

**Cabinet Secretary for Transport**

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## **SCOTRAIL PEAK FARES REMOVAL PILOT**

Dear Edward

The Scottish Government's ambition is to grow the railway in Scotland. We know new rail investment can create real education, business and tourism opportunities and help breathe life into communities. This is currently most apparent with the recently opened Levenmouth rail link. Our aim for a publicly owned ScotRail is to make Scotland's Railway more attractive, encouraging people to shift towards more sustainable modes of transport such as rail.

Bold initiatives such as our ScotRail Peak Fares Removal Pilot (the Pilot) help to provide an alternative to travelling by car and helps with cost of living pressures. The First Minister's decision to extend the Pilot for a further three months until 27 September 2024 allows us to capture more data to understand the impact the pilot has had and make informed decisions on future fares policy.

We know many people are benefitting from the removal of peak fares on ScotRail services but we need to increase passenger numbers overall, or the removal of peak fares will not be financially sustainable to continue in the long term. Therefore, I would like to share with you the key findings to date of the Pilot (Annex A).

In summary, our analysis so far has found that the Pilot can be shown to have had a positive impact over the first 3 months with a small (around 4%) increase in rail demand but that this impact has reduced since the New Year and demand is back close to what it was before the pilot started. The final cost of the pilot will be determined by any changes in patronage, but ScotRail's current cost estimates are in line with the £40m funding allocated.

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A more detailed version of the information in the Annex will be published by Transport Scotland by 4 June 2024. It is my intention that a final evaluation will be undertaken before the end of the Pilot which will include multimodal monitoring of travel patterns before the pilot and during the pilot, evaluation of the pilot on rail travel patterns before and during the pilot; and a value for money assessment of the pilot.

The current end date of the Pilot is 27 September 2024. I will of course inform Parliament of the findings of the final evaluation of the Pilot.

**FIONA HYSLOP**  
Cabinet Secretary for Transport

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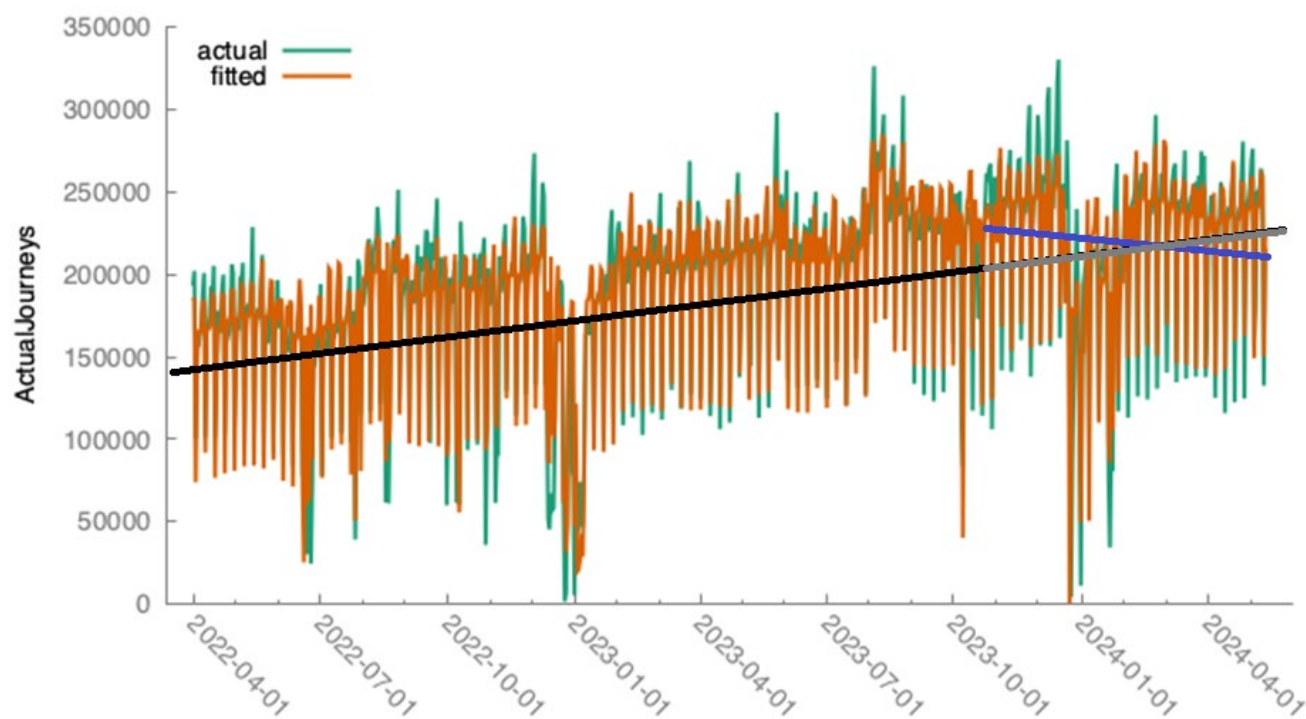
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## Interim assessment of the impact of the ScotRail Peak Rail Fares Pilot

### Summary

A detailed evaluation plan is in place to assess the impacts of the Pilot. This comprises several strands of analysis, of which some interim results are now available. The plan combines survey work – asking rail users and others about their experience and desktop statistical analysis. Work is ongoing to ensure that the final evaluation is as robust as possible but there remain significant challenges in establishing what would have happened if the Pilot had not taken place – the counterfactual - as the post-pandemic recovery means there is great uncertainty over the current baseline for travel demand in Scotland, and for rail in particular.

This interim assessment uses data up to the 13<sup>th</sup> May 2024. It represents preliminary results and demonstrates that the impact of the Peak Rail Fares Pilot is still subject to significant uncertainty. Crucially, it indicates that the impact has changed over time with a greater impact in the first 3 months of the Pilot (after accounting for external events) than in the second 3 months and onwards. This is illustrated in the diagram below:



The black line shows the trend in place before the pilot, continuing on in grey and the blue line shows the trend line after the removal of peak fares. The current best estimates of the impact on demand are shown in the table below.

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Period	<u>Actual demand over the period</u>	<u>Cumulative change in demand</u> (journeys) estimated since removal of peak fares	<u>Percentage change in demand</u> estimated since removal of peak fares
11 weeks	17.8 m,	565,000	3.18%
3 months	20.5 m	809,000	3.95%
6 months	39.8 m	-1,305,000	-3.28%
To 13 <sup>th</sup> May	49.3 m	-1,627,000	-3.29%

The analysis suggests that Peak Fares had a positive impact over the first 3 months (and was accelerating during this time) but since January the response has been muted and demand has fallen below the current best available counterfactual (although demand is broadly similar in actual terms, the growth seen before the Pilot has not been maintained).

However, it does not mean that the Pilot has specifically caused a fall in demand, it simply shows that demand is lower than expected.

The assessment of the impact on demand is being finalised before reporting formally on the impact on revenue (the cost of the Pilot). However current ScotRail estimates suggest that the revenue impact remains within the £40m budget allocated.

There is some emerging evidence of behaviour change arising from the Pilot, from survey work undertaken in the initial period, including shifting of travel from off-peak to peak and mode shift from car to rail suggesting around one-third of existing rail users have made at least one rail journey previously made using another travel mode, with two-thirds of those journeys primarily from car. Of those new passengers identified as switching from other modes, it is assessed that 53% had previously used a car as a driver, and a third had switched from bus. But this should be considered in the context of a small overall increase in demand – the vast majority of passengers were existing rail users making existing journeys. And in the context of that initial period showing positive demand impacts overall.

Further survey work was scheduled for early June but the announcement of a UK General Election means that Civil Service rules relating to this form of Social Research suggest that this should be postponed until the election is concluded. Survey work in July will allow it to be incorporated into the Final Evaluation Report.

In summary, whilst the initial impact of the pilot has been found to be somewhat positive, the impact on rail journeys since the start 2024 is significantly less pronounced and there is currently no strong evidence of its effectiveness. Analytical work is progressing, and a final evaluation will be produced in time for a decision to be made on whether the trial should be made permanent. This will include further survey work, continuing liaison with bus operators and a formal value for money assessment.

### Further detail on survey work

#### Field Survey work - Method/Introduction

The focus for the data collection is to understand the wider impact of the pilot on the transport network alongside existing rail customers. The aim of the TS data collection was to ensure there was a sample that is representative of the population.

The TS survey was designed to target four distinct population groups to understand the impact of the pilot. The fieldwork started in December 2023 and the survey was open for four weeks. This month typically sees more leisure trips in the lead up to Christmas and fewer commuting trips. In total 1,476 responses were received.

A representative sample, covering all target groups identified was achieved, with some variation in that one group, non-rail users who have changed their behaviour as a result of the Pilot, had a sample size that was smaller than ideal – this is the hardest to reach group (as it is the smallest in actual size) but will be targeted as a priority in the forthcoming survey work.

#### Field Survey work - Findings

A third of respondents who were existing rail users (38%) felt they now saved money as part of the Pilot. The average reported cost saving was £7 per week for those who previously purchased an off-peak ticket (compared with what a peak ticket would have cost), while those who indicated they previously purchased an anytime ticket, the average saving was considered to be £10 a week. Given the actual changes in ticket prices, this is an issue that will be investigated more fully over the remainder of the Pilot but appears to be due to different journey types between different user groups.

Of respondents who indicated that they now make new trips by rail, 45% make one new return trip by rail a week and a third make two new return trips per week. Leisure was the most popular purpose provided by 50% of respondents making new trips.

When existing rail users were asked how likely they would be to continue using rail after the end of the pilot, 31% indicated that they would definitely continue to use rail and 54% indicated that it would be either highly (27%) or somewhat (27%) likely that they continue to use rail beyond the pilot.

There are some indications that the pilot has also attracted *new rail users*. For this group of respondents new to rail travel, 41% indicated making a new trip by rail which they did not previously make by any mode.

The survey also asked new rail users about the impact of the pilot on their decision to switch mode; 78% indicated that the pilot was a very important factor in making this change, and 66% of those within this group who changed *when* they travelled indicated it was because of the pilot.

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In terms of *all new trips*, almost 70% of those making new trips by rail indicated that they previously undertook these journeys by another mode of transport. Over half (53%) had previously used a car as a driver, and 33% had switched from bus. However, this analysis is based on a small sample size and should be interpreted with caution. Nonetheless, these results are a useful indicator that suggest people are choosing to swap a car journey for a rail journey.

When asked if they had changed *when* they travel, a few interesting trends emerged; 30% of respondents noted a change from travelling in the off-peak to the peak. Conversely, 16% indicated a switch in the opposite direction, from peak to off-peak. 52% of respondents indicated that they have not changed when they travel.

The survey also reached out to those who do not use rail to find out the barriers to using rail. The top three reasons in order were:

1. *"Trains are too expensive"*
2. *"I have a car and do not want to pay more for travel"*
3. *"trains are too unreliable."*

### Impact on demand

Rail demand fell significantly during the pandemic but then rose steadily to September 2023. A key issue in being able to analyse the impact of the Pilot, is to what extent the post-pandemic rises could have been expected to continue, in the absence of any intervention, and to what extent demand was likely to level out.

An approach has been developed which uses statistical techniques to account for a range of factors that influence rail demand on a daily basis. These are:

- Longer term trends in demand
- Day of the week factors – demand varies across days of the week
- Seasonal Factors – demand varies over the course of the year (this is already incorporated into ScotRail estimates)
- One off -events – Data on bad and extremely bad weather events, large Sporting and/or Cultural events and Strike Action, as well as the Xmas/New Year period.
- A proxy for overall travel demand

The approach is to use data dating back to April 2022 (when the immediate pandemic impacts were diminished) and estimate a model based on the above factors which includes overall trend growth in rail demand and captures the impact of the Pilot in 2 ways:

- A “Pilot Impact” variable (represents an immediate shift in demand from the start of the pilot)
- A “Pilot Trend” variable (represents the additional daily trend in demand from the start of the pilot).

This resulted in 28 variables being used within the analysis. The approach is to statistically estimate a model using all 28 variables and then progressively eliminate variables which are not statistically significant until the model is stable.

For the final report, it is planned that geographically and time of day disaggregated data will be examined to determine how the impacts of the Pilot are distributed spatially and across the day and for what journey purpose which may shed light on the underlying causality should demand remain suppressed.

Additionally, officials are in contact with bus operators through the CPT. Discussions to date have not raised significant concerns about the impact on bus demand but this is in the context of increasing concessionary patronage. The potential impact on the Pilot of the continued success of the Under 22 scheme in particular will be a crucial part of the final evaluation.