Kate Forbes

Cabinet Secretary for Finance and the Economy

Scottish Government

St Andrew's House

Regent Road

Edinburgh

EH1 3DG

10 March 2022

Dear Cabinet Secretary

I am writing to you in my capacity as Director of the Confederation of Passenger Transport (CPT) Scotland. CPT is the trade association for the bus and coach industries. We facilitate a dynamic bus and coach industry in Scotland to provide better journeys for all, creating greener communities and delivering economic growth. We do this by campaigning for a supportive policy environment, giving our members practical advice and support to run their businesses safely, compliantly, and efficiently, and bringing the industries together to share ideas and best practice.

As you will know, the invasion of Ukraine by Russia is having a marked and growing impact on fuel prices globally, with Scotland being no exception. While the safety and wellbeing of the Ukrainian people is rightly at the forefront of everyone’s minds, we should also recognise and seek to mitigate the impact of the conflict domestically. One such aspect is the ability of bus and coach operators to continue to provide essential bus services, enabling access to work and healthcare, along with home to school transport.

Many operators purchase fuel in real time and therefore have been hit by recent rises that have increased their operating costs by 10% or more. This figure will only increase as fuel costs rise further. The impact is most acutely felt on home to school services where contracts do not account for such unpredictable cost increases.

Feedback from our members to date is that local authorities are unwilling to increase payments from their existing budgets, even where there are clauses for ‘exceptional circumstances’. Therefore, in the face of rising costs, operators face the difficult decision to potentially hand back school contracts as they are no longer viable to run. This would present a very real challenge in getting children to schools across the country and increase congestion at school gates as parents make alternative arrangements.

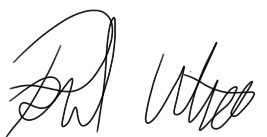
To help mitigate this risk, I ask that the Scottish Government consider providing local authorities with a home to school contingency fund of 10% of the value of existing contracts to ensure operators can continue to run these services.

While many bus operators have hedged some of their fuel purchases, thereby suppressing the impact of rising fuel costs, there are many smaller operators who are unhedged and are dealing with the full impact now. For bus operators in Scotland, the CSG and CSG-R support mechanisms provide a degree of support for rising costs, however these schemes conclude at the end of the month and are replaced by the Network Support Grant (NSG). This Grant will also provide bus operators a degree of support, although that level of support is based on operator costs that were submitted before this recent spike in fuel costs and may now fail to adequately reflect current market conditions. This may mean that the gap between operator costs and passenger revenue will remain, or even grow, making it difficult for operators to make a business case for investment in zero emission fleet, or forcing consideration of the service network or fares structures. It will also have a bearing on future tender prices negotiated with local authorities.

There is no quick fix to solving the problems of increasing fuel prices caused by global events. A priority though must be ensuring that the coach sector, as a sustainable alternative to the car, is treated the same as rail and air when it comes to payment of fuel duty and is given an exemption. As such, CPT has written to the UK Government to address this wider point on taxation.

This is a challenge that will impact the entire sector and CPT Scotland is ready to work with you and your officials on ensuring that there is a cross government response.

Yours sincerely,



Paul White

**Director CPT Scotland**

CC Shirley-Anne Somerville, Cabinet Secretary for Education and Skills

CC Michael Matheson, Cabinet Secretary for Net Zero, Energy and Transport

CC Jenny Gilruth, Minister for Transport