FirstGroup plc Q3 IMS Thursday 13 January 9am

OPERATOR: Good morning and welcome to the FIRSTGROUP Quarter 3 Trading Update call. Today I am pleased to present JEFF Carr, Finance Director of FIRSTGROUP. For this call all participants will be in listen only mode and afterwards there will be a question and answer session. I now hand you over to JEFF Carr.

JEFF CARR: Hi. Good morning, ladies and gentlemen and welcome to FirstGroup's 3rd Quarter Trading Update. I'll say a few words of introduction and then we will just hand over the call to questions and answers.

Overall we are pleased to announce that trading remains in line with management expectations and therefore we remain on course to deliver against the targets we set ourselves at the beginning of the current financial year. If you recall those targets are first to return to moderate earnings growth in the year and secondly with a focus on cash management to reduce our net debt to EBITDA ratio from three times at March 2010 to 2.5 times at March 2011.

Now we remain on track despite continued challenging trading conditions and the widespread disruption we faced in the UK in both our rail and bus operations during December due to the severe weather conditions. Let me just say that the actions and efforts of our workforce during these challenging conditions was exemplary and while services were disrupted and passengers have been inconvenienced, our employees' efforts have minimised this disruption and allowed many services to continue in extreme conditions. The cost of the disruption from weather has been around £7 million in December and while this adds to the group's challenges we are confident that we can absorb these costs and deliver against our earnings and cash targets.

One of the strengths of the FirstGroup business is that it is a portfolio of different businesses albeit linked by the common theme of passenger transportation. However at times these businesses operate at different stages in the cycle. We continue to see tough conditions in our student operation in North America and as reported in November this has produced margin pressure. However, to offset this we continue to make good progress on margins at UK Bus and Greyhound and our UK rail operation continues to perform very well.

In December the group announced the signing of a new five-year committed bank facility for $1.4 billion. This replaced the two existing revolving bank facilities of $1.5 billion and £505 million, both of which were due to mature in February 2012. The reduction in the amount of the facility and the competitive pricing achieved will support the efficient management of interest costs over the next few years.

Now, moving on to a couple of quick comments on each of our operating companies. First our UK bus operation continues to perform steadily with like-for-like passenger revenues growing in the period by 2.1%, up slightly from the first half. In London we continue to protect our margins which remain in line with last year but as a consequence we have seen lower total passenger revenues as we exit lower margin contracts. We discussed the impact of the 20% reduction in BSOG in November and we remain confident that we can mitigate the impact of this change by the time year change is introduced in April 2012. Similarly, since November we have continued to work with local authorities in England to minimise the impact of the revised guidance on concessionary-fare reimbursements.

In UK rail, passenger demand has remained strong and like-for-like revenues grew in the period by 5.2%. It is early in the process but early signs are encouraging on season ticket renewals and this stage they are up significantly on last year.

Growth at First Capital Connect was particularly strong in the period with like-for-like passenger revenues up 5.6%.

At First ScotRail we faced the most challenging of the weather conditions but innovative measures were taken to ensure that we ran the best possible services. In the period we commenced the Airdrie to Bathgate rail link. Overall, like-for-like passenger revenues at First ScotRail grew by 5.9%.

The new round of franchise bidding is about to commence. I think that will kick off fairly shortly and we remain confident that we have the right team to lead the industry and maintain

FirstGroup's market position as the leading UK passenger rail business.

First Student has continued to work through a difficult year. As we previously reported, revenues will be down slightly versus last year and margins remain under pressure. We continue to focus on costs and we seek to mitigate the challenging environment we find ourselves facing. As we look to the next school year it is early in the bid season and too soon to identify specific trends. In February and March we will see an increase in bidding activity and therefore would expect a fuller update on the outlook on Student in our March pre-close statement.

Our transit operation continues to perform in line with expectations. In the first half of the year transit generated good revenue growth and this continues in our core operations through the second half of the year albeit we have recently exited the support services contract which means our overall growth in transit for the full will be lower than the first half.

At Greyhound we continue to make good progress with our business transformation programme. For example, in the period we have launched Greyhound Express into the Chicago area which introduces several services to various Midwest destinations on a point-to-point basis with the new Greyhound Express product. While overall Greyhound revenues were down 2.5%, we remain on track to deliver against our margin-improvement targets and I am encouraged by stronger revenue trends in Quarter 4.

Partly driving the lower revenues in Quarter 3 has been the impact of lower pricing on the East Coast where we have seen significant capacity increases in the market and extremely competitive pricing from low cost airlines.

At Greyhound Canada we continue to see an improving performance both in terms of revenue growth and profitability.

So in summary, we continue to focus on cash generation and made good progress on working capital. As a consequence we remain on course to deliver our cash generation target of £180 million. If you recall, that was before the proceeds of any disposals such as GB Railfreight.

Overall trading remains in line with management's expectations and as previously reported we expect moderate earnings growth in the current financial year. This together with good progress in debt reduction supports the board's commitment to grow dividends by at least 7%.

So thank you. Now I will hand back to questions and we will go through a Q and A session.

OPERATOR: Thank you very much.

Participants, if you would like to ask a question, please press 01 on your telephone keypads now. You will enter a queue and after you are announced you may ask your question. If you find your questions has been answered before it is your turn to speak, you may press 02 to cancel. So that is 01 to ask a question or 02 to cancel.

Our first question comes from Jaime Rowbotham of Morgan Stanley. Please go ahead.

JAIME ROWBOTHAM: Good morning, JEFF. I hope you are well

Three questions to kick off, if I may.

Firstly UK bus: I just wondered what reported revenues were doing in the third quarter and is it still the case that you have taken about 6% mileage out year-on-year as was the case at the half year.

Secondly, I was going to ask on Greyhound - I appreciate your comments there - about capacity and low-cost airline carriers but obviously it is discouraging to see passenger revenues down 2.5% in Q3 when they were down 11% same quarter last year. Are you surprised at that given passenger volumes in other business are recovering and especially as Greyhound is such a low cost offering. If you could provide any colour on who is putting in that extra capacity - are we talking things like Megabus? And if you can add any clarity on those stronger revenue trends you have talked about in Q4 to date, that would be helpful.

Finally just more generally on First Student: are the school boards becoming even more demanding in terms of the route consolidations that they are looking for and in terms of what they are expecting from outsourcing operators or is that easing a bit?

Thanks very much.

JEFF CARR: Okay. That covers quite a lot of ground, JAIME.

In terms of UK bus, I think for the year we will continue to see mileage come out at similar rates as we saw in the first half so that is around 6% which means reported revenues in Q3 will continue with the sort of trend that we saw in the first half. So they will be down slightly, certainly around, I would think, low single digits, in terms of reported revenue declines.

The like-for-like passenger revenues are slightly up in the first half but I think that is a fairly small change. I would say overall that the position is pretty stable.

We have talked about putting more of a focus on growth but that is something that we are talking about certainly into the next financial year. For this financial year I would say the situation is fairly stable for UK bus.

In terms of Greyhound I think the third quarter number is disappointing. I certainly think that as I look at the weekly trends and daily trends in Q4 that we should be back into at least flat or slightly positive territory for the fourth quarter. Again, that is not overly exciting but it is more in line with first half and more in line with our expectations.

Yes, Megabus is one of the competitors putting a lot of extra capacity into the market but overall I think that the actions that we have been taking is specifically to ensure that our pricing is competitive and remain the best value product in the market. So in terms of our passenger volumes they are more encouraging than the revenue suggests in Q3. But it’s not an indication of a trend and I certainly expect Q4 to be positive relative to Q3 as opposed to continuing to deteriorate. I don't think that is the case at all. Overall we are pretty confident that Greyhound will hit the sort of margin improvement and overall profit guidance that we have given which is a good improvement year-on-year. Overall I think we will be pleased with the year that Greyhound provides albeit that again there needs to be a little bit more of a focus on top line growth as we go into next year.

On Student I honestly would say there is very little change. I think the overall environment remains tough. We have flagged that for some time now. The school boards: anyone who follows state budgetary announcements and follows the situation in North America will realise that the situation remains very difficult and that feeds through into the negotiations that we have with each of the school boards. Now at this stage in the year we are entering into a key period in terms of next year's bidding process. What I said in the script is that it is a little early to talk about how that is going. If you look at the percentage of contracts that have been settled to date it is a very small percentage relative to where we expect to be by the time that comes to a conclusion in the early summer. So it is quite early days but I wouldn't flag the situation to be one where it is getting tougher or easier. We have certainly said in November, and we continue to say, that we expect these conditions to continue through the next year. We expect it to continue to be a relatively tough market. Okay?

JAIME ROWBOTHAM: Great. Thanks, JEFF.

OPERATOR: Our next question comes from Paul Hickman of Peel Hunt. Please go ahead.

PAUL HICKMAN: Good morning. I just wondered if you can add any colour on the situation in Canada and does the comment mean that new contracts have been signed now in some areas and if so which ones? Just wondered if you could add any detail on that?

JEFF CARR: I think generally that the most important aspect from our perspective is that the Canadian -- I assume you are talking about Greyhound?

PAUL HICKMAN: Sure.

JEFF CARR: The Canadian Greyhound business was losing a significant amount of money last year and we talked about something in the region of just around C$20 million. What we have seen in the current year is we continue to work hard both with the federal programme and also with the individual provinces to negotiate on specific subsidies and specific route programmes and we have made some good progress in some areas, for example Manitoba. We still have to make progress in other provinces that hasn't yet come into line in terms of what we expect. I think Alberta is one area where we continue to press the authorities to understand that we are not going to provide a public service without proper levels of provincial subsidy. We are still in the process of those negotiations but what we are seeing as a consequence of either subsidy or mileage reduction is a significant improvement in our operating-loss position. We still expect to make an operating loss this year but it will be a fairly small operating loss; a few million dollars, something more like $4-5-6 million operating loss in Canada. So that will be a significant improvement year on year but obviously clearly still a lot of progress to be made.

What we are also seeing in Canada is an uptake in terms of passenger revenues. So Canada is actually performing better than the US in terms of passenger revenue growth which is encouraging. I would probably just put that down more to an encouraging economic environment - more encouraging economic environment - in Canada. Overall we will make good progress in Canada this year. We will significantly reduce the operating loss in Canada, we continue to make good progress in various areas, not least for example in terms of our development of the website, and web sales in Canada are going particularly well where we are seeing significant growth. That has resulting in good overall revenue performance in Canada.

PAUL HICKMAN: Thanks.

OPERATOR: Our next question comes from Peter Hyde of Liberum Capital. Please go ahead.

PETER HYDE: I just wondered if you could give a bit more colour on the season ticket renewals and volumes in UK rail in the start of this period .
Then secondly - sorry to go back to this - but if we go back to Greyhound, I don't know whether you are really talking about the east coast being a problem or whether it is overall across America; but any kind of volume data or thoughts you could give on particularly US volume trends would be interesting just because it is obviously very hard when you just talk about revenue to dissect it between price and volume. So I would be quite interested in volume trends rather than pricing trends and just how much of an impact the east coast is having on the whole business.

JEFF CARR: Yes, Peter. In terms of Greyhound there is a significant, specific competitive issue in the northeast and some of the important corridors that we serve in the northeast and you would expect as the market leader that we will price appropriately to defend our position in those markets. That is part of the issue that we are seeing with the overall revenues in the third quarter.
In terms of volumes, I think it is more appropriate we break that data out in the full year results but basically we have had a little bit of pricing activity this year. Overall - and I don't have the

number in front of me on Greyhound - but overall I expect there is very little net pricing activity. So I expect the volume numbers follow those revenue numbers fairly closely.

PETER HYDE: Okay.

JEFF CARR: Certainly if you look at the central and west regions in Greyhound, they are performing more strongly with less competitive issues than we are seeing in the east where it is not just the Megabus issue, there is a significant amount of extra capacity going into that market. We have seen some very competitive action by some of the low cost carriers out of New York where there seems to be some very tough pricing going on. As a consequence, as you would expect as market leader, we will act to protect our overall position and that is what you are seeing in terms of our pricing action in that area.

PETER HYDE: But the States, just thinking about it slightly positively, in the central and west regions where you say you are performing more strongly, I presume you mean at total revenue or even profitability level, is that up year-on-year or would you say it is more flat year-on-year?

JEFF CARR: They are up slightly.

With season tickets, we are seeing strong double-digit growth versus last year. It is relatively early in the process. We have seen about 16% increases in season ticket sales between the periods Christmas up to the first week in January.

PETER HYDE: And is that very uniform across last year?

JEFF CARR: Yes it is and I think some of that action is obviously people looking to beat the price increase but volume is still up year-on-year and it is relatively encouraging. But yes, it is pretty much across all of the operating companies.

PETER HYDE: Okay. Thanks.

OPERATOR: Our next question comes from Douglas McNEILL of Charles Stanley. Please go ahead.

DOUGLAS MCNEILL: JEFF, good morning. You touched on the next round of franchises and since you spoke to us at the interim stage, the DFT has given some clarity on what it plans to do between now and 2013. I just wondered, are you interested in all the franchises that are coming up, at least in principle, or are there any that you would already at this stage rule out going after?

JEFF CARR: No, I think in principle, as market leader, we would expect to look at all of them. Whether or not we bid for every one is a different issue but in principle I think we would certainly look at all of the opportunities that present themselves. I can't say that that will result in us being active in bidding for all of them but I think as market leader we will certainly participate and we will certainly look at all of the opportunities that come up.

DOUGLAS MCNEILL: That's very clear. Thank you.

OPERATOR: Our next question comes from Tim Barrett of JP Morgan Cazenove. Please go ahead.

TIM BARRETT: Good morning, JEFF. I had a couple of things, please.

On the UK bus side, are you able to give us a similar split to the ones we have been discussing between volume and price for the period?

And the second question, is there anything you can say on hedging to give us an update for next year? Thanks.

JEFF CARR: I will start with the hedging. I think we are sitting probably in North America and the UK on average round about 65% of our requirements hedged at I think just over $85 a barrel. So we have still some exposure to the increases that we are seeing at the moment but we will continue to participate in terms of building up that level of cover in the market a little bit as we are going through the current hedges in the process that we have described to people. It is a process where we go in to the market on a regular basis to take cover. Basically we are in a reasonably good position for next year; still a little bit of exposure to the current increases.

In terms of UK bus, volumes -- I think this is a trend that we have experienced for some time -- we are seeing volumes down slightly and a bit of pricing. So pricing is running probably around inflation, 2-3%, and volumes are down about 1%, just over 1%. That is a trend that continues and has continued certainly going through the last financial year and the first half of this financial year.

TIM BARRETT: Okay. That's helpful. Thanks a lot.

OPERATOR: Our next question comes from Dominic Dolenec from Elliot Advisors. Please go ahead.

DOMINIC DOLENEC: Hi, JEFF. I wanted to come back to Greyhound, if I may, for another follow up in addition to what has been asked.

I guess I was wondering really what your ambitions are for Greyhound Express and Bolt - I guess the two point-to-point services you offer - ambitions in terms of how big is that market; how aggressively do you want to pursue it? And secondly is that initiative actually cannibalising your traditional Greyhound revenues and how do you think about that?

JEFF CARR: No, I don't think it is cannibalising the basic Greyhound offering. Greyhound Express is part of the business transformation process that we have put in place for Greyhound. It is complementary to the existing Greyhound business. It provides an alternative, as you said point-to-point service on specific areas where we have identified consumer demand on specific passenger channels. It is operating from our terminals so it operates out of -- the Chicago operation operates out of our Chicago terminal -- and I think it is very much complementary to the existing Greyhound offering. I think it is part of a process of modernising the Greyhound product over time. I think what we will end up with is a mix between some point-to-point operation and some operations which in the inner areas feed through the network of Greyhound terminals which then can feed into the point-to-point operations. So I think it complements the Greyhound operation.

Bolt was set up in the north east as a specific operation. It has continued to run well. It has certainly attracted consumers that would not necessarily be attracted to the Greyhound product and that is a learning that we have taken across to Greyhound Express. I think it is bringing new customers into the market. We have not announced any expansion plans for Bolt which is pretty much running at is planned operational level at the moment. It is to be seen whether we expand the Bolt model under the Bolt brand or we push more on the Greyhound or we push more on the Greyhound Express model. I don't see Greyhound Express cannibalising. I see it as complementing the basic Greyhound operation.

DOMINIC DOLENEC: And do you see this point-to-point offering as something that might work across the US, or North America if you wish, or is this very specific to the Midwest and northeast?

JEFF CARR: I think what we will end up with I think there is going to be more point-to-point operations with the Greyhound model. I think we will have an appropriate-sized network which allows us to continue to operate in the US, right across the US, and where we have fixed channels which support the point-to-point service, we will operate that point-to-point service with modern, efficient coaches with WiFi which will attract new consumers into the intercity coaching market. So I think there is a business model which operates with a mix of the strength of the network that we have at Greyhound and where appropriate on fixed channels which can attract the consumer levels, a frequent point-to-point service.

DOMINIC DOLENEC: Thank you.

OPERATOR: Our next question comes from Paul Butler of Macquarie. Please go ahead.

PAUL BUTLER: Hi, Jeff. Three questions, if I may.

Firstly can you just remind us what the loss was in the Greyhound business in Canada last year that we can compare with the single-digit loss that you say you are expecting for this year?

Secondly, I am just wondering if you could just touch on just recently where the cash generation opportunities have been within the business and whether you see there being much more opportunity left to extract cash out of the business or are we getting to the point where the opportunities there have been exhausted?

Finally, if you would just touch on what rate you are seeing the labour cost inflation running at within the business at the moment and if there are any variations between the different segments. Thank you.

JEFF CARR: Okay. Overall with Greyhound, as we have discussed, we expect to see significant margin improvement and we remain on tract to deliver good earnings growth.

Canada is an important part of that. So we are talking about last year we lost about C$20 million. As I said, we will reduce that loss down to a few million this year which is good progress albeit we are still losing money in Canada and therefore the pressure is very much still on the operation; it's very much still in the turnaround mode.

In terms of cash generation I very much see this as a long-term programme with significant opportunities still available. We have pushed hard on working capital this year and if you recall back in November and look at the cash flow we presented back in November, one of the key areas of improvement was in the area of working capital. That has continued into the second half. But I still think that is a programme which has a lot of ground to run. So for example in the second half this year we are, despite very, very challenging circumstances, seeing an improvement in our debtor days in North America; an improvement of three or four days, albeit from a level which is higher than it ought to be. But that is still a programme which has got significant ground to run. It is not something which we are going to finish at the end of this year. It is something which will continue for several years to go. That has been one of the key areas that we have looked at this year; working capital. Now this is a big organisation. We have significant cash opportunities and I suspect once we hit the 2.5 target this year -- we have talked already about making good progress down to the level of two-times in the next 12 to 24 months after that and we remain confident there is plenty of scope to go forward to make that happen. There is a variety of sources. We have talked about property. We have talked about disposal of smaller, non-core assets. We have talked about various aspects. But the key focus remains the core principle of driving EBITDA and managing working capital and that is not a 12-month programme; that is something which I think has quite a while to run.

In terms of labour there is no really new news in terms of labour negotiations. It has been obviously a fairly quiet period over Christmas. I think in the key market, which is North America in the Student business, we have discussed the fact that we are seeing that labour rates have increased at the 2-3% level which is in line with indices in the market but ahead of the type of pricing that we have been able to get on our contracts in the current market. That is one of the factors which are causing us more difficult margin issues in the student market. Now we are looking to offset that with programmes like the Focus programme that we have talked about to improve labour efficiency but we are certainly seeing labour inflation over 2% in North America. There has been no real movement in the UK recently so there is no update in terms of the UK markets.

PAUL BUTLER: Okay. Thanks very much.

OPERATOR: Our next question comes from Joe Spooner of RBS. Please go ahead.

JOE SPOONER: Good morning, Jeff. You've referred a number of times to Canada still not achieving profit. What does it take from here to get into profitability? Have you done all you can do with the regions and finding those subsidies? Is it just a matter of driving up the volumes from this point? I think, again, you said where the profits are. Can you just remind us of the extent of the revenue base from the Canadian operations as well?

JEFF CARR: Canada is round about 20% of Greyhound. It is around US$200 million. And the answer is, "No". I mean obviously we expect Canada to cover its cost of capital in the medium term. That's clear, that we are not going to invest in a business which is operating at these levels and therefore it needs to operate at a level which clearly covers its costs. Now we have significantly profitable areas in Canada. As you can imagine, most of the population lives in fairly small areas of Canada near the US border on the east and west coast and in those areas we have good operations which make good money. The issue in Canada is the service we provide across the whole of the provinces. Now there was a paper published by the federal working party in Canada which discussed this whole operation. The reality is it did little but to throw the problem back to the provinces and we remain in negotiation with several of the provinces to make sure that they understand that our intent is that we will significantly reduce the service we provide unless we can be provided with the right level of support to run operations which don't make a commercial return. So, no, we are not satisfied with where we are at. Canada has a long way to go. But while we are making good momentum, while the progress is in the right direction, I think we will continue to push and we will continue to support the

Canadian business but over time it needs to make a decent return on its own cost of capital.

JOE SPOONER: Thanks.

OPERATOR: Our next question comes from Mark Manducca of Bank of America Merrill Lynch. Please go ahead.

MARK MANDUCCA: Hi, Jeff. Good morning. Just as a follow-on question from a couple of things that have been and gone.

So, on Greyhound firstly, in terms of the volatility that we are seeing in the third quarter on the top line and your points on business transformation and margin improvement targets: could we quantify that a little more in terms of what you can see in the next 12 months in terms of savings and where specifically those savings could come from to drive the margin at Greyhound?

Secondly on North America: I guess the unknowns have been brought up in terms of school budgets and school boards. I am more interested in the knowns which are obviously higher competition going into the school bidding season and obviously the charter business. To what extent on the more qualitative point -- what is the tactic going into the new school-bidding season? Given what happened last year, the difficulties that there were on the competition level, what is the tactic going forward as we move into February and March?

Then UK rail, just looking at the top line: we know the issues around revenue support. I guess the question I have is to what extent the strong top line is being coupled with cost savings further down? Despite revenue support, how is it feeding through and is there any out-performance there that is possible for the full year?

JEFF CARR: To start with your question on Greyhound, we are going to have probably relatively flat top line numbers this year on Greyhound relative to last year, probably up a little bit in terms of the total revenue, reported revenue, numbers. But we are seeing an improvement in operating margins probably from 4% last year to 6-7% this year. That is coming from a combination of cost reduction and fuel improvements this year. That is an encouraging trend. We haven't given guidance for next year but clearly that remains an encouraging trend and it is a trend where we have discussed the potential for Greyhound to continue to make good progress. We have been through a process of right-sizing Greyhound; we've been through a process of taking a lot of cost out. There is not a lot more of overhead cost to take out of Greyhound. It is now more about we have a right-sized operation and it is more about now driving the top line. Greyhound is in good shape. It will deliver decent returns this year and I would expect to continue to see good progress next year.

In terms of UK rail, I think what we discussed back in November is that as we see challenges for example in Student, that will be compensated for in UK rail where clearly that top line performance and our adherence to good cost control is dropping through to the bottom line. Now that is the benefit of having the portfolio where we are underperforming in one area, we are over-delivering in another area and the net effect of those is that we are able to hold our overall guidance in terms of earnings expectations in cash. That is the benefit of having a portfolio of businesses. So it is delivering and we have increased our guidance in UK rail. I think we have moved from where our expectations on UK rail were from the beginning of the year to where we are currently at. In terms of the bidding, in terms of the school bus, the strategy is clear. We are the biggest operator in the market and therefore we are obviously in difficult times vulnerable to attack from smaller, more aggressive players who are able to operate at lower margins and it has been a very competitive bidding process last year. We expect it to be very competitive this year. We expect at least to hold our own ground in terms of volume but we are not going to chase volume at low margin. So we will protect our own business. We will bid aggressively, using the benefits of our scale in terms of our cost position on new business but we are not going to chase growth and returns which are lower than our cost of capital. We will act aggressively to protect our existing contract and make sure that we are in good shape and that we maintain our position as market leader and we maintain our size and I would be disappointed if we didn't see a little bit of growth next year but we are not going to chase growth in this market.

MARK MANDUCCA: Thank you very much, Jeff. I appreciate that.

OPERATOR: Are there any further questions? A reminder that ,if you would like to ask a question, please press 01 on your telephone keypads now.

And we have a question now from Edward STANFORD at Oriel Securities. Please go ahead.

EDWARD STANFORD: Good morning, Jeff. Good morning, Rachael. Just a quick one; a follow up on the US;

In the past the cycle of bidding with smaller operators perhaps being aggressive is that at some later stage they may come into financial difficulties. Are there any acquisition opportunities of smaller operators and has that increased? Perhaps you could give a flavour for that, please?

JEFF CARR: Yes, I think it has increased. I think we are receiving more inquiries, businesses up for sale, this year than we have seen in the last few years and I think that is a sign of tougher times pushing smaller private operators to thinking this could be a good time to exit the business and we will look at those. We made a very small acquisition in the quarter. It might have been just before the start of this quarter, actually. That has always been a part of FirstGroup's strategy in the North American market and it will remain a part of it. Whether you are bidding for a new contract or whether you are buying a small competitor business, the economics kind of don't really stack up that differently in some circumstances so we will continue to look for good opportunities on business which are reasonably priced and complement our existing geographic structure.

EDWARD STANFORD: Thank you.

OPERATOR: Are there any further questions? A reminder again, you can ask a question by pressing 01 on your keypads now. And it seems we have no further questions.

JEFF CARR: Okay. Well I would just like to say thank you very much for dialling in this morning and obviously we will be available for any follow-ups later in the day if you want to contact us. So, thank you very much and we will talk again shortly.

RACHAEL BORTHWICK: Thank you. Goodbye.

OPERATOR: This concludes our call. Thank you for attending.