

# 6 Views of other interested parties and representative bodies

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## **Introduction**

6.1. In this chapter we summarize the views received from all the parties who gave evidence to us apart from the DETR, the Franchising Director and the Rail Regulator (see Chapter 5) and NEG (see Chapter 7).

## **Train operators**

### ***Great North Eastern Railway Limited***

6.2. Great North Eastern Railway Limited (GNER) said that it was not in a position to comment on the current or future level of competition between Central Trains and other parts of NEG, and expressed no views for or against the merger.

6.3. GNER had introduced a number of coach/rail links which it hoped would encourage greater patronization of its train services by enhancing the number of journey opportunities available to passengers and making connections easier. An example of such a service within the Central Trains area was the coach service it operated at its own cost between Lincoln and Newark Northgate railway stations. Although Central Trains already operated train services on the route, GNER provided the coach service to increase the number of connections with its own long-distance north/south services which used Newark. Interavailable rail tickets were accepted on the coach for any journey starting or finishing between Lincoln and Newark, and GNER was currently seeking the allocation to it of a portion of the revenue for tickets sold for journeys between those stations. Although Central Trains' charges to GNER for the use of Lincoln station's facilities had so far been amicably agreed, GNER was concerned that if its bid for an allocation of revenue was successful then it could be denied access or charged exorbitant rates both there and at other stations where it might wish to introduce such services.

6.4. GNER believed that passengers appreciated these integrated services and that it was in the public interest to protect operators' rights to develop them. It was concerned that NEG could, by virtue of its local dominance of access facilities to stations and bus depots, either restrict an operator's ability to develop such integrated links or raise significantly the cost of entry for new operators.

### ***Great Western Holdings Limited***

6.5. Great Western Holdings Limited (GWH), responding on behalf of its two subsidiaries, Great Western Trains Company Limited and North Western Trains, said that there was some overlap between North Western Trains' services and those of Central Trains, but it was very limited and GWH did not expect the services to be materially affected by the merger. To the extent that it would have ongoing requirements for access to routes in the Central Trains area, it noted the regulated nature of access to track, stations and depots and would continue to rely on the operation of the regulatory process to balance appropriately the interests of all the various train operators.

## ***The Chiltern Railway Company Limited***

6.6. Chiltern said that it shared tracks with Central Trains between Leamington Spa and Birmingham and could be said to compete between Dorridge, Solihull and Birmingham. It was in favour of the merger because it believed that NEG would bring to bear the necessary customer focus which had, regrettably, not always been in evidence previously. In particular, it expected that the management of stations between Leamington Spa and Birmingham would be improved with resultant increases in numbers of passengers carried by Chiltern.

## **Bus and coach operators**

### ***Banga Travels***

6.7. Banga Travels (Banga), which operates a number of bus services in the Wolverhampton area in competition with WMT, considered that the merger was against the public interest. In its view, vital services would be adversely affected if large operators, such as WMT, were allowed to force small operators out of the market through predatory pricing and other anti-competitive practices. Banga said that on routes on which it operated there was evidence that WMT engaged in anti-competitive behaviour by offering discount vouchers for use on its own services, whilst on others, where Banga was not in competition, WMT had not operated such schemes. Banga said that WMT had also run bus services just ahead of Banga's own.

6.8. Banga considered that the merger would adversely affect the level and frequency of services because small operators would be driven out, leaving only WMT to fix fare and service levels. For routes where tendered services operated, small operators were not in a position to challenge WMT on price because of their limited resources. Banga also considered that the merger would have an adverse effect on efficiency and employment within the bus and rail industries: WMT would exploit the employment market to attract staff from smaller, more efficient bus operators thus forcing them out of business. The public would suffer as a result.

6.9. Banga said that a number of safeguards and conditions should be imposed on NEG if the merger were allowed to proceed. These were:

- (a) action to prohibit NEG from exploiting market power and acting in ways which were anti-competitive;
- (b) a requirement on NEG to declare annually the frequency of services it intended to operate throughout the coming year. Other operators on the same routes should be consulted if NEG wished to vary the services; and
- (c) the setting up of a complaints authority in the area (independent of the Traffic Commissioner) to investigate complaints, within specified time limits.

### ***Hanson's (Wordsley) Ltd***

6.10. Hanson's (Wordsley) Ltd alleged that WMT often employed unfair tactics to try to squeeze small operators off the road. It considered that WMT, with some 80 per cent of the local bus market, was in an unfair position. It believed WMT's attitude was that it would eventually be the only operator left, having eliminated the competition. Passengers would not benefit if NEG was permitted to run trains as well as buses, since they would have no choice of which operator to use.

### ***North Birmingham Busways Ltd***

6.11. North Birmingham Busways Ltd said that assurances had been given that NEG would not launch new initiatives to undermine the Centrocard (which allowed travel on local trains and *any* bus operator's service), but it was concerned that any future arrangement could undercut the price of Centrocard and disadvantage the smaller independent operator.

### ***Redline Bus Company Limited***

6.12. Redline Bus Company Limited believed it was against the public interest to create an even larger local monopoly than at present, and the merger would reduce even further the choice between operators. As a result of NEG's use of brand tickets, smaller operators would be further squeezed out of the market and, as had been shown before, once competitors had been forced out of business, the larger operators withdrew their cheap tickets and increased their fares.

### ***Ring and Ride (West Midlands Special Needs Transport Limited)***

6.13. Ring and Ride is a registered charity which operates door-to-door services for its registered users, who find it either difficult or impossible to travel by conventional public transport. It did not therefore see itself as being in competition with either NEG or Central Trains.

6.14. Ring and Ride hoped that some of the commercial benefits from the merger might be used to provide more accessible transport in the form, for example, of low-floor buses. It would wish to carry out a joint examination of the provision of feeder services between conventional transport facilities and the homes of its users. The merger of the main operations of bus and rail was a unique opportunity for the travel needs of people with disabilities to be given some consideration.

### ***The Birmingham Coach Company Ltd***

6.15. BCC, representing both itself and a number of other bus operators, told us that it was opposed to the merger. It said that NEG's operating subsidiary WMT dominated the public transport market in the West Midlands with a monopolistic market share.

6.16. BCC said that WMT's dominance was the result of its Travelcard scheme, which had captured a major share of the season ticket market; WMT's refusal to participate in zonal versions of the multi-operator Busmaster scheme, which could compete with the zonal versions of WMT's Travelcard; and its acquisition of competitors. As competition had reduced, WMT had experienced record monopoly profit levels well above the industry average. Centro was experiencing higher prices, resulting in substantial increases in real terms in the prices of contracts for tendered services to be let in September 1997.

6.17. BCC argued that the merger would act against the public interest in that it would strengthen NEG's overall position in the West Midlands, giving rise to a public perception that NEG offered one-stop transport without the need to use other operators' services. The merger would be inflationary on the public purse in that it would lead to further increases in the cost of tendered services. It would also reduce competition between rail and bus compared with the situation which would have arisen had another company been awarded the Central Trains franchise.

6.18. BCC believed the only way to enhance competition in the West Midlands would be to require WMT to reduce its dominance through partial divestment of its operations. This would also lead to an increase in sales of the multi-operator Busmaster ticket and provide further justification for the introduction of zonal versions.

## **Operators of both train and bus/coach services**

### ***Stagecoach Holdings plc***

6.19. Stagecoach did not consider that the merger was necessarily against the public interest.

6.20. Stagecoach said that its United Counties division in Northampton acted as a subcontractor to NEL on routes in Central Trains' area, but there was only a very limited overlap between these services and those of Central Trains. There was little or no direct competition between Stagecoach's own services and Central Trains, the services being more complementary than competitive.

6.21. Stagecoach said that there had been inconsistencies in the West Midlands as far back as the privatization of WMT in 1991 where there had been no competitive tender. The current merger was another case where an overlap between rail, bus and coach services had apparently not been subject to the same sort of regulatory diligence that Stagecoach had gone through in its own bus acquisitions since 1989 and rail bids in other parts of the country during 1996.

## **Government department**

### ***The Welsh Office***

6.22. The Welsh Office expressed no view on whether the merger should be allowed. It noted that there was an overlap of coach and rail services, albeit fairly limited, between Shrewsbury and Aberystwyth. It understood that there was no rail or coach competition to the existing service providers, namely Central Trains and NEL, although there was no evidence so far that the overlap of services had led to any problems in terms of fares or service levels.

## **Local authorities**

### ***Birmingham City Council***

6.23. Birmingham City Council wanted to see an integrated transport system which, it believed, was the most effective means of meeting the transport requirements of residents. Although 'seamless' journeys were possible by car, they were often not possible by public transport: timetables did not match, separate tickets were required, and long walks between modes might be necessary. The integration of the major bus, rail and Midland Metro operations into a single operating company provided the opportunity to achieve this. The council would be concerned, however, if NEG were to use its virtual monopoly on many routes to raise fares or to cut services, which would be to the detriment of the public and to the use of public transport. Given adequate safeguards the council supported the merger and believed that it would operate in the public interest.

### ***Cambridgeshire County Council***

6.24. Cambridgeshire County Council told us that, as far as it was concerned, the degree of competition between services of Central Trains and other NEG operations was very limited. There was little or no competition within Cambridgeshire, but there was a small degree between the county's main cities, the Midlands and the North. Central Trains was the main inter-urban transport mode for several journeys to and from Cambridge and Peterborough. Although the merger itself should not cause a decline in service levels, there would be a concern if, as a result of maintaining services in the West Midlands, services elsewhere were reduced.

### ***Cardiff County Council***

6.25. Cardiff County Council said that the ownership by NEG of both NEL and Central Trains would result in all direct services between Cardiff, Birmingham and Nottingham being under the same ownership. NEG's control of the road services and most of the rail services journeys over this important corridor might lead to poorer service levels at higher prices. Only the complete separation of NEL and Central Trains would ensure that both companies behaved independently and offered a choice to travellers who either could not or did not wish to use private transport.

### ***Derby City Council***

6.26. Derby City Council said that the record of transport investment in the East Midlands by NEG so far was very satisfactory and had helped sustain rail employment in Derby.

6.27. The merger with Central Trains would reinforce NEG's dominant role in transport in the East Midlands and there was a danger of this dominant position in the region being used in an anti-competitive way to raise fares. However, the council did not see the coach and rail services provided by NEG as serving the same markets or routes. The real alternative to rail travel in the region was the private car and any attempt to raise fares would simply result in a shift to journeys by car. Commercial success lay in enticing new passengers to use rail services. Large fare increases would be counter-productive.

6.28. The council believed the merger would offer more scope for developing an integrated strategy for public transport provision and investment in the East Midlands. The council added that it would be helpful if the merger could be made conditional on the development and implementation of proposals for new investment and improvements to rail services operated by Central Trains.

### ***Gwynedd Council***

6.29. Gwynedd Council had no particular concerns about the merger. It noted that NEG operated coach services to Pwllheli and commented that it would not like to see the development of express coach services which abstracted revenue from the Cambrian Coaster service, jeopardizing its future at the next PSR review.

### ***Hereford and Worcester County Council***

6.30. Hereford and Worcester County Council's main concern was that the merger might result in a concentration of resources on the West Midlands urban market with a resultant neglect of the remaining parts of Central Trains' network. The PSR for the franchise was already more tightly specified for the West Midlands area, reflecting Centro's integral role in the franchising process.

6.31. The council saw potential benefits, in the form of public transport integration, from the merger which therefore could not be seen as being against the public interest.

### ***Leicester City Council***

6.32. Leicester City Council said that the greatest competition to public transport came from private cars. It felt that the MMC should view public transport in the wider context of the whole passenger transport market where the private car had by far the greater share.

6.33. Public transport was different from other goods and services since in order for it to be of greatest benefit to users, people needed to buy into a seamless market where they knew they were able to purchase one ticket and not have the inconvenience of, for example, having to find information on connecting bus services separately and rebook.

6.34. A particular benefit of the merger was that NEG had cross-mode ownership of public transport

companies, which offered the opportunity of cross-mode integration. This would enable NEG, for example, to offer bus travel interavailability to people travelling by train to the West Midlands. One of the main criticisms of present transport arrangements was the lack of integration between different modes, in particular between bus and rail.

6.35. Because the merger provided the opportunity for integrated and seamless public transport, with a reduction in the potential for wasteful duplicating competition, it provided the opportunity for stable pricing in the longer term and gave the company the opportunity to plan ahead and invest more heavily in higher-quality and more frequent services. Investment in new buses, for example, would also help create jobs in Great Britain's manufacturing industry.

6.36. The merger would bring greater efficiency as services would be better tailored to suit the needs of public transport users than the mess of disjointed services with lack of interavailability of ticketing that had been one of the chief problems with bus deregulation and privatization.

6.37. The council said that one of the reasons why NEG had been a successful coach operator was that it operated a comprehensive service with co-ordinated ticketing and timetables. It was difficult to see how a requirement to divest part of the coach network could be in the interests of public transport users.

6.38. One of the main arguments against deregulation of bus services and privatization of the railways was the danger of fragmentation of the services. NEG appeared to be striving to ensure that integration was achieved across public transport modes. It was moving towards integration of bus and rail with co-ordinated timetables and fares and was said to be hoping to include the services of other bus and rail operators as well. In this respect, therefore, it was clear that the merger was likely to act in the public interest and should not be prohibited.

6.39. The council added that any undertakings that were attached to the merger should be of the type that would benefit and promote public transport use. It appeared that NEG was already pursuing such measures as it had announced that passengers in the West Midlands would be offered integrated bus and rail ticketing and timetabling. It would be very unfortunate if these positive public transport initiatives were to be put at risk on competition grounds.

### ***Lincolnshire County Council***

6.40. Lincolnshire County Council had no objection to the merger. It said that NEG had a very limited coach service within Lincolnshire and therefore the acquisition of Central Trains would have little or no impact within the county.

### ***Northamptonshire County Council***

6.41. Northamptonshire County Council had no comments on the merger in so far as the relationship between the services of Central Trains, WMT and NEL was concerned. In terms of rail services between Northampton and Birmingham and between Northampton and the North-West, there might be benefits of synergy in having both Central Trains and NLR owned by the same company.

### ***City of Nottingham Council***

6.42. City of Nottingham Council was concerned that without strong regulation NEG could exploit its dominant position in the provision of inter-urban travel to the detriment of passengers.

6.43. If the merger was permitted to go ahead, NEG should be required to provide a greater commitment to investment in the East Midlands since its current expenditure plans were concentrated on the West Midlands.

### ***Nottinghamshire County Council***

6.44. Nottinghamshire County Council commented that there was very little competition between NEG and Central Trains on coach and rail services on the longer-distance inter-urban routes in the East Midlands.

6.45. On shorter-distance routes in some corridors, independent bus companies had captured a substantial share of the public transport market and could be expected to continue to compete with NEG and Central Trains in the future.

6.46. The main competitor to public transport was the private car and NEG had recognized this by initiating service improvements through integration of different modes.

6.47. Any proposal to block the merger between NEG and Central Trains could well remove the potential for further integration of public transport and stronger competition with the private car.

### ***Shropshire County Council***

6.48. Shropshire County Council did not consider the merger to be against the public interest. The pattern of services operated in Shropshire by both NEL and Central Trains did not appear to threaten the public interest by limiting competition from other sources. The merger did not appear to have an adverse effect on the level of prices, the frequency, range or quality of services, or employment and efficiency within the county.

### ***Staffordshire County Council***

6.49. Staffordshire County Council supported the merger but proposed that, in order to ensure protection for local bus services, NEG should be asked to give assurances that it would:

- (a) maintain, for the period of the rail franchise, local bus mileage at June 1997 levels between Birmingham, Walsall, Cannock and Hednesford, and between Wolverhampton and Codsall;
- (b) maintain fare levels on those services at the June 1997 level plus RPI; and
- (c) not engage in predatory or other anti-competitive behaviour against other local bus operators in the South Staffordshire, Cannock Chase and Lichfield districts.

### ***West Midlands Passenger Transport Authority and West Midlands Passenger Transport Executive (Centro)***

6.50. WMPTA and Centro gave their views at a joint hearing. They said that they believed the merger would operate in the public interest and could enhance the provision of local transport services in the West Midlands but only if the behavioural assurances set out in Schedule 14 of the franchise agreement were observed by NEG.

6.51. The objectives of WMPTA and Centro, as parties to the negotiations for the letting of the Central Trains franchise, had been to safeguard and enhance the service provided by Central Trains in the West Midlands and to shed the financial burden and risk of subsidizing those services. The final bids of both NEG and Straightforward Lines Limited (a management buyout vehicle), coupled with the financial arrangements which the Treasury and the Franchising Director were prepared to make, met these objectives. A particular attraction of NEG's bid was that it offered the prospect of an integrated transport system for the West Midlands because of NEG's leading position in all three modes of public transport, namely bus, Midland Metro and rail.

6.52. On the other hand, NEG's acquisition of Central Trains would give it a very dominant position.

NEG, through its ownership of WMT, already controlled some 80 per cent of bus patronage in the West Midlands. Given the interaction between bus and rail services in the area there were a number of ways in which NEG could use the ownership of Central Trains to favour WMT-for example, by advertising WMT's bus services, but not those of other operators, at railway stations-and hence increase its dominance of the bus market. A further weakening of the competition to WMT could lead to a reduction in services to the public and/or an increase in the requirement for Centro to subsidize services.

6.53. Centro had therefore sought to establish effective safeguards against such possibilities by securing binding assurances from NEG which had been incorporated into the franchise agreement. On the strength of these assurances WMPTA and Centro had been prepared to support the award of the franchise to NEG, whose bid entailed a marginally lower subsidy than that of Straightforward Lines and an equivalent level of service enhancements. In the absence of the assurances they would have favoured Straightforward Lines.

6.54. Nonetheless Centro recognized that, if NEG ran the Central Trains franchise satisfactorily, there might be difficulty in getting the Franchising Director to pay as much attention as Centro wished to the enforcement of the Schedule 14 assurances, which largely concerned NEG's bus services. There had been signs that NEG was 'nibbling at the edges' of the assurances. For example, it planned to introduce a new ticket which would allow people to travel into the West Midlands from outside and then travel on the bus for a small addition to the price of the rail ticket. This proposal was welcome in principle but NEG had intended that, in the first instance, the ticket should be usable only on WMT buses. When Centro had said that such an arrangement was anti-competitive and contrary to the Schedule 14 assurances, NEG had argued that, because the ticket was for use on journeys from outside the West Midlands, it was not covered by the assurances. NEG had subsequently agreed, however, that the ticket should be usable on the buses of other operators too.

6.55. In view of its doubt over enforcement of Schedule 14 by the Franchising Director, Centro wanted to see the assurances given the status of formal undertakings by NEG under the Fair Trading Act. And while Centro had sought to cover all eventualities in framing Schedule 14, it asked the MMC to consider whether there were other aspects which needed to be addressed. WMPTA and Centro preferred this way forward to any remedy which might entail divestment of part of the NEG operation in the West Midlands. They wanted the advantages of transport integration without the danger of the dominant company, NEG, being able to abuse its position.

6.56. Asked about the legal remedies open to Centro itself to enforce Schedule 14, Centro accepted that the schedule was a contract between itself and NEG and that private law remedies were therefore open to it. However, the time and expense involved and the difficulty in securing the rapid action required for effective compliance made them unattractive as a means of ensuring the efficient operation of bus services.

## **Chambers of Commerce**

### ***Leicestershire Chamber of Commerce and Industry***

6.57. Leicestershire Chamber of Commerce and Industry believed the merger would bring positive benefits in the provision of an integrated transport system across the East and West Midlands. Efficiency would increase and with more people using the transport system there would be an opportunity in future to increase the number of people employed in the industry.

### ***Southern Derbyshire Chamber of Commerce***

6.58. Southern Derbyshire Chamber of Commerce felt that the merger raised no competition issues as the coach and rail markets were distinctly separate. It said that the merger was therefore in the public interest as it would enhance the quality of service of both the rail and coach operations. The merger offered NEG the opportunity to provide two complementary services that were co-ordinated to the benefit of the user and offered travellers greater choice.

## **Trade unions**

### ***National Union of Rail, Maritime and Transport Workers***

6.59. The National Union of Rail, Maritime & Transport Workers (RMT) was concerned that NEG, with its control of both bus/coach and rail services, could shut down some of the rail services in order to make way for buses. It was also concerned that the concentration of bus/rail ownership could give rise to pricing policies that were against the public interest.

6.60. The RMT noted that staff levels in both NEG and Central Trains had fallen significantly in recent years. Any further cuts in rail staff would result in the service becoming increasingly unattractive to passengers, on both safety and comfort grounds, and would lead to further pressures for the substitution of rail services by buses.

6.61. In the RMT's view, an undertaking by NEG to maintain all its current road and rail services should be a condition of the merger being allowed to proceed.

### ***Transport Salaried Staffs' Association***

6.62. The Transport Salaried Staffs' Association (TSSA) told us that, in its experience, the immediate policy of rail franchisees on acquiring a TOC was to review staffing levels with a view to improving profit margins. Given the rigorous economies implemented by BRB prior to franchising, the TSSA was concerned that the scale of economies sought by franchisees could be detrimental to the quality and even threaten the level of service to which the new operator was committed. In the TSSA's view, any undertakings by the merged organization to maintain the quality and level of services should not be undermined by excessive staff economies.

## **Other associations**

### ***Confederation of Passenger Transport UK***

6.63. The Confederation of Passenger Transport UK (CPT) believed the acquisition would have no impact on competition between bus/coach and rail travel as the markets for the two modes of transport were different.

6.64. Both the present and previous Governments had expressed support for an integrated approach towards transport. While the CPT recognized the merits of integration and the impact this had had on the quality of service, it believed that such matters should be left to market forces.

6.65. There was evidence that common ownership of companies providing different modes of passenger transport produced the commercial incentive to work towards greater integration of both ticketing and services. Such progress was not only in line with Government policy but was also in the users' interest. Integration should have no impact on competition since the markets for buses and trains were separate. The CPT considered that the merger would improve the quality of services offered to the public.

### ***Institute of Transport Administration***

6.66. The Institute of Transport Administration saw no reason to feel that the merger was against the public interest. However, it believed that a free market environment should not be restrained for what might be perceived as political reasons.

## ***Passenger Transport Networks***

6.67. Passenger Transport Networks (PTN) is a transport consultancy specializing in strategic planning and market analysis for public transport. It took the view that the award of the Central Trains franchise to NEG, which owned substantial bus interests in the Central Trains area, raised acute concerns about monopolistic behaviour and highlighted major weaknesses and anomalies in the institutional structure of public transport.

6.68. In so far as the car dominated the passenger transport market, it was immaterial whether two modes of public transport within an area were commonly owned since their combined market share in the West Midlands was unlikely to exceed 15 per cent: indeed, effective co-operation rather than wasteful competition might even make common ownership desirable. Nonetheless, PTN argued that (apart from the restraints of licensing and regulation) such co-operation would be determined by the interests of a private company and that for something as important to the public, and to urban economies and the environment, there must be a role for an accountable public authority. Without a new planning role for public authorities and a radical overhaul of the regulatory system the entire structure of public transport was untenable and 'seamless' travel by public transport unachievable.

6.69. PTN felt that to re-franchise the whole of Central Trains in order to avoid a putative monopoly in the West Midlands conurbation would seem excessive, while to impose yet another change of ownership on bus operations in the region would be highly undesirable. On a general level, PTN wished to see a thorough review of the structure of the public transport market and provision for sensible co-ordination of transport modes where it was clearly in the public interest. In the case of this merger, it considered that reporting requirements should be imposed to ensure that NEG could not manipulate WMT and Central Trains to maximize profit at the expense of the public.

## ***Rail Users' Consultative Committee for the Midlands***

6.70. The Rail Users' Consultative Committee for the Midlands (RUCCM) was content with the acquisition and believed that any future problems that might arise could be resolved by the Rail Regulator and the Franchising Director.

6.71. The RUCCM did not envisage any reduction in the level or quality of rail services, nor did it expect rail fares to rise as a direct result of the acquisition. Local rail services in the West Midlands were specified and financially supported by Centro, which was a party to the franchise agreement.

6.72. The RUCCM said that Central Trains intended to seek the co-operation of bus operators in providing bus/rail links with through-ticketing, which should benefit passengers on both modes of transport. The RUCCM considered that Central Trains should be required to seek agreements with other bus operators besides WMT.

## ***Railway Development Society: Midlands Branch***

6.73. The Railway Development Society (RDS) is a national voluntary organization which represents rail users. It believed there were potentially significant advantages from the same firm running bus and rail services provided that there was co-ordination of services and the operation was run as a single entity.

6.74. To ensure that the public interest was served, the RDS said that the following conditions should be placed on the merged operation:

- (a) parallel competing services should not be run down to favour one or the other;
- (b) rail and bus tickets should be interavailable;
- (c) there should be through-ticketing to link bus and rail services; and

- (d) other operators should have access to such ticketing with no increase in fares.

### ***Shrewsbury-Wolverhampton Rail Users' Association***

6.75. The Shrewsbury-Wolverhampton Rail Users' Association said that, outside PTE areas, there were possible risks in a bus/rail merger. The merged company could manipulate prices or abolish its rail tickets below Saver level to force people to use its coach services, thus extracting the maximum revenue for such journeys. There was also no guarantee that intermodal ticketing would apply to independent bus operators. It was only in PTE areas that sufficient pressure could be brought to bear on NEG to include all operators.

6.76. Overall, the Association believed that consumers should benefit from having the least fragmentation of the rail network, provided that it was done within the framework of a strong regulatory influence that prevented measures that hindered passenger convenience in the guise of so-called anti-competitive restrictions.

### ***The Railway Forum***

6.77. The Railway Forum has been recently established to represent the interests of all parts of the railway industry and has some 30 members including Railtrack and the owners of 17 TOCs, including NEG. A principal objective of the Forum is to promote policies which will encourage the development of business and trading opportunities for rail-based transport.

6.78. The Forum told us that the shares of the public transport market held by rail and bus had declined over a long period, and now stood at 5 per cent and 6 per cent respectively, as against the principal competitors-cars and light vans-with a market share of some 86 per cent. The rail industry was seeking to reverse a historic decline and was still in a relatively weak market position. The need for TOCs both to co-operate and compete was a principle behind the Railways Act, and this was also applicable to the co-ordination of bus and rail services so that they could offer a comprehensive and effective public transport network.

6.79. The Forum noted that the 25 TOCs were managed by 12 companies, seven of which were also bus operators or had a significant shareholding by a bus operator. This clearly had the potential to bring benefits to passengers in terms of co-ordinated bus and rail services, ticketing and information, and such developments were already happening on a number of routes.

6.80. The rail industry was already heavily regulated compared with its competitors and there needed to be a balance between protecting the interests of the consumer and encouraging the growth of the industry. In the Forum's view, the key issues in determining where the public interest lay on rail regulatory issues included:

- (a) the effect on transport policy objectives, which supported an increase in rail market share;
- (b) the effect on levels of provision of public transport and its quality;
- (c) the effect on the environment; and
- (d) relief of road congestion.

### ***Transport 2000 (Derbyshire and Peak District Group)***

6.81. Transport 2000 (Derbyshire and Peak District Group) commented that in Derbyshire the services of Central Trains complemented, rather than competed with, those of MML, which was also owned by NEG. Local services from Matlock, Stoke, Burton and Nottingham fed into MML services at Derby. The Group hoped that common ownership would lead to an improvement in service connections and an extension of MML's special tickets to stations served by these connections.

6.82. The Group believed that public transport operators should co-operate to compete with the private car and should aim to provide the best service possible, regardless of mode. Common ownership of different modes of travel should improve co-operation and co-ordination and should not normally be expected to operate against the public interest. It considered that NEG did not have a monopoly of public transport provision in Derbyshire, or even in the West Midlands where NEG owned a higher proportion of these services. The Group did not expect this to operate against the public interest.

### ***Transport 2000 (Leicestershire Branch)***

6.83. Transport 2000 (Leicestershire Branch) thought the merger would not be in the public interest unless there was greater co-ordination of bus and train services in the West Midlands and intermodal ticketing was introduced for Central Trains and NEL.

### ***Transport 2000 West Midlands and Transport 2000 Staffordshire***

6.84. Transport 2000 West Midlands and Transport 2000 Staffordshire considered the merger to be in the public interest. NEG had already announced plans to integrate bus and rail services, which could only be to the benefit of passengers.

6.85. There was, however, a concern that the merger might have an uncompetitive effect on prices. If the following conditions were imposed on NEG then this concern would be satisfied:

- (a) any fare increases or service alterations must be agreed with Centro (or the relevant county authority) before any change was made;
- (b) NEG should not exclude any other operator from multi-mode ticketing unless agreed with Centro or the relevant county authority; and
- (c) NEG must provide the authorities with sufficient information, at its own expense, to enable Centro or the relevant county authority to make an informed judgment on any proposed changes.

## **Individuals**

### ***Mr S P Chrimes***

6.86. Mr Chrimes, of Wolverhampton, had used local buses extensively for nearly 20 years. He believed that WMT was determined to become the only bus operator in the area. This was clearly demonstrated by the number of operators it had acquired or forced out, and which was continuing to happen.

6.87. Mr Chrimes made a number of points. He argued that WMT's involvement in the Midland Metro would put smaller operators, which he said could not offer integrated ticketing, at a competitive disadvantage. WMT's take-it-or-leave-it attitude, associated with the days when it was a sole operator, was still evident on routes where WMT had no competitors, and he believed this would prevail on the Midland Metro. He said that Centro was biased towards WMT, noting that in the Wolverhampton bus information office WMT was the only operator for which service details were on display. Mr Chrimes also referred to what he described as an exchange between WMT and the National Bus Group which had led to Stevensons leaving the area, as a result of which choice and competition had suffered drastically.

### ***Mr M J Denholm***

6.88. Mr Denholm, of Birmingham, said that, since acquiring Central Trains, NEG had been attempting to regenerate rail travel within the franchise area and was targeting resources at customers rather than at bureaucracy as British Rail had done.

### ***Mr I L Pearson***

6.89. Mr Pearson said that NEG enjoyed a greater degree of monopoly power in the major West Midlands conurbation than could be found anywhere else in Great Britain, and the Central Trains franchise must be seen as adding to that position. The opportunities for the introduction of new competition in rail services were constrained by the franchise agreement and it was necessary to examine other areas to restore effective competition in public transport, notably the local bus market.

6.90. WMT had experienced and continued to experience less competition than bus operators in other PTE areas but the resulting stability did not appear to have led to better performance or an increase in passenger volumes. Mr Pearson argued that WMT had taken advantage of its monopoly power to increase profitability: its dominance had stopped the development of sustained competition and NEG's influence in the West Midlands should be reduced.

6.91. The West Midlands was regarded as good bus operating territory, but the absence of competition suggested that entry was effectively blocked. The explanation for the current situation lay in the original sale of Midland Red's local bus services to Centro and WMT's subsequent sale as a single entity. The absence of an industry regulator meant that, apart from a referral to the MMC, there was no opportunity to correct dominance in the bus market. The merger would bring together buses, trains and the Midland Metro under common ownership and would increase NEG's control over public transport in the West Midlands and further handicap competitive entry. Although common ownership of different modes could be seen as facilitating the development of an integrated transport system, it was not the only method of achieving it.

6.92. Mr Pearson concluded that WMT had a monopoly of bus services in the West Midlands, that it had used its strength to inhibit competition and that the merger increased NEG's control of local public transport to a degree which was unacceptable and against the public interest. To achieve greater competition a number of measures were necessary, among them:

- that WMT should be required to reduce its share of passenger journeys to below 50 per cent;
- that bus services should be reallocated between depots so that once divestment had been achieved there would be competition between operators within each district;
- that the divestment process should include provision for the purchase of a percentage of the bus services by existing small bus and coach operators;
- that certain restrictions should be placed on NEG subsequently purchasing bus businesses;
- that WMT's travel cards should be withdrawn in favour of the Centro travel-card system which was open to all operators; and
- that Central Trains should not be permitted to introduce tickets which favoured NEG companies.