

## **The joint venture between Stagecoach Bus Holdings Ltd and Braddell plc in relation to megabus.com, Motorvator and Scottish Citylink: notice of proposal to accept undertakings**

Response from David Brown, Project Officer (Public Transport) Stirling Council.

### **1. Introduction**

Stirling Council undertakes the following activities in relation to express coach services:

- operates Stirling Bus Station, which is an important access point for customers using the Scottish Citylink and National Express coach networks, including provision of information, assistance, ticket sales and seat booking services for customers and potential customers;
- disseminates information on express coach services, and other modes of public transport, by electronic and printed means and deals with enquiries about public transport services received by e-mail, telephone or personal visit;
- provides departure information at every bus stop served by local bus and express coach services, including rural sections of route where express coach services serve all recognised bus stops;
- part-subsidises, in partnership with Argyll & Bute and Perth & Kinross councils, the summer-only Service 973 Dundee – Perth – Killin – Crianlarich – Tyndrum – Oban (summer only).
- provides interchange facilities for express coach services at Stirling and Tyndrum. The council is currently considering major investment in facilities at Killin and Crianlarich/Tyndrum in order to facilitate further growth of express coach services service in the Breadalbane and Strathfillan areas of the Loch Lomond & The Trossachs National Park.

Council staff are therefore exposed directly to the needs expressed by customers and sensitive to issues that will impinge directly upon the service that customers receive.

## 2. Background

Stirling is an important point on the Scottish coach and rail networks. The pattern of service is as follows.

### EXPRESS COACH SERVICES

The following express coach services currently operate within the Stirling Council area.

#### Services via Stirling Bus Station

##### Operated by Scottish Citylink Coaches Ltd

M8 Glasgow – Stirling – Perth – Dundee (with direct connections for Inverness and Aberdeen)

909 Edinburgh – Stirling – Dunblane

913 Edinburgh – Stirling – Callander – Crianlarich – Tyndrum – Fort William

##### Operated by National Express Ltd

538 Coventry – Manchester – Glasgow – Stirling – Perth – Inverness/Aberdeen

588 London – Stirling – Perth – Inverness

#### Services via Crianlarich and Tyndrum

##### Operated by Scottish Citylink Coaches Ltd

913 Edinburgh – Stirling – Callander – Crianlarich – Tyndrum – Fort William

(summer only)

914 Glasgow – Crianlarich – Tyndrum – Fort William

915 Glasgow – Crianlarich – Tyndrum – Fort William – Kyle of Lochalsh – Portree

916 Glasgow – Crianlarich – Tyndrum – Fort William – Kyle of Lochalsh – Portree – Uig

973 Dundee – Perth – Killin – Crianlarich – Tyndrum – Oban (summer only)

### RAIL SERVICES

The following rail services currently operate within the Stirling Council area.

## **Services via Stirling, Bridge of Allan and Dunblane**

### Operated by First ScotRail

Glasgow – Stirling – Bridge of Allan – Dunblane

Glasgow – Stirling – Perth – Inverness

Glasgow – Stirling – Perth – Dundee – Aberdeen

Edinburgh – Stirling – Bridge of Allan – Dunblane

London Euston – Stirling – Perth – Inverness (Caledonian Sleeper)

### Operated by GNER

London Kings Cross – Edinburgh – Stirling – Perth – Inverness

## **Services via Crianlarich, Tyndrum Lower and Upper Tyndrum**

### Operated by First ScotRail

Glasgow – Crianlarich – Tyndrum Lower – Oban

Glasgow – Crianlarich – Upper Tyndrum – Fort William – Mallaig

London Euston – Crianlarich – Upper Tyndrum – Fort William (Caledonian Sleeper)

## **3. The Stagecoach/Braddell joint venture undertakings**

In public transport, there are two kinds of competition: (a) competition within modes and (b) competition between modes. For example, in case (a) one coach operator may be in competition with another while in case (b) the coach network is in competition with the rail network, the private car and, over longer distances, air services. It is my contention that the divestment aspect of the Stagecoach/Braddell Joint Venture undertakings would promote competition within the industry but, in doing so, it would reduce the ability of coach services, a mode that appeals particularly to low-income or budget-conscious users, to compete as effectively as they could with more rail and air carriers and with the private car (whether owned or hired). They could even lead to a reduction in customer choice in the longer term.

The most obvious negative effect of divestment would be if operators concentrate on competing along the main trunk routes. One operator may feel handicapped if they feel they have to carry a network of less-profitable cross country services through places such as Crianlarich and Tyndrum. This may result in a greater call

for council-subsidised services in rural areas, with fewer long-distance links being provided.

Let us take another example. Two operators are in competition on the Glasgow – Aberdeen section of the ‘Saltire Cross’. Operator A decides that, instead of penetrating intermediate town and city centres, they will operate via peripheral car parks or other facilities near motorway junctions (such as Broxden at Perth and, potentially, Kildean or Pirnhall at Stirling) and omit intermediate towns, such as Dunblane. By doing so, Operator A can reduce costs (and therefore fares) and offer a quicker journey. However, potential passengers will have to get themselves out to the peripheral ‘parkway’ locations – easy for car users, less so for others. Operator B continues to operate via town and city centres. At this stage, customer choice is excellent – customers can have quick, cheap journeys from the periphery or direct journeys from the core. Over time, in this cost-conscious market, let us say that Operator A secures more and more of the business. Operator B may then feel the need to go over to peripheral ‘parkway’ operation in order to survive. Passengers for whom it is important to travel to and from the centre of their community, or who live in communities by-passed by the cheaper services, are then disadvantaged. They may have a (more expensive) rail option or access to a car. If they have neither, they may have to take a local bus into, say, Stirling to change on to another bus taking them to the peripheral ‘parkway’ site to change onto the coach.

A further aspect of customer choice concerns joint ticketing, especially on less frequently served routes. Formerly, National Express and Scottish Citylink accepted each other’s tickets. Passengers from Stirling would travel up to Inverness on the 08:13 National Express and return in the afternoon on a Scottish Citylink journey, or else travel up with Citylink and return by the 18:15 from Inverness with National Express. For this, a day return ticket was available for use on both operators’ services. Since the joint ticketing arrangement ended, I believe following the intervention of the Competition Commission, this has not been possible. Customers are constrained into using the National Express journeys in both directions or else purchasing a single ticket must be purchased in each direction, a more costly option.

Since the deregulation of coach services in 1983, we have had periods of intense coach competition in Scotland. This started with competition between Stagecoach and the former Scottish Bus Group and, over the years, various operators and brand names appeared: Bruce of Airdrie, Cotter’s, Megabus, Motorvator, National

Express, Red Knight Coaches, Scottish Citylink and others. At each phase, a dominant operator has emerged, sometimes involving a merger of two operators or a transfer of brand names (National Express–Scottish Citylink, National Express–Stagecoach and now Stagecoach–Scottish Citylink). This suggests that the market can only really sustain one long distance express coach operator for any length of time. Significantly, the output from each event so far has been a coherent express coach network laid across Scotland, rather than a concentration on ‘honeypot’ routes.

A particular feature of the Scottish Citylink operation is the existence of internal competition in that the allocation of individual routes to operators is achieved by competitive tendering.

#### **4. The future of coach services in the Stirling Council area**

The main points within the Stirling Council area served by Scottish Citylink Coach services are therefore (a) Stirling, which is on the Glasgow – Aberdeen part of the ‘Saltire Cross’ and (b) Crianlarich/Tyndrum, which lie outwith the ‘Saltire Cross’. This has been the case for many years, long before the new Joint Venture services started in September 2005.

From a Stirling Council perspective, I believe that, for the future, we require a coach industry that will:

- continue to offer direct low-cost links from Stirling to other towns and cities in Scotland and to destinations in England as well as providing access to the wider national coach network;
- continue to offer direct links to a wide range of settlements, including smaller communities such as Tyndrum, Crianlarich, Killin, Lochearnhead and Callander which lie on sparsely populated trunk routes;
- continue to develop secondary routes such as Dunblane – Stirling – Edinburgh, where rail is the dominant public transport mode, but the coach can offer advantages of cost and convenience to particular customers;
- continue to develop seasonal links such as Dundee Perth – Killin – Tyndrum – Oban, which can offer more sustainable travel choices within

environmentally-sensitive areas vulnerable to the effects of tourist-related car traffic;

- be able to compete effectively over longer distances with rail and air modes, offering a mode of travel attractive to low-income or budget-conscious users;
- continue to serve Stirling city centre, rather than operating only via a peripheral car park/coach interchange (such as Broxden at Perth);
- offer a stable service with service changes concentrated on no more than two predictable dates in the year (May and September), enabling the publication of fixed-date timetables;
- offer customers a wide choice of journeys on which their return and other discount tickets will be accepted, thereby offering them maximum journey choice and best value;
- continue to make timetable and fares information readily accessible to customers and potential customers.

The question is therefore of whether the undertakings will achieve this end.

I believe that these service aspirations will be most easily met by ensuring that we have a strong express coach sector in Scotland. That sector should operate in the public interest and, to that end, behavioural undertakings addressing fare, network coverage, service level and vehicle quality issues can safeguard the public while at the same time ensuring that services meet customer needs and compete effectively with other modes, especially the private car. This will also enable us to work more effectively within central and local government policy to maximise sustainable transport choices and so achieve important environmental and social objectives. There are previous examples for behavioural undertakings being applied successfully to transport issues in Scotland, particularly FirstGroup's acquisition of Strathclyde Buses Ltd (where divestment measures were considered and rejected) and FirstGroup's acquisition of the ScotRail franchise.

## 5. Conclusions and recommendations

From the foregoing, I conclude that some aspects of the council's aspirations will be more difficult to achieve if the Commission proceeds with the divestment option. In particular, there is a danger that divestment will result in:

- concentration of competition on 'honeypot' routes;
- diversion of resources and energy away from (a) services providing important long-distance links to smaller communities such as Tyndrum, Crianlarich, Killin, Lochearnhead and Callander; (b) secondary routes such as Dunblane - Stirling - Edinburgh and (c) seasonal links such as Dundee Perth - Killin - Tyndrum - Oban, which can offer more sustainable travel choices within environmentally-sensitive areas vulnerable to the effects of tourist-related car traffic;
- competitive forces moving services towards 'parkway' type operation to the exclusion of services penetrating communities;
- frequent timetable changes, as operators seek to achieve competitive advantage;
- disjointed journey choices for customers with operators not giving joint return fares and not giving out information about each other's services;
- difficulties in making customers aware of the range of different services available to them;
- an overall customer perception of a disjointed, volatile and difficult-to-understand service;
- an industry sector that is less able to compete with other modes, especially the private car.

I therefore recommend adoption of the following measures:

1. adoption of behavioural undertakings to address fare, network coverage, service level and vehicle quality issues, with the objective of ensuring a

strong coach sector that will meet customer needs and compete successfully with other modes;

2. continuation of joint venture operation on the 'Saltire Cross' routes.

I confirm that this submission may be published on your website and that its contents may be attributed to me.

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