



**TRANSPORT
SCOTLAND**
CÒMHDHAIL ALBA

Fair Fares Review

Supporting Paper 2: Case for Change

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Summary of Analysis of Problems, Issues, Opportunities & Constraints

The consideration of the current challenges and opportunities in relation to the cost to government, operators, taxpayers and passengers, the availability of public transport services in Scotland and possible interventions in response has been undertaken in line with the principles set out in [Scottish Transport Appraisal Guidance](#).

As such the following process has been followed:

- Identification of Problems and Issues.
- Consideration of Opportunities for Change and any Constraints.
- Establishment of Transport Planning Objectives which outline the outcomes sought.
- Option Generation, Sifting and Development.

These have been informed by a range of activities and data sources including:

- Analysis of transport trends data and Scottish Transport Statistics.
- Engagement with transport operators, delivery partners, advocacy, and passenger groups, both in the course of Transport Scotland's Business as Usual engagement, and in engagement focussed on issues within the remit of the Fair Fares Review.
- Analysis of Transport Scotland's Surveys on Public Attitudes during the Covid-19 pandemic.
- Analysis of responses to relevant consultations e.g. on the extension of free bus travel to Under 22s and the development of the National Transport Strategy (NTS2).
- Analysis of evidence provided, and public petitions lodged in the Scottish Parliament.
- Analysis of evidence provided by stakeholders e.g. reports commissioned by Hitrans, SPT, CPT and Transform Scotland.
- Findings and recommendations emerging from industry groups e.g. Bus Taskforce.

Problems, Issues, Opportunities & Constraints

For the purposes of this report, the following definitions apply:

Problems

Factors affecting the ability of the transport network and services to provide adequate connectivity and accessibility at a cost which is fair to individuals, government, and society .

Issues

Uncertainties that the study may not be in a position to resolve but must work within the context of.

Constraints

The bounds within which the study is being undertaken including regulatory or physical limitations that impact upon the scope of potential interventions.

Opportunities

Where positive benefits can be achieved if particular circumstances are put in place.

Themes emerging

A number of themes emerged in the course of identifying problems and issues and considering opportunities for change and constraints. Some of these themes reiterated issues previously highlighted in the [National Transport Strategy \(NTS2\)](#), for example around inequalities in access to public transport impacting on low income groups. Some other themes have emerged since the onset of the Covid-19 pandemic.

Themes emerging are:

- Covid-19: Public Transport Patronage Recovery and Transition.
- Costs of using public transport relative to the costs of using the private car.
- Cost of Living (CoL) crisis.
- Equity of access to Concessionary Travel Schemes.
- Concessionary Travel Schemes – Financial sustainability.
- Long term decline in bus network and patronage predating Covid-19.

- Unintended consequences of existing fares structures on public transport landscape

Covid-19 : Public Transport Patronage Recovery and Transition

Problem

Public Transport patronage has still not fully recovered since the onset of the Covid-19 pandemic with particularly slower rates of recovery noted in traditional commuter markets and in journeys made by older and disabled people as highlighted through both Older & Disabled Persons NCTS journey data for bus and the volume of Passenger Assistance journeys made on the rail network.

Issue

The future prospects for patronage recovery relative to pre-pandemic levels still remain unclear due to uncertainties around the extent to which wider societal changes and the extent of working from home, which affect demand for travel, may remain embedded in the medium and longer term.

There is a likely demand for further subsidy to maintain current service levels in the face of reduced farebox revenue and commercial viability of services.

Impacts on Government

For bus this has resulted in emergency Covid-19 NSG+ funding being extended beyond its anticipated lifetime to 31 March 2023.

In rail Transport Scotland is carrying a £48.5 million deficit for Rail Services in 2023-24 reflecting the ongoing reduction in rail farebox revenue post Covid-19.

Any retrenchment of the public transport network in response to falling passenger numbers / government subsidy will impact upon the ability to meet wider policy commitments e.g. the 20% reduction in car kms by 2030 requires an increase in public transport capacity by 222%.

Impacts on Operators

A lack of commercial viability may mean that public transport operators may have to consider scaling back / recalibrating services in light of changes in demand should these become embedded in the future.

Any shortfall in farebox revenue will have to be met by either increased subsidy from government or increased fares.

Impacts on Passengers

Following the withdrawal of emergency Covid-19 NSG+ funding beyond 31 March many bus operators have increased fares and reduced services. The impacts of these fares increases and service reductions are not equally distributed across Scotland – there are particular geographical areas where service reductions and fares increases are more pronounced (e.g. West Lothian).

The withdrawal or scaling back of services and / or rising fares results in reduced access to public transport and consequently labour markets, education, public services etc. with impacts being most pronounced on low income and vulnerable individuals and communities.

Opportunity

Traditional pre-pandemic travel demand patterns were such that the bulk of passenger movements were concentrated in the morning and late afternoon / early evening peaks as people travelled between home and their place of work. This created challenges for transport operators in managing capacity against demand and one tool that was used, particularly in the rail sector, was differential time based fares where people were charged more to travel at peak times. The purpose of this was to influence those people who had a degree of choice in when they travelled to travel at off peak times when there was more free capacity.

As peak time demand for travel has not recovered to the same extent as off peak leisure travel there is an opportunity to test new fares structures which provide simplified fares that are valid and remain the same at any time. However, government intervention will be required in the form of financial support to indemnify revenue forgone in any initial pilot schemes to test this approach.

In addition, the increased uptake of homeworking may encourage people to “live locally” on a greater scale, with consequent benefits in terms of less vehicle emissions, increased public transport capacity, local communities being more vibrant places.

Impacts on Government

Reduced pressure on the busiest sections of the public transport network at peak times could potentially result in a delay to the need to prioritise investment in public transport capacity expansion, freeing up government funds.

Impacts on Operators

As any reduction in fares is likely to increase demand during the peak time there will be challenges for operators in ensuring there is sufficient capacity in order to meet this increased demand.

There may be an abstraction of passengers from bus to rail as rail becomes more price competitive with bus. Similarly, should the capacity considerations not be addressed, some rail passengers may switch from rail to car should services be overcrowded to an extent that impacts on the overall passenger experience.

Impacts on Passengers

This would make public transport more appealing to passengers by simplifying fares and reducing the cost of fares for those travelling in the traditional peak time period.

Costs of using Public Transport relative to costs of using private car

Problem

The cost of public transport fares, UK-wide, rose in real terms between 2010 and 2020 – rail fares by 6% and bus fares by 26% above general inflation. Over the same time period, the cost of motoring fell by 9% in real terms. This has consequent impacts on the attractiveness of public transport compared to car travel not only for individual journeys, but also for longer term decisions related to owning and operating a car.

If the costs to use public transport are not financially attractive to passengers / potential passengers relative to the costs to use a private car then there will be adverse implications for public transport's modal share and the attainment of the target to reduce car kms by 20% by 2030.

Moreover, a situation where using public transport is not price competitive with the private car is in conflict with the Scottish Government's commitment to a just

transition to zero greenhouse gas emissions, which creates benefits and opportunities equally for people across Scotland.

Impacts on Government

A reduction in farebox revenue caused by public transport not being price competitive with private car could result in increased government subsidy requirements in order to maintain existing public transport service levels / network coverage in the absence of which more people could switch to car due to a lack of public transport services.

Impacts on Operators

If public transport is not price competitive with private car use then patronage and hence farebox revenue will be adversely impacted with a potential consequence that operators may need to reduce services to reduce running costs impacting on the attractiveness of public transport.

Impacts on Passengers

People living on low incomes are locked out of accessing public transport due to the rising cost of fares, resulting in many people being unable to access employment, education, leisure activities, and health care. (Poverty Alliance, Fair Fares Report, March 2023 and [Challenge Poverty Week, Policy Briefing 4, July 2023](#))

Opportunity

Demand management measures as adopted in some case study regions to fund public transport and make it price competitive with private car (see Fair Fares Review Supporting Paper 4: International Benchmarking).

Impacts on Government

Such measures are likely to be highly contested. There may need to be an upscaling of public transport provision in some parts of the country in order to provide a viable alternative to the car ahead of any demand management schemes being implemented – therefore there may be upfront costs to government in improving existing public transport provision as well as in establishing, administering, and enforcing any schemes.

Impacts on Operators

Demand management schemes that make the costs of travelling by public transport more attractive relative to the costs of travelling by car would present an opportunity for operators to grow patronage and farebox revenue but there would be a need to ensure that sufficient capacity exists to carry additional passenger numbers in advance of any schemes being introduced.

Impacts on Passengers

There could be benefits accruing to passengers through enhanced public transport services should sufficient revenues be raised by demand management schemes to finance improvements to public transport services.

Cost of Living (CoL)

Problem

The continuing Cost of Living (CoL) emergency and inflationary pressures on the cost of goods and commodities such as energy and food as well as rising mortgage and rental costs mean that transport operators are incurring increased costs in operating services. Meanwhile individuals and households have less disposable income with a greater proportion of their budget being spent on transport costs even before any actual increase in public transport fares is taken into account.

Impacts on Government

There is a pressure on government to intervene to mitigate the impacts of Retail Price Index (RPI) and Consumer Price Index (CPI) indexed fares increases for example regulated rail fares increase scheduled for January 2023 deferred until July 2023 and the actual increase being held significantly below RPI and Clyde and Hebrides Island and Northern Isles ferry services fares being frozen until April 2024.

The costs to freeze these fares or to hold below the relevant RPI or CPI rates means that government must reallocate funds from other areas to fund fare increases that are held below inflation.

Any retrenchment of the public transport network in response to falling passenger numbers / government subsidy will impact upon the ability to meet wider policy commitments e.g. the 20% reduction in car kms by 2030 requires an increase in public transport capacity by 222%.

Impacts on Operators

Inflationary pressures are causing increases to wages, the costs of road fuel and energy, thereby increasing the costs borne by operators in providing public transport services. These inflationary pressures are exacerbating existing pressures – for example on farebox revenue recovery post Covid-19, bus driver shortages etc. increasing the risk of operators scaling back services and the network.

Impacts on Passengers

Fare increases may be necessary, in the absence of government intervention, of such a magnitude that public transport patronage will be significantly impacted further affecting the commercial viability of services leading to network retrenchment.

This would have a disproportionate impact on low income households who are generally more reliant on public transport and hence could exacerbate existing societal inequalities if disadvantaged groups are priced out of accessing the public transport services they rely on to access jobs, education, shopping, leisure, public services and family and social / support networks. [Transform Scotland highlight](#) that being unable to access public transport hinders the ability of people to participate in society and can negatively impact their physical and mental health, limit economic opportunities and cause economic hardship. Lack of affordable public transport may also encourage higher car ownership levels as it forces people into choosing cars over public transport ('forced car ownership').

Equity of access to existing Concessionary Travel Schemes

Problem

There are some geographical inconsistencies and anomalies in relation to eligibility for and access to existing concessionary travel schemes. Moreover, existing schemes are targeted at specific groups who satisfy age or health related criteria and with no provision for those who may otherwise need financial support to access bus services (e.g. low income) but do not meet age or health related criteria.

While the National Concessionary Travel Schemes (NCTS) provide nationwide free access to bus services for those who are eligible, the extent to which individuals can use their entitlement is dependent on the availability of bus services within their community serving the places to which they want to go. There are therefore

geographical variances in the extent to which people have access to bus services in which to exercise their entitlement for NCTS.

Furthermore, some but not all local authorities operate local concessionary travel schemes which provide for discounted travel on rail, subway, tram and ferry for those residents who meet age or health related criteria. This therefore introduces a further geographical variance in the extent to which people have access to concessionary travel schemes.

Therefore there are some questions in terms of whether existing concessionary travel schemes most efficiently target support for those who need it most and in a fair and consistent manner particularly given the current universal eligibility for those who meet the age or disability related criteria regardless of their personal financial circumstances.

Impacts on Government

Existing concessionary travel schemes serve specific policy objectives which deliver wider benefits to government and society – for example the Older & Disabled Persons NCTS supports a number of objectives around health and wellbeing by connecting people to health services, social and family networks etc.

However there are financial considerations which are further expanded upon under Concessionary Travel Schemes – Financial sustainability and affordability which follows.

Impacts on Operators

Revenues derived from concessionary travel scheme reimbursement represent a significant proportion of total operator revenues. Around £329 million (55% of total revenues) of their income in 2021/22 derived from NCTS reimbursement, central government subsidy and local government subsidy for supported services, a proportion that has risen since the introduction of the YPS in January 2022. Therefore, any changes to the NCTS have the potential to significantly impact on bus operator revenue.

Impacts on Passengers

[Transform Scotland highlight “intergenerational unfairness” which they state is inherent in the existing National Concessionary Travel Scheme \(NCTS\).](#) Transform argue that the NCTS free bus travel for those aged 60 and over and those aged under 22 contrast with high fares, particularly outside of the main urban areas, for everyone else who does not fall within these age ranges.

Hitrans have highlighted the importance of connectivity to the bus network to be able to access the NCTS and point out that as a consequence, and given the generally lower availability of bus services in rural and island communities, scheme cardholders in these areas tend to derive less benefit from NCTS than those living in the predominantly urban areas that enjoy better connectivity and access to the bus network. This is a particularly heightened concern giving the scale and extent of challenges facing the bus sector as it adapts to changing travel patterns since the pandemic.

The NCTS and local concessionary travel schemes do not extend eligibility to other groups who may need targeted support – for example unemployed, low income, students.

Community Transport Association (CTA) and MACS have highlighted that NCTS reimbursement can only be made on journeys made by Community Transport Operators operating under a Section 22 permit (only 5% of all community transport journeys) and not those made under a section 19 permit. They argue that this particularly disadvantages people with a disability or those living in rural areas who are more likely to use section 19 permit community transport services.

Concessionary Travel Schemes – Financial sustainability and affordability

Problem

The financial sustainability and affordability of concessionary travel schemes, amidst a context of increasing pressure of public finances, is a challenge to central and local government scheme funders.

There are significant affordability pressures affecting the national and local schemes. The NCTS schemes are forecast to cost the Scottish Government £405.7 million in reimbursement costs in the 2023/24 financial year in a central scenario where bus fares, on which reimbursement is based, rise no more than 12% relative to March 2023 levels and patronage does not exceed 80% of pre-pandemic levels.

Overall the concessionary travel budget accounts for around 21% of Transport Scotland's total 2023/24 revenue budget. With forecasts for concessionary travel increasing substantially in subsequent years up to the end of 2026/27, that proportion will increase as a result in the years beyond 2023/24.

Meanwhile a number of local authorities have withdrawn their local concessionary travel schemes in recent years due to affordability concerns, further exacerbating geographical anomalies in access to schemes across Scotland.

There is also uncertainty around how public transport networks may change in the coming months and how that will impact upon individuals ability to access the NCTS.

Impacts on Operators

As noted above, reimbursement in respect of journeys made under concessionary travel schemes represent a significant source of revenue for operators, most particularly bus operators. Therefore any changes to schemes have the potential to financially impact operators.

While the aim of the NCTS reimbursement rates are to ensure bus operators are “no better and no worse off” by participating in the schemes, NCTS journey reimbursement accounts for one third of the bus sector's total annual income in Scotland.

Impacts on Passengers

A reduction in bus patronage resulting from changes made to concessionary travel schemes could render some bus services and routes commercially unviable and cause them to be lost. This could negatively impact the ability of both those eligible for the NCTS and bus passengers in general to access public transport.

Opportunity

In December 2022, Transport Scotland and Confederation of Passenger Transport (CPT), representing bus operators, began work to review the model for reimbursement for the ODPS given ongoing uncertainty around passenger numbers and changes in travelling patterns primarily related to COVID-19 and to develop a model for YPS, which does not have an established process given its relatively recent introduction. Based on this work, rates have been agreed for 2024/25 and a short-life working group is being established for further consideration on reimbursement for ODPS and the discussion of the new YPS model for adoption in 2025/26.

Long term decline of bus patronage and service provision pre-pandemic

Problem

Significant decline in bus patronage and services became embedded in the decade prior to the onset of the Covid-19 pandemic. This is in contrast to rail which saw steady increases in passengers in the years leading up to the pandemic.

Bus passenger numbers had reduced by 21% in the ten years leading up to 2019/20 and service network coverage and number of vehicles registered as passenger services has also significantly declined in recent years (from 5,400 in 2007 to 3,700 in 2022).

Impacts on Government

Despite the fall in bus passenger numbers, bus remains the dominant mode of public transport, accounting for 79% of all public transport journeys made in 2021.

Therefore any contraction in the bus network arising as a consequence of falling passenger numbers will impact on the capacity of the public transport network to support modal shift. Falling passenger numbers could place the sector in a cycle of decline where fares have to rise to cover for the shortfall in farebox revenue but at a cost of rising fares further accelerating the decline in passenger numbers.

(Confederation for Passenger Transport (CPT) briefing to the Scottish Parliament (CPT, 17 May 2023))

Impacts on Passengers

Bus use is more prevalent amongst lower income groups therefore any withdrawal or scaling back of services, or fare rises to offset declining patronage, will generally have the most pronounced impact on lower income groups.

Unintended consequences of existing fares structures (Ferries)

Problem

Road Equivalent Tariff (RET) is a distance based fares structure which was introduced on selected Clyde & Hebrides Ferry (CHIFS) routes from 2008 before

being introduced across the entire CHIFS network in 2015 in order to introduce simplicity, transparency, comparability and consistency on fares.

Under RET the same fare is charged in both the summer and winter periods and the same fare applies for islander and non-islanders.

Prior to the introduction of RET the fares system had a very large number of fare types available and most routes had:

- Summer and winter season fares.
- Islander and non-islander fares.
- Standard single fares.
- Saver returns (available on certain sailings only).
- 5 day saver returns.
- 9 day saver returns.
- Multi-journey tickets of 6 journeys and 10 journeys.
- Numerous bespoke ticket types within each route.

Whilst RET has streamlined fares the formula has significantly increased demand for vehicular traffic, particularly cars and motorhomes, which constrains available deck capacity. These pressures on demand are particularly pronounced during the peak tourist season and can cause difficulties for islanders trying to travel between their home and the mainland with a vehicle as deck capacity can often be fully exhausted some time in advance on certain routes at certain times.

Impacts on Government

Pressures on vehicle deck capacity impede the ability of the network to absorb resilience challenges such as vessel failure and create additional pressure for the deployment of new and additional vessels to meet demand.

The inexpensive fares applicable to vehicles acts as a disincentive to using public transport to complete other legs of a journey to / from the ferry terminal and thereby encourages use of private vehicles.

Impacts on Operator

The demand challenges impact on the operator's ability to provide a lifeline service for island communities whilst also absorbing the volume of tourist traffic induced by vehicular fares that are perceived as being very inexpensive particularly in comparison to other ferry operations in other parts of the United Kingdom.

Impacts on Passengers

The most significant impacts on passengers are in managing to secure space on the vehicle deck partly due to induced demand caused by inexpensive fares.

Unintended consequences of existing fares structures on public transport landscape (Rail)

Problem

Rail fares are extremely complex with a range of products (sometimes as many as ten fare types for one journey depending on where and when the journey is being made). To illustrate the complexity, in the fares system there are in excess of 150,000 origin/destination pairings, each with several ticket types that are priced by ScotRail as Lead Operator.

In addition to this, the fares structure is complex and there is no standardisation in the fares offered, the restrictions, the relationships between fares, or the fares themselves (in terms of a pence per mile measurement).

Impacts on Government

Passenger rail services provided by ScotRail and Caledonian Sleeper receive funding from Scottish Ministers and from passenger revenue. Passengers make a contribution towards the cost of running the railway through rail fares. However, the Scottish Government meets the majority of the cost of rail passenger services in Scotland.

The public sector currently faces significant financial challenges and the current level of funding allocated by the Scottish Government to cover the net subsidy required by ScotRail would be insufficient to maintain current service and staffing levels without increasing passenger numbers, increasing fares or reduction in services.

Impacts on Passengers

Passenger research has shown that confusion over buying the right ticket type is acting as a barrier to encouraging modal shift from car to rail.

Principles

The following Principles have been developed for the Future of Public Transport in Scotland, in response to the key issues identified in this Case for Change Report.

Access for All – To improve the equality of physical accessibility to public transport for all in Scotland

Availability – To improve the availability of public transport services

Affordability – To improve the affordability of public transport services

Quality – To improve the reliability of and integration between public transport services

These are consistent with the commitment made in the [First Minister's Policy Prospectus, Equality, opportunity, community: New leadership – a fresh start](#), published in April 2023, that by 2026 we will have advanced towards making our public transport system more accessible, available, and affordable, with the costs of transport more fairly shared across government, business and society.



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