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LETTER OF ADVICE

The Honorable Minister of Tourism, Economic Affairs, Traffic and Telecommunication
Mrs. Grisha Heyliger-Marten
Government Administration Building
Soualiga Road no. 1
Pond Island, Great Bay

Sint Maarten, November 28th, 2024

reference: SER/24/US/029

Re: National decree containing general measures for the implementation of articles 5, second paragraph, 19, 20, 21, 23, and 26 second paragraph regarding the changes in bus tariffs for the draft national decree public transportation.

Honorable Minister Heyliger-Marten,

Introduction advice

On May 8th, 2023, the SER received a solicited advice request from your predecessor, the former Minister of Tourism, Economic Affairs, Traffic and Telecommunication, Honorable Leo Lambriex regarding a proposed increase in bus tariffs for the draft National Decree public transportation.

The advice request was accompanied by supporting documentation, including an advice done by the Council of Advice dated February 8th, 2023, which outlined their findings and recommendations, an Explanatory Note from the Ministry detailing the proposed increase in bus tariffs and amended bus routes and a further report from the Council of Ministers, which stipulates the alterations made to the draft National Decree, based on the recommendations given by the Council of Advice. The SER was tasked with reviewing the documentation provided and compiling an advice that includes the perspectives of all relevant stakeholders. Given the current economic climate, it is crucial that all stakeholders involved are given adequate consideration and that their interests are represented equally in order to provide a feasible solution that would benefit not only those that provide the service of public transportation, but also the patrons they service.

Elections and National Decrees:

On September 5, 2024, elections were held for the positions of Chairman and Vice Chairman of the SER, as per Article 10, paragraph 1, of the National Ordinance Social Economic Council AB 2023 no. 38. Despite repeated reminders, the national decrees for the elected positions were unavailable during the finalization of advice in November 2024. This delay pushed the advice submission back by an additional three months. The absence of a national decree prevents the Chairperson from signing off on advice, the mandate of the Chairman is explained in article 21, paragraph 1, of the National Ordinance Social Economic Council AB 2023 no. 38.



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In closing, the SER emphasizes the importance of good governance, the SER is calling upon the Government of Sint Maarten, to recognize and address the institutional and procedural challenges affecting its operations. By resolving these issues, Sint Maarten will strengthen its governance framework and ensure that the SER fulfills its legal and advisory obligations effectively.

It is the aim of the SER to give due regard to both the social and the economic side of the equation by providing a balanced, unbiased advice concerning the proposed increase in bus tariffs and additional recommendations, as outlined in the Ali V Consultancy, Sint Maarten Public Bussing System Research, September 9th, 2019¹.

The following is a paraphrased synopsis of some of the additional recommendations listed in the abovementioned research:

- **The assessment of permit holders and assistant drivers.**
Permit holders will be required to have updated health insurance and provide at least 2 recent income tax declarations from the tax department.
- **The assessment of short-term vehicle standards.**
The creation of an information template containing driver and vehicle information accompanied by the issuance of identification numbers to ensure compliance with vehicle standards and conduct of drivers and patrons.
- **Establishing short-term codes of conduct for bus drivers and patrons.**
Establishing a code of conduct as a guideline for both drivers and passengers, based on international examples of conduct on public transportation.
- **Assessment of non-lucrative routes to determine profitability.**
Conducting a pilot project for the non-lucrative routes for a period of 1 week with 3 drivers assigned to each route. Drivers will receive a small stipend for participation. Upon conclusion of the project, an assessment will be made of the obstacles, bottlenecks and fare revenues during this time.
- **Establishing bus terminals.**
Establishing bus terminals with adequate lighting and restroom facilities. Designated routes and drop-off and pick-up zones within each district. Restructuring of existing areas to accommodate the placement of these bus terminals and designated routes.
- **Improved route networks.**
Restructuring the existing route network into one fixed route, which would include the main road as well as the inner areas.

¹ Ali V Consultancy, Sint Maarten Public Bussing System Research, September 9th, 2019.

- **Improved bus stops.**

Establishing designated bus stops and meeting points along loop routes; passengers waiting outside bus stops or meeting point zones should not be picked up.

The proposed increase in tariffs should not be the primary or sole focus of the reformation and improvement to public transportation. Included in the reformation and improvement should be the additional recommendations listed in the report, which are deemed equally important by the SER and must be considered.

Findings of SER's research with stakeholders

The SER, during its research, has determined that in recent years, bus drivers are faced with the challenge of increased activity of unlicensed public transportation providers, hereinafter to be referred to as: "gypsy drivers", which in turn affects their revenue and day-to-day operations. They have now increased in number and service various routes, operating as bus drivers with limited to no controls from the Government. Routes such as Sucker Garden, Middle Region and Guana Bay have been taken over by gypsy drivers, making it very difficult for this area to be included in the stipulated bus routes.

There has been seemingly no assistance from the Control Unit of Government to curb these unlawful activities. Unfortunately, the Control Unit does not have the authority to do so, given the fact that there is currently only legislation governing public transportation².

The routes that are presently covered by the buses have become oversaturated, making it also difficult to generate income. Bus drivers are also faced with the rising cost of fuel, insurance and maintenance of their vehicles, which has increased drastically over several years. The cost of a bus ranges between usd. 48.000, -- for a 16-person passenger bus and usd. 77.000, -- for a larger sized bus. The cost of insurance for these vehicles ranges between usd. 4.000, -- and usd. 2.000, --. The average income of a bus driver is approximately usd. 3.000, -- per month before expenses.

² <https://lokaleregelgeving.overheid.nl/CVDR206108/1?titel=Landsbesluit+personenvervoer&datumop=8-10-2024>

Estimated income / expenditures for bus drivers

Operation:	Revenue:	Expenses:
<u>Average Number of Hours for Daily Operation:</u>	<u>Approximate revenue per month:</u>	<u>Maintenance Expenses:</u>
Driving - 11 hours	Usd. 150,-- daily	Vehicle Loan / Lease: Usd. 1000,-- per month
Resting - 3 hours	Usd. 150,-- x 5 days = Usd. 750,-- per week	Vehicle Insurance: Usd. 2000,-- year
Total hours of operation - 14 hours	Usd. 150,-- x 4 weeks = Usd. 3000,-- per month	Fuel costs: Gasoline Usd. 45,-- per day Diesel: Usd. 35,-- per day
<u>Average number of trips per day</u>	<u>Possible additional revenue:</u>	Vehicle Maintenance: Service Usd. 240,-- per month Car Wash Usd. 100,-- per month
Philipsburg - Maho - 1-hour round trip	Advertising Usd. 80,-- per month	
11 round trips - 11 hours of driving		

Considering the above-mentioned, the SER is inclined to understand and perceive the need for an increase in tariffs, but has determined, however, that despite this adjustment to mitigate inflation and other associated costs, doing so without proper controls and adequate alternatives to regulate the bus system will not result in a long-term solution. The aforementioned issues also need to be addressed in order to achieve sustainability and implement long-term solutions.

Furthermore, the average clientele of bus drivers consists mostly of the local population, but in recent years there has been an increase in tourist activity as well. The local population consists mainly of the lower-income workers with limited income at their disposal. Currently, the Government-mandated minimum wage is usd. 1.000, - or fls. 1.800, --³.

In this regard, the cost for an employee to commute to work using the bus service ranges between usd. 75, -- to usd. 100, -- per month (usd. 1.50, -- / 2.00, -- x 25 days per month),⁴ making it very costly for a person receiving minimum wage.

This amount does not include having to commute to other necessary establishments such as grocery stores, medical facilities, attending school etc. The proposed increase in tariffs of usd. 0.50, -- will exponentially increase the costs of regularly needed commutes utilized by this vulnerable group to usd. 100, -- to usd. 125, -- per month (usd. 2.00, -- / 2.50, -- x 25 days per month).

³ <https://www.sintmaartengov.org/Documents/Official%20Publications/AB%202023,%20no.%2069%20Regeling%20vaststelling%20mini-mumuurloon%202024.pdf>

⁴ <https://www.sintmaartengov.org/Government/Pages/Public-Transportation-Tariffs.aspx>

Estimated bus cost per individual

			Daily fare:	Fare round trip:	Days per month:	Total monthly fare:
Current bus tariff:			usd. 1.5,--	usd. 3,--	25	usd. 75,--
			usd. 2,--	usd. 4,--	25	usd. 100,--
Increased by usd. 0.50,-- :			usd. 2,--	usd. 4,--	25	usd. 100,--
			usd. 2,50	usd. 5,--	25	usd. 125,--

The SER is of the opinion that the consequences of an increase in bus tariffs for the lower income population have not adequately been taken into consideration and is hereby recommending that the decision to implement the increase of usd. 0.50, -- be reevaluated and adjusted to reflect the interest of not only the raising costs for the bus drivers and the challenges they face, but to also include the challenges that the lower income population currently faces.

The increase in the minimum wage (National Decree minimum loon 2022 AB 2022, no 57)⁵ does not warrant the proposed increase in tariffs, as is suggested in the Explanatory Memorandum. Utilization of this margin to support a proposed increase is an unfair assessment and will place an already vulnerable group in an even more precarious financial situation, as they will now be faced with increased expenses in addition to an already strained budget. All factors and all stakeholders must be considered before the implementation of any increase to the existing tariffs.

Advice:

The SER advises the following to the Government of Sint Maarten:

The SER has evaluated the social, economic and legal consequences of the advice request and has come to the following conclusion:

The SER recognizes and acknowledges the need for some very necessary restructuring of the public transportation system and understands the plight of the bus drivers and the increased challenges they face while providing public transportation such as: inflation, living expenses, increased fuel costs, vehicle maintenance etc. The SER, however, is not in agreement with the proposed increase of usd. 0.50, -- in bus tariffs without also taking the challenges that the lower income population faces such as living expenses, commute costs, medical coverage, less income etc., into consideration.

While it is unclear from the draft legislation what the objective is, it is presumed that the objective is to safeguard the income for bus operators so they can continue offering services to the public. To this end, the SER wishes to highlight the following points:

⁵ <https://www.sintmaartengov.org/Documents/Official%20Publications/AB%202022,%20no.%2057%20Landsbesluit%20vaststelling%20minimumlonen%202022.pdf>

- The SER recommends that the proposed tariff be reevaluated and adjusted to an amount that is feasible and fair for all stakeholders (the lower income population, bus drivers, the elderly, students etc.) involved. By increasing the cost of public transportation, which mostly affects those earning less, it escalates the burden on this segment of society, which seems counterproductive. This service is regulated to provide an affordable essential service to the community and is of dire importance to those that earn the least. It also benefits the economy by providing transportation to homes, workplaces, school premises, leisure activities, shopping etc. Increasing prices to combat inflation (rising cost of living), leads to a need for prices to be raised even more. This occurrence is the definition of an inflationary spiral and such a trajectory should be avoided.
- The SER urges the Government to extensively research possible solutions to mitigate the increasing number of “gypsy drivers”, which not only contributes to the decreased revenue of the bus drivers but also has an effect on the revenue for Government, as these unregulated and often unlicensed drivers do not contribute adequately to the mandatory taxes and fees associated with being able to operate legally.

Increasing bus fares will in turn only increase the demand for unlicensed public transportation providers (gypsy drivers) and make room for additional unlicensed providers, creating more unlicensed supply. The result could be counterproductive to ensure sufficient income for licensed suppliers.

- The Ministry of Tourism, Economic Affairs, Traffic and Telecommunication (TEATT) has been quoted in the media⁶ referencing a substantial increase in the number of bus licenses. However, with the lack of data stipulating the demand for public transport and no evidence to support such a substantial increase in said demand, it can be concluded that the present struggle in income experienced by the bus drivers could be attributed directly to government issuance of additional licenses.
- The SER suggests that a temporary moratorium on the issuance of bus licenses be considered until sufficient changes to the current structure of the bus system have been implemented and improvements have been made.
- The SER also sees an urgent need to explore the possibility of instituting a Government-owned, centralized public transportation system, which will benefit the population by covering routes in the areas that private bus owners do not run, as well as offering a reduced fee to those that cannot afford the fees mandated by Government for the privately owned busses.

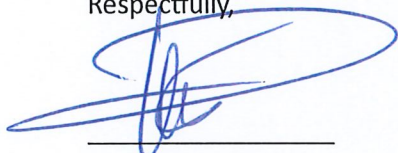
⁶ <https://www.thedailyherald.sx/islands/142-new-taxi-permits-97-new-bus-permits-issued-last-yearhttps://smnnews.com/index.php/st-maarten-st-martin-news/45386-teatt-minister-placed-hold-on-the-issuance-of-taxi-and-bus-permits.htmlhttps://www.sxm-talks.com/st-martin-news-network/teatt-minister-placed-hold-on-the-issuance-of-taxi-and-bus-permitssmn-news/>

- The SER recommends the option of offering these privately owned buses a management contract by the Government or a supplementary subsidy. Such recommendations could also be solutions to aid in providing much needed structure. The introduction of a hybrid bus system may offer an affordable alternative for those persons that are elderly, attending school or of a lower income and alleviate costs on an already strained budget. It is unclear whether other options such as reducing or subsidizing the operational cost for licensed operators were explored to achieve the objective.
- The SER agrees with the additional recommendations outlined in the Ali V Consultancy, Sint Maarten Public Bussing System Research, September 9th, 2019, and further urges Government to implement the additional recommendations listed in the report.

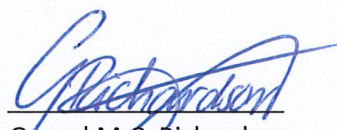
The SER considers the proposed changes to be equally as important as the proposed increase in bus tariffs if a holistic solution is to be achieved. We trust to have informed you sufficiently herewith.

Should you require any additional information after reading the above, please feel free to contact us at your earliest convenience.

Respectfully,



Harlec G.F. Doran
Chairman



Gerard M.C. Richardson
Secretary-General