Transport for London

Views on the merger

1. Transport for London (TfL) does not believe that the acquisition by National Express Group (NEG) of the Thameslink and Great Northern rail franchise will give rise to competition concerns because Arriva competes with NEG on the Great Northern and north London routes operating direct coach services from London to Luton and Stevenage. There are few corresponding coach services operated by NEG; that from London to Bedford involves a lengthy round trip with a change of service at Milton Keynes.

The effect of the merger on competition

2. Regulatory constraints allow little scope for open competition in the rail industry and make it very difficult for rail operators to make the sort of changes that have taken place in the bus industry since deregulation:

   - The franchise agreements contain service commitments and key performance indicators (including punctuality, cleanliness and the condition of stations).

   - Track access agreements have to be negotiated with Network Rail and then approved by the Office of the Rail Regulator. The scope for change is also constrained by the lack of capacity on the network.

   - Fares regulation covers two fare baskets: protected fares and the London commuter fares. It is difficult for an operator to change fares significantly because regulated fares are bound by the terms of the franchise agreement and are constrained by the pricing mechanism (RPI plus 1 per cent) which in turn influences the setting of most 'walk on' fares.

3. The national rail timetable is reviewed each year. The franchisee can suggest changes but under new franchise arrangements they need to be agreed with the Department for Transport. There is normally a minimum of a one year lead time to process timetable plans. Operators are also able to suggest changes to the timetable when submitting bids for a new franchise.

4. The capacity constraints on the Thameslink, London–Luton and Bedford, and London–Gatwick routes are such that it is difficult to run additional trains at peak times when most people want to travel. The only way to increase passenger numbers would be to either lengthen the trains, or use fare offers to attract traffic off-peak.

5. Capacity constraints on south London routes are marginally worse than those in north London. If the Thameslink 2000 project is agreed, it will increase the throughput of trains along the City Thameslink Farringdon corridor.

6. The Strategic Rail Authority (SRA) put forward a national capacity utilization policy about two years ago to address the issue of capacity. A route utilization strategy (RUS) for the Midland Main Line (MML) followed and these have attempted to balance the needs of passengers and freight. The RUS provides a planning structure to inform timetable development and franchise specifications (and, by implication, which franchised operators must adhere to). The RUS for MML contains proposals to increase the capacity during the peak and reduce the degree of overcrowding by

increasing the number of trains (up to 16) per hour and by lengthening the services from four to eight cars.

7. Competition between MML and Thameslink is limited. Southern and Thameslink have competing advertising at Gatwick.

8. There are very few dedicated fares on MML and Thameslink because they are commuter flows. Gatwick Express, which serves a niche market, is characterized by a higher quality of service and higher fares.

9. The car is a significant competitor to rail. The congestion charge has resulted in a switch to public transport. The effect on the national rail network, however, has been minimal (about 1 per cent increase). As part of its longer-term strategy, TfL is looking at making public transport a more reliable and realistic competitor to the car by increasing the quality of rail and tube.

The market

10. The markets for coach and rail are quite distinct. Rail passengers are generally more concerned about journey time whereas those travelling by coach are more concerned about cost. Rail and coach services are complementary.

11. The Brighton–Gatwick–London market can be split between passengers travelling to Victoria (55 per cent) and those travelling to London Bridge (45 per cent). Although there is a slight bias towards Victoria, the number of passengers travelling to London Bridge is growing as a result of the natural dynamics of the City, the development of Canary Wharf and the Docklands regeneration.

12. The Gatwick Express transports about 8 per cent of the total Brighton main-line passenger flows in to Victoria yet comprises about 33 per cent of the main-line train movements. The SRA's proposals to incorporate the Gatwick Express into Southern's services is a sensible response to the pressures faced on a constrained network.

13. Cars and taxis compete with rail in the market for air travellers. TfL would like to see services which meet the needs of all passengers, recognizing the fact that airport passengers (with their luggage) have distinct needs.

14. It is possible that the merger of the Gatwick Express and Southern franchises may encourage more people to use rail because the merged service would provide a more integrated service (rather than the current arrangement with separate platform and ticketing arrangements).