

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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January 10, 2008

Mr. Moir Lockheed, Chief Executive
FirstGroup Plc
395 King Street
Aberdeen, Scotland
AB24 5RP
United Kingdom

Dear Mr. Lockheed,

I am in receipt of your letter dated November 2, 2007, in which you express surprise in response to our reports of continued anti-union activity at First Student sites and flagrant violations of FirstGroup's policy of neutrality toward unions at former Laidlaw locations, including Hodgkins, Illinois.

The Teamsters Union appreciates FirstGroup's investigation of the Hodgkins violations; however, your letter exposes systematic flaws in FirstGroup's implementation and enforcement of its policy. It appears you did not conduct an independent investigation but relied on your "senior colleagues in the US" to inform you about the violations. Due to the conflict of interest created by these executives' important role in managing the operations in question, we strongly believe FirstGroup executives should not be involved in judging the validity of labor rights violation charges.

Since your letter asked The Teamsters Union to confirm the anti-union activity at First Student operations in Hodgkins, Illinois, we requested that Mr. Fred Feinstein investigate these violations. Mr. Feinstein is highly qualified to evaluate violations of U.S. labor law, and he is familiar with your company. As you know, Mr. Feinstein is the former General Counsel of the United States National Labor Relations Board (NLRB), the independent

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agency of the United States Government charged with overseeing labor relations in the private sector. In March, 2007, Mr. Feinstein was also one of three authors of a report issued by The Teamsters Union concerning implementation of FirstGroup's corporate policy of neutrality toward unions. Please find attached Mr. Feinstein's most recent report. Following is a summary of his findings:

- The employees at the First Student facility in Hodgkins, Illinois have experienced an intense anti-union campaign since its start in the summer of 2007. In addition to management's frequent expression of anti-union views, there has been preferential treatment for anti-union employees and the unlawful prohibition of pro-union activities.
- The NLRB determined there was sufficient evidence of unlawful conduct to warrant the issuance of a complaint alleging the commission of unfair labor practices by First Student. To settle the case First Student agreed to post a notice agreeing to follow the law in the future.
- Many Hodgkins First Student employees continue to believe that management actively opposes the union. They fear retribution and retaliation for supporting the union. To change the current workplace dynamics, First Student would have to take several affirmative steps including a clear rejection of the past anti-union campaign, implementation and enforcement of policies promoting the right to support a union and union access to the workplace.

The findings further support our serious concerns about FirstGroup's ability to implement and enforce its current policy. As Mr. Feinstein points out, this failure is leading to long-term negative consequences for the company's working men and women. We are deeply concerned that your investigation of the anti-union activity at the Hodgkins First Student site did not find evidence of labor rights violations. When conducting his investigation of the site, Richard Andrews, the NLRB Senior Board Agent in Region 13 found merit to charges of illegal anti-union activity. First Student agreed to settle the charges with the NLRB on October 24, 2007 and posted the attached notice saying that it will not commit labor rights violations.

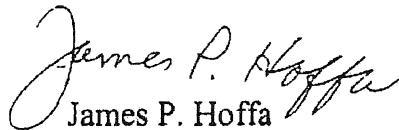
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FirstGroup's senior executives in the U.S. should have been aware of the settlement reached with the NLRB at the time of the writing of your letter.

Attached are similar findings of merit and settlement agreements between NLRB Regional Directors and First Student in Beaufort, South Carolina, Wilson County Tennessee and Lawnside, New Jersey. Furthermore, attached are three more Unfair Labor Practice charges that have been filed in Atlanta, Georgia for firing union supporters at your First Transit operation. Many of these violations have happened since the October merger with Laidlaw was finalized, and anti-union behavior appears to continue unabated. Please let me know if you still believe the advice you received is correct after a review of the attached documents.

As FirstGroup continues to integrate its business with Laidlaw International, employees and investors of the newly combined company want to be assured that FirstGroup is serious about harmonious labor relations and is truly committed to stamping out anti-union behavior. The Teamsters Union is ready to begin a dialogue with FirstGroup about how to develop a functional dispute resolution mechanism and a robust monitoring system. I look forward to receiving suggested times convenient for you to discuss these important matters essential to the future success of FirstGroup.

Sincerely,


James P. Hoffa
General President

JPH/tp
Attachments