



News Release

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CC CONFIRMS STAGECOACH/SCOTTISH CITYLINK MUST SELL SERVICES

The Competition Commission (CC) has today confirmed that it will require Stagecoach and Scottish Citylink to sell some of their services on the Glasgow–Aberdeen and Edinburgh–Inverness routes to a competing operator. The CC's decision confirming its position has been published on the CC website.

Last year, the CC conducted an inquiry into the joint venture between Stagecoach/megabus and Scottish Citylink. The CC concluded that the joint venture would lead to higher fares and reduced service levels for their coach passengers on those routes where, prior to the joint venture, Stagecoach and Scottish Citylink had been the two main coach competitors. The CC's decision on remedies, contained in its final report published in October 2006, was that the joint venture should be required to sell certain services on the Glasgow–Aberdeen, Edinburgh–Inverness routes in order to restore the competition that had existed previously.

The CC's decisions are final and must be implemented unless they are appealed or unless the CC is satisfied that there has been a change of circumstance or other special reason that justifies changing its final decision. Stagecoach, Braddell and Scottish Citylink chose not to appeal the CC's final decision, as published on 3 October 2006. On 31 January 2007, the CC published for public consultation a draft set of undertakings that would implement its chosen remedy. The CC received a number of responses to that consultation and considered whether any of those responses suggested a change of circumstance or another special reason sufficient to justify changing its final decision.

After carefully considering those responses, the CC has found no reason to change its final decision that coach passengers on these routes would benefit the most from the restoration of competition. The CC will therefore not be changing the draft undertakings, which had been agreed with the parties, and has written to them letting them know that they should now proceed with the sale of the services.

Inquiry Chairman, John Baillie said:

Our role is to protect competition and choice—these bring the greatest benefits and lead to the best deal for passengers. Passengers deserve the benefits that come from having a choice of competing providers.

Before the joint venture, vigorous competition between Scottish Citylink and Stagecoach's megabus service had brought substantial improvements to fares

and service quality on these routes. We think that passengers should be able to continue enjoying these benefits, which an absence of competition would remove.

We have considered carefully the submissions we have received in recent weeks following the consultation but we have found no reason to change our decision. We think that the benefits of competition for passengers, such as lower fares and better services, outweigh any benefits argued to arise from the joint venture, such as better co-ordination of timetables. We do not believe that our actions clash with Scottish transport policy. We are not dismantling the coach network or the entire joint venture, but simply requiring the sale of either Scottish Citylink or megabus services where we found a competition problem: these constitute a small number of its routes.

The arguments made in recent weeks had mirrored some of those already been put to us during the inquiry itself, when we carried out an extensive consultation with Scottish authorities, MSPs and other organizations, and had been fully considered in our report published last October.

We have also been asked to look again at other remedies such as fare controls, which we considered carefully during the inquiry itself. However, we still believe that, as well being a far more complex and intrusive option, fare controls would only tackle the adverse effects and not the problem itself by failing to restore the competition which existed on these routes before the joint venture.

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 draft undertakings, the CC's final report, and the CC's decision document confirming its final decision are available at www.competition-commission.org.uk/inquiries/ref2006/citylink/index.htm. The report concluded 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.

Notes to editors

1. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
2. 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.
3. The Stagecoach/Scottish Citylink inquiry group consisted of four members: John Baillie (Group Chairman), Carolan Dobson, John Smith and Fiona Woolf. The Chairman and Carolan Dobson are both based in Scotland.
4. Enquiries should be directed to Rory Taylor on 020 7271 0242 (email: rory.taylor@cc.gsi.gov.uk).