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# National UK Bus & Coach Finance Report 2021



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Funding The Road To Recovery

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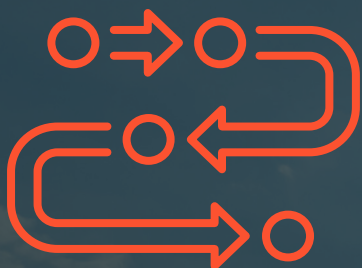
# Funding the road to recovery

<b>Methodology</b>	<b>03</b>
<b>Introduction</b>	<b>06</b>
<b>Executive Summary</b>	<b>07</b>
<b>Main Findings Infographic</b>	<b>09</b>
<b>Respondent Profiles</b>	<b>10</b>
<b>Key Findings</b>	<b>15</b>
Market Outlook	15
Challenges	18
Opportunities	20
Finance	25
<b>Key Contacts</b>	<b>34</b>



## Methodology

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Propel, a leading UK independent asset finance lender and bus and coach financing specialist, has commissioned an in-depth survey with 148 UK operators to explore their attitudes and perceptions towards the sector's financial outlook. This important study also examines the role of asset finance as a growth accelerator as the sector emerges from the pandemic.

Fieldwork, data processing and analysis were conducted in Spring / Summer 2021. The survey was deployed independently of Propel via **Routeone** magazine, with responses collated and analysed on an anonymised basis.



# About Propel

Propel was established in 1996 to provide flexible and accessible finance to UK SMEs; and has helped more than 40,000 businesses to acquire business-critical vehicles and equipment.

At Propel, we recognise the diverse challenges that bus and coach operators are facing today: from the impact of COVID-19 and successive lockdowns on the sector, to the costs associated with operators' licences, to hiring PSV qualified drivers, rising fuel duty, ever-changing legislation, specialist conversions, garage equipment, maintenance and running one or multiple depots.

Supporting the finance needs of the bus and coach sector has always been an integral part of Propel. This is led by its dedicated specialist bus and coach finance team, which understands first-hand the requirements of businesses from the sector and has a finger on the pulse of the rapid changes that the industry is undergoing technologically, structurally and economically.

Find out more at [www.propelfinance.co.uk](http://www.propelfinance.co.uk).





# About Routeone

Routeone magazine is the indispensable resource for professional UK bus, coach and minibuss operators. The home of vehicle sales and the latest bus and coach job vacancies, Routeone connects professional PCV operators with complete and unrivalled news coverage.

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# Backing the bus and coach sector for the road ahead

Of all the industries in the UK, the British bus and coach sector has been hit particularly hard by the COVID-19 outbreak and the impact of successive nationwide lockdown measures.

For Propel, the results of this important national survey underline the fact that the previous 12 months have been financially difficult for operators; and despite government support many are not finding their existing routes to market for finance as easy as they used to be.

As the findings attest, the underlying resilience of the bus and coach sector is such that, despite all the challenges brought about by COVID-19, there remains an inherent positivity in terms of the industry's future and a strong desire to continue to invest in both core fleet assets and new technologies.

Of critical concern is the feeling among half of those surveyed that they feel unable to obtain finance from lenders due to a perceived lack of appetite for the sector.

We supported operators before the pandemic, we supported them during, and we will be supporting them long afterwards. Operators should not feel alone. The government certainly has a role to play in ensuring that people feel confident choosing public transport as a first choice for journeys post-pandemic, but it is also imperative that funders rally behind the sector. We are here to listen to the needs of the sector, which is precisely why this research study has been commissioned and we are ready to respond.

The manner of that response is also important. At Propel, we believe it is essential to look at each case on its own merits and to listen to each individual client's requirements to gain an understanding about the challenges and opportunities they face. Only then can we tailor the most appropriate solution, creating added flexibility by introducing elements such as balloon payments, contracts aligned to an operator's replacement policy, seasonal repayment structures and VAT deferrals.

It is critical that we back the British bus and coach industry, which is a vital contributor to public transport, tourism, social cohesion and job creation to get the wheels of our economy turning again.

**Chris Rich,**  
**Bus and Coach Relationship Director at Propel**



# Main findings from Propel's National Bus and Coach Finance Survey:

- ✦ 44% of operators feel positive about the financial outlook for the sector over the next 12 to 24 months; and 46% are optimistic about their individual business performance
- ✦ Operating restrictions due to COVID-19 remain the principal concern for 65% of respondents
- ✦ 41% of operators are looking to acquire coaches or midi coaches in the next 12 months
- ✦ Forthcoming technology investments include CCTV, low emission powertrains, air cleaning and purification
- ✦ Asset finance is the pre-eminent form of finance for the sector with 61% of operators seeing clear benefits of using it to acquire vehicles and equipment
- ✦ 43% of respondents source their funding from finance brokers, underlining the pivotal role of intermediaries in the sector ecosystem

Propel, a leading UK independent finance lender and bus and coach finance specialist, has commissioned an independent survey in partnership with **Routeone** magazine, the industry journal for professional UK bus, coach and minibus operators. This important study reveals the views of operators throughout the UK on the financial outlook as they emerge from the pandemic, the critical investments that they are planning and how they intend to finance them.

# Executive Summary

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## Positive sentiment in the face of adversity

Despite the severe trading challenges arising from lengthening operating restrictions and the loss of patronage brought about by the COVID-19 pandemic, there is a prevailing optimism for the future, both at sectoral and individual business levels.

## An appetite to invest

Undeterred by current market conditions, this is a resilient sector looking to the future with dependability at its core. The appetite for making further investments in new and used assets such as buses and midi-buses, coaches and midi-coaches, PSVAR conversions, accessibility and workshop equipment continues to strengthen. Ever progressive in their outlook, operators are looking to implement a host of advanced technologies ranging from CCTV to low emission powertrains and air cleaning & purification units.

## Concerns over access to finance deepen

Half of the respondents who participated in the survey cited major reservations in approaching funders due to their perceived lack of appetite for the sector. This is a significant and concerning trend that will need to be addressed by specialist finance providers in support of this key industry as it looks to navigate the new normal.

## Asset finance emerges as the pre-eminent form of bus and coach sector funding

The ability to obtain immediate use of business-critical assets with no capital outlay; and the flexibility and ease of spreading the costs over time with affordable payments were stated as primary reasons why 61% of participating operators voted asset finance as the leading form of funding for the sector. In addition, a fifth of respondents said that they would use asset refinance to release cash from assets they already own, such as vehicles and equipment, whilst retaining use of them thus boosting their working capital. The most desirable lender attributes encompassed several factors including competitive pricing, good relationships, speed and accessibility in obtaining funding, specialist knowledge of the UK PSV industry and flexibility.

## The vital role of intermediaries

Accountants and commercial finance brokers have never been more critical to businesses in providing valued and trusted advice. Intermediaries are incredibly knowledgeable about the finance marketplace and the funding solutions that genuine specialists can provide.



# Main Findings Infographic

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## Market Outlook 2021/22

Positive about the financial outlook for the sector

44%

Optimistic about individual business performance

46%

## Challenges

Operating restrictions due to COVID-19

65%

Loss of patronage

56%

Restricted access to government grants

38%

Restricted access to borrowing

21%

## Opportunities - New Investments

Coaches / midi-coaches

41%

PSVAR conversions and accessibility equipment

23%

Buses/midi-buses

16%

Workshop equipment

14%

## Opportunities - New Technologies

CCTV

26%

Low emission powertrains

24%

Air cleaning and purification

22%

## Finance

Asset finance

61%

Own funds

45%

Bank loans

39%

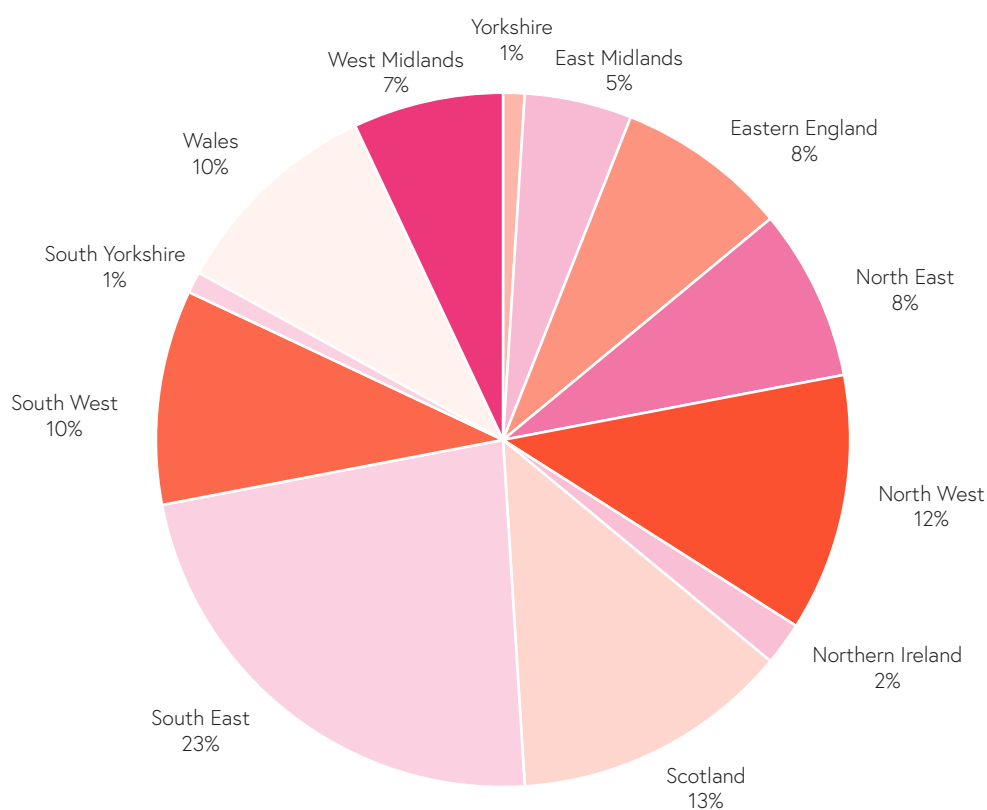
Overdraft facilities

27%

## Respondent Profiles

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In which region is your business based?



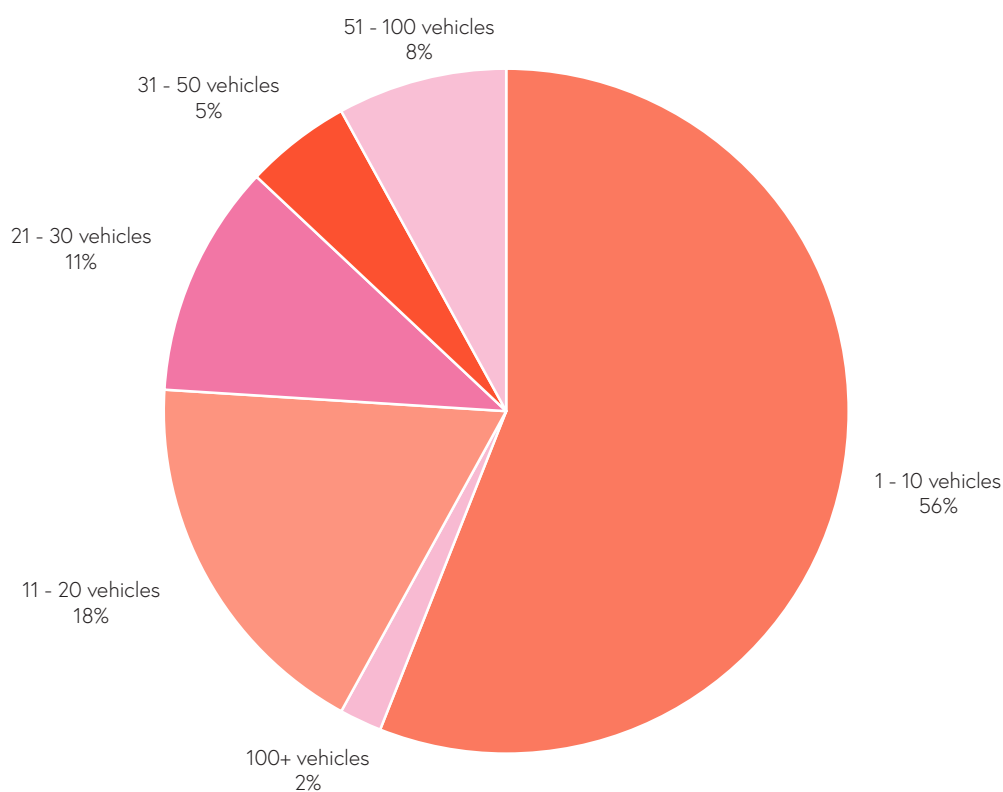
The survey was conducted with a broad cross-section of bus, coach and minibuss operating businesses throughout the UK and sought opinions and insights from business owners, CEOs, finance directors and directors/senior managers. All principal regions were represented within the survey, with the South East (23%), Scotland (13%), North West (12%), South West (10%) and Wales (10%) comprising the largest constituent regions by number of participants.



## Respondent Profiles

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How many vehicles does your business operate?

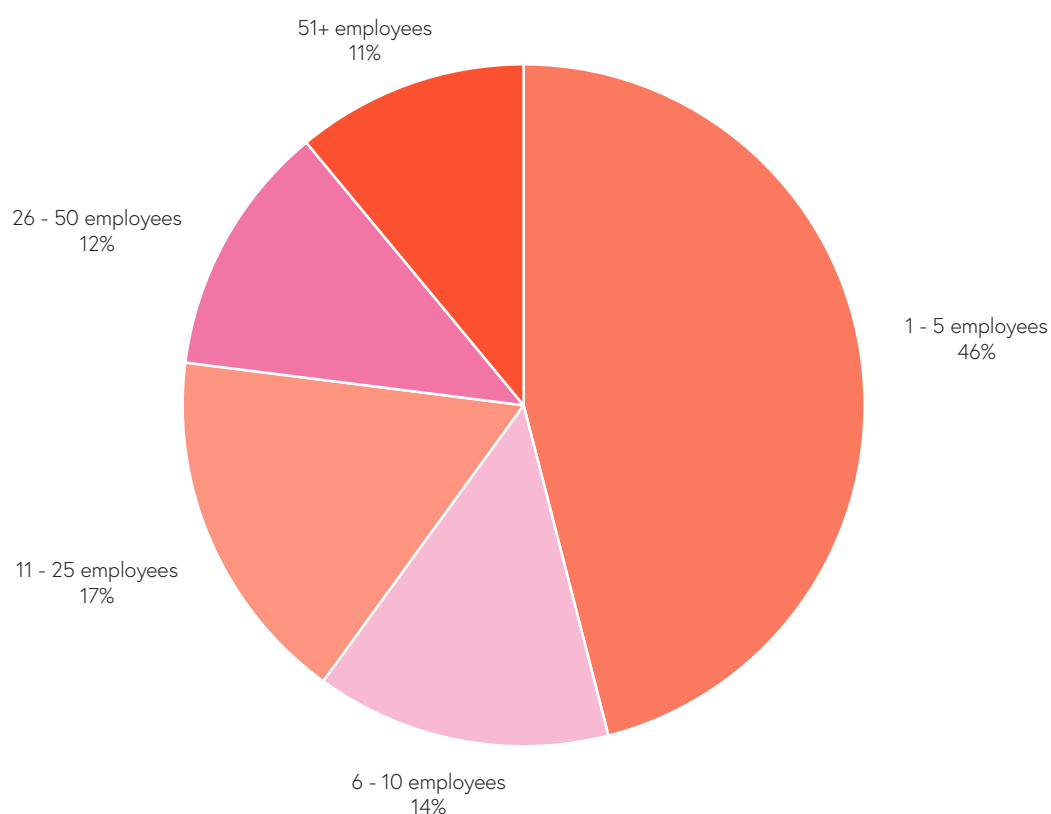


Over half of the respondents (56%) operate 1 to 10 vehicles, followed by 18% of participants in the 11 to 20 vehicles category. 24% of those surveyed operate between 21 to 100 vehicles.

## Respondent Profiles

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How many staff do you currently employ?

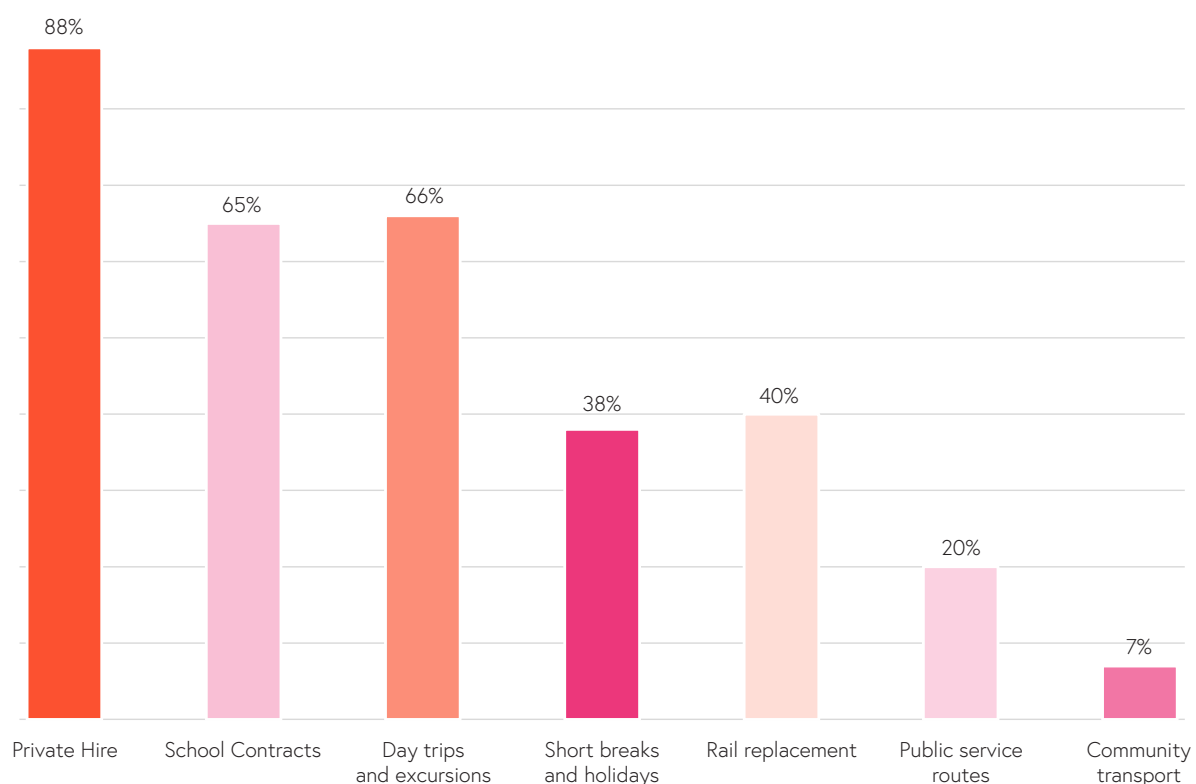


The survey was proportionately reflective of the wider market, with respondents that employ 1 to 5 people representing 46% of the total of participants who completed the survey. This was followed by 14% in the 6 to 10 employees category and 17% in the 11 to 25 employees category.

## Respondent Profiles

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Which of the following services do you provide?  
Select all that apply.

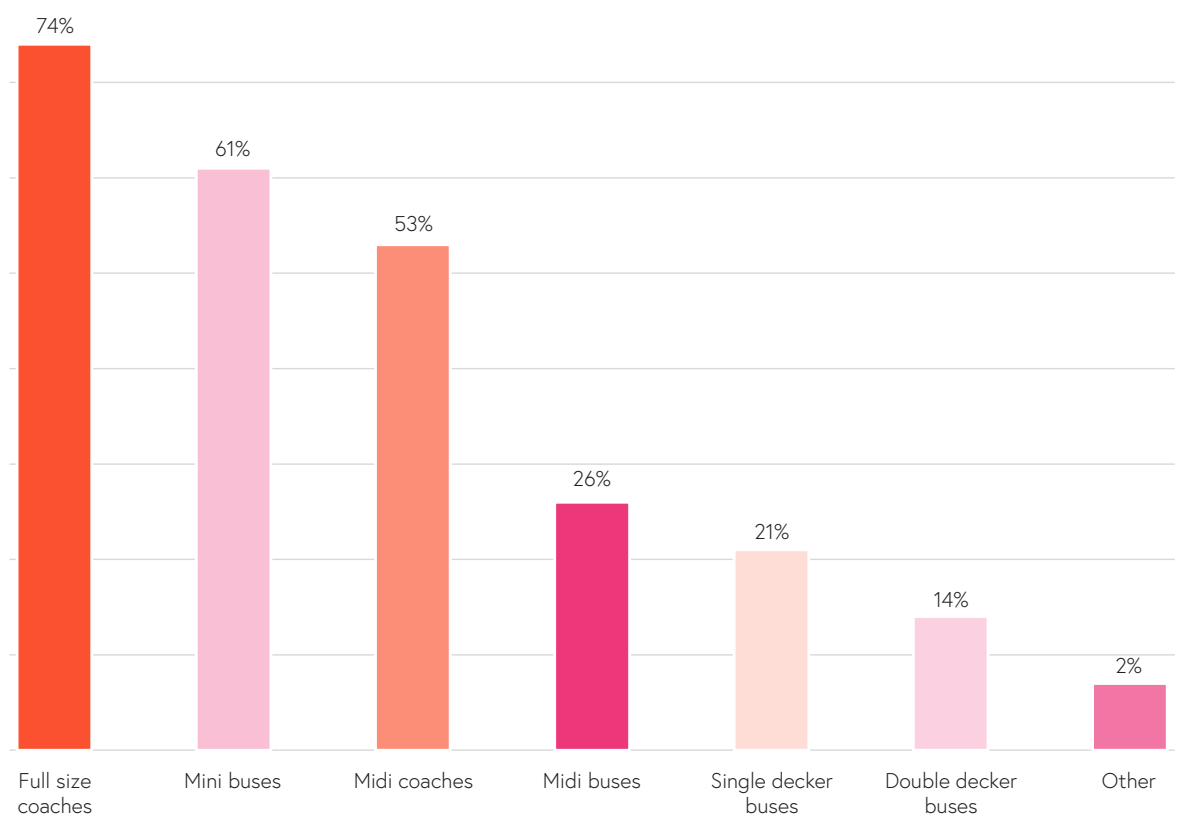


Respondents represent a wide range of businesses within the sector with private hire (88%) comprising the largest segment, followed by day trips and excursions (66%) and school contracts (65%), with rail replacement work and short breaks and holidays accounting for 40% and 38% of operators' services respectively.



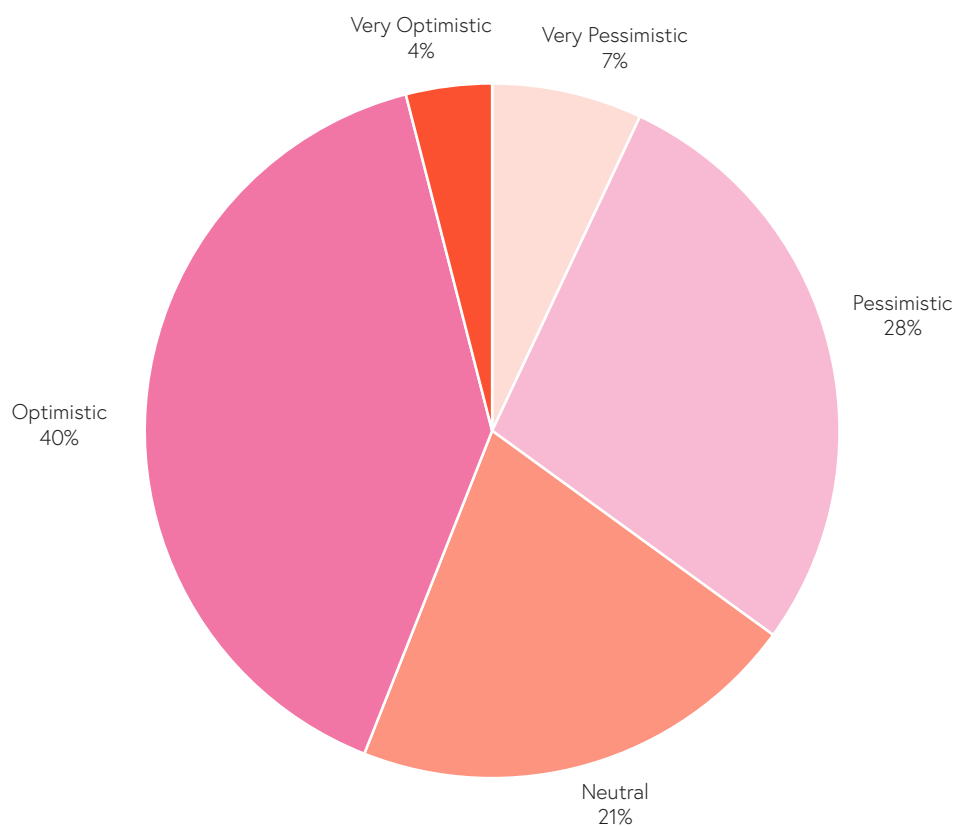
# Respondent Profiles

Which of the following vehicles do you operate?  
Select all that apply.



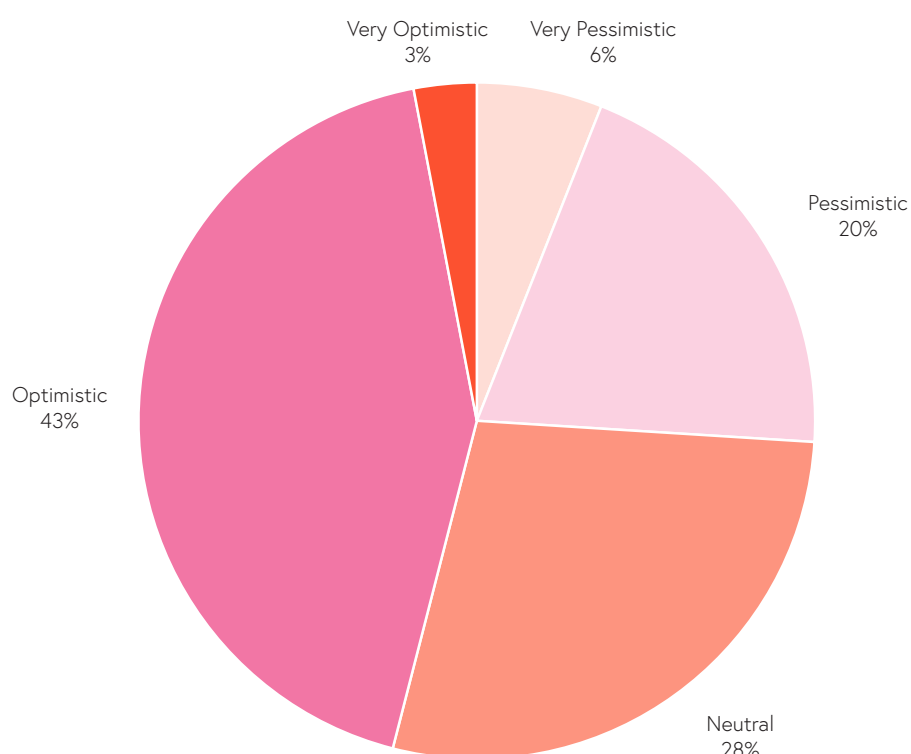
Of those respondents surveyed, 74% operate full size coaches and 53% midi coaches; with 61% operating minibuses and 26% midi-buses. Around 21% operate single-decker buses and 14% double-decker buses.

How do you feel about the financial outlook for the industry over the next 12 to 24 months?




When it comes to the financial outlook for the wider industry over the next 12 to 24 months, 44% of those surveyed report they are optimistic against 35% that claim to be pessimistic.

How optimistic are you regarding your own business performance in 2021/22?



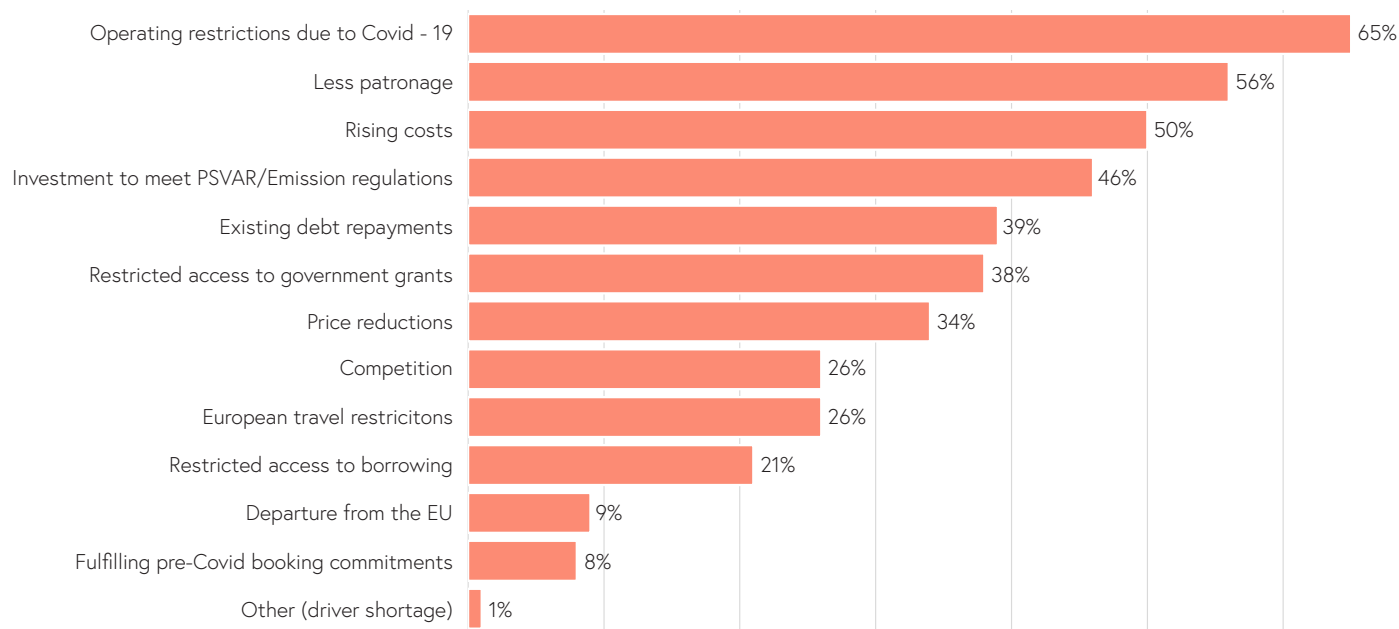
However, optimism was higher for individual business performance in 2021 and 2022, where 46% of operators reported feeling optimistic and 26% pessimistic.



"A year on from the initial lockdown, the successful roll out of the vaccine programme is allowing more and more people the freedom to return to work and education - resulting in increased optimism in the bus and coach sector, with investment intentions showing a strong rebound. More than 40 million people in the UK are now fully vaccinated against COVID-19, according to the government's figures; and this has to be a shot in the arm for an industry looking to re-open fully for business."

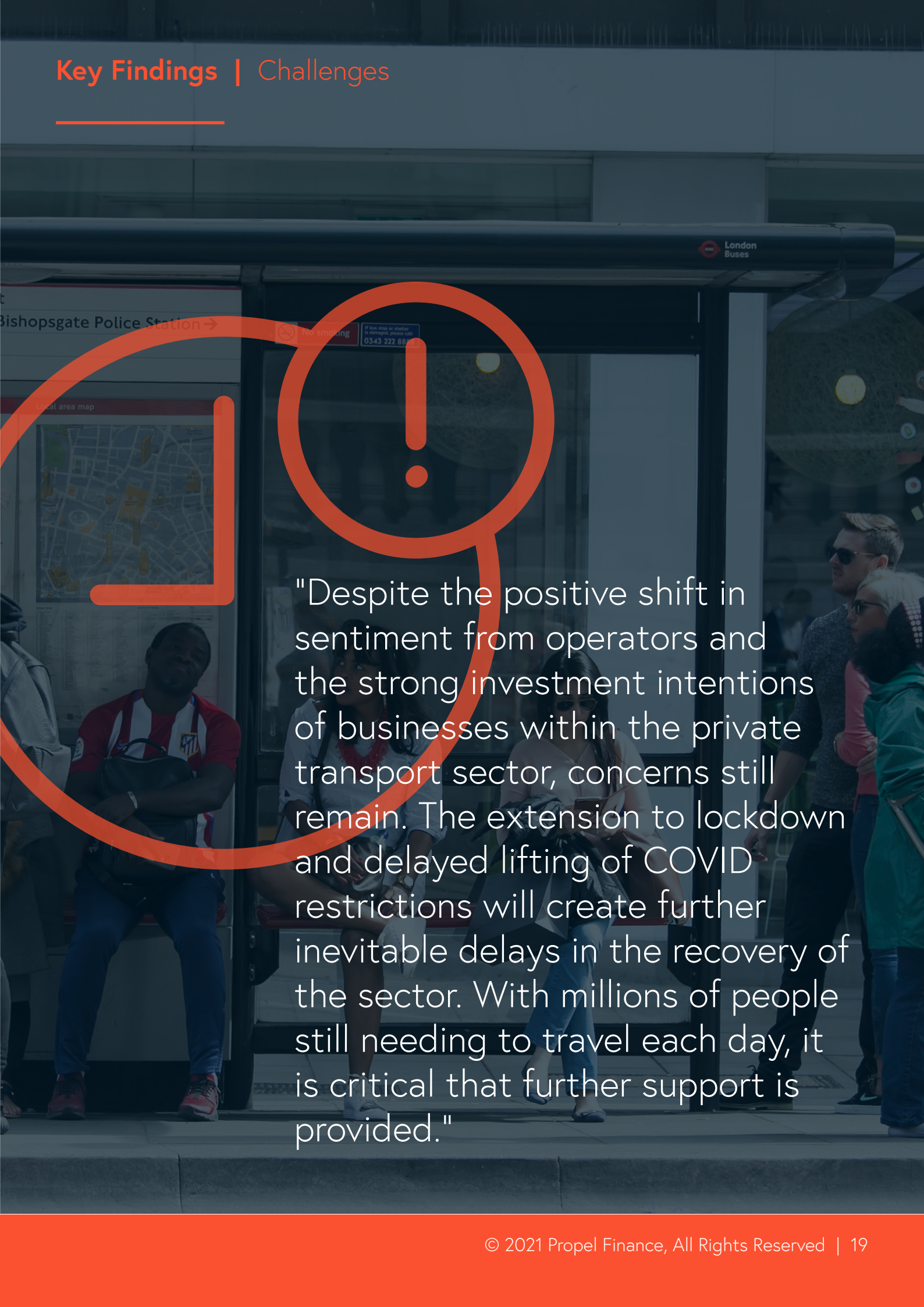


### What do you expect to be the main constraints to growth over the next 12 to 24 months?



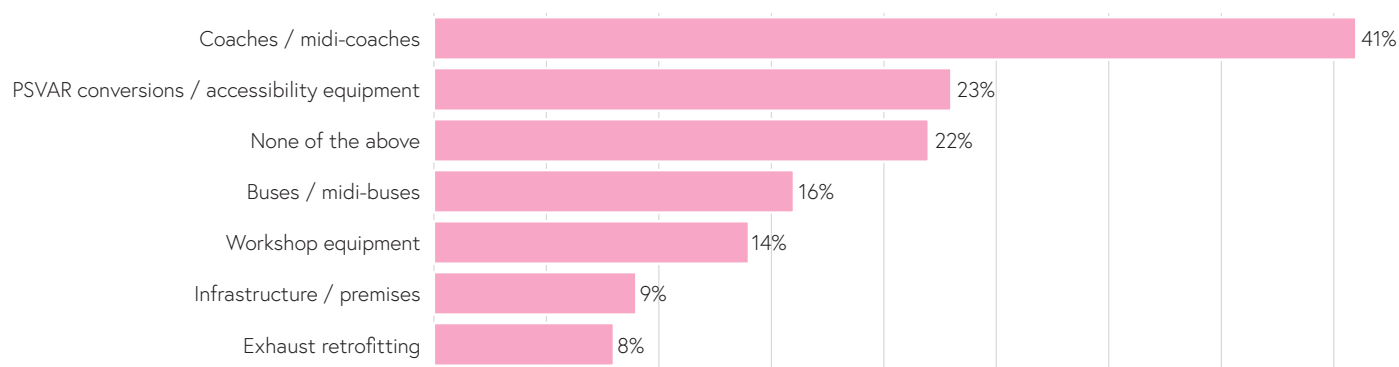
The overwhelming majority of operators (65%) cited operating restrictions due to COVID-19 and loss of patronage (56%) as the main constraining factors to growth over the next 12 to 24 months. Half of the operators surveyed stated that rising costs remain a major concern; and many (46%) highlighted the issues surrounding the further investment necessary to implement PSVAR and emissions technology.

With 38% of respondents flagging restricted access to government grants as a key issue and 21% expressing fundamental concerns about access to borrowing, business finance also came under the spotlight.



"Despite the positive shift in sentiment from operators and the strong investment intentions of businesses within the private transport sector, concerns still remain. The extension to lockdown and delayed lifting of COVID restrictions will create further inevitable delays in the recovery of the sector. With millions of people still needing to travel each day, it is critical that further support is provided."

### Which of the following assets or investments are you considering purchasing in the next 12 months?

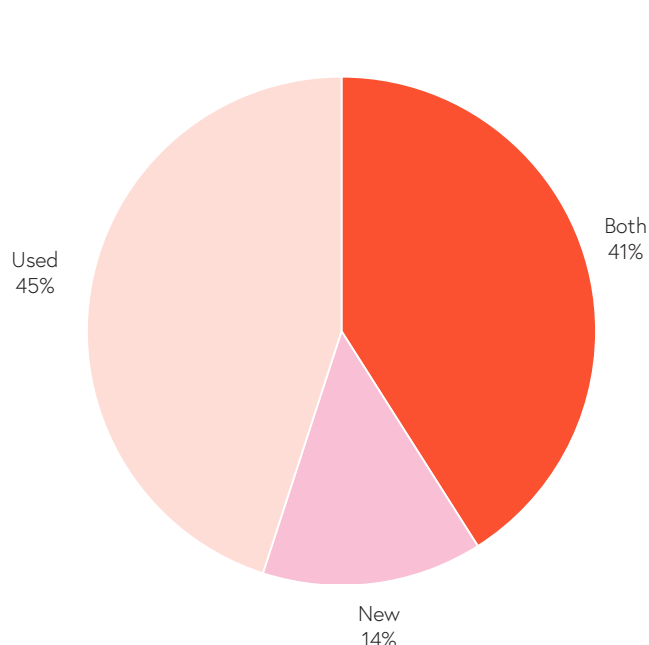


41% of operators participating in the survey said that they were looking to acquire coaches or midi coaches in the next 12 months. PSVAR conversions and accessibility equipment also make up significant future investments under consideration for 23% of respondents. 16% of operators signalled their intentions to acquire buses/midi-buses and 14% said that they are looking to invest in workshop equipment.

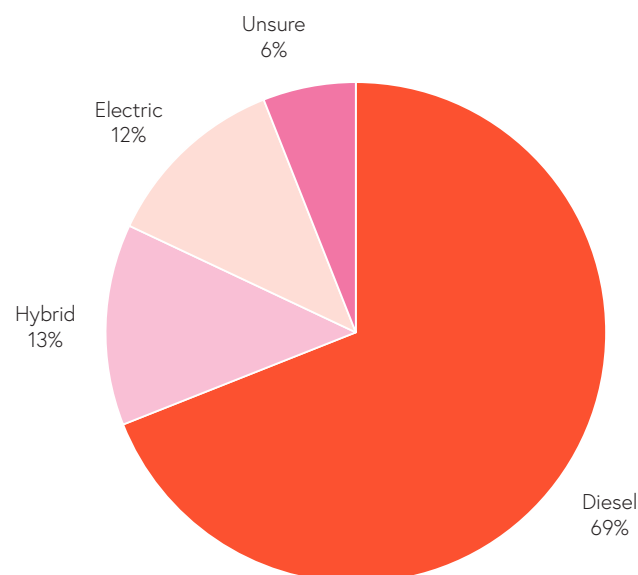
"The research findings have focused on a dynamic sector that is facing the biggest challenges in its history. What is remarkable is that the appetite for investment, if anything, has heightened as operators prepare to welcome people back on board to access work, education, health services and leisure as restrictions are lifted."

## Key Findings | Opportunities

Will you be looking to purchase used or new vehicles?



Which type of vehicles are you interested in purchasing?



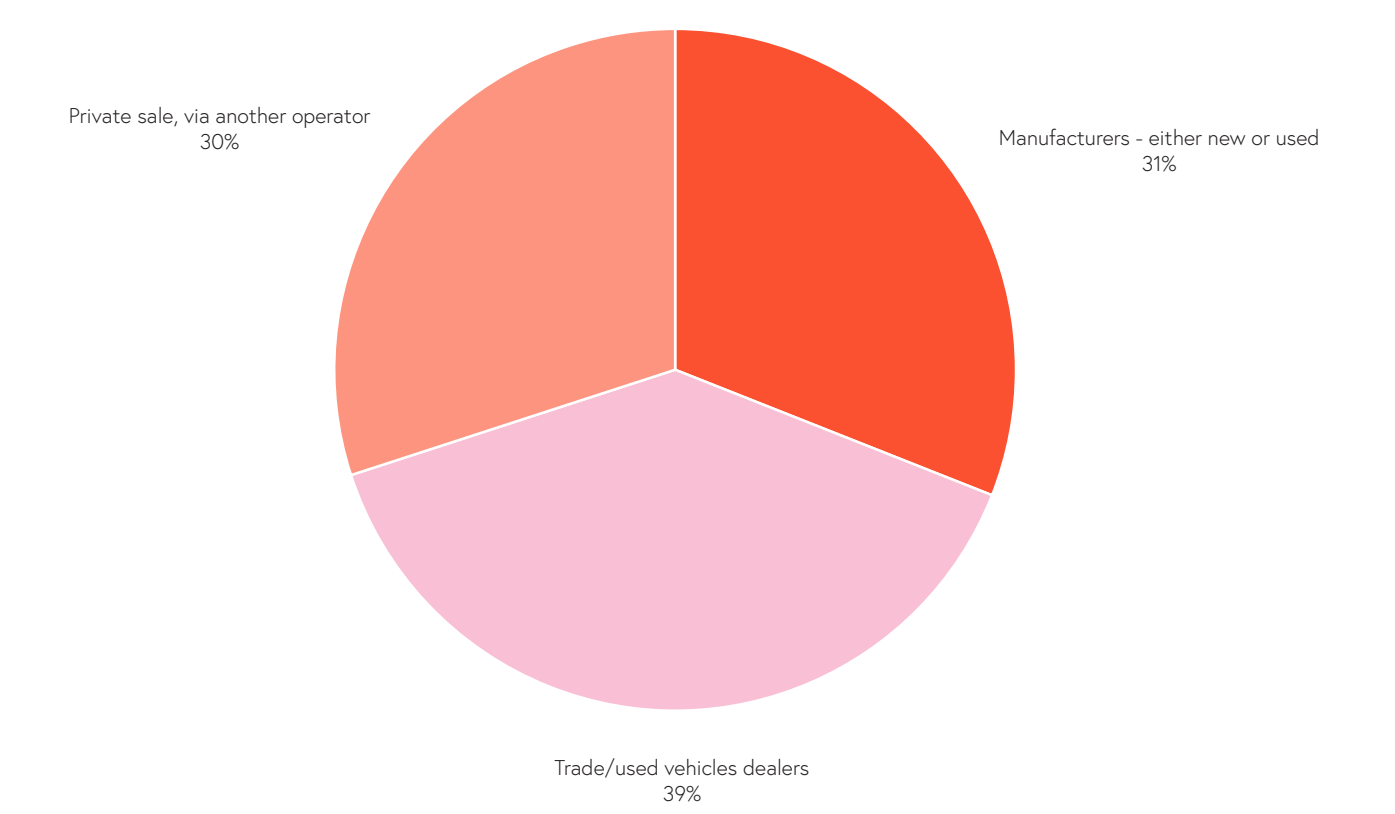
Of those vehicle purchases, 45% will be used, with 41% looking to both new and used. Only 14% of operators participating in the survey stated that they were looking to purchase new vehicles, further evidenced by the latest statistics from the SMMT.

Alternative drivetrains have yet to gain traction with operators, albeit that the survey indicates that they are looking to make investments in this key area in the near future, with the majority (69%) looking to purchase diesel vehicles in the next 12 months.

"According to figures released by the Society of Motor Manufacturers and Traders (SMMT), the bus and coach industry has seen a 58.5% fall in new registrations in the first quarter of 2021. The result of successive lockdowns has impacted on both the demand and supply of new vehicles, with all body styles experiencing double-digit declines and single-deck vehicles being the worst hit. It is therefore very important that operators are aware that asset finance can be used to fund used vehicles as well as new so that they can secure the necessary investments."

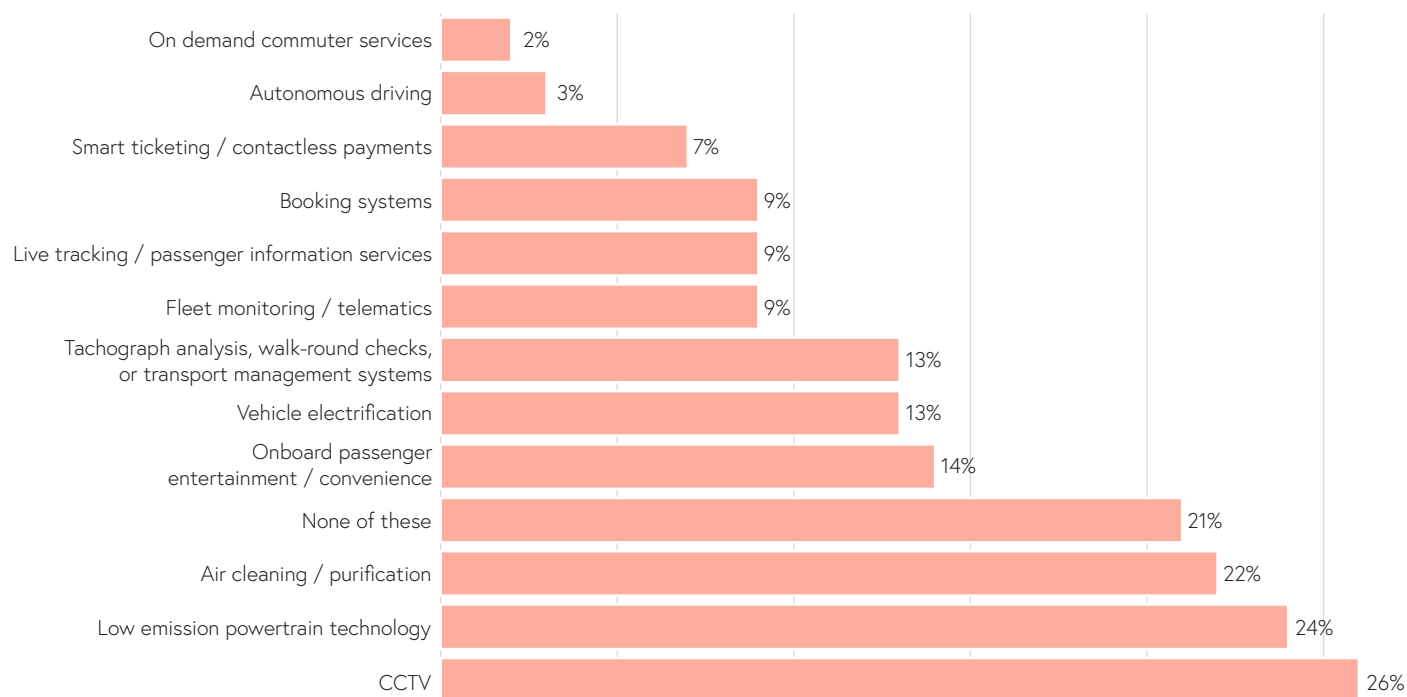


Where do you typically source your vehicles from?



Vehicles are sourced from a wide variety of vendors ranging from trade / used vehicle dealers (39%) to manufacturers (either new or used) (31%) and private sale from other operators (30%).

### Which technologies are you most interested investing in for your business?



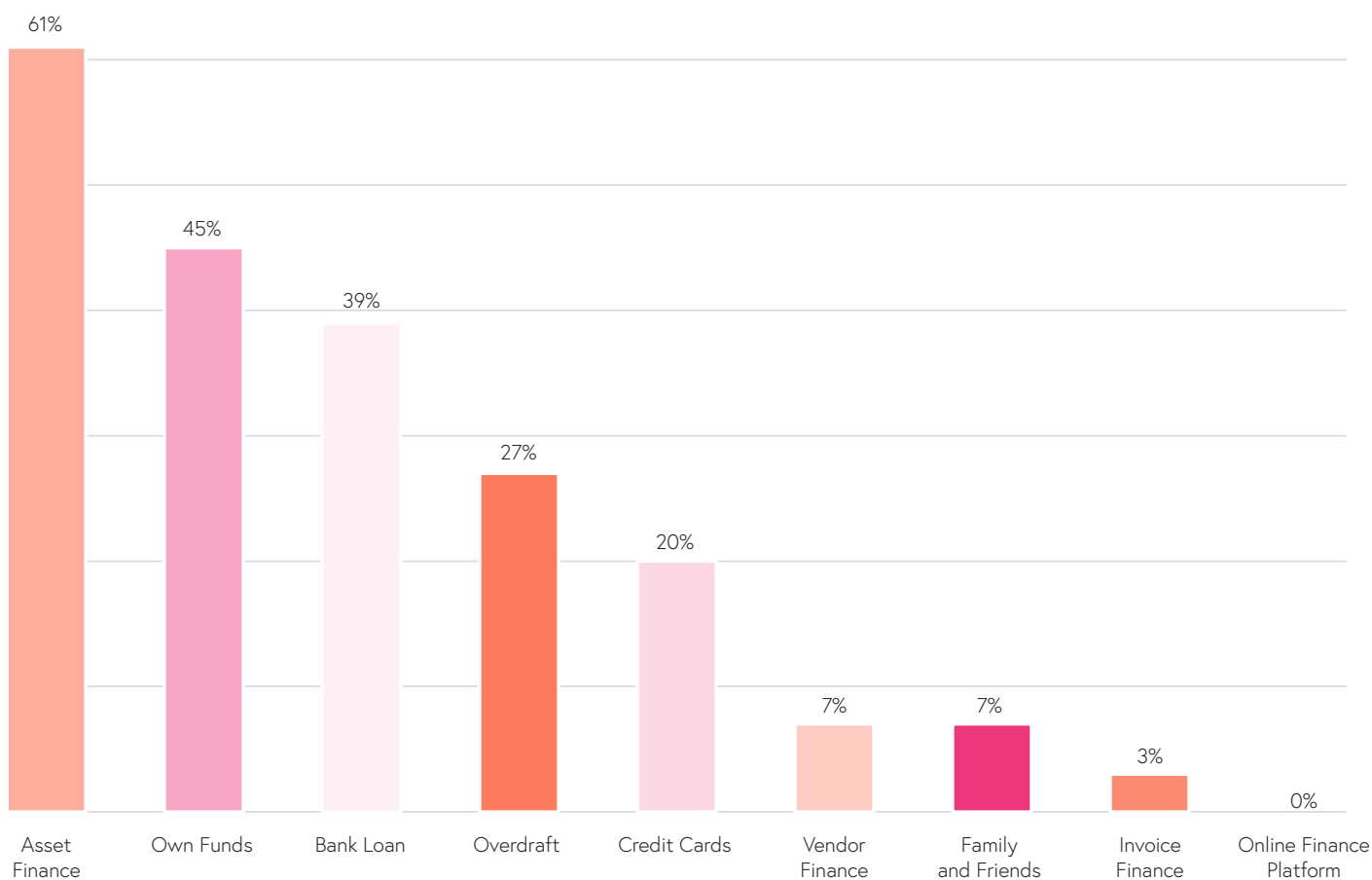
The road to investment does not end with the vehicles themselves. CCTV (26%), low emission powertrains (24%) and air cleaning & purification (22%) top the list of technologies which operators are considering next.

"It is interesting to see CCTV heading the list of technologies in which operators are now actively looking to invest. These systems not only protect passengers, drivers and other road users; they can also reduce insurance costs. Although not all PCVs are fitted with CCTV at this time, the number will inevitably grow, incentivised by the potential savings this technology can bring."

"Given the upheaval that the sector has suffered as a result of the pandemic, it is inspiring to see the bus and coach industry preparing for a low emission future. While the sector needs to address and adapt to the challenges of meeting Clean Air Zones requirements, the fact that low emission powertrains are being explored at this time is extremely positive for the future of the industry. It is equally important to identify both fiscal and non-fiscal barriers to purchasing low emission vehicles. It is our view that access to finance should certainly not be one of them."

"The next key area of investment has been prompted by the pandemic itself. In a world still struggling to contain COVID-19, operators are looking to implement new ozone purification technologies and processes to improve indoor air quality in buses and coaches, neutralising microorganisms, germs and allergens. Not only will this improve the health and safety of passengers and drivers, but introducing these measures will also break down concerns that customers may have in coming back to bus and coach transport. As well as being available ex-works, this new technology can also be retrofitted into used vehicles."

Which of the following finance options are you currently using?  
Select all that apply.

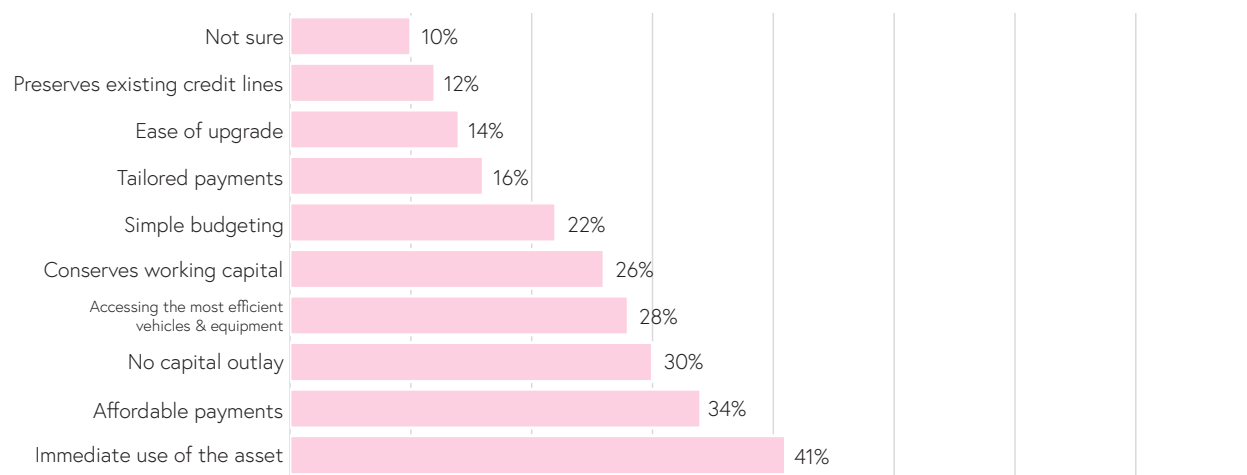


### Asset finance leads the way

Asset finance is favoured by the majority of survey participants (61%) as their preferred source of finance. A large proportion of operators (45%) also look to use their own funds, followed by traditional banking facilities such as bank loans (39%) and overdraft facilities (27%).

"Asset finance continues to be viewed by the bus and coach sector as the pre-eminent source of finance by a considerable margin. It gives operators the use of high specification assets that pay for themselves while they are being used, generating additional revenues and profits. The cost is spread over a period of time and paid by fixed monthly instalments that will not increase – even if interest rates rise, providing simplicity and certainty of budgeting."

What do you see as the main advantages of asset finance?  
Select all that apply.



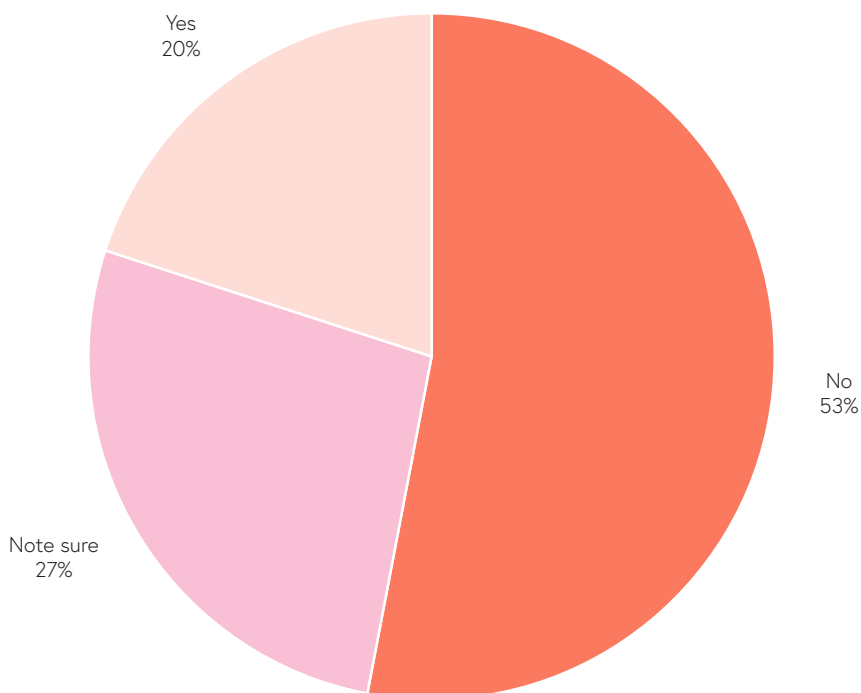
### Key advantages of asset finance from the operator's perspective

Immediate use of the asset (41%), affordable payments (34%) and no capital outlay (30%) are primary reasons that operators have given as to why asset finance heads up the finance options in the market.

"UK bus and coach operators are significant users of asset finance and are well acquainted with the advantages. The ability to quickly and easily acquire and deploy both new and used vehicles and put them to work in the business, combined with affordable payments designed around their budgets and a low initial cash investment is compelling."



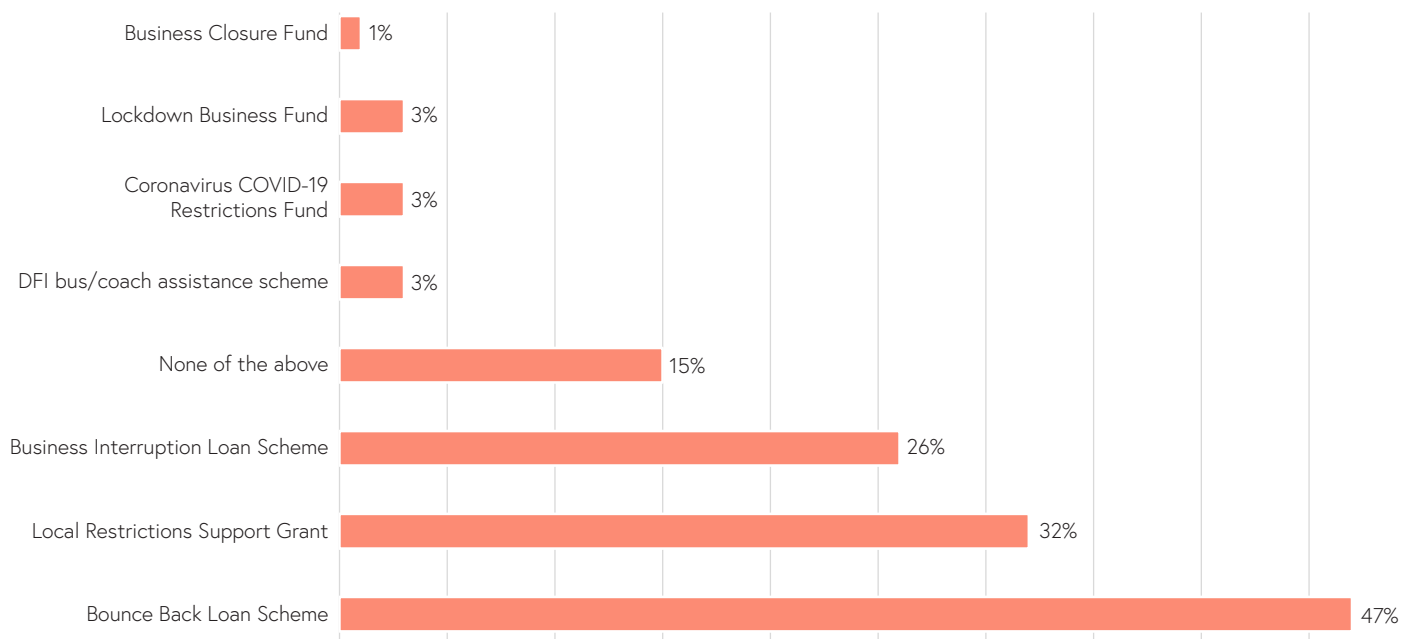
Would you consider using asset refinance to release the cash tied up within your existing fleet and equipment?



A fifth of respondents would consider using asset refinance as a way of releasing the working capital tied up within their existing fleet and equipment assets.

"It was interesting to note the comparatively low take up of asset refinance amongst respondents, particularly at this time, when working capital is in short supply. This is a straightforward way to gain a rapid injection of cash, immediately relieving pressure on cash flow, while the assets are still being used in the business to drive profits and growth."

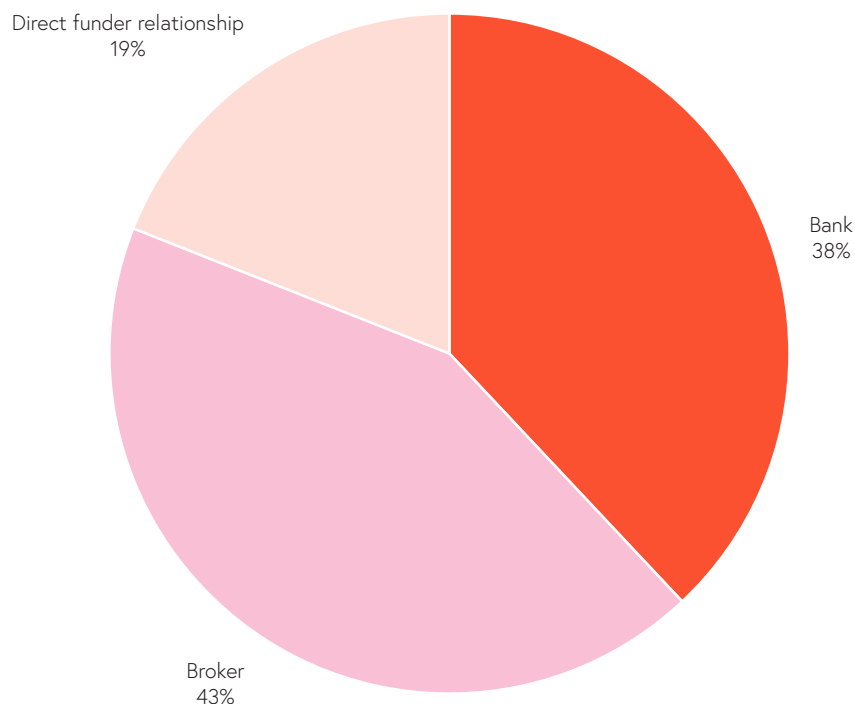
Has your business received any of these grants or loans?  
Select all that apply



Given the impact of the pandemic has had on the bus and coach sector, government interventions such as the Bounce Back Loan Scheme (47%), Local Restrictions Support Grant (32%) and Coronavirus Business Interruption Loan Scheme (26%) have provided much-needed support.

"The bus and coach sector has been impacted heavily by COVID-19 and the periods of national lockdown and local restrictions that have followed. Initiatives such as the above have been a lifeline to a number of operators who have experienced lost or deferred revenues or that have suffered disruptions to their cashflow, enabling them to gain access to finance more quickly."

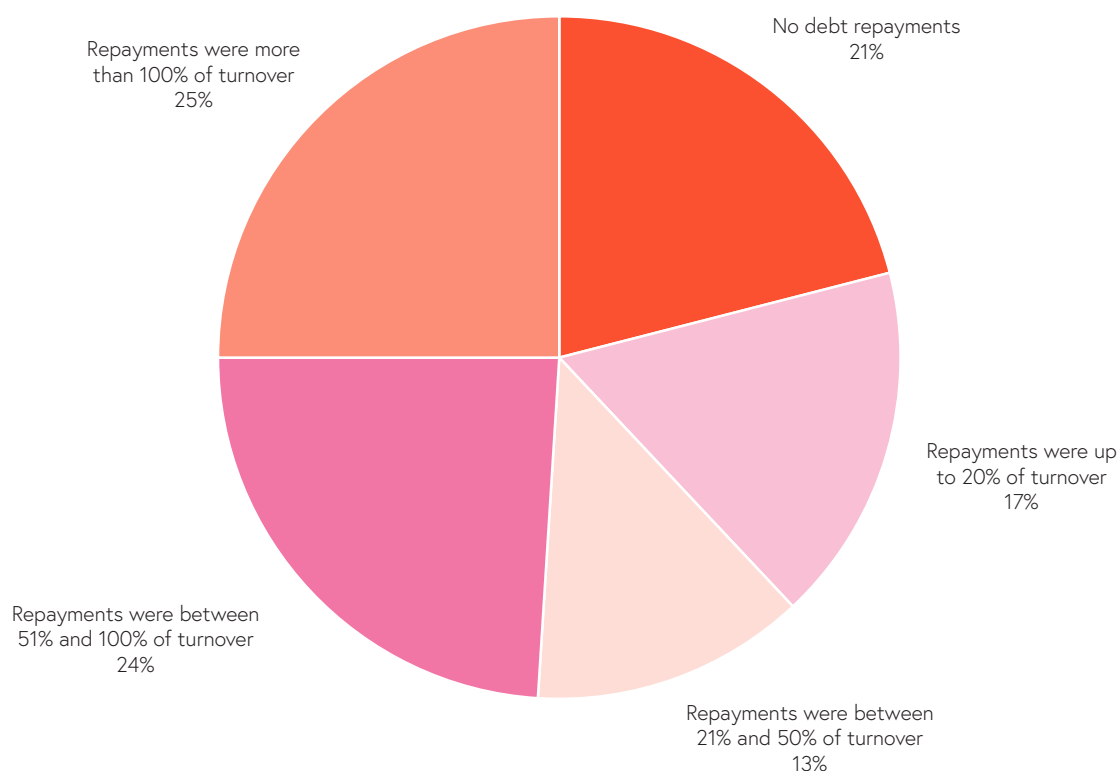
Which route do you typically take in order to make funding arrangements?



Brokers are used by 43% of respondents to source the funding they need to grow. 38% of operators see their banks as their first port of call; and 19% obtain finance as a result of direct funder relationships.

"Finance brokers perform a valuable role in sourcing the most suitable funding options for UK operators. These intermediaries are key business introducers. They have oversight on the whole of the market and provide vital access to sector finance specialists, matching the right opportunities to the right funders."

Over the last 12 months, how have your existing debt repayments compared with turnover?

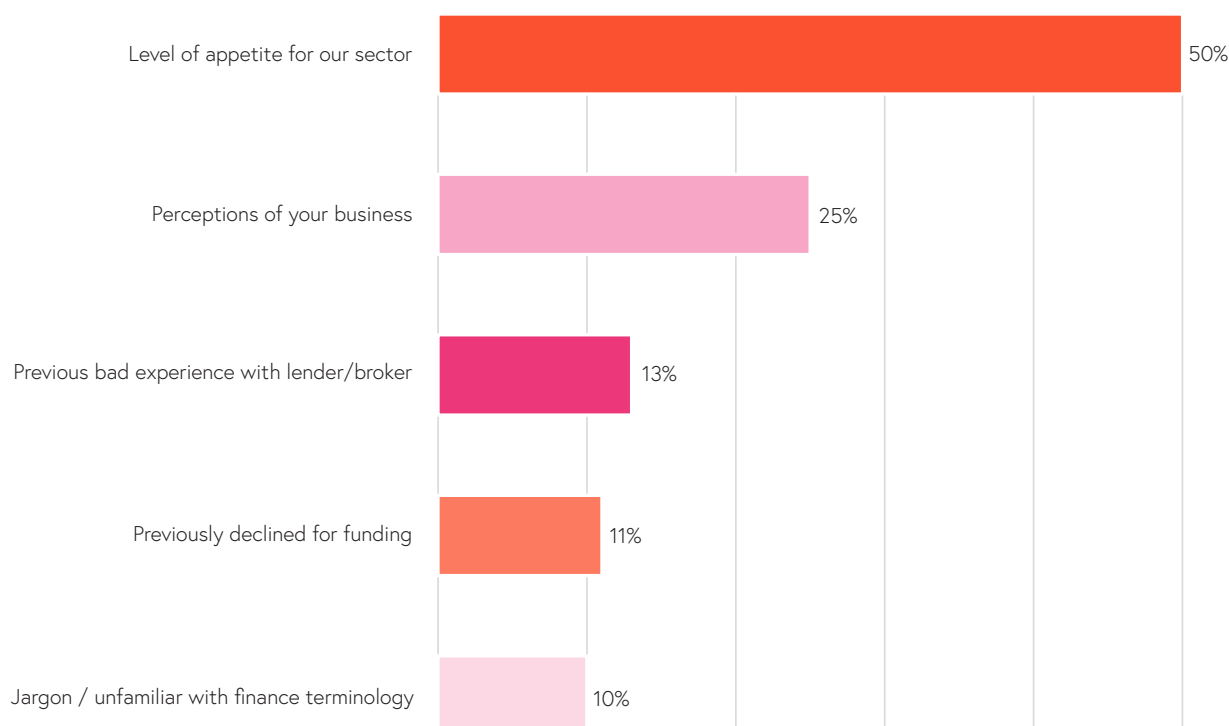


Due to the impact of COVID-19, debt repayments are forming a high percentage of operators' turnovers, with a quarter of those surveyed indicating that their repayments comprised more than 100% of their turnover; and 24% of respondents stating that their repayments were between 51% and 100% of turnover. 21% indicated that they have no debt repayments.

"The operators of buses and coaches have faced a significant reduction in demand for their services, yet their overheads have continued. Throughout the COVID-19 pandemic, operators have remained resilient and resourceful while facing cashflow challenges and in some cases substantial levels of debt.

Whether they have lowered their operating costs, accessed government loans or have worked closely with their funders to obtain assistance, they have weathered the storm and are now ready to move forward and invest for a brighter future."

What would be your reservations prior to approaching funders?  
Select all that apply.



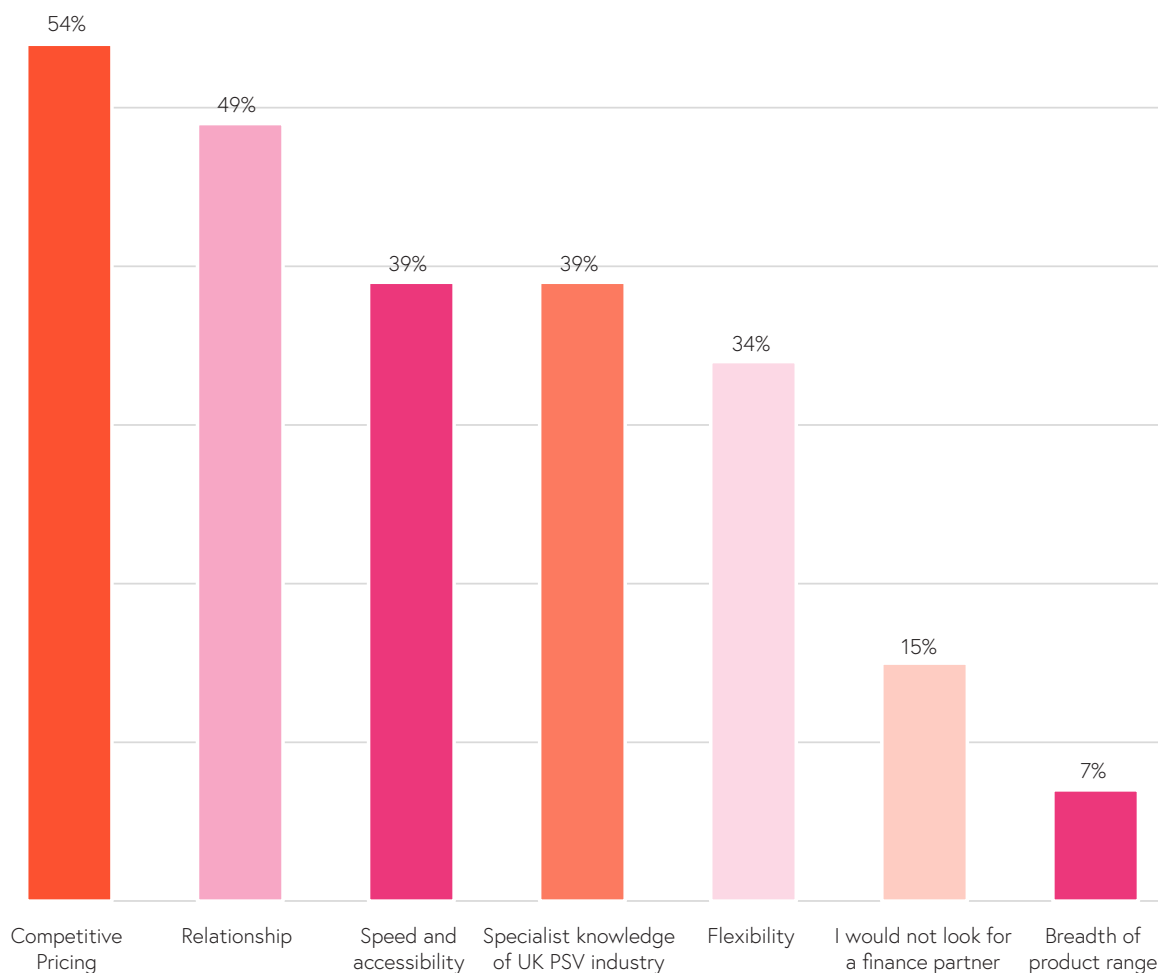
### The need for a supportive approach from UK funders

There are still reservations that are preventing some businesses from approaching funders for the finance they need to emerge stronger. Key amongst them is a prevailing concern over the perceived level of appetite that UK funders have towards the bus and coach sector, highlighted by half of the respondents. A quarter of operators surveyed said that they were also reticent to approach funders due to the perceptions that they have around their own businesses.

"It is essential that UK financial organisations step up to fund a sector that forms the backbone of our economy to get Britain on the move once again. At Propel, we are immensely proud of the bus and coach clients we support. They have not only proved to be resilient, but they have also been quick to adapt to change and are looking beyond their present challenges to make future investments in vehicles, equipment and technology a springboard to emergence and growth. With an in-depth working understanding of the assets involved, dedicated bus and coach finance specialists are able to provide tailored solutions that truly match the needs of each operator and their plans."



Which of the following attributes would you look for in a finance provider? Select all that apply.



The five key factors that operators look for in a finance provider are competitive pricing (54%), a good relationship (49%), speed and accessibility to funding (39%), specialist knowledge of the UK PSV industry (39%), and flexibility (34%).

"Financing a business is about much more than just the cash. Experienced operators recognise the value in developing long-term relationships with finance specialists that understand their sector and can bring knowledge, expertise and speed to help them capitalise on market opportunities, secure the ongoing viability of their enterprises and vitally, boost growth."




## Key Contacts

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**436**





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