

COMPLETED ACQUISITION BY STAGECOACH GROUP PLC OF PRESTON BUS LIMITED

DIRECTIONS ISSUED PURSUANT TO THE UNDERTAKINGS GIVEN BY STAGECOACH BUS HOLDINGS LIMITED AND ADOPTED BY THE COMPETITION COMMISSION ON 2 JUNE 2009

On 28 May 2009, the Office of Fair Trading (OFT) made a reference to the Competition Commission (CC) under section 22 of the Enterprise Act (the Act) concerning the completed acquisition by Stagecoach Bus Holdings Limited (Stagecoach) of Preston Bus Limited (Preston).

On 2 June 2009 the CC adopted undertakings given by Stagecoach to the OFT (the Undertakings) for the purpose of ensuring that no action is taken pending final determination of the reference which might prejudice the reference or impede the taking of any action by the CC under Part 3 of the Act which might be justified by the CC's decisions on the reference.

The CC wishes to ascertain precisely the degree of integration which has occurred to date between the Stagecoach and Preston businesses; the current level of compliance with the Undertakings; to assess the current and proposed arrangements for managing the Stagecoach and Preston businesses, including any changes to those arrangements which may be necessary; to supervise the establishment of mechanisms for ensuring compliance with the Undertakings; to monitor compliance by Stagecoach with the Undertakings; and so far as possible, to ensure Stagecoach's full and effective compliance.

The CC now issues written directions under paragraph 6 of the Undertakings that Stagecoach shall appoint a Monitoring Trustee (MT) in accordance with the terms provided for in the Annex and Stagecoach shall comply with the obligations set out in the Annex.

(signed) Peter Davis
Group Chairman
15 June 2009

1. In order to ascertain precisely the degree of integration which has occurred to date between the Stagecoach and Preston businesses; to assess the current and proposed arrangements for managing the businesses, including any changes to those arrangements which may be necessary, if any; to preserve the possibility for the CC taking any remedial action, if required; to supervise the establishment of mechanisms for ensuring compliance with the Undertakings; and to monitor compliance by Stagecoach with the Undertakings, Stagecoach shall appoint a MT. The functions of the MT shall be as set out below. The MT shall act on behalf of the CC and shall be under an obligation to the CC to carry out their functions to the best of their abilities.
2. Stagecoach shall cooperate fully with the MT, in particular as set out below. Stagecoach shall use its reasonable endeavours to ensure that the terms and conditions of appointment of the MT shall reflect and give effect to the functions and obligations of the MT and Stagecoach as set out in this document.

General

3. The MT shall possess appropriate qualifications and experience to carry out their functions.
4. The MT shall neither be nor become exposed to a conflict of interest that impairs the MT's objectivity and independence in discharging their duties under these Directions, unless it can be resolved immediately and with the prior approval of the CC.
5. The MT shall be remunerated and reimbursed by Stagecoach for all reasonable costs properly and lawfully incurred in accordance with the terms and conditions of their appointment. This shall be done in such a way that does not impede their independence or their ability to effectively carry out their functions.
6. The MT shall be appointed by Stagecoach as soon as is reasonably practicable and in any event by 5pm on Wednesday 17 June 2009 and shall continue to act until the CC has finally determined the reference (within the meaning of section 79 of the Enterprise Act 2002).
7. The appointment of an MT by Stagecoach shall be subject to the approval of the CC as to the identity of the MT and their terms and conditions of appointment in their entirety (ie the CC shall have the right of veto). Stagecoach shall inform the CC as soon as is reasonably practicable and in any event by 5pm on Tuesday 16 June 2009 of the identity of the MT that Stagecoach proposes to appoint and provide the CC with draft terms and conditions of appointment. Once the MT has been appointed, Stagecoach shall provide the CC with a copy of the agreed terms and conditions of appointment.

Functions

8. The functions of the MT shall be to ascertain the current level of compliance with the Undertakings; to assess the proposed arrangements for managing the Stagecoach and Preston businesses, and what changes to those arrangements, if any, are necessary to preserve the possibility of the CC taking any remedial action, if required. The MT will also be required: (i) to identify and supervise the establishment of mechanisms for ensuring compliance with the Undertakings; (ii) to monitor compliance by Stagecoach and its subsidiaries, as appropriate, with the

Undertakings; (iii) to provide advice to the CC on how to consider any additional requests for derogation from the Undertakings (should such requests be made by Stagecoach during the course of the inquiry); and (iv) to answer any questions Stagecoach and its subsidiaries may have in relation to compliance with the Undertakings, in consultation with the CC as necessary.

9. The MT shall take such steps as they reasonably consider necessary in order for them to effectively carry out their Functions. Those steps may include, but shall not be limited to, the monitoring of communications within the merged business of Stagecoach and Preston, including written and electronic communications, telephone conversations and attending meetings.
10. The MT shall comply with any requests made by the CC for the purpose of ensuring the full and effective compliance by Stagecoach with the Undertakings.

Obligations of Stagecoach

11. Stagecoach, its subsidiaries and their employees, officers, directors, advisers and consultants, shall cooperate fully with the MT, in particular by providing the MT with all cooperation, assistance and information as the MT may reasonably require in order to discharge their Functions, including but not limited to:
 - (a) the provision of such facilities as an office equipped with a workstation, telephone, fax machine and computer with Internet access at any and all premises of Stagecoach and at any premises of the Preston business as the MT may reasonably require; and
 - (b) the provision of full and complete access to all personnel, books, records, documents, facilities and information of the merged Stagecoach and Preston business as the MT may reasonably require access to.
12. If Stagecoach or any of its subsidiaries is in any doubt as to whether any action would infringe the Undertakings, they should contact the MT for clarification.
13. If Stagecoach or any of its subsidiaries has any reason to suspect that the Undertakings might have been breached, they should notify the MT and the CC immediately.

Reporting functions

14. The MT is required to provide an initial report to the CC no later than Monday 29 June 2009. This report should provide detailed information as to the mechanisms which have been or should be put in place to ensure compliance with the Undertakings, and should include among other things:
 - (a) the degree of integration which has occurred between Stagecoach and Preston;
 - (b) the current extent of compliance with the Undertakings;
 - (c) an evaluation of the risks associated with the current and proposed arrangements for managing the businesses, including how best to manage the risk of any further integration occurring; and

- (d) recommend what changes to those arrangements, if any, are necessary, including whether there is need for a hold separate manager independent of Stagecoach;
15. Following provision of the report referred to in paragraph 14 above, the MT shall provide every fortnight after that (or otherwise as required by the CC) a statement to the CC certifying whether or not, in their view, Stagecoach and its subsidiaries have complied with the Undertakings. At the same time, the MT shall provide the CC with a report setting out their views in relation to the following:
- (a) The basis for the MT's view that the Undertakings have, or have not as the case may be, been complied with. In particular, the MT should set out and explain whether: (i) anything has caused them to be concerned as to whether Stagecoach has complied with the Undertakings, and if it has, why they were satisfied of compliance; (ii) he has any remaining doubts or uncertainties as to whether Stagecoach has complied with the Undertakings; and (iii) anything causes them to be concerned about a possible future breach of the Undertakings (whether deliberate or inadvertent).
 - (b) The extent and nature of any communication that has taken place between the merger parties since the last report.
 - (c) The performance of the Preston business, including any factors that might indicate deterioration (eg losing important personnel or important contracts).
 - (d) Whether appropriate steps are being taken to maintain the Preston business as a going concern.
 - (e) Any current or anticipated requests for consent to vary the Undertakings.
 - (f) The extent to which the MT considers that they are in a good position to monitor Stagecoach's compliance with the Undertakings. The MT should set out and explain if there is anything that they consider would assist them in monitoring Stagecoach's compliance.
 - (g) The extent to which Stagecoach has cooperated with the MT in their task of monitoring their compliance with the Undertakings. The MT should provide details of any aspects of the cooperation of Stagecoach that he considers could be improved.
 - (h) The information used to compile the report, including discussions that have been held by the MT, any sites visits and participation in meetings with customers.
16. When providing their reports to the CC the MT must ensure that they do not disclose any information or documents to the CC which Stagecoach would be entitled to withhold from the CC on the grounds of legal privilege.
17. The MT should notify the CC immediately if they form a reasonable suspicion that the Undertakings have been breached, or if they consider that they are not in a position to effectively carry out their Functions. In that situation, the MT should set out the reasons for their view and attach any relevant supporting evidence available to them (unless doing so would infringe their obligations referred to in paragraph 16 above).
18. All communications between the MT and the CC (including the statements and reports referred to in paragraph 17) shall be confidential and should not be disclosed to Stagecoach, save with the express written permission of the CC. In relation to the

possibility of disclosure of such communications to third parties, the CC shall act in accordance with the provisions of Part 9 of the Enterprise Act 2002. The MT shall not disclose such communications to third parties.

Interpretation

19. In these directions references to 'the Undertakings' are references to the Undertakings given by Stagecoach and adopted by the CC on 2 June 2009. Terms and expressions defined in the Undertakings shall have the same meaning in these directions, unless the content requires otherwise.
20. To the extent that the Undertakings are addressed to a person's conduct outside the UK, it shall only apply to the extent that that person is carrying on business in the UK.