



COMPREHENSIVE SPENDING REVIEW 2020
SUBMISSION BY THE CONFEDERATION OF PASSENGER TRANSPORT: COACH

1. The Confederation of Passenger Transport (CPT) represents the operators of bus and coach services across the UK. We have more than one thousand enterprises in membership, including major PLCs, municipally-owned companies and family businesses with fewer than ten vehicles and accounting for in excess of 95% of the bus fleet and 55% of coach fleet in the UK.
2. This submission sets out what we would like to see in the Spending Review for the coach sector. We have submitted a separate response on behalf of the bus sector.

Executive Summary

3. The Covid-19 pandemic has had a devastating impact on the coach industry and it is unlikely that business will return to pre-Covid levels until the end of 2021. CPT has calculated that 4 out of 10 coach operators could be lost from the industry by April 2021, with associated job losses in the tens of thousands.
4. Restoring the millions of coach trips taken each year, both at home and abroad, will support the recovery of many other parts of the leisure and tourism industry, as well as ensuring that the coach sector remains able to transport over half a million children to school every day, support the railways during engineering works, and continue with inter-city services that keep cars off the roads, helping to tackle congestion and air pollution.
5. We need Government to:
 - Enable the extension of finance holidays and protection from asset repossession for coach operators until August 2021. We estimate that this could cost around £84m
 - Ensure the coach travel sector is able to access any support available to leisure businesses
 - Secure a moratorium on the loss of family homes as a result of the failure of coach businesses
 - Provide a compensation scheme of £27.5m a month support to reduce the commercial break-even capacity to levels compatible with social distancing, enabling operators to meet their financial obligations and trade their way out of the crisis. (This would support operators' fixed costs unrelated to finance or furlough.)
 - Provide £165m support package for environmental and/or accessibility upgrade of coaches, at £15,000 per retrofit per coach
 - In partnership with the industry, develop a scheme to enable the coach sector to contribute to the resurgence of the UK's tourism industry next summer



The case for providing immediate support for the coach industry

6. Covid-19 has very rapidly caused coach operators severe financial difficulties, putting the long-term viability of the sector at risk. Business have faced over a 90% drop in income in 2020 and these, often local, family run businesses (81% of coach operators are family or individually owned, often with multiple generations working for the business) have found it difficult to access the generic business support packages on offer.
7. Finance holidays secured during the early stages of the pandemic are now coming to an end for 85% of operators, and four in 10 operators have personal guarantees against these loans, meaning that they stand to lose their homes should their business fail.
8. Around 80% of the coach industry's income (c. £3.3bn) is derived from tourism related activities. A survey for CPT found that over half of those who took coach trips pre-Covid are less likely to do so while Covid-19 restrictions remain in place. With bookings not expected to return to pre-pandemic levels until summer 2021, many coach operators are left facing the prospect of mass redundancies or business failure as furlough and finance holidays come to an end - 9% of coaching staff have already been made redundant with a further 29% expected to lose their jobs once furlough ends. Without support, 4 out of 10 businesses are likely to be lost by April 2021 along with 10% of the value of UK tourism (£14bn), with associated job losses in both the coach and tourism sector.
9. To prevent the real and immediate threat to family homes and businesses, we need the Government to:
 - i. Enable the extension of finance holidays by 12 months to ensure that no coaches are repossessed during the winter, by guaranteeing 80% of the value of loan finance to lenders and paying any interest and fees for 12 months
 - ii. Ensure the coach travel sector is able to access any support available to leisure businesses
 - iii. Issue a moratorium on the loss of family homes as a result of the failure of coach businesses
 - iv. Provide a compensation scheme of £27.5m a month support to reduce the commercial break-even capacity to levels compatible with social distancing, enabling operators to meet their financial obligations and trade their way out of the crisis (this would support operators' fixed costs unrelated to finance or furlough)
10. Operators want to work as soon as there is demand. However, it is currently uneconomic to do so. Capacity based on 1m physical distancing is 35-50%, depending on vehicle type, social bubbling and additional mitigation factors. On average, coach tourism operators require a capacity of 47-53% to break even.

11. The table below outlines average operator costs based on a coach that is available to work. (This does not include fuel as this is a variable cost.)

Table 1: Average operator costs based on a coach available to work (excluding fuel as a variable cost)

	Average daily cost per vehicle
Vehicle insurance	£10.55
Road tax	£1.02
Engineering and testing	£7.78
Other maintenance	£6.17
Ground rents	£4.67
Property and contents insurances	£1.14
Company insurances	£1.45
Package holiday bonding	£0.82
Periodic training	£1.25
Software / licensing / services	£1.15
Telecoms	£1.33
Utilities	£1.20
Security / CCTV	£0.41
Marketing	£2.81
Professional costs	£2.49
Enhanced COVID Cleaning Costs (<i>CPT estimate</i>)	£5.00
TOTAL	£49.24

Other costs not to be included in proposal	Average daily cost per vehicle
Vehicle financing (repayments & interest)	£33.17
Mortgage repayments	£1.67
Staff costs	£80.76
Business rates – where relief not granted	£7.88
Operating leases	£4.23
Other borrowings	£7.02
TOTAL	£134.73

Depreciation	£35.51
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GRAND TOTAL	£219.48
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12. Of the £219.48 average daily vehicle cost, £134.73 relates to wages or finance borrowings and would not be included in the proposed compensation scheme. While a very real cost to operators, depreciation is likely to be extremely underestimated due to increased supply in the



used vehicle market as a result of Covid and is not a physical cost that has to be paid right now. Depreciation is therefore not included in the proposed compensation scheme.

13. Euro standard or vehicle size has a negligible impact on the remaining costs; therefore this proposal is not based on Euro standard or vehicle size. This makes the scheme much easier to administrate and enables support to reach all operators regardless of vehicle age or type.
14. If the industry is to survive in anything like its current size or capacity, it needs support bespoke to its unique needs. We are seeking dedicated support which can be allocated in an equitable manner to all coach operators across the country. We request that Government create a bespoke grant to meet the non-financial and non-wage elements of coach operators' costs so that they may reach a commercial break-even point and trade out of the crisis. These fixed costs have been identified as £49.24 per vehicle per day. This grant would be used to offset the wider operating costs and therefore reduce the capacity break even point by approximately 11% (from 47-53% to 36-42%). This will allow operators to operate their vehicles, meet their financial obligations and trade out of the crisis.
15. It is estimated that almost 62% of all coaches are used for coach tourism, which equates to around 18,600 coaches. A budget based on the average daily costs per coach of £49.24 paid on behalf of all these coaches would equate to £27.5 million a month.
16. Because this scheme does not include payment for financing costs, there would not be any duplication of financial support for those operators who chose to take both this support and that outlined in 9(i).
17. We propose that this compensation scheme be made available as soon as possible, with a view to remaining in place until the beginning of the 2021 summer season, subject to review every two months to ensure that operators' trading conditions are such that they still require it. The total cost based on six months is estimated to be £165m, or £8,900 per eligible coach.
18. Operators claiming the grant/scheme would do so on an "open book" basis. They would be expected to prove coaches are used for tourism and would not expect to make a profit in any period for which a grant has been claimed.
19. Investment in the UK coach sector will enable it to continue to make a valuable contribution to UK economy, society and environment through provision of essential home to school and rail replacement services, educational trips, excursions for people that might otherwise feel unable to travel, and contributing billions of pounds (thought to be £14bn a year) to UK tourism.
20. It can also reduce congestion on our roads and make a valuable contribution to the Government's Green Recovery agenda, including air quality and net zero carbon goals, with one coach potentially keeping 50 cars off the road.



Longer term support for the coach industry

Improving air quality and reducing carbon emissions

21. The coach is one of the most environmentally friendly ways of travelling, with average carbon dioxide emissions per passenger per journey being around 1.5 times higher for rail, 5 times higher for air and 6 times higher for car travel.¹ With the latest Euro VI diesel coaches emitting less nitrogen oxides (NOx) per vehicle than the latest diesel cars, just one coach-load of people – which can keep on up to 50 cars off the roads - amounts to notable savings in carbon and NOx emissions. Coaches are therefore part of the solution to the problem of climate change, with buses and coaches together currently contributing only 3% of domestic transport emissions of carbon dioxide whilst cars contribute two-thirds.²

22. Nonetheless we recognise that there is scope to go even further in reducing emissions from coaches, particularly in relation to some of the older coach vehicles on our roads. This is particularly the case for coaches operating in areas of poor air quality which may be subject to clean air zone legislation. However, whilst funding has been made available for bus operators affected by Clean Air Zones to upgrade their fleet and meet new requirements, such funding has not been forthcoming for coach operators nationwide. In England and Wales it is left to the local area to decide what support to provide and to whom, with many choosing not to offer support to coach operators that may travel regularly into their area. In Scotland, whilst coach operators are able to bid for funding from the Bus Emissions Abatement Retrofit (BEAR) programme, priority over available funds is likely to be given to bus and scheduled coach services, with coach tour/private hire operators likely to miss out. This may be at least partly due to difficulty in determining eligibility; many coach operators who might run frequent services into a Clean Air Zone may not be based within the local authority area and it may be difficult to confirm the extent to which they will be affected by the requirements. The fact that many coach operators and services do not fit neatly within defined geographical boundaries means they fall between the cracks when it comes to securing funding allocated by local authorities. With such operators facing the huge costs associated either with retrofit, new vehicles or a daily charge, this puts vast numbers of coach services at risk, particularly given that available capital and/or credit for investment in retrofit and new, cleaner vehicles to meet Clean Air Zone requirements will be in even shorter supply post-pandemic. Some operators may choose to cease running services into the areas affected by Clean Air Zone legislation altogether; some may have no choice but to pass on the increased cost to the passenger.

23. Given the important role that coaches play in supporting the British economy, delivering an inclusive society and tackling environmental issues, we urge government to provide financial support for coach operators to retrofit vehicles to meet Euro VI standards, in the same way that widespread support has been available for buses in England and Wales affected by Clean Air Zones. Funding for retrofit would also provide manufacturers with certainty that there will be a

¹ [BEIS/Defra greenhouse gas conversion factors 2019](#)

² Department for Transport (July 2019) *Carbon offsetting in transport: A call for evidence*



market for solutions, thus encouraging them to bring forward a range of options for coaches which is currently lacking.

24. Calculations by LowCVP³ estimate that around 15-20% of the coach market – circa 5,000 vehicles – in the UK is Euro IV or V, which are ripe for retrofit to Euro VI. Such retrofitting will result in significant NOx savings; in an urban setting with an average speed of 11mph retrofitting to Euro VI could save between 86-92% of NOx/km. An average retrofit cost of £15,000 per coach equates to £10 expenditure per kg/NOx saved. This compares to an average cost of £105 per kg/NOx saved through grants for electric cars and a cost of around £175 kg/NOx saved under the diesel car scrappage scheme.⁴ Based on DEFRA's damage cost saving estimates of £6,199 £/NOx tonne, retrofitting 5,000 Euro IV and V coaches would result in around £45m damage costs savings annually. Assuming a retrofit system is in place for at least five years, this would equate to £225m in damage cost savings.⁵
25. We therefore propose that grants of £15,000 per coach are made available for operators who wish to retrofit their vehicle to Euro VI standard.

Improving accessibility

26. Coaches provide a safe and convenient form of transport – often door to door – for people who might otherwise be reluctant to travel, therefore providing a valuable contribution to the Government's social inclusion goals. Inclusivity is a top priority for coach operators and they will always strive to deliver accessible vehicles where there is an identified need.
27. Due to some ambiguity over the requirements of the Public Service Vehicle Accessibility Regulations (PSVAR) 2000, neither procurers, operators nor manufacturers fully appreciated the applicability of PSVAR to all home to school services, regardless of need, until summer 2019, meaning there are relatively few compliant coaches available for these routes. There are an estimated 600 compliant coaches against an estimated 10,000 home to school routes served by coaches. CPT research suggests that, even allowing for the maximum feasible flow of PSVAR-compliant coaches into the sector – from new purchases, cascade and retrofit – there is likely to be a 6,000 vehicle shortfall at the end of 2023. This number may well now be higher due to the impact of Covid-19 on the purchase, cascade and retrofit of coaches.
28. Increasing the proportion of PSVAR compliant coaches into the fleet was always going to be a challenge for the industry given the cost of adaptation (circa £25,000 per vehicle) or vehicle replacement (circa £250,000+, potentially replacing coaches that would otherwise have a significant number of years life left in them). The Covid pandemic makes this even more

³ The LowCVP, established in 2003, is a public-private partnership that exists to accelerate a sustainable shift to lower carbon, cleaner vehicles and fuels and create opportunities for UK businesses.

⁴ LowCVP figures based on Professor David Begg for Greener Journeys (2017) *Improving air quality in towns and cities: Why buses are an integral part of the solution*

⁵ Figures provided courtesy of LowCVP



challenging – operators will have been left with little or no capital or credit for such adaptations or replacements.

29. The coach industry wants to play its part in further increasing the number of accessible vehicles in operation. In order to help operators deliver Government’s ambitions for PSVAR compliance across the entire home to school fleet – with the knock on impact of improved accessibility across the fleet for other coach services - we therefore propose Government grants are made available. These could match those available for environmental retrofit of £15,000 per coach, which would equate to just over half the cost of PSVAR retrofit. For the 6,000 vehicle shortfall set out above this would equate to £90m.
30. The Government could combine this support with that provided for scrappage and retrofit, to make available a £165m pot for ‘coach upgrade’.

Enabling coach tourism to support the resurgence of UK tourism

31. With over 23 million visits made to UK attractions by coach each year, coach travel contributes around £14bn – or 10% - of the UK’s tourism economy each year. The collapse of the coach travel sector will mean many of these visits simply do not take place, threatening jobs across the UK that rely on tourism.
32. As the compensation scheme outlined above (paragraph 9(iv) and paragraphs 10-18) comes to an end, we want Government and Destination Management Organisations to work in partnership with the industry to develop a scheme which supports the promotion of coach travel next summer to enable the coach sector to contribute to the resurgence of the UK’s tourism industry.

Conclusion

33. Investment in the UK coach sector will enable it to continue to make a valuable contribution to UK economy, society and environment through provision of essential home to school and rail replacement services, educational trips, excursions for people that might otherwise feel unable to travel, and contributing billions of pounds (thought to be £14bn a year) to UK tourism. It can also reduce congestion on our roads and make a valuable contribution to the Government’s Green Recovery agenda, including air quality and net zero carbon goals, with one coach potentially keeping 50 cars off the road.

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