

**DEROGATION LETTER
IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED
PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002**

Consent under section 72(3C) of the Enterprise Act 2002 (the ‘Act’) to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (‘CMA’) on 26 January 2022

Anticipated merger between National Express Group plc and Stagecoach Group plc (the ‘Merger’)

Dear Tim,

We refer to your submissions of 8 February 2022, 14 February 2022, and 15 February 2022 requesting that the CMA consents to derogations to the Initial Enforcement Order of 26 January 2022 (the ‘**Initial Order**’). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, National Express Group plc (‘**National Express**’) and Stagecoach Group plc (‘**Stagecoach**’) are required to hold separate the Stagecoach business from the National Express business and refrain from taking any action which might prejudice a reference under section 22 or 33 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, Stagecoach may carry out the following actions, in respect of the specific paragraphs of the Initial Order:

1. Paragraphs 7(b)(i), 7(b)(ii) and 7(b)(iii) of the Initial Order

Stagecoach submits that it holds a leasehold interest over office premises located on the [X] (the ‘**Premises**’). Stagecoach further submits that it ceased using the Premises in March 2020 and that the Premises remain vacant. The CMA understands that the Premises had previously been occupied by Stagecoach’s [X]

('[X]'), but that this team has subsequently been relocated to Stagecoach's [X] office.

Stagecoach states that its lease of the Premises (the '**Lease**') is due to expire on [X] but that it has the ability under the Lease to determine (ie terminate) the Lease on [X] provided that it serves notice on the landlord not more than 12 months but not less than 9 months prior to [X] (ie between [X] and [X]).

Stagecoach submits that its continued occupation of the Premises incurs quarterly rental payments, irrespective of whether it makes use of the Premises. Stagecoach has not been able to sub-let the Premises [X], and submits that it is unlikely to be able to sub-let the Premises in the near future. Stagecoach therefore intends to terminate the Lease by serving notice on the landlord between [X] and [X].

On the basis of Stagecoach's representations, the CMA consents to a derogation from paragraphs 7(b)(i), 7(b)(ii) and 7(b)(iii) of the Initial Order to permit Stagecoach to serve notice to terminate the Lease of the Premises and complete the termination of the Lease, strictly on the basis that:

- (a) the Premises are not currently utilised by Stagecoach in any way to support the ongoing operation of the Stagecoach business in the United Kingdom ('UK') (nor have the Premises been so utilised for the past two years). As such, the termination of the Lease will neither impact the ongoing viability nor disrupt the operations of the Stagecoach business in the UK;
- (b) and the [X] previously located at the Premises will continue to work from Stagecoach's [X] office, or from home. As a result, the [X] will not be unduly impacted by the termination of the Lease and are able to continue to effectively fulfil their roles;
- (c) for the avoidance of doubt, as a result of this derogation, Stagecoach staff will not be permitted to work from any National Express premises and no other changes to Stagecoach's remaining premises is permitted without seeking a further derogation from the CMA where required under the Initial Order;
- (d) this derogation will not lead to any integration between Stagecoach and National Express; and
- (e) this derogation will not result in any pre-emptive action which might prejudice a reference of the Merger under section 22 or 33 of the Act or

impede the taking of any action under the Act by the CMA that may be justified by the CMA's decisions on such a reference.

Yours sincerely,

Alex Knight

Assistant Director, Remedies, Business and Financial Analysis

23 February 2022