

Business and Regulatory Impact Assessment

Title of Proposal

The National Bus Travel Concession Scheme for Young Persons (Scotland) Amendment Order 2021

Purpose and intended effect

- **Background**

The [National Bus Travel Concession Scheme for Young Persons \(Scotland\) Order 2021](#) (“the 2021 Order”) was laid before Parliament in January 2021 and passed in March 2021. It provides for a National Bus Travel Concession Scheme for Young Persons (“the Young Persons Scheme”). A [Business and Regulatory Impact Assessment](#) (BRIA) was carried out prior to the 2021 Order being laid and this BRIA will look to address the impact of the amendment Order only.

The National Bus Travel Concession Scheme for Young Persons (Scotland) Amendment Order 2021 is due to be laid before Parliament on 23 August 2021. It will provide for the extension of eligibility under the Young Persons Scheme to all young people aged between 19 and 21 (inclusive).

- **Objective**

The National Bus Travel Concession Scheme for Young Persons (Scotland) Amendment Order 2021 (“the Amendment Order”) will extend the Young Persons Scheme to include all young people aged between 19 and 21 with approximately 160,000 additional people benefiting from access to the scheme. This will mean that all young people resident in Scotland aged under 22 will be eligible to apply for free bus travel when the Young Persons Scheme comes into operation.

Rationale for Government intervention

The Young Persons Scheme

The original BRIA set out a detailed rationale for the overall policy aim of the proposed new Young Persons Scheme. In summary the aim is to encourage Scotland’s younger generations to use public transport with a view to embedding that behaviour from a young age, to tackle the climate emergency and to improve air quality in towns and cities by reducing the number of car journeys. This aligns with the Scottish Government’s Climate Change Plan. An [update](#) to the Plan, published on 16 December 2020 has committed to reduce private car kilometres travelled by 20 percent by 2032 and to make sustainable transport the instinctive first choice for people.

In addition to the core transport and environmental aims, potential further benefits of the scheme are the promotion of social inclusion (by improving access to education, healthcare, training and employment etc.) and reduction in child poverty.

Extending the Scheme to include those aged 19-21

We estimate that the extension to the scheme will enable approximately 160,000 additional people to access free bus travel. While the impact of the scheme on patronage and modal shift is uncertain and will be influenced by COVID, evidence from a similar scheme in London, albeit for under 19s, suggests that making bus travel free for young people could result in an increase of around 10% in the number of bus journeys made by those covered by the scheme. Therefore, the scheme has the potential to support a long term shift to more sustainable travel by embedding the use of lower emission and lower carbon public transport in behaviours, which can contribute to tackling the climate emergency.

Most people aged 19-21 are in full time education, work or in training and need transport to travel to their school, college or place of work. In Scotland 72.2 per cent of 2019/20 school leavers were in Higher or Further Education. This is the highest rate since consistent records began in 2009/10¹.

People from lower income households are more likely to take the bus with research indicating that 44% of people with an income of less than £10,000 travel by bus once a week or more².

Consultation

- **Within Government**

Consultation has been undertaken with colleagues in Transport Scotland who administer the scheme and who are in regular contact with bus operators.

Transport Analytical Services have supported negotiations with the bus industry, updated the economic model and provided forecast information to ensure these have been reflected in the agreement reached in respect of reimbursement terms for the Order. Finance colleagues were consulted about relevant budgeting for resources and costs of the extension.

¹ [Summary Statistics for Attainment and Initial Leaver Destinations, No. 3: 2021 Edition - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/summary-statistics-for-attainment-and-initial-leaver-destinations-no-3-2021-edition/pages/112.aspx)

² [Report of the Poverty and Inequality Commission \(2019\)](https://www.gov.scot/publications/report-of-the-poverty-and-inequality-commission-2019/pages/112.aspx)

- **Other stakeholders**

The Improvement Service (IS) is the national improvement organisation for Local Government in Scotland. Its members include the Convention of Scottish Local Authorities (COSLA), the Society of Local Authority Chief Executives (Solace) and Scotland's 32 local authorities. It was established in 2005 to deliver improvement support that would help Councils to provide effective community leadership, strong local governance and deliver high quality, efficient local services.

The IS is the accountable body for the National Entitlement Card Scheme. The National Entitlement Card Programme Office (NECPO) – as part of Dundee City Council – supports the Scheme's management and delivery through a Service Level Agreement between the IS and Dundee City Council. The IS is responsible for the management and operation of an online card application portal, getyournec.scot.

NECPO manages the National Entitlement Card (NEC) scheme, including procuring core components necessary for the Scheme's delivery, including a national card management system, card production and fulfilment services, and smartcard supplies.

The IS, Young Scot and NECPO are also members of the Joint Delivery Board overseeing the development of the Young Persons Scheme. Early and regular engagement with these bodies has been undertaken and is ongoing.

Local Authorities and in some cases Regional Transport Partnerships are responsible for the application and cardholder management process for the NEC, and also operate and tender school bus transport and socially necessary services. In addition to local authority responses to the public consultation, a working group has been established to engage local transport authorities.

Transport Scotland is also engaging with COSLA and ATCO (the Association of Transport Co-ordinating Officers) regarding wider impacts of the introduction of the Young Persons Scheme on Local Authorities, in respect of obligations relating to school transport and supported bus services.

- **Bus Industry**

Regular engagement has taken place with the Confederation of Passenger Transport (CPT), which represents over 90% of the bus industry in Scotland in terms of numbers of journeys, to agree the reimbursement rates for the Young Persons Scheme. This engagement will continue until, and after, the scheme goes live.

A number of bus operators stated that they would have to be appropriately compensated for joining the Young Persons Scheme, which should not

place an increased financial burden on operators, which could lead to fare increases, frequency reductions, service removal or a combination of these measures.

Further, some local authorities pointed out that unless the Older and Disabled Persons Scheme and the new Young Persons Scheme were appropriately funded, it might lead to increased tender prices for local authorities running necessary services if on-bus revenue reduces as a result of too low a level of reimbursement. There was also potential for increased administrative demands on public service staff and transport operators helping to administer the scheme.

These considerations have been taken into account in determining the reimbursement rates for both the Older and Disabled Persons Scheme and the new Young Persons Scheme, which are discussed in more detail below.

- **Other public transport modes**

Engagement with the operators of tram and subway services has been carried out during the development of the policy. Work in partnership with these operators and Transport Scotland Rail Directorate is ongoing to understand the impacts that extending the free bus travel scheme may have on other transport modes.

- **Public Consultation**

There was a significant public consultation on the proposal to introduce the Young Persons Scheme. It was published on 26 October 2020 and completed on 7 December 2020. The consultation attracted over 3,000 responses.

Over 90% of respondents to the public consultation felt that extending free bus travel to people aged 18 and under would contribute towards improving opportunities and reducing inequalities for children and young people. There were also a number of calls to extend the Young Persons Scheme by increasing the upper age limit. Given the overwhelming public support the original consultation generated it would not have been proportionate to run another public consultation on the proposition to increase the age limit by three years. However, in light of concerns raised, a targeted public consultation exercise was carried out with island communities as a follow up to the original consultation and an Island Communities Impact Assessment will be published shortly.

As outlined above targeted consultation has taken place with key stakeholders regarding the extension of the scheme.

Options

Option 1 – Do not provide free bus travel for all persons resident in Scotland aged between 19 and 21

Benefit:

- Cost saving

Cost: Not applicable

Keeping the upper age limit at 18 would make it more difficult to encourage a greater shift to public transport in this age group as part of moves toward a more sustainable transport system. It would also mean that the 19-21 age group would not benefit from the improved access to education, employment and leisure opportunities that the scheme offers.

Option 2 – Bring into force the National Bus Travel Concession Scheme for Young Persons (Scotland) Amendment Order 2021, creating a National Bus Travel Concession Scheme for Young Persons to provide free bus travel for all persons resident in Scotland aged under 22.

Benefit:

Will extend free bus travel to a further 160,000 young people, meaning the Young Person Scheme will in total benefit around 930,000 young people. This will encourage a greater shift to public transport as part of moves toward a more sustainable transport system and offer these young people better access to education and leisure facilities.

The Young Persons Scheme is intended to leave bus operators no better and no worse off as a result of their participation in it.

Cost:

Reimbursement rates for the National Concessionary Bus Travel Scheme for Older and Disabled Persons have been set using an agreed economic model since 2013-14. The model aims to deliver as far as possible average reimbursement that meets the statutory aim that bus operators should be no better or worse off as a result of the scheme.

The new Young Persons Scheme will have two reimbursement rates during financial year 2021-22: 43.6% of the adult single fare for under 16s and 81.2% for 16 to 21 year olds.

The principles underlying the model used for the Older and Disabled Persons Scheme have been applied to the Young Person Scheme. Accordingly, reimbursement terms have been estimated aiming as far as possible to leave operators no better or worse off on the basis of operator data on pre Covid-19 travel at child fares. This was done using data from the Scottish Household Survey

to estimate the travel patterns of 16-21 year olds (who generally travel on adult fares) and studies into the impact on journey numbers of schemes elsewhere.

The terms are based on adult single fares for practical administrative reasons but take account of the fact that many journeys made by this age group, especially by 5-15 year olds, would have been made at commercially discounted child rates.

However, we recognise there are significant uncertainties, exacerbated by the impacts of the ongoing pandemic, over take up and potential impacts on cost for operators. There are also variations between operators, for example, in the commercial child discounts offered prior to the scheme, which may mean they are affected differently by the use of a single average rate.

The majority of young people aged 19-21 are either educationally or economically active, and so more likely than the older and disabled group to travel at peak times. It is possible that an increase in patronage at these times could increase the Peak Vehicle Resource (PVR) requirements of bus operators, leading to increases in both driver and vehicle resource.

Additionally, young people are more likely to travel in the evenings than cardholders under the Older and Disabled Persons Scheme, where service provision is lower and indeed in many areas is either not operated or operated either by larger operators or with funding support from Local Authorities. Increased demand at this time may lead to disproportionately high additional operating costs to operators.

It will be important to monitor the scheme closely as it comes into operation in order to avoid significant adverse financial impacts, generally or for individual operators or groups of operators. This work with bus operators will also help to improve reimbursement modelling in future years and identify any problems for individual operators that might arise and will need to be addressed.

We have committed to review the Young Persons Scheme after the first full year of operation.

Scottish Government

Transport Scotland estimate that the extension to the Young Persons Scheme will lead to approximately 30.5 million journeys being made by 19 to 21 year olds under the Scheme. This will increase the annual reimbursement costs by an estimated £54.4 million for a full year of operations.

Transport Scotland estimates the total annual journeys made by all under 22 year olds who will be eligible for free travel when the scheme launches will be in the region of 88 million, with an estimated total annual cost of around £130 million. This estimate is lower than expected normal annual costs as it takes into account the anticipated continuing impact of Covid-19 on the transport sector in the next year. Costs are likely to be as high as £160 million per annum once bus patronage returns to, or exceeds pre-Covid levels. Actual usage will be closely monitored to refine the reimbursement model and identify any significant adverse impacts on operators' finances.

We estimate additional implementation costs of around £240,000 and annual business as usual costs as a result of the extension to be around £240,000.

Local Government

NECPO estimate additional implementation costs of around £265,000 and annual business as usual costs as a result of the extension to be around £125,000.

IS estimate additional implementation costs of around £220,000 and annual business as usual costs as a result of the extension to be around £128,000.

The above costs will be met by Transport Scotland.

Local Authorities have advised that the proposals may have the potential to increase costs and burdens. The level of reimbursement is key, both initially and in coming years. If the initial level of reimbursement, or any subsequently agreed level, is too low, bus operators may seek additional funding from Local Authorities for their local bus service contracts as on bus ticket income would not be fully replaced by reimbursement payments. This would cause an increased cost for the local authority if they considered the journey was socially necessary or a burden in that they could not afford to replace the journey. In addition, this could lead to an increase in fares which may then result in a barrier for fare paying passengers. Local Authorities may also make savings in other areas, for example, where they pay for school transport by paying for pupils to travel on registered bus services.

We are working with COSLA and ATCO to try to quantify the overall effects of the introduction of the Young Persons Scheme on Local Authority budgets.

Young Scot

Young Scot estimate additional implementation costs of around £60,000 and annual business as usual costs as a result of the extension to be around £12,000.

Sectors and groups affected

The sectors most affected by the changes in the 2021 Amendment Order are the bus industry and bus passengers (both concessionary and fare paying).

In addition, a potential increase in bus travel and associated reduction in car use as a result of the Young Persons Scheme may have some impact on congestion on the roads and improved air quality, to the benefit of all road users.

There may be impacts on other public transport operators. We will monitor and evaluate the Young Persons Scheme to allow for as full an understanding as possible of its effects.

Scottish Firms Impact Test

There are around 195 bus operators in Scotland who are currently eligible to participate in the Young Persons Scheme. Transport Scotland has had regular contact with participating bus operators since the outset of the Older and Disabled Persons Scheme in 2006 and consideration of potential impacts on the bus industry is a key part of any discussions.

Competition Assessment

The Scottish Government does not consider that the proposed amendment to the 2021 Order will have any impact on competition. It is not considered likely that the proposals will directly or indirectly limit the range of suppliers, limit the ability of suppliers to compete, or reduce suppliers' incentives to compete vigorously. Furthermore, given the local nature of services being supplied by the bus industry, there will be no impact on competition within the UK or elsewhere.

Test run of business forms

Transport Scotland are working with NECPO, the Improvement Service, Young Scot, Local Authorities and Strathclyde Partnership for Transport (SPT) to identify any additional requirements for the NEC application process. The existing application form and process has been rigorously tested and is used on a very regular basis for the existing concessionary schemes. Customer Journey mapping and technical process mapping will help to test out any required amendments to the application form.

Legal Aid Impact Test

Legal Aid is not impacted by this Order.

Enforcement, sanctions and monitoring

Transport Scotland is responsible for the requirements as detailed in the Order.

Implementation and delivery plan

The Order is subject to affirmative resolution procedure and so will require to be approved by the Scottish Parliament. The 2021 Amendment Order will extend eligibility for the Young Persons scheme to include all people resident in Scotland aged between 19 and 21.

The provisions of the Order will come into force on 12 November 2021 meaning that Ministers will be able to formally admit operators to the scheme under the amended terms of the Order and put in place the necessary administrative arrangements to begin running the scheme. The anticipated start date for the scheme is 31 January 2022.

- **Post-implementation review**

The Scottish Government will monitor evidence from the Young Persons Scheme for determining its effectiveness in meeting the stated aims and also for informing the reimbursement rates in coming years. A multi-year monitoring and evaluation plan is currently being developed.

Discussions will take place with CPT and key stakeholders to seek to ensure any future reimbursement rate can be agreed with the industry representatives to sustain the benefits of the Young Persons Scheme.

We have committed to review the Young Persons Scheme following the first full year of operation.

Summary and recommendation

In summary, the preferred option (Option 2) seeks to bring into force the National Bus Travel Concession Scheme for Young Persons (Scotland) Amendment Order 2021 to extend the Young Persons Scheme to provide free bus travel for all persons resident in Scotland aged between 19 and 21.

- **Summary costs and benefits table**

| Option | Total benefit per annum: - economic, environmental, social | Total cost per annum: - economic, environmental, social - policy and administrative |
|----------|--|--|
| Option 1 | Do not provide free bus travel for all persons resident in Scotland aged between 19 and 21 (inclusive), | No additional costs. Around 770,000 young people will continue to benefit from free bus travel throughout Scotland. |
| Option 2 | Bring into force the extension of the National Bus Travel Concession Scheme for Young Persons to provide free bus travel for all persons resident in Scotland aged 19 to 21. | Annual reimbursement cost for the additional 160,000 additional people eligible to access the Young Persons Scheme estimated at around £132 million per annum. Around £785,000 additional implementation costs and around £500,000 annual business as usual costs. Possible increase in bus patronage once Covid-19 over, with possibility of corresponding increase in driver and vehicle resource. Potential additional Local Authority resource required to administer increase in applications. |

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| | | Reimbursement rate consistent with scheme objectives to leave bus operators "no-better and no-worse off" through their participation in the scheme. |
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Declaration and publication

I have read the Business and Regulatory Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

Signed: Graeme Dey

Date:

**Graeme Dey
Minister for Transport**

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