



News Release

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CC CLEARS EASTBOURNE BUS MERGER

The Competition Commission (CC) has cleared Stagecoach's purchase of two bus companies in Eastbourne.

The CC has been investigating the completed acquisitions of Eastbourne Buses Limited (Eastbourne Buses) and Cavendish Motor Services Limited (Cavendish) by Stagecoach Group PLC (Stagecoach), following a referral by the Office of Fair Trading (OFT) in May. Prior to the acquisition, Eastbourne Buses and Cavendish provided local bus services in Eastbourne and Hailsham.

Since Stagecoach had only a small presence in Eastbourne before the merger, the focus of the investigation has considered whether there was a loss of competition between Eastbourne Buses and Cavendish as a result of the mergers.

In clearing the mergers, the CC has changed its provisional decision, issued in [August](#), that the acquisitions substantially lessened competition. Following consultation on that provisional decision, further evidence and analysis revealed that Cavendish was operating loss-making routes throughout 2008, and its financial position had substantially deteriorated following expansions of its operations. As a result, the CC thought it unlikely that Cavendish would have chosen to continue to run its business in the same way and would instead have been likely to withdraw relatively quickly from a large number of routes or close its operations altogether. Therefore, it seems unlikely that any significant process of competition between Cavendish and Eastbourne Buses would have continued.

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

It's now clear that the Cavendish business had been operating unprofitably and in the event that the merger hadn't taken place, it would have been faced with a rejuvenated Eastbourne Buses. We thought it unlikely that any other operator would have chosen to purchase Cavendish. Added to this, Cavendish's original strategy either to displace Eastbourne Buses or acquire the company would no longer have been possible.

On balance we think it is most likely that Cavendish would have chosen either to reduce its services substantially or even to close its operations altogether.

As such, we do not consider that the merger has substantially lessened competition and so we have cleared the merger.

Our decisions are always based on careful analysis of the available evidence and although it is relatively rare to change a provisional decision, the point of issuing that document during the inquiry process is to allow us to consult on it and to subsequently change direction if the resulting evidence and further analysis mean that it is the right thing to do.

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/Eastbourne/Cavendish Inquiry Group are: Peter Davis (Chairman), Alexander Johnston, Malcolm Nicholson and Roger Witcomb.
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).