

11 Views of Go-Ahead

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11.1. Go-Ahead gave written evidence and attended a hearing.

Jurisdiction

11.2. Go-Ahead accepted turnover as an appropriate measure for establishing the existence or otherwise of a monopoly situation in this inquiry. It was certain that turnover was the most appropriate measure of those available, providing a much more accurate measure of market share than registered vehicle mileage. Vehicle mileage would not have been an appropriate measure unless the mileage was weighted by population density, which was impractical; each vehicle mile in the towns in Tyne & Wear was likely to be considerably more remunerative than a vehicle mile in County Durham.

11.3. Go-Ahead said that its operations in the reference area could not be compared with Stagecoach's. Go-Ahead served many of the same urban areas as Stagecoach but its operations were much more widely spread over less densely populated areas.

11.4. But Go-Ahead argued strongly that we should have included Tyne & Wear Metro and local subsidized British Rail services in our assessment of market share. It said that competition was fierce between local buses and the Metro and not restricted to the narrow area surrounding individual lines. Local bus operators were concerned that the PTE was able to compete with the help of public funds, and to subsidize its own Metro operation without the necessity of competitive tendering. The Metro was a premium product and Go-Ahead believed the PTE maintained its fares at artificially low levels; it should recognize the journey time advantage provided by the Metro by charging a premium price to reduce the subsidy. The effect of the Metro on fares extended far beyond the individual rail lines. It was a major factor in determining travelcard prices and concessionary fares reimbursement.

Company background

11.5. Go-Ahead said that its chief objective was to become a principal provider of urban public transport services by the end of the decade. It had inherited the longer-distance services provided by Northern but it believed its future growth and long-term profitability lay in urban areas-hence its acquisition of companies in London, Oxford and Brighton.

11.6. It aimed to achieve stable and consistent services to customers, whilst earning sufficient margins to enable it to invest in new assets; offer appropriate levels of remuneration to staff, including pension and sick-pay arrangements; and maintain its leading role in the introduction and development of new technology. Its

objective was to raise operating margins to an average of about 15 per cent on turnover. Every route in Go-Ahead's network was expected to make a contribution over a reasonable period of time. But the level of contribution would vary and there would be some cross-subsidy.

11.7. Go-Ahead's decision to divide its operations into subsidiary companies (see paragraph 5.41) represented the most important change in its structure in the last few years. Since 1990 it had followed a policy of progressive decentralization thereby creating local accountability and responsiveness to local market conditions. It had moved away from a common brand image; its subsidiaries were identified by distinct local liveries and fleet names. It monitored and controlled its subsidiaries through three-year corporate plans with detailed annual budgeting. The general managers of its subsidiary companies produced monthly reports and held regular Board meetings which Go-Ahead directors chaired.

11.8. Its subsidiaries had recently revised their pay structures, mostly by buying out existing terms and conditions to bring pay rates into line with the local labour market. But their labour costs were still high compared with small competing companies which did not have company-funded sick-pay and pension schemes.

11.9. Each acquisition that Go-Ahead had made had followed an approach from the independent company concerned, most often as a means of enabling the proprietor to retire from the business. Its acquisition of OK Travel would enable Go-Ahead to tender as a group for DCC contracts in areas which it had not previously been able to serve effectively, and to extend its operations further into Cleveland. But OK Travel was being maintained as a separate business.

Low-cost units

11.10. Go-Ahead said that one of its strategies had been to disturb its core products as little as possible. Customers did not like constant changes in the timetable. It therefore decided that, in response to competition on particular routes from low-cost operators such as Classic Coaches, it was better to leave its existing services unchanged and to respond with an additional service which would not be confused with its base network.

11.11. Go-Ahead deployed low-cost units as a competitive response to smaller operators which did not have the high labour costs it incurred on its longer-established services. It expected these units, too, to achieve a 15 per cent operating margin, but they would be given longer to achieve it. It would probably broaden the use of its low-cost units in the future. Indeed it needed to secure the lowest operating cost base for every service. But this would take time. Its longer-established companies such as Northern had trade union agreements in place which could not be changed overnight.

11.12. The use of low-cost units allowed Go-Ahead to respond to competition in the most suitable way. This was particularly important where there were a series of routes which shared a common corridor. If Go-Ahead were to reduce its fares to compete with an operator which had offered fare reductions, the public could become confused if all the Go-Ahead buses in the same livery did not similarly offer reduced fares. The use of a different brand enabled it to vary conditions on a route without creating incorrect expectations in a customer's mind.

Competition in the reference area

11.13. Go-Ahead said that its policy was to recognize the benefits of competition. It aimed to achieve and maintain good relationships with other operators in the region whatever their size, and despite the competitive nature of some of their activities. It sought to defend its operations, particularly against competition which was targeted at its better routes, but it did not seek to drive others out of business. There was ample scope to compete with others for the tendered market, and in expanding markets. But it agreed that its network was so extensive that it was difficult for a competitor to introduce new services which did not compete to some degree with Go-Ahead's.

11.14. A particular feature of the North-East was the extensive nature of bus networks. Isolated operations were rare; even on a route-by-route basis most routes had sections in common with other oper-

ators at some point. The area Go-Ahead served included several smaller markets with dissimilar characteristics, which was one of the reasons for adopting its present structure.

11.15. Before 1986 Go-Ahead had been a monopoly provider with wide coverage of the area. On deregulation it had accepted that it was bound to lose market share. New routes were hard to find: opportunities arising from the opening of the Gateshead MetroCentre had been an exception. Competition with other large operators in the reference area was stable. On some routes there was effectively a stand-off and others were contested vigorously. If a competitor were to become seriously aggressive, Go-Ahead would respond.

11.16. Where Go-Ahead had reduced fares to match a competitor, and later found the service was uneconomic, it would consider withdrawing. But very few services in the North-East operated in isolation from one another. In withdrawing from one route an operator was conceding that another operator was gaining ground, not necessarily just on that particular route but potentially over a more profitable section of the corridor. If a competitor were allowed to run unchallenged, there was the risk that the incumbent would gradually lose all its business.

11.17. There were markets which were best served by small operators, particularly in rural areas. Go-Ahead had tried to pursue a policy of recognizing the rights of small operators to exist and compete. It did not generally compete with operators which had established markets which Go-Ahead could not, or did not, provide. It was not its policy to eliminate them.

11.18. The balance between tendered and commercial services in the reference area had changed since deregulation. Most services were now commercial. Go-Ahead had achieved moderate success in tendering for specific contracts in Tyne & Wear but had not been so fortunate with the PTE's miscellaneous workings contracts. In County Durham its success had been limited because of the continuing existence of many smaller businesses, most of which had substantially lower costs.

11.19. It was not Go-Ahead's normal policy to register and operate a commercial service against a competitor's tendered service, whether or not it had tendered unsuccessfully for the same service. In some circumstances, however, it would do so. If a competitor, whose principal business was the tendered market, made an incursion into commercial services (or modified an existing tendered service), Go-Ahead might respond if it thought the competitor's actions would have an adverse effect on its commercial interests. The MMC should be aware that, where operators had been unsuccessful in their bids to retain existing work when subject to retender, DCC invited them to indicate what elements of that work they might be prepared to operate commercially.

11.20. It was not Go-Ahead's policy to initiate the registration of services simultaneously with, or immediately before, a competitor's service. But if another operator did so against its services, it would respond to protect its market share and maintain its profitability. It had never prevented or obstructed the provision of information by competitors although it was aware of such action taken by others against it.

11.21. Go-Ahead's fares policy was largely based on pre-deregulation structures. The zonal system adopted in Tyne & Wear had proved robust. Differences existed between its subsidiaries reflecting the differences in the local market-place. Within County Durham fares were generally based on traditional tapered mileage scales. However, the emergence of small operators had resulted in relatively few fare-tables being based on the theoretical scale. In practice, many fares were market-based.

11.22. It recognized that operators should be free to set their own fares. Many smaller operators routinely requested copies of its fare-tables and DCC supplied information on Go-Ahead's fares to operators who ran off-peak tendered services on services which Go-Ahead operated at other times.

11.23. Go-Ahead said that its policy was not to instigate competition on fares, but it would match price reductions introduced by other operators. It endeavoured always to run at the lowest possible fare subject to achieving the requisite margins. It could do so by using its low-cost subsidiaries and developing different brands.

11.24. In Go-Ahead's view it was legitimate for an operator to test the market with a new product at cost. But it questioned whether the operation of a free service was legitimate, other than as an introductory offer.

Competition with Classic Coaches

11.25. In Go-Ahead's view Classic Coaches had deliberately targeted its services to seek to persuade Go-Ahead to buy it at an inflated price. Classic Coaches had made it known to Go-Ahead as early as 1988 that it would be interested in Go-Ahead making an offer to buy it. One of its general managers had maintained informal contact with Mr Shipley, Classic Coaches' Managing Director. The two companies had last met to discuss a possible sale in January 1995 but nothing had come of it. Since then no further meetings had taken place or were planned.

11.26. Classic Coaches consistently sought to use all possible means to gain advantage over Go-Ahead's services. It mirrored Go-Ahead's commercial services at the times of the day that it could run cheaply; at other times it did contract work. It competed on Go-Ahead's most profitable routes. Classic Coaches was able to provide services as it suited. Its timetable changed, for example, during school holidays. Instances where it missed journeys or took short cuts did not usually result in inconvenience to the public because a Go-Ahead bus was likely to be not far behind.

11.27. Every bus Classic Coaches ran had been aimed at predominantly the same route as an existing Go-Ahead bus, and in general had been planned to run just a few minutes in front. Occasionally Classic Coaches took two of Go-Ahead's existing routes which crossed over at some point, and linked the two legs of the journey together in a slightly different way. It had also aimed to run in an identity which could be confused with Go-Ahead's. Go-Ahead had been forced to respond by registering additional vehicles to run ahead of Classic Coaches'. If Classic Coaches subsequently withdrew, it generally followed suit.

11.28. As soon as Classic Coaches started operating, Go-Ahead had become aware of significant departures from its published timetable. Classic Coaches also frequently deviated from its registered routes to take short cuts so as to get in front of a Go-Ahead vehicle, and delayed its departures to run as close as possible to Go-Ahead's published timetable. Go-Ahead had complained to the Traffic Commissioner about these practices but without success.

11.29. When the Traffic Commissioner sent inspectors to investigate a complaint, their presence was obvious and Classic Coaches refrained from engaging in illegal activities for that period. Classic Coaches had introduced additional buses which contravened the Traffic Regulations governing duplicates. Go-Ahead had complained to the Traffic Commissioner about this, too, but again without success. It had therefore responded by deploying duplicates within the scope of the Regulations. New Regulations had now prohibited the use of duplicates as a competitive response (except where overloading would otherwise result).

11.30. In view of Classic Coaches' behaviour Go-Ahead had felt it was necessary to lift the rigorous controls on its own employees' behaviour. But it did not engage in illegal activities. It had deployed additional vehicles where necessary, for example to gain occupation of a departure stand until the scheduled time of departure.

11.31. Go-Ahead said that Classic Coaches' allegation that it deliberately ran duplicates at times more than five minutes before or after the scheduled journey was untrue. Inevitably, however, journeys did become separated *en route* by more than five minutes owing to loading patterns and traffic delays. Go-Ahead did not maintain a reserve pool of buses. Occasionally, in response to information received from a driver (through the use of his two-way radio) it might have deployed additional buses to cater for overload, or for traffic delay.

11.32. Go-Ahead did not accept that any of Classic Coaches' registrations operated on routes which were not served by Go-Ahead. Even Classic Coaches' service MC1 (which Classic Coaches said had covered new ground) operated over sections of routes served by Go-Ahead and serving many of the needs of the customers along those routes.

11.33. In commenting on Northern's introduction of weekly saver tickets marketed as 'Spring Madness' in the Consett area on 18 April 1995, Go-Ahead told us that Northern had considered for some time the introduction of a weekly ticket, available from the driver on the bus, which was similar to Go-Ahead Gateshead's Go 'n' Save ticket. Northern also wished to carry out tests prior to the introduction of ticketing equipment with magnetic card validators. The decision to introduce the saver ticket had been influenced by the knowledge that Classic Coaches had registered new services in the areas concerned. Northern had expected Classic Coaches to instigate some form of fare-cutting as it had done in Gateshead and elsewhere.

11.34. The former General Manager of Northern, who was responsible for this particular sales promotion, had since left the company. But from what Go-Ahead had been able to establish, the weekly saver ticket had been intended as an experiment. In the event it had not been successful in that form and the ticket had been withdrawn from 8 May.

Go-Ahead Gateshead routes 73, 74, 75 and 76

11.35. Go-Ahead said that it had introduced routes 73, 74, 75 and 76 because Classic Coaches had been mirroring its existing routes. Its response had been aimed at protecting its market share. The services had run at a loss for some months but Go-Ahead had had to consider the alternative of not responding. This would not have made commercial sense because it would have lost passengers to Classic Coaches, encouraging the latter to increase its services. Over a period of time Classic Coaches would have attracted more custom and Go-Ahead would have eventually lost the contribution from what had been a profitable and integral part of its network.

Go-Ahead Gateshead's service X66

11.36. When Classic Coaches registered its service C66 over an identical route to Go-Ahead's service X66 Go-Ahead did not feel the need to register additional journeys because of the already frequent nature of its X66 service and its manner of operation. It had always been Go-Ahead's practice that, wherever possible, the service operated so that a bus was on the stand at both ends and the operation was timed so that any gap between the departure of a service from either end and the arrival of the next vehicle was minimized. All vehicles were in radio contact with Go-Ahead's central control which enabled it to ensure that the operation was reliable.

11.37. Despite its views about the nature of Classic Coaches' response, Go-Ahead nonetheless allocated Classic Coaches a stand at the MetroCentre immediately adjacent to the one used by its own service. Classic Coaches' vehicles would have been clearly visible to any potential customer emerging from the MetroCentre. Go-Ahead thought Classic Coaches had probably failed to recognize the considerable marketing effort Go-Ahead had made over the years into building brand loyalty for service X66. Go-Ahead used pavement ticket-sellers from time to time and pavement conductors had been used to assist boarding, particularly at busy operating periods.

Registration of commercial services in competition with tendered services

11.38. Commenting on Go-Ahead Gateshead's registration of commercial scholars' journeys in competition with Classic Coaches' tendered services, Go-Ahead said that the Classic Coaches services in question were being provided under a miscellaneous workings contract with Tyne & Wear PTE (see paragraph 4.40). Commercial registration of such journeys could not be compared with those provided within a specific tendered contract. The PTE regularly varied the work allocated to miscellaneous workings contracts to make allowances for changes to the commercial network. The miscellaneous workings were not specified in a way that identified individual journeys. Operators were therefore denied the opportunity of considering the potential for commercial registration of such journeys.

11.39. Other than this Go-Ahead had not registered commercial services in competition with Classic Coaches' tendered services. It had notified DCC of its registration of an evening service over part of route 709 before DCC had issued invitations to tender. But DCC had sought invitations to tender for the whole route. In August 1994 Classic Coaches had been unsuccessful in bidding for the substantive 709 evening

contract. It chose to operate commercially only after learning that the contract had been awarded to Go-Ahead.

11.40. Go-Ahead commented on Classic Coaches' allegation that, after it had been awarded a contract by DCC in January 1995 to run service 729 from Stanley to Chester-le-Street, Go-Ahead had then registered the service commercially from Monday to Saturday, forcing DCC to retender the Sunday journeys only. (The Sunday journeys had then been awarded to Classic Coaches.) Go-Ahead said that its commercial registration was in accordance with DCC policy (see paragraph 11.19). As far as it was aware, the registration was made prior to DCC advising any operator of the result of the tendered service.

Radio communication

11.41. Installing radios on its buses had enabled Go-Ahead to provide more reliable services and to improve driver security. But the principal purpose was to enable it to reduce the number of supervisors. It also enabled drivers to report when there was a breakdown, traffic delay or other incident. It would be normal for a driver to advise his base on the activities of competitors-particularly when these activities did not coincide with published timetable information.

11.42. The radios had resulted in savings, not only in supervisory costs, but in other depot overheads. As a direct result of introducing the radios Go-Ahead had been able to close Northern's depot in Consett. There had also been marginal improvements in revenue through the improvements in reliability.

11.43. Go-Ahead felt unable to comment on the 11 audio tapes which had been submitted to us by Classic Coaches. The tapes purported to represent conversations between some of Go-Ahead's drivers and supervisors and, as such, had been illegally obtained. Go-Ahead had no information about the circumstances of the recording. The tapes had been selectively edited. The material had not been produced or verified by an independent party, but rather had been put forward by a competitor with the express intent of misrepresenting Go-Ahead's operations. On the basis of legal advice Go-Ahead had received, it contended that the tapes had no evidential value and should not be considered in the context of the current inquiry.

11.44. It believed Classic Coaches had intended to use the information that it obtained from the radio transmissions to alert it to problems Go-Ahead might have, for example disruptions to its service or overload. Classic Coaches was able, too, to overhear conversations about random checks which were made by the Vehicle Inspectorate, and to keep its buses out of the way until the inspectors had gone.

Competition in bus stations

11.45. Go-Ahead said that it did not impede competitors' access to bus stands and stations. Its bus stations were open to other operators' buses on payment of the appropriate fee. It owned and managed Worswick Street Bus Station in Newcastle city centre but this station had always been available to other operators. Following deregulation the bus station became fully occupied and some services operated from an additional bus stop in same street. Later, operators used more central stopping places in the city and the bus station had spare capacity. But the inter-urban services continued to use the bus station to allow the drivers layover time.

11.46. Classic Coaches had not used the bus station, but operated from a bus stop further along the street. Go-Ahead believed this had given Classic Coaches an unfair advantage. The bus stop was closer to the shopping centre; passengers tended to board a bus there rather than walk the extra few metres to the bus station. Despite its registration to use the bus stop, Classic Coaches' buses had regularly stopped in front of stands in the bus station, preventing Go-Ahead's buses from leaving and picking up passengers who had been waiting for a Go-Ahead service.

11.47. Go-Ahead had approached the PTE in August 1993 to offer space within the bus station. It had suggested, too, that the bus stop in Worswick Street should be removed. It told the PTE that it might otherwise close the bus station and divert its inter-urban services to alternative terminals. It too began using the bus stop for the services it had registered in competition with Classic Coaches. In October 1994 the PTE had

intervened by leasing a stand in the bus station from Go-Ahead and sub-letting it to Classic Coaches. The on-street bus stop was then removed.

11.48. In Go-Ahead's view the stand it had allocated to Classic Coaches in the bus station was reasonable, being adjacent to some of the competing services, given that neither the PTE nor Classic Coaches was willing to meet the real costs (a nominal charge for access of £500 a year was agreed with the PTE). However, Classic Coaches, dissatisfied with the stand allocated, had removed its services to another bus stop in a nearby street. This provided it with still greater advantage-it was even nearer to the principal shopping areas. Go-Ahead had felt it necessary to follow suit.

11.49. Stanley Bus Station was owned by Derwentside District Council and stand allocation was controlled by DCC. All Northern's services in the area used the bus station and several of its vehicles were parked there during off-peak periods. But they were held in a separate area from the bus stands. Occasionally there were difficulties in stand allocation, but Northern had never sought to deny access to registered departures of Classic Coaches or any other operator. Northern had been disadvantaged by other operators, predominantly Classic Coaches, whose drivers regularly delayed their departures from their allocated slots at the bus station so that they could pick up passengers who had intended to board a scheduled Go-Ahead service.

11.50. From time to time Go-Ahead had rescheduled services so that its incoming bus would not operate the next journey. It would deploy another bus, which was able to move on to the departure stand to permit loading prior to departure. This scheduling practice was not used to interfere with any operator's registered departure time.

Livery

11.51. Go-Ahead said that it had not imitated Classic Coaches' livery. Northern's buses had been predominantly red since the company's inception in 1913. Shaws Coaches, which had been used as Go-Ahead's chief competitive response to Classic Coaches, had blue and cream livery. But Classic Coaches continued to replicate Go-Ahead's colour schemes. Classic Coaches' buses were chiefly red, but occasionally in other colours, usually to resemble the identity of a Go-Ahead subsidiary. Until Go-Ahead had threatened legal action, Classic Coaches had also replicated Go-Ahead's established route numbers.

11.52. Go-Ahead said that Classic Coaches had provoked it into entering into a much more vigorous response to competition than it would normally have done. But it was not its policy, nor within any of its instructions, for its staff to enter into anything which might be regarded as illegal. Part of Go-Ahead's strategy was to limit the cash flow that Classic Coaches could generate. But clearly it had not been as successful as it would have liked, because Classic Coaches was still operating.

Competition with Stanley Taxis

11.53. Go-Ahead said that Stanley Taxis had been in the bus market in a small way for some years. In so far as it competed and won contracts with DCC it had some nuisance value. Go-Ahead did not regard Stanley Taxis as a serious threat. Northern met Stanley Taxis in September 1994. It explained that the lower fares being offered by Stanley Taxis on parallel routes might have an adverse effect on Northern's services and abstract passengers. This was not the case at present but might become so. Should that happen, Northern would have to consider its response.

Service 710 (Aylward Place)

11.54. Go-Ahead told us that Northern operated service 710 under contract to DCC until August 1993. It had asked DCC at that time if it could use a larger bus on the estate as it was considering running a limited commercial service. But DCC had objected and Northern had not pursued the matter. In December 1994 Stanley Taxis registered the service commercially. Two weeks later Go-Ahead followed suit with a Shaws Coaches service. It believed this had been necessary to protect Northern's services which were using the same corridor but charging higher fares. The Shaws Coaches service competed with Stanley Taxis' service in offering lower fares.

11.55. Northern had been concerned that it would lose passengers from its other services in the area to Stanley Taxis' cheaper new service 710 which, whilst it did not operate on an identical route, ran close enough for some of Northern's passengers to have chosen it. But this did not occur and Northern withdrew its competing service.

11.56. Go-Ahead said that a problem with reducing fares in an area like Stanley was that there were several different roads which an operator could use, and which were used to satisfy small pockets of demand. If an operator reduced fares on all the routes the effects would be spread more widely than might be desirable. In this instance it had attempted to confine the fares reduction to a specified area.

Routes 715 and 719

11.57. In December 1994 Shaws Coaches registered commercial services in competition with Stanley Taxis' tendered services 715 and 719. Go-Ahead told us that it had bid for the contract through Northern but had been unsuccessful. It believed it might be feasible to run a service commercially using Shaws Coaches, but this proved mistaken. Go-Ahead hoped that if it operated the services commercially, DCC would decide to withdraw its subsidy.

11.58. Go-Ahead said that it had overreacted to Stanley Taxis' entry to the market and decided to withdraw. The overreaction could be explained in part by the unfair competition it had been experiencing from Classic Coaches over many months. Its response to Stanley Taxis' commercial registrations and its tendered services was not one it would normally have used. It had now reached an agreement with Stanley Taxis to adjust stand allocations at Stanley Bus Station and had consequently withdrawn its competitive registrations.

Competition with other operators

11.59. Go-Ahead competed with Busways and Redby in Sunderland and South Shields although, unlike Busways and Redby, its services were largely inter-urban. Redby's strategy was to imitate larger operators' services on established corridors in Sunderland. It was not too concerned about keeping to timetable. If one route was not successful Redby would try another. Go-Ahead understood that Busways had introduced discounted fares in areas served by Redby. Go-Ahead was not much affected. Busways' new saver tickets in South Shields had not affected its patronage in the short term but it was now feeling some effect, and a loss of revenue.

Remedies

11.60. Go-Ahead was invited to comment on possible hypothetical remedies were we to find public interest detriments.

11.61. We asked it to comment on a hypothetical remedy that there should be an increase in resources available to the Traffic Commissioner to enable him to enforce the Regulations governing the operation of services in line with registrations and the use of duplicates. Go-Ahead said that it would support and welcome any such remedy. It was dissatisfied with the level of enforcement currently provided.

11.62. Go-Ahead did not object to a hypothetical remedy to recommend changes in the law to restrict the circumstances in which operators were able to register commercial services against a competitor's tendered service. But it said that this view assumed that the Regulation would not preclude DCC's practice of permitting an operator to reconsider a commercial registration before the subsidized contract was awarded to another party.

11.63. Go-Ahead commented on possible behavioural undertakings to improve the prospect of new entry in competition with Go-Ahead in the reference area. The first such undertaking was that, if Go-Ahead introduced new services or increased its frequencies on any route or part of a route in the reference area operated by another company-or on which another company had announced its intention of operating services-and the competitor withdrew, it would not subsequently reduce commercial frequencies for a period of three years after the competitor's withdrawal. Go-Ahead believed this proposal did not recognize that

competition was invariably instigated by another operator registering services on routes which it already operated. It believed, too, that three years would be excessive and unreasonable in many circumstances. For example, a new operator might overestimate the revenue a new service would attract, and consequently withdraw. Go-Ahead could not be held responsible for another operator's poor business planning.

11.64. Also the proposal did not address the fact that some competitors introduced services which competed with Go-Ahead's long-established services. If a three-year period were to be required Go-Ahead would become the victim of a competitive strategy in which a competitor could register a competing journey and maintain it for a few months only, before cancelling it and replacing it by other journeys, possibly using the same vehicle. If Go-Ahead had responded to the introduction of such a service, its resources would be committed for three years. This would present a serious inhibition on its ability to make a legitimate response to competition. Both Redby and Classic Coaches had regularly varied their routes and timetables at short notice.

11.65. When a competitor entered a route, or part of a route, where Go-Ahead operated, the competitor's usual practice was to time its services a few minutes in front of Go-Ahead's. Its normal response was to register new journeys, often by a low-cost subsidiary, at a similar interval in front of the competitor's. So Go-Ahead would regard an undertaking not to timetable, register or operate an additional or rescheduled journey before the competitor's service within a shorter interval than the competitor had itself timetabled, registered or operated an additional or rescheduled journey before an existing Go-Ahead service as reasonable. But it could see problems on lower-frequency services where, for example, a competitor registered on the opposite half-hour to a Go-Ahead service running hourly. Go-Ahead would be unable to respond although it could lose half its passengers.

11.66. Under normal circumstances Go-Ahead had no objections to a hypothetical undertaking under which it would not register commercial services which competed with another operator's tendered service until at least 12 months after the letting of the contract. But sometimes other operators' tendered services were introduced in a manner which conflicted with Go-Ahead's commercial services. For example, they might operate over common stretches of a route, or offer journeys over a complete route which Go-Ahead used commercially during certain parts of the day. An example of this had occurred when DCC had awarded contracts for service 709 (see paragraph 11.39). Go-Ahead believed it had to be able to adjust its commercial operations in such circumstances.

11.67. Go-Ahead had no objections to undertakings which would require it:

- (a) not to operate or plan to operate services on any route in the reference area which did not (or would not be expected to) cover at least the avoidable costs of operating them; and
- (b) not to operate for a continuous period of longer than six months any services in the reference area which, notwithstanding that they covered avoidable costs, did not in addition make a contribution to other costs.

11.68. In response to a hypothetical undertaking that Go-Ahead would take no action, and would take steps to ensure that its employees took no action, designed to impede competitors' access to bus stations and stands in the reference area, Go-Ahead said that this remedy was entirely reasonable provided that all operators were subject to it. It was not uncommon for a competitor to register a few minutes in front of a Go-Ahead service but for the driver to delay departure from a stand to coincide with the scheduled departure time of a Go-Ahead service. This denied access to the Go-Ahead bus, allowing the competitor to pick up passengers who had been waiting for the established Go-Ahead service. These competitors rarely offered extensive publicity for their own services but depended on customer knowledge of Go-Ahead's regular timetable.

11.69. Go-Ahead would not object to a hypothetical remedy that other operators were given reasonable access, on equitable terms, to bus stations it owned or managed. It acted wholly in accordance with the undertakings given by Southern Vectis to the OFT in respect of the bus station at Newport, Isle of Wight.¹

11.70. Go-Ahead saw no problems in complying with a hypothetical undertaking to take no action, and to see that its employees took no action, designed to interfere with competitors' provision of information to

¹Appendix 5.1 to the MMC's report on *The supply of bus services in Mid and West Kent*, Cm 2309, HMSO, August 1993.

the public about their services in the reference area. It had never done this. But Go-Ahead expected competitors to contribute to its costs where they used bus-stop poles and plates which it had provided.

11.71. It would not object to a hypothetical undertaking that Go-Ahead would not seek to persuade other operators in the reference area to increase their fares. It assumed that it would still be in order for fare-table information to be provided on request to other operators.

P H DEAN (*Chairman*)

S EILON

J D MONTGOMERY

J F PICKERING

M R PROSSER

A J NIEDUSZYNSKI (*Secretary*)

24 May 1995