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Edward Mountain  
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Net Zero, Energy and Transport Committee  
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Edinburgh  
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Dear Mr Mountain,

### **National Bus Travel Concession Schemes (Scotland) Order 2024**

I am writing regarding the Committee's consideration of the National Bus Travel Concession Schemes (Miscellaneous Amendment) (Scotland) Order 2024 (draft) on Tuesday 5th March 2024.

I am the Director for the Confederation of Passenger Transport (CPT) in Scotland. CPT is the recognised voice of the bus sector in negotiations with Scottish Government across a range of policy matters, including the concessionary travel schemes.

The review of the model behind the concessionary travel schemes is complex and I appreciate that the Minister for Agriculture and Connectivity was giving evidence on a process that he was not in post to oversee. However, there were points made within the Committee session that we believe require further clarification to assist the Committee in their understanding of the model review, and the scheme more widely.

The concessionary schemes are predicated on the objective of operators being no better or worse off for their participation. A number of factors are included within the scheme model to ensure this is reflected in the reimbursement rates. For example, the suggestion that the scheme means more people are using the bus than otherwise would be the case is addressed through the inclusion of a 'generation factor'. Additional trips generated by the presence of the scheme then lower the operator reimbursement rate.



In relation to the application of a cap on the budget of the scheme, Mr Doris asked

*“I apologise if I sound like a pedant, but the idea of “losing” money is open to interpretation. If passengers were not using the buses, the bus companies would not get any money. Perhaps we should talk about the bus companies not maximising their income, rather than about them losing money. Is that an appropriate alternative way of using the terminology?”*

Mr Fairlie responded,

*“If that is the terminology that you would like to use, Mr Doris, I am happy to let you use it.”*

Mr Doris' point, and Mr Fairlie's response, suggest that each concessionary passenger is additional revenue to the operator and that a lower level of reimbursement due to a capped budget solely means a lower level of profit, rather than a loss of income. This line of argument fails to acknowledge that the reimbursement rate is already adjusted to ensure operators are 'no better or worse off', therefore any reduction leaves operators worse off. Operational costs remain the same, but revenue is reduced beyond the agreed rate.

This misunderstanding was compounded when Mr Doris asked,

*“However, my understanding is that, if we reach that cap and we get the data, no service will be impacted. What will happen is that we will get the data for the next round of negotiations on setting the budget for the next concessionary travel scheme. Reaching the cap will inform the data for the next discussions that we have with bus operators, rather than put at risk any bus service, anywhere. Is that the situation?”*

With Mr Fairlie responding,

*“Yes, it is.”*

If the budget cap is reached, then operators stop receiving reimbursement for the concessionary journeys they carry. The costs of running the services, paying fuel costs, drivers wages, fleet investment, etc. all remain, but no income is received for those passenger trips. Operators have limited levers to pull to mitigate for this. They can begin the process of withdrawing from the scheme, reduce services, or increase fares for fare-paying passengers. The concessions cap is not purely a safeguard for government spend, it has potentially grave consequences for the fares and services of all bus users.



Mr Simpson noted one aspect of the cap on the concessions budget, stating,

*“Given that the reimbursement rate could be reduced if we get near the cap, there is no incentive for operators to grow the number of older people who use the buses, is there? If they do so and get near the cap, they will get less money.”*

While Mr Simpson is correct that the more cardholder journeys, the greater the risk of a cap breach, the bus sector is committed to working with Scottish Government and others to grow bus use, in line with the objectives of the National Transport Strategy. For example, last year CPT match-funded the Choose the Bus campaign<sup>1</sup> with Transport Scotland. We find ourselves in a situation whereby operators and local and national government are working to cut car use and grow sustainable and active travel, such as bus use. Meanwhile the concessions scheme budget is capped so that government can stop payments to operators if bus use by concessions card holders grows.

Later in the Committee session Mr Fairlie responded to Mr Lumsden, stating,

*“... Operators' funding stream should not be dependent on Government support; it should be dependent on people using the buses.”*

The National Concessionary Travel Scheme should not be framed as Government support to operators. The Government has made the policy decision to offer certain sectors of the population (those aged 60 and over, disabled people, and under 22s) free bus travel. Government is providing this benefit by agreeing payment terms directly with the bus sector through the Concessionary Travel Scheme.

As would be expected, the Government looks to ensure a good deal for the public purse by working with the sector to agree a reimbursement rate that does not financially penalise the operators for providing the scheme, but also takes into account aspects like generated trips, or the fact that some cardholders would have bought discounted multi-journey products, to arrive at a rate that is fair for all. It is designed to meet expenses that the sector accrues.

The eligible bus passenger is the recipient of the support. As stated previously, the bus operator should be no better or worse off for providing the scheme. The only direct form of government support that the bus sector receives is the Network Support Grant. This was acknowledged by Ms Sizeland, Director of the Bus, Accessibility and Active Travel Directorate, Transport Scotland,

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<sup>1</sup> <https://www.transport.gov.scot/news/choose-the-bus/>



*“With regard to the points that have just been made, it is a commercial, deregulated market, but the concessionary travel scheme is not the only scheme that supports patronage and passengers. We also have the network support grant, which goes directly to bus operators. We pay bus operators 14.4p per kilometre for every journey that they provide, and that payment is there to ensure that services and fares are kept at a reasonable level.”*

The payment rate of the Network Support Grant, and its predecessor the Bus Service Operators Grant, has been 14.4ppkm since 2012. In real terms this is a cut of almost 20%. As such, it is not the case that the bus sector is insulated from the effect of any cap on the concessionary scheme through receiving the Network Support Grant. A cap is a very real threat on fares and services.

I would also query the statement that ‘there was total agreement’ between Transport Scotland and CPT through the scheme review process. While agreement was reached, this was dependent on a commitment that both sides continue to examine the discount factor within the Older and Disabled Person scheme through 2024. CPT also made clear that we do not agree with, or accept, the imposition of a cap on the ODPS scheme.

Transport Scotland monitors and can call into question fares increases that may have an impact on the concessionary budget. Transport Scotland can withhold reimbursement payments if the reasons for the fares increase are not accepted. The cap is not required as a deterrent to fares increases. Firstly, because operators wish to grow bus use and therefore want to keep fares as affordable as possible, and secondly because a mechanism to scrutinise fares is already in place.

Additionally, bus use is not entirely within an operator’s control. Through the scheme modelling, Transport Scotland and CPT do our best to predict how fares levels and patronage will change through the course of the year. However, there are many factors that can impact bus use and push us closer to the budget cap. For example, a spell of good weather historically means an increase in journey numbers, the Low Emission Zones that will come into force in Edinburgh, Aberdeen and Dundee this summer may see more cardholders move from car to bus, there may be a geopolitical event that sees fuel costs increase unexpectedly, or the government’s many policies designed to generate modal shift from car to bus may bear fruit and deliver a marked rise in journey numbers.

In short, the objective of leaving the sector ‘no better or worse off’ for delivering this Government flagship scheme is only achievable in an uncapped scenario. The instant a cap is applied Government is expecting operators to meet the costs of the scheme without recompense.



In conclusion, the Concessionary Travel Schemes are a great success, and the bus sector is proud of the role we have played in delivering them. The scheme modelling and annual reviews are complex by nature as all sides have to be satisfied that all aspects of the scheme are considered to arrive at a mutually acceptable position. We welcome the scrutiny of the NZET Committee. However, on this occasion Mr Fairlie was placed in the unenviable position of taking questions on a scheme he is not familiar with, leading to some statements that we hope Transport Scotland will correct in future correspondence with the Committee. As the other party involved in the scheme review, CPT could not stand by without challenging these statements through this response. I would be happy to give further evidence to the Committee in person or through further correspondence if the Committee would find it helpful.

Kind regards,

Paul White, Director, CPT Scotland