Written submission from the Confederation of Passenger Transport

Summary of CPT's position

The Confederation of Passenger Transport (CPT) is the trade association representing the bus and coach industry across the UK. Our members include operators of all sizes, from small family businesses to major transport groups, delivering services under a range of commercial, partnership and franchising arrangements.

CPT welcomes the opportunity to provide evidence to the Committee on Scotland's existing franchising arrangements and lessons from elsewhere.

CPT does not advocate a single model for the delivery of local bus services in Scotland

Franchising, statutory partnerships and other arrangements can each offer opportunities and challenges. The most appropriate approach will depend on local circumstances, the outcomes being sought, and the resources available.

The priority must be delivering better outcomes for passengers and communities, including more reliable, accessible and affordable services, improved connectivity and increased bus use.

The process must also assess the impact on bus operators and recognise that a restriction or loss of the ability to operate services may lead to business closures. Regulatory changes must be delivered in partnership with the bus sector, with a focus on maintaining an environment that allows for authority and operator investment in improving bus services in the intervening period.

Scotland's existing legislative framework

The Transport (Scotland) Act 2019 provides local transport authorities with a range of powers to improve bus services, including local services franchising, Bus Services Improvement Partnerships (BSIPs) and local authority-run services. These powers provide flexibility for authorities to adopt different approaches according to local circumstances.

Under franchising arrangements, authorities can take greater responsibility for specifying routes, service frequencies, standards and other aspects of bus service provision, with operators contracted to deliver services.

Franchising can be introduced across an area or on a more limited basis, including individual routes or corridors. This provides opportunities for authorities to consider different approaches rather than necessarily adopting comprehensive area-wide franchising.

The current legislation establishes a process for developing and assessing franchising proposals, including independent audit, consultation and consideration by an independent panel.

The Act was passed in 2019, but franchising secondary legislation did not come into force until December 2023, and guidance on franchising frameworks and assessments was not published until March 2026. Given this delay to guidance, it is difficult to assess the legislation: no Scottish authority or transport partnership has yet undergone the process of introducing a franchise in full.

Lessons from franchising elsewhere

Experience elsewhere in the UK demonstrates both the opportunities associated with franchising and the practical considerations involved in its implementation.

London provides a long-established example of a franchised bus network, with Transport for London responsible for network planning and service specification, and private operators delivering services under contract.

This model facilitates coordinated network planning, integrated ticketing and consistent service standards. However, London's institutional arrangements, funding, population density and transport infrastructure differ significantly from those in many parts of Scotland. For example, due to London's high traffic density, 578 out of 700 bus routes have seen their speeds decrease in the last decade[1]. The cost of the network has increased from c. £1bn to £1.3bn this year, and a projected cost of £1.7bn by 2030.[2]

Greater Manchester's Bee Network provides a more recent example of the transition from a predominantly deregulated market to franchised bus services. Its experience offers recent lessons about the practical and financial requirements of introducing franchising, including procurement, workforce arrangements, operational transition, network integration and the development of transport authority capacity.

Franchising is used overseas in countries including Denmark, New Zealand, Norway, Singapore and Sweden. These countries are not immune to operational challenges, including rising costs and congestion. Recent analysis by Sveriges Bussföretag [The Swedish Bus and Coach Federation] found:

> *"Operators are facing rapidly increasing costs driven by inflation, rising energy prices, and the pace of technological change. At the same time, the transition to battery-electric zero-emission fleets – essential to meeting climate targets – has significantly increased capital requirements and financial exposure. Supply chains have become more vulnerable, while obligations related to digitalization, reporting, and regulatory compliance have grown both in scale and complexity. These developments are exposing fundamental weaknesses*

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[1] *https://www.theguardian.com/uk-news/ng-interactive/2026/sep/23/london-buses-in-terminal-decline-why-public-transport-in-global-cities-is-slowing-to-a-crawl-visualised?*

[2] *https://www.london.gov.uk/who-we-are/what-london-assembly-does/questions-mayor/find-an-answer/bus-network-operating-subsidy*

in procurement and contract models that were designed for a more predictable environment and are now ill-suited to a rapidly changing operating environment."[3]

As such, an important consideration is how financial and operational risks are allocated. Under different franchising models, responsibility for changes in passenger revenue, operating costs and service requirements may rest with the authority, the operator or be shared between them.

These decisions influence commercial incentives, contract design, public expenditure and the flexibility to respond to changing passenger needs.

If the franchised network is well run, passenger numbers increase, and costs are well controlled, the LTA (Local Transport Authority) will benefit directly (under a gross cost model) from increased revenue which can be invested back into the system or used to offset some of the public funding for buses.

However, large-scale franchising can place substantial upfront and continuing costs, as well as financial risk, on the tendering authority, especially those investing in infrastructure like depots. In those cases, franchising could place significant costs on LTAs which may require the LTA to enter into financing arrangements. The West Yorkshire Combined Authority estimated that franchising (a full network, large scale franchise) will entail an upfront cost of £20 million. TfGM reports that Greater Manchester's transition to franchising cost £134.5 million, including financing costs associated with depot acquisition. Funding included £33.7 million from the Mayoral Precept and £17.8 million in local authority contributions.[4]

The implications for Scotland are significant. SPT's assessment programme has been reported to require up to £6.5 million in technical and professional services before mobilisation and operational readiness costs. Its 2025 Regional Bus Strategy also identifies an indicative £45–85 million in additional annual revenue subsidy for a transformational regional franchise, excluding fleet and depot scenarios. This is a high-level scenario for an enhanced network, rather than a final bill or the administrative cost of franchising alone, however, the top end of the estimate (£85m) equates to around double the current budget that Scottish Government spends on bus support nationally through the Network Support Grant. As such, it is critical that authorities identify secure funding for assessment, transition, assets and continuing subsidy before committing to franchising.[5]

LTAs may need to design contracts and procurement lot structures to ensure that tendering leads to a sufficient number of high-quality bids from multiple operators. Large national operators have the tendering experience and ability to manage risk. SME operators cannot pool risk across multiple contracts and may find it difficult to

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[3] *sustainable-procurement-in-publically-procured-bus-services_report_2026.pdf*

[4] *TfGM written evidence to the Public Accounts Committee, LBS0021, section 4: https://committees.parliament.uk/writtenevidence/143019/html/*

[5] *SPT assessment costs reported by routeone, 14 January 2026: https://www.route-one.net/news/spt-looks-to-4-million-bus-franchising-support-in-scottish-budget/ ; SPT Regional Bus Strategy, September 2025, p.68: https://www.spt.co.uk/media/5u5c1xur/p190925_agenda7.pdf*

operate. The administrative requirements for operators could also be higher under franchising. Experience in Greater Manchester, Liverpool City Region and West Yorkshire shows that SME participation cannot be assumed simply because smaller contracts are offered.[6]

In Greater Manchester, only one incumbent SME bidder won work across the three franchising tranches. The consequences include business closures: Stotts of Oldham ceased trading after losing its local bus work. Little Gem also closed during the transition; its owner cited franchising-related workforce uncertainty alongside severe operating cost pressures. These closures demonstrate the vulnerability of established family-run and SME businesses during regulatory transition.[7]

In Liverpool City Region, the first main network franchises for St Helens and Wirral were awarded to Stagecoach and Go-Ahead respectively. Those awards illustrate the dominance of large groups in the initial procurement, and the importance of assessing whether smaller operators have a viable future within the wider scheme.[8]

In West Yorkshire, where franchised services are due to begin in May 2027, two SMEs were initially among the intended winners of smaller and school-service contracts. However, Squarepeg Buses has brought a legal challenge alleging shortcomings in how SME bids were assessed. Four small-contract awards were subsequently automatically suspended, while school-service award decisions were withdrawn. The challenge remains unresolved; it nevertheless underlines the need for proportionate turnover requirements, accessible bidding processes and effective safeguards for incumbent SMEs.[9]

Franchising is more likely to be effective if designed to reflect core principles:

The tendering process needs to be designed to maximise the number of operators who can reasonably bid to offer services. This will ensure that some element of competition is retained. Contracts should also include the right incentive structure for operators and LTAs to deliver a sustainable and quality service and collectively use their expertise to drive improvements.

Before any decisions are taken, LTAs should seek to make best use of available operator expertise. Operators can help to shape and improve on network design for example. LTAs' decisions to pursue tendering need to be made following meaningful

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[6] https://www.route-one.net/operators/bus-franchising-and-sme-operators-more-than-just-a-business-toll/

[7] routeone, 19 October 2026, SME participation: https://www.route-one.net/operators/bus-franchising-and-sme-operators-more-than-just-a-business-toll/; 17 March 2025, Stotts closure: https://www.route-one.net/opinion/finding-bus-franchising-solution-for-sme-operators-is-imperative/; 26 April 2023, Little Gem owner's account: https://www.route-one.net/news/little-gem-owner-hits-back-over-closure-of-bus-operation/

[8] Liverpool City Region operator announcement, 23 January 2026: https://www.merseytravel.gov.uk/news/operators-announced-for-first-franchised-bus-services-in-the-liverpool-city-region-in-40-years/

[9] routeone, 19 October 2026, Squarepeg's allegations and intended SME awards: https://www.route-one.net/operators/bus-franchising-and-sme-operators-more-than-just-a-business-toll/; 21 October 2026, suspension of four awards: https://www.route-one.net/news/wyca-suspends-award-of-four-tier-b-bus-franchise-contracts

and in-depth consultation with all stakeholders and following detailed review of local evidence and consideration of multiple variants of the franchising approach.

Bus Service Improvement Partnerships (BSIPs) and Enhanced Partnerships

The focus of this session, and of recent Government announcements, has been franchising. However, it is not the only mechanism available to transport authorities seeking greater influence or control over bus services.

Scotland's BSIP powers provide a statutory framework through which authorities and operators can work together to improve services. BSIPs can include commitments relating to service standards, frequencies, fares and measures to support bus operations, with obligations on both authorities and operators.

The Scottish BSIP shares characteristics with Enhanced Partnerships (EPs) in England, although the legislative arrangements and processes are not identical.

EPs provide a mechanism for authorities and operators to agree plans and schemes for improving bus services, combining commitments by public authorities with requirements applying to participating services. Experience in England demonstrates that partnerships can support improvements in areas such as bus priority, passenger information, ticketing, service coordination and network development.

Partnership arrangements can draw on operators' commercial and operational expertise while enabling authorities to pursue wider transport objectives. However, their effectiveness depends on meaningful commitments from all parties , effective governance, adequate funding and clear accountability for delivery.

CPT considers that the experience of EPs in England provides useful lessons for Scotland as authorities consider how to use BSIP powers. These include the importance of establishing clear objectives, ensuring that proposed measures are deliverable and providing mechanisms to monitor progress and address challenges.

The Committee may wish to consider whether Scottish authorities have been given sufficient guidance and support to develop ambitious and effective BSIPs (for example, Transport Scotland guidance on BSIPs still remains unpublished), and whether lessons from England could inform their implementation.

It is also important to recognise that different regulatory arrangements may be appropriate in different parts of a network. Franchising and partnerships should not be viewed as mutually exclusive across a geographical area such as an RTP.

CPT research: More than one route

Following the enactment of the Bus Services Act 2025, CPT published research undertaken with Frontier Economics[10] to support local transport authorities in England to consider different approaches to bus service delivery.

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[10] https://www.cpt-uk.org/news/more-than-one-route-the-many-ways-to-deliver-bus-services/

The Frontier Economics handbook creates a framework for considering factors including passenger priorities, operating cost pressures, net zero goals, local transport authority capacity and capability, and how any preferred model may interact with different models in other areas.

It highlights that there is considerable variation within both franchising and partnership models, particularly in how responsibilities, decision-making powers, commercial incentives and financial risks are allocated.

For example, the research examines Jersey's shared-risk franchising approach, where operators retain an active role in network development and financial incentives encourage passenger growth. Other approaches include introducing franchising incrementally or combining different arrangements to reflect local circumstances.

The research also provides an eight-step decision-making framework and a multi-criteria assessment toolkit to help authorities evaluate different options against their objectives.

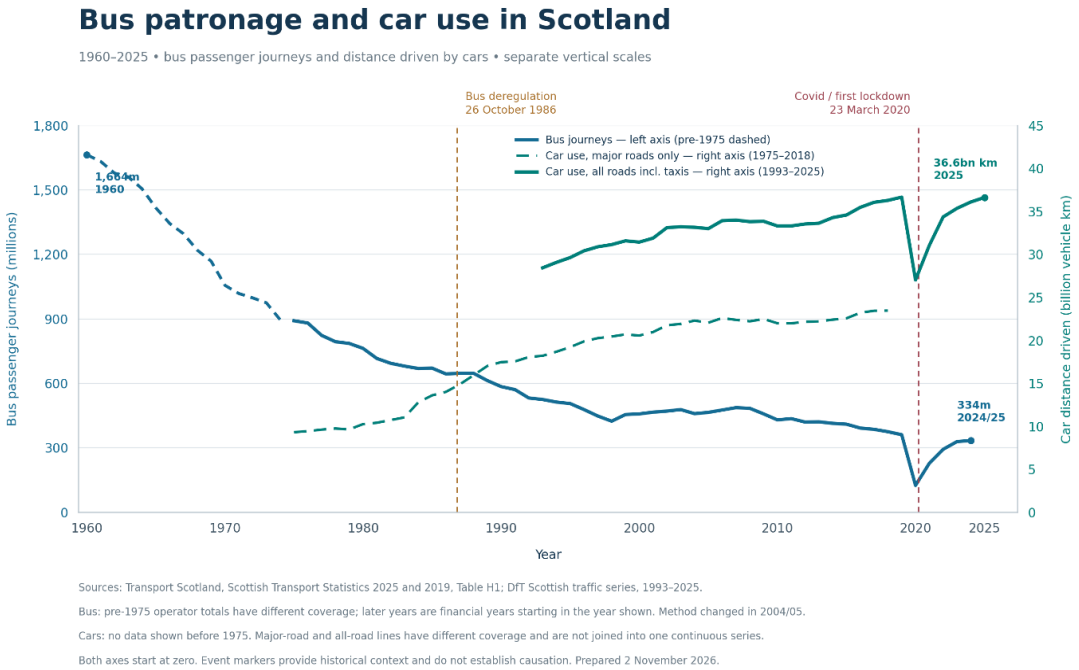
Although developed principally for England, CPT believes this work also has relevance to Scotland as it reinforces the importance of considering the full range of available options and assessing their suitability against local circumstances, passenger priorities, costs and delivery risks.

Factors influencing successful bus services

Regardless of the regulatory model adopted, several factors will continue to determine the attractiveness, reliability and financial sustainability of bus services.

Bus priority and journey times are particularly important. Congestion increases operating costs, reduces reliability and makes bus travel less attractive. Measures to improve bus speeds and reliability can therefore deliver benefits under franchised, partnership and commercial arrangements alike.

The deregulation of the bus sector in 1986 stemmed the rate of falling bus patronage, as opposed to being the cause of it. The primary cause, as demonstrated in the table below, has been the increase in car ownership and usage, and resultant congestion. Bus regulation in and of itself does not address this core issue.



Sustainable funding is another essential consideration. Franchising changes the arrangements through which services are planned, procured and delivered, but does not remove the underlying costs of operating bus networks or the need to fund services that cannot be sustained through passenger revenue alone.

The availability of transport authority expertise and capacity is also significant. Different models require different combinations of network planning, commercial, procurement and contract management skills.

Effective engagement with operators, employees, passengers and other stakeholders is important throughout the development and implementation of proposed changes.

These considerations reinforce the importance of assessing regulatory options as part of a wider strategy for improving bus services, rather than viewing regulatory reform as an end in itself.

Conclusions and recommendations

Scotland's existing legislation already provides transport authorities with a range of options for improving bus services, but there have been lengthy delays in their accompanying regulations and guidance.

If further legislative change is required to expedite change there is an opportunity to learn from experience elsewhere and ensure that authorities can make informed decisions about the most appropriate arrangements for their areas.

CPT encourages the Committee to consider the following principles:

- **Local flexibility:** Transport authorities should be able to select arrangements that reflect local needs, circumstances and objectives.

- **Evidence-based assessment:** Decisions should be informed by robust consideration of passenger outcomes, costs, benefits, financial risks, implementation requirements and alternative approaches. Assessments should separately identify the full costs to the tendering authority of preparation, transition, asset acquisition, financing and ongoing operation, including contingency for revenue shortfalls, and explain how these will be funded.

- **Appropriate capacity and resources:** Authorities should have access to the expertise, guidance and funding necessary to develop, implement and manage their chosen arrangements effectively.

- **Learning from experience:** Scotland should draw on evidence from franchising and partnerships elsewhere in the UK, recognising differences in local circumstances and institutional arrangements.

- **Effective partnerships:** Scottish BSIPs should receive appropriate attention and support as one of the statutory options available to authorities, drawing on lessons from English EPs.

- **Focus on passenger outcomes:** The success of any regulatory model should ultimately be assessed against improvements in reliability, accessibility, connectivity, passenger satisfaction and bus use.

- **Involve the bus sector:** Operators have the data and experience to inform decision making. Addressing sector concerns regarding business impacts and future operation will be crucial in fostering the confidence required for continued investment. Procurement design should demonstrate how family-run and SME operators can compete in practice, with explicit assessment of the risks of business closure, loss of local expertise and reduced competition at future retendering.

Clarity on the Scottish Government's intentions on public control

Finally, CPT notes the First Minister's announcement on 17 October 2026 that the Scottish Government intends to bring Scotland's bus network back into public control by the end of the current parliamentary session, through franchising and regulation.

While CPT shares the ambition to improve bus services, the announcement raises questions about the Government's intentions and how these relate to the existing legislative framework. It remains unclear what is meant by public control, whether franchising is now the Government's preferred approach across Scotland, and what role or support is envisaged for statutory partnerships and other models of service delivery.

The announcement also appears to represent a change in emphasis from the Government's earlier commitment to a programme of stakeholder engagement on potential Better Buses legislation, without a predetermined approach. CPT believes it is important that this engagement remains meaningful and that the full range of available options continues to be considered.

Clarity is particularly important for bus operators making long-term decisions about investment in vehicles, depots, workforce and services. Uncertainty about the future regulatory framework can affect planning and investment decisions, with potential implications for passengers and communities.

Confederation of Passenger Transport
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