



News Release

30/06

23 May 2006

EWS/MARCROFT MERGER WOULD REDUCE COMPETITION IN FREIGHT HAULAGE

The Competition Commission (CC) has provisionally concluded that the completed acquisition by Railway Investments Limited (a wholly-owned subsidiary of English Welsh & Scottish Railway Holdings Limited) (EWS) of Marcroft Holdings Limited and its wholly-owned subsidiary Marcroft Engineering Limited (Marcroft) may be expected to result in a substantial lessening of competition in the market for rail freight haulage services.

The merger was referred to the CC on 6 February 2006 and brought together the largest operator of rail freight haulage services in Great Britain (EWS) with the largest supplier of in-field rail freight wagon maintenance services to third parties (Marcroft). The CC is required to publish its final report within a period ending on 24 July 2006.

Inquiry Group Chairman, Jeremy Seddon commented:

"We've provisionally concluded that the merged company would have the ability and incentive to use its strong position in wagon maintenance to disadvantage its rivals in the £800 million per annum freight haulage market who use Marcroft, by raising prices or reducing quality of service. This, in turn, would lead to higher prices and lower quality service for end-users. So we have provisionally found that there would be a substantial lessening of competition in this market, which is unlikely to be offset by the entry of new service providers into the maintenance market or by countervailing buyer power."

The CC will now start discussions with interested parties on possible measures to remove the anti-competitive effects of the merger before publishing its final report. At present, the only remedy the CC is proposing is divestment of the whole or part of the Marcroft business, and is seeking views on the scope of the divestment and on possible purchasers. The CC does however remain willing to consider any alternatives.

A summary of the CC's provisional findings report, together with a notice of possible remedies to address the anti-competitive effect, has been published on its web site at:

www.competition-commission.org.uk/inquiries/ref2006/marcroft/index.htm

The full provisional findings report will be published shortly.

The CC now invites responses from the main parties and other interested parties on possible remedies and the provisional findings by Tuesday 14 June. Comments should be made in writing to:

Edwin James
Inquiry Secretary (EWS/Marcroft merger inquiry)

Competition Commission
Victoria House
Southampton Row
LONDON
WC1B 4AD

Or email: edwin.james@cc.gsi.gov.uk.

Notes to editors

1. The Enterprise Act 2002 empowers the Office of Fair Trading 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 EWS Railway Holdings/Marcroft Engineering inquiry group consists of four members: Jeremy Seddon (Group Chairman), Peter Jones, Jeremy Peat and Richard Taylor
3. 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.
3. 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 web site at: www.competition-commission.org.uk.
4. Enquiries should be directed to Rory Taylor (email: rory.taylor@cc.gsi.gov.uk)