

LOCAL BUS SERVICES MARKET INVESTIGATION

Notice of addendum to provisional findings regarding geographic market segregation and operator conduct made under Rule 10.3 of the Competition Commission Rules of Procedure

1. On 4 August 2011 the Competition Commission (CC) published its provisional findings on tacit coordination. Following publication new evidence relating to coordination was uncovered and further investigation was carried out. This evidence related to complex patterns of behaviour and did not relate only to tacit coordination but also to the wider concept of geographic market segregation. The CC is now publishing its provisional findings on geographic market segregation and operator conduct in an addendum to its provisional findings.
2. The CC has provisionally concluded in its market investigation that competition has been restricted by the conduct of two Large Operators in the North-East. This conduct consists in extensive communication between operators, retaliation and signalling and the sale/acquisition of rivals' assets. The CC provisionally finds that operator conduct leading to market segregation is a feature that gives rise to an adverse effect on competition (AEC) in the North-East or that contributes to the AEC in the North-East arising from other features provisionally identified.
3. The CC has also observed elements of similar conduct in several other areas. The CC is concerned that this conduct that exacerbates geographic segregation may occur elsewhere and could do so in the future. The CC also finds that retaliatory responses to entry form an additional barrier to entry within the feature previously identified at provisional findings.
4. The inquiry group's (the Group's) reasons are set out in full in the addendum to provisional findings regarding geographic market segregation and operator conduct which has been published on the CC's [website](#). This should be read in conjunction with the CC's provisional findings published on 6 May 2011 and its provisional findings on tacit coordination published on 4 August 2011.
5. The CC has provisionally decided that no specific additional remedy is needed to address the new feature and AEC. We expect that our proposed remedy package published in our provisional decision on remedies on 6 October 2011 will reduce barriers to entry and expansion, and will thereby reduce operators' incentives and ability to engage in harmful coordination. The significance of these remedies is therefore enhanced by this finding because of their beneficial effect in countering geographic market segregation.

The next steps

6. The Group now invites interested parties to submit reasons in writing as to why these provisional findings should not become final (or, as the case may be, should be varied).
7. These reasons should be received in writing by the Group no later than 14 November 2011.
8. The Group will have regard to any such reasons in making its final decision on the statutory questions and actions.

(signed) JEREMY PEAT
Group Chairman
1 November 2011