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George Mair
Director
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20 January 2015

Dear George,

Agreement on National Concessionary Travel arrangements for 2015-16 and 2016-17

This letter concludes our discussions on the National Concessionary Travel Scheme arrangements for the next two years.

These discussions have been greatly facilitated by your constructive engagement and by the model which we developed together and agreed during 2012-13.

Use of the model

The model has been recalibrated with up-to-date outturns and authoritative forecasts of factors such as costs, fares and journey numbers which we have agreed between us. This has enabled us to set reimbursement rates and budgets for the next two years which should ensure operators are fairly reimbursed for carrying passengers under the Scheme.

On the basis of those agreed calculations, I propose that the reimbursement rates for the next two years should be 57.1% in 2015-16 and 56.9% in 2016-17.

These rates reflect the assumptions which we discussed on future growth in journey numbers, fares, inflation and industry costs. They imply budgetary requirements for Transport Scotland of £202 million in 2015-16 and £212 million in 2016-17.

Future discussions

I propose that we discuss reimbursement terms for 2017-18 during 2016. I anticipate that the agreed model and our recent work on its updating and recalibration will again provide a sound basis for those discussions.

When we agreed the model in early 2013, we also agreed that we should review it at least every five years. I propose that the first such formal review should also begin in 2016, in time to inform the setting of reimbursement terms for April 2017 or 2018, depending on how much time we need for the associated work. Scoping the review in 2016 will ensure we have plenty of time for the substantive work, for example any research we may feel necessary.



Next steps

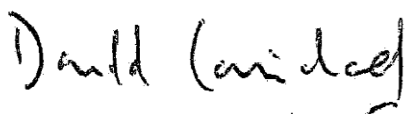
The arrangements for 2015-16 and 2016-17 now need to feature in secondary legislation to be introduced in February for entry into force by 1 April. We will provide you with a draft Statutory Instrument shortly.

As with the previous agreement, we will also ensure that the agreed budgetary cover is provided.

When we complete this exchange of letters, we might perhaps liaise on the timing of our respective media handling and the letters that we will send to all operators.

I should be grateful for confirmation that this letter reflects your understanding of our agreement.

Yours Sincerely,



DONALD CARMICHAEL