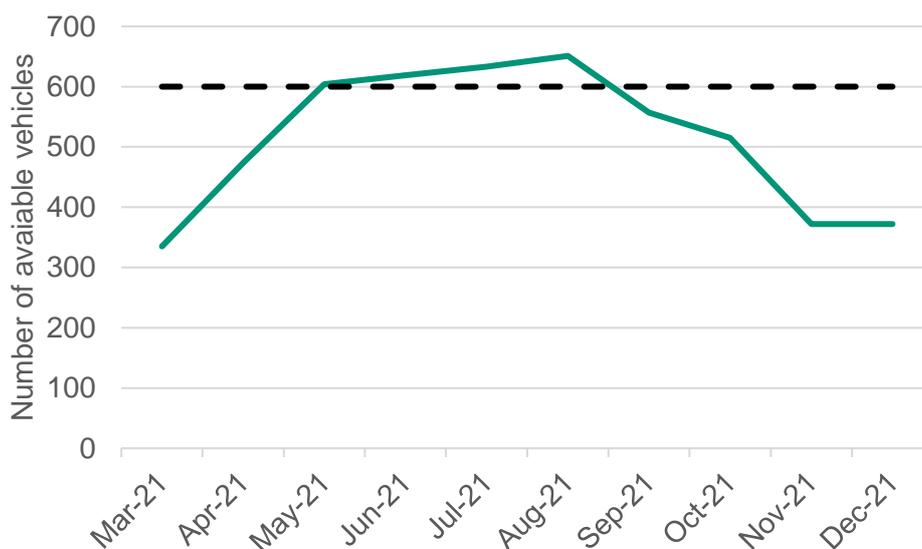
Due to Covid, tourism data, such as visitor numbers and expenditure collected by the Exit Survey, was not collected from April 2020 to the end of 2021 but resumed in 2022. However, analysis based on arrivals data suggests that tentative signs of increasing number of leisure visitors throughout the summer, of 2021 however, this remains below the 2019 levels. Projections made in December 2021 indicated a growing number of visitors year-on-year, with 2023 returning to or superseding 2019 levels, however, this remains uncertain.

6. Reviewing Success

The core objective of the scheme was to:

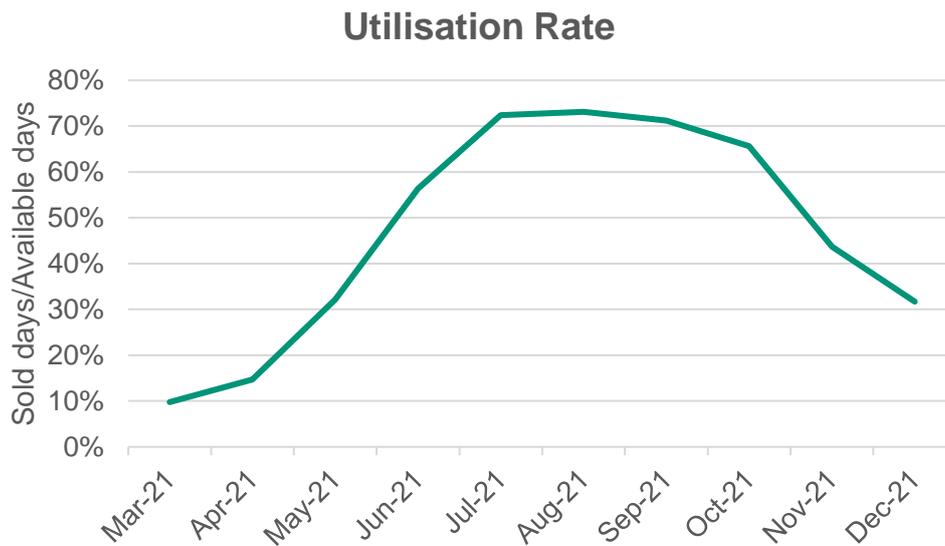
1. Ensure that Jersey maintains the core infrastructure to operate an effective and competitive visitor hire car business.

To measure the success of the scheme, data from the car hire providers was collected to ensure that a minimum fleet of 600 cars was made available for the peak of the tourist season (July to September).



The above graph shows that the recorded number of vehicles was above 600 vehicles from May to August, reaching 651 vehicles in August. The peak number of cars in September was 622 vehicles. However, as companies started de-fleeting in preparation of the winter period the recorded number of vehicles at the end of September was 557.

Data was also collected on the utilisation rate – calculated as the number of days sold as a proportion of the total available car hire days (fleet size x days). Monthly utilisation rates varied amongst the companies; however, they were at their highest for all three participating businesses in the peak of the tourist season. Qualitative feedback indicated that one business hit the utilisation maximum in July to September, using every car in their fleet.



Businesses indicated that the scheme allowed them to secure funding and enable investment in an uncertain period for the sector. Some business efforts are also being made to move towards hybrid vehicles in accordance with the Carbon Neutral Strategy. At the time of the feedback, the businesses also anticipated strong booking orders for 2022.

7. Assessing the Counterfactual

It is difficult to assess how many of the businesses supported needed financial aid and what the optimal level would have been, due to lack of counterfactual i.e. what would have happened without the support. It is likely that the benefiting firms would have survived without the economic support. However, it was considered that without government intervention, there will be insufficient cars available to hire. This would have had a knock-on effect on both the ability to attract tourists to the Island in the summer of 2021 (car hire is often an integral part of a package holiday) and the associated spend on Island. Without an easy way to travel round the Island, the more remote hotels and visitor attractions may have not be visited as often.

8. Conclusion

The scheme disbursed £640,820 to three car hire businesses over the 9-month period. In January 2023, £249,127 was returned to the Government following higher-than-expected profits. The total cost of the scheme is £391,693 and is below the proposed budget of £750,000. The scheme helped to provide more hire cars, reaching a peak of over 600 vehicles in the peak tourist season, largely meeting its core objective. The counterfactual is hard to assess, i.e. what would have happened to these businesses without the support from the Government, however, it is clear that the participating businesses in the industry would not have been able to maintain the fleet size required by the tourism industry.

Annex 1: Support Payment Profile

	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Total
Europcar (Hallmark)	£33,504	£40,630	£39,828	£24,732	£16,200	£13,128	£17,676	£27,322	£36,108	-	£249,127¹
Hertz (Spellbound)	£9,732	£11,328	£7,404	£9,456	£8,820	£12,120	£16,416	£19,032	£26,592	£29,756	£150,656
Avis/Polar Cars Ltd	£32,940	£49,476	£66,377	£43,284	-	-	-	£19,080	£12,744	£17,136	£241,037
Total	£76,176	£101,434	£113,609	£77,472	£25,020	£25,248	£34,092	£65,434	£75,444	£46,892	£640,820

¹ In January 2023, the full amount awarded to Europcar (Hallmark) has been returned to the Government due to higher-than-expected profits, exceeding the scheme's allowance.