

Final Business and Regulatory Impact Assessment

Title of Proposal

The National Bus Travel Concession Scheme for Older and Disabled Persons (Scotland) Amendment Order 2020

Purpose and intended effect

- **Background**

The National Bus Travel Concession Scheme for Older and Disabled Persons (“the Scheme”) was introduced on 1 April 2006 by the National Bus Travel Concession Scheme for Older and Disabled Persons (Scotland) Order 2006 (“the 2006 Order”). This followed an agreement reached by the then Scottish Executive and the Confederation of Passenger Transport (CPT), on behalf of bus operators, for the delivery of a free national bus travel scheme for eligible passengers at agreed levels of payment to the industry. The reimbursement arrangements were originally set out in SSI 2006/107. In 2010, new arrangements were agreed with CPT covering 2010/11 to 2012/13 and set out in SSI 2010/140. Arrangements for 2013/14 and 2014/15 were agreed with CPT in 2013 (set out in SSI 2013/114), for 2015/16 and 2016/17 in 2015 (set out in SSI 2015/133), for 2017/18 in 2017 (set out in SSI 2017/71), for 2018/19 in 2018 (set out in SSI 2018/98) and for 2019/20 (set out in SSI 2019/119).

In February 2020, agreement was reached with CPT on new reimbursement terms for 2020/21. This Order is to put these into effect.

- **Objective**

The purpose of this Order (“the 2020 Amendment Order”) is to enable the Scheme to continue into 2020/21 by setting out the reimbursement terms for bus operators carrying concessionary passengers. The new rate of reimbursement will be 55.9% in 2020/21. Total payments will be capped at £226.1 million in 2020/21.

- **Rationale for Government intervention**

The Scheme provides an entitlement to free bus travel for people age 60 and over or meeting certain disability related criteria. By enabling people more easily to access services, leisure facilities, and interact with others, card holders tell us it delivers social and health benefits through reduced social isolation, greater independence and improved physical and mental wellbeing from increased activity. In line with the Scheme’s objectives, and in order to comply with state aid rules, operators are reimbursed for the costs of carrying concessionary passengers so as to leave them no better and no worse off through their participation in the Scheme. The reimbursement rates to ensure this are informed by an economic model and

negotiation with the main industry body on key assumptions on fares growth and future journey numbers.

Through the Scottish Government National Performance Framework, concessionary travel contributes to the National Outcomes: “We value, enjoy, protect and enhance our environment”, “We tackle poverty by sharing opportunities, wealth and power more equally”, and “We respect, protect and fulfil human rights and live free from discrimination.”

Consultation

- **Within Government**

We have consulted with colleagues in Transport Scotland who administer the scheme, and who are in regular contact with bus operators. Transport Analytical Services have supported negotiations with the bus industry and updated the economic model and provided forecast information to ensure these were reflected in the agreement reached. Finance colleagues have been consulted about relevant budgeting for resources and cost of the Scheme.

- **Public Consultation**

The proposal extends the Scheme for a further year. It makes no changes to who is eligible for the Scheme or what benefits it confers.

The potential for changes in the reimbursement rate to have a wider impact on bus companies and their commercial services has been taken into account in selecting reimbursement rates, which meet the Scheme’s aim of leaving bus operators “no better and no worse off”.

- **Business**

Negotiations have taken place with the CPT, which represents about 80% of the bus industry in Scotland in terms of numbers of journeys. A one year agreement has been reached, consistent with the economic model agreed in 2012/13 with CPT.

The agreement includes a budget cap to limit the risk to Scottish Government budgets. The cap is not welcomed by the bus industry though it is set at a level which is believed to be consistent with the aim to leave the bus operators no better and no worse off as a result of carrying concessionary passengers.

All bus operators in Scotland participate in the Scheme and are being informed about the proposed reimbursement terms for 2020/21.

Options

Option 1 – Do nothing, total reimbursement remains as in 2019/20.

In the absence of uprating of the Scheme reimbursement rate and budget cap as proposed in the 2020 Amendment Order, the Scheme would not meet the condition of leaving bus operators “no better and no worse off” and operators would suffer reduced income which could affect services. If the budget cap was maintained at its present level, the effective reimbursement rate – i.e. allowing for capping of payments towards the end of the financial year – would be unacceptable to the industry. This would be inconsistent with the Scheme objectives as, if average fares and journey numbers for concessionary travel are as expected in 2020/21, it would not fairly compensate bus operators for carrying concessionary passengers and would leave them worse off from their participation in the Scheme.

Benefit: This would have a lower budget cost for the Scheme. However, this option would damage the reputation of the Scheme and the economic position of bus service providers, and hence the services available to bus users.

Cost: £213.65 million in 2020/21

Option 2 – Agree new reimbursement rates by updating the economic model agreed in January 2013 using assumptions for annual growth in fares claimed and journey numbers of 4.1% and 0.6% respectively.

Update the agreed model as follows: (i) uprate indices for inflation and cost increases taking into account current economic forecasts, forecasts of industry costs and general inflation; and (ii) assume average annual fares growth of 4.1% and annual journey growth of 0.6%. This results in the proposed reimbursement rates of 55.9 % in 2020/21 and a concessionary travel budget cap of £226.1 million and is in keeping with the agreed economic model, using agreed indices for inflation and cost increases. The forecast for journeys in 2020/21 reflects recent trends, including experience during the first three quarters of 2019/20, and analyses undertaken by CPT’s advisers on future growth rates.

Benefit: This option extends for one year the duration of the Scheme. It reflects the most up to date available information on the scheme’s operation during 2019/20, has the agreement of bus operators, is consistent with the agreed economic model and allows a realistic budget to be set. Older people and those with disabilities will continue to benefit from free bus travel. Bus operators will benefit from stability with only a minor change to the reimbursement rate from the previous year (driven by the expected growth in average fares) and a further year of funded concessions. This option has been agreed with the CPT.

Cost: £226.1 million in 2020/21.

Sectors and groups affected

The sectors most affected by the changes in the 2020 Amendment Order are the bus industry and bus passengers (both concessionary and fare paying).

Benefits

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

Costs

	2020/21	
Option 1	£213.65m	This level of budget would result in practice in an unrealistic reimbursement rate. There would be a significant risk of not meeting the objective of leaving bus operators “no better and no worse off” and a risk to the credibility of the agreed economic model for updating the Scheme and of the utility of that model for future negotiations.
Option 2	£226.1m	Preferred option consistent with the Scheme objectives to leave bus operators “no-better and no-worse off” through their participation in the Scheme.

Scottish Firms Impact Test

There are around 220 bus operators in Scotland participating in the Scheme. Transport Scotland has had regular contact with participating bus operators since the outset of the Scheme in 2006 and consideration of potential impacts on the bus industry is a key part of any discussions. Therefore, the Scottish Firms Impact Test was not carried out. This would have been impractical given the agreement reached following confidential negotiations with CPT, the trade industry body. CPT acts on behalf of member operators, who between them provide 80% of the local bus services in Scotland, and information is being shared with all participant operators.

Competition Assessment

The Scottish Government does not consider that the proposed changes in the 2020 Amendment Order will have any impact on competition. It is not considered likely that the proposals will directly or indirectly limit the range of suppliers, limit the ability of suppliers to compete, or reduce suppliers’ incentives to compete vigorously. Furthermore, given the local nature of services being supplied by the bus industry, there will be no impact on competition within the UK or elsewhere.

Test run of business forms

No changes will be made to forms as a result of the 2020 Amendment Order.

Legal Aid Impact Test

Legal Aid does not apply to these regulations.

Enforcement, sanctions and monitoring

Transport Scotland is responsible for the administration of the Scheme and compliance with the requirements as detailed within the 2006 Order (as amended).

Implementation and delivery plan

The 2020 Amendment Order is subject to affirmative resolution procedure and so will require to be approved by the Scottish Parliament. The 2020 Amendment Order will detail the capped level of funding underpinning the Scheme, namely £226.1 million in 2020/21, and provide for a reimbursement rate of 55.9% in 2020/21. The amendment will be effective from 1 April 2020.

- **Post-implementation review**

The Scottish Government will continue to monitor the evidence for determining the reimbursement rate. Discussions will take place with CPT and key stakeholders to ensure any future reimbursement rate can be agreed with the industry representatives to sustain the benefits of the Scheme.

Summary and recommendation

In summary, the preferred option (Option 2) agrees a one year settlement with bus operators, with a new reimbursement rate of 55.9% in 2020/21 and a capped budget of £226.1 million. This enables the Scheme to continue to provide free bus travel on the current basis for the next year.

We now wish to introduce an Order to amend the 2006 Order and introduce fair and sustainable rates of reimbursement for the Scheme for 2020/21.

- **Summary costs and benefits table**

Option	Total benefit per annum: - economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
1	- Key social benefit to older and disabled people. - Risk of not being agreed with the bus industry.	- Cost of up to £213.65m in 2020/21. - Greater risk of failing to meet the aim of the Scheme to leave bus operators no better and no worse off for carrying concessionary passengers. - Risk due to not applying the agreed terms of the economic model.

2	<ul style="list-style-type: none"> - Agreement based on updating model agreed with the industry in January 2013. - Updated for current inflation, fuel cost and other costs to the industry. - Maintains sustainable benefit to older and disabled people. - Value to average user of the scheme of £260. - Renews the National Bus Travel Concession Scheme for Older and Disabled Persons as a key part of the social wage. 	<ul style="list-style-type: none"> - Cost of up to £226.1m in 2020/21. - As agreed with bus industry. - Meets aim of the Scheme to leave bus operators no better and no worse off for carrying concessionary passengers. - Based on assumptions of 4.1% fares rise and 0.6% journey growth, consistent with current industry trends. - Reflecting recent economic forecasts for inflation and costs to the industry.
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Declaration and publication

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

Signed: Michael Matheson

Date: 06/02/2020

**Michael Matheson
Cabinet Secretary for Transport, Infrastructure and Connectivity**

Tom Davy
Head of Bus Strategy & Concessions Policy