TPT/S7/26/11/2

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Transport Committee
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11th Meeting, 2026 (Session 7)

Buses

Introduction

Buses are Scotland's most popular form of public transport, carrying 334 million passengers in 2024-25 – almost four times as many people as travelled with ScotRail. Although it is worth noting that both bus passenger numbers and service provision have experienced a decades long decline.

As part of efforts to tackle, and even reverse, this decline, the Scottish Parliament has considered and approved three significant transport acts since 1999. These established and then updated systems for local/regional bus partnership working and regulation and set the framework for the creation of national concessionary fares schemes. However, these regulatory systems remain largely unused, with buses continuing to operate under the privatised and deregulated system established by the UK Government in the mid-1980s. Under this system, bus operators decide on routes, timetables, and fares on a purely commercial basis – even a publicly owned operator like Lothian Buses.

The role of local authorities, and in certain areas Regional Transport Partnerships, is limited to supporting socially necessary bus services that cannot be provided on a commercial basis. Typically, such support is awarded as a subsidy for operating a service specified by that authority following a competitive tendering exercise.

National Bus Policy

Buses are a crucial element of Scottish Government transport, climate, and infrastructure policy, featuring in several major policy documents, including:

- the second National Transport Strategy, which identifies increased bus use as a policy priority, with a particular emphasis on the importance of buses to people living in deprived communities.

- the Climate Change Plan 2026-2040 identifies actions aimed at getting people to make trips by bus rather than car (a change often referred to as "modal shift") as a priority for investment.

- the second Strategic Transport Projects Review recommends the development of a network of bus lanes and other bus priority measures, plus enhanced bus services, with the aim of facilitating both modal shift and

increased accessibility for those living in deprived communities or without access to a car.

Bus regulation and legislation

As mentioned above, Scottish bus services largely operate under a system established by the Transport Act 1985, in which operators decide on routes, fares, and timetables. The only requirement is that services are registered with the Scottish Traffic Commissioner, and that route/timetable changes can only be made after the Commissioner has been notified.

The Transport (Scotland) Act 2019 allows for the creation of formal Bus Service Improvement Partnerships and Local Service Franchising, both of which are briefly described below:

- **Bus service improvement partnerships:** A formal partnership between local transport authorities and bus operators, committing each to improving bus facilities and service levels.

- **Local Service Franchising:** A system allowing a local transport authority to specify bus routes, timetables, and services standards within a designated area. These are then subject to a competitive tendering exercise.

Local service franchising can only come into effect once a local transport authority has developed an overarching franchising framework and then entered into franchise agreements with bus operators.

A franchising framework must specify:

- The area that it covers.

- The bus services to be provided.

- The period it will be in operation.

- Service standards to be provided under franchise agreements.

The franchising framework is implemented through franchise agreements, which are agreements between the local transport authority and local bus service operators under which:

- the local transport authority grants an operator the exclusive right to provide the services to which the agreement relates, which can include payment by the authority to the operator.

- that operator undertakes to provide those services on such terms as may be specified in the agreement.

The process to be followed by a local transport authority wishing to make a franchising framework can be summarised as follows:

- prepare a proposed framework.
- prepare an assessment of the proposed framework.
- obtain a report from an independent auditor on the financial implications of the proposed framework.
- consult on the proposed framework.
- if necessary, modify the proposed framework and, where the modifications materially affect an aspect of the assessment, go through the process of assessment and audit again; and
- obtain approval to make the proposed framework from a panel convened by the Traffic Commissioner [a UK Government appointed official responsible for bus operator licensing] for that purpose.

It is worth noting that these Scottish partnership and franchising powers are evolutions of existing bus provisions established under the Transport (Scotland) Act 2001 – Bus Quality Partnerships and Bus Quality Contracts. Very few formal Quality Partnerships were established, largely due to the administrative burden on authorities and operators – who typically chose to pursue voluntary partnership arrangements. The Quality Contract provisions were never used, again due to the high administrative burden, significant costs associated with the development of any contract scheme and its ongoing implementation, plus the threat of legal challenge from incumbent bus operators.

To date, Strathclyde Partnership for Transport (the Regional Transport Partnership for the Greater Glasgow area) is the only authority to have committed to implementing a franchising scheme, as set out in the Strathclyde Regional Bus Strategy.

It is worth noting that franchising can take two key forms:

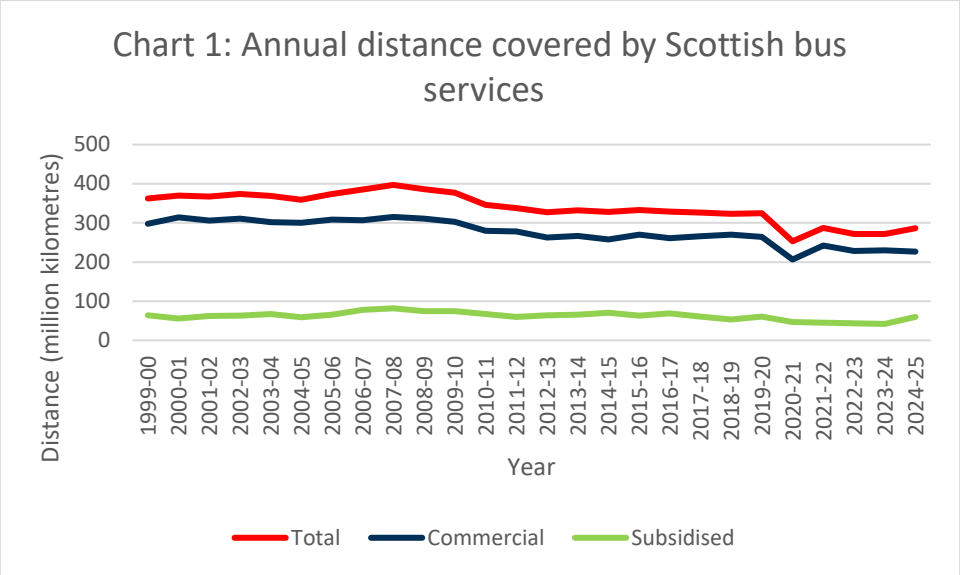
1. **Gross-cost franchising:** the tendering authority pays an operator a fixed fee to provide services, retaining the passenger revenue (as in London).
2. **Net-cost franchising:** the operator retains all fare income, with the franchising authority paying a subsidy to the operator if the bus service is unprofitable and the operator retaining any profits if the service is profitable.

Provisions in the Transport (Scotland) Act 2019 allowing Scottish Councils to establish municipal bus companies came into force on 24 June 2022. Authorities including Highland Council and Scottish Borders Council now directly operate services within their areas, typically following the withdrawal of commercially operated services.

Trends in bus service provision and patronage

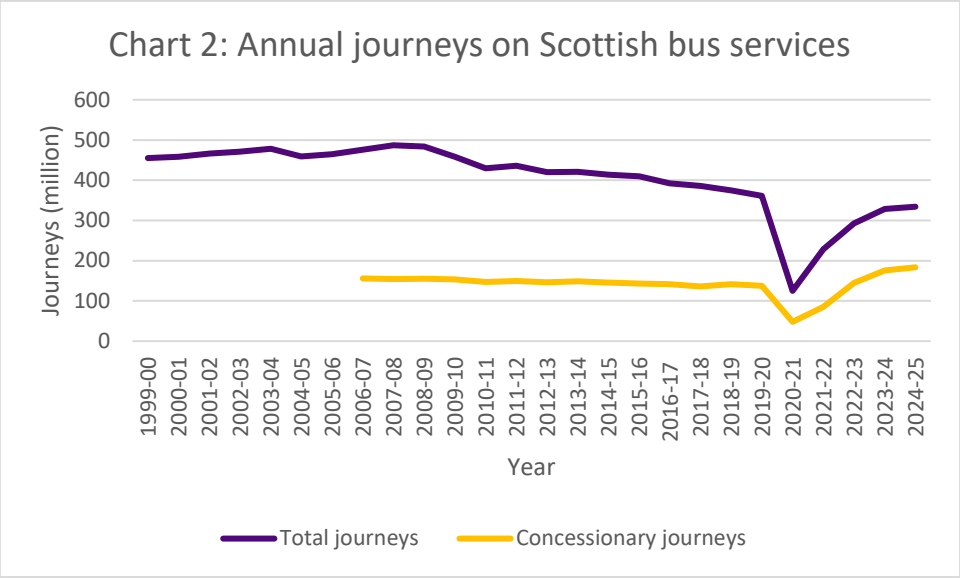
Charts 1 and 2 below show that the distance operated by local bus services in Scotland has been on a downward trend over the lifetime of the Scottish Parliament, as has the number of trips made by fare paying passengers.

Chart 1 below shows that bus mileage has declined by 27% between 1999-00 and 2024-25, although this masks the fact that the distance covered by supported (subsidised) services had actually increased by 7% over the same period (subject to annual variation).



The number of passengers has been in long-term decline, falling by 27% between 1999-00 and 2024-25. The number of concessionary journeys also fell between 2006-07 and 2019-20 (the last year unaffected by the covid pandemic), declining from 156 million to 137.5 million trips over this period. By 2024-25, two years after the introduction of the young persons' scheme, there were 184 million concessionary trips made in Scotland – an increase of 28 million trips (18%) on the previous high in 2006-07.

Despite this increase, the introduction of the young persons' scheme has not noticeably slowed the continuing long-term decline in Scottish bus patronage. During 2019-20 (the last full pre-covid year) 361 million bus trips were made, which had fallen to 334 million trips in 2024-25, a reduction of 7.5%.



Bus industry income

The bus industry has four key sources of revenue, with public sector support accounting for more than 55% of total annual income in 2024-25:

1. **Fare income:** Passenger fare income during 2024-25 amounted to £391 million, accounting for 43% of bus operator income that year.

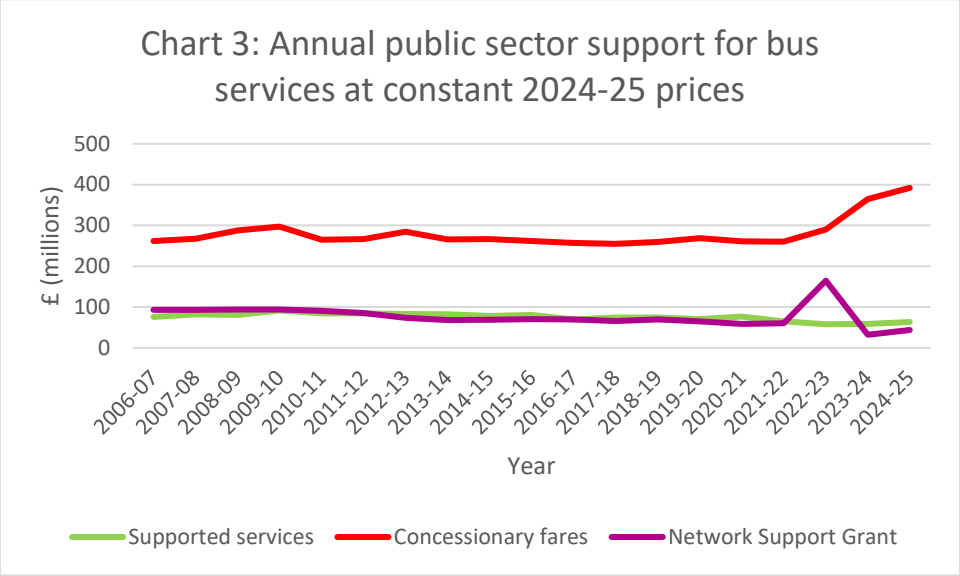
2. **Concessionary fares:** The Scottish Government operates two national concessionary fares schemes for Scottish residents. The first was launched on 1 April 2006 and provides free travel on local bus and scheduled coach services for disabled people and those aged 60+. The second began on 31 January 2022 and provides free local bus and scheduled coach travel for those aged under 22. Concessionary fare reimbursement of £392 million was paid to bus operators in 2024-25, 43% of total bus operator income for that year.

3. **Network Support Grant:** A revenue subsidy for commercial and certain community bus services, paid at a rate of 14.4 pence per kilometre operated. £44 million of Network Support Grant was paid to bus operators in 2024-25, approximately 5% of total bus industry income.

4. **Supported bus services:** Local authorities have a discretionary power to subsidise socially necessary bus services that cannot be provided on a commercial basis. Such subsidy can normally only be awarded after a competitive tendering exercise has been undertaken. Local authority support amounted to £63 million in 20254-25, accounted for 7% of bus operator income.

Chart 3 below shows that, in real terms, Scottish Government support for concessionary fares remained broadly stable from 2006-07 until the introduction of the young person's scheme in 2022, with total expenditure increasing by 51% in real terms between 2021-22 and 2024-25. By contrast, the amounts allocated to Network

Support Grant (previously Bus Service Operators Grant) and local authority support for bus services have both declined in real terms.



Concessionary travel

Transport Scotland operates two national concessionary travel schemes, under the provisions of the Transport (Scotland) Act 2005. These are:

1. **Scheme for older and disabled people:** Launched in April 2006, this scheme offers free travel on registered local bus services and scheduled coach services within Scotland to Scottish residents aged 60+ or to disabled residents of any age.

2. **Scheme for young people:** Launched in January 2022, this scheme offers free travel on registered local bus services and scheduled coach services within Scotland for Scottish residents aged five to 21 years (children aged 0-4 already travel on buses for free).

As part of these schemes, bus operators are paid a proportion of the full adult fare for each concessionary traveller carried, known as the reimbursement rate. The total amount payable to operators taking part in each scheme is also subject to an annual cap, with no further payments made to any bus operator if the scheme cap is reached. 2026-27 is the first year that the young persons' scheme has been subject to a payment cap. To date, the payment cap has rarely been reached. Both schemes work on the basis that an operator should be left no better, or worse, off from participating in the scheme than if they had not done so.

The reimbursement rate for the national concessionary travel scheme for older and disabled people for 2026-27 is 53% of the full adult single fare for the journey being taken, with the annual payment cap set at £248.2 million.

The reimbursement rates for the young persons' concessionary fares scheme are 48.1% of the full adult single fare for journeys taken by people aged 5 to 15 and 72.5% for those aged 16 to 21. The annual payment cap is set at £220.6 million.

£2 bus fare cap

Transport Scotland is currently running a year-long pilot of a £2 bus fare cap for single trips within the Shetland, Orkney, Western Isles, Highland, Moray, and Argyll and Bute Council areas. The pilot has a budget of £10 million.

The 2026 SNP manifesto included a commitment to extend this cap across Scotland by the end of this parliamentary session, with the scheme to be rolled out in the Strathclyde area within 100 days of the election – with cap coming into effect in Strathclyde on 7 September 2026. The Cabinet Secretary for Economy, Tourism and Transport told the Transport Committee on 9 September 2026 that the Strathclyde cap is expected to cost in the region of £100m to £120 million per year.

The Scottish Government has announced that the £2.00 fare cap will be extended to cover the Aberdeen City and Aberdeenshire areas from April 2027.

Bus franchising in London

Bus services in London have never been deregulated, with the bus provisions of the Transport Act 1985 not applying within Greater London. Instead, the London Regional Transport Act 1984 established London Transport (following the abolition of the Greater London Council) to manage bus and underground services in the city. The Act placed a duty on London Transport (LT) to tender activities and operations where it thought appropriate. This resulted in progressive competitive tendering of bus operations in London after 1985.

The 1984 Act also required LT to set up subsidiary companies to run London bus services. In 1985, LT set up a subsidiary known as London Buses Limited (LBL) to run its bus services. However, route planning and fare structures remained the responsibility of LT.

In the same year, LT set up the Tendered Bus Division to begin the process of competitive tendering. This required LBL to compete against privately owned operators for the opportunity to run individual bus routes on behalf of LT.

The routes were awarded to the operator which could run the best service at the most cost-effective price, and about 40% of the initial contracts were awarded to private companies rather than LBL. As a step towards the planned deregulation of services, LBL created 13 locally based subsidiary companies, each with its own commercial remit.

In December 1992, the UK government announced that the LBL operating companies would be sold into the private sector ahead of deregulation. However, a year later, it decided to postpone deregulation until after the General Election in May

1997, although the sale of the operating companies to the private sector was completed in 1994.

Following the UK general election in 1997, the new UK Government pursued greater devolution. In addition to the Scottish Parliament, this saw the re-establishment of a London-wide authority in 2000 - the Mayor of London and London Assembly.

As part of this process, in July 2000 London Transport was replaced by a new organisation called Transport for London (TfL), which is responsible for implementing the Mayor of London's Transport Strategy and the management of the city's transport services. Bus services are managed by London Bus Services Ltd (London Buses), which is part of TfL. London Buses manages the franchising system - planning bus routes, specifying service levels and monitoring service quality. It is also responsible for bus stations and stops, and other bus support services.

The key features of London Buses' tendering and contracts system can be summarised as follows:

- Contracts are designed to provide incentives to operators to improve quality.
- Routes are generally tendered individually, but often at the same time as other routes in the same area to facilitate service changes.
- Contracts are normally for 5 years, with a potential 2-year performance related extension available to the operator.
- It is a continuing programme of tendering, with between 15% and 20% of the network typically tendered each year.
- Tender evaluation is based on best value for money, taking into account quality and safety as essential features.
- Contract payments are related to the mileage operated and overall reliability of the service.
- Comprehensive quality measurements are used across all aspects of delivery.

It is worth noting that sustaining the franchised bus network in London comes at considerable cost to the taxpayer. A London Assembly written answer from March 2026 states "Transport for London's (TfL's) projected Bus Network subsidy currently stands at £1.1bn per annum, up from £0.6bn in 2017/18 and forecast to reach £1.7bn by 2030." Although it is worth noting that London Buses carried 1.82 billion passengers in the year ending March 2025 and operated 0.28 billion vehicle miles.

TfL recently announced the launch of a publicly owned bus company (Buses for London), which will begin operations in 2027 from a single depot (Park Royal) which is the base for around 100 buses. Initially it will operate one service (Route 6). A further four routes will be announced over the coming year, to come into operation from 2028.

London residents aged 60+ who hold an Oyster 60+ photocard benefit from free travel on buses, underground, Docklands Light Railway, London Overground and Elizabeth Line trains at weekends and weekdays (except between 0430 and 0900). London residents aged under 16 benefit from free bus travel, while those aged 17 and 18 get 50% off bus fares – both concessions require the traveller to hold a Zip Oyster card.

Bus franchising in Greater Manchester

The UK Bus Services Act 2017 gave English mayoral authorities the power to implement bus franchising schemes. The development of such schemes at that time (amendments have since been made by the Bus Services Act 2025 to streamline the process) followed a similar process to that currently in operation in Scotland – including consultation on the proposed franchising framework, and independent assessment of that framework, but did not require approval by a panel convened by the relevant Traffic Commissioner for the area.

The UK Government's Bus Franchising Manual provides an outline of bus franchising in Greater Manchester, describing it as follows:

> "Franchising was introduced in three phases between September 2023 and January 2025. As part of the Bee Network[1], operators are responsible for service delivery, cost risk (shared), performance risk, employment of staff, and maintenance of fleet. TfGM [Transport for Greater Manchester] are responsible for bus stops, interchanges, information, fares / ticketing, local concessions, service frequency, revenue / risk, cost risk (shared), performance monitoring, branding and marketing, network design, customer relations, specification and deployment of fleet, large depot ownership and on-bus technology.
>
> TfGM have introduced a mixture of large and small gross cost contracts to enable small operators to continue to participate. For large contracts, TfGM supplies the depots and vehicles where these are required; for smaller contracts, operators supply both depots and vehicles. The transition to franchising included a significant investment into improving the bus fleet. This included an uplift from 2% ZEBs [Zero Emission Buses] to circa 20% ZEBs provided by TfGM and leased to operators, and new Euro VI[2] buses provided by operators with an overall position of 60% new fleet and five depots partially electrified. TfGM have purchased eight depots and leased a further two as part of the large franchise contracts which operators now use to operate Bee Network services.

[1] The "Bee Network" is an integrated transport network managed by TfGM covering buses, trams, walking, wheeling, and cycling – with commuter rail services becoming part of the network in 2028.
[2] Euro engine classifications for heavy goods vehicles and buses (European emission standards) set the maximum legal limits for tailpipe and environmental pollutants from new trucks and buses. They have been progressively tightened from Euro I to Euro VI to improve air quality.

> Many parts of Greater Manchester are served by buses that originate from outside of Greater Manchester. Operators of these services are required to apply to TfGM for a service permit to run bus services into Greater Manchester. Permits require operators to meet TfGM's operational standards (e.g. environmental, accessibility, safety, etc.), provide appropriate levels of passenger information that can integrate with Bee Network systems (e.g. real time information), and accept and sell Bee Network tickets within the Greater Manchester boundary. Services seeking a permit must also be judged to benefit bus passengers within Greater Manchester and not have an adverse effect on franchised services."

Establishing bus franchising in the Greater Manchester area incurred significant one-off costs, with TfGM reporting that establishing bus franchising cost £134 million. In addition, there are significant ongoing revenue costs associated with maintaining a frequent, affordable, high-quality service. The Greater Manchester Combined Authority revenue budget for bus franchising for 2026-27 is £226.4 million, with a further £6.4 million paid to support socially necessary cross-boundary services not covered by the franchise arrangements.

TfGM report significant increases in passenger numbers after franchising, stating that "The number of Bee Network bus journeys has increased by 14% year on year in the first two franchising areas, with strong signs of growth in the final phase (launched in Jan 2025), along with improved punctuality, customer satisfaction, affordability, accessibility, and passenger safety.

Issues raised at previous Committee meetings

The Committee took evidence from bus stakeholders at its meeting of 2 September 2026. It also discussed bus matters at sessions with the Cabinet Secretary for Economy, Tourism and Transport; Regional Transport Partnerships, and other transport stakeholders. Key issues raised at these meetings include:

- The authorisation process for bus franchising frameworks is overly bureaucratic, with stakeholders including SPT and Get Glasgow Moving asking that the requirement for the framework to be considered and approved by a panel led by the Traffic Commissioner to be removed from the process.

- Franchising is not the best approach to improving bus services across Scotland – such as in Edinburgh and the Lothians, where the publicly owned Lothian Buses provides a high-quality service that carries 36% of all Scottish bus passengers without the need for any direct subsidy from the City of Edinburgh Council.

- Bus operators and passenger representative groups support investment in physical bus priority measures to minimise the impact of traffic congestion on bus journey times and reliability - which has knock on impacts on costs and fare income.

- There is some concern that Government financial support for buses is overly focused on concessionary fares and the fare cap, with some stakeholders arguing that such measures are of no use to people who cannot access a bus service that meets their needs. Instead (or in addition), consideration needs to be given as to how best to support bus services which are not currently commercially viable.

- There is broad support for the roll-out of smart and integrated ticketing across public transport modes, including bus, rail ferry, public bike hire, and car clubs. Stakeholders highlighted national and regional tickets available in Austria and Germany.

Key issues raised in written evidence

The Committee has received written evidence from four witnesses appearing at this meeting. Significant issues raised in this evidence are briefly summarised below:

Association of Transport Co-ordinating Officers (ATCO)

ATCO report their "headline finding", from consulting with members across Scotland on bus franchising, as:

> "Franchising is viewed as a potentially valuable option in contexts where a passenger-focused network redesign requires stronger public control. However, respondents do not regard it as a universal remedy. For many rural, island and already well-performing networks, the immediate barriers are revenue funding, institutional capacity and cross-boundary complexity rather than a lack of statutory control."

With their position being:

> "Scotland should retain franchising as one option within a broader, place-based toolkit. National policy and funding should be neutral between franchising, Bus Service Improvement Partnerships, enhanced contractual models, municipal operation and established publicly influenced companies. The test should be which model offers the best evidenced passenger outcomes and value for money in the circumstances of each area."

ATCO highlight concerns including the complexity of the franchising process, set-up and continuing costs, limited transport authority staff capacity to develop franchising proposals while maintaining current levels of service, evidence from elsewhere about the costs and risks of franchising, the fact that regulatory change does not address issues such as traffic congestion, and that the impact of initiatives such as the £2 bus fare cap have yet to be assessed and understood before embarking on further change.

Confederation of Passenger Transport (CPT)

The CPT headline position is broadly similar to that of ATCO, stating:

> "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."

CPT go on to highlight concerns including the set-up and ongoing costs of franchising, and the potential impact of franchising on SME bus operators – who are less well equipped to deal with franchising processes. They go on to highlight the possible role of Bus Service Improvement Partnerships in improving passenger outcomes, with possible learning from the broadly equivalent English Enhanced Partnerships.

They then highlight the impact of traffic congestion on bus service journey times and service reliability – and the role of bus priority measures in tackling this issue.

Finally, they raise concerns about a lack of consultation by the Scottish Government on plans for the future of the industry – arguing that partnership is the way forward, with concerns about future regulation impacting on investment decisions and service planning.

Strathclyde Partnership for Transport (SPT)

SPT outline trends in public transport use, including the long-term decline in bus use, and highlight how its Regional Bus Strategy aims to reverse this situation – principally by bus franchising.

SPT go on to highlight concerns about the current franchising framework development and approval process – including the length of time it takes, an inability to directly award initial franchise contracts to incumbent operators (who are best placed to provide the service in the transition to a franchised system), rigidity in statutorily defined timescales, the need for a managed transition between the current system and bus franchising to ensure continuity of service, clarity for cross-boundary bus service provision (i.e. non-franchised services entering/leaving the franchising area), uncertainty over funding for both initial set-up and ongoing service provision, and the continuing lack of guidance from Transport Scotland.

SPT is also concerned that legislative change could further delay progress towards the start of any franchise.

They go on to suggest:

- Franchising should only be a part of the development of a fully integrated public transport network involving rail, subway, walking, wheeling and cycling. Transport authorities need the powers necessary to develop such a system.

- Multi-year funding certainty – including for franchising development, implementation and transition, ongoing revenue support, and for the development of bus priority measures.

- Legislative simplification, including removal of the Traffic Commissioner led panel, allow direct awards to incumbent operators during transition to franchising, allow for greater flexibility in implementation, create a permit system for cross-boundary services, and the timely publication of guidance by Transport Scotland.

Christopher Cheek

Christopher Cheek has submitted a 28-page submission, which covers the following topics in depth:

- The market for bus services in Scotland:
- Franchising
- Decarbonisation and fleet investment
- Fares, concessionary travel, and ticketing
- Bus priority and local powers

While it is not possible to summarise such a detailed submission in a few paragraphs, it is worth noting that Christopher Cheek does reach similar conclusions to other witnesses on several topics, including:

- The Traffic Commissioner led panel that assesses any proposed franchising framework should be removed from the process, and the initial audit process strengthened.

- Franchising in not a panacea, is not appropriate in many areas, can have significant costs, and does not tackle issues such as traffic congestion and rising operating costs.

- Expanding eligibility for free bus travel, and the roll-out of the £2 bus fare cap is substantially increasing public investment in bus service provision.

- Investment in high-quality bus priority measures helps reduce bus journey times and increase reliability, which in turn drives passenger growth.

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Strengthening Scotland's Bus Network debate, 5 November 2026

During the debate on strengthening Scotland's bus network on 5 November 2026, the Cabinet Secretary for Economy, Tourism and Transport confirmed that the Scottish Government:

> "… will bring forward legislation next year to remove the franchising panel, as set out in the 2019 act, to enable us to take the necessary steps to accelerate and implement the programme across Scotland."

In winding up the debate, the Cabinet Secretary also said:

> "…we will introduce legislation to ensure that we have minimum service requirements."

It is currently unclear what these minimum service requirements might be, how they would be enforced, or what the cost implications might be for bus operators, national and local government.

In addition, the Cabinet Secretary also said:

> "We will progress plans to support regional-level franchising and are committed to working with LTAs and other stakeholders to ensure that the Scottish franchising model meets the needs of passengers and communities across Scotland."

While also offering assurances that "I have no intention of imposing a franchise on Lothian Buses" and that "…my intention is not to remove opportunities but to build on them. We believe that communities should be able to help shape a modern transport system, rather than that being something that happens to them."

Alan Rehfisch, Senior Researcher (Transport and Planning), SPICe
Date: 06/11/2026

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