



# News Release

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## **COMMISSION REQUIRES EWS TO SELL OFF PART OF BUSINESS**

The Competition Commission (CC) has 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 brought together the largest operator of rail freight haulage services in Great Britain (EWS) with the largest supplier of rail freight wagon maintenance services to third parties (Marcroft).

The CC will now require EWS to sell all or part of the Marcroft outstation business (but not the Marcroft works at Stoke) in order to preserve competition in the rail freight haulage market. As a first step EWS will seek to reach agreement on the sale of a partial divestment package to a potential purchaser it has identified.

The CC's decision confirms the provisional findings report which was published in May.

Inquiry Group Chairman, Jeremy Seddon commented:

We have 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, by raising prices or reducing quality of service. This, in turn, would lead to higher prices and lower quality service for end-users. We have therefore 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, by haulage companies moving to self-supply, or by countervailing buyer power.

We will now require EWS to sell off all or part of Marcroft's outstation business, so that its rivals in the rail freight haulage market will be able to use a company independent of EWS for their maintenance services.

EWS has proposed a divestment package forming part of the Marcroft outstation business and has identified a possible purchaser. We are content for EWS to continue discussions with that purchaser, subject to our final approval that any sale adequately addresses the SLC and the adverse effects identified and is not subject to significant risks.

If EWS is not able to give effect to its proposal within a reasonable period of time we will require it to seek offers more widely for the disposal of all or part of the Marcroft outstation business.

The final report is published at: [www.competition-commission.org.uk/inquiries/ref2006/marcroft/index.htm](http://www.competition-commission.org.uk/inquiries/ref2006/marcroft/index.htm).

#### **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 merger was referred to the CC on 6 February 2006. The CC is required to publish its final report by 18 September 2006. The CC extended the original inquiry deadline of 24 July by eight weeks after the Group considered that, following the significant amount of new evidence provided by the parties after the publication of the provisional findings report, completion of its investigation and the publication of its final report, including any necessary remedy process, would not have been possible within the original reference period. The CC is permitted to extend an inquiry 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 website at: [www.competition-commission.org.uk](http://www.competition-commission.org.uk).
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