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SCOTLAND'S TRANSPORT THINK TANK

A National Bus Fare Cap for Scotland

Report of Round Table Held in June 2026 in Perth

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The aims of the Scottish Transport Studies Group are to raise awareness of the importance of transport for the Scottish economy and society. STSG is a charity registered in Scotland SCO14720.

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Summary

Following the May 2026 Scottish Parliament election, there is a clear democratic mandate for change in the way bus services in Scotland are paid for.

Many of the policy proposals made during the election campaign have a clear evidence base, including from recommendations made in research for previous Scottish Government administrations. However, a successful new scheme design will require much greater clarity about what any new policy is designed to achieve.

Bus services are largely managed locally in Scotland, and the new proposal emerges from a national commitment. National policy interacts very differently with local conditions in each part of the country, so a uniform national policy has very different outcomes for people in different places across the country.

Supporters of a fare cap draw their evidence of the need for change largely from the cost of short journeys to work, such as for low income workers in Ayrshire. Implementing a national fare cap could be expected to make the largest impacts on long distance services, so may not be targeting the need that has been identified.

The government has been suggesting greater state control of buses, comparing the largely private operation of buses with largely public operation for rail. However, the number of trips and diversity of network coverage for bus is far greater than for rail. However there is no consensus as yet about how a transition would be achieved including operational and management capability, finance and funding, nor what benefits might be achieved from greater state control.

Without a consensus approach, government would need to impose changes, requiring delays whilst new transport legislation is introduced. There is a keen appetite across the industry for more rapid progress with bus investment. There appears to be broad support that there is a place for fare capping, provided the stakeholders with the knowledge and capability to effect change all work collaboratively together and support their aims with the necessary resources.

Bus policy cannot be separated from wider policy. Currently, social, economic and environmental decisions are being made by communities, commercial operators and government organisations without effective coordination with fare design for bus passengers. Better buses need better alignment between the various actors involved in service management and delivery

Better social design of public transport fares has been a stated goal of government for many years but practical progress has been limited. Falling passenger revenue reduces the scope for investment in better services, and faced with rapidly rising operational costs rapid change is now needed on Scotland's bus services.

1. What has been promised by the political parties?

Following the May 2026 Scottish Parliament election, there is a clear democratic mandate for change in the way bus services in Scotland are paid for.

During the election campaign many promises were made by each party. No political party has a majority in the new Parliament, but the major political parties all made commitments to cap bus fares and for greater government control over decisions about bus network coverage.

The precise details of future delivery will need to be a negotiated compromise between more than one political group in the Parliament but clear commitments have been made to:

- A £2 nationwide cap of all single bus journeys by the end of the parliament building from the lessons of the pilot project started in the Highlands and Islands, Orkney and Shetland areas.
- Develop detailed plans for a bus fare cap for Glasgow, Ayrshire, Dunbartonshire, Renfrewshire, Lanarkshire and Inverclyde within the first 100 days of the new 2026 parliament.
- Continue the national concessionary travel schemes offering free bus travel for selected groups in the population including people aged over 60 and under 22.
- Strengthen action by transport authorities in ensuring transport network coverage that meets the needs of more people with the reach of bus services improving to more locations and times of day.

2. Issues that are not yet clear and policy dilemmas

Many of the policy proposals made during the election campaign have a clear evidence base, including from recommendations made in research for previous Scottish Government administrations. During the 2022-26 parliament the "Fair Fares" review identified many weaknesses in the current approaches to bus fare design, and made proposals including for fare capping[1].

The new proposal emerges from a national commitment but bus services are largely managed locally in Scotland, as commercial services or with local authority subsidy support, and complemented by community transport provision.

Some national commitments for buses, such as on concessionary fares, have been maintained through negotiation over many years. Central government and bus operators

[1] Fare Fares Review March 2024 https://www.transport.gov.scot/media/ioxaohtk/fair-fares-review.pdf

agree terms nationally for commercial operations, but separate agreements are needed between local and central government for supported services.

The compromises associated with these negotiations have not always resulted in changes where everyone benefits. For example many rural communities that depend on commercial services were found to have disproportionately higher fares or no bus at all partly due to the design of the national concessionary fare scheme.

For any new scheme design, much greater clarity is needed about what any new policy is designed to achieve. A national flat fare of £2 could offer benefits of simplicity and uniformity in delivery, but uniform delivery tends not to be equitable as different people have different needs.

The fare capping proposal, discussed in the Fair Fares review under the previous parliament, envisaged a range of fare capping levels to focus on equity. However, bus policies designed to be more equitable would be more likely to focus on the greater current inequities resulting from anomalies in bus network coverage. Some of the most needy people have the poorest bus provision and fare capping will do nothing for them, and may actually make things worse if it results in a smaller bus network.

Effective planning depends on clearer understanding about what the government considers the additional public spending associated with delivering the £2 national fare cap might be. In particular:

- Better value deployment of the current £500+million per year for concessionary travel and other bus support has been suggested as potentially contributing to the resourcing, but without specific details about what these efficiency benefits might be.
- Perceptions have been expressed that improved efficiency can be delivered through greater state ownership of bus operation, but it is not clear where the savings can be made.
- Cost uncertainty also relates to lack of clarity about what, if any, compensation will be offered to rail operators who might experience a loss of income if people switch to bus to achieve lower cost journeys.

There is also currently a lack of evidence about what the impacts of the £2 fare cap will be and how they will be managed to align with policy goals.

The case for a fare cap has been evidenced largely in the high cost of short journeys to work, such as for low income workers in Ayrshire. Implementing a national fare cap, could be expected to make the largest impacts on the viability of operations for long distance services, so may not be targeting the need that policymakers have identified. In particular:

- Operators specialising in intercity travel such as Citylink and Ember may have the largest adjustments to make to their business plans. Tiered fare capping or zonal schemes have been suggested by transport authorities and operators as one way to make the policy aims more manageable in practice.

- The government has been suggesting greater state control of buses, comparing the largely private operation of buses with largely public operation for rail. However, the number of trips and diversity of network coverage for bus is far greater than for rail. However there is no consensus as yet about how a transition would be achieved including operational and management capability, finance and funding, nor what benefits might be achieved from greater state control.
- The £2 cap could induce substantial bus travel demand on certain routes but no analysis has yet been published about where there would be a need for capacity changes, and how the additional services to cope with this demand would be resourced.

Scottish Government are committed to a partnership approach between local and national government when developing transport policy proposals, but it is not yet clear how the National Transport Strategy Board will view the new national political proposals, and what if any aspects of it will be supported.

In designing the new approaches, commitments have been made to learn the lessons from the pilot fare capping scheme in the Highland Council area but:

- The Highland Council pilot has shown that transport authorities should be able to achieve far better value schemes with different reimbursement rates. Using many different reimbursement rates and more use of fare tiers and zoning could be introduced to implement a more scalable scheme.
- The proposed delivery timescales including "the first 100 days" of the new parliament to establish detailed plans appears to be a very short time period within which to expect complex cross sector consensus building negotiations can succeed, particularly given the limited evidence base from which to build agreement.

Without a consensus approach, government would need to impose a new approach, requiring new transport legislation, before detailed implementation can start. New legislation would take too long for any real expectation that changes will be implemented in this parliament.

There currently appears to be a keen appetite for far more rapid progress to be made by all parties seeking better bus services in Scotland, particularly those with the greatest current investments in the system such as local authorities and bus operators.

There appears to be enough knowledge from across the industry to be confident that fare capping proposals are deliverable, provided the stakeholders with the knowledge and capability to effect change all work collaboratively together.

3. Tackling the Complex Policy Choices

Bus policy cannot be separated from wider policy about transport, social inclusion, health, education, economic development, placemaking, and many other issues.

Across Europe the places that coordinate smart payment structures across all roads and transport to support broad policy aims, are able to achieve far more than those that do not.

There are difficult choices related to integration across transport:

- The challenges of implementing a fare cap are entirely different in each part of the country. For example if fares change in Edinburgh, where there is little rail competition, the impacts need to be managed very differently from Glasgow where bus/rail competition is a major issue. Rail, tram, metro, bus and community transport collectively provide the bulk of public transport network coverage, so a fare cap must be coordinated across all of these modes.
- Smart introduction of a fare cap could be used to improve bus network coverage. For example tiered incentives could be used using a socially designed scale to offer £2 capped fares at target times of day or to target locations. The Highland Council's experience when introducing the local authority-operated free travel scheme for over-60s in 2002 showed that generation factors varied greatly between different types of service. It is expected that the same would be true of the £2 fare cap. Therefore, far better value should be achievable with different reimbursement rates, and potentially more use of fare tiers and zoning, could be introduced to implement a more scalable scheme. This would also help to safeguard against services in sparsely populated areas being underfunded, where there is little generation potential.
- A proportion of parking revenue, and other future charges on motoring[2], can be used to invest in all buses scaling the approaches already used for park and ride more broadly across the network. London's franchised buses have been largely financed from road charges, and a common misconception is that the franchising is a solution in the absence of additional revenue.
- Changing one national policy will interact very differently with the local conditions. In each part of the country the structure of the bus market is different. For example some areas rely on commercial bus services and in others bus services are almost all supported. For example the total SPT subsidy budget of £14m is a small fraction of the commercial bus service turnover, but network coverage in Highland is far more dependent on contracted services.
- The current £500m+ per year of public spending on buses in Scotland, largely on concessionary fares, could deliver far more effective outcomes than are currently being delivered. Any major

[2] ttps://www.transport.gov.scot/publication/achieving-car-use-reduction-in-scotland-a-renewed-policy-statement/our-approach-to-enabling-car-use-reduction/

new change should consider both existing and proposed spending programmes. Some people equate free with worthless, so could administrative charges or small charges be made so that users have a clearer stake in delivering better buses, not just as consumers? Currently the concessionary travel pass is dominating government spending on buses distorting bus markets in ways that make social, environmental and social aims harder to deliver.

- Far greater clarity will be needed about which tier of government should be making which decision. Some things need to be decided nationally, some regionally and some locally. Local government highlights many national commitments being made, such as on maintenance and roadworks where local performance is constrained by national funding constraints.
- One of the fastest ways to get higher value and better value bus services would be for government to invest in programmes that help to improve bus journey times. Resourcing, the Office of the Roadworks Commissioner to enforce effective management of utility companies when working on Scottish roads could reduce costly disruptions to bus services. Also expanding the Bus Infrastructure Fund would accelerate the provision of bus priority schemes across the country.
- People need to hear and trust a coherent narrative about bus service reform and change. Action is needed to coordinate national policy messages with local messages and operational realities. A new role of a national bus champion could perhaps explain policy challenges and dilemmas more clearly than the current differences observed between sectors. Better buses need to be supported by realistic expectations about what can be achieved i.e. not every remote farmhouse can be covered by bus services with a £2 fare.
- There are complex interactions between the new proposals for better buses and the existing bus investment priorities such as zero emission buses (ScotZEB).
- There are major implications for the management of smart and integrated ticketing from capped fares. For example tap on tap off fares will not work for capped fares since there is no incentive for customers to tap off.
- Development trusts are currently setting up local community bus operation with their leadership including raising funds to pay for better buses. Community transport cannot be left out of the plans for better buses including any commitments on national fare caps.
- Lack of current measurement of bus performance is a critical problem that impairs the ability of everyone to make good choices. The evidence seems to suggest that a fare cap can deliver more bus use, but far more needs to be understood about where these changes occur for effective progress to be planned. In particular, bus network coverage to meet the needs of the population in every part of Scotland, and every group of people, needs

much greater attention in performance management.

Key wider policy challenges relate to:

- **Policy conflicts** - Government is currently committed to many parallel agendas such as regionalisation, public sector reform and bus reform but there is little national coordination between these reform agendas. Public sector reform would imply a more enabling role for government, but bus policy appears to seek greater operational management by government. Local authorities and operators are currently being pulled in different directions by uncoordinated national policy.
- **Poor alignment between policy goals** - Currently, social, economic and environmental decisions are being made by communities, commercial operators and government organisations without effective coordination. For example the social decisions of a bus operator to offer wider service levels to local populations as part of place making goals, or to decarbonise buses on global ethical grounds, are currently poorly coordinated with the social policies of government. Equally the investment decisions being made by government in the bus industry, such as on new buses and reimbursement of concessionary travel, are often poorly aligned with the very different commercial realities faced by operators across the country. Better buses need better alignment between the various actors involved in service management and delivery.
- **Employability and welfare policy conflicts with transport policy** - There is currently a severe driver shortage, exacerbated by the current welfare system which means there is no incentive for many drivers to work for more than 16 hours, since they would be worse off if they worked full time.
- **Passing the buck rather than modernising government**[3] - Under current crisis management approaches, action is very closely linked to mandatory delivery. This means that transport authorities tend to prioritise education transport due to budgetary pressures, and health authorities can be inclined to expect transport authorities to pick up transport costs. Coordinated approaches to service delivery could make very substantial savings and a far greater priority needs to be given to the organisational side of collaborative working.

[3] For example weak implementation of the https://www.gov.scot/publications/commission-future-delivery-public-services/

4. Towards a More Collaborative Approach

Relying on political power to secure transport aims is very costly. Control has a high price, but with a very large growth in the budget for bus services, national political commitments could be bankrolled.

Collectively bus operators collect only around £400m in commercial revenue each year, far less than government currently spends on public transport, particularly rail services.

The cost of providing public transport services is heavily dependent on the proportion of the revenue secured from fare paying passengers, but the proportion of rail and bus service costs in Scotland from fare paying passengers has been declining.

A new approach is needed to break out of the current cycle of decline, where falling passenger revenue reduces the scope for investment in better services.

Better social design of public transport fares has been a stated goal of government for many years, but practical progress has been limited. Fare capping proposals are an important potential tool to ensure that future services are accessible for all.

With realistic increases in national spending a £2 fare cap is feasible if all parties work together to build consensus on a good value way forward. Without consensus the existing capabilities will be replaced with conflict and the resulting costs could make better bus services far harder to deliver.

Different forms of contract will work best in different places to enable those with the capabilities to fund, organise and deliver better buses to do so. Cross cost subsidies are likely to be more popular in building support for capped fares, and more sustainable financially, than minimum subsidy contracts.

5. Participants at the Round Table

Matthew Davies – Perth and Kinross Council (Transport Policy)
Paul Finch - NESTRANS
Derek Halden – DHC Loop Connections and STSG Secretary
Scott Prentice – Transform Scotland
Ralph Roberts – McGills Buses
Margaret Roy – Perth and Kinross Council (Public transport) and immediate past chair of ATCO
David Summers – Highland Council
Paul White – CPT Scotland
Ewan Wallace – Aberdeenshire Council and Chair of SCOTS
Matthew Wright – Dochertys
John Yellowlees – STSG Chair