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## Sponsored by Key investors question Gilbert's role as chairman of FirstGroup

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by GARETH MACKIE PUBLISHED ON TUESDAY 29 MAY 2012 00:00



Investors worry Gilbert's long tenure is linked to poorly performing share prices. Picture: Neil Hanna

FIRSTGROUP chairman Martin Gilbert was yesterday urged to “hit the phones” and talk to shareholders as some key investors raised concerns about his position at the helm of the transport giant.

Gilbert, who has been chairman of the Aberdeen-based group since 1995, is also chief executive of Aberdeen Asset Management, and one unnamed major shareholder was reported to be seeking talks with him “over whether it is appropriate for him to hold two big jobs”.

One analyst, who did not want to be identified, told The Scotsman: “He’s been at FirstGroup for a long, long time. The business has got too big and a number of issues have arisen in the last few years that might not have happened with tighter management and a business that wasn’t such a juggernaut.”

“When a guy has been at the helm for as long as this, it’s not hard to see why some shareholders may think it’s time for some fresh blood.”

Gilbert is also a non-executive director of satellite broadcaster BSkyB, and Primary Health Properties, a real estate investment trust that specialises in renting out GP surgeries and other healthcare premises.

Sarah Wilson, chief executive of Manifest, the corporate governance support service, said: “If we’ve learnt anything about the shareholder spring, it’s the importance of communication.

“The best judge of sentiment will be the shareholders at the ballot box. To rush to defenestration would be premature. If I was Martin’s adviser I’d be telling him to hit the phones and talk to the shareholders directly, because they’re the ones who matter.”

FirstGroup is due to hold its annual meeting on 25 July. Shares in the company have fallen by about 30 per cent over the past year and have underperformed the FTSE 350 by some 50 per cent over the past five years.

A spokesman for the company said: “We maintain a regular dialogue with our shareholders, and it’s important that we take into account the views of a broad spread of shareholders.”

The group has said that a formal search is underway to recruit additional “fully independent” non-executives to strengthen its board.

It recently named Chris Surch as its new finance director, and one analyst said he was a “good hire” for the company. Surch, who joins from waste management group Shanks, is due to take up his post in September. He succeeds Jeff Carr, who left in November to join Dutch supermarket chain Ahold.

It is understood that institutional shareholders have not raised concerns about Gilbert’s position directly with the company following the publication of its full-year results last week, which showed a 1.1 per cent dip in adjusted pre-tax profits to £271.4 million.

The group hailed good growth at its Greyhound coaches business in the US and a solid performance at its UK rail division, which includes the ScotRail franchise, but operating profits at its UK bus business dropped 9.7 per cent to £134.4m, despite a 17 per cent rise in revenues to £1.2 billion. Operating margins at the division fell to 11.6 per cent, down from 13.1 per cent a year ago, and it expects margins to decline further to 8 per cent this year. FirstGroup is to accelerate the restructuring of its bus operations amid tough trading conditions for its urban services in Scotland and the north of England. It aims to raise about £100m by selling off more than a tenth of the division. Along with the sale of its north Devon business to Stagecoach for £2.8m, the group is selling a bus depot in north London to GoAhead for £14m.

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