Scotland's Bus Services

A Witness Submission by Christopher Cheek MBE BA (Hons) FCILT MCIM to the Transport Committee of the Scottish Parliament November 2026

Final Version

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1. Introduction

1.1 The Purpose of this Document

1.1.1 This document has been prepared in response to an invitation from the Transport Committee of the Scottish Parliament to assist them as a witness in the current inquiry into Scotland's Bus Service, and in particular at a witness session on 11 November 2026. It is designed to offer information, comment and analysis on several of the Committee's Inquiry Topics, as follows. These are:

- Franchising
- Decarbonisation and Fleet Investment
- Fares
- Concessionary Travel and Ticketing
- Bus Priority and Local Powers.

1.1.2 An introductory chapter aims to set the context in terms of demand and service supply and makes a plea for more disaggregated published data on the market.

1.1.3 For the avoidance of doubt, this report represents entirely the views and conclusions of the author, and these have not been funded, viewed or influenced in any way by other persons or organisations.

1.2 About the Witness

1.2.1 Chris Cheek has worked in the public transport industry for 54 years, in a variety of line management roles and, for the last 39 years, as an analyst and consultant. He is an experienced transport writer and author of both transport books and fiction.

1.2.2 Chris has been committed to the concept of quality bus operation and its promotion to the public, through his writing, his consultancy work and through the UK Bus Awards scheme he helped to found in 1996 and still helps to run. In 2026, he helped to found the Leadership in Passenger Transport Awards.

1.2.3 He has worked on a wide variety of consultancy projects covering bus, coach, rail and light rail for private sector bidders, governments at local, national and UK levels and industry bodies such as Confederation of Passenger Transport (CPT) and the erstwhile Commission for Integrated Transport.

1.2.4 In September 2024, he was given a Lifetime Achievement Award by the Bus Centre of Excellence for his work in bus support. He was awarded an MBE in His Majesty The King's Birthday Honours in June 2026 for services to public transport.

Work in Scotland

1.2.5 Chris has worked extensively in Scotland over more than 25 years, including the City of Edinburgh Rapid Transit (CERT), Edinburgh Tram and bus finances for the then Scottish Executive. In more recent years, projects have included:

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- *The Role of Speed in Scotland's Bus Network,* research project, report and conference presentation, July-October 2025. Part of a three country project with similar separate reports for Wales and then England.
- *Pathfinder Project for Future Bus Delivery Framework,* research project and report for TACTRAN regional transport partnership, January-May 2024 (jointly with Derek Halden Consultancy)
- Consultancy, support and article drafting for the *Love My Bus* campaign and Scottish Bus Week, for Transform Scotland (2020-2023)
- *Economics of Bus Operation in a Post-Covid World*, a seminar presentation to Scottish Government and other stakeholders, September 2022
- *Sustainable Buses for Scotland*: presentation to joint ATCO Scotland/CPT meeting and later to the Transport Scotland Bus and Active Travel Summit (September/October 2018)
- Authorship of *The Economics of Bus Operation in Scotland* (2013) for CPT Scotland

1.2.6 He has been as a guest speaker at the CPT Scotland annual conference on four occasions, in 2012, 2015, 2018 and 2025.

Other Recent Projects

1.2.7 Reports for other clients that may be of relevance include work for an English Combined Authority on their franchising proposals (2023) and

- *Revenue Funding for Bus Services and Bus Passengers (2021/22)*. Research and report for CPT UK
- *The Future of Bus Regulation in Wales,* with Tracsis Transport Consultancy (2022/23) for CPT Wales
- *CPT Cost Monitor.* Since 2022, Chris has managed the twice-yearly CPT Cost Monitor surveys, reporting on trends in cost levels and operational performance.

Writing and Publishing

1.2.8 Since 1991, he has edited major research publications on public transport, including ***Bus Industry Monitor***, ***Rapid Transit Monitor***, ***Rail Industry Monitor*** and ***Concessionary Fares UK***. He is now responsible for the *Passenger Transport Monitor*, the online subscription service that replaced the industry monitor publications in December 2009.

1.2.9 He has written and edited a number of books and reports about the bus industry, including ***The Economics of Bus Operation*** (2009 and 2014), ***The Bus Demand Jigsaw*** (2020) and ***Understanding Buses*** (2019 and 2021). This last seeks to offer a clear, non-technical, jargon-free explanation of how the bus industry works. His most recent book, ***Buses in a New Era: The Opportunities and Threats Ahead*** was published in October 2024. He has also published five LGBT novels.

1.2.10 He was a regular contributor to *Local Transport Today* magazine from its foundation in 1989 until 1995. He wrote regular business analysis columns for *Transit* magazine between 1996 and 2009. He was consultant editor on *Group Travel Organiser* magazine between 1986 and 2009. He wrote a regular column in *Rail Professional* magazine from 2011 until 2026, in addition to his directorship of and regular writing for *Passenger Transport* magazine.

2. The Market for Bus Services in Scotland

2.1 Demand

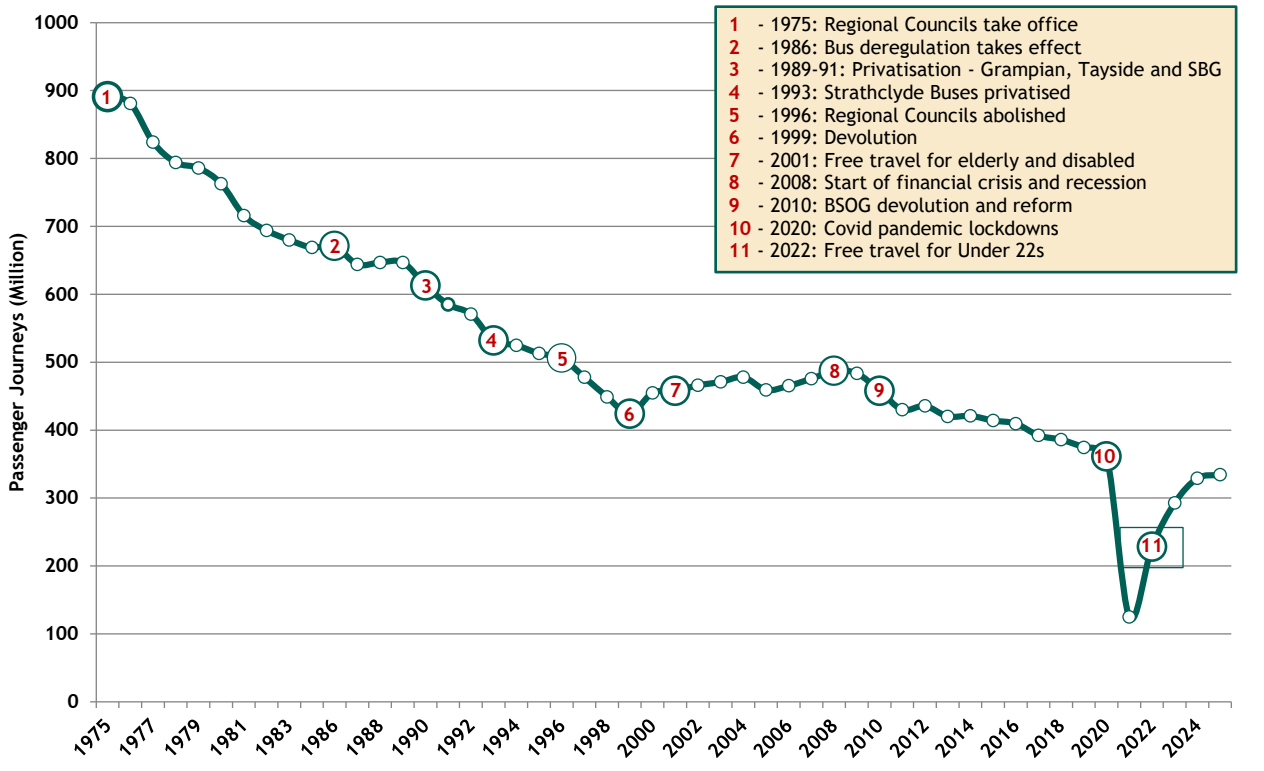
2.1.1 It was in 1975 that the publication of separate bus patronage figures for Scotland began. In that year, Scotland's buses carried 891 million passengers, just under 12% of the GB total of 7,524 million.

2.1.2 From that figure of 891 million, the decline continued, largely unchecked, reaching a low point in the year before devolution, 1998/99, with just 424m passengers. It then began a long period of recovery and indeed almost reached a peak of 487m in 2007/08 immediately before the effects of the financial crisis and the subsequent recession. It has never reached that level again, declining steadily until 2018/19 when the total was 319m. Then Covid struck, but was followed by something of a recovery, reaching 334m in 2024/25, the last published figure. The 2025/26 total will be available when the Department for Transport publishes is Annual Bus Statistics on 24 November.

2.1.3 The figures since 1975 are illustrated graphically at Figure 2-A**Error! Reference source not found.** below. It is annotated to show some key events during the period.

Figure 2-A: Bus Patronage in Scotland since 1975

Showing Selected Key Events



2.1.4 Looking at the national total is useful to measure the overall trends, but disguises significant variations. This can be seen to a limited extent in the regional figures produced by Transport Scotland in the annual Scottish Transport Statistics publication. A snapshot of these at selected years is shown in

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2.1.5 Table 1 below, alongside the national totals.

Table 1: Bus Patronage in Scottish Regions since 2005

Millions of Passenger Journeys

Year to 31 March	North East, Tayside and Central	Highlands, Islands and Shetland	South East	South West and Strathclyde	Scotland	South East Bus plus Edinburgh Tram
2005	68.0	11.0	161.0	220.0	461.0	161.0
2010	64.0	14.0	162.0	219.0	458.0	162.0
2015	62.9	12.4	163.7	175.2	414.3	167.8
2019	53.1	9.8	154.1	157.8	374.9	161.6
2025	49.0	9.2	139.6	136.6	334.4	151.8
Since 2005	(27.9%)	(16.0%)	(13.3%)	(37.9%)	(27.5%)	(5.7%)
Since 2019	(7.8%)	(5.8%)	(9.4%)	(13.5%)	(10.8%)	(6.1%)

Sources: 2FM Analysis of Scottish Transport Statistics 2025, Table 2.2b. Transport Scotland and Light Rail Statistics 2025, Department for Transport, Sheet LRT0101

2.1.6 As can be seen, South West and Strathclyde have seen the sharpest deterioration in passenger numbers over the period since 2005, and the slowest recovery from the 2020/21 pandemic, remaining 13.5% below pre-Covid patronage. The contrast is even sharper when one considers the effect of Edinburgh Tram: the sum of its patronage with the bus numbers is shown in the right hand column.

2.2 Supply

2.2.1 Service levels have also fallen over the years, but mainly since the 2010 recession. Prior to then, service provision had generally increased, with commercial mileage rising by 10.7% and supported provision by 55.5% between 1986 and 2009. Since then, there has been a sharp reversal: between 2009 and 2025 commercial mileage was cut by 27.2% and supported by 20.2%, contributing to an overall reduction in service levels of 25.8%.

2.2.2 Since Covid, commercial mileage has been reduced by 16.1%, but the fall has been offset to some extent by an 11.3% rise in supported services, with a particularly significant 46.9% increase recorded in 2024/25 – returning provision to pre-Covid levels.

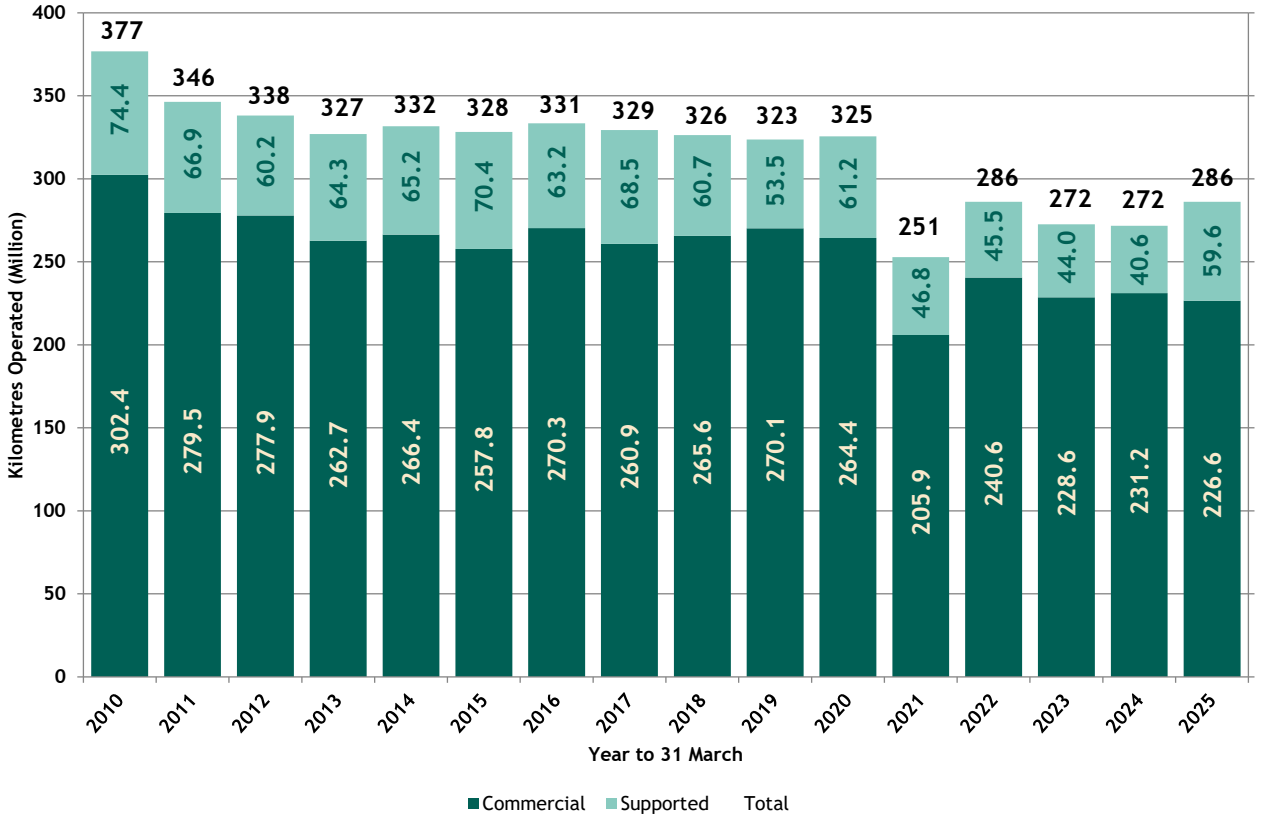
2.2.3 The details are shown in Figure 2-B below, which provides the split between commercial and supported mileage.

2.2.4 A snapshot of the trends in service supply by region is shown in Table 2 below. It is notable that the largest overall and post-Covid cuts have come in the South East, at 18.7% and 19.3%, respectively.

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Figure 2-B: Bus Service Provision since 2010

Millions of Kilometres, split between Commercial and Supported Services



Source: Scottish Transport Statistics 2025, Table 2.3a. Transport Scotland.

Table 2: Bus Service Supply in Scottish Regions since 2005

Millions of Kilometres

Year to 31 March	North East, Tayside and Central	Highlands, Islands and Shetland	South East	South West and Strathclyde	Scotland
2005	55.2	37.9	103.0	163.1	359.2
2010	57.8	38.0	105.5	175.3	376.5
2015	56.5	31.9	100.0	139.8	328.2
2019	52.6	25.7	103.8	141.0	323.1
2025	45.0	22.6	83.7	131.3	282.7
Since 2005	(18.4%)	(40.3%)	(18.7%)	(19.5%)	(21.3%)
Since 2019	(14.4%)	(11.9%)	(19.3%)	(6.9%)	(12.5%)

Source: Scottish Transport Statistics 2025, Table 2.3c. Transport Scotland.

Note that there is a mismatch in the published total for Scotland between Table 2.3a and 2.3c, probably the result of rounding issues.

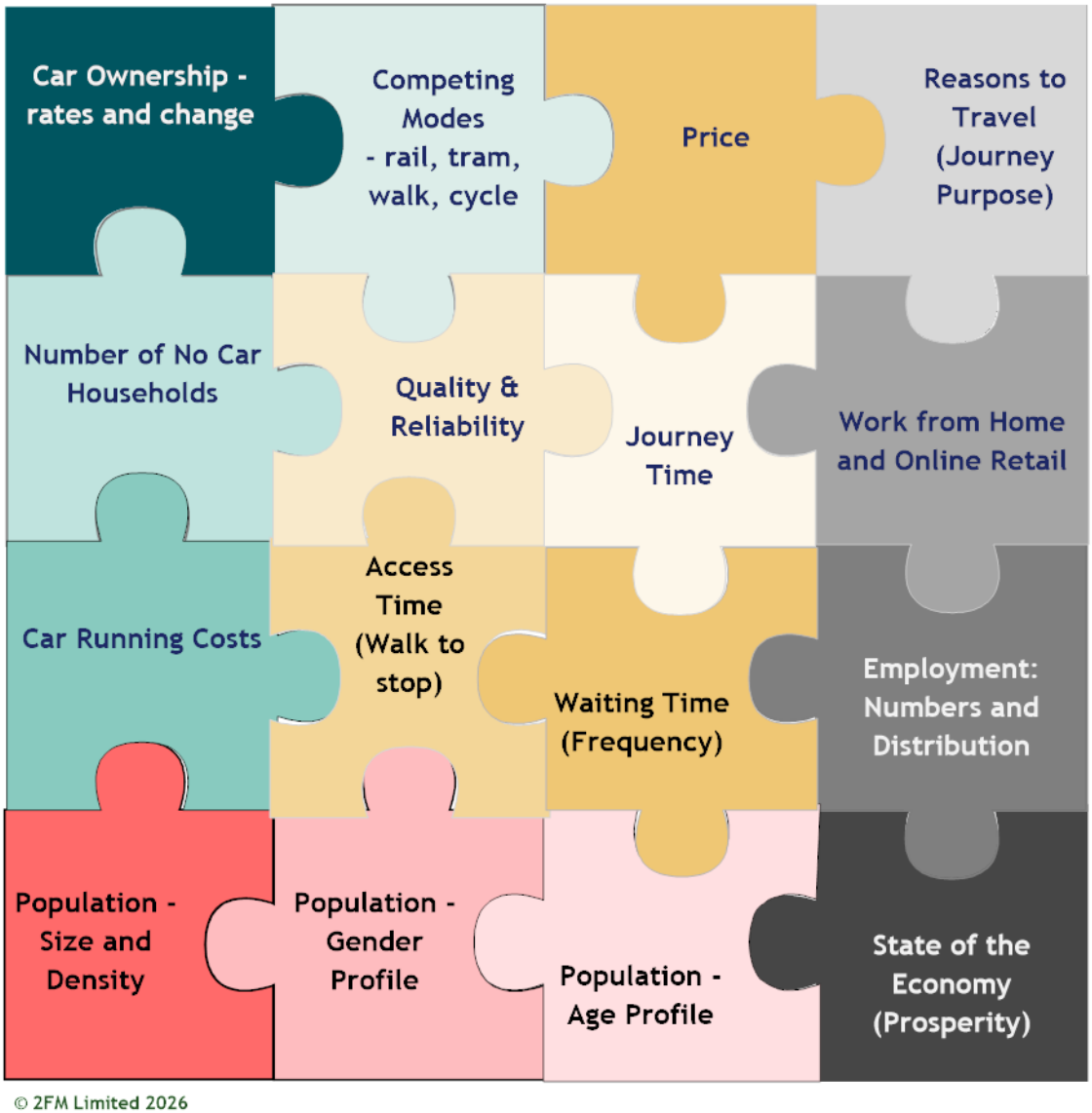
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2.3 Understanding Demand

2.3.1 Research over many years has demonstrated that the influences on demand for bus services is a complex web, in fact, of inter-related issues, such as overall prosperity, the state of the employment market, who owned and was buying cars, changes in shopping habits and retail patterns, shifting trends in leisure activities, and many more. It is akin to a jigsaw, as shown in Figure 2-C below.

2.3.2 Using established demand elasticities, it is possible to attempt to quantify some of these influences, both to try to understand what has happened in the past and to attempt to suggest what is likely to happen in the future against a range of assumptions.

Figure 2-C: The Bus Demand Jigsaw[1]



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[1] *Originally designed for the book* The Bus Demand Jigsaw, *2020, Chris Cheek.*

2.4 The Need for More Disaggregation

2.4.1 I have remarked before in reports and presentations how disappointing it is that more disaggregated data is not made available – even at Regional Transport Partnership level. This is in contrast to England, where DfT publishes estimates of data at Local Transport Authority level. The disparity is surprising given that the dataset is common to both countries, being derived from the annual statutory returns made by operators known as STATS100.

2.4.2 I would argue that this is an issue that should be seriously considered if major changes to the regulatory structure are to be contemplated. If authorities are to take a greater role in bus service provision, they need access to better statistics.

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3. Franchising

3.1 Overview

3.1.1 The initial legislation on "franchising" came in the form of two Transport Acts, in England in 2000 and Scotland in 2001, which introduced the concept of a "Quality Contract" (QC). To quote the House of Commons Library[2]: "Under a Contract scheme, the local authority determines what local services should be provided in the area concerned (including the routes, the timetable and the fares) and lets contracts with bus operators, granting them exclusive rights to provide services to the authority's specification. The authority may make payments to the provider of the services and either party may be required to provide additional features or services."

3.1.2 It is the exclusivity that distinguishes QCs or "franchises" from partnerships, which by law must be available to all local bus operators who meet the standards set out in the partnership agreement.

3.1.3 In Scotland, the powers granted under the 2001 Act were never used and were replaced in the Transport (Scotland) Act 2019 by new powers for "Local Services Franchises". The powers came into effect on 4 December 2023, but detailed guidance on implementation was not published until March 2026.

3.2 Franchise or Partnership: A Balance of Risks

3.2.1 The arguments put forward for franchising centre around the benefits of public control of the bus network, allowing authorities to improve frequencies, reliability and coordination, whilst offering what are termed "affordable fares".

3.2.2 However, it must be borne in mind that franchising would not of itself

- stop costs from rising
- prevent worsening traffic congestion
- make the buses go any faster
- avoid the need for bus operators to make a profit.

3.2.3 The act of franchising creates a number of risks for the public sector, notably revenue risk, as authorities must pay contracted operators their costs and a margin, regardless of revenue received, thus requiring the provision of taxpayer funding to meet any gap.

3.2.4 A key element in the assumption of risk is the labour cost element. Up to 60% of bus industry costs are accounted for by labour costs, 40% for drivers and a further 20% for engineering staff, administrators and managers.

3.2.5 The industry is thus uniquely exposed to the risk of above-inflation wage growth, as well as other factors such as traffic congestion that reduce driver productivity. In a strong labour market, operators need the freedom to increase rates in order to attract sufficient new recruits. At the same time, costs are affected by other factors such as the rise in Employers'

[2] *Buses: Franchising. House of Commons Library, Standard Note SN624. 19 April 2012.*

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National Insurance Contributions in April 2025 or regulatory changes. Information from the CPT Cost Monitor database shows that labour costs per bus hour in Scotland rose by 36.1% (10.1% above inflation) between February 2022 and February 2026 – an illustration of the cumulative effect of all these factors.

3.2.6 At the same time, franchising creates pressure for "levelling up" of wage rates and employment conditions between operators and could in the longer term result in pressure for a return to public sector pension entitlements – both developments which could drive costs even higher.

3.2.7 As costs rise – and historically tend to do so at levels above prevailing inflation rates – there is a risk that the subvention required grows over time. If funds are limited, this can result in fare increases or service cuts in order to match the available resources.

3.2.8 Depending on the franchising model chosen, the franchising authority may also assume responsibility for the provision of vehicles and depots to contacted operators, requiring initial capital expenditure and an ongoing asset management and replacement programme.

3.3 The Current Powers

3.3.1 The new powers are not overly prescriptive, and within the 'franchising' principle, a number of different operating models and *modus operandi* have emerged even within the broad definition set out above.

3.3.2 The Act and the subsequent regulations and guidance set out a process for introducing these is complex, time-consuming and expensive – especially for local authorities already struggling with limited budgets and expanding demand for their statutory services, particularly in the field of social care.

3.3.3 Equally, however, there is an argument that such a major change in such an important matter deserves considerable thought and investigation as well as being subject to outside scrutiny. There is a balance to be struck between due process and policy delivery.

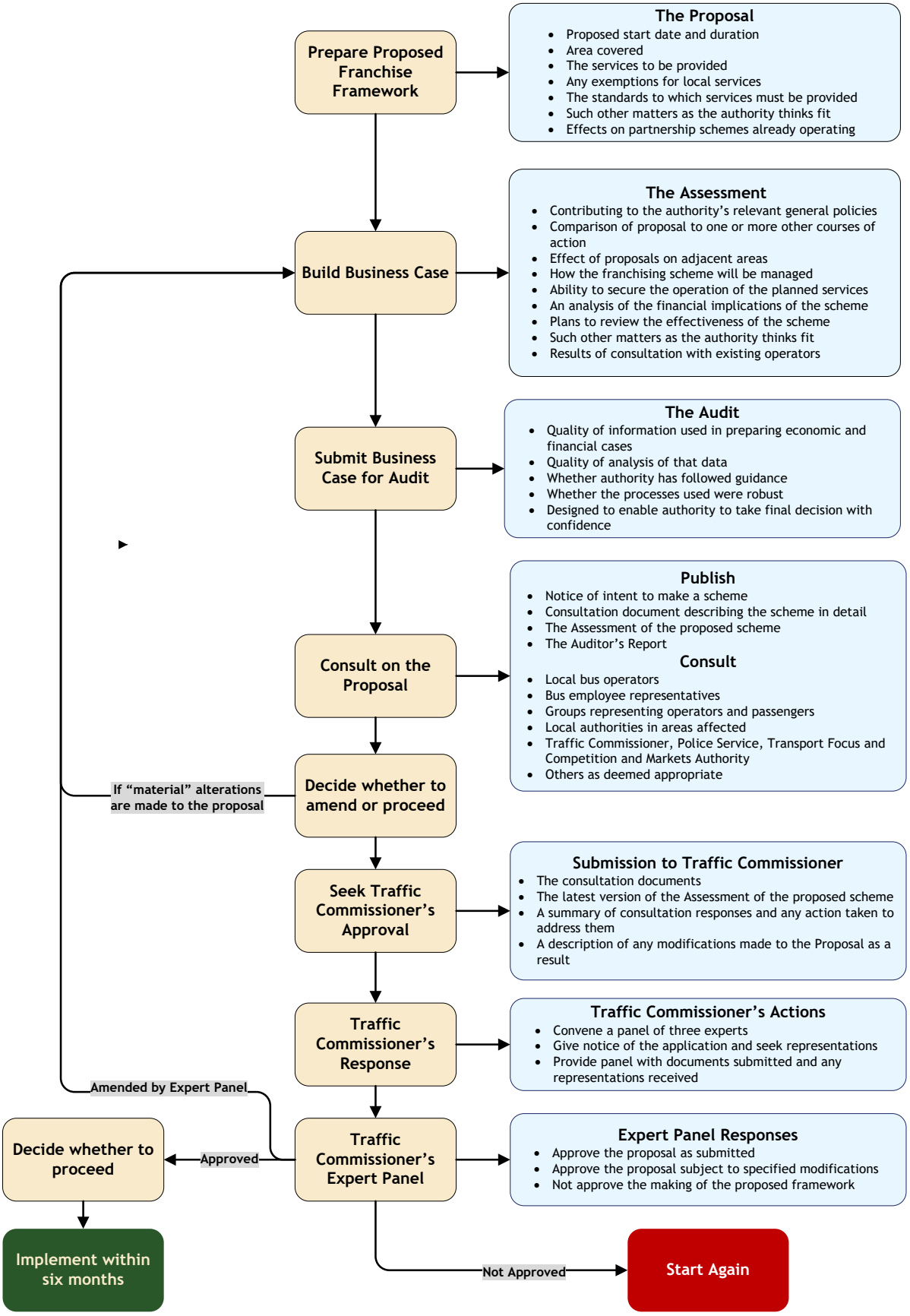
3.3.4 One notable feature of the 2019 Act was the inclusion of a requirement for approval by an expert panel convened by the Traffic Commissioner. This mirrors the provisions of the 2008 Act in England. Its inclusion in the 2019 legislation was something of a surprise since the provision had already been abolished in England under the 2017 Bus Services Act.

3.3.5 In changing the law in England, it was argued that the one expert panel that had been convened, in Tyne and Wear in 2014 had generated more heat than light. The adversarial nature of the proceedings (in which I was a witness) made for an uncomfortable experience for all concerned and arguably did long term damage to important relationships.

3.3.6 In Figure 3-A below, I provide a chart showing the steps needed – taken from my 2024 book *Britain's Buses in a New Era*, but updated to take account of the 2026 Guidance published by Transport Scotland. The result is similar to, but in some ways an expansion of, the chart contained in the Guidance.

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Figure 3-A: Preparing a Bus Franchise in Scotland - The 2019 Act Process



Source: Britain's Buses in A New Era, Chris Cheek. Published by 2FM Limited, October 2024, as amended by reference to the Local Services Franchise Guidance, Transport Scotland, March 2026.

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3.3.7 Of particular note, it seems to me, is the risk of authorities getting into a "doom loop" of revising proposals following consultation and/or the expert panel's verdict, going through the business case, audit and consultation process for a second time, only to have further amendments required, thus starting the whole process for a third time… and so on.

3.3.8 One solution might be to remove the Traffic Commissioner provision in favour of a stronger audit which should include organisations with knowledge and experience of transport modelling rather than being limited to financial expertise.

3.3.9 I was concerned to read in the guidance note the section on guidance for auditors, and particularly the words: "*The auditor does not need to review in detail every data source or assumption*"[3].

3.3.10 Extensive experience of reviewing business cases for transport projects has demonstrated to me that a critical review of *all* assumptions is essential in understanding and commenting on business cases – especially where these are underpinned by medium or long-term patronage and revenue forecasts.

3.4 International Experience

3.4.1 As part of the TACTRAN Pathfinder project in 2023/24 and my 2024 book *Britain's Buses in A New Era*, extensive research was undertaken into the international aspects of franchising with a view to gaining a different viewpoint and understanding lessons to be learned. The results can be seen in the book, a copy of which can be supplied to the Committee if this would be helpful. The paragraphs below summarise international lessons for public transport reform, focusing on partnership, competitive procurement and contracts that encourage better services and increased passenger use.

3.4.2 **Thredbo conferences:** the *International Conference Series on Competition and Ownership in Land Passenger Transport*, started in 1989 in the Australian resort of Thredbo, and have been held every two years since. A series of workshops in 2022[4] on key policy issues concluded that successful reform depends on trust between authorities and operators, genuine stakeholder involvement, simpler tendering and flexibility for innovation. Van den Velde (1997)[5] distinguishes three planning levels: strategic objectives, tactical service design and operational delivery.

3.4.3 **OECD International Transport Forum:** Its 2020 report[6] recommends locally led planning, coordinated across boundaries and with national policy. It advocates sustainable competition, appropriately sized contracts, separation of operations from asset ownership, meaningful quality incentives, transparency and integration with shared mobility. Incorporating public operators may improve efficiency but is not sufficient reform on its own.

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[3] *Guidance for auditors when preparing a report under Section 13F, Local Services Franchise Guidance, Transport Scotland, Page 34*

[4] *https://thredbo-conference-series.org/papers/thredbo17/Thredbo-17-Key-Policy-Document.pdf*

[5] *Entrepreneurship and Tendering in Local Public Transport Services, Prof. D M Van der Velde, 6th Thredbo Conference, 1997*

[6] *OECD/ITF 2020 Reforming Public Transport Planning and Delivery. https://www.oecd.org/content/dam/oecd/en/publications/reports/2020/08/reforming-public-transport-planning-and-delivery_6f24c0d3/6c2f1869-en.pdf*

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3.4.4 **New Zealand:** After deregulation in 1983 and further reform in 1989, patronage declined and support needs grew, leading to partial reform in 2008. In 2013, the country introduced fully contracted services under the Public Transport Operating Model (POTM)in 2013. Regional councils specified services, with gross-cost contracts and operator-owned assets. Negotiated (direct award) contracts eased the transition but cost **10–15% more than tendered contracts in Auckland and 30–35% more in Wellington**, while mandatory negotiations and deadlines weakened councils' bargaining power[7].

3.4.5 **Jersey:** An initial gross-cost contract let in 2002 improved reliability and renewed the fleet but offered limited incentives for innovation or passenger growth. A replacement "net cost" contract from 2013 introduced shared financial risks and rewards, performance-linked extensions, transparent accounting and consultation. By 2016, it had delivered **32% more passengers**, improved satisfaction, cost savings and network enhancements. A new net cost contract was let in 2025.

3.4.6 **Overall:** The examples suggest that the careful design of governance, procurement and incentives matters—not simply whether services are publicly or privately operated.

3.5 Franchise Architecture

3.5.1 Bus franchising legislation leaves open important choices about contract design, risk allocation, asset ownership, vehicle provision and governance. These matters were researched and discussed extensively in our report on bus franchising in Wales (2023) and in the book Britain's Buses in a New Era (2024). The issues are summarised here.

3.5.2 Under the **gross cost model**, used in London, Greater Manchester and now Liverpool City Region, the authority bears commercial risk and pays operators their operating costs plus a profit margin, regardless of revenue. Operators have no direct incentive to increase patronage unless contracts provide one. Contracts must allocate risks associated with cost changes and service disruption.

3.5.3 The **net cost model**, used in Jersey but abandoned in London in the mid-1990s because it offered insufficient authority control, shares commercial risk. Operators bid against a reference network and receive support where revenue does not cover costs. They are incentivised to grow patronage and may run additional services at their own risk, with open-book accounting and sharing the benefits of any upside.

3.5.4 **Contract size** varies depending on local decisions and circumstances: they can cover individual routes (as in London) or small groups. These can aid rural provision and SME participation. Whole networks across defined areas can also be let as one contract, as commonly practised in France.

3.5.5 **Authority-owned assets and vehicles** reduce operators' capital requirements and required profit, but impose upfront costs and continuing financial obligations on the authority. Public borrowing may be cheaper, although central government borrowing limits may restrict

[7] *Wallis, Ian, Ian Wallis Associates. Value for Money in Procurement of Urban Bus Services -- Competitive Tendering versus Negotiated Contracts: Recent New Zealand Experience. August 2020. https://ses.library.usyd.edu.au/bitstream/handle/2123/27185/Value%20for%20Money%20in%20Procurement%20of%20Urban%20Bus%20Services.pdf?sequence=1&isAllowed=n*

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available resources. **Operator ownership** reduces authority investment but increases operators' financing requirements. Both approaches require agreement on residual values, investments and transfers at contract expiry to protect service continuity.

3.5.6 **Governance varies across jurisdictions.** In England, franchising powers were initially restricted to mayoral combined authorities but have now been extended under the 2025 Bus Services Act to all local transport authorities. For combined authorities, their position is complicated by not having highway authority powers. Smaller LTAs may not have the scale or the resources to contemplate starting a franchise process.

3.5.7 Scotland's 2019 legislation assigns decisions to local transport authorities and regional transport partnerships – however, the impending restructuring of local government is likely to change this, and the process may complicate and almost certainly delay any decisions for a number of years.

3.6 Conclusions

3.6.1 In summary, a move towards franchising is not a panacea. It would not address some of the fundamental problems that the bus industry faces – most notably in traffic congestion and increasing costs – but would transfer significant amounts of risk from the private to the public sector, at a time when the combination of rising public debt and increased borrowing costs are already a serious problem.

3.6.2 At present, the decision to move to a franchise marks the start of a long, complex and potentially expensive process with no guarantee of ultimate success. The move involves making a range of decisions over governance, structure, contracts and risks which need careful consideration since they will have a decisive influence on the viability of the franchise, the quality and volume of services provided and profound effect on the franchising authority's budget and eventually the potential cost to the taxpayer.

3.7 Local Authority Bus Companies

Historical Context

3.7.1 Municipal public transport in the UK developed from council-owned tramways in the late nineteenth and early twentieth centuries. After the First World War, many councils replaced trams with buses or trolleybuses; Eastbourne's licensed municipal motorbus undertaking was the first, beginning on 12 April 1903.

3.7.2 The Transport Act 1985 required Great Britain's 51 council-owned bus undertakings to become wholly owned, arm's-length companies. Eight remain municipally owned; six ceased trading or entered administration and 37 were sold. Sales reflected commercial pressures and inadequate scale, governance problems, investment constraints or councils' competing capital priorities. Some closures left acrimonious legacies.

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The Current Position

3.7.3 The eight surviving operators comprise five in England, two in Wales and one in Scotland, as listed below. All serve substantial urban markets, sometimes extending beyond their home authorities; Newport and Warrington have the lowest population densities.

3.7.4 Scale helps meet operating overheads and public-sector obligations, while population density supports demand. Municipal ownership does not remove statutory, financial or competition-law requirements; companies may also be expected to pay dividends towards council budgets.

Table 3: Surviving Municipal Bus Operations in Great Britain

Location	Population (Mid-Year Estimates, 2022)	Area (Km^2)	Density (persons per km^2)	Fleet Size
Blackpool	141,574	35	4,045	137
Cardiff	372,089	141	2,639	213
Edinburgh	514,990	263	1,958	755
Ipswich	139,247	39	3,570	74
Newport	161,506	191	846	115
Nottingham	328,513	75	4,380	315
Reading	174,820	40	4,371	175
Warrington	211,580	181	1,169	110

Routes to New Municipal Companies

3.7.5 Under 2019 Act, councils are empowered to establish a wholly owned operator to run commercial services or bid for contracts, or to acquire an existing bus company. Either route requires asset funding, working capital, future investment, a viable business case, surpluses to service and repay borrowing, and appropriate governance. The fiscal climate may limit councils' capacity to pursue either route.

3.7.6 Under franchising, neither existing nor new municipal operators are guaranteed contract wins or survival through competitive tendering.

The Local Authority Ownership Debate

3.7.7 Municipal ownership remains contested. Supporters cite Edinburgh, Nottingham and Reading: the *New Statesman* reported in 2018 that municipal companies had won UK Bus Operator of the Year title six times in ten years (in 2025, that is now eight times in 13 years), and the Urban Transport Group highlighted the fact that Nottingham and Reading enjoy the some of the highest bus ridership per head outside London.

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3.7.8 Critics cite failures such as Halton Borough Transport's insolvency in January 2020 following disagreements between executive and non-executive directors. Conflicts can arise between councils' shareholder interests and councillors' representative and director roles. These require clear guidelines and careful management.

3.7.9 In a predominantly tendered system, in-house operations could provide an operator of last resort if contracting fails or proves unsatisfactory.

3.8 Direct Award of Contracts: The Teckal Exemption

3.8.1 There is one possible rule which could possibly permit local authorities to award franchise contracts to a bus company they owned without competition, stemming from an EU legal judgement known as the Teckal Judgement. This established an in-house procurement exemption, later codified in Article 12 of Directive 2014/24/EU. For devolved Scottish contracting authorities, the relevant provision is regulation 13 of the Public Contracts (Scotland) Regulations 2015.

3.8.2 Regulation 13 permits an award to a controlled entity outside these Regulations where all three conditions are met:

- Control: the authority exercises control similar to that over its own departments.
- Activity: more than 80% of the entity's activities perform tasks entrusted by the controlling authority or other entities it controls.
- Private capital: there is no direct private capital participation, except non-controlling, non-blocking participation required by legislation which confers no decisive influence.

3.8.3 Public ownership alone does not establish eligibility. Any reliance on regulation 13 depends on qualifying control, activity and capital arrangements. Joint control by several contracting authorities is permitted, subject to regulation 13's additional requirements.

3.8.4 Authorities could expect any attempt to use Regulation 13 to award bus operating contracts to local authority bus companies to be fiercely resisted by private sector operators, including possible legal challenge. Nevertheless, the possibility remains.

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4. Decarbonisation and Fleet Investment

4.1 Overview

4.1.1 The industry can point to a good record in emission reduction. According to the Scottish Greenhouse Gas Statistics 2023 (the most recent available at the time of writing), greenhouse gas emissions from buses and coaches on urban and rural driving were reduced by 44.6% between the base year of 1990 and 2023 (against an 18% reduction in mileage). Emissions fell from 0.56 million tonnes carbon dioxide equivalent ($MtCO_2e$) to 0.31 million[8]. This represented 4.1% of total emissions from domestic transport in 1990, falling to 2.7% in 2023.

4.1.2 According to the Department for Energy Security and Net Zero[9], the 2024 figures for greenhouse gas emissions per passenger km for bus were 108.4 grams CO_{2e} per passenger km (g), but this split out to 74.47g for London and 129.99g for the rest of the country, largely as a result of differing average loads (16.7 for London, 10.1 elsewhere) and the more rapid progress made in the capital to introduce ultra-low and zero emission vehicles. Other public transport modes include 27.17g for coach travel, 35.4g for rail services and 28.6g for light rail.

4.1.3 These figures represent both a problem and an opportunity for the industry:

- the problem in that there is a potential conflict between running large numbers of empty buses around to fulfil social policy objectives and the need to minimise carbon emissions
- the opportunity is to improve occupancy levels, so raising demand for bus travel without increasing carbon emissions.

4.1.4 There is not yet a statutory ban on use of petrol or diesel-powered buses and coaches. However, powers were obtained in the Bus Services Act 2025[10] for ministers to introduce such a ban, but not before 1 January 2030 for vehicles first registered after a date to be specified. Exemptions may be made for certain types of vehicle or service.

4.1.5 Meanwhile, the major groups and some other operators have committed themselves to a zero-emission future, typically promising to eliminate their diesel fleets completely by 2035. However, research by Transport Scotland has shown that there are some doubts as to the practicality of an early date[11]. No doubt Transport Scotland will comment on this.

4.2 Zero Emission Vehicles

4.2.1 There is little doubt that zero-emission vehicles offer a step change in service quality. Vehicles are much quieter and smoother, and passengers suffer less vibration. In surrounding environment, there is a reduction in noise pollution as well as the air quality benefits.

4.2.2 Growing experience with operating the vehicles in service has shown them to be more reliable and cheaper to maintain, since they have many fewer parts to go wrong or requiring

[8] *Scottish Greenhouse Gas Statistics 2023, 2FM Analysis of the detailed data extract.*

[9] *2024 Government GHG Conversion Factors for Company Reporting: Methodology Paper for Emission Factors, July 2024*

[10] *Section 37. https://www.legislation.gov.uk/ukpga/2025/24/crossheading/zeroemission-vehicles*

[11] *Bus Decarbonisation Study, prepared by Sweco, on behalf of Transport Scotland, January 2026.*

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replacement. The willingness of manufacturers to warrant battery availability over the expected life of the vehicle (up to 15 years) has significantly reduced the risk to the operator.

4.2.3 Design and innovation has significantly increased the expected range of the vehicles between charges and the speed at which charging can be accomplished.

4.2.4 Experience thus far with vehicles powered by hydrogen fuel cells has been less satisfactory, though the main issues seem to have been associated with the availability and storage of the hydrogen rather than the vehicles themselves. Much publicised problems with a vehicle fire on a hydrogen powered single deck vehicle in Crawley, West Sussex was in fact caused by batteries to power the air conditioning system rather than the hydrogen or the fuel cell itself.

4.2.5 There is a considerable price premium of 25% or more on the purchase of either battery electric or fuel-cell powered vehicles, plus the cost of infrastructure for hydrogen storage or battery charging at depots and – in some cases – at termini.

4.2.6 It is expected that, as the market matures, the price differential for the vehicles will come down – and this is already being affected by price competition, especially from Chinese manufacturers. Other European manufacturers such as Volvo, Mercedes and Irizar also offer competition with the UK manufacturers. Volvo and Alexander Dennis recently announced plans for a new joint venture to explore the development of a tram-style electric bus for the UK market.

4.2.7 Schemes have been developed to enable the retrofitting of battery electric drives to existing diesel vehicles with growing success. The capital cost of repowering is much lower than for a brand new vehicle and will improve the residual value of leased vehicles.

4.2.8 Even if the differential in vehicle prices narrows and repowering proves to be a viable option, the cost of installing electricity supply and connecting it to the grid still has to be met – discussed further below. These costs are unlikely to reduce. Delays that may be experienced in making those connections could well prove to be the main constraint on the market.

4.3 Infrastructure

4.3.1 These costs include:

- the supply of chargers to allow the buses to be connected to mains power
- construction works to accommodate and install the chargers and make the connection to the grid
- the connection to the grid to get the appropriate levels of electricity into the site, installed by the local Distribution Network Operator (DNO)
- the cost of providing an additional supply if required from the local electricity substation to the bus depot or other site where the charging will be done
- the cost of a new substation and its connection to the grid if there is insufficient capacity at an existing facility.

4.3.2 It follows that the costs vary widely depending on the individual requirements of each site – and this will also the govern the length of time it will take to complete the works.

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4.3.3 Delays can occur throughout the process, and can include:

- Any necessary planning consents for physical alternations to the depot(s)
- Electricity connections to the grid, including the provision of any additional substations that may be required

4.3.4 Evidence to date suggests that the infrastructure cost of electrification is upwards of £60,000 per vehicle – though, for the reasons stated, actual numbers will vary quite widely depending on local circumstances.

4.4 Government Grants

4.4.1 Government funding has been made available to local transport authorities (LTAs) to assist with the capital cost of introducing zero emission buses in various areas, through the SCOTZEB scheme and its equivalent in England. This has been designed to mitigate the additional unit costs of ZEB vehicles over the diesel equivalent and to the purchase and installation of the required infrastructure.

4.4.2 ScotZEB phase one offered awards totalling £62 million to nine bus operators and local authorities for projects involving the introduction of 276 buses and associated charging infrastructure. Phase two, launched in May 2023, offered cash grants towards the cost of vehicles ranging from £60,000 to £135,000 depending on size, and 70% of the infrastructure cost. The results in July 2024 resulted in a total of £41.7m awarded to eight operators covering a total of 252 new vehicles and associated infrastructure, including funding for several coach companies as well as local bus operators. The third and final phase of the subsidy scheme was announced in November 2025. The SCOTZEB3 funding decisions were announced in March 2025, in which a total of £45m was awarded to five operators, towards the cost of 227 buses and 107 coaches together with charging infrastructure.

4.4.3 Further assistance is provided in the form of a Low Emission Vehicle incentive payment added to Bus Service Operators' Grant (BSOG). Under this regime, operators of zero emission vehicles currently receive grant at the rate of 30p per kilometre.

4.5 The Future

4.5.1 In 2024, in the book *Britain's Buses in A New Era*, an attempt was made to quantify the expected cost of replacing the existing diesel fleet with ZEBs by 2035. Using DfT fleet analysis from March 2023, we estimated a requirement for 3,200 new vehicles at a weighted unit cost of £387,000 each (based on the current distribution of vehicle types). This would be a total cost of £1.1 billion at 2024 prices.

4.5.2 An updated fleet analysis from March 2026 was due for publication shortly at the time of writing, an updated assessment could be provided at that point if required.

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5. Fares, Concessionary Travel and Ticketing

5.1 Overview

5.1.1 There have been significant changes in fares and ticketing structures over the last two decades, moving from a predominantly cash-based system with on-board payment to a diverse system including pre-payment, contactless cards and expanded concessions.

5.1.2 The move to prepayment and contactless has reduced stop dwell times, helping journey speeds and reliability, and in some areas the proportion of customers paying cash is reportedly as low as one per cent.

5.1.3 Further change has come in 2026 with the gradual introduction of a £2 fare cap across the country, with public funding making up the difference for operators.

5.1.4 The downward pressure on fares comes from an ambition to ensure that fares are "affordable" – though I am not aware that anybody has actually defined what that means. It might be useful to have that discussion.

5.1.5 In the circumstances of the last few years, the pressure of increases in the cost of living and the lack of significant real-term growth in household incomes since the 2008 recession, it is inevitable that there will be pressure to keep fares as low as possible.

5.1.6 However, there must be some concern about the cost to the Exchequer of introducing both fare caps and extended concessions for different groups of people, especially in the longer term. As already discussed under franchising, this could be particularly difficult in the light of the severe fiscal challenges facing both the Scottish and the UK Governments.

5.2 The Effect on Revenue

5.2.1 The introduction of the Under 22 free travel concession in 2022 has resulted in a shift of income from the farepayer to the taxpayer as part of an overall reduction in the real-term value of operator income. This is illustrated in the analysis in Table 4 below.

5.2.2 As can be seen, as well as the real-term fall in total income, there has been a marked shift from fare-paying to concessions reimbursement, so that farepayers accounted for 51% of total income in 2010, this had fallen to 44.1% in 2025.

5.2.3 Over this period, total operating costs have also shrunk in real terms, by 11.5%, but that has to be seen in the context of a 25% reduction in mileage operated during that period. As a result, as the figures in Table 5 below show, the unit costs of operation have risen rapidly – by 16.6% when calculated per kilometre, and by 21.1% when calculated per passenger journey. This latter measure is a useful indicator, since it also takes into account shifts in passenger demand and their effect on viability.

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Table 4: Bus Operator Income in Scotland by Source, 2010 v 2025

£m. Adjusted for inflation by the GDP Deflator to June 2025 prices

Year to 31 March	2010	% of total	2025	% of total	% Change
Passengers	486	51.3%	394	44.1%	(19.0%)
Concessions	275	29.1%	392	43.9%	42.4%
LTA Support	92	9.7%	63	7.1%	(31.2%)
BSOG	94	9.9%	44	4.9%	(53.1%)
Total	**947**	**100.0%**	**893**	**100.0%**	**(5.7%)**

Source: 2FM Bus Industry Monitor database, from Scottish Transport Statistics and Annual Bus Statistics, Department for Transport

Table 5: Bus Operating Costs in Scotland, 2010 v 2025

£m. Adjusted for Inflation by the GDP Deflator to June 2025 prices

Year to 31 March	Operating Costs (£m)	Cost per Km run (£)	Cost per passenger journey (£)
2010	828	2.199	1.809
2025	733	2.563	2.193
% change	(11.5%)	16.6%	21.2%

5.2.4 The risk, therefore, is that – unless fares are allowed to rise to reflect at least the impact of inflation or the trends in operating costs per passenger – the subsidy bill required from government will grow incrementally, effectively to writing a 'blank cheque' for bus subsidy. This would mirror what happened in the late 1970s and early 1980s, when the bus subsidy bill across Britain rose by 40% between 1977/78 and 1982/83, as a result of huge market decline and rising operating costs[12]. This was the context for the decision to deregulate and privatise, as set out in the 1984 *Buses* White Paper.

[12] *2FM Analysis of Bus & Coach Statistics 1991/92, Department for Transport.*

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6. Bus Priority and Local Powers

6.1 Overview

6.1.1 The need for buses to run more quickly and more reliably is, in my view, the paramount question in current bus policy. It lies at the heart of our ability to:

- achieve modal shift from private car to public transport
- achieve wider market growth
- restore viability and expand network provision
- make bus operations more efficient and cost-effective.

6.1.2 In the summer of 2025, I was commissioned by CPT Scotland to prepare a report on this subject. The resulting document, ***The Role of Speed in Scotland's Bus Network,*** was published in October 2025 at the CPT Scotland annual conference in Edinburgh. The full report is available for download at https://www.cpt-uk.org/media/bnqecqfw/speed-report-scotland-final.pdf. A brief summary follows.

6.2 Identified Benefits

6.2.1 This report demonstrated the wide range of benefits that can be gained from enabling bus services to run at faster speeds.

6.2.2 For bus passengers, higher speeds offer:

- time savings on their daily commute
- greater consistency and predictability for their journeys

6.2.3 For the wider economy, more efficient and less stressful journeys to work will help to improve productivity, whilst better and more efficient bus services, by making travel more attractive, will aid the revival of town and city centres.

6.2.4 For society at large, faster buses will reduce emissions, and improve local air quality. Making bus services more attractive will assist modal shift, helping to achieve Net Zero targets. Making buses more efficient will help to keep fares lower and enable higher service levels, thus improving the accessibility of the bus network.

6.2.5 Reduced traffic congestion and optimisation of road space allocation will aid economic efficiency and promote transport-oriented development, encouraging higher-density, mixed-use communities that are less car-dependent and more sustainable.

6.3 Cost Savings

6.3.1 The report demonstrated the overriding importance of scheduled speeds in determining the cost of providing our bus networks, whilst offering a worked example to illustrate the cost savings that can accrue from improving speeds and reducing end-to-end journey times.

6.3.2 Where a change in speed allows a service to be operated by fewer buses, cost savings of up to 3.5% per minute reduction can be achieved.

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6.4 Demand Growth

6.4.1 There is strong evidence that faster and more reliable bus journeys will increase passenger demand. Evidence suggests that:

- Every 1% saved on journey time is likely to generate 0.6% more patronage
- Every 1% saved on door-to-door journey lengths (including stop access time and waiting time at bus stops) is likely to generate 1.1% more patronage.

6.5 Estimating Wider Benefits

6.5.1 Using the methodology pioneered by KPMG for CPT in 2024, the report assessed the current value of the bus network to Scotland's economy at £5.3 billion a year.

6.5.2 The report estimated that an overall increase of bus speeds by 8% could increase this value by 9.6% (£565 million) to £5.9 billion annually.

6.6 Case Studies

6.6.1 A series of case studies used in the report demonstrated both the benefits of bus priority measures and the disadvantages of slower journey times. They showed how, in Edinburgh, Aberdeen and Portsmouth measures taken resulted in reduced journey times which in turn resulted in cost savings and patronage growth. However, there are also examples where a lack of positive infrastructure improvements has had a detrimental impact on operations such as reduced frequency, increased operating costs, and declining patronage.

6.6.2 In a subsequent sister report on the situation in England, the case studies highlighted how investment in dedicated bus infrastructure – as seen in Crawley, Gosport & Fareham and Kent Thameside – have proved to be transformative in the long term, still delivering rising patronage and revenue growth up to 15 years after first opening.

6.7 Priority in Practice

6.7.1 It has to be acknowledged that there is a gulf between a strategy to deliver improved bus speeds and the physical delivery of actual measures on the ground.

6.7.2 Bus priority can be hugely controversial, prompting objections from motorists, residents and sometimes local businesses. The media can be hostile, and proposals are often brought forward against the backdrop of a complex local landscape in the world of six-party politics.

6.7.3 An added complication in recent times has been the rise of populism and the breakdown of the political consensus over Net Zero policies. The rise of social media adds a further complication.

6.7.4 Ultimately, though, there is little alternative to hard work in making the pro-bus and pro-measures case, and to attempt to build a consensus. As the CPT report shows, the effort could be well worth it.

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