

## **Competition Commission Investigation into Scottish Citylink/Megabus**

The recent Competition Commission investigation into alleged monopoly provision of bus services provided by Scottish Citylink and Megabus, once again, demonstrates the inconsistency and the lack of intellectual rigour applied by the Commission to bus services.

The inconsistency is demonstrated in Scotland by the requirement put on National Express when they took over the ScotRail franchise to sell their interest in Scottish Citylink and the failure to refer First Group when they in turn took over the ScotRail franchise.

The most troubling feature of the Commission's attitude to bus services, however, is the lack of intellectual rigour in the process. Referrals seem to be based on an assumption that the bus or coach is a monopoly supplier of passenger movement. No account appears to be taken of competing modes which include walking for short distances and rail for longer distances. The dominant competition, however, comes from the car which is the de facto, if not the de jure, monopoly supplier of passenger movement. It is as if a single village shop is deemed to have a monopoly of grocery supply (which it may have for some people) or Lego is a monopoly supplier of toys. In the margin there is also the alternative purchase, or the guns versus butter argument. This failure to consider the total market is seriously damaging the ability of operators to supply quality public transport and hobbles its ability to compete with the car.

Any consideration of competition must look at competing modes and in particular their advantages. The car, in particular, has certain perceived attributes such as quality of environment, door to door service and no waiting time which some aspects of the Commission's pronouncements actually enhance. This, of course, gives further competitive advantage to the car, surely at variance with the Commission's remit.

In particular, the bar on companies providing joint services with integrated ticketing is of significant benefit to the car. All demand modelling shows that a key attribute of public transport in attracting custom is frequency. Yet the Commission prefers to have buses competing rather than collaborating to maximise frequency and enhancing the prospect of getting people out of their cars.

The price of entry into the bus or coach market is low and the regulatory requirements minimal. There is also a ready availability of vehicles for purchase or lease. It is, therefore, easy for a new entrant or an existing company to set up a competing service if there is any perceived exploitation of a segment of the market.

In the case of the Scottish Citylink/Megabus referral there appears to be a potential investment issue. Uncertainty due to the attitude of the Commission will lead to a reluctance on the part of operators to invest in new vehicles. This in turn will make it more difficult for the bus or coach operator to address the advantages of the de facto monopoly car.

Apart from the need to apply intellectual rigour to the passenger transport market to ensure as level a playing field as possible is applied to all modes (the car will continue to hold most of the cards) it is surely, in the light of the Stern Review on climate change, necessary to ensure that no unnecessary impediments are put in the way of the development of public passenger transport.

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