SCROOGECOACH STAGECOACH EXTENDS ITS EMPIRE[1]

Bill Rosenberg

Just before Christmas 1998, Cityline, the Hutt Valley subsidiary of transnational transport company, Stagecoach, locked out its workers. The Trade Union Federation described the situation as follows in an urgent "Action Alert" on 21/12/98:

> 60 members of the Tramways Union in the Hutt Valley, Wellington, went on strike on Friday 18 December and have been locked out of work from Saturday 19 December by "Cityline", a fully owned subsidiary of Stagecoach Ltd. The company is seeking to impose a "scab" collective contract. It secretly signed up a small minority group of non union workers to this contract earlier in the year. Since then it has, in flagrant breach of the union contract, imposed the scab contract on all new workers. It has now decided the time is ripe to force the contract on union members.
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> The contract is for three years with cuts to conditions on hours of work, disciplinary code protections, union rights, leave provisions and overtime payments. It is aimed at destroying any meaningful union organisation amongst the drivers.
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> This is a very aggressive campaign. When challenged over breaches to the union contract management have indicated they are indifferent to questions of compliance. Police have been notified in advance and have responded to pickets in excessive numbers. Cityline have even had them present at negotiations with union representatives. Cityline have refused mediated negotiations. While a strike preceded the lock-out, the provocation displayed by management suggests that the lock-out was pre-mediated and intended to catch union members at their most vulnerable time of the year.

Drivers were locked out throughout the Christmas period. By early January, the company was running only 85% of its services and was advertising for new staff while staff who had been on the payroll for decades struggled to protect their employment conditions and their families. Cityline managed to sign up some drivers onto a company-designed contract, including some on temporary contracts, leading to heated exchanges on picket lines and at bus stops (*Press*, "Striking bus drivers 'beginning to struggle'", 6/1/99, p.16; "Employment dispute leaves driver fearful", 11/1/99, p.11).

However the dispute ended with a significant victory for the drivers when the lock out ended on 14 January. Their actions had gained considerable public support, and financial and practical backing from the two Auckland bus driver unions and other Trade Union Federation affiliates. The final agreement provided effective protection for the union contract and the position of the union, and some gains to working conditions.

Parallel events were occurring in Auckland, where Stagecoach had taken over the privatised Yellow Bus Company in August, and 51% of Fullers Ferries in September. It already owned the smaller Cityline company there. Though it promised no redundancies amongst Yellow Bus's drivers, in November it told its 100 maintenance staff that half of them would lose their jobs when it contracted out their work. By January 1999, industrial action was threatening when Stagecoach tried to force its 870 drivers onto new, inferior, employment contracts months before their old ones expired. It wanted to abolish paid meal breaks in exchange for a one-off payment of $2,000 and was also threatening long unpaid breaks, extending their work hours (*New Zealand Herald*, "Bus firm puts maintenance staff on notice", by Chris Daniels, 18/11/98; "Disruption threat to ferries and buses", by Nick Perry, 8/1/99).

In October, Stagecoach had announced a series of fare cuts in Auckland. "The monthly pass system has been redesigned and prices cut by up to 50% so as to make 'all day - all month' local travel available from $1.96 per day, and total regional travel available from $3.03 per day", boasted a press release.

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1. We gratefully acknowledge the wealth of information provided by the Public Services International Research Unit, London, U.K., which greatly assisted in compiling this article. See their web site at http://www.psiru.org.

What was extraordinary was that the press release was not by the company, but by the New Zealand Government, showing the government's close involvement with the privatisation of the Yellow Bus Company ("Stagecoach Slashes Up To 50% Off Travel Costs", 30/10/98, Press Release: New Zealand Government, http://www.newsroom.co.nz/stories/GE9810/S00128.htm). We saw no followup chiding the company for paying for these cuts from the wages of its workers.

Unfortunately, this pattern price cuts paid from sackings and attacks on drivers wages and working conditions is simply a pattern of operation for this company – internationally. That it should happen was entirely predictable from its record. Also in its record is close political involvement, and, perhaps most notably, one of the worst records of dubious and downright illegal trade practices in the U.K.

On Christmas Eve, CAFCA put out a press statement in support of the Hutt Valley drivers. It expressed its support for the bus drivers in their lockout saying: "We deplore the attempts by Cityline to undermine your union with a 'scab' collective contract, and its action in locking you out. The lockout is calculated to be particularly hurtful to you and your families at this time of year."

"It is clearly not short of money, yet it cries poor when trying to force down its workers' pay and conditions, and when safety of drivers is an issue, as it has been in Wellington," we said.

We suggested Stagecoach should be renamed Scroogecoach. We outlined Stagecoach's appalling record. That record is so extensive that we must be selective here in detailing something of what we know from our research. The more we look, the more we find, and the more distasteful the company appears.

Stagecoach in Aotearoa

In August 1998, the Overseas Investment Commission gave New Zealand Bus Ltd, owned by Stagecoach Holdings Plc of the U.K., approval to buy Transportation Auckland Corporation Ltd (TACL, or the Yellow Bus Company) from the Auckland Regional Services Trust for $111,555,555. This included six hectares of land in Swanson Road, Mt Roskill, and on State Highway 16, Whenuapai.

In September, the Commission gave New Zealand Bus Finance Company Ltd, which is a subsidiary of Stagecoach Holdings Ltd, approval to acquire Fullers Group Ltd for $25,995,000. Fullers was previously owned 27.9% by Devonport Steam Ferry Company Ltd of Aotearoa, 12.08% by Gardiner Capital Ltd of Canada, 1.73% by Geoff Cumming of Aotearoa and 58.3% by the "New Zealand public". Although the approval was for a 100% takeover, in fact Fullers only took 51% at this stage (see New Zealand Government press release quoted above).

Fullers appear to be doing well financially:

> "It is stated to-date the ferry service conducted by [Fullers] has been largely responsible for the growth of economic activity on Waiheke Island. At present Fullers Group Ferries are a high profile, attractive part of the Auckland maritime transport scene. The company has grown steadily with prudential management and without great access to capital."

Stagecoach describes itself as "the world's largest and most experienced urban transport operator". It has operations in bus services, rail, airports and toll roads, and has gained a reputation for tough tactics in the U.K. But the OIC only reported that

> "Stagecoach will introduce 60 new buses to the Auckland market immediately at an estimated cost of NZ$13 million. The average age of the Yellow Bus fleet is approximately 12 years. Many are 20 years old. Stagecoach plan to attract more customers by the introduction of 30 new buses per year under a steady programme of fleet improvement as is company policy. … Stagecoach propose to integrate the bus operations of TACL with its own Cityline bus operations in Auckland. It is expected that the integration of the two operations will yield substantial efficiencies and service improvements which will be of benefit to individual bus users and to the authorities which fund urban bus services in Auckland."

Stagecoach's ownership of the Auckland Cityline company initially led the Commerce Commission to refuse it permission to buy the Yellow Bus Company (*Press*, 25/2/98, "Yellow Bus appeal", p.33). The company appealed and won. That should not have given Aucklanders any comfort, given Stagecoach's international record. The sale of the Regional Authority's prominent asset was accomplished by decree from Wellington, leading to considerable bitterness in any case. Jenny Shipley gave the order to sell as Transport Minister in May 1997, demonstrating the large holes in the then-existing Coalition Agreement that specified consultation with local ratepayers or consumers over the sale of other local government assets.

Stagecoach began business in Aotearoa in 1992 when it took over the privatised Wellington City bus system. Then called Stagecoach NZ Ltd, it changed its name a few weeks later to New Zealand Bus Ltd. In October that year it was given OIC consent to buy Wellington City Transport Ltd for $5,750,000. Its record in Wellington has been mixed. While passenger numbers have increased, its industrial relations (as we have seen) have plummeted, and its safety record has forced the authorities to break new ground.

In September 1997, Tom Dowling, a Stagecoach bus driver in Wellington for three years, was robbed and repeatedly kicked in the head. It was the second time he had been assaulted while working for the company. At the police station he called his supervisor and was told to go home without pay for the rest of the shift, and he would have to pay for his taxi home (*Press*, 8/9/97, "Bad night for capital bus driver", p.5). The company relented the next day, said he would be paid for his shift and the taxi, and sent him and his wife on a mystery weekend holiday. However the incident was simply one further example as far as the company's drivers were concerned. By August 1998, the problem still remained. As the *City Voice* reported (20/8/98, "Stagecoach told to protect drivers", by Mary Hobbs, http://-www.cityvoice.co.nz/20_aug_98/pages/news.html#1)

> "A government agency has issued Stagecoach with an official notice requiring it to take reasonable means to protect its bus drivers from assault.
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> The notice climaxes a seven-year campaign by the Tramways Union to get two-way radio communications in all buses because of a spate of attacks on drivers. However, Stagecoach has appealed against the notice to the District Court – the first appeal ever lodged in Wellington against an improvement notice issued under the Health and Safety in Employment Act 1993.
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> The Wellington manager of the Occupational Safety and Health Service, Keith Stewart, says the improvement notice does not specify that Stagecoach must install two-way radios – merely that it takes 'reasonable steps' to improve driver safety. Stagecoach operations manager Darryl Bellamy would not comment.
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> Tramways Union secretary Phil Griffiths says the union has been trying since 1991 to have two-way communication in all buses. There are only about 15 radios working and new buses have not been equipped with them.
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> Griffiths says drivers are very worried about the increasing number of assaults on on drivers and the increasing amount of vandalism and attempted robberies they are faced with, often in situations a long way from the help of even a public telephone."

Griffiths said Stagecoach was too mean to spend money on safety though it spent $110 million acquiring Auckland's Yellow Bus Company.

He might have added that Stagecoach, with its associated company, Stagecoach Aviation, also had enough to be one of the (unsuccessful) bidders for Wellington International Airport. At about the same time as it announced its Wellington bid, Stagecoach Aviation bought Glasgow Prestwick International Airport in Scotland for about $125 million (£41 million) (*Press*, 4/5/98, "Stagecoach seeking Wellington Airport", p.34). Rivals in both bids were rival Scottish company FirstGroup, which was also a bidder for the Yellow Bus company. Stagecoach was also bidding for Sweden's South Stockholm Airport and looking at similar purchases in the former Soviet Union (*Scotland on Sunday*, 10/5/98, "Stagecoach takes wing for NZ").

We commented at that time of the Wellington City bus takeover that its parent, Stagecoach Holdings Plc of Perth, Scotland had grown rapidly since 1980, feeding on privatisations, and “has 3,000 buses, a turnover of $500 million and operates in Britain, Canada, Kenya, Malawi and China. It has 11,000 employees worldwide.”

Taking on the world

That was only the beginning. According to its Web site (http://www.stagecoachholdings.com), Stagecoach, which “started in 1980 as a family business by brother and sister, Brian Souter and Ann Gloag”,

> “… today operates 12,000 buses and coaches in seven countries: the U.K., Sweden, Kenya, New Zealand, Portugal, Australia and Finland. The Stagecoach group also owns and operates some 4,000 rail units in the U.K. through its leasing subsidiary, Porterbrook, and its train operating companies, South West Trains and Island Line. Stagecoach employs over 30,000 staff, the majority of whom are shareholders following the introduction of an employee share ownership plan in 1991. The company was floated on the London Stock Exchange in April 1993.”

Though Stagecoach likes to describe itself as a family company, founded by former bus driver and workers’ friend, Brian Souter, in fact Souter only drove buses to make ends meet while he did his accountancy degree. He did apparently come from a working class background, being brought up in a council estate oon the outskirts of Perth, his father being a bus driver (*Accountancy Age*, profile on Souter, 26/11/98).

Its dramatic growth is indicated by its financial statistics, which show that from 1993 to 1998 its turnover grew more than nine times (to £1.38 billion), profits before interest and tax 12 times (to £216.5 million), dividends 50 times (to £30 million), and total assets almost 16 times (to £1.93 billion). According to one financial analyst, Stagecoach had a rate of return of 92% in the year ended 15/5/98 (Nick Pachetti at http://www.worth.com/articles/Z9807C02.html).

In 1996 it acquired major Swedish bus company, Swebus, one of the top ten U.K. acquisitions in mainland Europe during that year, according to *Acquisitions Monthly* (January 1997 – see http://-www.acquisitions-monthly.co.uk/magazine/html/1996_uk_acquisitions_in_europe.htm), making it the second largest foreign company in Sweden, by number of employees, in 1996/97 according to the official Invest in Sweden Agency (http://www.isa.se/default.cfm?page=/report98/foreign.htm).

Swebus has grown hugely as a result of the introduction of “competitive tendering” of bus services in Sweden. The effect has been that “major operators tend to grow and expand (e.g., Swebus and Linjebuss), while smaller operators, including several public transport operators, have been absorbed or gone out of business”.

> “Virtually all bus operations are now being competitively tendered. Two major international private bus companies – Swebus, recently bought by Stagecoach Holdings of the United Kingdom, and Linjebuss – have won an increasing number of the tenders. Swebus now accounts for 31 percent and Linjebuss for 19 percent of the urban bus lines that have been put out to tender. SL Bus [Stockholm Transport, a company owned by the county council] has also won several tenders and provides a significant portion of the bus service. When a new operator wins a tender, that organisation, by law, must accept the employees of the former organisation and continue their salary and benefits at their existing level for at least 1 year.” (Transit Cooperative Research Program, Sponsored by the U.S. Federal Transit Administration, May 1998, http://-www.apta.com/intnatl/tcrp27.htm.)

Stagecoach has also expanded into Hong Kong and China, by, in April 1998, becoming the second largest shareholder in Road King Infrastructure Limited. This company, though Incorporated in Bermuda, is 334th of the 500 largest Chinese commercial enterprises in the world, and 17th out of the 20 largest Chinese commercial enterprises in terms of growth of assets. “Road King and its subsidiaries specialise in the investment, development, operation and management of toll-road projects in China. At present, the Group has investments in road projects in eight provinces involving a total length of 975km.” (Press release, http://irasia.com/listco/hk/roadking/annual/97/respress9712.htm.)

The Stagecoach fan club (yes! – see http://www.geocities.com/MotorCity/Downs/8661/links.html) lists information about a long list of Stagecoach subsidiaries, among them those in Wellington which include the Kelburn Cable Car as well as the bus service.

Out of Africa

The OIC, in approving the takeover of Fullers, said that that Stagecoach “provides urban bus and rail transport services in the UK, Sweden, Finland, Portugal, Kenya, Australia and New Zealand”.

In fact its activities in Kenya have all but ceased, its monopoly stripped from it because of continual fare increases and other failings. On 25/10/98, *Africa Economic Digest* (“Stagecoach pulls out”), reported:

> “UK-based Stagecoach Holdings, which operates the Nairobi and Mombasa city commuter bus services and the long distance Stagecoach Express service, has pulled out of the country, after selling its 95% share holding in the Kenya Bus Services, the company has announced…”

The East African (16/10/98, “Heavy losses force Stagecoach Holdings to leave Kenya”, by James Macharia) explained:

> Stagecoach Holdings sold its stake in Nairobi’s commuter bus service last week after making losses of Ksh50 million (US$833,000) a month since April last year. The company sold its 95% shareholding to a group of Kenyan businessmen, headed by insurance broker Mr Karanja Kabage, at a “concessionary” price. The remaining five per cent is held by the Nairobi City Council. Company sources said they had also incurred a Ksh200 million ($3.3 million) repair bill for their fleet of 320 buses, 60% of which was related to damage to the vehicles inflicted by potholed city roads.
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> Stagecoach’s exit from Kenya after eight years marks the end of the company’s investments in developing countries. It sold its 66% stake in a Malawi transport company in September last year. Indications that the company was planning to leave came in July, when it declared 160 drivers and conductors redundant and appointed two managing directors within six months. …
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> The new team hopes to reclaim ground lost to competitors and announced a 30% fare reduction on several routes shortly after it took over. The Kenya Bus Services-Stagecoach partnership had lost out to matatus. Early this year, the company increased fares by 150% to make up for the cost of repairs incurred at the height of the El Nino rains, which rendered some roads in the city impassable. Apart from the stiff competition from matatus, recent moves in parliament to revoke the company’s 60 year monopoly had put it in an even more precarious position. In July, an Assistant Minister for Transport and Communications, Mr Chris Obure, confirmed its monopoly would be revoked to liberalise access to all city routes to other private transporters.
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> “We hope to improve not only the profitability of the company, but also its image,” said Mr Thuo. The bus firm had been criticised for a number of failings, including high fares.

The Nation (Nairobi) confirmed this saying (3/11/98, “Team seeks KBS turn-around”):

> “Before the takeover of the Kenyan operation, Stagecoach had frequently raised fares to high levels, in many cases surpassing the rates charged by matatus (commuter taxis).The frequent fare raises provoked a public outcry and caused the company business losses, as many commuters opted to use matatus, leading to the withdrawal of the giant bus company from loss-making routes.”

Aggressive reputation: "far out at one end of the cultural spectrum"

In the U.K., major acquisitions have included bus companies, railway companies, a railway rolling stock company and an airport. Its tactics were described at a seminar on competition run by the University of Auckland Centre for Research in Network Economics and Communications in Melbourne in September 1997 (see http://www.crnec.auckland.ac.nz/workshop/SEP26PUB.html). There, Professor David Newbery, Director of the Department of Applied Economics at Cambridge and Professor of Applied Economics, commented that it is "extremely costly" for large operators to compete with new competitors by lowering prices, so

> "you would be better off buying them out. There is a very good example of that in Britain in the bus industry where the owner of Stagecoach, who early on acquired a reputation for aggressive competition, now just shows up at a town with a bus company and he says to the bus company owner, 'There's an easy way and a hard way of solving our problem: the easy way is for you to sell me your company; the hard way is I bankrupt you and buy it out,' and they usually sell him the company."

That's a fair introduction to the reputation the company has earned in the U.K. According to the *Electronic Telegraph* (produced by the publishers of the *Daily* and *Sunday Telegraph*, 20/12/95, "Bus chief greets his Waterloo. . . after 24 fair trade inquiries and nine monopoly reports", by Toby Moore and Michael Fleet):

> The Stagecoach bus company gallops on to the railways trailing more referrals to the Monopolies and Mergers Commission than any other firm. The company … has been the subject of nine reports in its 15 years. There have also been 24 inquiries by the Office of Fair Trading, although the company has been cleared of unfair practice in all but two cases. But the tough tactics have brought a reward for the industry as a whole.
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> Bus travel has experienced a similar decline to rail. Many of the small companies acquired by Stagecoach suffered chronic under-investment. Drivers in one Scottish subsidiary received their first pay rise in 15 years when Stagecoach recently took over. The company is now so robust it invests heavily in new buses and is revitalising many, often rural, services in the North-East and Scotland.
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> But the firm's activities in Darlington earned a damning observation from the Monopolies and Mergers Commission, that it was "predatory, deplorable and against the public interest". The 90-year-old municipal Darlington Transport found that its drivers were poached and Stagecoach arrived two minutes earlier at bus stops offering free trips. The company went into liquidation.
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> Such brazen manoeuvres are part of the key to Stagecoach's success. Running the free services probably cost the Perth-based company about £30,000 a week. But starting from scratch would have cost about £270,000 and buying Darlington Transport outright some £1 million."[2]

In another example, in South East Hampshire, Stagecoach took over two local bus companies, Southdown and Portsmouth CityBus and then in 1991 was forced to sell Portsmouth by the Secretary of State for Trade and Industry and the Monopolies and Mergers Commission (http://www.hants.gov.uk/-scrmxn/c6121.html).

That record is not simply an historical one. Stagecoach shows no sign of mending its ways. In just one recent example, the U.K. based Public Services International Research Unit, a mine of such information, quoting the *Guardian* (U.K., "Firms accused of running school bus cartel", by David Gow,

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2. See http://www.telegraph.co.uk:80/-et?ac=001198953950449&rtmo=LKG3dNdd&atmo=99999999&pg=/et/95/12/20/1rail220.html)

20/11/98), reports that that "companies running school buses in Hull were referred to the Restrictive Practices Court for observing a secret pricing and market-sharing cartel. Thirteen bus operators, including Stagecoach's Cleveland Transit, met secretly in a Hull hotel and agreed on the minimum prices at which they would tender to supply school bus services and the routes each would tender for. This case is the latest of 18 promoted by an Office of Fair Trading cartels' taskforce set up in February 1995. Stagecoach denied the accusations." "But," said the *Guardian*, "it is the second time this month that the Perth-based train and bus operator has been accused of unfair practices in running school-bus services. Thanet district council in Kent protested about Stagecoach's decision to put all child fares up to the full adult rate before 8.45am and after 3.30pm."

And neither is the *Telegraph* comment about drivers' wages typical. Paul Foot, in the *London Review of Books* ("They should wear masks", 7/1/99, a review of "Stagecoach: A classic rags-to-riches tale from the frontiers of capitalism", by Christian Wolmar) describes a number of counterexamples where wages were cut. He says that "before privatisation bus workers' wages were 7% above the national average and after it 13% below". The title of his article comes from a bus worker at Burnley who asked "Why should they come and reduce our wages by 20%? We've all got mortgages and children and we just can't afford it. These people are bandits – they should wear masks."

The railways privatisation bonanza

The privatisation of British railways has been another bonanza for Stagecoach – and one where its reputation has been confirmed. In February 1996, it gained control of South West Trains Ltd. The *Surrey Advertiser* (21/3/97, "Rail firm risks losing franchise", http://www.surreyad.co.uk/news/21-3-97/-news131.html) reported:

> "Beleaguered rail firm South West Trains faces fines of £1.75 million and risks losing its franchise unless services significantly improve within six weeks. Stung into action by scores of complaints from irate passengers, the Government's rail watchdog issued the stark ultimatum on Friday last week and levied a £750,000 penalty for poor performance in February.
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> Thousands of Surrey commuters have already suffered five weeks of long delays and disruption after Britain's first privatised rail network axed 71 drivers. The decision plunged the network into chaos and forced SWT to slash 39 services every day as it failed to find sufficient trained drivers…
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> The Office of Passenger Rail Franchising (Opraf) has urged SWT to invest £1 million on improving train reliability after failing to meet key pledges listed in its original franchise."

As Foot described it:

> "Stagecoach started at South West Trains as they had on the buses: sacking some workers and making the rest work harder and longer for the same money or less. Many drivers left and Stagecoach discovered a fact which they had apparently not anticipated: they couldn't run trains without drivers. They were obliged to negotiate with the regulator for 39 trains cancellations. The new South West Trains director Brian Cox tried to blame this management disaster on the workers. The service which had not seen a major strike since 1982 was, he declared, 'a hotbed of Trotskyism'. He told MPs that there was a fundamental clash between Stagecoach and South West Trains – 'we are at one end of the cultural spectrum, far out at one end, and they are at the other.'"

In December 1998, Cox was moved from SWT to become Stagecoach Group Commercial Director in charge of "thiking of ways to win an extension to the train franchises" amongst other duties (*Times*, "Chiefs leave as Stagecoach heads south", by Fraser Nelson, 7/12/98).

While one market research firm went so far as to say that "Stagecoach Holdings PLC's experience with South West Trains Ltd (SWT) has, so far, been a public relations disaster, and has damaged goodwill towards the privatised rail industry" (http://www.keynote.co.uk/public/cw/ratr97/ratr9706.htm), Stagecoach had no regrets. According to the *Financial Times Television* (2/12/97, "Stagecoach pretax profits hit £70.5 million"), South West Trains "notched up profits of £7.8 million, with passenger income at £151.9 million. Revenues grew by 8.3% and passenger journeys rose by almost 6%" (http://www.ft-television.com/today/stories97/40212974.htm). Stagecoach also owns the Island Line Ltd, another rail operator, and in June 1998 bought a 49% share of the Virgin Rail Group, co-owned by Richard Branson (*Press*, 23/6/98, "Stagecoach move", p.26).

Almost as controversial has been Stagecoach's other entry into rail: the provision of rolling stock to rail companies. Rail privatisation set up "Roscos" – rolling stock companies – which lease trains to "train operating companies" (TOCs). The same *Financial Times Television* article reported that the government was threatening to regulate the Roscos. Stagecoach's Rosco, Porterbrook, had "been a hugely profitable acquisition for the group. At present 17 of the 25 train operating companies which hire trains from the Roscos, use Porterbrook trains." Stagecoach chairman, Brian Souter warned his company "would legally challenge any attempt to alter terms of existing contracts". He said "the industry momentum to regulate Porterbrook and other rolling stock companies had not come from the government itself, but from 'jealous' rivals.'… Souter said some TOCs could be using the issue of Rosco regulation as a tactic to persuade the government to cut leasing prices in existing contracts."

The original purchase of Porterbrook by Stagecoach was not universally welcomed. The Office of the Rail Regulator noted (http://www.rail-reg.gov.uk/docs/64/section2.htm) that "This acquisition raised a number of concerns, primarily related to the fact that Stagecoach owned two passenger rail franchises. It was therefore thought possible that there could be some conflict of interest, and the Rail Regulator undertook public consultation before providing advice to the Director General of Fair Trading. After consideration by the Secretary of State for Trade and Industry, it was agreed that the acquisition could proceed, subject to a number of undertakings being given."

The very circumstances of the purchase were clouded in controversy. It had been privatised very cheaply by the lame-duck Conservative government to a group of British Rail managers led by Sandy Anderson, who himself invested just £120,000. Its value soared when Labour changed its tune and accepted the privatisation. Stagecoach bought Porterbrook from the new owners just six months later for £300 million, giving Anderson a profit of £33 million – and a close relationship with Stagecoach, according to Foot.

Politics

Stagecoach head Brian Souter has some convenient political views. He gave public support to the devolution of parliamentary power to Scotland, where the company is based, and, crucially, support for the right of the Scottish parliament to raise taxes. That was seen to be a major boost to the Labour government. He is a leading figure behind Business for Scotland, a pro-Scottish Nationalist group and an important funder of the Scottish Nationalist Party. However, business is business, and in December this year he announced the move of the company's headquarters from Scotland south to Tyneside: precisely the kind of move which led Scottish businessmen to support devolution (*The Scotsman*, 9/9/97, "Thatcher returns to haunt 'No' Campaign", http://www.scotland-forward.org.uk/mirror/-970909_1.htm; *Times*, "Chiefs leave as Stagecoach heads south", by Fraser Nelson, 7/12/98).

He also publicly supported the Tony Blair's controversial "Welfare to Work" scheme.

Souter's political views appear to share some philosophies with the Business Roundtable and Roger Kerr. "If we were to apply the Sermon on the Mount to our business," he has written, "we would be rooked within six months. Don't misunderstand me, ethics are not irrelevant, but some are incompatible with what we have to do because capitalism is based on greed." Souter is a worshipper at the evangelist Church of the Nazarene (Foot, *op. cit.*).

Those attitudes are consistent with the company's operations in Aotearoa and elsewhere.

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