CONFEDERATION OF PASSENGER TRANSPORT
2025 SPENDING REVIEW SUBMISSION

About CPT

1. We help a dynamic bus and coach industry to provide better journeys for all, creating greener communities and delivering economic growth.

2. We do this by representing around 800 members from across the industry be they large or small, bus or coach, operator or supplier. We use our influence to campaign for a supportive policy environment, give our members practical advice and support to run their businesses safely, compliantly and efficiently and bring the industry together to share ideas and best practise. We are ambitious to make things better for passengers, inclusive in seeking out different perspectives and we are always there when our members need us.

3. We share government's ambition to further improve access to reliable bus services to drive economic growth and break down barriers to opportunity, and to increase the share of journeys made by bus in order to meet our net zero carbon goals.

4. This paper is divided into six sections: An executive summary which highlights the key points; an explanation of how investment in buses contributes to the Government's missions; why investment in buses is good value for money; what the spending review needs to deliver to secure the long-term viability of bus services; a discussion on the protections that must be in place if bus funding is streamlined and/or devolved in the future; and concluding remarks.

Executive Summary

5. Buses are the UK's most popular form of public transport, carrying 11 million passengers a day. They are vital to the economy, enabling people to earn, learn and spend in local communities.

6. The bus sector is well placed to help the Government deliver its missions and key priorities such as economic growth, breaking down barriers to opportunity by connecting communities, improving air quality and health, and achieving net zero carbon targets.

7. The benefits of buses, including the economic contribution, are felt across all geographies. As well as linking smaller towns, suburbs and rural areas with city centres, they help drive the local economies of these smaller settlements and are often part of the social and economic fabric of communities, generating benefits to passengers, other road users, and the wider community.

Confederation of Passenger Transport
22 Greencoat Place, London SW1P 1PR
020 7240 3131 · admin@cpt-uk.org · cpt-uk.org

8. Investment in buses is good value for money; every pound invested in local buses brings £4.55 of benefits[1][2] to the environment, the health of the nation, and to communities. This represents very high value for money, in line with the top 10% of DfT-funded projects in 2019. Approximately half of the benefits go to bus users and half to the wider community through decongestion, safety, and clean air benefits, as well as wider economic and social benefits relating to access to employment, education, and volunteering. These externalities provide a strong economic case for government investment in bus services. Furthermore, government investment in bus services can leverage significant increases in private operator investment if targeted at the right schemes.

9. To unlock the full potential of buses in supporting the Government's Missions, the 2025 Spending Review should

    - Maximise the value for money of its investment by announcing a five-year spending plan which would provide operators and local authorities with the financial certainty needed for strategic planning and investment.
    - Provide sufficient funding to support service improvement, expansion and innovation
        i. A combination of £250m per annum to bus operators and £500m per annum to Local Transport Authorities, uprated for inflation each year, would enable councils and operators to broadly maintain the current level of service
        ii. Funding over this could provide a further boost to bus networks through both capital and revenue funding and ensure communities can stay connected
    - Provide support for the bus fares of young people when the £3 single fare cap comes to an end, helping those on lower incomes access education and employment and securing sustainable travel habits for the future. To illustrate what this might cost, we estimate that a £1 fare for under 22s could cost as little as £100-£150m a year to deliver.
    - Invest to accelerate the transition to a zero emission bus fleet – We estimate c.£200m capital funding a year over the next five years could leverage in sufficient private investment in new vehicles and infrastructure – c£2.5bn over five years - to keep up the current pace of transition to zero emission fleets, ensure no community is left behind in the transition to cleaner vehicles, and support the growth of British bus manufacturing.

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[1] KPMG. (September 2024). *The economic impact of local bus services*.

[2] Based on a package of investments which is 70% capital and 30% revenue. All government interventions (both revenue and capital) to invest in bus deliver high benefit cost ratios. BCRs for different government interventions (reference KPMG, The economic impact of local bus services, September 2024):

Revenue:
BSOG BCR of 3.7
Supported services BCR of 2.5
Concessionary travel BCR of 3.8

Capital:
Bus priority measures BCR of 5
Interchange/ mobility hubs BCR of 6.8

10. By making bus travel more reliable, affordable, and accessible, reforms will encourage more people to choose buses over cars. This spending review provides an opportunity to unlock the full potential of buses; an investment in buses is an investment in the nation's prosperous, fair and sustainable future.

Why invest in buses? - Buses' contribution to the Government's missions

Kickstarting economic growth

Driving local economies

11. Bus passengers spend almost £40bn each year in shops, cafes, restaurants and leisure destinations, driving the growth of local economies:

    - Bus passengers travelling for shopping spend £17.3 billion annually in their local economies, including on high streets and in shopping centres
    - Passengers travelling for leisure spend £12.9 billion on dining out and visiting local leisure facilities
    - Commuters spend £9 billion on lunch and shopping.[3]

12. This means £1 in every £10 spent on the high street is spent by a bus passenger, which enables sustainable growth in local economies.[4]

13. A proportion of these trips would not occur without the availability of bus services. For some, buses are the only means of accessing essential services. It is estimated that £9.2 billion[5] of the spending by shoppers, commuters, and leisure travellers would not occur within the local economy if bus services were unavailable, and while the remainder of the £40bn might be spent elsewhere in the economy, such as online, this would not benefit the local economy or high streets in the same way.

Employment and education

14. Passengers benefit from improved connections to jobs and education opportunities worth £8.7 billion a year. Bus is vital for ensuring people have access to education, with over a fifth of bus journeys being for this purpose alone[6] and there is clearly a significant relationship between accessibility by bus and employment. Across Britian over 2.2 million commuters rely on buses to get to work and 22% of bus journeys are made by commuters[7], contributing over £72 billion to the economy each year.[8] [9]One in 10 bus commuters would be forced to look

[3] KPMG, The economic impact of local bus services, September 2024.
[4] KPMG, The economic impact of local bus services, September 2024.
[5] KPMG, The economic impact of local bus services, September 2024.
[6] Annual Bus Statistics – published Dec 24
[7] Annual Bus Statistics – published Dec 24
[8] Annual Bus Statistics– published Dec 24
[9] KPMG, The economic impact of local bus services, September 2024.

for another job if they could no longer commute by bus;[10]people who are currently unemployed and seeking work depend heavily on the bus for access to employment and three-quarters of job seekers have no access to a car.[11]

15. The role of the bus in breaking down barriers to opportunity is discussed further later in the paper.

16. By directly employing 105,000 people and supporting the employment of a further 53,000 in the supply chain the bus sector contributes a further £11.3bn to the UK economy.[12]

Benefits beyond the cities

17. The benefits of buses, including the economic contribution, are felt across all geographies. As well as linking smaller towns, suburbs and rural areas with city centres, they help drive the local economies of these smaller settlements and are often part of the social and economic fabric of communities, generating benefits to passengers, other road users, and the wider community.

18. The benefits to rural passengers from increased connectivity and more affordable travel amount to £1.6 billion a year and the wider societal benefits attributed to rural journeys from providing access for volunteers, improvements to health and wellbeing, and the fiscal impacts from access to healthcare and education, amount to £500 million per year. Those trips originating in rural areas also generate benefits for the local economies served by those trips. This includes an estimated expenditure of £3.2 billion in retail outlets, £2.3 billion worth of spend on leisure and an additional £1.6 billion of spending by those commuting on goods and services. This totals £7.1 billion of spending in local economies each year from those beginning their trips in rural areas.[13]

19. Examples of Local Transport Authority (LTA) and bus operator partnerships that have improved bus services and in turn driven increased passenger numbers and strengthened local economies and well-being include:

<u>Somerset</u>

20. The Enhanced Partnership has used bus funding to keep non-commercial routes running that connect communities and to start new evening services, as well as to fund publicity and marketing to drive up bus passenger numbers. In the year ending March 2024 bus passenger numbers in Somerset grew by 22%.[14] Building on this success, in March 2024, £2.2m government funding was coupled with £12.5m investment by FirstBus in 25 zero emission

[10] Buses-and-the-Economy-II-Main-Report.pdf
[11] Johnson, D., Makie, P., and Shires, J. 'Buses and the Economy II', Institute for Transport Studies, University of Leeds, 2014.
[12] KPMG, The economic impact of local bus services, September 2024.
[13] KPMG, The economic impact of local bus services, September 2024.
[14] Bus statistics data tables - GOV.UK

buses, and government funding will be used to transform Taunton's former bus station into a multi-modal hub.

Norfolk

21. In 2022 the Enhanced Partnership was awarded £49.5m funding - one of the largest grants in the country – which it has used to launch 12 new bus routes, increase services on 32 other journeys and build new integrated travel hubs. Alongside this, the Roundtree Road bus depot in Norfolk is now fully electric, funded by a combination of central government zero emission bus funding (£14.7m) and investment by FirstBus (£23m).

22. 66% of the population live in small rural towns and villages yet passenger numbers have grown impressively - 25.6m passenger journeys were taken in the year to March 2024, a 43% increase since 2022 and data from Transport Focus demonstrates that overall passenger satisfaction has increased to 87%.

Gloucestershire

23. Gloucestershire saw a 23% increase in bus passengers in the year ending March 2024, with the area having seen new evening and weekend services. The improvements are set to continue with the transition to zero emission buses, funded by £6m government funding and £23m from Forest of Dean Council and Stagecoach, along with the development of a new transport interchange.

Bedford/Luton/Milton Keynes, Luton airport and other local employment sites

24. The MK1 is an inter-urban route run by Stagecoach East out of their Bedford Depot, connecting the key local centres of Bedford, Luton and Milton Keynes, along with other residential and business areas such as Wixams, Barton, Kingston and Amazon. It runs hourly all week, with additional journeys at peak times. It was launched in November 2022 primarily serving people living along the A6 and working in Luton and Milton Keynes, and, secondly, airport workers. Passenger numbers increased by nearly 70% in the first year of operation, and average weekly passenger numbers are currently around 189% increase since the services inception. The service is clearly playing a key role in ensuring local people can access jobs and local employers can access employees in a sustainable, affordable and equitable way.

Milton Park, Oxford

25. The Oxford Bus Company integrated what had previously been private services for employees of Milton Park into the wider bus network and collaborated with the business park to offer a heavily subsidised £20 annual ticket for users across greater Didcot and surrounding villages. Bus mode share for journeys to the park has risen by 8%, with bus share now up to 24%. The bus company also partnered with Belmond Hotels (Le Manoir Aux Quat'Saisons) to restore a bus service to Great Milton village for the first time since 2016, enabling the hotel to address its staff recruitment and retention concerns. The service now carries 15,000 passengers per month.

Breaking down barriers to opportunity

26. For many, buses are the best way to access work, education, healthcare, and leisure activities. In this context it is important to note that in England:
    - 44% of low income households have no access to a car[15]
    - over 75% of job seekers do not have access to a car[16]
    - disabled people are less likely to have a car available to their household than non-disabled people (52% compared to 77%)[17] – with no car available to over two and a half million disabled adults in England[18]
    - in 2023, people on the lowest income bracket made 67 local bus trips on average, while those in the highest income bracket made the least bus journeys (an average of only 25)[19]
    - younger people (aged 17 - 20) make more bus journeys than any other age demographic, and women rely on bus more than men in every age category.[20]

27. Bus funding generally benefits lower-income households as opposed to rail subsidies that benefit higher income households[21] and, outside London, people make one-third more trips by bus than by train.[22] Nonetheless, a recent National Audit Office report[23] [24] shows that, in 2023-4, the Department for Transport spent twenty-five times[25] more on rail than on bus.

28. Analysis conducted by KPMG and ITS Leeds has shown that after allowing for other factors that influence deprivation, a 10% improvement in local bus service connectivity in town and city neighbourhoods is associated with a 3.6% reduction in deprivation.[26] Further, the impact of reduced deprivation due to connectivity improvements is more pronounced in more

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[15] Department for Transport, National Travel Survey, NTS0703: Travel by vehicle availability, income, ethnic group, household type, mobility status and NS-SEC - GOV.UK (www.gov.uk), 2023
[16] Johnson, D., Makie, P., and Shires, J. (2014) *Buses and the Economy II*, Institute for Transport Studies, University of Leeds.
[17] Car Travel | Transport Scotland
[18] Disability by car or van availability - Office for National Statistics
[19] Annual Bus Statistics – published Dec 24
[20] Annual Bus Statistics – published Dec 24
[21] Glaister, S (7th December 2024) *Is £1.2bn enough for the Cinderella of Transport Policy?* Prospect Magazine
[22] https://www.gov.uk/government/statistical-data-sets/tsgb01-modal-comparisons#mode-share
[23] National Audit Office (November 2024) *Overview of the Department for Transport for the new Parliament 2023-24*
[24] Glaister, S (7th December 2024) *Is £1.2bn enough for the Cinderella of Transport Policy?* Prospect Magazine
[25] £1.2bn on bus subsidies and concessionary fares outside London and £21.2bn on national rail plus a further £8.7bn on HS2.
[26] Greener Journeys (October 2016) *Greener Journeys: The Value of the Bus to Society* Community Transport Association Community Transport Association (ctauk.org)

deprived neighbourhoods – for example the impact of reduced connectivity on employment deprivation specifically in the most deprived neighbourhoods is -2.7%, compared to -1.3% in the least deprived neighbourhoods; and income deprivation decreases 2.8%, compared to decreasing 1.6% in the least deprived areas. [27]

Table 1: Impacts from reduced deprivation due to connectivity improvements

		Most deprived neighbourhoods	Least deprived neighbourhoods	Mean over all neighbourhoods
	Total Population	**2,246,950**	**1,983,367**	**2,276,823**
Percentage Change	Employment deprivation	-2.7%	-1.3%	-2.7%
	Income deprivation	-2.8%	-1.6%	-2.9%
	Post 16 education	+0.7%	+0.3%	+0.7%
	Entry to higher education	+0.1%	+0.1%	+0.1%
	Adult skills	+1.4%	+0.7%	+1.2%
	Years of potential life lost	-0.9%	-0.3%	-0.7%
Absolute change	Reduction in unemployment (jobs)	9,909	571	4,240
	Reduction in income deprived (number of individuals)	22,647	1,079	9,404
	Reduction in those with no adult skills (number of individuals)	7,313	1,245	4,247
	Years of potential life lost (years)	-2,596	-471	-1,641

Source: KPMG (2016), A Study of the value of local bus services to society: A report for Greener Journeys, August 2016

Notes:

- Employment deprivation measures the proportion of the working-age population in an area involuntarily excluded from the labour market.
- Income deprivation measures the proportion of the population experiencing deprivation relating to low income, including both those people that are out-of-work, and those that are in work but have low earnings.
- Post 16 education indicator measures the proportion of young people not staying on in school or non-advanced education above age 16.
- Entry to higher education indicator measures the proportion of young people aged under 21 not entering higher education.
- Adult skills indicator is the proportion of working-age adults with no or low qualifications combined with the proportion of the working age population who cannot speak English or cannot speak English 'well'.
- Years of potential life lost, defined as death before the age of 75 from any cause.

Making Britain a clean energy superpower

29. Getting people out of cars and onto buses is the quickest means of decarbonising road transport. 60% of surface transport emissions currently come from cars, with only 3% coming from buses and coaches.[28] Buses emit between 2.6 and 3.5 times less carbon dioxide per passenger kilometre, with each double-decker bus capable of taking 75 cars off the road, thereby reducing congestion and further reducing emissions and enhancing air quality.

[27] Microsoft Word - Greener Journeys - Value of Bus to Society v11.docx

[28] WPI Economics, 'The decarbonisation dividend', 2022, https://www.cpt-uk.org/media/fc0bzccy/decarbonisation-dividend-report.pdf.

30. The Climate Change Committee has identified that not only is modal shift a desirable outcome owing to the air quality benefits that would accrue, it is also a vital component in decarbonising the UK's transport sector and reaching our commitment to net zero carbon by 2050. The Government should therefore lay out a clear plan for shifting journeys away from cars and onto the bus network, and use the fiscal levers at its disposal to encourage it.

31. Investing in zero-emission bus and coach technology supports the government's mission to make Britain a clean energy superpower, as well as delivering green jobs in advanced manufacturing. 80% of urban buses sold in the UK are built here, with manufacturing concentrated in Falkirk, Ballymena, Sherburn-in-Elmet and Scarborough.[29]

32. Government funding for zero-emission buses (ZEBRA) has proved to be highly successful, both in bringing new, greener vehicles onto the roads, but also in leveraging significant private sector investment. The latest round of this scheme raised, on average, £2.50 of private funding for every £1 of government funding. Zero-emission buses represented over 60% of all new registrations in 2023 and 2024 and are expected to account for 20% of the bus fleet in England by 2026/7.[30]

33. Moreover, government and private sector investment in zero-emission vehicles has the potential to significantly expand the UK's manufacturing base. The recent order for 1,200 buses to be built by Northern Ireland-based Wrightbus for Go-Ahead Ltd is expected to support up to 500 manufacturing jobs, while supporting a further 2,000 across the wider UK supply chain by 2026.[31] Meanwhile Alexander Dennis, another British-based manufacturer, employs around 2,100 people, supporting a further 6,350 jobs across its domestic supply chain.[32] SMEs are also crucial to the success of the sector. A manufacturer like Mellor is an example, employing 70 staff and overseeing production space of 27,000 square feet to produce as many as 500 vehicles a year.[33]

Building an NHS fit for the future

34. Buses and coaches represent one of the cleanest forms of transport, with bus technology often outpacing car technology. A Euro VI standard diesel car, for instance, emits as much as 10 times more nitrogen oxide per passenger than a Euro VI diesel bus.[34]

35. With the rollout of zero-emission technology, buses and coaches are becoming an ever cleaner means of transport, reducing carbon emissions and improving air quality. Public Health England estimates that human-made air pollution is responsible for between 28,000

[29] CPT (2019) *Moving forward together*: https://www.cpt-uk.org/media/p20h0lxf/movingforwardtogether-3.pdf.
[30] Zemo (November 2024) *Future of Buses*: https://www.zemo.org.uk/.
[31] The Guardian, October 2024: https://www.theguardian.com/business/2024/oct/08/go-ahead-transport-group-orders-1200-green-buses-from-wrightbus.
[32] Alexander Dennis: https://www.alexander-dennis.com/company/about-us/.
[33] Mellor: https://www.mellorbus.com/our-history/.
[34] https://www.transporttimes.co.uk/news.php/Why-the-Euro-VI-bus-is-essential-to-the-success-of-Clean-Air-Zones-238/

and 36,000 deaths every year in the UK, but with lower emissions per passenger kilometre than cars, buses and coaches can make a significant contribution to lowering this health risk.

36. The average bus passenger undertakes at least 20 minutes of exercise per day which will often be by cycling or walking before or after their bus journey. A UCL study found that older adults who use concessionary bus passes are likely to report better quality of life and fewer depressive symptoms than peers who do not have the benefits of free bus travel. It found that older adults with bus passes were also more physically active and less socially isolated than counterparts without bus passes.[35] Moreover, 11% of older passengers, when polled, suggested that they would not travel at all if there were no bus services.

37. The current annual benefit to bus users in terms of health and wellbeing stands at £2.8 billion, with benefits associated with highway decongestion and modal shift valued at £600 million. Buses play an important role in enabling passengers to access leisure and social activities, and in improving wellbeing, especially in deprived areas.[36] The benefit that buses provide in allowing access to volunteering opportunities, thereby also promoting social cohesion, is valued at over £1 billion.[37]

38. If all car users switched just two journeys per month from car to bus, by 2050 an additional £15 billion in health benefits could be unlocked.[38] This equates to a reduction in road accidents valued at £9.3 billion, reductions in noise pollution valued at £160 million, and lifestyle improvements valued at £5.4 billion. The cumulative benefits by 2050 would be sufficient to fund 33 new NHS hospitals. In addition, this shift onto buses could save an estimated 15.8 million tonnes of carbon dioxide by 2050. The cumulative benefits from reduced air pollution would be as much as £28m by 2050, enough to pay for 800 nurses for a year.

Housing delivery and growth: a *bus-first* approach to placemaking

39. As a key part of the government's pro-growth agenda, the delivery of new housing represents an important opportunity to reset the relationship between development and public transport.

40. CPT believes that a *bus-first* approach to placemaking will drive modal shift, challenging excessive car dependence and creating greener, healthier communities. It will also ensure that buses are better integrated into daily life for millions more people, supporting a more productive UK economy.

[35] UCL News (1 May 2019) https://www.ucl.ac.uk/news/2019/may/bus-passes-linked-increased-happiness-older-adults
[36] KPMG (September 2024) *The economic impact of local bus services.*
[37] KPMG (September 2024) *The economic impact of local bus services.*
[38] WPI Economics, 'The decarbonisation dividend', 2022, https://www.cpt-uk.org/media/fc0bzccy/decarbonisation-dividend-report.pdf.

Why invest in buses? – Good value for money

41. Investment in buses is good value for money; every pound invested in local buses brings £4.55 of benefits[39][40] to the environment, the health of the nation, and to communities. This represents very high value for money, in line with the top 10% of DfT-funded projects in 2019. Approximately half of the benefits go to bus users and half to the wider community through decongestion, safety, and clean air benefits, as well as wider economic and social benefits relating to access to employment, education, and volunteering. These externalities provide a strong economic case for government investment in bus services – a case recognised in most other European countries where, typically, less than 50% of the cost of bus provision is covered by fares,[41] compared to nearly two-thirds of the cost in England outside London.[42]

42. Government investment in buses can leverage significant increases in private operator investment, for example:

    - In Portsmouth bus priority measures and improved bus stop infrastructure has been matched with turn up and go bus services, and seed funding has been provided for new/additional services that are expected to become commercial over time, ensuring sustainable growth. As a result of improvements, in the year ending March 2024 journeys in Portsmouth grew by 17%. Building on this, £12.5m government funding was coupled with £15.9m from FirstBus, leading to the rollout of 62 zero emission vehicles across Portsmouth, Gosport and Hampshire.
    - In Hampshire, the Eclipse dedicated busway has been built on a disused railway track bed, eliminating the impact of traffic congestion and reducing journey times on the commercially run services by 25%, resulting in a 60% increase in passenger numbers in the first year of operation. High quality bus stops, CCTV and real time information was matched by the operator with a new high quality bus fleet that has

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[39] KPMG (September 2024) *The economic impact of local bus services.*

[40] Based on a package of investments which is 70% capital and 30% revenue. All government interventions (both revenue and capital) to invest in bus deliver high benefit cost ratios. BCRs for different Government interventions (reference KPMG, The economic impact of local bus services, September 2024.):

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Capital:
Bus priority measures BCR of 5
Interchange/ mobility hubs BCR of 6.8

[41] UTIP (2015) *A Common metric for public transport coverage rate?,* Report

[42] Outside London, 62% of the cost of bus services comes from fares. Sources: Bus stats tables Bus05ai, Bus05bi, Bus04ei

been replaced every five years, with zero emissions vehicles introduced in 2024. Investment has been maintained by the operator in technology, infrastructure and vehicles to sustain growth for a ten-year period. Eclipse runs on an innovative profit-sharing arrangement. Provided that consistent and reduced journey times are achieved and passenger growth maintained, the operator annually reinvests a proportion of route profits into LTA facilities, ensuring ongoing investment in the service while maintaining its efficiency and reliability.

- In Oxfordshire, collaborative efforts have enabled significant fleet electrification, with £43.7m invested by bus companies in electric vehicles in return for commitments by the LTA to deliver a package of bus priority measures. These include innovative traffic filters which it is believed will improve bus journey times by 10% and subsequently increase passenger journeys by 10%.
- Leicester has demonstrated the benefits of pro-bus policies, including parking reforms and bus priority measures, which have encouraged private sector investment and resulted in a cleaner, more reliable service. Passenger numbers increased by c23% in the year ending June 2023 and by a further 14% the following year. Half the fleet is now zero emission, and in its first year alone, multi-operator ticket price capping saved passengers over £156,000.

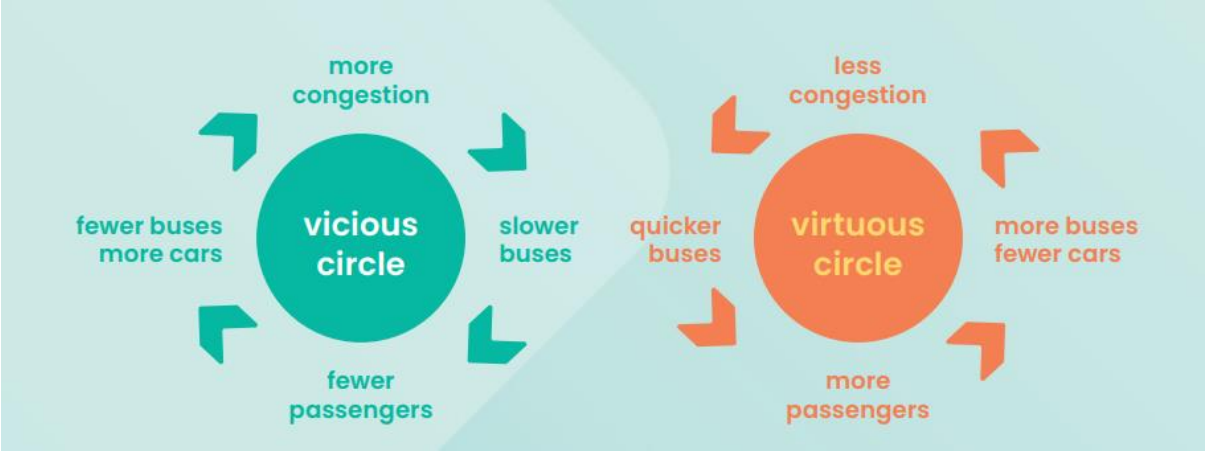
43. Government interventions should align with policy objectives and seek to maximise value for money. This needs to reflect that the impact of policies and associated spending decisions will vary across different markets and geographies. For example, urban areas are likely to benefit more from policies which reduce the impact of congestion on buses by giving them priority on the roads, therefore improving reliability for bus users (and requiring capital funding), whereas rural areas are more likely to benefit from interventions which improve the number of services (and so requiring revenue funding).

44. Efficient allocation of bus funding can lead to improvements in bus services that become self-sustaining. For example, keeping buses out of traffic by giving them priority on the road can deliver improved services, more passengers and therefore more fare revenue, as well as reducing operating costs, all of which results in more money to invest in further service improvements. Furthermore, encouraging people out of cars and onto buses in this way further lowers congestion which is not just good for buses but for the wider economy - congestion acts as a brake on our economic growth, costing the UK economy over £8bn a year.[43]

45. Research shows that a 10% increase in bus speeds – to just under 12 miles per hour on average – could increase passenger numbers by as much as 5% and reduce operating costs by up to £200m per year; [44][45]a cost saving which operators will work with LTAs to reinvest in local services (a commitment made by the industry in CPT's 2019 bus strategy and 2024

[43] INRIX 2021 Global Traffic Scorecard, INRIX https://inrix.com/scorecard/
[44] Chris Cheek (January 2025). Research for CPT
[45] https://www.gov.uk/government/statistics/annual-bus-statistics-year-ending-march-2024/annual-bus-statistics-year-ending-march-2024 In England outside London, operating costs in the year ending March 2024 for local bus services were £3.5 billion

general election manifesto and which LTAs may in future be able to require of operators under the Bus Services (No.2) Bill currently before Parliament). It also has the potential to save the average household £400 a year in transport spending[46] and help tens of thousands more people into employment. It has been stated that just a 5% reduction in travel times would amount to around £2.5 billion in cost savings to business.[47]



46. Another way that government can leverage funding for investment in bus services is through demand management schemes such as workplace parking levies and various forms of pay-as-you-go taxation or congestion charging for private vehicles. Such schemes can both raise revenue for reinvestment in bus services and also encourage people to swap some car journeys for bus, increasing fare revenue and decreasing congestion (with the knock on impact on bus speeds) that can drive further operator investment in services.

What the Spending Review needs to deliver to secure the long-term viability of bus services

Long-term settlement - the Government should maximise the value for money of its investment by announcing a five-year spending plan

47. The current funding models for bus services outside major metropolitan areas are characterised by complexity, inconsistency, and a lack of long-term strategic focus. While these models have delivered some localised successes, they are insufficient to meet the growing and diverse needs of operators, passengers, and communities. They are predominantly characterised by short-term, piecemeal allocations that prevent meaningful long-term planning and investment.

48. A lack of clarity over the existence and size of future funding streams undermines confidence and prevents operators and LTAs from investing in longer-term service development. Conversely, a clear future stream of income will build confidence. It will enable, for example, operators and LTAs to develop new routes over a period of two-three

[46] Salutin, G for SMF (15/11/2023) *Getting the measure of transport poverty: Understanding and responding to the UK's hidden crisis* https://www.smf.co.uk/publications/transport-poverty-hidden-crisis/
[47] Eddington (December 2006) *Eddington Transport Study: The Case for Action*

years giving them time to grow and become sustainable in a way which wouldn't be possible within a single year - same investment, better results.

49. The Government should maximise the value for money of its investment by announcing a five-year spending plan, as happens in rail. A five-year settlement would provide operators and LTAs with the financial certainty needed for strategic planning and investment.

Funding sufficient to support service improvement, expansion, and innovation

50. In England outside London, the bus network costs c£3.5 billion to run.[48] The majority of this is funded commercially, but government investment is required to ensure that services extend to routes which are not commercially sustainable. This investment is currently delivered through a combination of Bus Service Operator Grant (BSOG) paid directly to bus operators (£243m in 2025/6) and revenue support provided to operators via LTAs. This revenue funding is from a combination of local authority BSOG (£42m for 2025/6), Bus Service Improvement Plan (BSIP) funding (the revenue portion of which was c.£450m for 2025/6) and funding from the local authority block grant. This level of funding is therefore the current annual cost of keeping the network at its current service level. It will be important to consider the impact of inflation on these costs each year - 57.4% of bus industry costs is labour[49]and forthcoming increases in Employers' National Insurance – typically adding c£800 per annum to the cost of each driver - is going to exacerbate this. Without inflationary increases in wages, there is a risk of driver shortages which puts service levels at risk. Furthermore just under a fifth of costs are direct running costs such as fuel, oil and spare parts which are outside operators' control.[50]

51. This does not include funding required to reimburse operators for revenue foregone to enable free travel for people over state pension age and eligible disabled people under the English National Concessionary Travel Scheme (ENCTS) which is provided for through the revenue support grant allocated to LTAs by the Ministry of Housing, Communities and Local Government. We welcome the revisions to the ENCTS calculator and Guidance which were published last year to reflect changes in concessionary travel post COVID; it is vital that the Government ensures that LTAs are adequately resourced to reimburse against this calculator and that operators have long-term certainty and security over this revenue stream.

52. It is imperative that BSOG continues to be paid directly to bus operators. As acknowledged by the Transport Committee[51], BSOG keeps services higher and fares lower than they might otherwise be and withdrawing certainty around this funding stream by diverting it via LTAs risks significant damage to bus networks. Streamlining and devolution of bus funding is

[48] https://www.gov.uk/government/statistics/annual-bus-statistics-year-ending-march-2024/annual-bus-statistics-year-ending-march-2024#financial-outlook.
[49] CPT and 2FM Limited (January 2025) *Bus Industry Costs in June 2024*
[50] Ibid
[51] House of Commons Transport Committee (22nd May 2019) *Bus Services in England outside London: Ninth report of session 2017-19*

discussed in more detail from paragraph 70 including measures that can be put in place to ensure maximum value for money is extracted from any bus funding.

53. We share the Government's ambition to grow the bus network beyond its current level. A 5% increase in the network, if targeted at the right schemes locally, has the potential to drive growth and can help the Government to deliver its ambition to protect socially and economically necessary services - an ambition which cannot be realised without sufficient funding to prevent the withdrawal of services which do not generate enough revenue to be commercial but which act as a vital lifeline to their community.

54. Based on DfT evidence on the Benefit Cost Ratio for supported services,[52]a 5% increase in the bus network could reap benefits of over £500m to passengers alone.[53] The overall benefits are likely to be even higher than this, as this increase in connectivity would drive economic growth through better access to jobs and services, reduce congestion, support higher spend in our town and city centres including through the knock-on impact of improved access to employment opportunities, as well as promoting opportunity for all and enabling more sustainable and environmentally friendly travel choices.

55. This network increase could be paid for with ongoing revenue funding – we estimate the cost to be around £205m[54] a year. The cost to the taxpayer of running those services could be significantly reduced by the end of the Spending Review period if action is taken now to increase bus speeds across the whole bus network by giving bus priority on the roads. A 10% increase in bus speeds could reduce the cost of the 5% network increase to nearer £194m; even more importantly, the operational savings gained by a 10% increase in bus speeds across the whole of the network - up to £200m a year – would be reinvested by bus operators, leading to further increases in bus patronage and associated reductions in LTA revenue support required across the country. This is on top of the benefits of increased passenger numbers, increased employment, transport cost savings to households and cost savings to business cited in paragraph 45.

56. Improvements in bus speeds requires sustained capital funding to local authorities to implement bus priority measures which can take a number of forms such as bus lanes, bus gates and priority at junctions or traffic lights. KPMG research suggests that £200m investment in such measures (which broadly equates to 2025/26 capital awarded to LTAs via BSIPs – not including the capital funding to the Mayoral Combined Authorities via their City Region Sustainable Transport Settlements) could reap £1bn economic benefits due to the associated bus speed improvements it would deliver.[55]

57. Paragraph 41 discusses the benefit cost ratio of 70% capital and 30% revenue investment in buses, to illustrate what can be achieved with a mix of funding.[56]

[52] DfT (2016) Value for Money of Tendered Bus Services.
[53] Based on an industry-estimated cost of c£205m a year (see footnote 52) and DfT evidence (footnote 52)
[54] Chris Cheek (January 2025) research for CPT
[55] See footnote 39 and 40
[56] See also footnote 39 and 40

Support for the bus fares of young people, helping those on lower incomes access education and employment and securing sustainable travel habits (promoting opportunity for all)

58. Bus travel has always been an affordable way to travel, particularly for regular commuters. In recent years, operators have built on this value with new ticketing options to cater for post pandemic travel patterns and have worked with Government to deliver a two year national £2 fare cap, followed by the current £3 cap.

59. Investment in any bus fares subsidy is good value for money, particularly when set against other transport projects. Economic analysis undertaken as part of the KPMG report "*Alternatives to the National Fare Cap*"[57] shows positive value for money for every fare subsidy considered, with Benefit Cost Ratios (BCRs) typically between 2 and 5 (this takes into account economic, social, and environmental impacts).[58]By contrast, other transport projects (including rail and tram) typically have a BCR of between 1 and 2. Of course, to truly be of value, any bus fares subsidies need to be supported by a good bus network.

60. Nonetheless, when considering the cost – and subsequent trade-offs - of delivering the fare cap in the current fiscal environment, along with the Government's wider policy goals, we believe that, when the current fare cap comes to an end, replacing it with a fare offer for young people is a good option for supporting those who tend to be on lower incomes access education and employment, as well as promoting longer term sustainable travel habits.

61. CPT stand ready to help DfT consider the costs and benefits, including likely sustainability, of different delivery methods and models for a young persons' bus fare offer. To illustrate what could be achieved at what budget, we estimate that a £1 fare for under 22s would cost between £100m - £150m per year to deliver.

Investment to accelerate the transition to a zero emission bus fleet (promoting green economic growth and making the UK a clean energy superpower)

62. The industry recognises the future of road transport is with zero emission vehicles and remains committed to transitioning to zero emission buses as quickly as practicable. Most large bus operators already have their own zero emission targets in place meaning that, with the right government support, going forwards, over two thirds of all new bus purchases in England will be zero emission.

63. Recent rounds of government funding for zero emission buses – most notably via the Zero Emission Bus Regional Areas Scheme (ZEBRA) - has been welcomed by operators and have helped to kickstart the transition to zero emission vehicles and infrastructure. Furthermore it

[57] KPMG (2024) *Alternatives to the National Fare Cap*
[58] crt152726a_cpt_study-on-alternatives-to-the-national-fare-cap_130224_final.pdf (cpt-uk.org)

has leveraged significant private operator investment in zero emission vehicles and infrastructure; the last round of ZEBRA funding leveraged, on average, £2.50 private operator investment for every £1 of government support, demonstrating good value for money for the taxpayer.

64. Nonetheless there is still a long way to go before we have a fully zero emission bus fleet; zero emission buses currently make up c10% of England's bus fleet (c6% if London is excluded), predicted to rise to c.20% by 2026/7(c15% in England outside London).[59] CPT has considered the whole life costs of a zero emission bus versus a diesel bus and there are a range of factors that mean that there is not yet a clear business case for replacing diesel buses with zero emission without government funding, including:

    - price volatility in the energy markets
    - High cost of insurance premiums
    - Large capital outlay for infrastructure
    - Particular difficulties for smaller operators/depots and rural areas such as:
        i. lack of space for EV charging infrastructure, and often some distance from a grid connection
        ii. smaller operators might lease their depot which is a further constraint on implementation of charging infrastructure
        iii. smaller fleet size can reduce economies of scale
        iv. rural bus routes are often longer and hillier and so may exceed the range of an electric vehicle, meaning they cannot be replaced on a 1:1 basis without opportunity charging installed on route, further increasing costs
    - Typical 3-year tender contracts do not provide the certainty of payback on investment, which requires a longer timeframe (c.15 years)
    - There is currently less variety in vehicle types available in zero emission (for example narrow wheel base buses) which needs to be addressed in order to ensure appropriate vehicles are available for all markets
    - Whilst hydrogen delivers greater range than battery electric vehicles, there are additional challenges over the required infrastructure and concerns over the cost and uncertainty of the supply of hydrogen.

65. Furthermore, while it remains cheaper to buy and operate diesel, combined with uncertainty around evolving regulatory models across the country as franchising and other forms of increased local authority control are rolled out, the incentive for bus operators to invest in zero emission vehicles is dampened. This slows the pace of transition to a zero emission fleet and inhibits British bus manufacturers from ramping up their production processes and remaining world leaders in ZEB manufacture.

66. The Bus Services (No.2) Bill will enable the Government to set a date from which no new non-zero emission buses can be used on registered local bus services from as early as 1st January 2030. Without further support from government there is a risk that some bus operators, rural and SMEs in particular, may need to run their diesel buses for longer to continue providing

[59] Zemo Partnership, November 2023

vital services. We estimate that this could mean up to 30%[60] of bus services in England are run on older buses and at risk of being lost altogether if there is no viable replacement for them in the future.

67. Continuing to support the bus sector in its transition to a fully zero emission fleet will mitigate the risk of older buses which are less attractive for passengers being used in areas where it is harder to transition to zero emission vehicles, and potentially the risk of some services being lost altogether. It also ensures that no communities are left behind in the transition to new, green buses. Support can also ensure that:

    - British bus manufacturing is secured as manufacturers are able to plan ahead and scale up production, serving both the domestic and export market and retaining skills and apprenticeship opportunities
    - New cleaner, greener, buses continue to come onto our streets
    - The UK remains a world leader in combatting the climate emergency
    - Good quality buses help to support our drive to promote modal shift from car to bus

68. We believe that around £200m capital funding a year over the next five years could leverage in sufficient private investment in new vehicles – on the basis of the most recent round of ZEBRA funding we estimate around £500m a year, or £2.5bn over five years - to keep up the pace of transition to zero emission vehicles and infrastructure and retain our role as world leaders in this space. The effectiveness of further rounds of capital funding for zero emission buses and infrastructure can be maximised by ensuring there is certainty and visibility over the longer term support for zero emission transition.

69. The journey for coaches to zero emission is even more challenging, as set out in CPT's 2023 Zero Emission Coach Taskforce Report *Coach Route Map to Destination Zero*. CPT looks forward to working with the Government on a plan for the sector which needs to consider both vehicles and infrastructure, including off-depot recharging/refuelling options, and financing.

Streamlining and devolution of bus funding

70. Currently, key funding mechanisms do not sufficiently encourage the delivery pro-bus policies, such as bus priority measures or congestion reduction strategies, and LTAs can often struggle to coordinate services effectively due to limited resources and expertise.

71. Enhanced Partnerships (EPs) are a valuable tool for fostering collaboration between LTAs and operators, but their effectiveness varies widely depending on the degree of capacity, ambition and political will. There are some examples of successful EPs delivering through joint buy-in and collaboration such as Leicester, Oxfordshire, Portsmouth and Hampshire, as discussed under previous sections.

[60] Department for Transport, Bus Statistics, Vehicle Kilometres on Local Bus Services, BUS02a_km

72. These examples illustrate that when LTAs and operators collaborate effectively they can achieve outcomes that neither could achieve alone. However, In less ambitious or resource-constrained LTAs, EPs often fail to deliver due to a lack of follow-through on commitments or insufficient technical capacity.

73. While devolution offers opportunities for local control, decision making and accountability, it is not a silver bullet when it comes to delivering better bus services:

- Not all LTAs have the desire or expertise to manage devolved funding effectively. Funding should not be devolved to these areas.
- Guardrails are essential to ensure funds are used appropriately. These should include
    - Ringfencing of bus funding.
    - clear KPIs: we have produced a set of 10 indicators that we believe should be used to monitor delivery of bus outcomes across local areas which reflect what we know to be the factors that matter most to both existing and potential bus passengers; network availability, bus speeds, punctuality, reliability, waiting time, personal safety, value for money, access to a bus service, zero emission fleet and passenger growth.
    - Where performance falls below an acceptable standard it should ultimately result in the withdrawal of the right to devolved funding and powers if performance does not improve.
- Any reformed funding model must ensure that no area goes backwards in terms of funding and service levels, if it is to safeguard access to vital transport for all communities.
- Allocations should include mechanisms to protect against rising operational costs, ensuring funding remains effective in real terms.
- The Bus Service Operator Grant (BSOG) should continue to be paid to bus operators to support the commercial network (as opposed to being available for diversion by the LTA to other schemes). As acknowledged by the Transport Committee[61], BSOG keeps service levels higher and fares lower than they might otherwise be and withdrawing certainty around this funding stream risks significant damage to bus networks.
- It will be important to ensure that any future devolution of funding does not lead to a confusing and inefficient patchwork of different payment mechanisms and models that leads to suboptimal outcomes.

74. We therefore urge the Government to take a considered approach to devolution of bus powers and funding to LTAs to ensure that it delivers the intended improvements for bus passengers and local communities.

Conclusion

75. Buses are the UK's most popular form of public transport, carrying 11 million passengers a day. They are vital to the economy, enabling people to earn, learn and spend in local communities.

[61] House of Commons Transport Committee (22nd May 2019) *Bus Services in England outside London: Ninth report of session 2017-19*

76. The bus sector is well placed to help Government deliver on key priorities such as economic growth, breaking down barriers to opportunity by connecting communities, supporting housing delivery and growth, improving air quality and health and achieving net zero carbon targets.

77. Investing in buses generates significant economic benefits, with every £1 spent delivering £4.55 in returns through reduced congestion, environmental improvements, and enhanced social mobility.[62]Furthermore, by making bus travel more attractive, affordable, and accessible, reforms will encourage more people to choose buses over cars. This spending review provides an opportunity to unlock the full potential of buses; an investment in buses is an investment in the nation's prosperous, fair and sustainable future.

Contact Details:
Alison Edwards
Director of Policy and External Relations
alison.edwards@cpt-uk.org

[62] KPMG (September 2024) *The economic impact of local bus services*