

# 6 Views of Stagecoach

6.1. This chapter summarizes the bulk of the views of Stagecoach given to us in written submissions and orally. In addition, Stagecoach commented in detail on submissions made to us by SPTE. These comments are summarized in Appendix 5.1.

## Introduction

6.2. The company complained that it was being singled out for examination of its acquisitions in a way in which other companies in the UK bus and coach industry were not. A large number of mergers involving other companies, dating back to 1988, had escaped reference to the MMC whereas Stagecoach acquisitions in similar circumstances had been referred. In this particular case it had not been able to have substantive discussions with the OFT on the giving of behavioural undertakings as an alternative to reference to the MMC. Apart from anything else this was costly to taxpayers.

## Jurisdiction

6.3. Stagecoach believed its minority holding in SBH should not be taken into account in determining its market share because, contrary to the views of the MMC expressed in an earlier report,<sup>1</sup> the company was unable directly or indirectly materially to influence the policy of SBH.

6.4. Stagecoach did not dispute that it had at least a 25 per cent share of the market in what it considered were the relevant districts of the designated area, ie excluding East Kilbride, Inverclyde and Renfrew, since Western Scottish had had a monopoly market share in that area at privatization and had retained that before the merger. Stagecoach added that, in the smaller area, Western Scottish would have at least a 25 per cent share of supply whether the measure was mileage or turnover. It said, however, that turnover figures would not be available for all companies and that there would therefore be problems about using turnover as a measure of supply.

6.5. However, it believed the reference area-and the designated area-had been drawn too widely. Stagecoach said that A1 Service had, since the 1930s, consistently operated a confined local service and that the company had not been given to competitive forays beyond its local area. It argued that the only areas in which A1 Service had ever posed any actual or potential competition to other operators were the districts of Cunninghame, Kilmarnock & Loudoun and Kyle & Carrick. It did not have the financial resources to stretch its operations beyond these three districts. One of the members of A1 Service had operated a service to Glasgow in the company's name, but that service had ceased before the merger. Stagecoach said that A1 Service had never operated, nor shown any interest in operating, in Dumfries & Galloway. Additionally, neither Stagecoach nor A1 Service operated in Inverclyde, Renfrew or East Kilbride, all of which districts had been included in the reference area.

6.6. Stagecoach referred to the provisions in section 64(3) of the Act which required that the share of supply test be satisfied in a 'substantial part' of the UK. The company said that the MMC's report on

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<sup>1</sup>*Stagecoach Holdings plc and S B Holdings Limited: a report on the merger situation*, Cm 2845, HMSO, April 1995.

Stagecoach's acquisition of Lancaster City Transport<sup>1</sup> stated that the MMC's duty was to look at 'substance not form' and to consider 'commercial realities and results'. Stagecoach's view was that the commercial substance of the present merger was its effect in only those three districts in which A1 Service operated, and that the area in which the direct and indirect competition issues arose was small both geographically and in terms of population. The company said that the reference area would have a population representing only 1 per cent of the UK total if it were to exclude the districts in which neither Stagecoach nor A1 Service operated. Confining the inquiry to Cunninghame, Kilmarnock & Loudoun and Kyle & Carrick would give a population representing only 0.6 per cent of the UK total.

6.7. The company said that an area comprising only these three districts lacked the commercial, industrial and geographic importance to satisfy the principles outlined in the House of Lords judgment in the case of South Yorkshire Transport.<sup>2</sup> The area was, in the terms of that judgment, not worthy of consideration for the purposes of the Act.

## General economic arguments

6.8. Stagecoach said that the traditional view seemed to be that there should be a large number of competitors in any market in order to prevent the establishment of monopolies which could use their market power to raise prices; but the company's view was that higher profits came from realization of economies of scale and size and above-average efficiency, which generated a high market share and greater profits. A company needed to seek higher profits through the introduction of new ideas, products and techniques, and thus remain more efficient than its rivals. Stagecoach said that economies of scale were available when the expansion of the scale of service capacity caused total costs to rise at a lesser rate than supply, measured in mileage or seat capacity. The economies of scale came from a range of sources such as optimizing the size of depots, spreading overheads (such as tiers of management and administrative functions) across a greater volume of supply, stock management and the ability to buy new buses at favourable rates with consequential reductions in maintenance costs. These economies had contributed to Stagecoach's operating costs being on average 20 per cent below the industry's regional and national averages. In Western Scottish, which had only been in the Stagecoach group for one year, operating costs were 10 per cent below the average and the company had some ground to make up.

6.9. Asked to compare the costs of Western Scottish with those of smaller operators in its area, Stagecoach said that the costs of small companies varied according to the quality of their operations. The costs of a well-run small company would probably not be markedly less than those of Western Scottish. Whilst there might be economies available to those who ran family businesses of, say, three or four buses, where the owner might be a driver and carry out his own maintenance, such companies would not have Stagecoach's ability to buy, for example, bulk supplies of fuel, spare parts or anti-freeze at cheaper prices than retail. Companies which operated to the very fringes of the law, or even outside it, might achieve lower costs for as long as the operation was able to continue without the intervention of the Traffic Commissioner or other statutory authorities.

6.10. Stagecoach subsequently emphasized its view that there were significant economies of scale and size in the bus industry. Small firms for the most part did not invest in good-quality vehicles or provide satisfactory terms and conditions for their employees, yet charged relatively high fares. This suggested that they did not have a cost advantage. Stagecoach recalled the view advanced in previous MMC reports that wage costs were a high proportion of total costs, and since small operators had lower wage costs, the economies available to larger operators on other elements could only at best balance out. Stagecoach thought that, while small operators' wage rates might be significantly below those of large operators, on a true comparison total labour costs were only slightly in favour of the smaller operator, while all other costs were significantly higher. Stagecoach estimated that in general small operators' total costs were above the industry average and 25 to 30 per cent higher than the average for the Stagecoach group.

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<sup>1</sup>*Stagecoach Holdings plc and Lancaster City Transport Limited: a report on the merger situation between Stagecoach Holdings plc and Lancaster City Transport Limited*, Cm 2423, HMSO, December 1993.

<sup>2</sup>*R v MMC ex parte South Yorkshire Transport Ltd*, [1993] 1 WLR, p23.

6.11. Stagecoach argued that economies of scale did not, however, represent a barrier to entry because entrants could mount a low-quality operation at low cost. Most small entrants did not try to innovate but sought to cream off revenue from the routes of established operators.

6.12. Stagecoach drew our attention to works by academics which reflected the company's views on ease of entry to, and exit from, the bus industry. A monopolist which raised prices to an uncompetitive level would be vulnerable to other firms entering the market with lower prices. Stagecoach said that it had previously cited examples to the MMC of 'hit-and-run' entry and exit in the bus industry, in which a firm entered a market briefly and then left the market as competition increased again. The quality threshold for entering the market was low. Thus the prospect of entry was a permanent constraint on the ability of an operator which had established a strong position in a local market to exploit that position by charging high fares. In order to preserve ease of entry to the bus market, however, it was necessary to maintain ease of exit, in that operators should be able freely to sell their businesses if they wished.

6.13. Stagecoach was concerned that it should not be labelled as having a reputation for aggressive behaviour. The company said that it would rather its reputation was recognized as that of an efficient, high-quality operator with low costs and low fares and a policy of investment in new vehicles. Stagecoach did not believe having an aggressive reputation was in itself a sustainable strategy. Such a strategy would not deter other operators from entering the market. For example, Ashton Coach Hire had entered the market in the reference area with its Coastline 585 service in the knowledge that Stagecoach was acquiring Western Scottish, the dominant operator in that area, and had thus demonstrated that no deterrent existed.

6.14. Stagecoach said that the initiative to run a new, joint service-the Coastlink 535-against Ashton Coach Hire's Coastline 585 service had come from other operators on the same route. The use of a livery which was similar to that of the 585 service was also an initiative of other consortium members: it did not reflect Stagecoach's policy. The venture and the way it had operated had not taken into account the public relations aspects of competing in this way with a popular service. Stagecoach had registered its withdrawal from the service in June-before the service had even started, and a month in advance of Ashton Coach Hire's application for an interdict (see paragraph 4.52)-although the withdrawal did not take effect until early August. Stagecoach decided that it would not challenge Ashton Coach Hire's legal action and the matter was therefore not taken to a full hearing. Stagecoach told us that its withdrawal from the Coastlink 535 service was the result of adverse comment by the press and by local MPs, who had singled out Stagecoach, alone amongst consortium members, for criticism.

6.15. Stagecoach said that the media were not reporting on its affairs objectively. Too much stress was being laid on Stagecoach's acquisitiveness and alleged aggression rather than, for example, its record on investment and employment policies.

6.16. Stagecoach drew attention to the views of the MMC expressed in earlier reports that Stagecoach had acted in a predatory manner. It also commented that on three occasions the OFT had found against Stagecoach for predatory behaviour, expressing the belief that predation existed in the bus industry. Stagecoach referred to this as the 'traditional theory', which had been attacked elsewhere on the basis that this concept was unlikely to present a strategy which would be profitable overall and was therefore not rational. Additionally, it was argued that a monopolist with several markets to protect would not deter potential entrants in any one of them simply by making signals threatening predatory action.

6.17. The company submitted evidence on the works of economists and others who took the view that predatory behaviour was only rational when there was a reasonable expectation that the resultant losses could be made up by raising fares and cutting services, for example. The theory required that once the dominant firm had forced its rivals to withdraw it would be able subsequently to exploit its market position to force up prices and make profits sufficient to offset the losses incurred during the period of predation. An extension of this view was that a predatory campaign could be seen as an investment in reputation that could pay dividends in other geographical areas by deterring entry or by influencing the behaviour of rivals.

6.18. Stagecoach believed predatory pricing was inapplicable to the bus industry since over time the recoupment of the associated losses would lead to an accelerated decline in passenger volumes.

Stagecoach said that its achievement had been to be competitive through lowering operating costs by economies of scale and efficiency. It believed there was a wide margin between predation and fair competition.

6.19. Stagecoach was concerned that MMC reports had tended to assume that a monopoly provider of bus services would inevitably raise fares. It argued that its long-standing policy was to freeze fares, where possible, at current levels, giving reductions in real terms which retained or increased customer volumes. Since deregulation fares in the bus industry had risen by an average of over 2 per cent a year in real terms. But these fare increases had led to falling numbers of bus passengers, and did not represent a sustainable long-term strategy. Stagecoach companies' fares had kept increases to an average which was below the inflation rate.

6.20. Stagecoach commented that the MMC report on Stagecoach and SBH had referred<sup>1</sup> to research on price elasticity of demand which had been published in May 1992. This research covered the period immediately after deregulation, and was not relevant to the present time, some ten years after deregulation. In particular, the company said that the research did not consider in any detail fares discounts and competitive entry and the distinct possibility that elasticities were quite different in such circumstances.

6.21. Stagecoach had experimented with deep discounting-of up to 50 per cent for up to six months-in order to attract new passengers. Whilst such deep cuts were not sustainable in the long term, when fares were reset at discounts of 20 to 30 per cent below the original level the increased passenger base generated sufficient revenue to compensate for the lower fares charged. Price elasticity of demand varied greatly, however, according to the purpose of travel. Demand for Stagecoach's core business-travel to work and to school-was relatively inelastic. Discounting was not appropriate to whole networks, therefore, since there was very limited scope to increase demand across the board.

### **Stagecoach's record in other areas**

6.22. We invited Stagecoach to supply, in support of its arguments, information about what had happened since acquisition of certain of its companies which were in dominant positions. We sought information on fares, registered and route miles, services and frequencies, passenger volumes, ages of fleets, maintenance and reliability, the mix of commercial and tendered services and the amounts of subsidies received, operating costs, and matters affecting employees.

6.23. Stagecoach quoted the experience of its subsidiary Fife Scottish, which it had acquired in July 1991 as part of the privatization of the SBG companies. Between 1982 and 1989 Fife Scottish had seen zero increases in fares against the industry average of 18.9 per cent. Between June 1989 and July 1991 fares rose by 30.4 per cent compared with an industry average of 13.1 per cent. Since the acquisition by Stagecoach the fares of Fife Scottish had risen by 20.1 per cent against an industry average of 18.6 per cent; but the Fife Scottish increase had included a 9.9 per cent 'final catch-up' increase planned before privatization in order to make the company more attractive to potential buyers. Stagecoach said that the increase had to be regarded in the light of the economic circumstances then prevailing, with interest rates and the cost of capital running well above the rate of increase in the retail price index. Stagecoach said that there had been no fares increase since competition against Fife Scottish had come to an end in late 1993/early 1994 and the next fare review was not due until February 1996. As regards other aspects, the average age of Fife Scottish's buses was 8.2 years against the industry average in 1994 of 10.0 years. Its costs had fallen by over 15 per cent since privatization compared with an industry reduction of less than 4 per cent. Registered mileage in Fife Scottish had increased from 12.3 million in 1990 (the last year before privatization) to 14.9 million in 1994/95, and route mileage from 1,692 in 1990 to 2,258 in 1994/95.

6.24. Stagecoach also referred to its subsidiary in Cumbria, Cumberland Motor Services, where fares

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<sup>1</sup>*Stagecoach Holdings plc and S B Holdings Limited: a report on the merger situation*, Cm 2845, HMSO, April 1995, paragraph 4.61.

had fallen by an estimated 4 per cent in real terms since 1988 under Stagecoach's ownership. Stagecoach's local manager had commented that fare increases had been particularly low in West Cumbria, where competition had depressed fares, compared with Carlisle where competition was on a much more limited scale (though in both areas the rises had been below that of the retail price index). But Stagecoach told us that most of the competition in West Cumbria had disappeared in 1991: the main factor depressing fares was the state of the local economy. Regarding other aspects, registered mileage had risen from 8.2 million in 1989/90 to 8.8 million in 1994/95. There had been a 13 per cent increase in commercial route mileage (from 801 to 909) in an area where Stagecoach had a 90 per cent market share. In Barrow and Whitehaven route mileage had reduced by 3 per cent and 14 per cent respectively. In both cases this had occurred after the withdrawal of other operators from the market, but in Whitehaven the decrease was attributed mainly to the recession. Passenger numbers had fallen by 7 per cent over five years, against Stagecoach's expectation of some 16 per cent at the industry average of 3 per cent a year. Stagecoach had invested heavily in replacing all the buses at its Carlisle depot. The average age of the subsidiary's fleet was 6.1 years.

6.25. In Lancaster there had been a number of additional services introduced and the frequency of services had risen. There had been no fare increases since 1991 beyond those related to increases in fuel duty.

6.26. Inverness Traction Company had kept its fare increases to below the level of inflation except on one out of its 14 routes, where the increase was in line with inflation. Service frequencies were higher on average, and no route had suffered a reduced frequency of service.

6.27. Western Scottish passengers had seen no fare increases, and the age of the fleet had fallen from 15 to 12 years, since the company's acquisition by Stagecoach in July 1994.

## **The merger**

### ***Background***

6.28. Stagecoach said that in the summer of 1994 it and other quoted companies were in competition for acquisitions. While other companies were seeking to acquire profitable companies in deals which would enhance earnings per share and thus influence share prices favourably, Stagecoach's preference was to seek a mix of acquisitions, some to enhance earnings per share immediately, and in others to acquire under-performing companies and increase their profitability by improving their performance and efficiency.

### ***Acquisition of Western Scottish***

6.29. Following this policy, the company identified Western Scottish as a possible acquisition. Stagecoach described it as a company which had a monopoly position at privatization. It was very weak, its fleet was ageing, and the company had made consistent losses. Stagecoach had made an approach to the Western Scottish Board, and within the space of a few days the Board including its worker directors had agreed to Stagecoach acquiring the company. The workforce, which was given over three weeks to reflect and vote on the offer, was balloted the following month and over 99 per cent voted in favour. The price paid by Stagecoach reflected Western Scottish's under-performance.

### ***Acquisition of A1 Service***

6.30. Stagecoach said that it had acquired A1 Service in order to build on its local services base established through Western Scottish. The OFT had considered the acquisition of Western Scottish by Stagecoach and had not opposed it. [

*Details omitted. See*

*note on page iv.*

] The company did not expect that its acquisition of A1 Service would be regarded any differently by the OFT. Stagecoach saw the acquisition as a means of increasing turnover without taking on additional overheads. It said that this was consistent with its strategy for

Western Scottish, which was to increase turnover as a means of spreading the cost base more efficiently.

6.31. A1 Service, like Western Scottish, was seen by Stagecoach as a company which was facing difficulties. It operated as a consortium of ten different operators, each running its own buses and having differing policies on matters such as investment in fleet maintenance and renewal. The members had had difficulties in reaching agreement on collective issues. Stagecoach said that this arrangement did not facilitate corporate strategy, and a diverse and ageing fleet was a consequence of that. The buses had problems as to quality and maintenance, and in January 1994 the Traffic Commissioner had warned A1 Service about their condition. This had raised question marks over the company's ability to service its registered routes. Stagecoach said that A1 Service's ownership and management structure was unsuited to the deregulated market and that it was inevitably in decline as a corporate bus force.

6.32. Stagecoach indicated its interest in buying all or part of the A1 Service operations at an informal meeting with the Chairman of A1 Service in October 1994. Events moved quickly from then, as detailed in paragraphs 3.36 to 3.44, with the acquisition of the whole business taking place on 29 January 1995.

6.33. Stagecoach referred to the goodwill element of its acquisition of A1 Service (see paragraph 3.41). It said that the price it had paid for A1 Service took account of a number of matters. A1 Service had no overheads and Stagecoach would be inheriting no infrastructure. The acquired company had no debt and there had been no sale of assets or pre-sale dividend by the vendors in advance of the acquisition. Stagecoach believed these circumstances would allow A1 Service, with annual revenue estimated at the time of the offer to be some £3 million, to be 'bolted on' to Western Scottish and enable Stagecoach to achieve its target of a 20 per cent operating margin on A1 Service's turnover. This would be achieved not by raising fares but by cost efficiency. Commenting on the point that Stagecoach had had to incur substantial expenditure on vehicles and a depot on top of the purchase price, the company said that the terms and quality of any acquisition could only be properly assessed over a 15-year period.

## ***Competition***

6.34. Stagecoach told us that there had been no competition between A1 Service and Western Scottish in that A1 Service had primarily served the residents of Ardrossan and Irvine whilst Western Scottish had served the residents of Kilmarnock. Only four routes overlapped, with service routes numbers 10, 13, 14 and 16 running respectively from Kilmarnock to Troon, Kilbirnie, Beith and Ardrossan Harbour. Much of the overlap route mileage occurred on the Kilmarnock-Ardrossan route where A1 Service's buses ran at ten-minute intervals while Western Scottish ran only four times a day to connect with the Arran ferry. The number 10 service included an hourly service to Dundonald, the numbers 13 and 14 an hourly service to Kilwinning. Stagecoach said that Western Scottish had regarded the main Kilmarnock-Ardrossan route as being A1 Service's route. A1 Service had been the dominant operator there and tended to take the initiative in increasing fares. Western Scottish generally followed A1 Service's lead.

6.35. Stagecoach said that because A1 Service's operations were so localized, Stagecoach's acquisition of the company had no actual or potential implications for competition. Other firms operated in the same area and offered continuing competition. In evidence to the MMC SPTE had instanced cases where former competitors to A1 Service had withdrawn from the provision of local bus services following Stagecoach's acquisition of Western Scottish and A1 Service. In SPTE's view that was a consequence of the acquisitions. Stagecoach disputed that it had directly or indirectly brought about a reduction in competition. Details of these exchanges are at Appendix 5.1. Stagecoach commented that SPTE was not an objective witness. Its policies were biased in favour of rail services and it was unsympathetic to large bus companies over which it had little control.

6.36. Referring to its acquisition of Arran Transport, Stagecoach said that rather than step up its competitive activity with Arran Transport for some months and put that company out of business, it acquired Arran Transport when the owner became anxious to sell. Stagecoach said that it had faced this dilemma of whether to acquire or compete at almost every turn. The company's view was that weaknesses in another operator presented an opportunity to a company like Stagecoach which could be approached in one of two ways: by going at that target and putting it out of business, or by making informal approaches to see whether there existed a disposition to merge. The latter approach had applied in the case of A1 Service. Stagecoach later told us that its objective was not to put other operators out of

business but merely to compete. It believed its relative costs and policies on fares and investments made it very competitive.

6.37. Stagecoach said that at the time of the merger 31 of A1 Service's buses were dedicated to schools contracts. Several of those contracts had been won from Western Scottish at the last round of bidding three years ago. Eight of A1 Service's former members were still in business and the restrictive covenants entered into with them (see paragraph 3.43) did not prevent them from competing with Stagecoach for such contracts. Indeed, Stagecoach believed the companies were well placed to do so, since the acquisition had given them funds which could be used to renew their vehicles.

### ***Benefits***

6.38. Stagecoach was in the process of modernizing the A1 Service fleet, replacing old buses with new, and introducing better maintenance standards. This was providing customers with a better quality of service. It had spent £100,000 equipping a new depot at Ardrossan and had installed a new bus wash at Kilmarnock at a cost of £20,000. It said that at the time of the merger A1 Service's vehicles had an average age of 14 years, against an industry average of 10.0 years and Stagecoach's average of 9.1 years. The industry average age for buses with capacities of over 33 seats, the appropriate comparison for A1 Service, was 11.6 years. By mid-September 1995 A1 Service's vehicles had an average age of less than six years. Of the 67 vehicles acquired, only 25 were still in operation. Twelve buses were stored for disposal or scrapping, and all others had been disposed of to dealers. Twenty-one new vehicles had been delivered by the end of August and some 30 better-maintained and newer buses had been brought into A1 Service from elsewhere in the Stagecoach group.

6.39. The company said that its policy was to introduce new vehicles, improved marketing and innovative services to raise quality of service levels. This generated extra passengers and greater revenue, allowing the company to pursue its policy of holding fares down and investing in new equipment, vehicles and premises. Other companies recovered costs through increasing fares but lost passengers as a result. A1 Service under its previous owners had been a very traditional operator which undertook little innovation to generate extra traffic and instead looked to cover inflation, increasing costs and falling passenger numbers by raising fares for the remaining passengers. The former members of A1 Service had intended making a fare increase in January 1995. Stagecoach had not implemented that. The company said that it had made minimal adjustments to existing services and had plans to introduce new services. One such plan was to set up a network of express services linking the towns in A1 Service's territory with Glasgow, Kilmarnock and Ayr. Another was to introduce high-frequency services with minibuses and small buses on routes penetrating more deeply into housing estates. That would be done initially in Saltcoats, Stevenston and Ardrossan as soon as the company could acquire the extra minibuses.

6.40. Stagecoach said that competition would not be affected by the merger and that the company's long-standing policy on fares and quality of service would bring benefits to the population served by A1 Service, who could look forward to stability of fares in real terms. It had introduced a ten-trip ticket at £5.90, representing a substantial discount on the price of previous multi-journey tickets.

6.41. The company said that it had safeguarded the employment of virtually all of A1 Service's employees, and had recruited more. Their terms and conditions of employment were better than they had been under the previous ownership and the company had introduced new training schemes to produce a better-qualified workforce. Stagecoach's standardization on Volvo buses had brought economic benefits to the area through bringing extra work to the Volvo plant at Irvine. It said that if A1 Service went into the ownership of a group that invested more than any other then that was beneficial to the local economy.

### **Remedies**

6.42. Invited to comment on possible remedies in the event of an adverse finding, Stagecoach said that divestment would be inappropriate, not least because it would signal that an operator which wished to sell its business would have no opportunity to do so. Exit barriers would be raised where none should

exist, and people would be less inclined to enter the market.

6.43. The company would be prepared to consider giving an undertaking that it should not take an interest in any other operation in the designated area without prior approval from the OFT. Stagecoach had previously given other such undertakings. Nor would it have difficulty with a requirement not to raise fares or cut services over a given period of time unless it was affected by externally imposed cost increases such as changes to fuel duty rebates or by VAT being applied to fares.

6.44. Stagecoach was asked for its reaction to a possible requirement to relinquish the undertakings given to it in the restrictive covenants referred to in paragraph 3.43. It replied that it had submitted the acquisition agreements, which contained these covenants, for possible registration under the Restrictive Trade Practices Act 1976. The OFT had confirmed that the agreements were not registrable.

6.45. It was put to Stagecoach that competition with another company might lead to a situation in which Stagecoach reduced fares and/or increased the frequency of services on particular routes. Stagecoach was asked whether, if these circumstances arose and the competitor withdrew, Stagecoach would be prepared to undertake not to vary its new fares or frequencies for a period of three years. The company saw this as preferable to a requirement to divest but felt this was a matter which was more relevant to the Competition Act than to a merger reference.

6.46. The company was prepared to be 'highly visible' in terms of publicizing financial information on Western Scottish and A1 Service by following best practice in public company disclosure. The company would have no difficulty in providing four-weekly accounts to the OFT-but not for publication-with annual or semi-annual publication of the Western Scottish/A1 Service merged businesses' achievements.

6.47. Stagecoach said that any requirement for the company to undertake consultation with local authorities and other representative bodies before implementing changes in services and fares would be met. It had given such undertakings in other cases. In this particular case, Stagecoach had had several such meetings. It rejected as misinformed any criticism of its conduct in this respect.

P H DEAN (*Chairman*)

C M BLIGHT

J EVANS

N F MATTHEWS

J F PICKERING

A J NIEDUSZYNSKI (*Secretary*)

6 October 1995