

## **ARRIVA/NORTHERN RAIL MERGER INQUIRY**

### **Summary of hearing with West Yorkshire Combined Authority on 23 June 2016**

#### **Background**

1. West Yorkshire Combined Authority (WYCA) was created in 2014 as the local transport authority for West Yorkshire.
2. WYCA set out that it has statutory duties to produce and maintain a Local Transport Plan for the region that meets the needs of the people living or working in the area, or visiting or travelling through the area; fund, plan and procure bus services which are considered to be “socially necessary” but which bus operators do not regard as commercial; and fund/manage the mandatory national and local discretionary concessionary travel schemes.
3. In addition, WYCA set out that it delivers school transport bus services; delivers and implements the MCard smartcards; invests and manages transport assets, including bus shelters and information provision around those shelters. WYCA also markets the ‘Metro’ brand name.
4. WYCA does not monitor the competitive conditions between bus operators operating under the de-regulated market.
5. WYCA was a co-signatory on the previous rail franchise with the Department for Transport (DfT). WYCA is part of the Rail North group and has a 20 per cent voting share.
6. WYCA told us that, historically, West Yorkshire has been a profitable operating area for bus companies. Between 85-93 per cent of bus services in West Yorkshire operate without direct contractual support from WYCA.
7. WYCA said they had reduced subsidy on bus services by not supporting journeys on core high-frequency services. WYCA no longer supports very early morning or evening services on these routes because WYCA believed most operators made sufficient profit during the day to sustain the whole service.
8. Around half of services supported by WYCA are by way of ‘bookending’ commercial services with lower frequencies (eg half hourly or hourly) by extending them into early mornings, evenings and Sundays. WYCA said the

remainder of their financial support was for rural, urban fringe-type services and socially necessary services, to fill gaps in the commercial market. WYCA said that although a small percentage, it still represented £19 million worth of annual tenders (compared to £26 million a few years ago). This includes funding for Access Bus, (a registered and flexibly routed service, targeted at those who cannot access conventional bus services).

9. WYCA told us that it does not receive commercial data from bus companies about how many passengers they carry.

## **The Northern Franchise**

10. WYCA said that their interest in the Northern Franchise was derived from helping to support the delivery of economic growth, quality of life outcomes.
11. The Northern Franchise was tendered on a specification of what services would be delivered and bids were received on that basis. Arriva is expected to fulfil its contractual obligations as part of the franchise.
12. WYCA said the franchise specification was the result of Rail North representatives being embedded within the DfT specification team. Through Rail North, WYCA has worked closely to encourage investment for increased capacity in West Yorkshire.
13. WYCA said the new franchise had a lot of media interest and local resident groups and rail operating groups also had an interest. Corridor and specific interest groups wanted to shape the rail industry in the area. For example, resident groups in areas such as Manchester and Liverpool had a lot of interest in the franchise. WYCA said that the Halifax and District Rail Action Group (HADRAG), as an example had also campaigned for improvements to services in its area.
14. WYCA told us that it was important for them to have a dialogue with local groups to inform future strategies.

## **Rail and bus usage**

15. WYCA said that rail passenger numbers had doubled and Network Rail have ambitious growth targets forecast for the next decade. As an example, increased demand along the corridors in West Yorkshire had been met with investment in rolling stock and capacity on the Wharfedale lines.
16. WYCA considered heavy congestion on the roads was one of many factors affecting bus demand. Over the last decade, bus usage was in decline (although it had stabilised in the past few years) whilst rail usage had

substantially increased. WYCA outlined that there were further details around bus patronage trends are included within the forthcoming Transport and Bus Strategy consultations.

17. However, in contrast to other towns and cities in West Yorkshire, WYCA said Leeds had experienced some modest growth/stabalisation in bus usage which is probably linked to the economic growth of the city.
18. WYCA did not get commercial information from operators or monitor changes in numbers of vehicles.

## **Ticketing**

19. WYCA said there were a range of problems with buses, including ticketing and journey times due to congestion. These are all outlined in the forthcoming public consultation material and will be tested through the consultation. As an example, there can be a 15 per cent premium for multi-operator tickets over single operators in some areas.
20. WYCA said on one corridor there were over 100 ticket options on a single bus corridors, which helps to demonstrate the ticketing complexity for the travelling public. WYCA believe that what the public want is simple, affordable and integrated ticketing and this will be tested through the forthcoming public consultation.
21. WYCA said that ticketing was a key issue for many passengers and that this was covered in greater detail within the forthcoming public consultation material.
22. WYCA said MCard is administered by WYCA, although the prices were set by West Yorkshire Ticketing Company (where WYCA has one vote). MCard provides weekly, monthly or season-ticket products. WYCA said there was no differential pricing by location or operator that passengers travelled on when using the MCard. Operators priced their own tickets according to the commercial market.
23. WYCA told us about plans to introduce a MCard 'carnet style' ticket where people bought multiple days and so get a discount for buying in bulk. WYCA said the new carnet ticket gave people the opportunity to buy from an incremental number of discounted days. Operators were also interested in loading the MCard with their own different tickets.
24. WYCA stated that the percentage of revenue allocated to operators was based on sales and survey information. First and Arriva (as well as other bus

operators) would be allocated a proportion, rail operators a proportion and WYCA a proportion for administering the scheme.

25. WYCA added that they had plans to launch a public consultation on their bus strategy on 18 July based on evidence from Transport Focus, commissioned surveys, and discussion with local bus operators.

## **Market definition**

26. WYCA also told us that bus journey times in the WYCA region were variable due to traffic congestion. In West Yorkshire, bus services were, however, often not cheaper than rail services.
27. WYCA said that in West Yorkshire many passengers do not know the cost of the bus fare until they get on the bus. Websites do not provide all single fare information from one place to the next.
28. WYCA confirmed weekly tickets were often cheaper (on a per journey basis) than single fares. Anecdotal evidence showed that car users who used bus in an emergency thought bus expensive and this was being tested through the forthcoming public consultation.
29. WYCA said it was up to bus operators to set fares to optimise commercial returns, often to satisfy their shareholders.
30. WYCA said there were very few express bus services in West Yorkshire. WYCA said it took time (often five years) to develop a market for a new service and that in this time the service would often need financial support.
31. WYCA said there were different users on bus and rail. Bus served local markets and local destinations along the routes. Few people used bus from out of town because rail was quicker. Bus passengers use part of routes rather than a full length journey. WYCA said this was why integration between modes was important because it allowed flexible use.
32. WYCA said that passengers travelled from major conurbation to conurbation by train. The choice came down to factors like journey time, reliability and cost. Softer factors in choice were service and quality.
33. WYCA had worked with the DfT and TfGM to value the softer benefits around bus. That work was ongoing and would shape future investment.
34. WYCA said a large group of car travellers would never travel by bus. WYCA wanted to target those car travellers at the margins who thought it might be beneficial to travel by bus, including those travelling less regularly on buses

(eg once or twice a week). However, these passengers can be difficult to identify.

35. WYCA said its aim was to try to identify the right types of people who might be willing to change mode and using social demographics and other characteristics and then target bus service around them.
36. WYCA drew the CMA's attention to the evidence presented to the Competition Commission Local Bus Services market investigation in 2010 which provided a detailed assessment of the local bus market.

## **Effects of the Merger**

37. WYCA said when considering the potential for Arriva's acquisition of Northern Rail to permit it to raise fares or reduce service levels on competing rail and bus services, the CMA would have to look at how many locations in West Yorkshire there was potential for that to happen. WYCA considered there were very limited locations where Arriva was both the sole operator of bus and rail.
38. WYCA stated that when Arriva operated rail services in Merseyside, there was no evidence that they considered the cross-elasticity between bus and rail services.
39. WYCA said that bus operators could operate anywhere in West Yorkshire, with a 56 days' notification to the Traffic Commissioner. There were many examples of bus operators changing their services.
40. WYCA said the administrative costs of changing services was minimal. Innovation in bus services had been driven by planning consent and planning funds that WYCA used to develop new services.
41. At the route level, however, much of the bus network has remained stable over recent decades (for example, there has been a service number 1 which runs up to Headingley for over 100 years) but that operators do regularly change timetables of all services for network efficiencies reasons.
42. WYCA said there was very little they could do as a Transport Authority to flex bus fares in a deregulated environment, as fares are set by operators. For rail services, regulated fares are settled by Rail North / DfT with other fares specified by the Train Operator.
43. WYCA also told us that closer working ties between bus and rail operators could be very positive and help foster integration as long as it does not have an impact on fares.

