



News Release

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CC ACTS TO PREVENT HIGHER FARES FROM STAGECOACH/ SCOTTISH CITYLINK TIE-UP

The Competition Commission (CC) has concluded that the joint venture between Stagecoach and Scottish Citylink could lead to higher fares and reduced service levels for their coach passengers on the Glasgow–Aberdeen and Edinburgh–Inverness routes. Prior to the joint venture, Stagecoach and Scottish Citylink had been the two main coach competitors on these routes.

The CC will now require the joint venture to sell some of its services to a new and independent owner to ensure that coach passengers do not lose out as a result of the loss of competition which previously existed between Stagecoach and Scottish Citylink.

The completed joint venture between Stagecoach Bus Holdings Limited and Braddell PLC saw Stagecoach's Motorvator-branded services and megabus-branded services in Scotland (and between Scotland and England) brought together with Scottish Citylink, which had been their direct competitor on a number of routes in Scotland.

The CC's final report, which is published today at www.competition-commission.org.uk, concludes that the joint venture would lead to a substantial lessening of competition on the 'Saltire Cross' routes (the Glasgow–Aberdeen and Edinburgh–Inverness routes, crossing at Perth), given the removal of competition between megabus and Scottish Citylink.

This confirms the view of the provisional findings report which was published in August.

Inquiry Chairman, John Baillie said:

Customers benefit from competition and we do not see how this joint venture can preserve these benefits for passengers when previously these companies had been competing vigorously for their custom.

When Stagecoach's low-cost megabus service and Scottish Citylink had been competing on these routes, passengers could take advantage of the lower fares and the choice of operator that resulted.

In the absence of effective competition, we expect that passengers would face higher fares and lower service levels than would otherwise have been the case.

Indeed, following the joint venture, we have seen evidence of fares increasing more than costs on some routes.

Previously, these were the only two effective coach competitors on these routes and there remain significant barriers that would prevent other firms from entering this market. Other forms of transport act as only weak constraints, if any, on coach fares. Rail fares are generally too high in comparison to act as a constraint and there was insufficient evidence to persuade us that the car was a constraint. Coach offers a different type of service and one that is valued by its passengers.

In considering remedies to the loss of competition we identified, we took account of customer benefits that might arise from the joint venture. However, we consider that the best solution is to require the joint venture to sell certain of its megabus-branded or Scottish-Citylink-branded services to a suitable purchaser to restore competition, thus bringing back the benefits of competitive fares and service frequencies to passengers.

The CC hopes to consult publicly on the terms of a suitable divestment remedy by the end of 2006.

In contrast, the CC concluded that there would be no substantial lessening of competition on the other main route—Glasgow—Edinburgh—where the companies' coach services overlapped. Before the joint venture, this route was served by both Scottish Citylink and Stagecoach's Motorvator service. However, the report concludes that it is likely that the Motorvator service would have pulled out anyway, so the joint venture could not be said to be reducing competition on this route.

The joint venture was referred to the CC by the Office of Fair Trading (OFT) on 15 March 2006 and the CC was asked to decide whether the joint venture may be expected to result in a substantial lessening of competition within any market or markets in the UK or parts of the UK.

Notes to editors

1. The Enterprise Act 2002 empowers the OFT to refer to the CC completed or proposed mergers for investigation and report which create or enhance a 25 per cent share of supply in the UK (or a substantial part thereof) or where the UK turnover associated with the enterprise being acquired is over £70 million.
2. The CC was required to publish its report by 29 August 2006 but sought an extension following delays in the submission of evidence by parties and the late emergence of new or substantially revised arguments.
3. The Stagecoach/Scottish Citylink inquiry group consists of four members: John Baillie (Group Chairman), Carolan Dobson, John Smith and Fiona Woolf.
4. The CC has a 24-week period in which it is required to publish its report, which may be extended by no more than eight weeks if it considers that there are special reasons why the report cannot be published within that period. Further information on the CC and its procedures, including its policy on the provision of information and the disclosure of evidence, can be obtained from its website at: www.competition-commission.org.uk.
5. Enquiries should be directed to Siobhan Allen on 020 7271 0242 (email: siobhan.allen@cc.gsi.gov.uk).