

INFRASTRUCTURE, HOUSING & ENVIRONMENT **Bus Operator Contract – Variation Agreement**

Purpose of the Report

To seek the Minister's approval of a Variation Agreement to document certain amendments to the 2013 Bus Operator Contract (BOC), including a revised expiry date of 06 April 2025.

Background

The BOC, signed on 05 November 2012 and awarded to CT Plus Jersey Ltd, trading as LibertyBus (CTPJ) was initially of a seven-year base term commencing on 01 January 2013 with up to three single year extensions available for achieving Key Performance Indicators at set intervals.

The base term was subsequently varied by mutual agreement with the original parent company of CTPJ, HCT Group, to nine years with a single year extension for having achieved passenger growth targets by 2015, and a further modification of the expiry date to ensure that the changeover to the subsequent contract was on 31 March rather than 31 December, the latter having proved in several respects to be a difficult point in the year for the commencement of a new contract.

During the first seven years of the BOC, passenger numbers grew from 3.6 million to 5.0 million and year-on-year growth continued to be recorded in the first two months of 2020. This represented a virtuous circle with the principles of the BOC encouraging the revenues generated through increased demand being reinvested into additional bus routes, higher frequencies and longer hours of operation.

Discussion

The Covid-19 outbreak in February 2020 significantly impacted the bus service. The priority changed to sustaining the operation of a rationalised service to ensure that Jersey retained a healthy bus operator throughout and beyond the period during which Government emergency restrictions were in place. Variations to the BOC were implemented to facilitate this, including the deferral of the Government's portion of the profit share relating to 2019. By the end of 2022, passenger numbers although recovering were still significantly below the peak year of 2019.

Incremental enhancements had continually been applied to the bus service over the lifetime of the BOC with further improvements planned for April 2020 but never implemented. As of January 2023, the service mileage remains below the level operated in January 2020 and in effect there have been three years lost to supporting the service due a time of suppressed demand, instead of further developing the public transport network as intended.

During 2022 negotiations had been taking place between HCT Group and IHE with a view to securing an extension of the BOC, in recognition of the three years lost to the effects of Covid-19 and acknowledging that insufficient time remained prior to the contract expiry date to allow an adequate re-procurement of the BOC to be carried out. By August 2022, HCT Group confirmed to IHE that they were seeking to transfer ownership of CTPJ to Kelsian (Tower Transit UK). This was successfully completed in September 2022 with no disruption to customers or employees. Kelsian wished to conclude the BOC extension and have agreed to this broadly on the same terms and conditions as with HCT Group.

Comments

The key proposed change to the BOC is that the expiry date be varied from 31 March 2023 to 06 April 2025, with an option to further extend until 28 March 2026. The latter date is to serve as a contingency

should additional time be required for the project to re-tender the bus operator contract in the event of any delays to the intended programme.

The opportunity is being taken to tidy up some of the other clauses in the contract and strengthen provisions for:

- data protection
- jurisdiction and waiver
- future service provision (supporting IHE with the re-tendering process)
- freedom of information
- concessionary fares reimbursement rates
- payment of Goods and Services Tax on the sale of passenger tickets.

Kelsian have also agreed to progress:

- researching and identifying a suitable specification for a bus design which most closely matches the operating environment in Jersey
- decarbonisation initiatives
- cost options for an early morning bus service departure connecting the east coast of the island with Jersey Airport
- a feasibility study to assess the potential for retrofitting zero-emission drivelines into one or more existing vehicles
- liaison with IHE to carry out a desktop review of the existing bus network

Furthermore, Kelsian and IHE propose that the profit share value for 2019 be instead made available for reinvestment in the existing vehicle fleet, in view of the fact that their operation is being prolonged beyond the age originally envisaged, to ensure that cosmetic and mechanical standards are upheld.

Recommendation

It is recommended that the Variation Order be approved so that the continued operation of the Jersey public transport network can be until 06 April 2025.

Resource Implications

There are no additional financial costs to the contract, which will continue to be uplifted for inflation by the established mechanism set out within the BOC on each anniversary of the date of commencement.

Actions Required

1. Inform Tower Transit UK of the decision and issue Variation Order CT01-23.

Written by: Senior Public Transport Planner

Appendix: Variation Order CT01-23