

T: 0300 244 4000
E: scottish.ministers@gov.scot

Ben Macpherson MSP
Deputy Convener
The Scottish Parliament
EDINBURGH
EH99 1SP

26 March 2024

Dear Ben,

During the Net Zero, Energy and Transport Committee on 5 March 2024 to discuss the National Bus Travel Concession Schemes (Miscellaneous Amendment) (Scotland) Order 2024 [draft], I undertook to write to the committee to provide additional information on a number of matters. Please find below the information that I committed to providing.

1. Provide information on the modelling for the Older and Disabled Persons concessionary travel scheme

Concessionary travel reimbursement principle

Concessionary travel enables eligible individuals to travel anywhere in Scotland on buses for free at the point of use. The Older and Disabled Persons Scheme (ODPS) and the Young Persons Scheme (YPS) are underpinned by an objective, set out in the legislation that bus operators should be financially “**no better and no worse off**” through their participation. Transport Scotland therefore reimburses operators for journeys made under the scheme, with the total level of reimbursement provided to compensate operators for two elements:

- a. **Revenue foregone:** revenue operators would have received from concessionary passengers who would otherwise have travelled and paid for a journey (full fare or discounted) in the absence of the scheme; and
- b. **Net additional costs:** costs incurred as a consequence of providing free travel, particularly for journeys that would not have been made without the scheme’s existence, i.e. journeys generated by the scheme.

Overall, reimbursement is equal to revenues foregone plus net additional costs.

Operators participating in the concessionary travel schemes receive a percentage of the equivalent adult single fare for each journey made through the schemes. This is known as the reimbursement rate, and it is set at a level to leave operators no better and no worse off in accounting for the two components of reimbursement outlined above.

Calculating the reimbursement rate

Calculation of the reimbursement rate is reliant on understanding what would happen in the scheme's absence, i.e. concessionary passengers paying commercial fares - a hypothetical situation known as the 'counterfactual'.

Revenues foregone are determined by the estimated number of journeys made by passholders even if the scheme did not exist (non-generated journeys) and the average commercial fare those passholders would have paid. Neither of these values can be observed directly, meaning both need to be estimated.

Estimating the number of journeys that would have taken place in the absence of the concession is achieved by applying an adjustment factor – known as the 'reimbursement factor' - to the total number of observed concessionary journeys. The reimbursement factor is informed by empirical evidence on the sensitivity of the desire to travel by bus to fare changes. Further detail on the reimbursement factor and the research informing the values used in setting ODPS reimbursement rate can be found in: [Scotland-wide Older and Disabled Persons Concessionary Bus Scheme - Further Reimbursement Research](#).

The fares that operators would have received from concessionary passengers are calculated using the equivalent adult single fare for observed concessionary journeys, reduced by a 'discount factor' to account for concessionary passengers' expected use of multi-journey/discounted products (daily, weekly, season tickets).

Additional costs from generated journeys (i.e. those concessionary journeys that are only made because of the existence of the schemes) are estimated by multiplying the number of generated journeys by a fixed marginal operating cost per generated journey, which is updated to account for changes in bus operating costs over time.

The reimbursement rate is then calculated by dividing the total value of reimbursement (revenue foregone + additional costs) by the total value of concessionary journeys at the average full single fare.

Modelling inputs and process

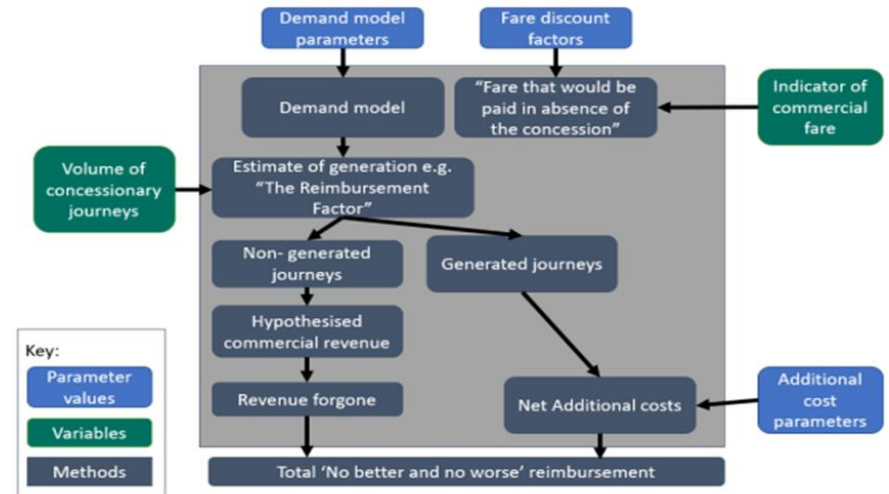
Reimbursement for concessionary travel is calculated in a comprehensive model making use of a number of components:

- a. **Parameters** – demand elasticities (the sensitivity of demand to fare changes), discount factors accounting for fare paying passengers utilising discounted products (e.g. daily, weekly, season tickets), and additional costs;

- b. **Variables** – data showing observed concessionary journeys made and information on commercial fares;

Those parameters and variables interact with a comprehensive model which ends with a final position of 'no better and no worse off' – see figure 1.

Figure 1 - reimbursement rate model



Relationship between the reimbursement rate and fare prices

As noted above, data on commercial fare levels are one of the inputs required to calculate the reimbursement rate. All else being equal, increases in the average commercial fare will produce a lower reimbursement rate, and vice-versa. This is because, in the absence of the schemes, passengers would be expected to reduce their demand for bus travel when faced with higher fares. In the concessionary travel market, higher fares mean that there would be fewer non-generated journeys in the counterfactual (to be compensated at the average fare foregone), and more generated journeys (to be compensated at the marginal passenger cost). This effect is accounted for in reimbursement rate modelling through the reimbursement factor.

The reimbursement factor has an inverse relationship with the price elasticity of demand (the responsiveness in demand for a good to a change in price) and is thus determined by the shape of the demand curve (a downwards sloping curve that illustrates the relationship between the level of demand for a good, in this case bus travel, at the prevailing price) for the whole concessionary market. With all other elements remaining equal, the law of demand infers that the greater the price (fare) increase, the more demand for bus travel will reduce, which in-turn pushes down the reimbursement factor. If prices fall, demand and the reimbursement factor will move in the opposite direction (upwards).

Overall, a higher reimbursement factor pushes up the net reimbursement rate to operators whereas a lower reimbursement factor reduces it.

Values used to set the ODPS reimbursement rate and cap 2024/25

Table 2 sets out the values used to calculate the reimbursement rate and budget cap for the ODPS in 2024/25, following the methodology set out above. Using the best available information to Transport Scotland and CPT on behalf of the bus industry on expected developments in fares, operating costs and patronage over the coming year, the modelling work for 2024/25 produces a net reimbursement rate for the ODPS of 55.0% of the adult single fare, and a budget cap of £203.5m.

Table 1 – values used to calculate ODPS reimbursement rate and cap, 2024/25

Parameter	2024/25
Forecast concessionary journeys in reimbursement year (million)	109.2
Average concessionary (shadow) adult cash single fare in reimbursement year, (current prices)	£3.39
Average Fare Foregone, i.e. the fare that would have been paid in the absence of the scheme (current prices)	£2.58
Average fare that would have been paid in the absence of the scheme (2002 prices)	£1.18
Reimbursement Factor	0.59
Non-generated journeys (million)	64.5
Reimbursement for revenue forgone (million) (current prices)	£166.2
Cost per generated passenger in the reimbursement year (current prices)	£0.83
Generated journeys (million)	44.77
Reimbursement for additional costs (million) (current prices)	£37.3
Total reimbursement calculated (million) (current prices)	£203.5
Net Reimbursement Rate	55.0%

2. Update on antisocial behaviour and the Young Persons' Scheme

The YPS has been highly successful with over 122 million journeys made through the scheme by the end of February 2024. This demonstrates the appetite for sustainable travel in Scotland and supports our net zero ambitions. We hope that embedding sustainable travel habits at an early age will encourage young people to keep using public transport throughout their lives. However, I do recognise that more can be done working with partners to ensure that all young people who make use of the benefits of the scheme do so in an appropriate way.

Antisocial behaviour is an issue that the Scottish Government takes very seriously. The police, local authorities, and other local agencies are responsible for tackling anti-social behaviour at the local level. It is these agencies, working in a concerted and coordinated way with local people that can tackle the problem effectively. The Scottish Government endeavours to support these agencies in so far as it can within the limits of its own powers and responsibilities.

In respect of specific actions focused on the YPS, the legislation underpinning the current National Concessionary Travel Scheme does not provide a clear mechanism for consideration of removal of travel cards for anti-social behaviour. There is also a real issue as to how and when entitlement might be removed as it is not considered appropriate or safe for bus drivers to do this.

In addition, it is important to recognise that free bus travel is just one of several services provided through the National Entitlement Cards (NEC). The card is also used to access a variety of national and local public services across Scotland, such as free school meals and cashless catering. Therefore, it would not be appropriate for transport operators to remove cards from cardholders due to the impact this could have on access to other services.

However, Transport Scotland is continuing to look at what may be possible and appropriate in terms of providing a deterrent or sanction to those passengers who are not behaving appropriately.

3. Update on progressing free bus travel for people seeking asylum in Scotland

A Working Group of Transport Scotland officials and third sector representatives has been established and is meeting monthly to develop a proposal for a nationwide pilot scheme. The pilot scheme will build on the experiences from small local pilots that have taken place in Scotland and a similar nationwide pilot project currently taking place in Northern Ireland. Further information will be provided via the Scottish Government's website in due course.

4. Eligibility for free school transport and interaction with Young Persons' Scheme

During the evidence session, Monica Lennon MSP expressed concerns noted in her constituency area about South Lanarkshire Council's plans to reduce eligibility for free school transport.

The National Bus Travel Concession Scheme for Young Persons provides free travel on local registered bus services and long distance bus services throughout Scotland. Local authorities receive funding via the local government block grant to enable them to meet their statutory obligations, including the provision of home to school transport. There are no plans to change how these respective activities are funded.

Young people who hold a concessionary travel card can continue to travel on eligible services. We do not have any plans to change eligibility of the scheme or how it works.

In Scotland, local authorities are responsible for the provision of home to school transport services. Local authorities have a statutory duty under the Education (Scotland) Act 1980 Act (the 1980 Act) to make such arrangements as they consider necessary for the transport between home and school of pupils residing, and attending schools in their area.

Local authorities make free travel available to pupils who live outwith the statutory walking distances, defined in section 42(4) of the 1980 Act as being 2 miles for any pupil under 8 years of age and 3 miles for any other pupil. There are no plans to review these minimum walking distances and they remain the statutory basis for eligibility for free school transport.

In considering home to school travel arrangements, local authorities are also required to have regard to the safety of the pupil. Scottish Government guidance to local authorities regarding the provision of school transport includes the factors we expect local authorities to take into account when considering the safety of walking routes. The guidance states:

“2.2 - Distance and Safe Walking Routes

There will be instances where authorities conclude that the route a pupil, or group of pupils, would have to walk to school, accompanied as necessary, is unsafe and that transport should be provided even though the distance falls short of their normal criteria. Local authorities may define “recommended walking routes” which they assess as safe to their schools to help parents and pupils.

Ministers expect local authorities to keep their criteria for providing school transport under review and be flexible enough to take into account factors, relative to the nature of the route, which might affect pupil safety. For any part of the route which includes a public road, relevant factors, where appropriate, could include: volume and speed of traffic; visibility distances for drivers at a particular location; availability of safe crossings and “step offs”; sufficiency of footways, footpaths and subways; adequacy of waiting areas; built-up and wooded areas, and; adequacy of street lighting.”

Ms Lennon may wish to provide this guidance to constituents, it is available at this link: [Supporting documents - School transport guidance 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/supporting-documents/school-transport-guidance-2021)

While any decision regarding changes to the arrangements for the provision of school transport in your area are local authorities to determine, I would advise Ms Lennon’s constituents to continue to engage with the Council regarding their changes to eligibility for free school transport and the safety of affected pupils’ walking route to school.

5. Update on concessionary travel eligibility criteria

In recognition of the current affordability challenges presented by the cost of living crisis, the Scottish Government’s Fair Fares Review, published on 22 March 2024, has determined that there is a continuing need for a National Concessionary Travel Scheme to provide free bus travel for those groups that are currently eligible. We are therefore maintaining existing eligibility at the present time to the National

Concessionary Travel Schemes for those groups who currently benefit, which comprise over 2 million people all across Scotland.

I hope this information is helpful for the committee.

Yours sincerely

JIM FAIRLIE