Baroness Vere

Department for Transport

33 Horseferry Road

London, SW1P 4DR

9 March 2022

Dear Minister,

As you will know, the invasion of Ukraine by Russia is having an impact on fuel prices in the UK. 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 operating costs by up to 10% or more in some cases. 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. 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 to getting 600,000 children to school across the country and increase congestion at school gates as parents must make alternative arrangements.

To help mitigate this risk the government should consider providing a home to school top up payment of 10% of the value of existing contracts to ensure operators can continue to run these services. With over 10,000 regular home to school services at a typical annual price of £50,000 this would cost no more than £5m per month.

While many bus operators have hedged some of their fuel purchases, so the impact is at least less apparent, the impact of rising costs is affecting in particular smaller operators. As fuel costs increase and the impact of the Bus Service Operator Grant (BSOG) is reduced it will become increasingly challenging for operators to meet the mileage requirements attached to the Bus Recovery Grant.

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 is treated the same as rail and air when it comes to payment of fuel duty and is given an exemption.

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

Yours sincerely,

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Alison Edwards

**CPT Head of Policy**

cc Robin Walker MP – Minister for Schools

cc Helen Whatley MP – Exchequer Secretary to the Treasury