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Llyr Gruffydd MS  
Chair of the CCEI Committee

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19 December 2025

Dear Llyr,

I hope this finds you well.

At our recent meeting, I agreed to write to you with further details of our approach to aspects of bus franchising – in particular, with regards to our approach in the context of small and medium-sized operators, as well as in relation to learner travel. Please find details in the appendices below.

We reached a real milestone with the Bus Services Bill passing Stage 4 recently. Many thanks to you, the wider Committee, and Members of the Senedd for your work on this important legislation.

Cofion cynnes,

**Vernon Everitt**  
Chair, Transport for Wales



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## **Appendix 1: Briefing Note for CCEI Committee on Bus Franchising – Small and Medium-Sized Enterprises (SMEs)**

### **Context**

The bus operator market in Wales is diverse with a number of UK national / multinational companies (such as First, Stagecoach, Comfortdelgro), municipal bus companies (Cardiff and Newport), community transport operators, and a large number of SMEs.

Many SMEs are not solely dedicated to providing local bus services. They often also offer commercial services such as coach tours and excursions, rail replacement buses and learner travel. In many rural areas, the majority of services are provided by SMEs. The national and multinational operators typically focus on scale – where depots are larger and services operate on mostly urban or inter-urban routes.

### **Approach**

TfW's objective is to sustain a thriving SME sector under franchising by doing everything possible to make our processes simple and straightforward. There could be many reasons why certain SMEs choose to exit but we are working hard to ensure that franchising alone, and of itself, should not be one of them.

To achieve this, TfW has engaged SMEs through working closely with the Confederation of Passenger Transport UK (CPT) – which represents around 800 bus companies – and the Coach & Bus Association Cymru (CaBAC) – a trade association for the coach and bus industry in Wales. TfW has also engaged directly with SMEs themselves.

This engagement has enabled TfW to hear directly from operators and has shaped our approach by:

- Determining the nature and location of market engagement sessions to specifically target SME operators.
- Reviewing the franchise packages to make them more attractive to the SME market, and ensure they are of a scale that works for SMEs.
- Considering differences in the procurement timescales for large and small packages to ensure they are appropriate for the different markets they are targeted at.
- Proposing a familiar approach to market through the dynamic market (further detail below) that minimises the risk of smaller operators failing to join the procurement.
- Providing support to SMEs including through Business Wales.

Our procurement strategy has focused on the following areas to ensure SMEs have the greatest opportunity to continue to thrive:

- Route to Market and Market Entry.

- Dynamic Market Structure.
- Insurance.
- Tender Process.
- Market Engagement.

### **Route to Market and Market Entry**

We have elected to follow a ‘dynamic market approach’ as our route to market.

This choice is based on the simplicity of the process which is familiar to SMEs in Wales as it is the most similar process to that which many Local Authorities have used for their procurement in the past.

Dynamic markets are essentially a list of qualified suppliers who can provide a particular range of services. There is generally a relatively low threshold for qualification – requiring some level of legal, financial and technical ability to fulfil a public sector contract.

The dynamic market remains open to new suppliers joining or leaving the list at any time across the market’s lifetime, and there is no limit on the number of suppliers that can join a dynamic market. This means that missed deadlines for joining are avoided.

The tender process is run across the full list of suppliers who have added their organisation to the list.

### **Dynamic Market Structure**

Developing our approach to how we package the network – identifying the specific route(s) that form the scope for operators to bid for – was focused on three key criteria, ensuring packages that:

- Exhibit operational efficiency,
- Support the existing SME market, and
- Generate acceptable competition.

This package design has resulted in a high number of packages, some of which have as few as two buses. It ensures that there are plenty of suitable packages – of the size, scale and locality necessary to support SMEs.

### **Insurance**

Whilst our approach to insurances has not yet been finalised, we are intending to require different levels of insurance – ensuring smaller packages have a proportional approach to insurance requirements. This reflects our understanding that insurance is one area that can exclude SMEs. We do not expect a lower standard of safety from SMEs.

### **Tender Process**

Tenders will be launched for South West Wales in June 2026. The tender process that supports the dynamic market described above is still being developed. TfW is focused on developing processes that are: simple; clear for SMEs; that reduce barriers to entry, costs of bidding, and contract compliance. The approach will be tested in forthcoming formal market engagement events, and Business Wales will continue to attend our engagements to ensure SMEs understand the support that is available to them.

### **Market Engagement**

For the last 12 months, TfW has held regular engagement sessions with operators that focused on our overall approach and addressed specific issues (such as the approach to depots, fleet, incentives and customers within the franchising environment). These have been attended by both large operators and SMEs as well as CPT and CaBAC which have formed a key route for feeding back operators concerns. We have also engaged with wider organisations such as the Community Transport Association and UK Coach Operators Association.

On 20<sup>th</sup> November we began our formal market engagement. More than 40 operators have attended, many of whom are SMEs. The market engagement was a two-stage process. Firstly, explaining the immediate needs of the dynamic market. Secondly, sessions on the tender process itself where content was differentiated between larger and more complex packages, and the potentially simpler SME packages. We specifically sought feedback on the packages we developed and are now in the process of considering that feedback.

## **Appendix 2:**

### **Briefing Note for CCEI on Bus Franchising – Learner Travel**

TfW recognises that while Local Authorities retain responsibility for learner travel it must be considered as part of the whole system in relation to one network, one timetable, one ticket.

In working with Local Authorities to develop the base network we have sought to maximise the volume of school transport movements on public transport – therefore minimising the use of closed school transport – while recognising that the services need to remain attractive to all passengers, and that local bus services are not suitable for all school movements (e.g. where closed school buses are used for safeguarding reasons).

As part of stage two of the Bus Bill scrutiny, two amendments were agreed to ensure that learner travel integration continues to form a key role in the development of the Welsh Bus Network Plan. TfW's approach continues to be shaped by the intent of these amendments to ensure that the franchise network supports learner travel in a range of ways.

We recognise that different authorities take different approaches to learner travel which sometimes changes the emphasis. However, the following are the key features of how we include learner travel in our network:

- Ensuring the network and timetable provides routes that allow learners to use the local bus service to travel (especially relevant for colleges in some areas). This includes routes that meet wider needs but includes appropriate stops at the times required for schools and colleges.
- Designing our network, where appropriate, to leave space in the timetable to allow the franchised local bus service to cease and a Local Authority contracted closed school service to operate – allowing cost efficiency through the same bus and driver providing the same service.
- Reviewing existing closed school services to ensure that there is no further benefit that can be delivered by modifying the network to replace these closed services.
- Including in the franchise network routes that are solely to provide learner travel. For example, in South West Wales, the 243 Pensarn to Queen Elizabeth High School in Carmarthen is currently a commercially operated service operating on school days only, providing a single service in each direction for school start and finish, and has been maintained within the proposed base network. There are similar routes in other areas including Cardiff and Newport.

There are also a number of wider factors that we are considering to ensure successful learner travel, including the capacity of vehicles – for example, in Swansea, double decker buses are used on the routes serving the university – and

ensuring that our approach does not adversely impact SMEs who often provide closed school buses as well as delivering local bus services. The nature of learner travel means that local bus services cannot fully replace closed bus and taxi services. However, we work with collaboratively with Local Authorities to maximise the appropriate use of local bus services for learner travel.