



News Release

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LIMITATIONS IN COMPETITION BETWEEN BUS OPERATORS IN THE NORTH-EAST

The Competition Commission (CC) has today published an addendum to the provisional findings of its local bus services market investigation showing that some large bus companies, particularly in the North-East of England, have taken action which had an adverse effect on competition.

In its addendum on geographic market segregation and operator conduct published today, the CC describes ways in which certain large bus companies seek to protect their own 'core' territories.

The evidence seen by the CC shows that this segregation was brought about by extensive communication between certain Large Operators, signalling, retaliation to entry through competitive responses on other routes, and the sale and acquisition of rivals' assets.

The evidence has been gathered from company documents and from hearings with past and present executives of the companies involved. Similar patterns of behaviour, most clearly retaliatory conduct, have also been identified in other areas.

The paper is an addition to the CC's [provisional findings](#) which were published in May this year and stated among its conclusions that in many local areas the largest bus operator had persistently faced little or no competition, leading to passengers facing less frequent services and, in some cases, higher fares than where there was some form of rivalry. It also builds on the CC's [provisional findings on tacit coordination](#) which were published in August. These stated that although at that point there was no direct evidence of such behaviour taking place, the necessary conditions were in place for it to occur.

Jeremy Peat, Chairman of the local bus market investigation Group, said:

One of our main concerns in this investigation has been the number of areas where one company has faced little or no competition over an extended period of time. In August we noted that bus operators may have the incentive to avoid competing in each other's territories. We have now found that some large bus companies have gone about their business in ways that adversely affected competition in some areas as we feared.

We have found evidence of a clear perception among some operators that some areas 'belong' to a particular company and of behaviour designed to

maintain that situation, particularly threats of retaliation when attempts are made to encroach on their territory.

We have found clear evidence relating to only three Large Operators, and only in a few areas of the country. We have not been able to conduct a full investigation of a larger number of areas. But our concerns expressed in the provisional findings on tacit coordination that operator conduct could restrict competition in a wider number of areas are further reinforced.

Conduct that restricts competition damages the interests of passengers. The evidence we have now found strengthens the case for our package of remedies, which are in part designed to reduce the potential and incentive for such behaviour. However, the CC is not suggesting any further additions to the proposed package of remedies.

The CC published its [provisional decision on remedies](#) earlier this month, which outlined measures to tackle the barriers to competition it had previously identified.

The CC started its investigation into the local bus market in the UK (excluding London and Northern Ireland) in January 2010.

Notes for editors

1. The OFT [referred](#) the local bus market to the CC in January 2010, following its initial study into the sector and public consultation. The CC is now carrying out its own comprehensive investigation to see if any features of this market prevent, restrict or distort competition and, if so, what action might be taken to remedy the resulting adverse effects on competition.
2. Since starting the investigation, the CC has carried out an extensive investigation of an industry that carries 2.9 billion passenger journeys a year and has 1,245 different operators. The inquiry has held hearings and received submissions from a wide variety of parties in England, Wales and Scotland (which each have transport policies and funding set by their respective governments) including bus operators, trade associations, passenger groups, local transport authorities, national and local government and regulators. It has also carried out detailed passenger surveys, and various economic and accounting analyses, as well as case studies on local bus markets.
3. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
4. Under the Enterprise Act 2002, the OFT can make a market investigation reference to the CC if it has reasonable grounds for suspecting that competition is not working effectively in that market.
5. The members of the local bus market investigation Group are Jeremy Peat (Chairman), Ivar Grey, Thomas Hoehn, Katherine Holmes and Michael Waterson. Jeremy Peat took over as Group Chairman from previous Chairman, Diana Guy, when her term as a CC member and as CC Deputy Chairman ended on 30 November 2010.
6. In its investigation, the CC is required to decide whether 'any feature, or combination of features, of each relevant market prevents, restricts or distorts competition in connection with the supply or acquisition of any goods or services in the United Kingdom or a part of the United Kingdom'. If so, then there is an adverse effect on competition and the CC will also consider whether this is resulting in a detrimental effect on customers such as

higher prices, lower quality or less choice of goods or services. The CC will then decide whether the CC should introduce remedies to tackle the adverse effect on competition and/or detrimental effect on customers and/or whether the CC should recommend that action be taken by other bodies to remedy the adverse effects on competition and, if so, what actions or remedies. If the CC finds that there is no adverse effect on competition, the question of remedies will not arise.

7. The Enterprise Act 2002 requires the CC to consult the main parties on its proposed decisions, and it will also publish notice of its provisional findings on the CC website as required by its rules. Full details on the CC's guidelines for market investigation references are available on the CC website at: www.competition-commission.org.uk/rep_pub/rules_and_guide/pdf/cc3.pdf.
8. Enquiries should be directed to [Rory Taylor](#) or [Siobhan Allen](#) or by ringing 020 7271 0242.