

**STAGECOACH GROUP PLC
RESPONSE TO CMA CONSULTATION ON EXCEPTIONS TO THE DUTY TO REFER IN
MARKETS OF INSUFFICIENT IMPORTANCE**

1. Introduction

- 1.1. This note sets out Stagecoach Group plc's (**Stagecoach**) response to the Competition and Markets Authority (**CMA**) consultation on revising the de minimis market size thresholds as published on 23 January 2017.
- 1.2. Stagecoach is an international public transportation group, with operations focused in the UK, the USA and Canada. Its businesses, which include bus, train, tram and express coach divisions, operate around 13,000 bus vehicles and trains, employing approximately 39,000 people. It welcomes the consultation and recommendations generally.

2. Consultation Response

- 2.1. Stagecoach has considered the specific questions posed by the CMA:

2.1.1. Do you agree with the proposed changes to the thresholds?

Stagecoach welcomes the proposal to raise the market size thresholds (i) over which the CMA considers that the market(s) concerned will generally be of sufficient importance to justify a reference; and (ii) below which the CMA will generally not consider a reference justified.

Stagecoach understands that the CMA proposes a new threshold of £15million in the case of (i) and £5million in the case of (ii). In some cases we would suggest that a higher threshold might be justified, for instance, where the overall size of the market in question is such that this threshold still represents a very small percentage of the value concerned and may trigger a costly reference which is disproportionate to the size of the market concerned or the likely benefit to the consumer.

2.1.2. Do you agree with the potential benefits of these proposals?

Stagecoach agrees with the CMA that raising the thresholds will allow effective use of public resources and notes that the CMA continues to retain the ability to decline to exercise its discretion where it thinks this is appropriate. The changes will also reduce the burden on business of dealing with references where there is little real scope to adversely impact competition.

2.1.3. Do you have any other comments about the proposed changes?

As noted above, Stagecoach thinks that it makes sense to revise the thresholds and welcomes the approach across the transport sectors in which it operates be that bus, rail or coach. In the past, there has been some suggestion that special rules should apply to the bus sector due to certain special risks applying to smaller markets. Notably, in its 2011 report into the

local bus market, the Competition Commission (**CC**) recommended that the Office of Fair Trading (**OFT**) should take a cautious approach to exercising its discretion not to refer bus mergers on de minimis grounds and further suggested that thresholds should be lower in these markets.

Stagecoach and others argued at the time that no case had been made for singling out one sector over another for disproportionate scrutiny and cost in merger control. It was also noted that the OFT's 2010 guidance already recognised certain risks as being particularly relevant to smaller markets and that it was quite competent to operate this guidance effectively and proportionately. The CMA also adopted the 2010 guidance and now has significant experience of applying it in the bus sector as well as elsewhere. It is clear that that experience indicates that the thresholds proposed are appropriate for all markets (including bus) and that there is no justification for treating bus differently.