

20 October 2023

Dear Convener,

As the Committee conducts its annual pre-budget scrutiny, I write on behalf of the Confederation of Passenger Transport Scotland to provide an update on your identified themes and overall budgetary issues.

The Fair Fares Review and Bus Travel

In your ongoing correspondence with Scottish Government, you have requested budgetary updates on funding to bus operators, support for concessionary travel and funding awarded through the Bus Partnership Fund.

Network Support Grant

The most recent response to the Committee from the Cabinet Secretary in June 2023ⁱ on funding to bus operators in the 23-24 budget notes the allocation for Network Support Grant, which is the only direct grant funding to bus operators, and also identifies £5m allocated to the Community Bus Fund. This Fund (launched in September 2023) is for local authorities, rather than bus operators, with the majority (£5m) distributed as capital funding to improve public transport, and £0.75m available to local authorities upon application to fund feasibility and preparatory work on using powers in the 2019 Transport Act.

As the only direct grant funding to operators, Network Support Grant plays an important role in subsidising some commercial and community bus routes which would not be financially viable otherwise. NSG (previously known as the Bus Service Operators Grant) is paid at 14.4 pence per kilometre, a rate which (setting aside additional emergency pandemic related funding) has remained the same since 2012/13. As industry costs have grown over this period this amounts to a real terms reduction of around 20% over the past decade. CPT Scotland has regular discussions with Transport Scotland colleagues on the current and future administrative and other arrangements for this important industry funding. The most recently published figures (Scottish Transport Statistics 2022) show that in 2021-22 the sector ran 288m vehicle kms, meaning an actual budget spend of £41.4m for Network Support Grant.

Concessionary travel

The majority of the Scottish Government budget in relation to bus is allocated to reimbursement for providing concessionary travel at the government's request, essentially payment for a service provided.

Around 40% of bus trips will be taken through the concession schemes. From the point of view of affordability, social inclusion and accessibility, the concessions schemes can be regarded as a success. This is reflected in the growth of the u22 scheme, and the pre-pandemic take up of the older and disabled person's scheme. (Use of the older and disabled scheme has been slow to return and remains 30% lower than pre-pandemic levels).

Greater usage means that the cost to government of providing the schemes increases. One way for government to manage these costs is to reduce the reimbursement rates for operators through scheme reviews. When the older and

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disabled scheme launched, operators received 73.6% of the cost of the fare for carrying an eligible passenger. This percentage is now 56.8%. Lowering the rate of reimbursement makes it harder for an operator to cover operational costs through the carriage of concessionary passengers and may lead to fare paying passengers having to cover the differential through increased fares or, in extremes, could lead to the cancellation of a service.

The concessionary schemes are welcomed by CPT and our operator members, but it is crucial that operators be no worse off for participating in the schemes and that any potential discussion on increasing concessionary eligibility (an area being explored via the Fair Fares Review) acknowledges the need for government to increase the scheme budget.

CPT Scotland is currently working with Transport Scotland to review the current reimbursement model for these schemes. The current model has not been reviewed for a number of years and predates the introduction of the U22 scheme. This work, which is due to be completed by the end of 2023, could then impact upon the budget for these schemes in the 24/25 budget.

Bus Partnership Fund

As we have raised with the Committee previously the slow progress of awarding the £500m Bus Partnership Fund remains a concern. Progressing funding for projects and measures for bus priority are crucial to reducing congestion, improving journey time and passenger experience and increasing patronage. With a number of projects at gateway review stage, strong support and leadership from national and local government for realising these is crucial.

Fair Fares Review

The Fair Fares Review which has been previously explored by the Committee, has been impacted to an extent in 2023 by the change in First Minister and Transport Ministers, but we understand it still intends to report by the end of 2023 with recommendations that could be taken forward from 24/25 onwards, and therefore have implications for the transport portfolio budget in future years. CPT Scotland has recently been invited to join the Expert Stakeholder Advisory Group for the Review to ensure the voice of the bus and coach sector is reflected.

I hope this is helpful to the Committee and we would be happy to provide any further information to aid your budgetary scrutiny.

Best wishes,

Sara Collier

Public Affairs Manager, CPT Scotland

ⁱ <https://www.parliament.scot/-/media/files/committees/net-zero-energy-and-transport-committee/correspondence/2023/post-budget-scrutiny-2324-response-19-june-2023.pdf>