

Filters and overlaps

1. This appendix first describes the CC's consideration of overlaps and use of filters on past transport merger inquiries. It then summarizes the filters used in this inquiry and analyses those flows filtered out in the second stage of filtering, prior to the flow-by-flow competitive analysis (see Appendix J).

Consideration of overlaps in past CC transport merger inquiries

2. In past inquiries, the CC has considered overlaps on the basis of distances between bus, train and coach station (First/ScotRail, Arriva/Sovereign and First/GWF) and in terms of direct and indirect services between the same points (National Express/Greater Anglia).
3. In the First/ScotRail inquiry, catchment areas were defined according to the geographic setting. In rural areas, overlaps included locations where both bus and train served a settlement regardless of the station stop/location. In urban areas, catchment areas were considered on the basis of survey evidence of the local areas. In Edinburgh, the catchment area of a rail station was deemed to overlap with the catchment area of the nearest bus stop if a train and bus station were within 1,200 metres of each other. In Glasgow, in which there was a more dense provision of public transport, rail stations within 300 metres of a bus stop were considered as overlapping. In addition to these overlaps, the CC also considered the effects of the merger on routes serving sizeable discrete communities which are at some distance from a city centre and which have one or two rail stations. This was because it was considered possible to reconfigure bus routes to operate as feeder services to and from rail stations, and to withdraw or partially withdraw direct services.
4. In the Arriva/Sovereign inquiry, the catchment areas for bus/bus overlaps were based on the assumption that passengers may have a choice between bus stops that are within reasonable walking distance and defined as bus stops within a half mile radius of each other.
5. In the First/GWF inquiry, the CC considered catchment areas to be overlapping if the train and bus station were within 400 metres of each other for journeys entirely within an urban area, or if a train and bus station were within 1,200 metres for journeys with either (or both) ends outside an urban area.
6. In the National Express/Greater Anglia inquiry, the CC considered overlaps between direct and indirect coach and rail services between two points on a route.

The use of filters in past CC transport merger inquiries

7. Where the number of overlapping flows identified is large, the CC concentrates on those flows that might be expected to give rise to the greatest competition concerns. In the past, the CC has applied filters to focus attention on the most important overlapping flows.
8. The CC has used a number of filters in past transport merger inquiries which include:

- (a) *Revenue thresholds.* A merged entity or joint venture is likely to have an incentive to make changes to a bus/coach route only if the affected route or flow generates sufficient revenue to make it worthwhile. Individual flows that generate more than a de minimis threshold amount of revenue per year for the merged entity (in the past both £10,000 and £20,000 have been considered), or where all overlap flows on a route make up more than a small percentage (usually 10 per cent) of overall route revenue for the merged entity are more likely to create such incentives, possibly leading, in certain cases, to an SLC on that flow. Flows which do not meet these thresholds can therefore be filtered out of the analysis.
- (b) *Effective competition.*¹ Flows where a merged entity or joint venture faces effective competition from third parties, from either the same or another mode of transport, are less likely to be subject to an SLC.² Where competition is effective from third parties, the flows can be filtered out of the analysis.

9. Whilst revenue threshold and effective competition filters are most commonly used, the CC is not limited to these filters and other criteria have also been considered in the past. Table 1 summarizes the filters that were applied in the most recent transport merger inquiries.

¹In this context, we use the term 'effective competition' to mean that there are other services for which the generalized cost of travel (covering factors such as ticket price, journey time, waiting time, time taken to travel to/from either end to ultimate destination etc) is sufficiently similar for passengers to regard those other services as suitable substitutes for the main parties' services.

²We consider the effectiveness of competition between the merging parties, in this case Stagecoach and Scottish Citylink prior to the joint venture in Appendix J.

TABLE 1 Filters used in previous CC transport inquiries

| <i>Inquiry</i> | <i>Transport modes</i> | <i>Total overlap flows</i> | <i>Filtered overlap flows</i> | <i>De minimis flow revenue threshold £</i> | <i>All overlap flows on route as proportion of route revenue %</i> | <i>Effective competition</i> | <i>Other</i> |
|--------------------------------------|------------------------|----------------------------|-------------------------------|--|--|--|--|
| First/ScotRail* | Bus:rail | 784 | 55 | -† | 10 | For 'frequent' services: competitor services with frequency of less than 10 minutes greater; and for 'less frequent' services: competitor services at least half as frequent.‡ | Local authority concerns |
| National Express/ Greater Anglia§ | Rail: coach | 71 | 16 | 10,000 | 10 | - | - |
| First Group/ InterCity¶ | Rail:rail | 100 | 22 | # | - | Competing flows with at least half number of services of merged entity; competing flows with at least half annual revenues of merged entity; or competing flows with at least half number of annual journeys of merged entity. | Limited price competition: 90% of revenues derived from interavailable tickets (ie available on services of any rail operator) |
| Arriva/Sovereign⌘ | Bus:bus | 31 | 8 | - | 10 | For 'frequent' services: competitor services with frequency of less than 10 minutes greater; and for 'less frequent' services: competitor services at least half as frequent. | - |
| First/GWF★ | Bus:rail Rail:rail | 420 | 65 | 10,000 | 10 | For 'frequent' services: competitor services with frequency of less than 10 minutes greater; and for 'less frequent' services: competitor services at least half as frequent. | - |

Source: CC.

*2004, First/ScotRail.

†In First/ScotRail, the CC considered and rejected a de minimis threshold of £20,000. It was thought not to be appropriate for local bus services because, even though a small number of passengers may be affected on such flows, individual passengers nevertheless regularly use the service and the adverse effect for an individual passenger could be significant.

‡Competition was considered effective if competitors offered a comparable frequency of service. If First offered a 'frequent' service, ie at least one bus every 10 minutes, the CC required that in order for competitor services to be effective they should have a frequency of less than 10 minutes greater than the First service (for example, if First ran a service every 5 minutes, competitor frequencies had to be greater than every 15 minutes). This was because passengers facing a frequent bus service would be unlikely to refer to a timetable but instead would probably just wait at the bus stop for the next service, in which case the extra time they would be willing to wait for a competitor bus service would probably be limited. Where First services were 'less frequent', then passengers would most probably plan their journey with reference to a timetable, as they do for trains. Therefore a longer gap between services would be more tolerable. The CC considered that on less frequent services, in order for competitor frequencies to be effective they had to be at least half as frequent as First services.

§2004, NEG/Greater Anglia.

¶2005, First/InterCity East Coast (cancelled inquiry).

#In First Group/InterCity, the CC considered and rejected a de minimis filter because it was not clear that an incentive to exploit the position post-merger would exist even if the value of revenue on the flow was only small. Moreover, an accumulation of small flows would create incentives for the merged entity to exploit its position.

⌘2005, Arriva/Sovereign Bus & Coach Company.

★2006, Greater Western Passenger Rail Franchise.

10. The use of filters does not imply that there are no competition concerns relating to those overlaps that are filtered out, nor does it imply that those overlaps that are not filtered out give rise to competition concerns. The filtering process is only intended to prioritize overlaps that are most likely to give rise to the greatest competition concerns. Nevertheless, it is reasonable to expect that, if there are no SLC concerns in relation to those flows included in our analysis, there are unlikely to be SLC concerns for those flows filtered out. On the other hand, if any SLC concerns are identified on the filtered set of flows, the CC may reconsider those flows filtered out.

Filter analysis

11. The main parties provided us with details of those flows where Stagecoach and Scottish Citylink's services overlapped.³ The main parties identified 141 overlapping flows on 65 routes operated by either Scottish Citylink or Stagecoach (whether under the megabus or Motorvator brands or as part of the Stagecoach Retained Business, including Strathtay). Of these 141 flows:
- 37 were an overlap between Motorvator and Scottish Citylink (ie on the Glasgow–Edinburgh route);
 - 12 were an overlap between megabus and Scottish Citylink;
 - 6 were an overlap between Strathtay and Scottish Citylink; and
 - 90 were an overlap between the Stagecoach Retained Business and Scottish Citylink.⁴

Initial filtering

12. Paragraphs 6.13 to 6.30 set out the initial filtering of the 141 overlapping flows. As discussed in these paragraphs, the initial filtering process took into account:
- franchise services;
 - flows as a proportion of route revenue;
 - a de minimis flow revenue threshold of £20,000; and
 - Strathtay overlaps.
13. The initial filtering resulted in 28 overlapping flows remaining to be examined in more detail. Of the remaining 28 overlapping flows:
- 9 related to the Glasgow–Edinburgh route (including the Glasgow–Baillieston flow);
 - 12 related to the trunk routes on which there were separate megabus services prior to the joint venture; and

³These included flows that are now part of the joint venture where Stagecoach and Scottish Citylink services overlapped prior to the joint venture, and also flows where the Stagecoach Retained Business and Scottish Citylink services continue to overlap following the joint venture.

⁴This sums to 145, more than 141 overlap flows, as several flows overlap with a combination of Motorvator, megabus, Strathtay and/or Stagecoach Retained Business services. These flows are: (a) Dundee–Perth, which overlaps with megabus, Strathtay and Stagecoach Retained Business services; (b) Edinburgh–Dundee, which overlaps with megabus and Stagecoach Retained Business services; and (c) Glasgow–Baillieston, which overlaps with Motorvator and Stagecoach Retained Business services.

- 7 related to overlaps between pre-joint-venture Scottish Citylink services and the Stagecoach Retained Business.

Second-stage filtering

14. Paragraphs 6.31 to 6.48 set out the second-stage filtering process, in which we filtered out those flows on which the parties might be considered not to be competing prior to the joint venture. Based on our counterfactual for the Glasgow–Edinburgh flow, this also led to flows on the Glasgow–Edinburgh route no longer requiring consideration.
15. We then considered effective competition from third party coach operators, but found no flows on which this further filter could be applied. We also considered whether rail provided an effective constraint, and were able to filter out one further flow (Edinburgh–Dundee).
16. Following application of these filters, there remained ten overlap flows of concern, all on the Saltire Cross. The remainder of this appendix sets out our analysis of the nine flows (not on the Glasgow–Edinburgh route) that were filtered out in the second-stage filtering process.

Flow ID 039—Dundee–Perth

Route details on this flow

17. Prior to the joint venture, megabus operated service M9 on this flow and Scottish Citylink operated nine services on this flow (962, 963, 964, 969, 987, 988, 990 and 991, with the 967 being the most regular). Stagecoach also operated service 16. Services operating on this flow post-joint-venture are M8 and M9, and the Stagecoach Retained Business (Stagecoach Perth) service 16. Strathtay, which is now part of Stagecoach, also operates services 16, 54 and 57 on this flow.
18. The services provided by Scottish Citylink prior to the joint venture were part-registered, the megabus service was unregistered, and the Stagecoach service 16 was both registered and part-tendered (in the evenings and on Sundays).
19. Table 2 sets out a summary of the competing services on this flow.

TABLE 2 Summary of details of competing services

| FLOW ID | 039 | | Post-joint-venture | | | Pre-joint-venture | | | | Competitors | |
|------------------------------|------------|--------|--------------------------|------------|-----------|--------------------------|---------|------------|-----------|------------------|-----------|
| | FLOW START | Dundee | Joint venture | Stagecoach | Strathtay | Scottish Citylink | Megabus | Stagecoach | Strathtay | National Express | ScotRail |
| FLOW END | Perth | | | | | | | | | | |
| Revenue | £ | | | | | | | | | | |
| Passengers | | | | | | | ✂ | | | | |
| Average revenue | £ | | | | | | | | | | |
| Seats | | | 49/89 | 49 | N/A | 49 | 89 | 49 | N/A | N/A | N/A |
| Weekday frequency | Per day | | 29 | 8 | 12 | 20/24 | 8 | 8 | 12 | 1 | 18 |
| Saturday frequency | Per day | | 28 | 9 | 7 | 20/25 | 8 | 9 | 7 | 1 | 18 |
| Sunday frequency | Per day | | 20 | 7 | - | 19 | 8 | 7 | - | 1 | 7 |
| Journey time | Minutes | | M9 30/ M8 35 | 62 | 65 | 35/37 | 35 | 62 | 65 | 30 | 21–24 |
| Standard single | £ | | 4.20 | 2.45 | 2.45 | 4.20 | N/A | 2.40 | 2.45 | 6.20 | 5.40 |
| Standard return | £ | | 7.10 | 4.70 | 4.90 | 7.10 | N/A | 4.60 | 4.90 | 8.90 | 10.10 |
| Cheap day return/Apex return | £ | | CDR £5.90/ Apex £5.00 | N/A | 4.60 | CDR £5.90/ Apex £5.00 | N/A | N/A | 4.60 | CDR £6.80 | CDR £5.80 |
| Super singles (Internet) | £ | | 1–2 | N/A | N/A | N/A | 1–2 | N/A | N/A | N/A | N/A |
| Season ticket | £ | | 79.80 | N/A | N/A | 79.80 | N/A | N/A | N/A | N/A | N/A |
| 10-journey ticket | £ | | 22.80 | N/A | 19.60 | 22.80 | N/A | N/A | 19.60 | N/A | N/A |

Source: CC analysis.

Notes:

1. The joint venture runs 14 fast journeys a day (M9) and 15 slower journeys (M8). Pre-joint venture, Scottish Citylink ran 20 services a day from Dundee to Perth taking 35 minutes, and 24 services a day from Perth to Dundee taking 37 minutes.
2. In this table, and all subsequent tables, CDR refers to Cheap Day Returns.
3. N/A = not applicable.

Competition on flow: between parties prior to joint venture

20. Prior to the joint venture, Table 2 suggests that the local Stagecoach and Strathtay bus services on this flow did not compete with the longer-distance coach services provided by megabus and Scottish Citylink:
- (a) Strathtay operated 12 daily services and Stagecoach operated 8 daily services, compared with 20/24 on Scottish Citylink.
 - (b) Both services took over 1 hour (Strathtay taking 65 minutes and Stagecoach 62 minutes), compared with 35 minutes on Scottish Citylink and megabus.
 - (c) Standard single tickets on Strathtay and Stagecoach were over 40 per cent cheaper than on Scottish Citylink.
 - (d) Less than [X] per cent of passengers travelled on Stagecoach and Strathtay services compared with Scottish Citylink services.
21. Both Strathtay's and Stagecoach's service 16 run for 46km from Perth to Dundee only (via Errol or Grange off the A90). The Strathtay service runs to Perth Bus Station or South Street, whereas the Stagecoach service runs to Canal Street or South Street. Scottish Citylink and megabus both run along the A90 (37km) as part of the express route to Aberdeen.
22. Prior to the joint venture, Table 2 suggests that Scottish Citylink and megabus had different service offerings on this flow:
- (a) On weekdays, Scottish Citylink operated 20/24 services a day (depending on which direction one was travelling), whilst megabus operated 8 services a day.
 - (b) Scottish Citylink and megabus had similar journey times of 35/37 and 35 minutes respectively.
 - (c) A standard return fare on Scottish Citylink was £7.10 or an apex return was available for £5. Scottish Citylink did not offer any Internet super singles on this flow. megabus fares have not changed since March 2005, ranging from £1 to £2 depending on when the ticket was bought.
 - (d) megabus carried only [X] passengers on this flow in the 12 months prior to the joint venture, compared with [X] passengers on Scottish Citylink.
23. Figure 1 suggests that megabus's entry did not have much impact on Scottish Citylink despite similar journey times and, in many cases, cheaper prices. This flow, which is the shortest one on the Saltire Cross, appears to be less suited to the megabus advance booking system, in the same manner as the Glasgow–Edinburgh flow (ie passengers prefer to 'turn up and go'). In addition, the parties suggested that the low number of megabus passengers on this flow indicated that for this short journey, Broxden Park and Ride (where megabus stopped) was not seen as a substitute for a stop at Perth Bus Station (where Scottish Citylink services stopped).
24. Figures 1 and 2 show that fare changes and offers by megabus do not appear to have had any significant impact on megabus or Scottish Citylink passenger numbers or average revenue over the period.

FIGURE 1

Passenger numbers by operator



Source: CC analysis.

FIGURE 2

Average revenue by operator



Source: CC analysis.

Changes since joint venture

25. The joint venture operates with a combined frequency of 29 services a day compared with 20/24 for Scottish Citylink and 8 for megabus prior to the joint venture. The journey time is now 30 minutes on the fast M9 service and 35 minutes on the slower M8 service.
26. Scottish Citylink standard fares have remained unchanged since the joint venture. megabus fare quotas have also not changed since the joint venture. There has been an increase in Scottish Citylink passenger numbers in Figure 1 since the joint venture, although this appears to be due to seasonality.
27. Stagecoach and Strathtay fares, frequencies and journey times have changed very little since the joint venture.

Conclusion

28. We considered that Stagecoach and Strathtay services did not compete much with Scottish Citylink and megabus services as they were more infrequent, slower and cheaper. megabus's entry did not have much impact on Scottish Citylink despite similar journey times and, in many cases, cheaper prices. Given the lack of competition between the parties prior to the joint venture, and the apparent unsuitability of the megabus model to this flow, we therefore filtered out this flow.

Flow ID 044—Edinburgh—Dundee

Route details on this flow

29. Prior to the joint venture, megabus operated services M90 and M9 on this flow while Scottish Citylink's direct services on the flow were 967, 969, 987 and 991. There were also five services with changes at Perth. Post-joint-venture, services M90, M91, M8 and M9 are operated on the flow. In addition, the Stagecoach Retained Business operates service X54 on this flow. Prior to the joint venture, Scottish Citylink services were part-registered, megabus services were unregistered, and the Stagecoach Retained Business service was registered. megabus and Scottish Citylink services require a change at Perth.
30. Our survey suggested that the frequency of travel on this flow was similar to other Saltire Cross flows: 9 per cent of travellers were frequent travellers, whilst 59 per

cent of travellers travelled less than once a month. 15 per cent and 4 per cent of travellers were students and commuters respectively. The proportion of students was higher than on most other flows. This therefore appeared to be more of a leisure flow. The parties stated that passengers' main purpose on this flow was to meet friends and relatives.

31. Table 3 sets out a summary of the competing services on this flow.

TABLE 3 Summary of details of competing services

| FLOW ID | 044 | | Post-joint-venture | | | Pre-joint-venture | | | Competitors | | |
|----------------------------------|-----------|--------|--------------------------------|------------|---------------------------|-------------------|------------|-------------------------|-------------|--------|--|
| | Edinburgh | Dundee | Joint venture | Stagecoach | Scottish Citylink | Megabus | Stagecoach | ScotRail | GNER | Virgin | |
| Revenue | £ | | | | | | | | | | |
| Passengers | | | | | | | | | | | |
| Average revenue | £ | | | | | | | | | | |
| Seats | | | 49/89 | 51 | 49 | 68/89 | 51 | N/A | N/A | N/A | |
| Weekday frequency | Per day | | 26 | 10 | 19 | 7 | 10 | 19 | 4 | 2 | |
| Saturday frequency | Per day | | 26 | 9 | 19 | 7 | 9 | 19 | 3 | 3 | |
| Sunday frequency | Per day | | 18 | - | 13 | 7 | - | 11 | 3 | 3 | |
| Journey time | Minutes | | M90 & M9 110 / M91 & M8 135 | 137 | 112–142 | 100–120 | 137 | 71–100 | 74–83 | 83–96 | |
| Standard single | £ | | 9.40 | 7.00 | 9.40 | N/A | 7.00 | 17.40 | 17.40 | 17.40 | |
| Standard return | £ | | 15.30 | 9.00 | 15.30 | N/A | 9.00 | 15.60 | 15.60 | 15.60 | |
| Cheap day return/ Apex return | £ | | CDR £12.60/ Apex £9.00 | N/A | CDR £12.60/ Apex £9.00 | N/A | N/A | Value Advance £15.00 | | N/A | |
| Super singles (Internet) | £ | | 1–5.50 & 2–5.50 | N/A | 2–5.50 | 1–3.50 | N/A | N/A | N/A | N/A | |
| Season ticket | £ | | N/A | 103.00 | N/A | N/A | 103.00 | N/A | N/A | N/A | |
| 10-journey ticket | £ | | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |

Source: CC analysis.

Notes:

1. Five of the 19 Scottish Citylink services pre-joint-venture required a change at Perth, 14 were direct services.
2. N/A = not applicable.

Competition on flow: between parties prior to joint venture

32. Pre-joint-venture, on weekdays, Scottish Citylink operated 19 services a day, whilst megabus and Stagecoach operated 7 and 10 daily services respectively. megabus offered 68 seats from Edinburgh to Perth and 89 seats from Perth to Dundee, whilst Scottish Citylink offered 49 and Stagecoach 51. Journey times were comparable between Scottish Citylink and megabus—Scottish Citylink took an average of 127 minutes, Stagecoach journeys took 137 minutes and megabus took 106 minutes. Scottish Citylink carried less than [X] the number of passengers of megabus in the 12 months prior to the joint venture.
33. The parties stated that the Stagecoach bus service on this flow did not compete with the longer-distance coach services provided by megabus and Scottish Citylink. In particular, the main parties stated that only [X] per cent of passengers in 2005/06 travelled the entire length of the route between Edinburgh and Dundee. They also added that the numbers travelling on the Stagecoach service was around [X] per cent of those travelling on each of megabus and Scottish Citylink's services on this flow. The Stagecoach service runs via Dunfermline and Glenrothes (97km), whereas the Scottish Citylink service runs via Perth along the M90 (113km). However, frequency and price seem comparable.
34. A standard return fare on Scottish Citylink was £15.30 and an apex return was available for £9.00. Scottish Citylink also offered some Internet super singles—[X] at £2, [X] at £3, [X] at £4.50 and [X] at £5.50. megabus fares differed for peak and off-peak services. Just prior to the joint venture, megabus fares were available for between £1 and £3.50 off-peak and £2 and £3.50 at peak times. Average megabus revenue per passenger was £[X].
35. Figure 3 shows that Stagecoach passenger numbers appear to be relatively low and stable compared with Scottish Citylink and megabus passenger numbers on this flow. Both megabus and Scottish Citylink passenger numbers have been increasing since megabus entered in this flow in August 2003. Indeed, the market seems to have expanded considerably.
36. In March 2005, megabus peak fares fell substantially from being mostly at £5 (with some at £3) to ranging from £2 to £3. Off-peak fares also fell from £1 to £4 to £1 to £3, with higher quotas at lower fare levels. This seems to have led to passenger numbers increasing from around [X] per period to over [X] per period. Scottish Citylink passenger numbers do not seem adversely affected.
37. Further adjustments were made to megabus quotas in April 2005, by reducing the number of tickets available at the £2 fare. In addition, on-the-day prices were increased from being mostly at £2 to being at £3 and £3.50. However, these do not appear to have led to reductions in passenger numbers.
38. Scottish Citylink passenger numbers have increased continually throughout the period with a small reduction in May 2005 following the price increases (from £14.60 to £15.30 for standard returns and £12 to £12.60 for cheap day returns).

FIGURE 3

Passenger numbers by operator

[X]

Source: CC analysis.

39. Figure 4 shows that average revenue has trended downwards since May 2004 for both Scottish Citylink and megabus. The March 2005 megabus price reductions appeared to lead to a slight fall in average revenue.

FIGURE 4

Average revenue by operator

[✂]

Source: CC analysis.

Changes since joint venture

40. The joint venture's weekday frequency has not changed from 19 and 7 services a day for Scottish Citylink and megabus to a combined 26 services a day; Stagecoach still operates 10 daily services. The parties considered this to be a substantial increase in timetabled frequency over the previous levels for each of Scottish Citylink and megabus separately. The parties noted that since the joint venture the last service from Edinburgh to Dundee via Perth now ran 1 hour later at 2300 hours.
41. Scottish Citylink standard fares have remained unchanged since the joint venture. However, since the joint venture the Scottish Citylink quota of fares for Mondays to Thursdays has been cut in exactly the same way as the Glasgow–Dundee flow—the number of £5.50 fares has been reduced from [✂], and the quota of £5.50 fares has been cut from [✂], with [✂] remaining available at each of £3 and £2.
42. megabus peak fares have increased from £2 to £3.50 prior to the joint venture to £3 to £5.50 since the joint venture, and off-peak fares have risen from £1 to £3.50 to £1 to £4.50 (increases of 17 to 29 per cent off-peak and 50 to 75 per cent peak). In some cases, these fares are higher than the pre-March 2005 levels (on-the-day fares) but in most others they remain below that level. Quotas at each fare band have not been changed. The parties noted that it was likely that fares were now lower than before March 2005. Passenger numbers have increased since the joint venture despite this change and average revenue has also increased.
43. The main parties provided evidence in relation to the impact of the changes in the Scottish Citylink timetable since the joint venture on the Stagecoach X54 service. This suggests that passenger numbers increased from [✂] to [✂] for the four-week period (compared with the same period in the previous year) on the X54 service following the Scottish Citylink timetable changes. The Stagecoach fare has not changed since the joint venture was formed.

Competition on flow: from other coach operators and other modes

44. There were no other bus/coach operators competing on the flow.
45. ScotRail runs 18 services a day and offers a quicker average journey time of 80 minutes (nearly 50 minutes quicker than Scottish Citylink and 25 minutes quicker than megabus). GNER runs four services on a weekday (74 to 83 minutes), whilst Virgin runs three services (83 to 96 minutes). A standard return and a Saver return were £15.60. As of June 2006, ScotRail launched a Value Advance ticket on this flow priced at £15.00 for a return.
46. Based on our generalized costs analysis, we found that the implied cost per hour of time suggests that rail probably was exerting a binding constraint on coach pricing on

this flow. Scottish Citylink fares pre- and post-joint-venture appear to be constrained by rail in scenarios E and F, and are close to the benchmark values in scenario D. For megabus, the implied value of time was close to the benchmark value in all scenarios,⁵ suggesting that megabus fares could be constrained by rail on this flow.

47. The parties noted that, given the higher proportion of students on this flow and that students were able to get a one-third discount from the rail fare with a student rail card, rail might pose a constraint. This would be likely to be sufficient to make rail a constraint on megabus for student passengers.
48. Based on Stagecoach's rule of thumb for rail competition, we found that this flow met the rule within a 10 per cent margin of error but not within a 5 per cent margin of error. This result only held when we applied the rule to the cheapest on-the-day return fares, suggesting that on this basis megabus fares may be constrained by rail on this flow.
49. Figure 5 shows that increases in coach passengers on this flow do not appear to have been at the expense of rail passengers. The parties noted that rail travel was experiencing a growth in passenger numbers and therefore it was not possible to see the true number of rail passengers that were switching to coach travel as this effect was masked by the influx of new rail passengers.

FIGURE 5

Passenger numbers—ScotRail compared with megabus and Scottish Citylink



Source: CC analysis.

Conclusion

50. Although megabus carried around [✂] the number of passengers as Scottish Citylink, there appears to have been some price competition on this flow, with operators responding to each other's seat promotions and price discounting, and average revenues declining over the period. However, based on our generalized costs analysis, we found that the implied cost per hour of time suggests that rail may exert a binding constraint on coach pricing on this flow. Scottish Citylink fares pre- and post-joint-venture appear to be constrained by rail in scenarios E and F, and are close to the benchmark values in scenario D. For megabus, the implied value of time was close to the benchmark value in all scenarios, suggesting that megabus fares could be constrained by rail on this flow. We therefore did not consider this flow to be a concern.

Flow ID 048—Edinburgh—Dunfermline

Route details on this flow

51. Prior to the joint venture, Scottish Citylink operated routes 957, 967 and 969 on this flow and Stagecoach Retained Business operated routes 55, X57 and X54. megabus was not operating on this flow. Post-joint venture, Scottish Citylink operates service M91 on this flow and Stagecoach Retained Business continues to operate routes 55,

⁵It is above £6.50 under scenarios D, E and F.

X57 and X54. All services were registered, commercial bus services prior to the joint venture.

52. Table 4 sets out a summary of the competing services on this flow.

TABLE 4 Summary of details of competing services

| FLOW ID | 048 | Post-joint-venture | | Pre-joint-venture | | Competitors |
|--------------------------|-------------|--------------------------|------------|--------------------------|------------|-------------|
| | Edinburgh | | | Scottish Citylink | Stagecoach | ScotRail |
| FLOW END | Dunfermline | Joint venture | Stagecoach | | | |
| Revenue | £ | | | | | |
| Passengers | | | | | | |
| Average revenue | £ | | | | | |
| Seats | | 49 | 49 | 49 | 49 | N/A |
| Weekday frequency | Per day | 11 | 44 | 14 | 44 | 35 |
| Saturday frequency | Per day | 12 | 36 | 14 | 36 | 35 |
| Sunday frequency | Per day | 7 | 24 | 7 | 24 | 7 |
| Journey time | Minutes | 39 | 55 | 39 | 55 | 30 |
| Standard single | £ | 4.30 | 3.75 | 4.30 | 3.75 | 3.60 |
| Standard return | £ | 7.30 | 6.70 | 7.30 | 6.70 | 6.90 |
| Cheap day return | £ | CDR £6.00/ Apex £5.10 | 3.50 | CDR £6.00/ Apex £5.10 | 3.50 | 4.60 |
| Super singles (Internet) | £ | N/A | N/A | N/A | N/A | N/A |
| Season ticket | £ | N/A | 92.00 | N/A | 92.00 | N/A |
| 10-journey ticket | £ | 24.50 | N/A | 24.50 | N/A | 32.00 |

Source: CC analysis.

Notes:

1. Stagecoach runs three services with different frequencies and journey times. The 55 service runs 28 times a day on weekdays with a journey time of 58 minutes, the X54 runs 13 times a day taking 49 minutes, and the X57 runs only three times a day taking 71 minutes.
2. N/A = not applicable.

Competition on flow: between parties prior to joint venture

53. From Table 4, it seems that the parties did not compete on this flow prior to the joint venture:

- (a) On weekdays, Scottish Citylink operated 14 services a day, whilst Stagecoach operated 44 daily services.
- (b) Scottish Citylink offered a journey time of 39 minutes, which was 10 minutes quicker than the fastest Stagecoach service (X54) and 19 minutes quicker than the 55 service.
- (c) A standard return fare on Scottish Citylink was £7.30, whilst the same ticket cost £6.70 on Stagecoach. However, Scottish Citylink offered a cheap day return at £6.00 and an Apex return at £5.10, compared with a cheap day return of £3.50 on Stagecoach.
- (d) Scottish Citylink passenger numbers were [X] those on the Stagecoach service in the 12 months prior to the joint venture. However, the parties stated that this difference was likely to be even greater as the Stagecoach passenger numbers did not include a number of passengers stopping at fare stages within Dunfermline or those passengers travelling on the £18 Edinburgh Megarider ticket (which allows travel to any point in Fife for a period of seven days after purchase). On the basis of adding those passengers stopping at fare stages within Dunfermline, the parties estimated that there would be approximately [X] passengers travelling on the Stagecoach services in the 12 months prior to the joint venture. This amounts to [X] times as many as on Scottish Citylink

services. We have not adjusted Figure 6 for this increased number of passengers.

54. Although both Scottish Citylink and Stagecoach services run for 28km, the Stagecoach services stop more times than the Scottish Citylink service, which stops only once at the Forth Road Bridge. The parties told us that Scottish Citylink services in the morning and evening peak periods did not travel into Dunfermline. The Stagecoach services ran as far as Kelty (55), Cowdenbeath (X57) and Dundee (X54). The 55 and X57 are therefore all-stop local services, whereas the X54 is more of an express service with only eight key stops between Dunfermline and Edinburgh. Indeed, journey times on the X54 are more comparable to the Scottish Citylink services. The X54 does, however, operate via Rosyth and Ferrytoll Park and Ride, unlike the Scottish Citylink services. The X54 and the 55 services combine to give a 20-minute daytime frequency on this flow (which is three times the frequency of that offered by Scottish Citylink services on this flow).
55. Figure 6 shows that passenger numbers for Scottish Citylink and Stagecoach move broadly together. The period around the joint venture shows spikes in passenger numbers for both businesses. This may have been caused by the four-day Forth Rail Bridge closures in late July 2005, which would have forced passengers from rail on to coach for that period only. The parties noted that the Edinburgh Festival also took place at this time and may have led to some of this increase.
56. On this flow, Stagecoach's passenger numbers appear to be trending slightly downwards, whilst Scottish Citylink's appear relatively stable. Following the May 2005 fare increase (standard singles rose from £4.10 to £4.30 and standard and cheap day returns each rose by 30p to £7.30 and £6 respectively), Scottish Citylink's passenger numbers appear to have declined to a low of around [X] passengers per four-weekly period, albeit spiking again three periods later.

FIGURE 6

Passenger numbers by operator

[X]

Source: CC analysis.

Changes since the joint venture

57. Since the joint venture, Scottish Citylink's weekday frequency has been reduced by three services a day to 11 daily services; Stagecoach still operates 44 daily services. Seat numbers and journey times have not changed. There have been no changes to fares. Passenger numbers in Figure 6 and average revenue appeared relatively unchanged since the joint venture despite this reduction in service levels.

Conclusions

58. Given the differences between the parties in service frequency, journey time, passenger numbers and type of service (local compared with express service), we did not consider this flow any further.

Flow ID 056—Dunfermline—Dundee

Route details on this flow

59. Prior to the joint venture, Scottish Citylink operated direct services 967 and 969 on this flow as well as some indirect services with a change at Perth. Stagecoach Retained Business operated route X54. megabus was not operating on this flow. Post-joint-venture, Scottish Citylink operates routes M91 and M8 on this flow, requiring a change at Perth, and Stagecoach Retained Business continues to operate route X54. Prior to the joint venture, all Scottish Citylink's services were part-registered bus services; Stagecoach's X54 was a registered, commercial bus service.
60. Table 5 sets out a summary of the competing services on this flow.

TABLE 5 Summary of details of competing services

| FLOW ID | 056 | | | | | | | |
|--------------------------|----------------|---------------------------|-------------------|--------------------------|-------------------|--------------------|-------------|---------------|
| FLOW START | Dunfermline | <i>Post-joint-venture</i> | | <i>Pre-joint-venture</i> | | <i>Competitors</i> | | |
| FLOW END | Dundee | <i>Joint venture</i> | <i>Stagecoach</i> | <i>Scottish Citylink</i> | <i>Stagecoach</i> | <i>ScotRail</i> | <i>GNER</i> | <i>Virgin</i> |
| Revenue | £ | ⌋ | | | | | | |
| Passengers | | | | | | | | |
| Average revenue | £ | ⌋ | | | | | | |
| Seats | | | | | | | | |
| Weekday frequency | <i>Per day</i> | 49 | 51 | 49 | 51 | N/A | N/A | N/A |
| Saturday frequency | <i>Per day</i> | 12 | 12 | 14 | 12 | 13 | 4 | 3 |
| Sunday frequency | <i>Per day</i> | 12 | 11 | 14 | 11 | 13 | 4 | 3 |
| Journey time | <i>Minutes</i> | 7 | - | 7 | - | 11 | 3 | 3 |
| Standard single | £ | 90 | 82 | 85-94 | 82 | 54-83 | 57-67 | 55-58 |
| Standard return | £ | 6.80 | 6.00 | 6.80 | 6.00 | 10.30 | N/A | N/A |
| Cheap day return | £ | 11.60 | 9.00 | 11.60 | 9.00 | 15.10 | N/A | N/A |
| Super singles (Internet) | £ | 9.50 | N/A | 9.50 | N/A | 10.90 | N/A | N/A |
| Season ticket | £ | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 10-journey ticket | £ | N/A | 103 | N/A | 103 | N/A | N/A | N/A |
| | | 39 | N/A | 39 | N/A | N/A | N/A | N/A |

Source: CC analysis.

Notes:

1. Average journey time for Scottish Citylink pre-joint-venture was 91 minutes (nine of the 14 services took 93 minutes). Of the 14 pre-joint-venture services, four required a change at Perth.
2. The train competition is for services from Inverkeithing to Dundee. Inverkeithing is less than 8km (5 miles) outside Dunfermline and 6.5km (4 miles) from the coach station.
3. N/A = not applicable.

Competition on flow: between parties prior to joint venture

61. The information in Table 5 suggests that although Scottish Citylink carried less than [✂] the number of passengers that Stagecoach carries, the main parties did compete on this flow prior to the joint venture:
- (a) On weekdays, Scottish Citylink operated 14 services a day, whilst Stagecoach operated 12 daily services.
 - (b) The Scottish Citylink average journey time was 91 minutes, whilst Stagecoach journeys were 9 minutes faster.
 - (c) A standard return fare on Scottish Citylink was £11.60, whilst the same ticket cost £9.00 on Stagecoach, although a cheap day return was available on Scottish Citylink for £9.50 and an apex return at £8.10.
62. The Stagecoach service runs from Dunfermline to Dundee via Glenrothes (as part of the route from Edinburgh to Dundee), stopping around 12 times en route (69km) as a limited stop service. For Scottish Citylink, this flow was part of the express route from Edinburgh to Dundee, travelling up the M90 to Perth (via Kinross and Milnathort) and then on to Inchtute and Dunfermline (88km). The services therefore run along very different routes but provide comparable journey times, frequencies and fares.
63. The parties noted that the X24 service interconnects with the X54 to give a combined 30-minute frequency on this flow. The X24 operated Glasgow–Dunfermline–Glenrothes–St Andrews, giving a combined 30 minutes headway between Dunfermline and Glenrothes with the X54. The X54 also forms part of the 5-minute peak/10-minute off-peak headway between Ferrytoll Park and Ride and Edinburgh.
64. Figure 7 shows that Stagecoach’s single service on this flow carries around [✂] more passengers per period than Scottish Citylink’s services. Stagecoach’s passenger numbers show a large element of seasonality, with dips each year around Christmas. This chart does not show any indication of passengers switching between services. Indeed, the passenger numbers for both Stagecoach and Scottish Citylink seem to move together.

FIGURE 7

Passenger numbers by operator

[✂]

Source: CC analysis.

65. Figure 8 shows that average revenue has increased for Scottish Citylink since the May 2005 fare increase (standard singles rose from £6.50 to £6.80 and standard returns rose from £11.10 to £11.50) and for Stagecoach since the September 2005 fare increase.

FIGURE 8

Passenger numbers by operator

[✂]

Source: CC analysis.

Changes since the joint venture

66. Since the joint venture, the joint venture's weekday frequency has been reduced by two services a day to 12 daily services; Stagecoach still operates 12 daily services. Seat numbers have not changed. The joint venture service has about the same journey time as the Scottish Citylink pre-joint-venture service, whilst the Stagecoach journey time remains unchanged. Stagecoach fares on this flow were changed in September 2005 so that an adult single fare increased from £5.50 to £6.00. There have been no changes to fares since that date.
67. Figure 7 shows that Scottish Citylink's passenger numbers have decreased significantly since the joint venture, to less than [] per four-weekly period. The parties noted that this was because all services on the joint venture now required a change at Perth, whereas they did not previously. The parties stated that there might be a perception that the X54 service was quicker. However, the loss of Scottish Citylink passengers since the joint venture does not appear to have been to the benefit of Stagecoach's services. Since the reconfiguration of services, Figure 8 shows that annual revenue has increased considerably despite the fall in passenger numbers.

Competition on flow: from other coach operators and other modes

68. The parties drew our attention to the rail service from Inverkeithing to Dundee. Inverkeithing rail station is less than 8km (5 miles) outside Dunfermline and 6.5km (4 miles) from Dunfermline coach station. It could therefore be considered to be providing an alternative form of transport for this route.
69. Train services are run by ScotRail, Virgin and GNER on this flow. The frequency of services is comparable to the joint venture and services are quicker with an average journey time of 63 minutes compared with 83 minutes on Stagecoach and 91 minutes on Scottish Citylink.
70. Figure 9 shows that coach and rail passenger numbers appear to move broadly together. The parties noted that rail travel was experiencing a growth in passenger numbers and therefore it was not possible to see the true number of rail passengers that were switching to coach travel as this effect was masked by the influx of new rail passengers.

FIGURE 9

Passenger numbers—ScotRail compared with megabus and Scottish Citylink

[]

Source: CC analysis.

71. We considered that any incentive for Stagecoach to raise the joint venture's fares would be contrary to the shareholder agreement and to the disadvantage of Braddell, and was therefore unlikely.

Conclusion

72. Given the lack of apparent passenger switching and price competition pre-joint-venture, and the corporate governance issues that would make a price rise by the joint venture unlikely, we did not consider this flow further.

Flow ID 057—Kinross—Perth

Route details on this flow

73. Prior to the joint venture, Scottish Citylink operated routes 957, 967 and 969 on this flow and Stagecoach Retained Business operated route 56. megabus was not operating on this flow. Post-joint-venture, Scottish Citylink operates routes M91 on this flow and Stagecoach Retained Business continues to operate route 56. Prior to the joint venture, all services were registered bus services.
74. The parties stated that Stagecoach's service 56 is fully tendered by Perth and Kinross Council, with the tender to be renewed in January 2007. As a result, Stagecoach is unable to alter either fares or service levels, since these are set by the local authorities.
75. Table 6 sets out a summary of the competing services on this flow.

TABLE 6 Summary of details of competing services

| FLOW ID | 057 | Post-joint-venture | | Pre-joint-venture | |
|--------------------------|---------|--------------------|------------|-------------------|------------|
| | Kinross | Joint venture | Stagecoach | Scottish Citylink | Stagecoach |
| FLOW START | Perth | | | | |
| FLOW END | | | | | |
| Revenue | £ | ⌘ | | | |
| Passengers | | | | | |
| Average revenue | £ | ⌘ | | | |
| Seats | | | | | |
| Weekday frequency | Per day | 49 | 42 | 49 | 49 |
| Saturday frequency | Per day | 12 | 9 | 15 | 9 |
| Sunday frequency | Per day | 13 | 9 | 15 | 9 |
| Journey time | Minutes | 7 | 4 | 7 | 4 |
| Standard single | £ | 30 | 43 | 30 | 43 |
| Standard return | £ | 3.80 | 2.40 | 3.80 | 2.40 |
| Cheap day return | £ | 6.50 | 4.40 | 6.50 | 4.40 |
| Super singles (Internet) | £ | 5.30 | N/A | 5.30 | N/A |
| Season ticket | £ | N/A | N/A | N/A | N/A |
| 10-journey ticket | £ | 76.00 | 92.00 | 76.00 | 92.00 |
| | | 21.70 | N/A | 21.70 | N/A |

Source: CC analysis.

Note: N/A = not applicable.

Competition on flow: between parties prior to joint venture

76. From Table 6 it is not clear to what extent the parties competed on this flow prior to the joint venture:
- On weekdays, Scottish Citylink operated 15 services a day, whilst Stagecoach operated 9 daily services.
 - Scottish Citylink offered a journey time of 30 minutes, whilst Stagecoach journeys took 43 minutes.
 - A standard return fare on Scottish Citylink was £6.50 (with a cheap day return available for £5.30), whilst the same ticket cost £4.40 on Stagecoach. However, a monthly season ticket was more expensive for Stagecoach than for Scottish Citylink (£92 compared with £76).
 - ⌘ as many passengers used the Scottish Citylink service as used the Stagecoach service.

77. The Scottish Citylink and Stagecoach services appear to be different types of service. For Scottish Citylink, this flow was part of the express route from Perth to Edinburgh, with only Milnathort as a stop between Perth and Kinross (29km). For Stagecoach, the service run on this flow is a more local service running from Perth to Cowdenbeath with very frequent stops between Perth and Kinross (34km).
78. Figure 10 suggests that passenger numbers for Scottish Citylink have been decreasing since April 2004, from between [redacted] to [redacted] per four-weekly period to around [redacted] per four-weekly period since the start of 2005. The parties were unable to provide an explanation for this trend. Passengers on Stagecoach's services have been relatively stable at around [redacted] per four-weekly period and have increased slightly above this in the last year.

FIGURE 10

Passenger numbers by operator

[redacted]

Source: CC analysis.

79. Figure 11 suggests that for Scottish Citylink average revenue has actually risen since May 2005 when fares were increased (standard returns rose from £6.10 to £6.50). So although passenger numbers fell at this point in Figure 10, not enough passengers switched away from Scottish Citylink services to prevent an increase in average revenue.

FIGURE 11

Average revenue by operator

[redacted]

Source: CC analysis.

Changes since the joint venture

80. Since the joint venture, Scottish Citylink's weekday frequency has been reduced by three services a day to 12 daily services; Stagecoach still operates 10 daily services. Journey times and fares have not changed.
81. The parties attributed the fall in Scottish Citylink passenger numbers in the last period (P11 05/06) to heavy snow in March.

Conclusion

82. Given the difference in service offerings prior to the joint venture, with the Stagecoach service a local service and the Scottish Citylink service an express service, and given that Stagecoach is unable to alter fares or service levels on its services, we did not consider this flow any further.

Flow ID 068—Stonehaven—Aberdeen

Route details on this flow

83. Prior to the joint venture, Scottish Citylink operated routes 965, 969, 987 and 988 on this flow and Stagecoach Retained Business operated routes X7, 107 and 117. megabus was not operating on this flow. Post-joint-venture, Scottish Citylink operates route M9 on this flow and Stagecoach Retained Business continues to operate routes X7, 107 and 117. Prior to the joint venture, all services were registered bus services.
84. Table 7 sets out a summary of the competing services on this flow.

TABLE 7 Summary of details of competing services

| FLOW ID | 068 | | | | | | | |
|--------------------------|----------------|---------------------------|-------------------|--------------------------|-------------------|--------------------|-------------|---------------|
| FLOW START | Stonehaven | <i>Post-joint-venture</i> | | <i>Pre-joint-venture</i> | | <i>Competitors</i> | | |
| FLOW END | Aberdeen | <i>Joint venture</i> | <i>Stagecoach</i> | <i>Scottish Citylink</i> | <i>Stagecoach</i> | <i>ScotRail</i> | <i>GNER</i> | <i>Virgin</i> |
| Revenue | £ | ⌋ | | | | | | |
| Passengers | | | | | | | | |
| Average revenue | £ | | | | | | | |
| Seats | | 49 | 42 | 49 | 49 | N/A | N/A | N/A |
| Weekday frequency | <i>Per day</i> | 1 | 60 | 4 | 40 | 34 | 4 | 2 |
| Saturday frequency | <i>Per day</i> | 1 | 49 | 4 | 37 | 34 | 3 | 3 |
| Sunday frequency | <i>Per day</i> | - | 20 | 1 | 12 | 16 | 3 | 4 |
| Journey time | <i>Minutes</i> | 40 | 70 | 25 | 70 | 20 | 25 | 22 |
| Standard single | £ | 4.10 | 3.20 | 4.10 | 3.20 | 3.50 | N/A | N/A |
| Standard return | £ | 7.00 | 6.10 | 7.00 | 6.10 | 5.80 | N/A | N/A |
| Cheap day return | £ | 5.70 | 6.10 | 5.70 | 6.10 | 4.60 | N/A | N/A |
| Super singles (Internet) | £ | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Season ticket | £ | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 10-journey ticket | £ | N/A | N/A | N/A | N/A | 28.90 | N/A | N/A |

Source: CC analysis.

Notes:

1. Whilst this report was being published, the parties noted that Stagecoach Bluebird service x7 operated on overlap flows between Aberdeen, Stonehaven and Montrose. This service was not identified in all of the original data supplied to us, and passenger numbers and revenue data for the service were not included in the data supplied on the relevant overlap flows. This service ran eight times a day on weekdays, taking 40 minutes. This service took £[redacted] of revenue in financial year 2005/06. However, we did not consider that this would change our analysis on this flow.

2. N/A = not applicable.

Competition on flow: between parties prior to joint venture

85. Table 7 suggests that the parties did not compete on this flow prior to the joint venture:
- (a) On weekdays, Scottish Citylink operated only 4 services a day, whilst Stagecoach operated 40 daily services.
 - (b) Scottish Citylink revenue on this flow was only £[~~£~~] compared with Stagecoach's £[~~£~~], in the 12 months prior to the joint venture.
 - (c) Scottish Citylink offered a journey time of 25 minutes, whilst Stagecoach journeys were much slower at 70 minutes.
86. For Scottish Citylink, this flow was part of the express route to Aberdeen; Stonehaven was the last stop (for pick-up and drop-off) before Aberdeen. For Stagecoach, services run on this flow are local services and travel only from Stonehaven to Aberdeen. In addition, unlike the Scottish Citylink services, the Stagecoach services are all stop services which divert into Newtonhill and Portlethen and also serve the Stonehaven estates.
87. Although fares were similar on Scottish Citylink and Stagecoach (a standard return fare on Scottish Citylink was £7.00 (off-peak day returns were available for £4.10 and Apex returns for £4.90), whilst the same ticket cost £6.10 on Stagecoach), the four factors above suggest that the services were not competing.

Changes since the joint venture

88. The joint venture's weekday frequency has been reduced by three services a day to only one daily service; Stagecoach has increased its operations from 40 to 60 daily services. The parties noted that Stagecoach had not reduced its capacity from 49 to 42 seats on this flow since the establishment of the joint venture. Rather, the additional services added by Stagecoach since the joint venture were part of a Bus Route Development Grant bid submitted in summer 2004, but only implemented after the joint venture was created. The core frequency between Stonehaven and Aberdeen was therefore increased after the scheme was implemented from every 20 minutes to every 15 minutes, with most vehicles being operated by ten new 42-seat vehicles. Previously, a mix of vehicle types, of differing capacities, was used.
89. Scottish Citylink's journey time has increased from 25 to 40 minutes. The parties noted that this increase in journey time was a consequence of the fact that the remaining Scottish Citylink service operated at peak times only. There have been no alterations to fares.

Conclusion

90. Despite the service reconfigurations since the joint venture, there does not appear to have been sufficient competition on this flow prior to the joint venture between Scottish Citylink and Stagecoach. We therefore did not consider this flow any further.

Flow ID 071—Glasgow—Cumbernauld

Route details on this flow

91. Prior to the joint venture, Scottish Citylink operated routes 963, 988, 990 and 995 on this flow and Stagecoach Retained Business operated routes X24, X26 (both Stagecoach in Fife), and X25 (Stagecoach Glasgow). megabus was not operating on this flow. Post-joint-venture, Scottish Citylink operates route M8 on this flow and Stagecoach Retained Business continues to operate routes X24, X26 and X25. Prior to the joint venture, all services were registered bus services.
92. Table 8 sets out a summary of the competing services on this flow.

TABLE 8 Summary of details of competing services

| FLOW ID | 071 | | | | | | |
|--------------------------|----------------|---------------|--------------------|-------------------|-------------------|---------------|-------------|
| | FLOW START | Glasgow | Post-joint-venture | | Pre-joint-venture | | Competitors |
| FLOW END | Cumbernauld | Joint venture | Stagecoach | Scottish Citylink | Stagecoach | First Glasgow | ScotRail |
| Revenue | £ | ⌋ | | | | | |
| Passengers | | | | | | | |
| Average revenue | £ | ⌋ | | | | | |
| Seats | | 49 | 51 | 49 | 51 | N/A | N/A |
| Weekday frequency | <i>Per day</i> | 13 | 52 | 10 | 52 | 100 | 37 |
| Saturday frequency | <i>Per day</i> | 13 | 49 | 10 | 49 | 122 | 37 |
| Sunday frequency | <i>Per day</i> | 7 | 30 | 7 | 30 | 81 | 15 |
| Journey time | <i>Minutes</i> | 22 | 23 | 24 | 23 | 37–56 | 26 |
| Standard single | £ | 4.20 | 1.15 | 4.20 | 1.15 | £1.75/£2.50 | 3.05 |
| Standard return | £ | 7.10 | 2.10 | 7.10 | 2.10 | N/A | 5.10 |
| Cheap day return | £ | 5.90 | N/A | 5.90 | N/A | N/A | 3.70 |
| Super singles (Internet) | £ | N/A | N/A | N/A | N/A | N/A | N/A |
| Season ticket | £ | N/A | N/A | N/A | N/A | N/A | N/A |
| 10-journey ticket | £ | N/A | N/A | N/A | N/A | N/A | N/A |

Source: CC analysis.

Note: N/A = not applicable.

Competition on flow: between parties prior to joint venture

93. Although both Scottish Citylink and Stagecoach use Cumbernauld as the first stop on express services to Aberdeen and St Andrews respectively,⁶ Table 8 suggests that the main parties did not compete much on this flow prior to the joint venture:
- (a) On weekdays, Scottish Citylink operated 10 services a day, whilst Stagecoach operated 52 daily services.
 - (b) Scottish Citylink revenue on this flow was only £[~~5~~] compared with Stagecoach's £[~~5~~], in the 12 months prior to the joint venture.
 - (c) The single and return fares on Scottish Citylink services were more than twice the fares on Stagecoach services (a standard return fare on Scottish Citylink was £7.10, whilst the same ticket cost only £2.10 on Stagecoach, despite the fact that the journey time was 23 or 24 minutes on each service).

Changes since the joint venture

94. Since the joint venture, weekday frequency has been increased by three services a day to 13 daily services; Stagecoach still operates 54 daily services. There have been no fare changes with the introduction of the joint venture.

Conclusion

95. Given the apparent lack of competition prior to the joint venture and the fact that First Glasgow is the main operator on this flow, we did not consider this flow any further.

Flow ID 119—Perth—Luncarty

Route details on this flow

96. Prior to the joint venture, Scottish Citylink operated route 957 on this flow and Stagecoach Retained Business operated routes 23, 24, 27 and 34. megabus was not operating on this flow. Post-joint-venture, Scottish Citylink operates route M91 on this flow and Stagecoach Retained Business continues to operate routes 23, 24, 27 and 34. Prior to the joint venture, all services were registered bus services. Stagecoach service 34 is part-tendered and part-commercial, and services 23, 24 and 27 are fully tendered by Perth and Kinross Council. In relation to the fully tendered services, Stagecoach is therefore unable to alter either fares or service levels, since these are set by the local authorities.
97. Table 9 sets out a summary of the competing services on this flow.

⁶The Stagecoach X25 service is a local, limited-stop service rather than being an express service. The service extends from Cumbernauld town centre to various estates in Glasgow.

TABLE 9 Summary of details of competing services

| FLOW ID | 119 | Post-joint-venture | | Pre-joint-venture | |
|--------------------------|----------|--------------------|------------|-------------------|------------|
| | Perth | | | | |
| FLOW START | | | | | |
| FLOW END | Luncarty | Joint venture | Stagecoach | Scottish Citylink | Stagecoach |
| Revenue | £ |) | | | |
| Passengers | | | | | |
| Average revenue | £ |) | | | |
| Seats | | | | | |
| Weekday frequency | Per day | 49 | 49 | 49 | 49 |
| Saturday frequency | Per day | 5 | 25 | 3 | 25 |
| Sunday frequency | Per day | 5 | 25 | 3 | 25 |
| Journey time | Minutes | 5 | 7 | 2 | 7 |
| Standard single | £ | 10 | 13 | 10 | 13 |
| Standard return | £ | 3.80 | 1.30 | 3.80 | 1.30 |
| Cheap day return | £ | 6.50 | 2.50 | 6.50 | 2.50 |
| Super singles (Internet) | £ | 4.50 | 2.50 | 4.50 | 2.50 |
| Season ticket | £ | N/A | N/A | N/A | N/A |
| 10-journey ticket | £ | N/A | N/A | N/A | N/A |

Source: CC analysis.

Notes:

- Whilst this report was being published, the parties noted that services 23, 24 and 27 were not identified in all of the original data supplied to us, and passenger numbers and revenue data for the service were not included in the data supplied on the relevant overlap flows. These services ran 16 times a day on weekdays, taking 17 minutes. This service took £[redacted] of revenue in financial year 2005/06. However, we did not consider that this would change our analysis on this flow.
- N/A = not applicable.

Competition on flow: between parties prior to joint venture

- Table 9 suggests that the main parties did not compete on this flow prior to the joint venture:
 - Scottish Citylink services only ran three times a day compared with Stagecoach's 25 services.
 - Scottish Citylink revenue on this flow was only £[redacted] compared with Stagecoach's £[redacted], in the 12 months prior to the joint venture.
 - The fares of a single and a return on Scottish Citylink services were more than twice the fare of Stagecoach services.
- For Scottish Citylink, this flow was part of the Perth–Inverness express route and Luncarty was the first stop (for pick-up and drop-off) after Perth. The Scottish Citylink Luncarty stop is located in on the A9 dual carriageway 2.5km (1.5 miles) outside of Luncarty. For Stagecoach, service 34 is a local all-stop service running from Perth to Spittalfield and Aberfeldy only. The journey times are similar because the distances are short and the Stagecoach service does not stop much more regularly. Services 23, 24 and 27 do not serve Luncarty village (unlike service 34) but do stop on the A9 outside Luncarty in the same place as the Scottish Citylink services. However, these services generated revenue of less than £[redacted] in financial year 2005/06.

Changes since the joint venture

- Since the joint venture, weekday frequency has been increased by two services a day to five daily services; Stagecoach still operates 25 daily services. There have been no fare changes with the introduction of the joint venture.

Conclusion

101. Given the apparent lack of competition prior to the joint venture, we did not consider this flow any further.

Flow ID 120—Perth—Birnham

Route details on this flow

102. Prior to the joint venture, Scottish Citylink operated route 957 on this flow and Stagecoach Retained Business operated routes 23, 24 and 27. All services were registered bus services. megabus was not operating on this flow. Post-joint-venture, Scottish Citylink operates route M91 on this flow and Stagecoach Retained Business continues to operate routes 23, 24 and 27.
103. The Stagecoach services on this flow are fully tendered services. As a result, Stagecoach is unable to alter either fares or service levels, since these are set by the local authorities.
104. Table 10 sets out a summary of the competing services on this flow.

TABLE 10 Summary of details of competing services

| FLOW ID | 120 | | Post-joint-venture | | Pre-joint-venture | | Competitors | |
|--------------------------|---------|---------|--------------------|------------|-------------------|------------|-------------|----------|
| | Perth | Birnham | Joint venture | Stagecoach | Scottish Citylink | Stagecoach | Broons | ScotRail |
| Revenue | £ | | | | | | | |
| Passengers | | | | | | | | |
| Average revenue | £ | | | | | | | |
| Seats | | | 49 | 49 | 49 | 49 | N/A | N/A |
| Weekday frequency | Per day | | 5 | 11 | 3 | 11 | 1 | 7 |
| Saturday frequency | Per day | | 5 | 12 | 3 | 12 | - | 7 |
| Sunday frequency | Per day | | 5 | 3 | 2 | 3 | - | 3 |
| Journey time | Minutes | | 23 | 30 | 23 | 30 | N/A | 20 |
| Standard single | £ | | 5.00 | 1.90 | 5.00 | 1.90 | N/A | 5.30 |
| Standard return | £ | | 8.50 | 3.60 | 8.50 | 3.60 | N/A | 5.70 |
| Cheap day return | £ | | 7.00 | 3.60 | 7.00 | 3.60 | N/A | N/A |
| Super singles (Internet) | £ | | N/A | N/A | N/A | N/A | N/A | N/A |
| Season ticket | £ | | N/A | N/A | N/A | N/A | N/A | N/A |
| 10-journey ticket | £ | | N/A | N/A | N/A | N/A | N/A | N/A |

Source: CC analysis.

Note: N/A = not applicable.

Competition on flow: between parties prior to joint venture

105. Table 10 suggests that the main parties did not compete on this flow prior to the joint venture:
- Scottish Citylink services only ran three times a day compared with Stagecoach's 11 services.
 - Scottish Citylink revenue on this flow was only £[~~£~~] compared with Stagecoach's £[~~£~~], in the 12 months prior to the joint venture.
 - Scottish Citylink's service took only 23 minutes, whereas Stagecoach's services took 30 minutes.

(d) The single and return fares on Scottish Citylink services were more than twice the fares on Stagecoach services.

106. For Scottish Citylink, this flow was part of the Perth–Inverness express route and Birnam was a stop (for pick-up and drop-off) after Perth. The Scottish Citylink services stop on the A9 outside Birnam village. For Stagecoach, services 23 and 27 run on this flow are local services running from Perth to Birnam, and stop in Birnam village itself.

Changes since the joint venture

107. Since the joint venture, weekday frequency has been increased by two services a day to five daily services; Stagecoach still operates 11 daily services. There have been no fare changes with the introduction of the joint venture.

Conclusion

108. Given the apparent lack of competition prior to the joint venture and that Stagecoach is unable to alter fares or service levels on its services, we did not consider this flow any further.