CMA
Competition & Markets Authority

FIRSTGROUP/SB HOLDINGS REMEDY REVIEW

Summary of hearing with Transport Focus on 10 December 2015

Introduction

1. Transport Focus told us it was a consumer organisation that looked after users of the Strategic Road Network in England, rail passengers throughout Great Britain, as well as bus, coach and tram passengers outside of London but within England. It had no statutory remit within Scotland for its bus work but was funded to undertake major tasks such as the Bus Passenger Survey and the Tram Passenger Survey by the Scottish government via its arm's-length body, Transport Scotland. It had also undertaken pieces of ad hoc work such as looking at possible factors behind poor bus punctuality.

2. Transport Focus' level of involvement in the bus market in Scotland came solely from passengers by gathering information of the transport users' experience and presenting and reporting it back to Government and to the bus companies. In autumn 2014 Transport Focus conducted a Bus Passenger Survey (BPS) of over 10,000 passengers in Scotland. The BPS covered all of the regional transport areas (apart from the Highlands) of Scotland, capturing information relating to a snapshot of that particular journey on that day. Transport Focus believed it had obtained a robust sample size for every bus company surveyed.

Changes in circumstance and current competition

3. Transport Focus noted there had been significant changes since the original decision in 1997, and since the undertakings were last reviewed in 2008, which it believed made an impact on competition. As well as additional services introduced by other bus operators and a new tram line in Edinburgh, new rail services had also been introduced between Alloa and Stirling, Airdrie and Bathgate and Tweedbank to Edinburgh.

4. In addition to the significant changes in the modes of transport and subsequent increased competition, there were other factors such as the impact of passenger choice and effects of the Scottish government's policy-driven investment to entice people away from the use of private cars onto public transport.

5. Differences could be seen between the Glasgow-focused network, and the operations around Edinburgh where the City of Edinburgh had invested in road traffic management policies and the bus and tram network in its efforts to make public transport more attractive than use of private cars.

6. Transport Focus noted the network was larger in Glasgow, with FirstGroup being the more dominant operator. It was comparatively more accessible for private car users than in Edinburgh, and this impacted on competition. BPS results showed that passenger competition was more about choice between bus or car, rather than bus or rail, and it was noted that results showed over 50% of passengers travelled on the bus network because they had no access to a private car and that the bus network was often cited as a lifeline. Despite a low value for money score in the survey results, FirstGroup passengers rated it overall highly on satisfaction levels and particularly favoured the frequency in its services.

FirstGroup operations

7. Commenting on the way FirstGroup ran its operations in terms of quality, frequency of service and the interior of the buses. Transport Focus said it saw more similarities than differences compared to other bus operators. As well as speaking to Transport Focus, bus operators often took the findings of the BPS and spoke to each other about looking at ways to improve those results, including better training for drivers particularly in aspects of customer service.

8. BPS results encompassing routes covered by First Glasgow, First Aberdeen and First Scotland East showed that FirstGroup scored good passenger satisfaction levels particularly in Edinburgh and also in Glasgow. Passengers liked the frequency of service.

9. However, their value for money scores were quite low especially when compared with high operators such as Lothian buses. This was especially the case on routes covered by First Tayside and First North East. Aberdeen had scored the lowest in value for money, unsurprisingly to FirstGroup, because of the fare structure and the highest mileage base compared to any other operator. Road congestion during peak hours for both private car and bus journeys also contributed to disappointing results in terms of punctuality.

10. BPS results showed the best value for money satisfaction level in Great Britain was for Lothian buses. Despite the difficulty for motorists in Edinburgh, bus passengers valued the simple flat-fare policy operated by Lothian buses as well as the multiple routes the service covered across the city.

11. Age profile of buses was also a contributory factor in the perception of value for money. The perception of passengers in rating a particular journey were likely to be affected if they were comparing, for example, some of the newer Lothian buses, which offered Wi-Fi and route information screens, to FirstGroup's older buses.

12. Transport Focus stated it had found FirstGroup's directors to be very engaged and willing to use the findings of the BPS to improve passenger satisfaction. For example, at the Larbert depot, the BPS results for First Scotland East had proved a useful tool in confirming that results were driven because of the age profile of its bus fleet and FirstGroup had said it may invest in its fleet as a result.

Undertakings

13. Transport Focus did not feel able to provide any evidence-based comment on what particular effects the undertakings might have had on FirstGroup. It said passengers were asked broad questions to determine their views on the bus service in terms of value for money, punctuality etc and were not aware of the price cap or the mileage floor.

14. Transport Focus said it welcomed a review of the undertakings, which it believed were no longer fit for purpose in the current transport system, which had evolved much since with changes in both the bus and rail market. In particular, it would encourage any review of the fare structure to take into account its findings (in another survey and report in 2010 and 2013), which cited the preferences of passengers for increasing value for money by introducing the provision of a multi-operator ticket.

15. Transport Focus said that, overall, the undertakings were having a negative effect on competition, and it believed that, in general, competition was beneficial to consumers.