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***Case No COMP/M.2154 - C3D  
/ RHONE / GO AHEAD***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 9 (3)  
Date: 20/10/2000



In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER REGULATION  
PHASE I

**Commission Decision of 20 October 2000 referring  
Case No COMP/M.2154-C3D/Rhône/Go-Ahead to the competent authorities of the  
United Kingdom pursuant to Article 9 of Council Regulation No 4064/89**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 4064/89 of 21 December 1989,<sup>1</sup> as last amended by Council Regulation (EC) No 1310/97 of 30 June 1997<sup>2</sup> on the control of concentrations between undertakings, and in particular Article 9(3) thereof,

Having regard to the notification given by the undertakings C3D and Rhône Capital LLC on 7 September 2000 pursuant to Article 4 of the above-mentioned Council Regulation,

Having regard to the communication sent by the United Kingdom on 2 October 2000,

whereas:

1. On 7 September 2000, the undertakings C3D and Rhône Capital LLC (Rhône), notified the Commission, in accordance with Article 4 of Council Regulation (EEC) No 4064/89, of their proposed acquisition of the Go-Ahead Group plc (Go-Ahead), a United Kingdom company, by means of a takeover bid.

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<sup>1</sup> OJ L 395, 30.12.1989; OJ L 257, 21.9.1990.

<sup>2</sup> OJ L 180, 9.7.1997.

2. A copy of the notification was sent on 8 September 2000 to the United Kingdom competition authorities, which acknowledged receipt of it on 12 September 2000.
3. On 2 October 2000, the United Kingdom requested the Commission, pursuant to Article 9 of the Council Regulation of 21 December 1989 on the control of concentrations between undertakings, to refer to it part of the transaction which concerned the market for public bus transport in London. The request of the United Kingdom authorities is based on Article 9(2)(a) of the Merger Regulation. The United Kingdom considers that the operation threatens to create or strengthen a dominant position as a result of which effective competition will be significantly impeded on a market within the United Kingdom which presents all the characteristics of a distinct market. It therefore requests that analysis of the effects of the transaction and determination of the appropriate measures for restoring effective competition be carried out the by United Kingdom competition authorities.

## **I. THE PARTIES**

4. C3D, a holding company wholly owned by the Caisse de Dépôts et Consignations, operates in several areas of activity, including urban and intercity transport via the company Transdev plc (Transdev). It operates bus transport networks and also provides shuttle bus services at the Paris airports of Roissy and Orly. Transdev operates on the London bus transport market via the companies London United, London United Busways Ltd, Stanwell and Westlink.
5. Rhône is a US investment fund which has holdings in several companies that operate in the motor vehicle, property, radio and television, air transport and electronics sectors.
6. Go-Ahead is a British transport company that operates in road and rail transport. It also provides airport transport services. London General, London Central and Metrobus are the three operators controlled by Go-Ahead that operate on the London bus transport market.

## **II. THE PROPOSED TRANSACTION**

7. The transaction consists in the joint takeover by C3D and Rhône of the whole of the Go-Ahead group by means of a takeover bid, announced on 26 August 2000. The proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **III. COMMUNITY DIMENSION**

8. The parties have a combined aggregate worldwide turnover of more than €5 billion (C3D €24 970 million; Rhône €408.22 million; Go-Ahead €819.31 million). C3D and Go-Ahead each have a Community-wide turnover of more than € 250 million (C3D €23 720 million; Go-Ahead €819.31 million). They do not achieve more than two thirds of their aggregate Community-wide turnover within one and the same Member State. The transaction therefore has a Community dimension.

#### **IV. ASSESSMENT**

##### **A. Relevant product market**

9. The UK authorities' request for referral relates to the market for passenger bus transport.
10. The UK authorities have had occasion to examine the passenger bus transport markets in previous cases.<sup>3</sup> They have taken the view that bus services constitute a distinct product market since other transport modes are not close substitutes for reasons of price, frequency of services, distance and the need for depots.
11. The distinct nature of the passenger bus transport market has been considered appropriate by the parties for the purpose of assessing this transaction, and the competitors consulted have also widely confirmed the validity of such an approach.
12. In view of the foregoing, it can be concluded that several factors point to the existence of a distinct market in passenger bus transport.

##### **B. Geographical reference market**

13. The UK authorities have argued in their request for referral that passenger bus transport constitutes a relevant geographic market which is local in nature; competitive conditions in the London area differ from those prevailing elsewhere in the country as far as passenger bus transport is concerned. They take the view that the relevant market is in this case limited to south-west London, since the bus services in question are by nature local in scope and bus operators in other areas of London cannot act as a competitive restraint on incumbents in the south-western area.
14. In previous Decisions, the Commission has considered that local passenger transport markets can be defined geographically by a road and/or rail line or group of lines.<sup>4</sup>
15. The local nature of the passenger bus transport market has been considered appropriate by the parties for the purpose of assessing this transaction, and the competitors consulted have also confirmed the validity of such an approach.
16. In view of the foregoing, it can be concluded that several factors point to the existence of a local market that does not extend beyond London, south London or even south-west London. In any event, there is no need, for the purposes of this Decision, to circumscribe the relevant geographic market precisely since the transaction threatens to create a dominant position for the new entity whether the assessment is made with regard to south or to south-west London.

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<sup>3</sup> For example, First Bus and S B Holdings, 1997; Metroline/MTL North London.

<sup>4</sup> Decisions IV/M.943 - CGEA/EVS/DEGV and IV/M.816 - CGEA/South Eastern Train Company Limited.

**C. Effect on competition. Threat of the creation of a dominant position**

17. In London, unlike in the rest of the country, the passenger bus transport market is still highly regulated and is closely monitored by the regulatory authority, Transport for London. The way in which operators can enter the transport market in London therefore differs from deregulated markets elsewhere in the UK. Routes are regularly put up for tender and allocated under fixed-term contracts, and the conditions in which lines are operated are determined by the terms of franchise contracts concluded with Transport for London. Transport for London thus has some control over fares, vehicles, logistics (frequency of services and timetables), relations with users (information for passengers, ticket checks on board vehicles) and infrastructures.
18. However, the UK authorities consider that, although Transport of London may theoretically be in a strong bargaining position vis-à-vis companies bidding for routes, the fact that it currently receives an average of only 1.9 bids per route suggests that in practice this may not amount to an effective restraint on the parties' market power. Incumbent operators also hold a large proportion of all the routes put up for tender, which shows that they currently face little competitive pressure. The situation would not improve even if the two operators were to merge.
19. The UK authorities take the view that the parties have a very large market share in south-west London, where their respective positions overlap. The notifying parties would have a combined share of [between 80 and 90%] of the market in south-west London (Go-Ahead [between 50 and 60%], London United [between 30 and 40%]). If the market were taken as covering south-west and south London (Lambeth, Croydon), their combined share would be [between 50 and 60%] (Go-Ahead [between 40 and 50%], London United [between 10 and 20%]). Lastly, if the market were taken to cover the whole of south London, the notifying parties would according to the UK authorities have a combined share of [between 40 and 50%] of that market (Go-Ahead [between 30 and 40%], London United [less than 10%]).
20. The UK authorities are convinced that the very large market share held by the notifying parties threatens to create a dominant position as a result of which effective competition would be significantly impeded in the passenger bus transport market in London. Depots are necessary for parking, maintenance and cleaning, driver rest and sustenance, and depositing fares. According to the UK authorities, the situation regarding depots and the shortage of drivers are currently factors constituting major barriers to entry to the London market. They have also mentioned that the fact that the notifying parties operate over a very wide area can deter new market entrants.
21. In view of the foregoing, the transaction threatens to create a dominant position on the market in passenger bus transport in south or south-west London given, among other things, the large market shares held by the parties. The conditions for referral under Article 9(2)(a) of the Regulation are therefore met.
22. The UK authorities have prior experience of the transport market since, before the privatisation of bus services, the then Department of Transport issued guidelines to prospective purchasers of London's publicly owned bus companies. The

Commission therefore considers that the UK authorities are better placed than itself to assess the notified transaction.

## V. CONCLUSION

23. The Commission finds that the conditions for referral laid down in Article 9 of the Merger Regulation are met in the case in point and that, for the aspects concerning the passenger bus transport market in south or south-west London, the case should be referred to the competent authorities of the United Kingdom with a view to the application of the latter's national competition laws.
24. The notifying party received on 9 October 2000 a non-confidential version of the UK authorities' request,

HAS ADOPTED THIS DECISION:

### **Article 1**

In accordance with Article 9 of Council Regulation (EEC) No 4064/89 on the control of concentrations between undertakings, the notified concentration consisting in the planned acquisition of joint control by C3D and Rhône of the entire Go-Ahead group by means of a takeover bid is, as regards the aspects concerning the passenger bus transport market in south or south-west London, hereby referred to the competent authorities of the United Kingdom.

### **Article 2**

This Decision is addressed to the United Kingdom.

For the Commission

**Günter VERHEUGEN**  
**Member of the Commission**