

**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 2002 (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 originally accepted by the OFT on 18 February 2009 from Stagecoach (the Undertakings) for the purpose of ensuring that no action is taken pending final determination of the reference which might prejudice that 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 decision on the reference;

The CC now issues written directions under paragraph 6 of the Undertakings, that for the purpose of preventing pre-emptive action (within the meaning of section 80(10) of the Act), Stagecoach shall make changes to the arrangements currently in place for the management of Preston in accordance with the terms provided for in the Annex and the parties shall comply with the obligations set out in the Annex.

Signed by authority of the CC

PETER DAVIS
Group Chairman
6 July 2009

1. Within five days of the date of these directions Stagecoach shall ensure that the following arrangements will apply to the day to day management of the Preston business for the specified period:
 - (a) Chris Bowles will fulfil the role of Managing Director (the Managing Director) and his communications with the Traffic Operations Manager and Engineering Manager shall be limited to those meetings set out in paragraph 2 or communications as set out in paragraph 4;
 - (b) John Asquith (Traffic Operations Manager) and Jim Hilton (Engineering Manager) will report to the Managing Director on the limited basis set out in paragraph 2 and paragraph 4

At the end of the five day period, Stagecoach shall notify the CC and the Monitoring Trustee of the arrangements that have been implemented in response to these Directions.

2. The Traffic Operations Manager and/or the Engineering Manager shall report to the Managing Director to the extent necessary to fulfil Stagecoach's financial reporting obligations and to comply with any legal or regulatory requirements (including all requirements resulting from the Undertakings (including any directions)) and as required to cover business critical issues, as agreed by the Monitoring Trustee.
3. The Monitoring Trustee (or its Representative appointed with the approval of the CC) will undertake duties, including but not limited to:
 - (a) Monitoring all communications (including conversations, written and electronic communications) and facilitating and attending all meetings between the Managing Director and the Traffic Operations Manager and/or the Engineering Manager;
 - (b) Informing the CC and other relevant persons of the meetings and any key issues resulting from them or requiring further action;
 - (c) Ensuring that all information confidential to Preston is not disclosed to the Managing Director ;
 - (d) Holding fortnightly meetings with the Traffic Operations Manager and/or the Engineering Manager to discuss the performance of Preston and to identify any critical areas requiring discussion with Stagecoach NW; and
 - (e) Facilitating additional management support for Preston, as required or as requested, by the Traffic Operations Manager and/or Engineering Manager.
4. In relation to unforeseen business critical situations, all reasonable attempts shall be made to include the Monitoring Trustee in the communication or meeting. Should the Monitoring Trustee not be available then all reasonable attempts shall be made to include the CC in the communication or meeting. Where neither party can be contacted the Monitoring Trustee shall be notified as soon as possible after the meeting of its content. For the avoidance of doubt, for any extended period the Monitoring Trustee is unavailable, the CC should be contacted prior to embarking on any communication set out in paragraph 3.

5. All services provided by Preston to Stagecoach NW, including bus and any maintenance services, are to be charged at cost plus to Stagecoach NW.
6. Stagecoach shall ensure that all future tenders relating to Preston services, shall be submitted in the name of 'Preston Bus Limited' and Preston shall submit a Pre-Qualification Questionnaire (PQQ) to the Council in order to become an approved operator. A process for tendering independently of Stagecoach shall be developed by the Traffic Operations Manager with the assistance of the Monitoring Trustee and will not involve submitting Preston tenders through the Stagecoach portal.
7. Stagecoach shall ensure that effective Confidentiality Agreements are in place with all relevant Stagecoach staff, including Shared Service Centre (SSC) staff with access to the majority of Preston Bus' financial information, IT personnel and any Senior Management of Stagecoach Group plc, in respect of any Confidential Preston Information they receive in relation to their respective roles and copies of the Agreements are provided to the CC and the Monitoring Trustee.
8. Stagecoach shall continue to provide finance functions to Preston through Stagecoach's SSC. Only 'high level' revenue and expenditure data (as determined by the Monitoring Trustee) shall be shared by the SSC with Stagecoach Bus Holdings Limited and to the extent possible, Senior Management of Stagecoach Group plc shall no longer have access via the SSC to Preston data. The financial results of the business are to remain confidential to Preston and shall only be disclosed to the Monitoring Trustee for onward communication to relevant individuals.
9. Stagecoach shall ensure that effective protocols or procedures for the handling and storage of confidential information and other working practices are in place at appropriate levels for all staff of Stagecoach and Preston whose roles may be affected by the Undertakings (including these directions) and copies of the protocols and procedures are provided to the CC and the Monitoring Trustee.
10. In particular, all data maintained by the SSC in relation to Preston should be protected, stored separately and/or access to data, other than through the SSC financial interfaces, is restricted to certain people (a list of such people must be supplied to the CC and the Monitoring Trustee) and be capable of extraction should a divestment be required.
11. In these directions, references to the 'Undertakings' are references to the undertakings adopted by the CC on 2 June 2009 which were originally accepted by the OFT on 18 February 2009 from Stagecoach and any directions issued pursuant to those. Terms and expressions defined in the Undertakings (and any directions issued pursuant to those) shall have the same meaning in these directions, save as the context otherwise requires.