

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB_25-26 (6) 14: Ymateb gan: Cydffederasiwn Cludiant Teithwyr (CPT) | Response from: The Confederation of Passenger Transport Cymru (CPT)





The Confederation of Passenger Transport Cymru help a dynamic bus and coach industry to provide better journeys for all. We do this by representing bus and coach operators in Wales, ranging from small family-run businesses to multi-national public transport operators, bringing the industry together to build better solutions.

1. **What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?**

Welsh Government's 2024/25 budget provided over £123m in revenue support for bus services in Wales. This was vital to ensure that the network remained sustainable following a period of enormous upheaval during and beyond the COVID-19 pandemic.

This £123m of funding was made up of 3 separate funding streams, all with slightly distinct objectives:

- The **Bus Services Support Grant** provides £25m to support bus operators with the costs of running bus services, to keep fares low, and to drive increased quality in service provision.
- The **Mandatory Concessionary Fares** scheme is a demand-led fund is a subsidy to passengers who have a concessionary travel card, allowing them to travel for free on buses if they are over 60, or disabled. The fund reimburses bus operators on a "no better, nor no worse off" basis for providing a service. Around £58m of the £123m was identified for this scheme, with additional funding provided by local authorities from the Revenue Support Grant.
- The **Bus Network Grant** is a new fund which provides c. £40m of a support to secure socially necessary services that are not commercially viable, and to increase public control of the bus network.

The overall funding envelope of £123m was welcomed by bus operators but was a slight reduction in the overall funding available when compared with the emergency funding provided during the pandemic.

Of particular concern is the Bus Services Support Grant, which has remained static in cash terms at £25m since 2013/14, when it was cut by more than 10%. If it had risen in line with CPI, it would now be worth £34m, more than a third higher than its current rate.

Alongside their revenue commitments, Welsh Government also identified £68m of capital funding for Bus Support in 2024/25, but there has been limited engagement with industry on how this is spent. Used effectively, capital investment in bus priority infrastructure has the potential to drive significant improvements in transit times and thus reduced costs for operators while making the bus network more attractive to passengers. At the same time, investment in bus priority drives wider economic growth with every £1 invested in bus priority driving £5 of economic benefits.



Last year's budget followed successive years of large cost increases for bus operators. CPT's Cost Monitor shows that the cost, per km, of running bus services in Wales increased by 21.2% between 2021 and 2024, with an 8% increase in costs between in the year to June 2023.

At the same time, overall bus passenger numbers remain stubbornly below pre-COVID levels with 61 million passenger journeys in 2022-23 (the latest data available), compared to nearly 92 million in 2019-20. While operators are reporting strong growth on many services, driven by increased midweek commuting, changes in demand for leisure services, and increased economic confidence, it is unlikely that official figures will show pre-COVID passenger levels for some time.

This will leave Wales as the only constituent nation of the UK where bus passenger numbers are below pre-COVID levels. In contrast, both the UK Government and Scottish Government have targeted large amounts of funding at fares initiatives – the £2 fare cap in England, and free travel for young people in Scotland – that have driven enormous growth in demand.

Ultimately, this combination of increased costs, low demand and economic and political uncertainty has meant that the funding provided by Welsh Government will not be sufficient to sustain the whole network beyond the very short term.

Some operators have reluctantly handed contracts supported by the Bus Network Grant back to local authorities in recent months as the level of support provided through this fund has not been sufficient. This is due to a combination of factors, including patronage growth falling below even the most modest pre-contract assumptions, despite operators investing significant sums in marketing both commercial routes and those funded by Welsh Government.

At various times throughout the year, the disruption of significant political change, an unpredictable economic picture, and a lack of clarity and engagement on the Welsh Government's plans to reform the bus network have created huge uncertainty in the bus industry in Wales. This has hampered bus operators' ability to make long-term decisions, including to invest in their fleet or in network improvements, or in further marketing of the network.

Welsh Government would gain significantly better value for money from operators, and drive more investment from operators, if they provided a stable policy landscape and a long-term commitment to fund the network appropriately



2. How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

Bus operators are robust, independent and adaptable businesses who plan carefully for the future. However, their ability to do so can often be undermined by the high degree of political and economic uncertainty that has been present in their operating environment in recent years.

The diverse nature of the industry, which ranges from small family-owned local operators to multi-national public transport providers, means that the level of resilience and the ability to plan will vary from operator to operator, and location to location.

However, heading into 2025/26, there are three significant challenges faced by bus operators in Wales in relation to funding:

- The cost of operating buses in Wales continues to outstrip normal measures of inflation, with a 21.2% cost increase between 2021 and 2024;
- The changes to employers' National Insurance in the recent UK Government budget, which will cost an additional £800 – £1,000 per employee for operators each year, with early evidence showing the impact will be greater in Wales; and
- The continued reduction in bus speeds in Wales, with a 3.1% reduction between February 2023 and February 2024, driving reductions in efficiency and the attractiveness of the network

In addition, the ongoing challenges created by uncertainty over long-term budgets, and the need for greater clarity over Welsh Government's plans to reform the bus network make this a hugely challenging environment to grow the network and attract higher passengers numbers.

To mitigate these challenges, we are urging Welsh Government to prioritise investment in both bus services and infrastructure in their 2025/26 budget. We believe that a 15% uplift on the £123m invested in 2024/25 would allow Welsh Government to support operators to address the additional costs they face through investment in the Bus Services Support Grant, with additional support going into procuring new routes and improving services through the Bus Network Grant.

In addition, Welsh Government should work with industry to identify and invest in bus priority schemes that improve travel times and increase the attractiveness of the bus network as a whole.



CPT and KPMG recently published research that shows there is enormous value in investing in bus services in Wales, with the industry employing 3,500 people, and directly contributing at least £305m to the Welsh economy each year.

In addition, the bus network generates £405m of additional value to bus passengers and society through improved connectivity, reduced congestion and environmental improvements. The bus network also enables wider economic growth, with bus users enabled to spend £705m in local communities across Wales by their bus journeys.

Perhaps most importantly, the bus industry can do so much more. Every £1 of additional investment in buses delivers £4.55 of further economic benefits.

An additional £18m of investment in buses – a 15% increase - could deliver a further £82m of economic benefits across Wales each year.

As the only part of the UK where buses have not matched or surpassed pre-COVID patronage levels, it is vital that Welsh Government act now to drive growth and build confidence in the bus network in Wales. Without further investment, there is a significant risks of further network contraction, and ultimately higher costs to the public purse to deliver Welsh Government's franchised network.

In the long-term, Welsh Government should ensure that it provides long-term funding certainty to the industry to ensure the stability of the network for passengers across Wales.

3. What action should the Welsh Government take to:

- **help households cope with inflation and cost of living issues;**

Bus operators in Wales work tirelessly to deliver high quality, value for money services for customers.

However, with significant increases in cost in recent years, and limited support from government, the ability of the industry to respond without increasing fares is extremely limited. This is a consistent challenge across the UK, where outside London, 62% of the costs of operating buses are met by fare-payers. In comparison, across Europe, fare payers usually meet around 1/3 of the cost of operating buses, with significantly more support from local and central government.

This challenge is particularly acute in Wales as the only part of the UK where there hasn't been national investment in fares to support the growth of bus passenger numbers.

In England, the introduction of a £2 fare cap on single journeys has driven significant growth in passenger numbers – around 20% in the first year of the cap – and a 7.4% reduction in fares, making them comparable with 2007 fare levels.

Meanwhile, Scottish Government's free travel scheme for young people has seen more than 150 million free journeys made by under 22s since its introduction, increasing patronage by 29% in its first year and improving the sustainability of the network in Scotland as a whole.



While both schemes have had challenges – in England around longevity and certainty, and in Scotland around anti-social behaviour and capacity – both schemes have succeeded in driving growth and supporting certain groups through the cost-of-living challenge, providing affordable travel options to work, school and leisure.

Local authorities in Wales have run several short-term schemes based on similar principles to the national schemes in England and Scotland. However, their success is often stymied by the availability of funding the short-term nature of the intervention.

A recent report by CPT and KPMG into the £2 fare cap in England has shown that such schemes are popular with the public but must be carefully managed to avoid unintended consequences.

We would welcome intervention in this area from Welsh Government in the 2025/26 budget to support people across Wales with the cost of living, increase bus passenger numbers, and improve the wellbeing of future generations.

- **address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?**

The design of places has a huge impact on the efficiency of our public transport system.

As well as retro-fitting bus priority measures to existing road infrastructure, there is a need to ensure that new developments are planned around access to public transport, not private car ownership. Research has consistently shown that concentrating developments around good access to walking, cycling and public transport are the key to reducing the distance travelled by car.

Welsh Government investment in affordable housing and regeneration in their upcoming budget should focus on driving modal shift by funding developments that prioritise public transport in their design. Where this is not possible, Welsh Government and local authorities have significant tools at their disposal through s.106 agreements and the Community Infrastructure Levy that could be used to fund improvements in public transport or initiatives that support e.g. season tickets for new residents and/or employees.

4. Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

The primary business support provided to bus operators is through the various bus funding streams outlined in response to previous answers.



5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

Llwybr Newydd – the Wales Transport Strategy – contains a number of ambitious targets in response to the climate emergency, with a particular focus on modal shift.

Research published by CPT Cymru and WPI Economics in 2023 showed that meeting these targets would require a 148% increase in bus patronage on a 2018/19, with only 34% of that increase likely to be driven by current policies.

For many of the reasons outlined above, the ability of Welsh Government and the industry to hit these targets has likely been further hampered in recent years, with the significant impact of the COVID-19 pandemic, and the challenge of returning to pre-pandemic passenger levels, much of which has been driven by a shortfall in funding and significant policy uncertainty.

The CPT/WPI research was clear that achieving modal shift would require a comprehensive and co-ordinated package of policies, focusing on increasing the attractiveness of the bus network, making buses cheaper, discouraging car use and changing behaviour. This will not be achievable on current funding levels, and will require consistent long-term investment.

In addition to this, bus operators across Wales are working to support a transition to zero emission vehicles. However, Welsh Government's plans to reform bus services in Wales will have significant implications for the fleet and supporting infrastructure, including depots, owned by bus operators.

Both Cardiff Bus and Newport Transport have made great strides in moving to zero emissions vehicles, with more than 100 electric buses in operation between them. This has been possible thanks to close collaboration between operators, local authority partners and Welsh Government, but further investment in this area will be challenging for all operators due to infrastructure constraints, challenges on rural and inter-urban routes, and ultimately, uncertainty over the Welsh Government and Transport for Wales' fleet and depot strategy in a franchised environment.

This uncertainty, allied with a lack of funding, is halting further progress in this area and likely to mean Wales lags behind other parts of the UK in its transition to zero-emissions buses.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?



CPT Cymru does not have an established position on borrowing and taxation.

- 7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?**

No further comments.