Rebecca Evans

Minister for Finance and Local Government

Welsh Government

5th Floor  
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Cardiff Bay  
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10 March 2022

Dear Minister,

As you will know, the invasion of Ukraine by Russia is having a growing and marked impact on fuel prices globally, with Wales being no exception. While the safety and wellbeing of the Ukrainian people is rightly at the forefront of everyone’s minds, we need to ensure that we minimise the impact on bus and coach operators so the sector can continue to provide sustainable and reliable services.

Coach operators generally purchase fuel in real time and therefore have been hit by recent rises that have increased their fuel costs considerably, with some members experiencing as high as a 60% year on year increase. This rise in costs 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 the rapidly rising costs of fuel.

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

To help mitigate this risk the Welsh Government should 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, so the impact is less apparent, rising costs is having an impact in particular on smaller operators. For bus services in Wales, the BES 2 support mechanism provides support for rising costs, however this will have a bearing on the level of support in the future if prices continue to rise and on 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 also written to the UK Government to address this wider point on taxation.

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

Yours sincerely,

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Joshua Miles

**Director CPT Cymru**

CC Lee Waters, Deputy Minister for Climate Change

CC Jeremy Miles, Minister for Education and Welsh Language