

Ms Anne Jolly  
Inquiry Secretary (Scottish Citylink)  
Competition Commission  
Victoria House, Southampton Row  
LONDON  
WC1B 4AD

Please ask for: David Summers  
Direct dial: 01463 702613  
Our ref: 082-70  
Your ref:  
Date: 12 February 2007

Dear Ms Jolly,

## **INQUIRY INTO JOINT VENTURE BETWEEN STAGECOACH AND BRADDELL PLC**

I refer to your Notice of proposal to accept undertakings with regard to the above inquiry.

Highland Council considers that the action proposed of requiring divestment of part of the business on the Saltire Cross to be excessive with regard to the limited loss of competition that has occurred, and harmful to the public transport provision on these corridors.

In our original submission to you we made (among others) the following points:

- ◆ Competition between Scottish Citylink and Megabus, prior to the joint venture, was limited to city-to-city journeys (including Perth), and did not extend to the smaller places along the route.
- ◆ The product differentiation which Megabus introduced has largely remained in place since the joint venture came into being.
- ◆ Since the merger there has been no significant increase in Scottish Citylink's standard fare scales, apart from the normal annual increase. However, there is a much reduced availability of bargain fares.
- ◆ At present, tickets are not interavailable between the two operations. If the merger was approved, we would hope that tickets would become interavailable, thus offering greater journey choice to passengers.
- ◆ The only disadvantage we could see for Highland in the merger is the loss of low-cost fares. The overall level and choice of service remains reasonable, and better than before the start of competition.

Our concerns arising from the joint venture were therefore very limited, and these could easily be addressed by requiring behavioural undertakings such as that standard fares should not be increased above a specified level (such as the current rate of inflation), and that a defined quota of reduced price fares should remain available at various price levels.

With regard to further concerns of possible abuse of monopoly, we would favour a requirement that the joint venture should continue to operate at least a specified minimum number of both express and stopping services, with first and last journey times, and headway between them, defined to be broadly in line with the present service level.

There appears to be nothing in the draft undertaking that would commit the operators to any minimum level of service beyond a 12 month period. We believe that this is wholly unsatisfactory, and opens up the possibility that if part of the operation proves unprofitable under separate ownership, it could be substantially reduced or disappear entirely within a relatively short time frame.

Experience in the more sparsely populated parts of the country, such as ours, has shown that direct on-road competition is never commercially sustainable, never gives more than a temporary benefit in prices and generally leads to a reduction in quality. In this case, a forced divestment is likely to result in a loss of a planned investment in 11 new accessible vehicles, a loss of network benefits such as through ticketing to other routes, a less stable timetable and an end to the significant growth in traffic which has been achieved in recent years. For these reasons we would strongly urge you to reconsider your decision.

I am happy for this submission to be published on your website.

Yours sincerely,

S J MACNAUGHTON  
Head of Transport & Infrastructure