



News Release

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CC HAS CHANGE FOR THE BUSES

The Competition Commission (CC) has today published detailed and wide-ranging proposals to open up bus markets across the country to greater competition.

This is the latest stage in the CC's investigation into the local bus market in the UK (excluding London and Northern Ireland) and it is consulting on these proposals before it publishes its final report later this year. The full provisional decision on remedies is available on the CC's [website](#).

The CC published its [provisional findings](#) in May this year (and its [provisional findings on tacit coordination](#) in August). In its provisional findings the CC concluded that in many local areas the largest bus operator faced little or no competition, leading to passengers facing less frequent services and, in some cases, higher fares than where there was some form of rivalry. The CC also indicated that the way some local authorities tender for supported services—necessary bus services which would not be provided without public subsidy—can also restrict competition.

The CC also published a [Notice of Possible Remedies](#) in May, outlining potential measures to address those features in the bus market which have been preventing, restricting or distorting competition. Since then the CC has been discussing these measures in detail with bus operators, passenger groups, local transport authorities (LTAs), Traffic Commissioners, the Department for Transport (DfT), the Scottish and Welsh Governments and the Office of Fair Trading (OFT).

Jeremy Peat, Chairman of the local bus market investigation Group, said:

These measures aim to get to the heart of the problems we have identified and open up local bus markets to entry and expansion—so reducing the number of areas where the main operator faces little or no competition. Together these measures are designed to address the specific factors which prevent competition developing and being sustained at a local level and lead to passengers losing out.

This is a comprehensive set of practical and sensible measures which will help encourage more competition and benefit passengers. Given the number and diversity of bus markets we are looking to give LTAs enhanced powers to tailor

some of these measures to particular local conditions. For example, we are proposing that LTAs be given greater powers to introduce and reform multi-operator ticketing schemes in their local area.

We believe that greater competition between operators is the best way to rectify the problems we have identified and ensuring fair access to bus stations, tackling 'over bussing', opening up the tendering process, close scrutiny of bus mergers, and encouraging 'competition-friendly' partnerships will all help achieve this.

We are not recommending franchising—as operates in London—because it addresses the symptoms of the problems we have found rather than the cause. However, we recognize that franchising remains an important option for LTAs and would not wish to rule out its future application in particular local markets. LTAs also have wider social and policy objectives that are not relevant to this investigation, but which may legitimately lead them to take a different view on this matter.

The CC's proposed remedies include:

- Increasing the number and effectiveness of multi-operator ticketing schemes, by giving LTAs additional powers to introduce and reform schemes on terms that make them effective and attractive to passengers. Recommending changes to the Ticketing Block Exemption to assist this process.
- Restrictions on bus operators making changes to service frequency—to discourage 'over-bussing' and other short-term actions to destabilize competitors. Recommending that Traffic Commissioners introduce and enforce a Code of Conduct to prevent unacceptable behaviour. Limited protection for municipal operators during a sales process.
- Ensuring that new entrants and competing operators can get access to bus stations managed by other local operators on fair, reasonable and non-discriminatory terms.
- Recommending that the DfT update its best practice guidance for LTAs on tendering for supported services and that the Scottish and Welsh Governments develop suitably tailored guidance to maximize the value for money obtained through the tendering process. LTAs to be given power to obtain information about services being deregistered to help them specify any further tenders.
- Recommending that the OFT applies a high priority to identifying bus mergers between competing operators, takes a cautious approach in exercising its discretion not to refer small mergers and updates its competition guidance for the industry.
- Recommending that LTAs consider introducing partnerships with operators as a means of improving passenger information and growing bus patronage, thereby facilitating increased competition via new entry within their local areas. The OFT and LTAs to set up a forum to ensure that any risks in partnerships for competition are minimized.
- Recommending that the DfT, as part of its review of the Bus Service Operators Grant (BSOG) in England, looks at ways to incentivize operators to participate in the above measures. This recommendation may also be of interest to the Scottish and Welsh Governments should they decide to undertake a similar review in the future.

The CC has today also published a working paper on the responses to its performance concentration analysis. It will shortly publish an addendum to provisional findings on geographic market segregation and a working paper on route and area analysis.

Any comments on the provisional decision on remedies should be made in writing, by 5pm on 27 October 2011 either by email to buses@cc.gsi.gov.uk or by writing to:

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Notes for editors

1. The OFT [referred](#) the local bus market to the CC in January 2010, following its initial study into the sector and public consultation. The CC is now carrying out its own comprehensive investigation to see if any features of this market prevent, restrict or distort competition and, if so, what action might be taken to remedy the resulting adverse effects on competition.
2. Since starting the investigation, the CC has carried out an extensive investigation of an industry that carries 2.9 billion passenger journeys a year and has 1,245 different operators. The inquiry has held hearings and received submissions from a wide variety of parties in England, Wales and Scotland (which each have transport policies and funding set by their respective governments) including bus operators, trade associations, passenger groups, LTAs, national and local Government and regulators. It has also carried out detailed passenger surveys, and various economic and accounting analyses, as well as case studies on local bus markets.
3. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
4. Under the Enterprise Act 2002, the OFT can make a market investigation reference to the CC if it has reasonable grounds for suspecting that competition is not working effectively in that market.
5. The members of the local bus market investigation Group are Jeremy Peat (Chairman), Ivar Grey, Thomas Hoehn, Katherine Holmes and Michael Waterson. Jeremy Peat took over as Group Chairman from previous Chairman, Diana Guy, when her term as a CC member and as CC Deputy Chairman ended on 30 November 2010.
6. In its investigation, the CC is required to decide whether 'any feature, or combination of features, of each relevant market prevents, restricts or distorts competition in connection with the supply or acquisition of any goods or services in the United Kingdom or a part of the United Kingdom'. If so, then there is an adverse effect on competition and the CC will also consider whether this is resulting in a detrimental effect on customers such as higher prices, lower quality or less choice of goods or services. The CC will then decide whether the CC should introduce remedies to tackle the adverse effect on competition and/or detrimental effect on customers and/or whether the CC should recommend that action be taken by other bodies to remedy the adverse effects on competition and, if so, what actions or remedies. If the CC finds that there is no adverse effect on competition, the question of remedies will not arise.

7. The Enterprise Act 2002 requires the CC to consult the main parties on its proposed decisions, and it will also publish notice of its provisional findings on the CC website as required by its rules. Full details on the CC's guidelines for market investigation references are available on the CC website at: www.competition-commission.org.uk/rep_pub/rules_and_guide/pdf/cc3.pdf.
8. Enquiries should be directed to [Rory Taylor](#) or [Siobhan Allen](#) or by ringing 020 7271 0242.