

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Cyllideb Ddrafft Llywodraeth Cymru 2026-27 | Welsh Government Draft Budget 2026-27

Ymateb gan Confederation of Passenger Transport, | Evidence from Confederation of Passenger Transport,

1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

(We would be grateful if you could keep your answer to around 500 words).

Welsh Government's 2025/26 budget provided over £140m in revenue support for bus services in Wales. This was vital to ensure that the bus network in Wales remained stable, and provided certainty to operators they prepare for a significant period of regulatory change as the Bus Services (Wales) Bill works its way through the Senedd.

There are three main revenue funding streams for bus services in Wales, all with slightly distinct objectives:

- The Bus Services Support Grant provides £25.5m to support bus operators with the costs of running bus services, to keep fares low, and to drive increased quality in service provision.
- The Mandatory Concessionary Fares scheme is a demand-led fund is a subsidy to passengers who have a concessionary travel card, allowing them to travel for free on buses if they are over 60, or disabled. The fund reimburses bus operators on a "no better, nor no worse off" basis for providing a service. Around £52m of the £141.4m was identified for this scheme, with an additional c.£10m of funding provided by local authorities from the Revenue Support Grant.
- The Bus Network Grant is provides c. £42m of a support to secure socially necessary services that are not commercially viable, and to increase public control of the bus network.

In addition to this, £15m of funding has been provided across 2025/26 and 2026/27 for the U21 fares reduction scheme, which will allow young people to travel on £1 single tickets and £3 day tickets for the duration of the scheme.

The overall funding envelope for 2025/26 represented an increase on the previous year's funding, and this was welcomed by bus operators, but fell short of the level of funding required to address historic under-investment and long-term cost increases faced by operators.

The Bus Services Support Grant, which had remained static in cash terms at £25m since 2013/14, when it was cut by more than 10%, was increased by £0.5m this year. While any increase in this vital revenue support is welcome, the fund would be worth £35.4m today if it had risen in line with CPI, more than 40% higher than its current rate. It is essential that Welsh Government commits to providing inflationary increases to this budget line going forward to prevent further pressures on the network.

Alongside their revenue commitments, Welsh Government also identified £31m of capital funding for Bus Support in 2025/26, but there has once again been limited engagement with industry on how this is spent. Used effectively, capital investment in bus priority infrastructure has the potential to drive significant improvements in transit times and thus reduced costs for operators while making the bus network more attractive to passengers. At the same time, investment in bus priority drives wider economic growth with every £1 invested in bus priority driving £5 of economic benefits.

In our submission to the Finance Committee last year, we noted that CPT's Cost Monitor had shown an increase in the cost of bus operations of 21.2% between 2021 and 2024. The latest version of the Monitor shows that between February 2024 and February 2025, the industry in Wales saw a further 5.8% increase in operating costs – the largest of any part of the UK.

Over the past year, the industry has continued to work incredibly hard to drive growth in passenger number. However, UK Government data shows that bus passenger numbers in the 12 months to March 2024 were at 78.3% of where they were in March 2020. This compares with 92.5% in Scotland, 89.5% in England, and 89.5% for Great Britain as a whole.

While operators are reporting continued growth on many services, driven by increased midweek commuting, changes in demand for leisure services, and increased economic confidence, it is unlikely that official figures will show pre-COVID passenger levels for some time.

Over recent years, both the UK Government and Scottish Government have targeted large amounts of funding at fares initiatives – the £2 fare cap in Eng

2. How financially prepared is your organisation for the 2026-27 financial year, how confident are you that you can deliver planned objectives, and how robust is your ability to plan for future years?

(We would be grateful if you could keep your answer to around 500 words).

Bus operators are robust, independent and adaptable businesses who plan carefully for the future. However, their ability to do so can often be undermined by the high degree of political and economic uncertainty that has been present in their operating environment in recent years.

The diverse nature of the industry, which ranges from small family-owned local operators to multi-national public transport providers, means that the level of resilience and the ability to plan will vary from operator to operator, and location to location.

However, heading into 2026/27, there are three significant challenges faced by bus operators in Wales in relation to funding:

- The cost of operating buses in Wales has continued to outpace regular measures of inflation, with costs going up 5.8% between February 2024 and February 2025
- The continued reduction in bus speeds in Wales, with a 3.7% reduction between February 2024 and February 2025, driving reductions in efficiency and the attractiveness of the network
- The long-term uncertainty over the policy and regulatory environment, with key decisions over the rollout of franchising and the current U21 fares scheme likely to come after the Senedd elections in May 2026.

To mitigate these challenges, we are urging Welsh Government to prioritise investment in both bus services and infrastructure in their 2026/27 budget. We believe that a minimum of a 5.8% uplift – in line with industry inflation - across each of the three main revenue funding streams is required to address the additional costs operators face. In addition, this Welsh Government should provide certainty to operators, by committing funding for the U21 fares scheme to beyond the current 12 month pilot, with a commitment with operators to ensure that scheme works in the long term.

Finally, Welsh Government should work with industry to identify and invest in bus priority schemes that improve travel times and increase the attractiveness of the bus network as a whole.

Last year, CPT and KPMG published research that shows there is enormous value in investing in bus services in Wales, with the industry employing 3,500 people, and directly contributing at least £305m to the Welsh economy each year.

In addition, the bus network generates £405m of additional value to bus passengers and society through improved connectivity, reduced congestion and environmental improvements. The bus network also enables wider economic growth, with bus users enabled to spend £705m in local communities across Wales by their bus journeys.

Perhaps most importantly, the bus industry can do so much more. Every £1 of additional investment in buses delivers £4.55 of further economic benefits.

An additional £8.5m of investment in buses – a 6% increase - could deliver a further £38.7m of economic benefits across Wales each year.

As the part of the UK that continues to lag furthest behind pre-pandemic patronage levels, it is vital that Welsh Government act now to drive growth and build confidence in the bus network in Wales. Without further investment, there is a significant risks of further network contraction, and ultimately higher costs to the public purse to deliver Welsh Government's franchised network.

In the long-term, Welsh Government should ensure that it provides long-term funding certainty to the industry to ensure the stability of the network for passengers across Wales.

3. What action should the Welsh Government take to:

- **help households cope with cost of living issues;**
- **address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?**

(We would be grateful if you could keep your answer to around 500 words).

- help households cope with inflation and cost of living issues;

Bus operators in Wales work tirelessly to deliver high quality, value for money services for customers.

However, with significant increases in cost in recent years, and limited support from government, the ability of the industry to respond without increasing fares is extremely limited. This is a consistent challenge across the UK, where outside London, 62% of the costs of operating buses are met by fare-payers. In comparison, across Europe, fare payers usually meet around 1/3 of the cost of operating buses, with significantly more support from local and central government.

This challenge has been particularly acute in Wales as the only part of the UK where there hasn't, until this year, been national investment in fares to support the growth of bus passenger numbers.

In England, the introduction of a £2 fare cap on single journeys has driven significant growth in passenger numbers – around 20% in the first year of the cap – and a 7.4% reduction in fares, making them comparable with 2007 fare levels. While the impact of the increase to the £3 has been varied, and difficult to gauge in some places, there are many lessons to be learned from that scheme around the need for certainty, longevity and a clear exit strategy.

Meanwhile, Scottish Government's free travel scheme for young people has seen more than 150 million free journeys made by under 22s since its introduction, increasing patronage by 29% in its first year and improving the sustainability of the network in Scotland as a whole.

While both schemes have had challenges – in England around longevity and certainty, and in Scotland around anti-social behaviour and capacity – both schemes have succeeded in driving growth and supporting certain groups through the cost-of-living challenge, providing affordable travel options to work, school and leisure.

We strongly welcome Welsh Government's investment in the U21 fares scheme during this financial year. However, it is too early to judge the success of the scheme which has been in place for less than 3 weeks, and will not be fully rolled out to U16s for another month or so.

To fully realise the benefits of such a scheme, operators need long-term certainty, and there is an opportunity to provide this in the upcoming budget with continued investment in beyond the initial 12 month term of the pilot.

- address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

The design of places has a huge impact on the efficiency of our public transport system.

As well as retro-fitting bus priority measures to existing road infrastructure, there is a need to ensure that new developments are planned around access to public transport, not private car ownership. Research has consistently shown that concentrating developments around good access to walking, cycling and public transport are the key to reducing the distance travelled by car.

Welsh Government investment in affordable housing and regeneration in their upcoming budget should focus on driving modal shift by funding developments that prioritise public transport in their design. Where this is not possible, Welsh Government and local authorities have significant tools at their disposal through s.106 agreements and the Community Infrastructure Levy that could be used to fund improvements in public transport or initiatives that support e.g. season tickets for new residents and/or employees.

4. Have Welsh Government business support policies been effective, given the economic outlook for 2026-27?

(We would be grateful if you could keep your answer to around 500 words).

The primary business support provided to bus operators is through the various bus funding streams outlined in response to previous answers.

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

(We would be grateful if you could keep your answer to around 500 words).

Llwybr Newydd – the Wales Transport Strategy – contains a number of ambitious targets in response to the climate emergency, with a particular focus on modal shift.

Research published by CPT Cymru and WPI Economics in 2023 showed that meeting these targets would require a 148% increase in bus patronage on a 2018/19, with only 34% of that increase likely to be driven by current policies.

For many of the reasons outlined above, the ability of Welsh Government and the industry to hit these targets has likely been further hampered in recent years, with the significant impact of the COVID-19 pandemic, and the challenge of returning to pre-pandemic passenger levels, much of which has been driven by a shortfall in funding and significant policy uncertainty.

The CPT/WPI research was clear that achieving modal shift would require a comprehensive and co-ordinated package of policies, focusing on increasing the attractiveness of the bus network, making buses cheaper, discouraging car use and changing behaviour. This will not be achievable on current funding levels, and will require consistent long-term investment.

In addition to this, bus operators across Wales are working to support a transition to zero emission vehicles. However, Welsh Government's plans to reform bus services in Wales will have significant implications for the fleet and supporting infrastructure, including depots, owned by bus operators.

Both Cardiff Bus and Newport Transport have made great strides in moving to zero emissions vehicles, with more than 100 electric buses in operation between them. This has been possible thanks to close collaboration between operators, local authority partners and Welsh Government, but further investment in this area will be challenging for all operators due to infrastructure constraints, challenges on rural and inter-urban routes, and ultimately, uncertainty over the Welsh Government and Transport for Wales' fleet and depot strategy in a franchised environment.

This uncertainty, allied with a lack of funding, is halting further progress in this area and likely to mean Wales lags behind other parts of the UK in its transition to zero-emissions buses.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

(We would be grateful if you could keep your answer to around 500 words).

CPT Cymru does not have an established position on borrowing and taxation.

The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

7. Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

(We would be grateful if you could keep your answer to around 500 words).

8. How could the budget further address gender inequality in areas such as healthcare, skills and employment?

(We would be grateful if you could keep your answer to around 500 words).

9. Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

(We would be grateful if you could keep your answer to around 500 words).

10. How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

(We would be grateful if you could keep your answer to around 500 words).

11. How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

(We would be grateful if you could keep your answer to around 500 words).

12. How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

(We would be grateful if you could keep your answer to around 500 words).

13. Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning?

(We would be grateful if you could keep your answer to around 500 words).

14. Has there been adequate investment from the Welsh Government in basic public sector infrastructure?

(We would be grateful if you could keep your answer to around 500 words).

15. How should the Budget support young people?

(We would be grateful if you could keep your answer to around 500 words).

16. How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

(We would be grateful if you could keep your answer to around 500 words).

17. Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and additional costs following increases to National Insurance Contributions, sufficient?

(We would be grateful if you could keep your answer to around 500 words).

18. What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?

(We would be grateful if you could keep your answer to around 500 words).

