

## **ACQUISITION BY EAST COAST BUSES LIMITED OF THE EAST COAST OPERATIONS OF FIRST SCOTLAND EAST LIMITED**

### **Initial Enforcement Order made by the Competition and Markets Authority pursuant to section 72(2) of the Enterprise Act 2002 (the Act)**

Whereas:

- (a) the Competition and Markets Authority (CMA) has reasonable grounds for suspecting that it is or may be the case that East Coast Buses Limited (ECBL) and certain assets and employees relating to the East Lothian operations of First Scotland East Limited (that consisted of a bus depot at Dalrymple Loan, Musselburgh and a bus depot at North Berwick, together with transferred employees and certain other assets – the Acquired Business) have ceased to be distinct;
- (b) the CMA is considering, pursuant to section 22 of the Act, whether it is or may be the case that a relevant merger situation has been created and whether the creation of that situation has resulted or may be expected to result in a substantial lessening of competition in any market or markets in the United Kingdom (UK);
- (c) the CMA wishes to ensure that no action is taken pending final determination of any reference under section 22 of the Act which might prejudice that reference or impede the taking of any action by the CMA under Part 3 of the Act which might be justified by the CMA's decisions on the reference; and
- (d) the circumstances set out in section 72(6) of the Act do not apply and the reference has not been finally determined in accordance with section 79(1) of the Act.

Now for the purposes of preventing pre-emptive action in accordance with section 72(2) of the Act the CMA makes the following order addressed to Transport for Edinburgh Limited (Transport for Edinburgh) and its subsidiary East Coast Buses Limited (ECBL) (Order).

## **Commencement, application and scope**

1. This Order commences on the commencement date: 15 September 2016.
2. This Order applies to Transport for Edinburgh and ECBL.
3. Notwithstanding any other provision of this Order, no act or omission shall constitute a breach of this Order, and nothing in this Order shall oblige Transport for Edinburgh or ECBL to reverse any act or omission, in each case to the extent that it occurred or was completed prior to the commencement date.

## **Management of the Transport for Edinburgh business and the Acquired Business until determination of proceedings**

4. Except with the prior written consent of the CMA, Transport for Edinburgh and ECBL shall not, during the specified period, take any action which might prejudice a reference of the transaction under section 22 of the Act or impede the taking of any action under the Act by the CMA which may be justified by the CMA's decisions on such a reference, including any action which might:
  - (a) lead to the integration of the Acquired Business with the Transport for Edinburgh business;
  - (b) transfer the ownership or control of the Transport for Edinburgh business or the Acquired Business or any of their subsidiaries; or
  - (c) otherwise impair the ability of the Acquired Business or the Transport for Edinburgh business to compete independently in any of the markets affected by the transaction.
5. Further and without prejudice to the generality of paragraph 4 and subject to paragraph 3, Transport for Edinburgh and ECBL shall at all times during the specified period procure that, except with the prior written consent of the CMA:
  - (a) the Acquired Business is carried on separately from Transport for Edinburgh business and the Acquired Business' separate sales or brand identity is maintained;
  - (b) the Acquired Business and the Transport for Edinburgh business are maintained as a going concern and sufficient resources are made available for the development of the Acquired Business and the Transport for Edinburgh business, on the basis of their respective pre-merger business plans;

- (c) except in the ordinary course of business, no substantive changes are made to the organisational structure of, or the management responsibilities within, the Acquired Business or the Transport for Edinburgh business;
- (d) the nature, description, range and quality of goods and/or services supplied in the UK by each of the two businesses are maintained and preserved;
- (e) except in the ordinary course of business for the separate operation of the two businesses:
  - (i) all of the assets of the Acquired Business and the Transport for Edinburgh business are maintained and preserved, including facilities and goodwill;
  - (ii) none of the assets of the Acquired Business or the Transport for Edinburgh business are disposed of; and
  - (iii) no interest in the assets of the Acquired Business or the Transport for Edinburgh business is created or disposed of;
- (f) there is no integration of the information technology of the Acquired Business or the Transport for Edinburgh businesses, and the software and hardware platforms of the Acquired Business shall remain essentially unchanged, except for routine changes and maintenance;
- (g) the customer and supplier lists of the two businesses shall be operated and updated separately and any negotiations with any existing or potential customers and suppliers in relation to the Acquired Business will be carried out by the Acquired Business alone and for the avoidance of doubt the Transport for Edinburgh business will not negotiate on behalf of the Acquired Business (and vice versa) or enter into any joint agreements with the Acquired Business (and vice versa);
- (h) all existing contracts of the Acquired Business and the Transport for Edinburgh business continue to be serviced by the business to which they were awarded;
- (i) no changes are made to key staff of the Acquired Business or the Transport for Edinburgh business;
- (j) no key staff are transferred between the Acquired Business and the Transport for Edinburgh business;

- (k) all reasonable steps are taken to encourage all key staff to remain with the Acquired Business and the Transport for Edinburgh business; and
- (l) no business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature relating to either of the two businesses shall pass, directly or indirectly, from the Acquired Business (or any of its employees, directors, agents or affiliates) to the Transport for Edinburgh business (or any of its employees, directors, agents or affiliates), or vice versa, except where strictly necessary in the ordinary course of business (for example, where required for compliance with external regulatory and/or accounting obligations) and on the basis that, should the transaction be prohibited, any records or copies (electronic or otherwise) of such information that have passed, wherever they may be held, will be returned to the business to which they relate and any copies destroyed.

## **Compliance**

- 6. Transport for Edinburgh and ECBL shall procure that each of their subsidiaries complies with this Order as if the Order had been issued to each of them.
- 7. Transport for Edinburgh and ECBL shall provide to the CMA such information or statement of compliance as it may from time to time require for the purposes of monitoring compliance by Transport for Edinburgh and ECBL and their subsidiaries with this Order. In particular, on 29 September 2016 and subsequently every two weeks (or, where this does not fall on a working day, the first working day thereafter) the Chief Executive Officer of Transport for Edinburgh and ECBL or other persons of Transport for Edinburgh and ECBL as agreed with the CMA shall, on behalf of Transport for Edinburgh and ECBL, provide a statement to the CMA in the form set out in the Annex to this Order confirming compliance with this Order.
- 8. At all times, Transport for Edinburgh and ECBL shall, or shall procure that the Acquired Business shall, actively keep the CMA informed of any material developments relating to the Acquired Business or the Transport for Edinburgh business, which includes but is not limited to:
  - (a) details of key staff who leave or join the Acquired Business or the Transport for Edinburgh business;
  - (b) any interruption of the Acquired Business or the Transport for Edinburgh business (including without limitation its procurement, production, logistics, sales and employee relations arrangements) that has prevented

it from operating in the ordinary course of business for more than 24 hours;

(c) all substantial customer volumes won or lost or substantial changes to the customer contracts for the Acquired Business or the Transport for Edinburgh business including any substantial changes in customers' demand; and

(d) substantial changes in the Acquired Business or the Transport for Edinburgh business's contractual arrangements or relationships with key suppliers.

9. If Transport for Edinburgh or ECBL has any reason to suspect that this Order might have been breached it shall immediately notify the CMA and any monitoring trustee that Transport for Edinburgh or ECBL may be directed to appoint under paragraph 10.
10. The CMA may give directions to a specified person or to a holder of a specified office in any body of persons (corporate or unincorporated) to take specified steps for the purpose of carrying out, or ensuring compliance with, this Order, or do or refrain from doing any specified action in order to ensure compliance with the Order. The CMA may vary or revoke any directions so given.
11. Transport for Edinburgh and ECBL shall comply in so far as they are able with such directions as the CMA may from time to time give to take such steps as may be specified or described in the directions for the purpose of carrying out or securing compliance with this Order.

## **Interpretation**

12. The Interpretation Act 1978 shall apply to this Order as it does to Acts of Parliament.

13. For the purposes of this Order:

**'the Acquired Business'** means the business and assets of First Scotland East Limited that were the subject of the transaction, namely a bus depot at Dalrymple Loan, Musselburgh and a bus depot at North Berwick, together with transferred employees and certain other assets, carried on as at the commencement date;

**'the Act'** means the Enterprise Act 2002;

**'an affiliate'** of a person is another person who satisfies the following condition, namely that any enterprise (which, in this context, has the meaning given in section 129(1) of the Act) that the first person carries on from time to time and any enterprise that the second person carries on from time to time would be regarded as being under common control for the purposes of section 26 of the Act;

**'business'** has the meaning given by section 129(1) and (3) of the Act;

**'commencement date'** means 15 September 2016;

**'control'** includes the ability directly or indirectly to control or materially to influence the policy of a body corporate or the policy of any person in carrying on an enterprise;

**'the decisions'** means the decisions of the CMA on the questions which it is required to answer by virtue of section 35 of the Act;

**'ECBL'** means East Coast Buses Limited, 55 Annandale Street, Edinburgh, Midlothian, EH7 4AZ, Company number SC208702;

**'the ECBL business'** means the business of ECBL and its subsidiaries carried on as at the commencement date;

**'key staff'** means staff in positions of executive or managerial responsibility and/or whose performance affects the viability of the business;

**'the ordinary course of business'** means matters connected to the day-to-day supply of goods and/or services by the Acquired Business or Transport for Edinburgh and ECBL and does not include matters involving significant changes to the organisational structure or related to the post-merger integration of the Acquired Business or Transport for Edinburgh and ECBL;

**'specified period'** means the period beginning on the commencement date and terminating in accordance with section 72(6) of the Act;

**'subsidiary'**, unless otherwise stated, has the meaning given by section 1159 of the Companies Act 2006;

**'the transaction'** means the transaction by which ECBL and the Acquired Business have ceased to be distinct within the meaning of section 23 of the Act;

**'Transport for Edinburgh Limited'** means Transport for Edinburgh Limited, 55 Annandale Street, Edinburgh, EH7 4AZ, company number SC443895 (Companies House);

**'the Transport for Edinburgh business'** means the business of Transport for Edinburgh Limited and its subsidiaries carried on as at the commencement date;

**'the two businesses'** means the Transport for Edinburgh business and the Acquired Business;

unless the context requires otherwise, the singular shall include the plural and vice versa.

**Ronan Scanlan**

*Assistant Director, Mergers*

## Compliance statement for Transport for Edinburgh Limited/East Coast Buses Limited

I, [insert name] confirm on behalf of Transport for Edinburgh Limited/East Coast Buses Limited that:

### Compliance in the Relevant Period

1. In the period from [insert date] to [insert date] (the Relevant Period):
  - (a) Transport for Edinburgh/East Coast Buses Limited has complied with the Order made by the CMA in relation to the transaction on 15 September 2016 (the Order).
  - (b) Transport for Edinburgh/East Coast Buses Limited's subsidiaries have also complied with this Order.
2. Subject to paragraph 3 of the Order, and except with the prior written consent of the CMA:
  - (a) No action has been taken by Transport for Edinburgh/East Coast Buses Limited that might prejudice a reference of the transaction under section 22 of the Act or impede the taking of any action by the CMA which may be justified by its decision on such a reference, including any action which might:
    - (i) lead to the integration of the Acquired Business with the Transport for Edinburgh business;
    - (ii) transfer the ownership or control of the Transport for Edinburgh business or the Acquired Business or any of their subsidiaries; or
    - (iii) otherwise impair the ability of the Acquired Business or the Transport for Edinburgh business to compete independently in any of the markets affected by the transaction.
  - (b) The Acquired Business has been carried on separately from the Transport for Edinburgh business and the Acquired Business's separate sales or brand identity has been maintained.
  - (c) The Acquired Business and the Transport for Edinburgh business have been maintained as a going concern and sufficient resources have been made available for the development of the Acquired Business and the



Transport for Edinburgh business, on the basis of their respective pre-merger business plans.

- (d) No substantive changes have been made to the organisational structure of, or the management responsibilities within, the Acquired Business or the Transport for Edinburgh business, except in the ordinary course of business.
- (e) The nature, description, range and quality of goods and/or services supplied in the UK by the Acquired Business and the Transport for Edinburgh business have been maintained and preserved.
- (f) Except in the ordinary course of business for the separate operation of the two businesses:
  - (i) all of the assets of the Acquired Business and the Transport for Edinburgh business, including facilities and goodwill, have been maintained and preserved as at the start of the Relevant Period;
  - (ii) none of the assets of the Acquired business or the Transport for Edinburgh business have been disposed of; and
  - (iii) no interest in the assets of the Acquired Business or the Transport for Edinburgh business has been created or disposed of.
- (g) There has been no integration of the information technology of the Acquired Business or Transport for Edinburgh businesses, and the software and hardware platforms of the Acquired Business have remained essentially unchanged, except for routine changes and maintenance.
- (h) Subject to integration which had occurred prior to the commencement date, the customer and supplier lists of the two businesses have been operated and updated separately and any negotiations with any existing or potential customers and suppliers in relation to the Acquired Business have been carried out by the Acquired Business alone and, for the avoidance of doubt, the Transport for Edinburgh business has not negotiated on behalf of the Acquired Business (and vice versa) or entered into any joint agreements with the Acquired Business (and vice versa).
- (i) All existing contracts of the Acquired Business and the Transport for Edinburgh business have been serviced by the business to which they were awarded, except to the extent novated, assigned or subcontracted prior to the commencement date.

- (j) No changes have been made to key staff of the Acquired Business or the Transport for Edinburgh business.
- (k) No key staff have been transferred between the Acquired Business and the Transport for Edinburgh business.
- (l) All reasonable steps have been taken to encourage all key staff to remain with the Acquired Business and the Transport for Edinburgh business.
- (m) Except as permitted by the Order, no business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature relating to either of the two businesses, has passed, directly or indirectly, from the Acquired Business (or any of its employees, directors, agents or affiliates) to the Transport for Edinburgh business (or any of its employees, directors, agents or affiliates), or vice versa.
- (n) Except as listed in paragraph (o) below, there have been no:
  - (i) key staff that have left or joined the Acquired Business or the Transport for Edinburgh business;
  - (ii) interruptions of the Acquired Business or the Transport for Edinburgh business (including without limitation procurement, production, logistics, sales and employee relations arrangements) that have prevented it from operating in the ordinary course of business for more than 24 hours;
  - (iii) substantial customer volumes won or lost or substantial changes to the customer contracts for the Acquired Business or the Transport for Edinburgh business; or
  - (iv) substantial changes in the Acquired Business or Transport for Edinburgh business's contractual arrangements or relationships with key suppliers.
- (o) *[list of material developments]*

3. Transport for Edinburgh/East Coast Buses Limited and its subsidiaries remain in full compliance with the Order and will, or will procure that the Acquired Business, continue actively to keep the CMA informed of any material developments relating to the Acquired Business or the Transport for Edinburgh business in accordance with paragraph 8 of the Order.

**Interpretation**

- 4. Terms defined in the Order have the same meaning in this compliance statement.

FOR AND ON BEHALF OF Transport for Edinburgh business

Signature .....

Name .....

Title .....

Date .....