

NEWS RELEASE



Attorney General Edmund G. Brown Jr.
California Department of Justice
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Brown Reaches Antitrust Agreement With Nation's Largest School Bus Operators

LOS ANGELES – Halting the “anticompetitive effects” of a merger between the nation’s two largest school bus operators, California Attorney General Edmund G. Brown Jr. today announced a settlement with First Group, plc (also known as First Student) and Laidlaw Educational Services. Under the terms of the settlement, the merged company will divest its rights in a bus depot to Riverside Unified School District and agree that Los Angeles Unified School District may terminate certain contracts for school bus services.

Commenting on today’s agreement, Attorney General Brown said, “School districts must be able to choose the best school bus company to ensure that students have rapid and reliable school transportation. Today’s agreement protects school districts and strengthens healthy competition amongst school bus companies.”

Without this agreement, the merged companies would have controlled the majority of the Los Angeles Unified School District private contracts and the only two bus depots in the Riverside Unified School District. In addition to eliminating competition between the two companies, their merger would make it more difficult for competitors to enter the private school bus markets in Los Angeles and Riverside Counties. Today’s settlement will facilitate the entry of new competitors into the areas where the merger’s anticompetitive effects are felt.

Under the agreement, the merged company will transfer its rights to the Franklin Avenue Depot to the Riverside Unified School District and give the Los Angeles Unified School District the right to terminate specific school bus transportation contracts. The parties also agree not to enforce non-competition contracts which would prevent departing employees from starting new school bus transportation companies that would compete with the merged company. The parties will also give the Attorney General notice of any future acquisitions during the next six years and will pay \$1.1 million to be divided among the participating states to defray legal fees.

The acquisition of Laidlaw by First Group was first announced in February 2007. FirstGroup, headquartered in Scotland, has operations throughout the United States. It is the second largest school bus operator in the United States. Laidlaw, headquartered in Naperville, Illinois, is the nation’s largest school bus operator.

School districts in California arrange transportation for their students using both in-house and private buses. While many Districts still organize and operate student transportation systems themselves, the practice of contracting with private providers is prevalent. To be eligible to compete for a private contract, bidders must hire personnel and acquire buses, insurance and parking. In many cases, the incumbent bus companies have competitive advantages that make it difficult for new competitors to enter the market.

The California Attorney General, along with ten other states and the U.S. Department of Justice, has been reviewing the proposed acquisition. Under the Clayton Act, Section 7, mergers are illegal if they may substantially lessen competition or tend to create a monopoly. Although the merger did not raise competitive concerns for regular bus services, investigators found that the transaction would significantly lessen competition for home to school and related transportation for Los Angeles Unified School District and Riverside Unified School District.

Brown joined ten other states, Alaska, Connecticut, Illinois, Maine, Massachusetts, Minnesota, Missouri, New Jersey, Rhode Island, and Washington in filing the consent decree agreement with FirstGroup and Laidlaw Education Services today in federal district court in Massachusetts. In agreeing to the consent decree, the merging parties did not admit liability.

The consent decree and the state's complaint are attached.

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