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Concern over Stagecoach chief's new role

By David Oakley, Andrew Parker and Mark Wembridge



Investors have raised concerns over the planned move of Sir Brian Souter, chief executive of Stagecoach, to the role of chairman because of worries over his independence.

Stagecoach announced Wednesday that Sir Brian, Stagecoach's outspoken founder, would be replaced as chief executive in May next year

by Martin Griffiths, finance director. Sir Brian will then become chairman, succeeding Sir George Mathewson.

The UK corporate governance code recommends a chief executive should not become chairman of the same company.



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One top 30 shareholder at Stagecoach said: "Sir Brian may be too domineering and hands-on as a chairman. I can't see him agreeing to any strategy that was different to his own. That jeopardises his independence."

Another top 30 shareholder said: "We are not that happy with this. He is too close to the company to oversee its business as chairman."

However, other shareholders were more sanguine. David Lis, head of equities at Aviva Investors, the ninth-largest investor in Stagecoach, said: "This is acceptable because Sir Brian is a significant factor in the success of the company."

Stagecoach consulted some of its shareholders before announcing the changes, and said "key investors" were supportive.

In explaining its decision to appoint Sir Brian as chairman, Stagecoach said: "In light of Sir Brian's unique association with the company as its co-founder and the architect of its success ... the board believes that retaining the talent and knowledge of Sir Brian in the role of chairman will be to the benefit of the company and all of its shareholders."

Sir Brian is Stagecoach's largest shareholder with a 15 per cent stake. He was its executive chairman from 1980 to 1998.

A Stagecoach spokesman stressed Mr Griffiths would as chief executive have "full executive responsibility for managing the business".

The spokesman, when asked about Sir Brian's independence as chairman, said Stagecoach took "good corporate governance seriously".

Following the board changes, two-thirds of its members will be non-executive independent directors. Garry Watts, senior independent non-executive director, will be appointed deputy chairman, with responsibility for corporate governance.

Stagecoach on Wednesday reported increases in first-quarter revenue across all its divisions, with the exception of its London bus business.

The shares closed down 1.4 per cent to 293p.

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