



News Release

51/09

11 November 2009

PRESTON BUS TO BE SOLD

The Competition Commission (CC) has decided that Stagecoach Group plc (Stagecoach) must sell Preston Bus Limited to a competing company, after concluding its inquiry into the acquisition.

In its final report published today at www.competition-commission.org.uk, the CC concludes that the sale of a reconfigured Preston Bus will be the most effective way to restore competition and safeguard passenger interests. The CC will approve the successful bidder to ensure that it is capable of operating as an effective competitor to Stagecoach.

The sale will include a bus depot, other assets and a network of routes, including services formerly run by Preston Bus but since transferred to Stagecoach following the acquisition.

The CC has been considering what action to take after provisionally concluding in [September](#) that Stagecoach's purchase of Preston Bus will reduce competition and potentially harm the interests of passengers. The CC has been investigating the completed acquisition of Preston Bus by Stagecoach, following a referral by the Office of Fair Trading (OFT) since May. Before the acquisition, Preston Bus provided local bus services in Preston and South Ribble, while Stagecoach is one of the largest bus and coach companies in the UK, with operations in over 100 towns and cities.

CC Deputy Chairman and Chairman of the Inquiry Group, Dr Peter Davis, said:

We found that this merger resulted in a substantial reduction in competition that would, in our view, have an adverse impact on passengers in Preston, leading to a worsening in fares and other factors such as service levels. Without the merger, the competition each company would have faced would have ensured that it maintained or improved its services to attract passengers.

To find the most suitable remedy to the problems generated by the merger we had to carefully consider the lost competition and also important issues such as the role of the bus network in generating customer benefits. Having done so, we came to the conclusion that the most effective remedy will be for Stagecoach to sell Preston Bus to a company capable of competing with it. In

summary, we came to the view that it will be beneficial to restore competition to a similar level to that which existed before the abnormal, loss making activities that immediately preceded the acquisition.

The CC's report notes that the merger followed a period of abnormal competition from June 2007 to September 2008 in which both companies operated at a significant loss. The CC has therefore assessed the effects of the merger relative to the degree of competition between the two companies that existed before June 2007. In that period there was both actual competition on a limited number of main corridors into the city centre on which both companies operated; and the potential competition that either company could expand its services if the performance of the other deteriorated. The Inquiry Group found that the merger has resulted in a substantial lessening of that competition.

Notes for 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 members of the Stagecoach/Preston Inquiry Group are: Dr Peter Davis (Group Chairman) Laura Carstensen, Jill Hill and Stephen Oram.
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.
5. Further information on this inquiry, including the terms of reference and other key documents, as well as on the CC and its procedures, including its policy on the provision of information and the disclosure of evidence, can be obtained from the CC website at: www.competition-commission.org.uk.
6. Enquiries should be directed to Rory Taylor or John Park on 020 7271 0242 (email rory.taylor@cc.gsi.gov.uk or john.park@cc.gsi.gov.uk).