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SPT £2 fare cap: Outline Business Case

**An assessment of the
extension of the
HiTrans/ZetTrans pilot to
Strathclyde Passenger
Transport Area**

1. Context and introduction

1.1. Introduction

Our public transport system is a key enabler for growth and opportunity – providing the vital link between where people live, learn, earn and socialise. Access to affordable and reliable public transport services helps people and communities unlock opportunities to connect to jobs, education, retail, public services, leisure, recreation and social and family networks.

A sustainable and viable public transport system is also vital in achieving our ambitious targets on climate change mitigation. Scotland's [National Transport Strategy \(NTS2\)](#) sets out a vision that:- *“We will have a sustainable, inclusive, safe and accessible transport system, helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.”*

The Scottish Government published the “Fair Fares Review” on 22 March 2024. The Review sets out our aim to ensure the public transport system is more accessible, available, and affordable, with the costs of transport more fairly shared across government, business, and society. It also highlights the challenges facing public transport and presents options on the immediate to short and medium to long-term actions that are available to reform our current transport offering, to support delivery of a quality, accessible, available and affordable integrated public transport system.

The First Minister is committed to expanding the £2 bus fare cap pilot to the SPT region (Glasgow, Ayrshire, Dunbartonshire, Renfrewshire, Lanarkshire and Inverclyde) within the first 100 days of the new government, by 2 September 2026. This is a cost-of-living measure, the primary objective of which is to reduce the cost of bus travel. It is the second stage of a proposed nationwide roll out, with a Manifesto commitment to take forward legislation by the end of this Parliament to put in place a £2 bus fare cap across Scotland and follows the introduction of the £2 bus fare cap pilot in the Highlands and Islands in early 2026.

This interim scheme in SPT allows the scheme to be tested in an area sufficiently different from the Highlands and Islands and enables Transport Scotland to test the effectiveness of the policy intervention in supporting costs of living pressures, to test the administration of the scheme and to gather data and evidence about impact and cost of a bus fare cap in urban, suburban, rural and island areas to inform development of a nationwide scheme. As well as providing support to passengers

with the affordability of bus fares, the interim scheme in SPT will strengthen the evidence base for the development of a nationwide scheme and inform design choices, including eligibility and the reimbursement methodology for bus operators.

This OBC considers the rationale for intervention, options analysis and choice of detailed option including detailed reimbursement parameters if necessary and the cost, value for money and feasibility of the expansion of the £2 bus fare cap to the SPT region as an interim scheme prior to National rollout. Ministers' intention is that passengers will not see a break in provision of the £2 bus fare cap once introduced, but the interim period allows Transport Scotland to test the administration of the scheme and gather data about impact and cost of a bus fare cap in island, rural and urban areas. This will provide the evidence base for the development of a nationwide scheme and inform design choices, including the reimbursement methodology for bus operators.

The parameters of the scheme at its launch are:

- Passengers will pay no more than £2 per journey for an adult or child (in the absence of a concessionary card) fare within the SPT area. Journeys under £2 will be unaffected.
- Bus operators will be reimbursed for the revenue forgone, should there not be an identified method of directly handling with passengers.
- The underlying adult single fare must be in line with existing concessionary fares.
- The scheme will be open on a voluntary basis to bus operators operating both commercial and subsidised services.
- Long-distance journeys are included in the scheme, and the £2 bus fare cap will apply to the SPT boundary. There is an interaction with the HITRANS scheme so for those services that enter both areas, the commercial rate will apply beyond the SPT boundary and up to the Highlands and Islands region boundary, where the £2 bus fare cap again comes into effect. If a service goes directly between the two areas, the fare will be £4.

1.2. The Nature Of This Document

This document forms an Outline Business Case for the extension of the £2 bus fare cap in the HITRANS and ZeTrans area (Highlands and Islands) to the Strathclyde Passenger Transport region. It includes an initial evaluation of the Highlands and Islands Pilot. This document also covers the areas of impact specified within the suite of Impact Assessments required by Scottish Government.

These consist of:

Required

- EQIA – Equalities Impact Assessment
- FSD – Fairer Scotland Duty
- CD - Consumer Duty
- BRIA - Business and Regulatory Impact Assessment
- Strategic Environmental Impact Assessment
- Island Communities IA

The required material and impacts are considered within the Socio-Economic case.

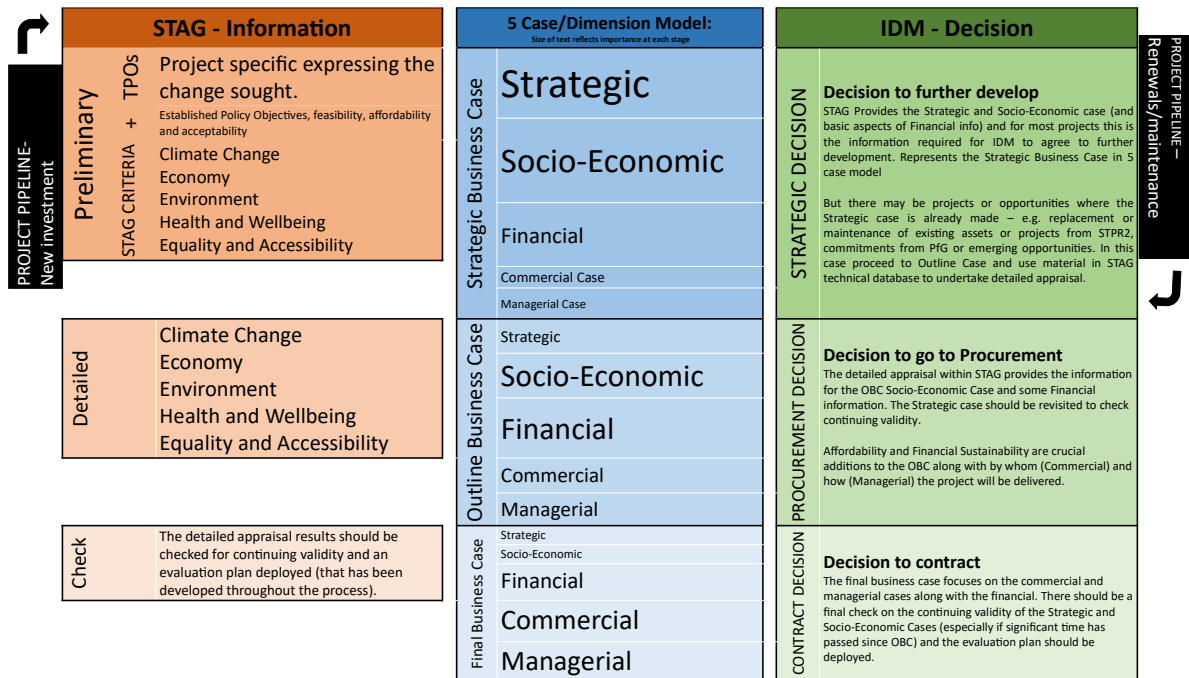
Not required

- Children's Rights and wellbeing IA - this is not legislation nor strategic decision relating to the rights and wellbeing of children
- Data Protection IA – no personal data will be collected as part of the scheme. The commercial case covers impact on bus operators in terms of data.

1.3. The 5 Cases Model And The Preferred Option And Options Appraisal

The normal form of the 5 case/dimension model and its links to Scottish Transport Appraisal Guidance and Transport Scotland's Investment Decision Making (IDM) processes are shown in the diagram below.

Overview of the 5 case model:



The diagram shows the 5-case model – as described below

For projects, the 3 decision points are:

- Strategic Business Case (SBC) – Strategic Decision – to develop further. This provides the strategic and socio-economic case in line with STAG guidance required for IDM to agree to further development.
- Outline Business Case (OBC) – Procurement Decision – to go to Procurement. This provides the detailed appraisal in line with STAG guidance for the socio-economic case and some financial information. This is linked to the procurement decision stage of the IDM process.
- Final Business Case (FBC) – Contract decision – to contract. This focuses on the commercial and managerial cases along with the financial, and is linked to the contract decision stage of the IDM process.

The five dimensions considered in the model are:

- Strategic
- Socio-Economic
- Commercial
- Financial
- Management

There is no Strategic Business case for the proposal as the scheme and subsequent wider implementation are building on the Fair Fares Review which is considered to be what established the “decision to develop further” stage that led to the announcement.

This OBC forms the basis for the decision to implement and fund (rather than go to formal procurement) as the policy will be enacted by Transport Scotland rather than procured in the usual sense.

The 5 dimensions considered in this OBC are, as standard – the Strategic, Socio-Economic, Financial, Managerial and Commercial dimensions. In more detail:

- The Strategic case – this section gives the wider context of the policy and covers the results of the evaluation of the trial as well as establishing updates outcomes for the intervention.
- The Socio-Economic Case – this section updates the evidence from the evaluation of the trial to present an updated view of the value for money of the project.
- The Financial case – this section examines the costs (feeding into the Socio-Economic Dimension) and crucially, the affordability of the project.
- The Managerial case – examines how the project will be delivered
- Commercial case – this examines who will deliver the project

Given that the project will be delivered by Transport Scotland in conjunction with bus operators and the impact on operators is covered by the (Partial) Business and Regulatory Impact Assessment (BRIA) within this OBC, the commercial and managerial cases for the project are relatively simple.

1.4. Link Between The Outline Business Case And Options Appraisal

This OBC contains an assessment of various options for the implementation of a £2 bus fare cap to the SPT area. It compares these options against a Do-Minimum that represents the current position of SPT bus fares (as at End June 2026). The starting point is the Manifesto commitment and subsequent 100 days announcement, with the First Minister saying:

“Within the first one hundred days, we will extend the £2 bus fare cap to Glasgow, Ayrshire, Dunbartonshire, Renfrewshire, Lanarkshire and Inverclyde.”

2. The strategic case

2.1. The Strategic Context

Regional Transport Partnerships (RTPs) play a crucial role in strengthening the planning and delivery of regional transport across Scotland.

Each RTP is responsible for producing a regional transport strategy. These are supported by delivery plans where RTPs set out when and how projects and proposals will be delivered. Some RTPs are also responsible for the delivery of transport services. In particular Strathclyde Partnership for Transport owns and operates the Glasgow subway and major bus stations across the west of Scotland.

The seven RTPs and the Local Authority areas they cover are:

- [Shetland Transport Partnership](#) (ZetTrans: Shetland Islands)
- [Highlands and Islands Transport Partnership](#) (HITRANS: Highlands & Islands, Moray, Orkney Islands, Na h-Eileanan Siar; Argyll & Bute)
- [North-East of Scotland Transport Partnership](#) (NESTRANS: Aberdeen City, Aberdeenshire)
- [Tayside and Central Scotland Transport Partnership](#) (TACTRAN: Angus, Peth & Kinross, Stirling, Dundee City)
- [South-East of Scotland Transport Partnership](#) (SESTRAN: City of Edinburgh, Clackmannanshire, East Lothian, Falkirk, Fife, Midlothian, Scottish Borders and West Lothian)
- [Strathclyde Partnership for Transport](#) (SPT: East Dunbartonshire, East Ayrshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire, West Dunbartonshire and Argyll and Bute)
- [South-West of Scotland Transport Partnership](#) (Swestrans: Dumfries & Galloway)

Argyll and Bute is divided between Highlands and Islands (all except Helensburgh and Lomond) and Strathclyde (Helensburgh and Lomond only) and for the purposes of the analysis below is considered wholly within the HITRANS area.

Map showing Scotland's RTPs and Local Authorities:

Regional Transport Partnerships

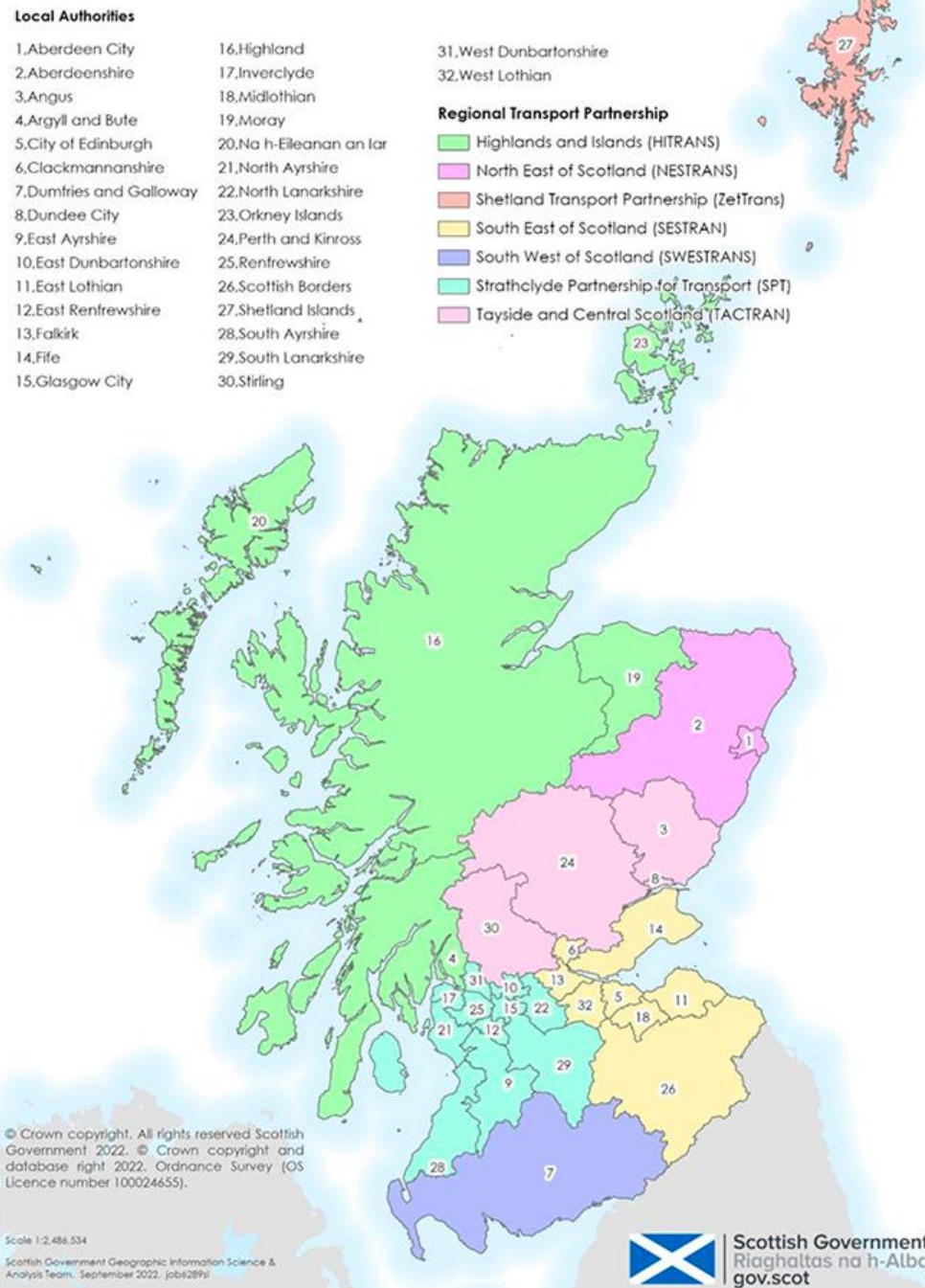


Image shows Scotland's Local Authorities and Regional Transport Partnership areas, as explained in text above

The HITRANS and ZetTrans pilot was introduced following an open EOI completion accessible by all RTPs. However, this was in the context of a limited £10 million budget which meant that it was only practical for less densely populated areas to bid

for a full scheme (SPT did initially bid for a limited scheme targeting those becoming ineligible for U22 free travel).

The following section considers the rationale behind the choice of the SPT area as the next step towards a national scheme.

2.2. Extension to SPT area

This section considers the choice for the next stage of a national scheme to be based within the SPT area based on both the socio-economic characteristics of the different RTPs and the public transport use profile of RTP areas. The focus will be on the Scottish Index of Multiple deprivation (including the Accessibility domain) and more general public transport and socio-demographic information across the RTP areas.

2.2.1. Scottish Index of Multiple deprivation

The Scottish Index of Multiple Deprivation is a relative measure of deprivation across 6,976 small areas (called data zones). If an area is identified as 'deprived', this can relate to people having a low income but it can also mean fewer resources or opportunities. SIMD looks at the extent to which an area is deprived across seven domains: income, employment, education, health, access to services, crime and housing.

SIMD is the Scottish Government's standard approach to identify areas of multiple deprivation in Scotland. It can help improve understanding about the outcomes and circumstances of people living in the most deprived areas in Scotland. It can also allow effective targeting of policies and funding where the aim is to wholly or partly tackle or take account of area concentrations of multiple deprivation.

SIMD ranks data zones from most deprived (ranked 1) to least deprived (ranked 6,976). People using SIMD will often focus on the data zones below a certain rank, for example, the 5%, 10%, 15% or 20% most deprived data zones in Scotland. SIMD is an area-based measure of relative deprivation: not every person in a highly deprived area will themselves be experiencing high levels of deprivation.

Data zones in rural areas tend to cover a large land area and reflect a more mixed picture of people experiencing different levels of deprivation. This means that SIMD is less helpful at identifying the smaller pockets of deprivation found in more rural areas, compared to the larger pockets found in urban areas. SIMD domain indicators can still be useful in rural areas if analysed separately from urban data zones or combined with other data.

The existing Scottish Index of Multiple Deprivation Local and National Share Calculator [Scottish Index of Multiple Deprivation: data and resources - gov.scot](https://www.gov.scot/publications/scottish-index-of-multiple-deprivation-2020/pages/2/index.aspx) has been augmented to examine the SIMD characteristics of each RTP area.

Table 1 – SIMD characteristics of RTPs – most deprived areas

Regional Transport Partnership	Total data zones	20% most deprived (Overall)	Local share of SIMD 2020v2_rank	National share
SPT	2963	913	31%	65%
TACTRAN	650	108	17%	8%
SESTRAN	2006	283	14%	20%
NESTRAN	623	38	6%	3%
HITRANS	503	34	7%	2%
SWESTRANS	201	19	9%	1%
ZETTRANS	30	0	0%	0%

The SPT area has the greatest concentration of 20% most deprived data zones across all RTPs (by a considerable margin). This is the same for all domains except Access. SPT also has the lowest share, outside of HITRANS, SWESTRANS and ZETTRANS of the 20% least deprived data zones.

Table 2 – SIMD characteristics of RTPs – least deprived areas

RTP	Total data zones	20% least deprived	Local share of SIMD 2020v2_rank	National share
SPT	2963	495	17%	35%
TACTRAN	650	126	19%	9%
SESTRAN	2006	516	26%	37%
NESTRAN	623	203	33%	15%
HITRANS	503	39	8%	3%
SWESTRANS	201	17	8%	1%
ZETTRANS	30	0	0%	0%

When looking at the Access Domain, ZetTrans and HITRANS have the greatest share of the most deprived areas.

Table 3 – SIMD characteristics of RTPs – Access Domain

RTP	Total data zones	20% most deprived (Access)	Local share of SIMD 2020_Access_domain_rank	National share
SPT	2963	434	15%	31%
TACTRAN	650	160	25%	11%
SESTRAN	2006	295	15%	21%
NESTRAN	623	170	27%	12%
HITRANS	503	237	47%	17%
SWESTRANS	201	79	39%	6%
ZETTRANS	30	20	67%	1%

As such the initial pilot in HITRANS and ZetTrans can be thought of in terms of improving access whereas the choice of SPT for the first extension allows an exploration of the policy in an area with better transport connections but concentrations of other forms of deprivation.

2.2.2. Socio-economic characteristics and public transport use

This section draws on selected tables from the latest releases of Scottish Transport Statistics and Transport and Travel in Scotland.

The SPT area has the highest proportion in Scotland of households without a car for private use.

Table 4: Number of cars available for private use by households (percentages): 2024

Sub-geography	None	One	Two	Three or more
Scotland	27.4	44.1	22.6	5.8
HITRANS	16	49	27	9
NESTrans	21	47	25	8
Zetrans	12	50	30	8
SESTrans	27	45	23	5

SWESTrans	23	44	27	5
SPT	33	42	20	5
TACTrans	25	42	26	7
Large urban areas	39	43	16	2
Other urban areas	25	46	23	6
Accessible small towns	19	46	27	8
Remote small towns	26	50	19	5
Accessible rural	11	40	36	13
Remote rural	12	45	32	11

It also has the second highest proportion of employed adults not working from home who travel to work by bus and the second lowest proportion of adults who do not use bus on a monthly basis. The highest proportion area in each case is SESTrans which reflects the particular characteristics of Edinburgh city and differences in transport provision between the two largest cities, with a subway and extensive local train network in Glasgow.

Table 5: Employed adults (aged 16+) not working from home - usual method of travel to work (percentages), 2024

Sub-geography	Walking	Driver Car/Van	Passenger Car/Van	Bicycle	Bus	Rail	Other
Scotland	11.9	61.6	4.5	2.3	10.1	6.4	3.2
HITRANS	15	72	5	2	1	2	3
NESTrans	11	68	4	2	6	1	8
Zetrans	8	79	7	2	1	0	3
SESTrans	13	54	5	4	16	6	3
SWESTrans	8	80	2	4	3	1	2
SPT	10	61	4	2	10	10	2
TACTrans	15	68	4	1	6	4	3

Table 6: Adults (16+) - use of local bus services in the previous month (percentages): 2024

Sub-geography	Local bus Every day, or almost every day	Local bus 2 or 3 times per week	Local bus About once a week	Local bus About once a fortnight, or about once a month	Local Bus NOT used in past month
Scotland	6.6	11.3	7.7	13.4	61.0
HITRANS	2	3	3	9	83
NESTrans	6	7	6	19	62
Zetrans	2	2	2	10	83
SESTrans	9	14	10	13	53
SWESTrans	3	6	2	13	77
SPT	7	13	8	12	60
TACTrans	6	7	7	16	63
Large urban areas	12	18	11	15	43
Other urban areas	4	8	6	12	69
Accessible small towns	3	6	7	14	70
Remote small towns	2	5	6	11	77
Accessible rural	2	6	4	12	76
Remote rural	2	3	2	10	83

A key wider transport feature of the SPT area is the high train use which is significantly higher than all other areas. This means that the choice of SPT is particularly useful in terms of assessing the impact on rail services. In addition, the Subway, although currently at a single fare of less than £2, is a further mode where there may be interactions.

Table 7: Adults (16+) - use of train services in the previous month (percentages):
2024

Sub-geography	Train Every day, or almost every day	Train 2 or 3 times per week	Train About once a week	Train About once a fortnight, or about once a month	Train NOT used in past month
Scotland	1.2	3.8	4.8	21.1	69.2
HITRANS	0	0	1	11	87
NESTrans	0	1	1	15	83
Zetrans	0	1	0	2	96
SESTrans	1	3	4	23	69
SWESTrans	0	0	0	8	91
SPT	2	6	7	24	60
TACTrans	1	2	3	20	75
Large urban areas	2	5	6	21	66
Other urban areas	1	4	5	24	66
Accessible small towns	0	3	3	21	72
Remote small towns	0	2	0	11	87
Accessible rural	0	2	5	21	72
Remote rural	0	0	1	11	87

Looking at selected views of bus users, SPT has the lowest proportion of bus users who agree that fares are good value for money.

Table 8: Adults (16+) who used a local bus services in the past month, percentages who agreed with each statement: 2024

Sub-geography	it is simple deciding the type of ticket I need	finding out about routes and times is easy	it's easy changing to other forms of transport	the fares are good value
Scotland	89	85	69	64
HITRANS	81	79	54	58
NESTrans	86	72	59	57
Zetrans	[small sample]	[small sample]	[small sample]	[small sample]
SESTrans	92	91	82	72
SWESTrans	93	93	66	60
SPT	87	84	61	59
TACTrans	90	79	72	65
Large urban areas	89	85	72	65
Other urban areas	88	84	63	64
Accessible small towns	91	89	71	62
Remote small towns	94	73	57	63
Accessible rural	88	85	72	58
Remote rural	87	80	56	67

Looking across the range of evidence above, SPT provides the strongest testing ground for an extension of the existing scheme in HITRANS in terms of both public transport and socio-economic characteristics. It is also, generally, the area that is most distinct from HITRANS ensuring that the widest possible range of data is available for future analysis.

2.3. The Current Economic Position

This section draws heavily on [Scottish economic bulletin: July 2026 - gov.scot](https://www.gov.scot/publications/scottish-economic-bulletin-july-2026/pages/1-to-100.aspx).

The Scottish economy grew 0.1% in the three months to April, stable from the three months to March. However, the pace of growth is subdued and continues to reflect business survey evidence showing that business activity and demand remain subdued. In recent months, this partly reflects the impacts of the Middle East conflict

on energy and fuel costs faced by households and businesses, and its effect on consumer and business sentiment.

Business conditions have remained challenging with Producer Price Inflation rising to 8.7% in May and business concerns relating to inflation and energy prices remaining elevated in the first half of June. However, business survey data indicates the rate at which cost pressures have risen and their feed through to prices have moderated slightly.

In May, consumer price inflation remained stable at 2.8%, continuing to partly reflect the fall in the Energy Price Cap in April with higher energy prices continuing to be mainly experienced through motor and heating fuels. Despite the fall in wholesale oil and gas prices in June, the spike in energy prices is still feeding through the economy with the Bank of England expecting inflation to rise to around 3% in Q3 2026 and 3.25% in the fourth quarter as the Energy Price Cap rises in July and business costs continue to feed through to consumers.

Scotland's labour market has weakened over the year, with unemployment at 4.3% and the number of payrolled employees having fallen by 7,600 over the year. Earnings growth nonetheless remains robust, with earnings growing by 5.3% in nominal terms and by 2.4% in real terms.

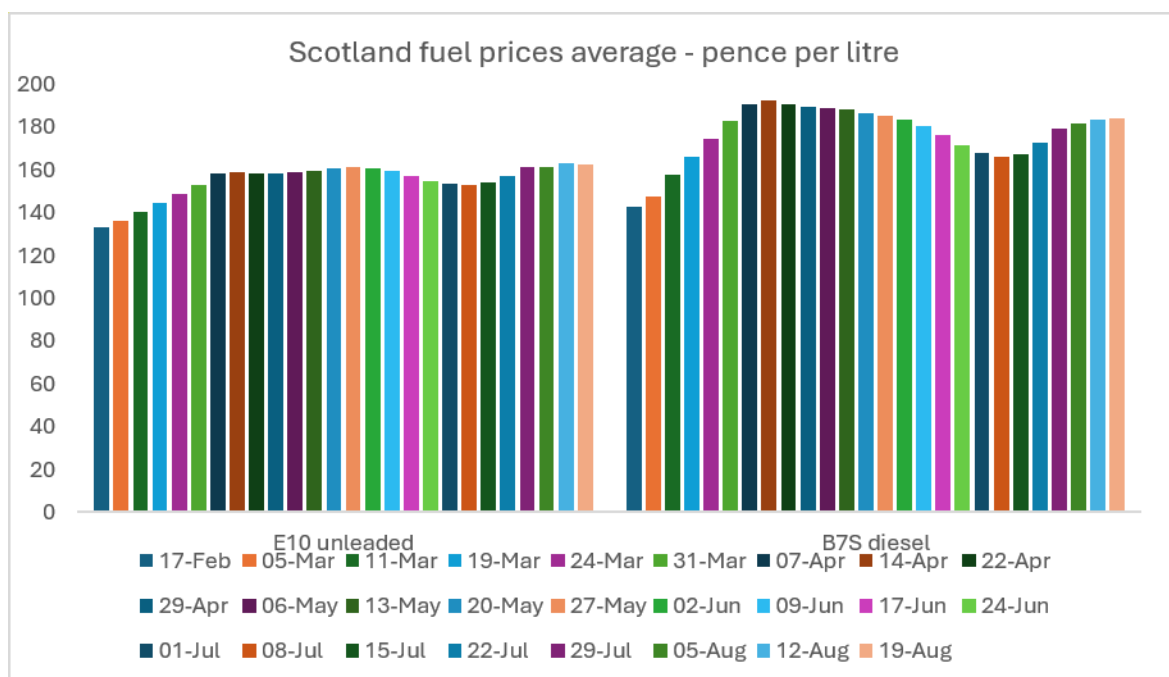
Reflecting these factors, latest data for May shows some improvement in business and consumer sentiment, albeit mild, with sentiment still notably below pre-conflict levels. The Scottish Consumer Sentiment Indicator rose to a new three-month high, but remains firmly in negative territory. Consumer sentiment is most negative in attitudes to spending and current household finances, reflecting the cost of living pressures faced.

There are specific transport issues currently impacting on the cost-of-living. Fuel prices have increased significantly since February due to world events. See table below (Source, TS analysis of CMA data).

Table 9 – CMA data on Fuel prices (Scotland) (to 16/9/2026)

16/09/2026 data	E5 unleaded	E10 unleaded	B7S diesel	B7P diesel
Average – All Scotland	188.5	172.5	195.4	212.8
Increase in ppl wrt mid Feb	39.8	39.4	52.9	50.4
Avg of lowest 5% of prices	169.3	161.5	182.1	196.4
Avg of highest 5% of prices	205.8	190.2	210.4	228.5

Whilst there has been some variation over the period, prices are back close to their recent peaks. See chart below (same source).



There are also regional variations with prices on the Scottish islands as follows:

Table 10 – Summary statistics of Highland and Islands Pilot as of 8 September 2026

Island LA name	Price type	E5 unleaded	E10 unleaded	B7S diesel
Na h-Eileanan Siar	Average	191.5	176.8	203.4
	Range	186.8 – 198	142.9 – 191.0	186.9 – 218
Orkney Islands	Average	170.1	177.0	194.3
	Range	145.9 – 178.3	167.0 - 190	159.9 – 208.9
Shetland Islands	Average	174.5	172.8	197.2
	Range	167.1 – 181.6	154.5 - 210	162.9 - 220

2.4. The constraints on meeting the challenges

Given the cost of living and wider economic position, and the expressed desires of Ministers, a key constraint is the speed of delivery of a scheme that helps passengers. As such, whilst the intention is for the scheme to continue, up to the point where it becomes part of a national scheme, an interim scheme that allows quick implementation is a necessity.

A specific technical issue was the complexity of the current system with multiple operators, zone cards, multi-journey tickets and “Tap-On capping” systems in place for some operators.

Both of these constraints are likely to have an impact on the assessment of options in Section 3 below.

2.5. Objectives and Assessment Criteria

The objectives of the project are:

- **Enhanced Support for Lower-Income Households:** that the fare cap improves financial affordability of bus services, benefiting lower-income households who are more likely to use bus.
- **Encourage increased use of public transport** with an emphasis on mode shift from private car
- **Positive Passenger Experience and Operational Outcomes:** that bus operators and SPT report improved operational outcomes and there is

passenger satisfaction with the implementation and impact of the fare cap.

- Analytical basis for future National Scheme: Via collection of commercial data as provision of evidence to inform a sustainable, fair and robust approach to reimbursement in the long term for a potential national scheme

These objectives are judged to align well with the FM priorities of:

- Eradicating Child Poverty
- Growing the Economy
- Tackling the Climate Emergency
- Ensuring High Quality and Sustainable Public Services

And also align extremely well with the [National Transport Strategy \(NTS2\)](#) vision that:- *“We will have a sustainable, inclusive, safe and accessible transport system, helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.”*

2.6. Early Evaluation of the Highlands and Islands pilot

The pilot in the Highlands and Islands has been running (with a staged start) since the beginning of 2026. However, the scheme became live in the mainland on 23rd March 2026. As such it is far too early to undertake a formal evaluation. This is exacerbated by the seasonal nature of bus demand (primarily through Tourism) in the area and additionally means that it is difficult to draw firm conclusions from the initial stage of the pilot, in particular to the SPT area where seasonal travel patterns are likely to be significantly different.

As such this section includes preliminary analysis and draws what implications it can for the extension to SPT. In addition, in this section care has been taken not to reveal commercial data from individual operators

2.6.1. Key scheme outcomes to date

As of 8 September 2026, the validated claims received from operators show that 1.5 million journeys have benefited from fare cap. The vast majority of these (over 1.35

million) are on the mainland. The average saving to users (where the fare was greater than £2) is £6.96.

Note that the figures on average saving fluctuate as different operators submit claims and should be viewed primarily as a snapshot in time rather than a reflection of the end point of the scheme.

A breakdown by geography is shown in the table below:

Table 11 – Summary statistics of Highland and Islands Pilot as of 8 September 2026

Local Authority	Total Journeys Claimed for	Average Saving per Journey (where Fare > £2)
All	1509749	£6.96
Mainland	1360070	£7.48
Comhairle nan Eilean Siar	15175	£1.41
Orkney	101618	£2.75
Shetland	32886	£1.03

Whilst the average saving is around the £7.50 level, there is considerable variation. Long distance journeys offer saving of close to £60 whilst for many short distances savings are measured in pennies. This is reflected in the variation of claims across operators. The table shows the average saving per passenger across different operators ranging from £0.42 to £15.18 with a median average saving across operators of £1.67.

Table 12 – Median, Lowest and Highest Average Savings by operator

Median Average Saving	Average Saving Lowest by Operator	Average Saving Highest by Operator
£1.67	£0.42	£15.18

This is reflected in the savings and journeys per operator being heavily concentrated towards the 3 major operators. The diagrams show the combined share of the 3 major operators (to avoid potential disclosure of individual operator impacts) against the remaining operators. Note the share of some operators is so small that they do

not appear distinctly in the diagrams. In revenue terms, the 3 major operators account for over 90% of the combined revenue of all operators in the region. The picture is more mixed than revenue when it comes to journey share which indicates a higher proportion of shorter journeys from smaller operators. The 3 largest operators account for around 80% of journeys across all operators in the region.

Revenue share of the 3 largest operators in the Highlands & Islands compared to other operators:

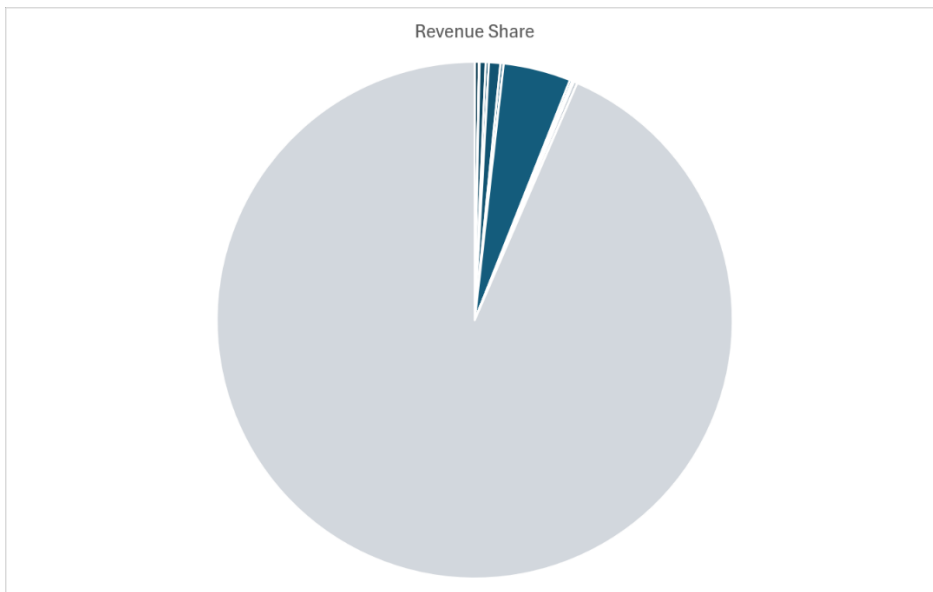


Chart showing bus operator revenue share, as described in previous text

Journey share of the 3 largest operators in the Highlands and Islands compared to other operators:

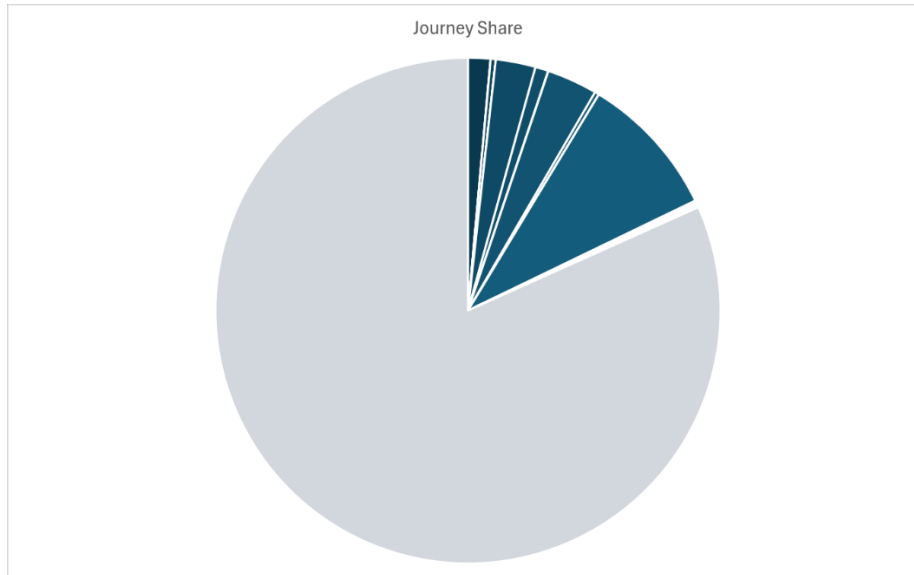


Chart shows bus operator journey share, as described in previous text

Detailed analysis has not been undertaken at this stage but some emerging evidence is discussed below.

2.6.2. Nature of journeys

The following 5 diagrams show the ex-ante projected distribution of journeys for the 5 LA areas within the pilot. It is based on concessionary fare data for 2025, so will not reflect either commercial journeys nor August 2026 fares.

Note that this data is residency based so shows journeys undertaken by island residents on the mainland. The data shows that for island Local Authorities, the distribution of journeys is concentrated towards trips with lower fares, which is expected given the generally shorter distance covered by bus services on the islands.

The diagrams show for that for residents within Highland and Moray, there are a greater number of journeys taken on more expensive services, which again is expected given the longer distance than can be travelled on the mainland.

Distribution of journeys by fare, Comhairle nan Eilean Siar (the Western Isles):

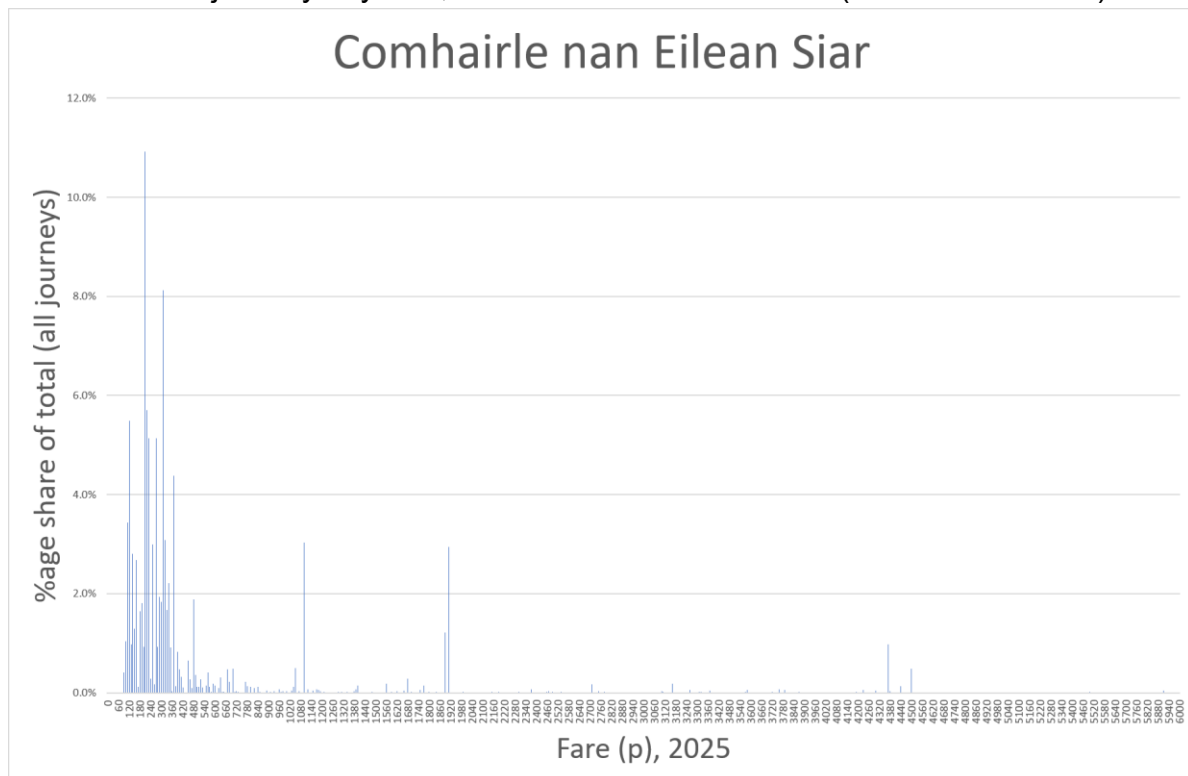


Diagram shows distribution of bus journeys in Comhairle nan Eilean Siar (the Western Isles), as described in previous text

Distribution of journeys by fare, Highland:

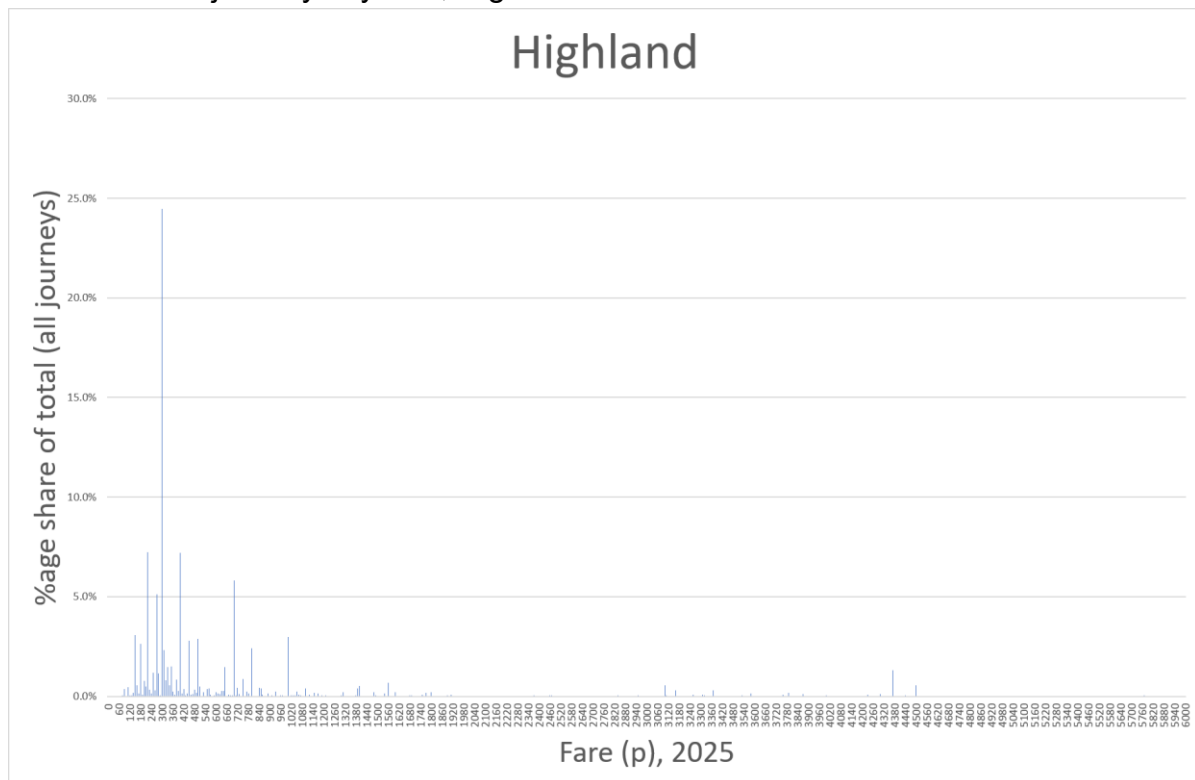


Diagram shows distribution of bus journeys in Highland, as described in previous text

Distribution of journeys by fare, Moray:

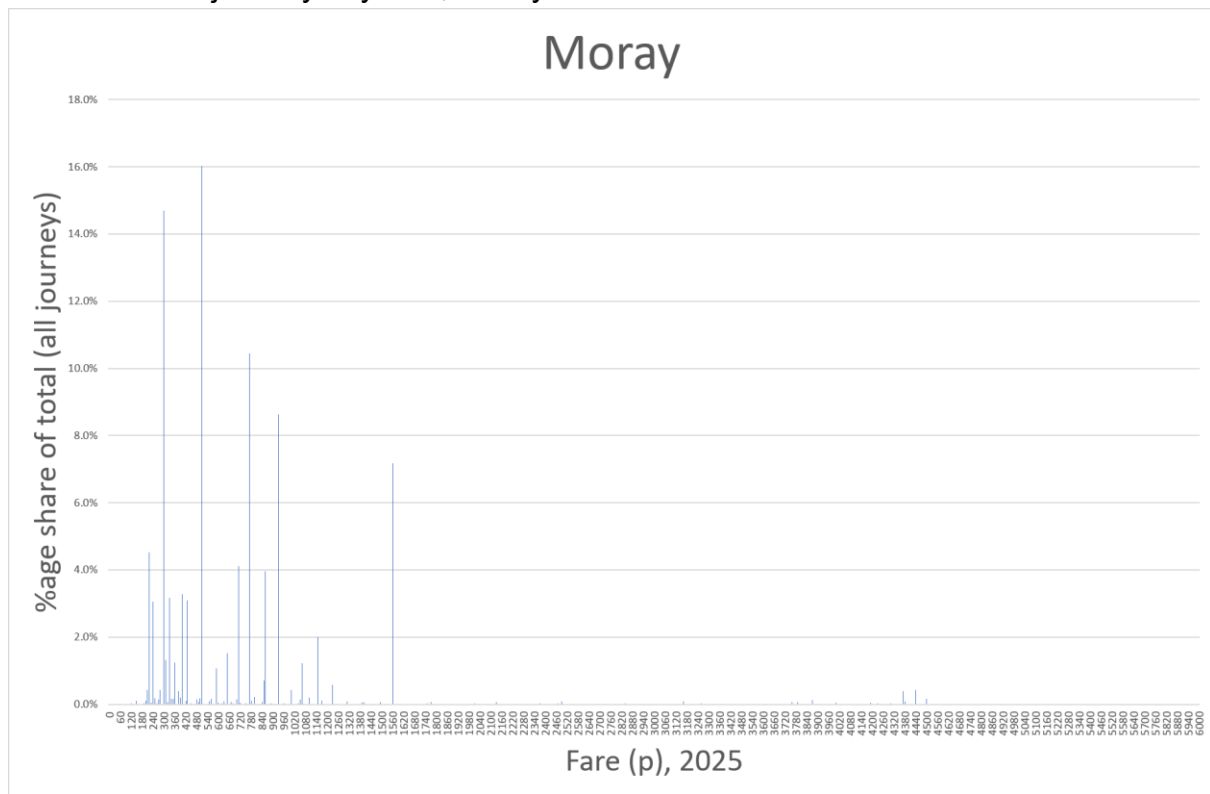


Diagram shows distribution of bus journeys in Moray, as described in previous text

Distribution of journeys by fare, Shetland Islands:

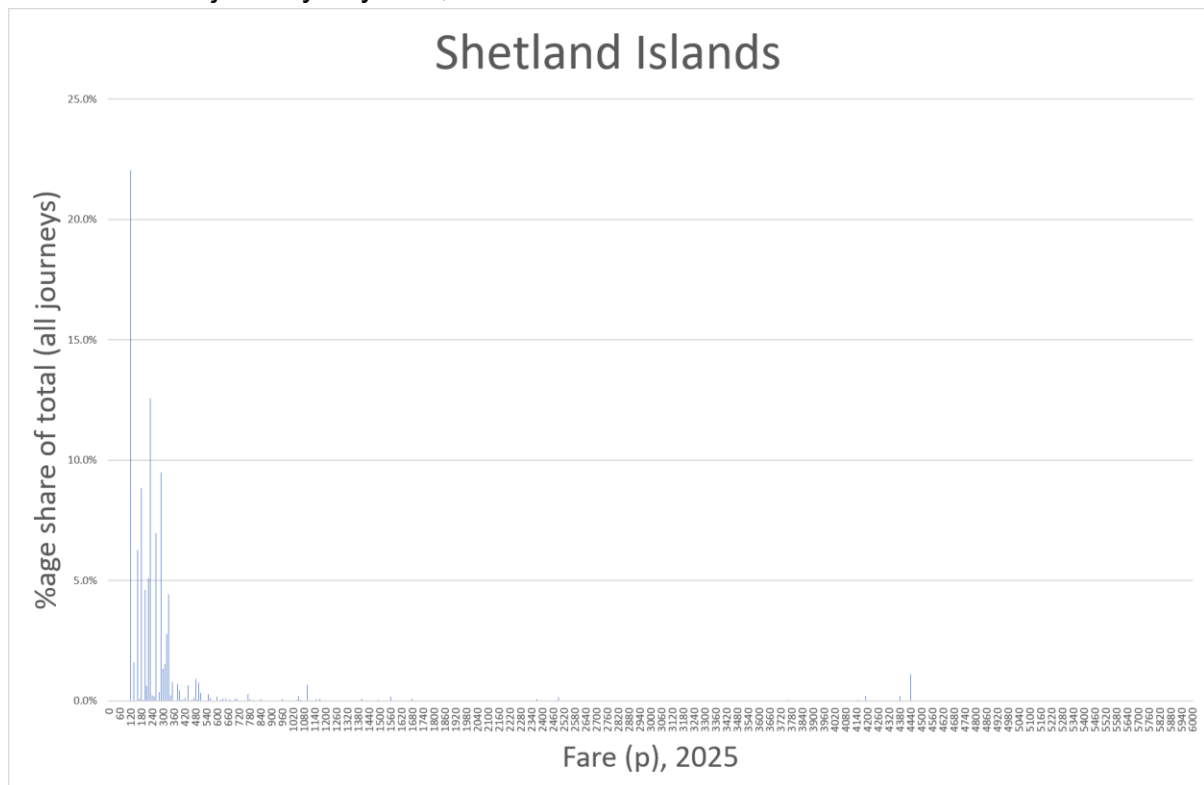


Diagram shows distribution of bus journeys in Shetland, as described in previous text

Distribution of journeys by fare, Orkney Islands:

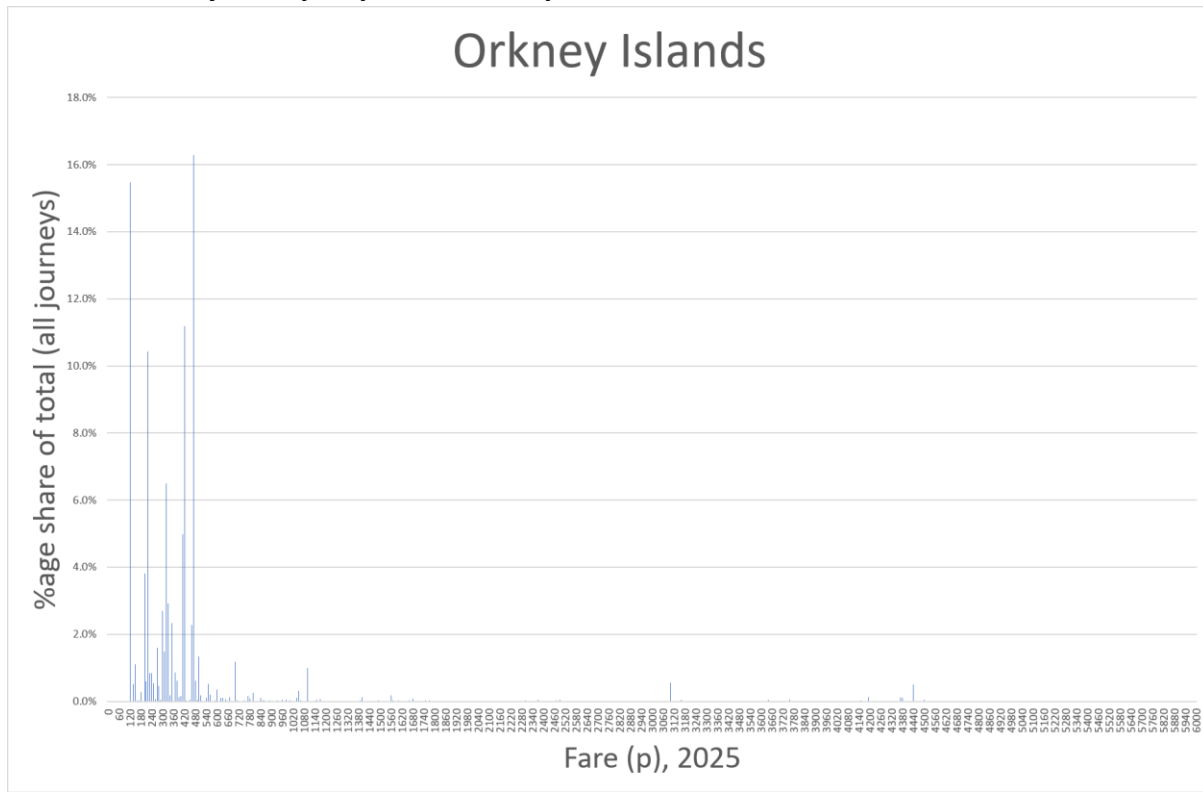


Diagram shows distribution of bus journey in Orkney, as described in previous text

Given the stage of the pilot no rigorous analysis has yet been undertaken of the actual patterns of journeys. However, preliminary analysis suggests that on the Mainland, for the major operators, there has been a significant increase in journeys over £15 compared with the baseline. This early analysis suggests that journeys of this length account for around twice the expected share. At this point this may simply be a seasonal impact – longer journeys (particularly for leisure purposes) are more likely in the summer. Nor is it clear that this effect would be replicated in other parts of the country i.e. the SPT area, due to the specific nature of the geography but it is useful to note at this stage.

2.6.3. Other early findings

At this stage the major additional lessons from the Highland and Islands Pilot relate to technical issues around claims processing. Given the diversity of operators in the area, claims are submitted manually and manually audited by Transport Scotland. This is time consuming and a key lesson learned is to increase the level of automation as soon as practical.

Other, more anecdotal evidence, that is currently available suggests:

There has been positive feedback from Highland Council on the impact of the pilot to date with the Chair of The Highland Council's Economy and Infrastructure Committee, reporting in June that "since the £2 single journey cap has been introduced in April, the Council's fare paying passenger figures in the first month rose by 25% and in last month by 36% compared to last year's passenger figures".

Comparable data from Highland Council noted a significant increase in passenger numbers on Highland Council ran services from the same period in 2025.

Passenger numbers paying the £2 fare on Highland Council buses were 5,727 in April 2026 (compared with 1,631 in April 2025) to. For May passenger numbers were 6,388 (compared to 2,026 in May 2025), for June 6,586 from 1,698 in June 2025 and for July 7,829 compared to 2,605 in July 2025. Whilst Highland Council has introduced seven new routes and the increased patronage cannot be attributed solely to the bus fare cap, even allowing for the expanded network, the scale of the uplift is significant and suggests that the £2 fare is helping stimulate additional bus use.

Data from Moray noted a significant increase in fare-paying use on the m.connect network. Historically, around 95% of passengers using those services travelled free using their National Entitlement Card, with the fare-paying market very small. The more recent figures note a 66% increase in fares revenue, another encouraging indication that the £2 offer is attracting people to the bus who previously were not using these services as fare-paying passengers.

The Highland Council and m.connect experience provides encouraging early local evidence that the bus fare cap is not just reducing the cost for people who would have travelled anyway – it appears to be stimulating additional fare-paying use as well. However, the demand increase figures are based on significant expansion of existing routes (in Highland) and an increase from a tiny base (in Moray) so can and should not be considered as indicative of wider impacts.

Whilst the pilot is run on a voluntary basis, there has been widespread participation from operators across HITRANS and ZetTrans. There are currently over 40 operators taking part in the pilot, ranging from major operators such as Stagecoach and Citylink to smaller and community based operators such as Easter Ross Coaches and Sanday Development Trust. For operators in HITRANS and ZetTrans that are not participating in the pilot this is in some cases due to a lack of existing journeys over £2 or plans to retire/ leave the industry.

Finally, there are social media posts and newspaper reports witnessing the tourism impacts of the scheme.

2.7 Conclusions And Rationale For Change

This section has presented a strong overall rationale for change, building on the experience of the pilot in Highlands and Islands.

Compared with other Regional Transport Partnership areas, SPT contains by far the largest concentration of Scotland's most deprived communities, accounting for approximately 65% of all data zones within the 20% most deprived category nationally. The region also displays the highest proportion of households without access to a car and some of the highest levels of bus and rail usage in Scotland. These characteristics make it particularly suitable for assessing the impacts of a fare cap in a large metropolitan environment and provide a useful contrast to the largely rural and island-based Highlands and Islands pilot.

3. Description of the options and shortlisting

3.1. Option Generation

As is standard practice consideration is first given to the issue of defining the Do-Minimum or Do-Something and in this case, it is straightforward given the nature of the project to define a Do-Minimum only as:

Do-Minimum – Keep the system in place as of end June 2026

There are two broad high level options for ensuring that bus fares are capped at £2 to passengers. Either the passengers can be directly compensated or the operators can be compensated to provide £2 fares. Clearly the latter of these two options is closest to both existing the legislative concessionary fare scheme and to the pilot in the HITRANS and ZetTrans area.

Thus we have two broad high level options:

Option A: Provide support to operators to cap fares at £2 for passengers

Option B: Provide direct support to passengers to cap bus fares at £2

3.2. Shortlisting of Options

There were a number of options considered for direct support to passengers (option B) including:

Option B1

Reimbursement of passengers for fares paid in excess of £2

The administrative burden of this approach would be extensive and would require up-front payment by passengers which would not be in the spirit of the scheme or appropriate (given likely time periods of reimbursement) for low income households.

Option B2

Topped up pre-payment cards

This approach was possible and could theoretically be set up in such a way that the cards were only useable for travel within the SPT area but was rejected for a number of reasons:

- would require an estimation of the average differential and thus longer journeys would not be reduced to £2
- Issues with travel to/from the area
- Potential for abuse

Variations of Option B2 were examined but none were considered to be both viable and in line with an appropriate passenger experience.

All variants of Option B were considered to be either undesirable or not practical which resulted in a focus on variations of option A.

These options vary in terms of the way (and level) of the reimbursement to operators.

Option A1

Reimbursement of Percentage of difference between Adult/Child (where applicable in the absence of a U22 concession entitlement or card) Single Fare and £2.

Option A2

Reimbursement to operators per journey based on operator average yield.

Option A1 is broadly the approach taken with existing concessionary fare schemes and is identical to the approach currently used within HITRANS.

Option A2 was considered as it would require less information from operators once an initial yield was established for each operator.

The two options were assessed against the 4 scheme objectives, technical feasibility/delivery to the timescales required by ministers, acceptability to operators and risk. They were scored on a 7 point scale:

Results

Table 13 – Scoring of options

Option/CSF	Lower income households	Encourage additional travel	Positive stakeholder experience	Analytical basis for future scheme	Technical feasibility/deliverability	Acceptability to operators	Risk
Do-Minimum	0	0	0	0	0	0	0
Option A1 – Percentage Reimbursement	3	3	2	3	2	2	-2
Option A2 – Yield based model	3	3	1	2	-2	1	-3

Both Options score equally on the impact on low income households and on encouraging additional bus travel as they present the same passenger experience. The key differences are around the more technical aspects of implementation.

Positive Stakeholder experience

Option A2 was scored marginally lower on positive experience as discussions with operators raised concerns about the additional administration of the calculation of yields per journey and how changes in yields over time could be dealt with.

Technical feasibility

Whilst both options are technically feasible, the delivery of Option A2 would take considerably more time as, for fairness, the yields for each of the multiple operators would need to be calculated and audited. Additionally, a mechanism for updating yields would need to be put in place.

Acceptability to operators

There was some variation in operator views of the use of a yield based model, mainly around the untested nature of the approach in Scotland (the administrative burden is not assessed under this criteria).

Risk

Whilst there are unknown risks over the introduction of Option A2, the key risk of both is a simple one. Neither is a long-term solution in the context of a fare cap being rolled out nationally. This is covered in further detail in a subsequent section below but simplistically, a national £2 fare cap would mean that there is no longer a price based market and, thus, an “single fare” would no longer exist. This has implications for the rollout of a national scheme but also implications for the existing concessionary fares reimbursement approach.

Given the unfavourable technical scores of Option A2, the focus of the remainder of this OBC is on the impact of Option A1 and there is a focus on the choice of reimbursement rate as it is this factor, combined with the demand impact of the scheme that drive the cost of the scheme to TS/SG and the impact of the scheme on operators.

Consideration of sub-options

A range of potential sub-options were also considered:

- Treatment of long-distance trips
- Restricting eligibility to residents
- Varying scheme where there is bus/rail competition

These options were parked for the interim scheme due to delivery time pressures and left the same as the pilot – long distance trips are included, anyone can access the capped fares and there is no variation in the scheme but will form part of the potential remit of a national scheme.

4. Socio-economic case

Full Value for Money analysis is undertaken in Section 8 once all 5 Dimensions have been considered.

4.1. Methodology

A bespoke fare cap model has been developed within Transport Scotland. The model:

- Is Local Authority based
- Uses concessionary fares data to determine the distribution (by price) of existing bus journeys within each LA
- Scales this Concessionary Fares data at LA level to the non-concessionary eligible population
- Scales the data at a national level to DfT data on the total revenue of bus operators with an allowance (in a similar manner to the standard approach for concessionary travel) for the scale of multiple/discounted journey tickets
- Uses the concessionary fares data to calculate the mean and median of the distribution of journeys by residents of the LA
- Applies a log-normal distribution analysis to calculate the expected value of the distribution for journeys over £2 in order to estimate the cost associated with the fare cap.

The model allows variation in the demand responsiveness of bus passengers (price elasticity of demand) in line with established estimates but is a revenue rather than journey based model fundamentally.

In addition to the bespoke model (and in an approach similar to that undertaken for the Removal of Peak Rail Fares the results are triangulated with a run of the Transport Model for Scotland (TMfS). Further detail is given on this below.

4.2. Data and calibration

As noted above, the model is based on revenue rather than journeys. Commercial bus demand in Scotland (i.e. non-concessionary demand) has been stable at around 150 million annual passenger journeys over the period 2022-25 (latest data available in Scottish Transport Statistics). STS also produces a table showing overall journeys in the SPT area as 137m. Applying the national share of non-concessionary journeys gives 62 million commercial passenger journeys in the SPT area but this does not account for the specific demographic characteristics of the area.

The Transport Scotland bespoke model estimates that 43% of all commercial journeys are undertaken by residents of the SPT area. This equates to an estimated baseline demand of around 65 million journeys per annum which is close to the 62 million figure above. For the purposes of the £2 fare cap, specifically the cost estimates, the key metric is “journeys undertaken under the cap”. However, a significant proportion of these journeys will be undertaken using flexi or multi-tickets or passes which may still offer better value under a £2 cap. For this reason the model is calibrated to commercial revenue rather than demand as this results in a more accurate cost estimate.

The key factor in the use of the model is the assumptions over the demand response of the public to changes in the price of bus – the bus price elasticity of demand.

The primary source of evidence on elasticities is a DfT report - [Bus elasticities and diversion factors - GOV.UK](#). This has subsequently influenced the parameters recommended within Scottish Transport Appraisal Guidance (via a link to the technical material available in the DfT Transport Appraisal Guidance (TAG).

Historically, based on this data, a reasonable range for bus fare elasticities in Scotland, when covering all trips types has been considered to be -0.4 to -0.8. This forms the basis of the subsequent analysis.

However, there is a reasonable view that in the lack of updated evidence to the contrary that elasticity values may have got smaller post-pandemic. As such it is likely to be prudent to use values at the low end of the ranges. In addition, elasticities

are most suitable for relatively low changes in fare levels. High proportionate changes are subject to significantly more uncertainty and also reinforce the prudence of using smaller values. So whilst the standard range of -0.4 to -0.8 is used, further sensitivity tests are undertaken and an overall conclusion reached looking at a wider range of estimates.

4.3. Transport Model for Scotland results

A model run of the [Transport Model for Scotland](#) was commissioned to examine the impact of a £2 fare cap. The model run was at the national level to give an indication of the overall potential impacts of the scheme as it is extremely complex to segment the bus fare structure on a regional basis.

As such the results are a helpful addition to the evidence base but can not form the main basis of analysis.

At a national level the model suggests that a national £2 fare cap would result in a circa 20% increase in demand for bus, a relatively high impact on rail (covered in more detail in the rail impact section below) and minimal impact on private car use in percentage terms (less than 0.5%). The small reduction in car use reflects that only around half the additional demand for bus is abstracted from car as well as the considerable lower mode share for bus across the country.

4.4. Demand Results

This section focuses on the projected demand impacts, but the modelling approach also generates the cost estimates that appear in the financial case below.

The base prices in the model are based on 2025 data and are inflated (initially by 10%) to represent 2026 prices.

The mean and median are used within the model to assess the impact using a log-normal distribution that ensures that the tail of the distribution (very high price journeys) is represented accurately.

Table 15 – Price structure of SPT bus fares: 2025 actual and 2026 estimated

LA	2025 Mean (p)	2025 Median (p)	2026 Mean (p)	2026 Median (p)
East Ayrshire	415	340	456	374
East Dunbartonshire	377	310	415	341
East Renfrewshire	316	310	347	341
Glasgow City	313	310	344	341

Inverclyde	417	310	458	341
North Ayrshire	312	280	343	308
North Lanarkshire	369	310	406	341
Renfrewshire	341	310	375	341
South Ayrshire	416	340	458	374
South Lanarkshire	351	310	386	341
West Dunbartonshire	329	310	362	341

A £2 fare cap represents significant savings on the average (mean) fares across the area - of between a third (Glasgow City, North Ayrshire) and over a half (East Ayrshire and South Ayrshire). This represents a level that pushes standard demand analysis to its limits.

The core results generated by the model for the range of elasticities (low – 0.4, high - 0.8) are:

Table 16 – Core demand results of model

Elasticity Scenario	Low	High
Increase in demand	19.1%	38.2%

The results from the Transport Model for Scotland suggest that at a national level the demand impact would be in line with the low scenario – at around 20%.

There is an obvious further issue that demand increases of close to 40% would cause a clear and present danger of capacity issues. Given the discussion above, it is sensible to examine the impact of lower demand responses.

Rerunning the analysis for elasticities of (very Low) -0.1 and (Lower) -0.2 gives:

Table 17 – Lower elasticity scenarios

Elasticity Scenario	Very Low	Lower
Increase in demand	4.8%	9.5%

In this case the “Lower” rather than very low scenario seems to give sensible results – a shift in demand of 9.5% is in excess of that what was achieved over the course

of the trial of the removal of peak fares on ScotRail Services with a greater monetary reduction in ticket prices.

As such it is sensible to use a range of estimate as follows:

Table 18 – Overall demand impact scenarios

Elasticity Scenario	Lower	Low	High
Increase in demand	9.5%	19.1%	38.2%

With the expectation that the High demand scenario is somewhat unlikely.

By way of sensitivity analysis, if 2025 fares are inflated by 20% rather than 10%, then the increased discount increases the demand impacts to:

Table 19 – Higher price demand impact scenarios

Higher price Scenario	Lower	Low	High
Increase in demand	10.4%	20.8%	41.5%

As such the demand response is relatively insensitive to changes in existing (pre-cap) fares. Note that as detailed in the financial case, this is far from the case for the costs of the scheme.

4.5. Impact on bus users

The clear purpose of the scheme in an economic context is to provide a discount on bus travel for existing users (an equity rationale) and to encourage additional bus travel (a externality or market failure rationale).

Standard economic theory suggests that a price cap results in an increase in “consumer surplus” – the extra benefit consumers receive when they pay less for a good or service than they were willing to pay, applying to both trips they were

already making and trips which are a result of more people travelling by bus as its cheaper.

This is illustrated in the diagram below.

Change in consumer surplus from a price cap:

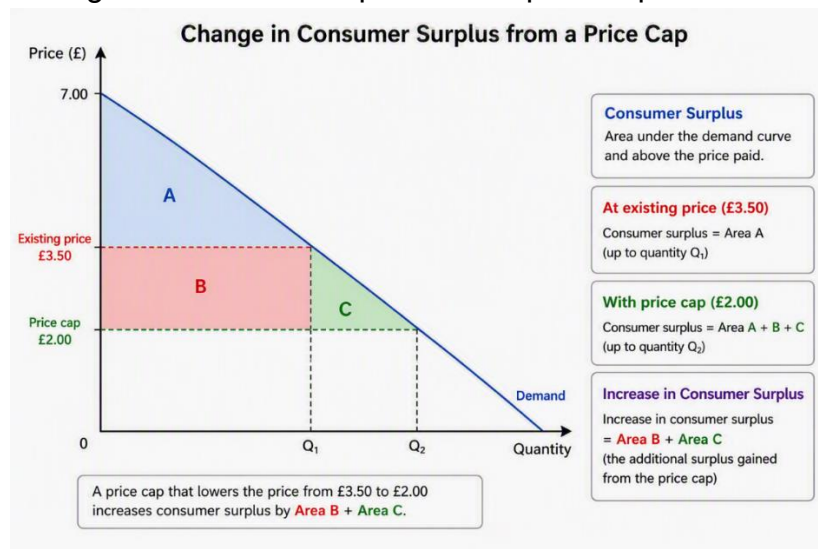


Diagram shows change in consumer surplus, as detailed in following text

The increase in consumer surplus in the stylised diagram above is the area B+C. In the context of bus travel, the largest area, i.e. where most benefits accrue, is area B which represents the benefit to existing bus users, with a smaller proportion of benefits to additional journeys i.e. the increase in demand, shown in area C.

In this case, a system of perfect reimbursement for operators would cost the funding agency an amount equivalent to area B, leaving the area C as the “net benefit” of the scheme.

However, reimbursement to operators is a transfer payment and is neutral in terms of the socio-economic case (although not in terms of the financial case – see following section).

In these terms the pure value for money of the scheme depends on the relationship between the value of the additional generated (area) C and the implementation and running costs of the scheme. However, the equity case depends on who benefits. The balance between the gains that accrue to consumers is crucial as is (if equity concerns are a prime factor) the nature of which consumers gain from the scheme.

The economic efficiency benefits represented by generated demand are only one element of the overall case for intervention. The distributional impacts of the scheme are particularly important, as a significant proportion of the benefits are likely to accrue to households with lower incomes and to individuals who rely on bus services to access work, education, healthcare and other essential services. Consideration should also be given to wider transport and social outcomes, including increased accessibility, social inclusion, reduced transport poverty, potential mode shift from private car use, and associated environmental and congestion benefits. As such, the overall value of the scheme cannot be assessed solely on the basis of generated demand and implementation costs.

These factors are brought together in a subsequent section following the analysis of the costs of the scheme in the Financial Case but the remainder of this section focuses on who is likely to gain from the scheme and the wider impacts. For convenience this analysis is undertaken in line with an Impact Assessment approach as detailed in section 1.2 above.

4.6. EQIA – Equalities Impact Assessment

The prime focus of the Equalities impact assessment component included within this OBC is to examine the characteristics of bus users. This is based on data in Scottish Transport Statistics and Transport and Travel in Scotland and covers equality groups for which data is available in detail.

4.6.1. Age

Table 20 – Bus use by age

Sub-category	Every day, or almost every day	2 or 3 times per week	About once a week	About once a fortnight, or once a month	Not used in past month
All people aged 16+	6.6	11.3	7.7	13.4	61.0
Male	6	10	8	13	62
Female	7	12	8	13	60
Prefer not to say	[small sample]	[small sample]	[small sample]	[small sample]	[small sample]
16-19	30	18	8	19	26
20-29	12	15	9	12	54
30-39	7	11	8	13	61
40-49	5	8	4	13	69
50-59	3	5	6	14	72
60-69	4	13	9	14	59
70-79	4	14	10	14	58
80+	3	11	9	11	66

The assessment of the policy in terms of age is framed by the existing concessionary fares schemes for those over 60 and those under 22. As such the bus use characteristics of those between those ages is of interest but would not generally be considered a key issue given the scheme extends a form of concessionary travel to those who currently do not receive it.

Looking at the data in the table below, the age groups not currently eligible for concessionary travel tend to use the bus less than those who are eligible. This is unsurprising and un concerning and a key part of the evaluation of the scheme will be to test the impact on bus demand of those who are in scope of the £2 cap. Men are slightly less likely to use bus than women but the difference is minimal.

4.6.2. Ethnicity

White Scottish/British and Polish ethnic groups are significantly less likely to use the bus at present than other ethnic groups. See table below. However, White Irish and Other White groups have broadly similar bus use to Asian groups. The group who stand to gain the most from the cap is “Other ethnic group”.

Table 21 – Bus use by ethnicity

Sub-category	Every day, or almost every day	2 or 3 times per week	About once a week	About once a fortnight, or once a month	Not used in past month
White Scottish	6	10	7	13	63
White other British	4	9	10	14	62
White Irish	9	15	11	13	52
White Polish	11	10	4	11	64
Other white	11	18	9	13	49
Asian, Asian Scottish or Asian British	13	15	11	10	52
Other ethnic group	21	22	8	17	32

4.6.3. Religion

In terms of religion those with no religion and Christian faith are those least likely to use bus as a mode of transport, with those with no religion falling between Roman Catholic and non-Catholic Christian faiths. Muslims are the most likely to use bus with other faiths being relatively similar.

Table 22 – Bus use by religion

Sub-category	Every day, or almost every day	2 or 3 times per week	About once a week	About once a fortnight, or once a month	Not used in past month
None	6	11	8	14	61
Church of Scotland	5	9	7	14	65
Roman Catholic	10	13	8	11	58
Other Christian	4	10	6	15	65
Muslim	16	16	13	10	45
All other religions	8	17	12	13	50

4.6.4. Disability

There is no difference in bus use based on disability. This is despite the existence of the existing concessionary scheme for the disabled.

Table 23 – Bus use by disability status

Sub-category	Every day, or almost every day	2 or 3 times per week	About once a week	About once a fortnight, or once a month	Not used in past month
Disabled	7	12	8	12	62
Not disabled	7	11	8	14	61

4.6.5. Summary

Whilst data is not available for other equality groups, analysis of existing bus users suggests that the policy – which is beneficial - is geared towards those groups that might generally be of concern if there were minimal or negative impacts.

4.7. FSD – Fairer Scotland Duty

The Fairer Scotland Duty (the Duty) is set out in legislation in Part 1 of the Equality Act 2010. It came into force in Scotland from April 2018. It requires Scottish Ministers and named public bodies to actively consider what more can be done to reduce the 'inequalities of outcome' caused by 'socio-economic disadvantage' when making 'strategic decisions'.

4.7.1. Employment Status

Table 24 – Bus use by employment status

Sub-category	Every day, or almost every day	2 or 3 times per week	About once a week	About once a fortnight, or once a month	Not used in past month
Self employed	1	4	4	10	81
Employed full time	6	8	6	14	67
Employed part time	9	13	7	16	55
Looking after the home or family	5	13	8	11	63
Permanently retired from work	4	13	10	14	59
Unemployed and seeking work	9	19	11	17	43
Permanently sick or disabled	6	15	8	11	60
Unable to work because of short-term illness or injury	8	6	13	19	55

In terms of employment status, the self employed are significantly less likely to use bus than all other groups. This is likely to be due to the nature of much of self-employment in term of trades that require access to private vehicles.

The group most likely to use bus are the unemployed and those seeking work and this may be correlated to financial metrics.

4.7.2. Income

Other than for those on income of less than £15,000 who have bus use characteristics slightly below the next income group, there is a clear link between increasing income and declining bus usage.

Table 25 – Bus use by income

Sub-category	Every day, or almost every day	2 or 3 times per week	About once a week	About once a fortnight, or once a month	Not used in past month
up to £15,000 p.a.	9	17	10	11	53
over £15,000 - £20,000	11	16	9	13	51
over £20,000 - £25,000	9	12	9	11	59
over £25,000 - £30,000	5	12	9	15	59
over £30,000 - £40,000	5	10	8	14	62
over £40,000 - £50,000	7	8	5	13	67
over £50,000 - £60,000	4	8	5	15	68
over £60,000 p.a.	4	8	6	14	68

4.7.3. Equivalised income

When considering equivalised income (which adjusts for household size) there is a clear negative relationship between higher equivalised income and bus use.

Table 26 – Bus use by equivalised income

Sub-category	Every day, or almost every day	2 or 3 times per week	About once a week	About once a fortnight, or once a month	Not used in past month
1 (20% lowest incomes)	10	15	9	12	54
2	7	12	9	14	57
3	7	10	7	12	64
4	6	10	6	14	64
5 (20% highest incomes)	4	8	7	15	66

4.7.4. Scottish Index of Multiple Deprivation

Table 27 – Bus use by SIMD quintile

Sub-category	Every day, or almost every day	2 or 3 times per week	About once a week	About once a fortnight, or once a month	Not used in past month
1 (20% most deprived)	10	16	9	10	54
2	9	12	7	13	59
3	6	8	7	12	67
4	4	8	6	14	69
5 (20% least deprived)	5	12	10	17	55

When looking at SIMD (as a whole) the picture is somewhat mixed. The lowest and highest decile are similar in terms of non-bus usage but the lowest decile has the highest everyday and 2 or 3 times a week use. This is likely to be because of interactions between the overall SIMD score and the Access domain (see earlier section).

4.7.5. Summary

Looking at available data on socio-economic disadvantage linked to bus use strongly suggests that the policy is strongly targeted towards those at a potential disadvantage.

Looking at the totality of SIMD data perhaps presents a slightly less clear picture but this is likely to be due to the interactions between overall SIMD rank and the Access domain (which includes public transport) and potentially high quality bus services in well ranked urban areas.

4.8. Consumer Duty

The [Consumer Scotland Act 2020](#) (the Act) came into force on 1 April 2024 and was applied to Scottish Ministers through secondary legislation ([The Consumer Scotland Act 2020 \(Relevant Public Authorities\) Regulations 2024](#)).

The duty is intended to improve the extent to which consumers are considered in strategic policy and decision-making in order to deliver better policy outcomes for consumers in Scotland.

The Act defines a consumer as either an individual or a small business that purchases, uses or receives goods or services in Scotland, where those goods or services are supplied in the course of business.

The duty covers consumers of services provided by government departments, local government and other public authorities. All users of public services are consumers regardless of whether or not they pay directly for that service. A consumer can also refer to potential or future consumers.

The entire policy is targeted at improving the experience of consumers of bus. The experience is likely to be strongly positive for all options.

4.9. BRIA - Business and Regulatory Impact Assessment

Business and Regulatory Impact Assessments (BRIAs) are used to assess the costs, benefits and risks of any proposed primary or secondary legislation, voluntary regulation, codes of practice, policy changes or guidance that may have an impact on the public, private, third sector or regulators. The material contained within this OBC is considered to be broadly equivalent to a “Partial BRIA” and will demonstrate the consideration given to, and the engagement with, those businesses affected by the policy.

A full formal BRIA will be undertaken for the National Scheme as it develops.

As discussed above there are no negative impacts on members of the public from the proposal (other than those mentioned under consumer duty for Option 6) and the public will benefit from the proposal and all options.

The key potential impact is that on bus operators and this is considered in the commercial case and below.

There are likely to be some modest positive wider private sector impacts with bus travel becoming less expensive and the only other part of the private sector that could be significantly negatively impacted is operators of competing modes. These are considered below. The main private (non-transport) sector impacts are likely to be those associated with greater population mobility – easier access to leisure opportunities, potentially easier access to employment (see above) and (marginally) potentially reduced congestion from private car use.

4.9.1. Impact on bus operators

A key impact of the scheme is that on bus operators. There has been discussion with as many operators as possible over the course of summer 2026 and the experience of the Highlands and Islands pilot has also been drawn on. This section shows how the scheme would work in practice for a stylised bus operator before consideration is given to wider factors.

Worked example of how scheme reimbursement will work in practice

This example is for a stylised operator who has a limited number of cross boundary services. The impact is considered in stages for a 90% reimbursement rate.

For each journey, the operator receives the fare paid plus 90% of the difference between the fare and £2 as reimbursement.

Stage 1 - Before there is a demand response

Table 28 – Bus operator revenue impacts before demand response

Journeys	Original Fare	Original Revenue	New Fare	Reimbursement / Journey	Revenue / Journey	New Revenue	Lost Revenue
100	£2.50	£250.00	£2.00	£0.45	£2.45	£245.00	£5.00
100	£3.00	£300.00	£2.00	£0.90	£2.90	£290.00	£10.00
200	£4.00	£800.00	£2.00	£1.80	£3.80	£760.00	£40.00
100	£5.00	£500.00	£2.00	£2.70	£4.70	£470.00	£30.00
50	£6.00	£300.00	£2.00	£3.60	£5.60	£280.00	£20.00
30	£10.00	£300.00	£2.00	£7.20	£9.20	£276.00	£24.00
10	£15.00	£150.00	£2.00	£11.70	£13.70	£137.00	£13.00
8	£25.00	£200.00	£4.00	£18.90	£22.90	£183.20	£16.80
5	£40.00	£200.00	£15.00	£22.50	£37.50	£187.50	£12.50
603	£4.98	£3,000.00	£2.75	£7.75	£11.42	£2,828.70	£171.30

The bottom line of table shows total or average values. Before (or if there is no) demand response, the scheme reduces operator revenue by £171.30 post reimbursement.

If demand does not change - Operator loses £171.30 and is restored to original position.

Stage 2 – Demand Changes

If demand does change, the extent of the change will vary. It is possible to calculate how many extra journeys would be required so that there was no overall impact on revenue.

Table 29 – Bus operator revenue – additional journeys required to ensure no lost revenue

Journeys	Original Fare	Original Revenue	Extra Journeys (Rounded Up)	New Revenue	Implied Reaction
100	£2.50	£250.00	3	£252.35	-0.15
100	£3.00	£300.00	4	£301.60	-0.12
200	£4.00	£800.00	11	£801.80	-0.11
100	£5.00	£500.00	7	£502.90	-0.12
50	£6.00	£300.00	4	£302.40	-0.12
30	£10.00	£300.00	3	£303.60	-0.13
10	£15.00	£150.00	1	£150.70	-0.12
8	£25.00	£200.00	1	£206.10	-0.15
5	£40.00	£200.00	1	£225.00	-0.32
603	£4.98	£3,000.00	35	£3,032.17	-0.13

In the above table, the required number of journeys has been rounded up to the nearest journey. Thus, revenue is (slightly) higher than it was originally.

The “Implied reaction” – technically the price elasticity of demand - is low – it does not require a “large” shift in demand to leave operators no worse off.

In this case, the operator would receive no additional funding and no subsidy but after standard reimbursement (and because of the rounding) would be slightly better off.

The normal range for demand reaction is between -0.3 and -0.7. This is shown below.

Table 30 – Bus operator revenue with low and high demand impacts

Journeys	Original Fare	Original Revenue	Extra Journeys – low reaction	Revenue – low reaction	Extra Journeys – high reaction	Revenue – high reaction
100	£2.50	£250.00	6.00	£259.70	14.00	£279.30
100	£3.00	£300.00	10.00	£319.00	23.33	£357.67
200	£4.00	£800.00	30.00	£874.00	70.00	£1,026.00
100	£5.00	£500.00	18.00	£554.60	42.00	£667.40
50	£6.00	£300.00	10.00	£336.00	23.33	£410.67
30	£10.00	£300.00	7.20	£342.24	16.80	£430.56
10	£15.00	£150.00	2.60	£172.62	6.07	£220.11
8	£25.00	£200.00	2.02	£229.37	4.70	£290.92
5	£40.00	£200.00	0.94	£222.66	2.19	£269.53
603	£4.98	£3,000.00	86.75	£3,310.18	202.42	£3,952.16

In the low case the operator gains £310.18 from the scheme and in the high case, £952.16. These two amounts are what is counted as subsidy.

This provides some strong evidence that there may need to be a mechanism by which operators who do not see sufficient demand impacts may need to be compensated to restore their pre-scheme position

Other operator impacts

A clear and obvious impact of the scheme is the partial removal of price competition between operators. However, it is important to note that operators are still able to compete on price if they choose to do so – there is nothing that prevents them from charging below £2 as a standard fare. However, it is much more likely that there will need to be a focus more on “non-price” competition in terms of quality of service, reliability, frequency etc. It is noted that this may put some operators at a disadvantage and discussion with operators as part of the evaluation of the scheme will be crucial.

4.9.2. Impact on Subway

The current single subway fare in Glasgow is £1.80, below the fare cap. So the Subway will not face a price competition impact directly from scheme on the price for

single journeys that match the subway network. Subway is also likely to be time and comfort competitive over the bus network for the same journeys.

However, there may be more complex interactions that either reduce, or conceivably, expand demand for sub way and it is suggested that this will require careful monitoring of subway patronage levels to gauge the extent of interactions.

4.9.3. Impact on Rail

Around 55% of all Scottish rail journeys are wholly within the SPT region, generating c .£154 million a year. It does not account for the same proportion of revenue as those journeys are already heavily subsidised or have different characteristics relative to those in other regions.

A blanket £2 bus fare cap would likely result in significant modal shift from rail to bus on parallel corridors (e.g. Ayrshire to Glasgow) especially where journey times are competitive: provisional estimates from Scotrail suggest a 25% reduction in revenue based on modal shift seen on some lines in the Highlands pilot area, and the potential annual revenue risk is estimated at **£25 million - £45 million**. We state this large range because the estimate is subject to considerable uncertainty.

The table below compares rail and bus fares, if the £2 bus cap is extended to the SPT area:

Table 31 – Selected rail impacts

Journey	Rail Fare (Anytime Day Single)	Pilot Bus Fare (one way)	Rail Fare (Anytime Day Return)	Pilot Bus Fare (Return)
Glasgow – East Kilbride	£5.30	£2	£5.70	£4
Glasgow – Gourock	£9.50	£2	£9.90	£4
Glasgow - Largs	£10.90	£2	£12.50	£4
Glasgow - Ayr	£11.60	£2	£13.90	£4
Glasgow - Oban	£33.40		£38.80	£4
Glasgow - Fort William	£38.80		£65.10	£4

Costs in the railway are largely fixed, so changes to train services in response to lower patronage would release only marginal savings, such as energy consumption. Revenue loss would increase the subsidy required for Scotrail.

Detailed assessment of rail cost estimates

Given the uncertainty a range of technical analysis has been used to determine the likely impacts on rail.

ScotRail aggregate approach

This is the basis of the cost estimates drawing on early experience of the pilot and general rail knowledge. This results in the range of £25 million to £45 million. Central analysis suggests a loss of demand/revenue of around 25%. On total revenue in the area (£154m) that represents £38.5m.

Transport Scotland aggregate approach

A national run of the Transport model for Scotland - this suggests that the impact will be 20% for a national scheme. This gives £30.8m when applied to the revenue in the SPT area. When used in a similar manner for the removal of peak fares from rail, TMfS results were at the lower end of evaluated impacts. However, the national scheme will have a greater impact on price than the SPT scheme alone but there is already an existing impact on journeys to Highland eg Glasgow to Inverness.

Individual route approach

Analysis by ScotRail shows the most "at risk" routes - that generate a total of nearly £40m in revenue. This information was used to "sense check" the aggregate results. The most at risk routes represent around 25% of total revenue. So we considered two scenarios:

Scenario 1 – The “Most at risk” routes have impact of 25% (in line with total SR estimates), remainder have impact of 12.5% (simply half the impact on average) – this is equivalent to the least "at risk" route will having zero impact and the impacts continuously falling with risk. This generates a revenue loss of around £25m in line with the lower end of the estimated range. (25% of 38 plus 12.5% of 116 is £24m). So Scenario 1 serves as a useful triangulation of the bottom half of the range.

Scenario 2 - The impact in “most at risk routes” was adjusted in order that applying the same methodology as in Scenario 1, resulted in an overall demand impact of 25% - in line with the aggregate SR estimates. This required an impact of 40% in the high risk routes and 20% (on average elsewhere) but results in a revenue loss of just less than £40m (£38.4m) - at the higher end of the range.

A final further "rule of thumb" triangulation was undertaken. The peak fares analysis suggested that bus demand changes accounted for about 25% of the increased demand to rail. Our "middle" scenario for bus suggests an increase in demand of 20%. And bus demand is around 4x that of rail. So applying the peak fares result in the opposite direction gives an impact on rail of $20\% \times 4 \times 25\%$ or 20% in line with the TMfS estimates. Doing the same analysis as in Scenario 2 above but for 20% rather than 25% gives an impact of just shy of £30m.

Finally, the emerging experience in the HITRANS pilot suggests a 2x greater than modelled impact on longer distance journeys. A component of this is probably due to tourism over the summer and the increase in Ember services since 2025 (which the model is based on). But the latter applies to SPT as well, hence the prudence of including the higher end of the range (£45m) of rail impacts.

So in summary, the range of £25m to £45m represents three considered analytical approaches plus a rule of thumb calculation. There remains considerable uncertainty and while anecdotal views around the substitutability of bus and rail in the SPT area would perhaps suggest a level below the lower end of the range, there is no real evidence to support this. Given the significant price reductions from the scheme and the wider cost of living pressures faced by all in the SPT area (and elsewhere) £25m to £45m is the best estimate of the impacts.

4.9.4. Impact on Taxi services

There is some academic evidence on the impact of bus fares on demand for taxi services but very little that is based in the UK or in Scotland specifically.

In the UK, [a major evidence review](#) for the UK Department for Transport found extensive evidence that lower bus fares increase bus patronage. However, most diversion occurs from:

- car travel;
- walking;
- other public transport modes,

rather than from taxis. The report also highlights that diversion factors vary significantly by geography and trip purpose.

Similarly, [a comprehensive review of transit elasticities in 2025](#) (Litman (2025), Transit Price Elasticities and Cross-Elasticities) notes that public transport demand responds to fare changes, but the strongest cross-elasticities identified in the literature are typically with private vehicle use rather than taxi use.

The notable point is that neither source reports a widely accepted taxi-bus cross-price elasticity. That absence itself is informative: the academic literature has generally not identified bus-taxi substitution as one of the major demand relationships in urban transport.

The strongest evidence suggests that:

1. Bus and taxi are substitutes only for a limited subset of trips, not close substitutes across the market as a whole.
2. Taxi demand is driven heavily by convenience, door-to-door access, availability, late-night travel, luggage, mobility needs and time savings, factors that bus fares do not materially change.
3. A bus fare cap is likely to draw some demand away from taxis, particularly for short urban trips by price-sensitive users, but the literature does not support the view that large volumes of taxi users would switch to buses solely because bus fares become cheaper.

No clear estimation of bus/taxi cross price elasticities in a form relevant to the SPT £2 fare cap has been found so it is not possible to quantify impacts. However, looking in detail, the following evidence suggests any impact may be small.

Taxi demand tends to be only weakly connected to public transport fares

[Hensher, Rose & Greene \(2014\)](#) explicitly analysed factors influencing taxi use and found that demand is shaped by a broad set of service-quality attributes rather than simply price comparisons with public transport. Taxi users place significant value on convenience and time savings, indicating that taxis occupy a distinct market segment rather than acting as a simple substitute for buses.

A key implication is that if bus fares fall, only taxi customers whose primary reason for using taxis was cost-related are likely to switch

Bus, rail and taxi can be competitors in some places and complements in others

A useful empirical study, albeit in the Chinese context is [Huang et al. \(2019\)](#). Using large-scale smartcard and taxi data from Shenzhen, the authors found that interactions between bus, metro and taxi services varied across locations and time periods. The relationship was sometimes competitive and sometimes complementary rather than purely substitutive.

This is important for Glasgow and the wider SPT area:

- taxis often provide first-mile/last-mile connections;
- taxis serve trips where public transport frequencies are poor;
- taxis cater for evening and night-time travel when bus provision is weaker.

Fare matters, but mode choice is driven by more than fare

A recent UK study¹ by Coventry University's National Transport Design Centre found that fare levels are important in mode choice, but travel time and service characteristics remain critical determinants. Even when cost considerations become weaker, travellers display strong preferences for taxi and private vehicle travel because of convenience and flexibility.

Most vulnerable taxi demand

The segment most likely to be affected is:

- short urban daytime trips;
- trips where both bus and taxi are realistic options;
- lower-income travelers (but a switch to bus in this case is in line with the policy objectives);
- discretionary travel.

Least vulnerable taxi demand

Much of the taxi market is likely to remain relatively insulated:

- airport trips;
- night-time economy trips;
- mobility-impaired users;
- business travel;
- passengers carrying shopping or luggage;
- trips where waiting and interchange costs are high.

There is perhaps some evidence or possibility that given the characteristics of vulnerable and less vulnerable demand, the greatest risk may actually be to:

- App-based private hire,
- Occasional taxi use,
- Short-hop city-centre journeys.

¹ Ulahannan, A and Birrel, S, (2022) **Designing Better Public Transport: Understanding Mode Choice Preferences Following the COVID-19 Pandemic** <https://www.mdpi.com/2071-1050/14/10/5952>

Traditional black-hackney demand associated with ranks, rail stations and late-night activity may prove more resilient because those journeys are often less sensitive to fare differences.

It will be sensible, if possible, to work with the taxi industry to monitor and evaluate any impacts of the scheme as part of the wider evaluation work.

4.10. Strategic Environmental IA

Strategic Environmental Assessment (SEA) assesses the likely significant environmental effects of a public plan, programme, or strategy. It considers how negative impacts can be avoided or minimised and, where appropriate, identifies opportunities for positive effects to be enhanced.

At this stage it is not possible to quantify with precision the environmental impacts of the scheme. However it is clear that providing a reduced bus fare regime will be unlikely to have negative impacts.

There may be possible positive impacts in terms of mode shift from private car to bus and this will be evaluated as part of the wider scheme evaluation. It should be noted however that the TMfS run referred to above.

4.11. Island IA

Under the Islands (Scotland) Act 2018, relevant authorities must assess and consider the impacts of policies, strategies, or services on island communities with a focus on where any policy, strategy, or service is likely to have a significantly different effect on an island community compared to other communities (including other islands).

The initial pilot covered the majority of islands in Scotland and the SPT extension primarily adds Cumbrae and Arran to the list of islands where a cap is in place. The scheme does not impact differently directly on island communities (other than in terms of existing fare structures) so a full assessment is not required.

There is a potential difference between the reimbursement to operators across different island groups – the reimbursement rate in Orkney and Western Isles is 95% and it is 98% in Shetland compared with 90% in mainland Highland. This was chosen to reflect the demand impacts in island communities likely being lower than on the mainland and was sensible because of the physical separation of services and technically possible because only 1 operator (Stagecoach) operates on the Mainland and (in this case) Orkney.

Primarily for technical reasons it is likely that the same reimbursement rate will be put in place across the SPT area. This will not directly impact on communities.

Cumrae

The bus service on the island is run by [Millport Motors Ltd](#). The service is 15 mins from end to end, and has a single adult fare of £2.30 with a £4 return. As such those taking single journeys will benefit from the fare cap but the impact will be relatively small.

Arran

There are 3 bus services on the island run by Stagecoach – the 322, 323 and 324 operating

- **Route 322:** Brodick → Balmichael → Shiskine → Blackwaterfoot
- **Route 323:** Brodick → Lamlash → Whiting Bay → Kildonan → Lagg → Corriecravie
- **Route 324:** Brodick → Corrie → Sanox → Lochranza → Catacol → Pirnmill → Imachar → Dougarie → Machrie

Day tickets are available for £8.40 and for example a single and return ticket from Whiting Bay to Brodick is £4.40 which perhaps suggests moderate savings.

Both islands are close to the major population centres around Glasgow and have frequent ferry services making day-trips feasible and there being reasonable potential for increases in demand.

In summary, it is judged that there will be no differential impacts on the two island compared with the mainland but it will be useful to monitor the impacts specifically.

4.12. Summary

This section has covered the demand response likely to be generated by the scheme and the range of potential impacts on various groups. The analysis is brought together in Section 8 below with the remaining Cases to make a recommendation.

More generally the section has highlighted the potential impact on the taxi industry (although evidence suggests it will be minimal/small) and the two island communities should be specifically considered in the future evaluation of the policy

5. Financial case

This financial case primarily considers the estimation of the potential costs of the scheme. Given the nature of the Ministerial commitment, it does not consider affordability in the usual way as it is deemed unnecessary.

Value for money of the preferred option is considered in Chapter 8, bringing together all 5 cases in the usual manner.

5.1 Key assumptions

Funding

The project results in a loss of revenue to bus operators which the SG/TS will reimburse. The nature of this reimbursement along with the impact on demand (and how that is dealt with) alongside the running costs of the scheme form the basis of the financial cost.

Capital Requirement

There is no capital requirement. Assumed.

Value Added Tax

There is a change in VAT through changes in the demand for non-public transport. This is likely to be minimal and will have no impact on Scotland

5.2 Estimation of Steady-State Costs

The initial cost estimates are implementation in the current year and vary with the decisions made around both the form and parameterisation of the reimbursement process. The costs are subject to significant uncertainty around the demand response and, at this point, the reimbursement process and crucially the parameters of that process agreed with operators.

The model produces a base cost before demand effects are considered (this varies with non demand based parameters). The ideal scheme design would leave operators no better or worse off than this core estimate but given the extreme uncertainty, the approach for each demand reaction scenario is to consider:

- The core (before demand changes) costs
- The impact of reimbursement rates of 90% (in line with the Highlands and Islands scheme), 95% (based on discussions with operators) and 100% (to illustrate the potential impact).
- The reimbursement rate for each modelled demand reaction that leaves operators no better or worse off.

Based on the analysis is the socio-economic case, 3 scenarios are initially considered for costs based on the demand response to the core scenario around current (2026) bus prices. These are based on the “Lower”, “Low” and “High” scenarios as discussed above. Cost values are rounded to nearest £1m.

Table 32 – Core cost estimates (bus)

Core Elasticity Scenario	Lower	Low	High
Increase in demand	9.5%	19.1%	38.2%
Core cost (no demand change)	£85 m	£85 m	£85 m
90% reimbursement	£84 m	£91 m	£106 m
95% reimbursement	£89 m	£96 m	£112 m
100% reimbursement	£93 m	£102 m	£118 m
Neutral reimbursement rate	91%	84%	72.5%

Under this core scenario a reimbursement rate of 90% (which replicates that in the existing pilot) is seen to leave operators broadly no better or worse off under the lower scenario. The low scenario shows that there would be some gains to operators (around £6m from the core cost) at 90% whilst the high scenario (which previous analysis suggests is unlikely) shows additional gains totalling £21m. The revenue neutral reimbursement rate falls across the scenarios.

In terms of considering the impact on operators there is a strong possibility (as noted previously) that smaller operators may face lower demand responses.

An initial sensitivity analysis looks at an increase in fares of 20% on 2025 levels.

Table 33 – Cost estimate – higher fares sensitivity

Higher fares Elasticity Scenario	Lower	Low	High
Increase in demand	10.4%	20.8%	41.5%
Core cost (before demand change)	£101 m	£101 m	£101 m
90% reimbursement	£101 m	£110 m	£129 m
95% reimbursement	£106 m	£116 m	£136 m
100% reimbursement	£112 m	£123 m	£144 m
Neutral reimbursement rate	90%	83%	71%

The first point to note is the sensitivity of the estimates to an increase in fares – if fares have risen by 20% rather than 10%, the impact on costs (core) is around 18% - this is because the costs are based on the increase in fares above the cap rather than in totality.

For example, if fares were £2.50 and increased by 10% to £2.75, then the full reimbursement at 100% per journey would increase from 50p to 75p, an increase of 50 percent.

Secondly, again the lower demand scenario results in a broadly neutral impact on operators, with again increasing gains if demand reacts more.

A further scenario is to uplift the cost estimates for a higher than expected impact on long distance journey demand (as emerging evidence from the existing pilot suggests).

Making appropriate adjustments for the nature of the SPT area, for longer distance travel increasing in a similar manner to that seen to date in HITRANS, increases the estimated cost to £125 million to £160 million at 95% reimbursement or £120 million to £150 million at 90% (amounts to nearest £5 million to reflect significantly greater uncertainty).

Table 34 – Higher long distance demand sensitivity

Higher LD demand Elasticity Scenario	Lower	Low	High
Core Cost	£110 m	£110 m	£110 m
90% reimbursement	£110 m	£120 m	£150 m
95% reimbursement	£115 m	£125 m	£160 m
100% reimbursement	£120 m	£130 m	£170 m
Neutral reimbursement rate	91%	84%	72.5%

5.5 Summary

The cost of the scheme is subject to significant uncertainty and to the reimbursement level chosen to operators. This is discussed further in section 8 below

6. Commercial case

The purpose of the commercial dimension of the business case is to demonstrate that the preferred option will result in a viable procurement and a well-structured Deal between the public sector and its service providers.

In the case of this specific project, the scheme will be a voluntary scheme and there will be no procurement.

However, a key outcome of the scheme design is the willing participation of operators subject to appropriate value for money for the public sector. This balance is a key driving factor behind the choice of reimbursement rates for the scheme and this is covered in the BRIA material in the socio-economic case.

Finally, it is certain that appropriate running of the scheme in terms of financial propriety will require significant commercially sensitive data from operators. This data will be treated as in confidence and care will be taken not just to not publish individual operator data but also that no inference as to individual operators can be made.

7. The management case

The purpose of the management dimension of the business case is to demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the scheme, including feedback into the organisation's strategic planning cycle.

Demonstrating that the preferred option can be successfully delivered requires evidencing that the scheme is being managed in accordance with best practice, subjected to independent assurance and that the necessary arrangements are in place for change and contract management, benefits realisation and risk management.

The challenges are; to manage the risks in the design, build, funding and operational phases of the scheme and put in place contingency plans; to deal with inevitable business and service change in a controlled environment; and to ensure that objectives are met, anticipated outcomes delivered and benefits evaluated.

A key learning experience from the Pilot is around the Transport Scotland back office requirements – the “manual” payments used within the pilot need to move to an automated system as a key part of the technical development of the scheme.

8. Moving towards the preferred option

This section draws on Sections 3 to 7 – the consideration of the 5 cases and makes an overall recommendation for the delivery of the scheme, specifically the appropriate reimbursement rate and then considers the overall value for money of the intervention.

8.1. Choice of scheme design, reimbursement rate and impact on costs

The Socio- Economic case laid out the estimated demand impacts of the scheme based on a range of assumptions, including the price sensitivity of bus demand, the level of fares and the potential for a larger scale impact on long-distance journeys. The demand impact is considered independent of the reimbursement rates set as it depends primarily on the actions of passengers (or potential passengers) who are not impacted directly by the level of reimbursement to operators.

Where the reimbursement rate may impact instead is supply – if the reimbursement rate is not generous enough to encourage participation or in the case of increased demand operator are unwilling to amend services then supply (of £2 fare capped services) may be constrained or there may be capacity issues that mean that higher level of increased demand may not be realised.

The costs of the scheme are significantly and directly dependent on both the demand response and the reimbursement rate. In terms of demand, if there is no demand uplift for an operator if the reimbursement rate is below 100% then operators will be worse off (See BRIA section of socio-economic case up). This means that the first recommendation of this OBC, in order to achieve agreement to a reimbursement rate less than 100% particularly for smaller operators serving remoter communities is:

Recommendation 1

If the reimbursement rate is below 100% then a clause should be included to operators to offer to work with them to analyse their position (where appropriate) and if appropriate provide additional funds to ensure that they are no worse off by participating in the scheme.

In the core scenario the range of costs of the scheme, as they vary with reimbursement rate are as follows:

Table 35 – Core costs by reimbursement rate

Core Elasticity Scenario	Lower	Low	High
Increase in demand	9.5%	19.1%	38.2%
Core Cost	£85m	£85m	£85m
90% reimbursement	£84 m	£91 m	£106 m
95% reimbursement	£89 m	£96 m	£112 m
100% reimbursement	£93 m	£102 m	£118 m
Neutral reimbursement rate	91%	84%	72.5%

Note that the core cost is the estimated amount that the scheme will cost before there is a demand reaction and is equivalent to leaving operators no better or worse off.

All things being equal, a standard approach would use the neutral reimbursement rate associated with the mid-range of the demand response estimates. This would equate to the low scenario and a reimbursement rate of 84%.

However, all other things are not equal and there are a number of further factors to consider.

Asymmetric impacts on operators

Not all operators will face equal demand impact. In fact it is almost certain that each operator will experience the scheme differently. As such a mid-point even if 100% accurate will leave some operators worse off and it is not unreasonable to suppose that these will be smaller operators concerned with less profitable or subsidised services that provide key local connections.

Although the clause in recommendation 1 will mitigate this effect, it is possible that larger losses in the short term, before the mechanics of the clause can come into effect, could place significant financial pressure on operators and in the worst case for operators currently at the margin cause them to fail.

At the same time, it is a clear fact that 100% reimbursement would leave any operator who experienced an increase in demand better off.

This asymmetry suggests that there is value in choosing a rate between the “optimum” rate but below 100%.

Existing pilot scheme in Highlands and Islands

The existing pilot scheme has a reimbursement rate of 90% on the mainland. Given that there are services between the two areas, offering a different rate whilst the pilot is running would be operationally complex specifically and particularly for those services that are of significant passenger volume and cross both boundaries ie Glasgow to Inverness and Glasgow to Oban.

There is also some potential risk that operators who are operating only in the HITRANS (mainland) area may challenge a higher rate elsewhere in the country.

Uncertainty over demand response estimates when faced with large changes in price

Standard demand response analysis tends to deal with relatively small changes in price i.e. annual fare increases of around 10% excluding inflation. This suggests that the higher estimates, even if appropriate for small price changes, may overstate the demand response when faced with large price falls as it requires significantly greater numbers of individuals to change their behaviour and those individuals may have a range of non-price factors (comfort, convenience etc.) that may overrule price based decision making. This is in line with standard economic theory – with many forms of

demand curve, the price elasticity changes along the demand curve and movements down the demand curve reduce the sensitivity of demand to price.

In addition there is a view that Covid-19 may have had a permanent downward impact on the price sensitivity of demand which is not yet reflected in current estimates.

Capacity constraints

The High scenario is associated with demand changes of almost 40%. This is likely to cause severe capacity (supply) issues. As such there is an argument that such levels of demand increase will not be realised in practice. This casts some doubt as to using the High scenario to define a mid-point.

Taking these 4 points together there is clear evidence and rationale for offering a reimbursement rate in excess of the 84% suggest above as “theoretically optimum”. Looking at just the Low and Lower scenarios would suggest a rate of 87.5% but considering the asymmetric impacts and specifically the current rate in Highlands, would strongly suggest that a 90% rate is reasonable.

Recommendation 2

Based on the evidence discussed in this OBC a reimbursement rate of 90% strikes an appropriate balance between the impacts on operators and the overall costs of the scheme.

Table 36 – Core cost by recommendation

Core Elasticity Scenario	Lower	Low	High
Increase in demand	9.5%	19.1%	38.2%
Core cost (before demand change)	£85 m	£85 m	£85 m
90% reimbursement	£84 m	£91 m	£106 m

This results in estimated core scenario costs of between £84m and £106m with a central estimate of around £90m. The following section explores the VfM of these recommendations.

8.2. VfM assessment of option

The estimated annual costs of the recommended option for bus are outlined in the tables below.

Table 37 – Estimated annual bus costs and rail costs

Core Elasticity Scenario	Lower	Low	High	Worst Case
Increase in demand	9.5%	19.1%	38.2%	38.2%
Core cost (before demand change)	£85 m	£85 m	£85 m	£110m
90% reimbursement	£84 m	£91 m	£106 m	£150 m

The additional estimated costs for rail are

Rail Scenario	Low	Medium	High	Worst Case
Rail impact (-ve)	£25 m	£35 m	£45 m	£60 m

There are estimated administration costs of £200,000. These are treated separately as part of the VfM analysis that follows. This means that the costs of the scheme in total are estimated (annual rounded up to nearest £5m) to be, focusing on the low and high (the 2 central) scenarios:

Table 38 – Overall costs

Overall Cost	Low	High
Bus cost	£90 m	£105 m
Rail	£25 m	£45 m
TOTAL	£115 m	£150 m

It is recommended that the costs are considered as a range due to the significant uncertainty. If a point estimate is required then the most sensible approach is to take the mid-point of the entire range of £90m to £150m i.e. £120 m.

The VfM analysis of the scheme needs to be made in the context of the mechanism by which it functions – operators being compensated at 90% in order that

passengers pay lower fares. This is technically a transfer payment – an exchange of money rather than an economic cost – money flows from Transport Scotland to operators to consumers and balances out overall.

Perhaps counterintuitively, the VfM does not depend on the amount paid to operators – any payment made to operators is neutral – it is either a benefit to consumer or, in the case where demand increases above the point where operators are left no worse off, a benefit to both consumers and operators.

In addition, it is appropriate to apply “distributional analysis” to weight the benefits to bus users upwards (given the analysis above) based on their income characteristics. In summary:

If demand does not increase

The scheme has a negative impact equal to the administration costs of £200,000 before distributional impacts are considered. However, any reasonable distributional weighting will result in positive benefits and positive VfM overall.

If demand increases

Then without distributional weighting, a very small increase in demand will more than offset the administration costs before distributional weighting is applied and there will be positive VfM overall. Applying distributional weighting will likely increase these benefits further.

In addition, any demand increases involving shifting from private car will have associated carbon (and wider congestion) benefits, further reinforcing the VfM of the scheme. This will be a careful focus of the evaluation.

Whilst this VfM analysis suggests that the scheme will show in formal terms that it is value for money, it should be remembered that the prime purpose of the scheme is to reduce the costs of public transport for users.

8.3. Long term impacts

There are a number of potential long-term issues with the extension to SPT, and ultimately to the rest of the country, that will need to be addressed before there is a full national scheme.

Future removal of bus market

The key issue is that the current reimbursement model relies on compensating operators based on their Adult Single fare. Once the scheme is introduced there will no longer be an unconstrained (by the price cap) market and no future commercial Adult Single fares.

Adjustments to current levels can be made in the short term to reflect changing costs after the scheme has been running for a year, for example. However, in the long-term it is likely that an alternative reimbursement scheme will be required. This scheme will allow the collection of data to inform that development.

Impact on Concessionary Fare reimbursement model

A side-effect of the scheme is an additional impact on the current reimbursement model for existing Concessionary Fares. This is also based on a proportion of existing commercial Adult (and Child) single fares. As with the scheme itself, an ultimate national rollout will mean the removal of this market and will apply similar issues to that discussed above to wider Concessionary travel.

Impact of inflation

Over time the impact of inflation is likely to have a significant impact on the costs of the scheme. This is due to the mathematics of the cap. By way of example:

Suppose the average fare in an area is £2.50.

Currently reimbursement would be 90% of £0.50 or 45p per journey. If the fare on which reimbursement is payable to operators were to increase by 10% to £2.75, reimbursement would increase to 68p per journey ie a cost increase of 50%.

This means that maintaining a fare cap at £2 will become significantly more expensive over time.

9 Summary, Conclusion and Recommendation

This document presents an Outline Business Case for extending the existing £2 bus fare cap pilot from the Highlands and Islands to the Strathclyde Partnership for Transport (SPT) region, covering Glasgow, Ayrshire, Dunbartonshire, Renfrewshire, Lanarkshire and Inverclyde. The proposal forms the second phase of the Scottish

Government's wider ambition to introduce a nationwide £2 bus fare cap and is intended both as a cost-of-living intervention and as a means of generating evidence to inform the design of a future national scheme.

The business case is framed within the objectives of the National Transport Strategy 2 and the Fair Fares Review, both of which seek to improve the accessibility, affordability and inclusivity of Scotland's transport system. The proposed extension responds to continuing cost-of-living pressures, elevated transport costs and wider economic challenges. It aims to reduce the financial burden of bus travel, encourage greater public transport use, strengthen social inclusion and provide evidence on the operation of a fare capped system within a dense urban and suburban transport market.

The document sets out a strong strategic rationale for selecting the SPT area as the next stage of implementation. Compared with other Regional Transport Partnership areas, SPT contains by far the largest concentration of Scotland's most deprived communities, accounting for approximately 65% of all data zones within the 20% most deprived category nationally. The region also displays the highest proportion of households without access to a car and some of the highest levels of bus and rail usage in Scotland. These characteristics make it particularly suitable for assessing the impacts of a fare cap in a large metropolitan environment and provide a useful contrast to the largely rural and island-based Highlands and Islands pilot.

The business case highlights ongoing economic pressures affecting households and transport users. While inflation has moderated compared with previous peaks, consumer sentiment remains weak and fuel prices have increased significantly due to international events. Against this backdrop, reducing bus fares is presented as a targeted intervention capable of delivering immediate support to passengers while contributing to wider policy objectives relating to poverty reduction, economic growth, climate change and public service accessibility.

Four principal objectives are identified for the scheme. These are improving affordability for households, particularly those most reliant on bus travel; increasing public transport demand and encouraging modal shift away from private car use; delivering positive passenger and operator experiences; and generating robust evidence to support the development of a sustainable national fare cap and future reimbursement arrangements.

Early evidence from the Highlands and Islands pilot provides encouragement regarding the effectiveness of the policy. By August 2026, almost 1.3 million journeys

had benefited from the fare cap, with average savings of approximately £7.43 per qualifying trip. Initial data from participating authorities suggest substantial increases in fare-paying passenger numbers, although it is recognised that it remains too early to draw definitive conclusions and that seasonal influences may be affecting current results. Nevertheless, the pilot has demonstrated strong operator participation and indicates that lower fares may stimulate additional demand beyond simply reducing costs for existing users.

The options appraisal considered two broad approaches. The first involved supporting operators directly so that passengers pay no more than £2 per journey. The second involved reimbursing passengers after travel or providing some form of direct subsidy. Direct support to passengers was rejected due to significant administrative complexity, poor passenger experience, practical delivery difficulties and heightened risks of fraud or misuse. Consequently, the preferred approach focused on operator reimbursement, consistent with existing concessionary travel arrangements and the current pilot scheme.

Within the operator reimbursement approach, two mechanisms were considered. The first reimburses operators for a proportion of the difference between their standard fare and the £2 cap. The second uses operator-specific average fare yields to determine reimbursement. The assessment concluded that percentage reimbursement performs better in terms of technical feasibility, operator acceptance, risk and alignment with delivery timescales. The yield-based approach would require extensive auditing and additional implementation time, making it unsuitable for rapid deployment.

The socio-economic appraisal suggests that the fare cap would deliver substantial benefits to bus users through lower travel costs and increased accessibility. Modelling indicates that demand could increase by between 9.5% and 38.2% depending on assumptions regarding passenger responsiveness to fares, although the report considers the upper estimate less likely. The central expectation is that patronage growth will be significant but manageable, while also generating benefits through improved mobility, reduced transport poverty and enhanced access to employment, education, healthcare and social opportunities.

The analysis also finds that the scheme is strongly progressive in nature. Existing bus users are disproportionately concentrated among lower-income households, unemployed individuals, people living in deprived areas and several minority ethnic groups. As a result, a large share of the financial benefits generated by the fare cap is expected to accrue to those who face the greatest economic disadvantage.

Equality and Fairer Scotland Duty assessments identify overwhelmingly positive impacts, with no significant adverse effects identified for protected groups.

The business case also examines impacts on competing transport modes. The Glasgow Subway is expected to experience limited direct effects because its existing single fare is already below the £2 threshold. Rail impacts are expected to be more significant. The analysis identifies the possibility of substantial modal shift from rail to bus on certain corridors where buses offer a dramatically lower fare. Revenue losses to the rail network are estimated at between £25 million and £45 million annually, although there is considerable uncertainty around these figures. Potential impacts on taxi services are considered likely to be modest, with available evidence suggesting that taxi demand is influenced more strongly by convenience and service characteristics than by bus fare levels.

Financial analysis demonstrates that the total cost of the scheme is highly sensitive to fare levels, passenger demand responses and operator reimbursement rates. Under central assumptions, annual bus-related costs are estimated at approximately £90 million to £105 million. When potential rail revenue impacts are included, total annual costs rise to between approximately £115 million and £150 million. Cost uncertainty remains significant because of the unprecedented scale of the fare reduction and the difficulty of predicting behavioural responses to such a substantial price change. A point estimate of costs is difficult due to the uncertainty but the most sensible approach is to take the mid-point of the entire range of £90m to £150m i.e. – the best point estimate of costs is £120m.

The report concludes that the scheme is likely to demonstrate positive value for money despite these costs. A large proportion of financial transfers are effectively redistributed to passengers through lower fares, while generated demand, wider social benefits and favourable distributional impacts strengthen the economic case. The business case also emphasises that the primary purpose of the intervention is to provide affordability support rather than to maximise conventional economic efficiency measures.

Key Recommendation

The recommendation within the business case is that the SPT extension should adopt a reimbursement rate of 90% of the difference between the underlying fare and the £2 cap.

The analysis concludes that a 90% reimbursement rate provides the most appropriate balance between protecting operators from financial harm, maintaining consistency with the existing Highlands and Islands pilot, securing operator participation and controlling public expenditure. While theoretical modelling suggests that a lower reimbursement rate could minimise costs, the report finds that such an approach would expose some operators, particularly smaller and more marginal services, to unacceptable financial risks. Conversely, a 100% reimbursement rate would increase overall scheme costs while creating the potential for windfall gains for operators where patronage increases significantly.

The report therefore recommends that the scheme should proceed using a 90% reimbursement model and that Transport Scotland should retain the ability to provide additional support where evidence demonstrates that individual operators would otherwise be financially disadvantaged by participation. This recommendation is identified as striking the optimal balance between affordability, practicality, fairness to operators and value for money, while also ensuring continuity with the existing pilot and supporting rapid implementation.

In summary, the Outline Business Case concludes that extending the £2 bus fare cap to the SPT area represents a strategically justified, socially progressive and economically credible intervention. The proposal is expected to reduce transport costs for households, support accessibility and inclusion, generate important evidence for national rollout and deliver positive value for money. Subject to implementation through the recommended 90% reimbursement mechanism, the scheme is considered an appropriate next step towards a future nationwide £2 bus fare cap. In the longer term, an alternative reimbursement methodology will be required as the commercial bus market will no longer exist and this will have implications for existing concessionary schemes as well. Additionally, the nature of a cap means that maintaining it at £2 will become significantly more expensive over time, with costs, because of the nature of a cap, rising significantly ahead of fare inflation.



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