

Blazefield Counterfactual

1. In the absence of a merger Blazefield has indicated that it would expect to restructure the Sovereign business to increase its profitability margins (bringing it in line with the rest of the Blazefield group) and to reduce its current dependence on UniversityBus for depot space.
2. Blazefield has also explained that it has had no evidence of any interest from any other possible acquirer apart from Arriva, nor would it expect there to be such an acquirer in the future.

Proposed restructuring

3. Blazefield has stated¹ that it would expect to continue the Sovereign business in Hertfordshire but would do so with a reduction in the fleet [✂].
4. Blazefield indicated that it will not re-bid for its currently held tendered contracts ending in March 2005 and will give notice on all other tendered routes with HCC that required additional peak vehicles, saving 14 vehicles. [✂] However, it would continue to tender for contracts that did not require additional peak vehicles.

¹In reply to question 12 in the financial questionnaire.

TABLE 1 Sovereign's 2004 budgeted costs and profitability by route

Vehicles	Commercial/ tendered	PVR	Revenue	Costs	EBITDA	Vehicle rental	Profit	Sovereign suggested changes	
SB1	c	6							
300/1	c	18							
401	c	1							
403	c	2							
405/6	c	3							
797	c	5							
SB 8&9	t	0							
101/301	t	0							
340	t	0							✂
215	t	1							
315	t	1							
384	t	2							
600	t	2							
608/9	t	2							
854/5/6	t	3							
889	t	2							
Misc									

Source: Sovereign.

5. The increase to profit before tax arising from the restructuring would be approximately [redacted], including an estimated [redacted]² saving on the [redacted].

6. In the hearing on 11 October 2004 Blazefield stated the timing for the restructuring would be between 12-24 months³. In a letter to the CC (01 November 2004) Blazefield suggested that the time period may be less than 12 months with the contracts for 215 and 889 tendered services expiring in March and July 2005 respectively [redacted]⁴. Notwithstanding the proposed timetable outlined in the letter, Blazefield has indicated that any timetable for the withdrawal of services will be dependent on HCC, the employees and Trade Unions and any changes in operating profit on the routes (such as the SB1 route).

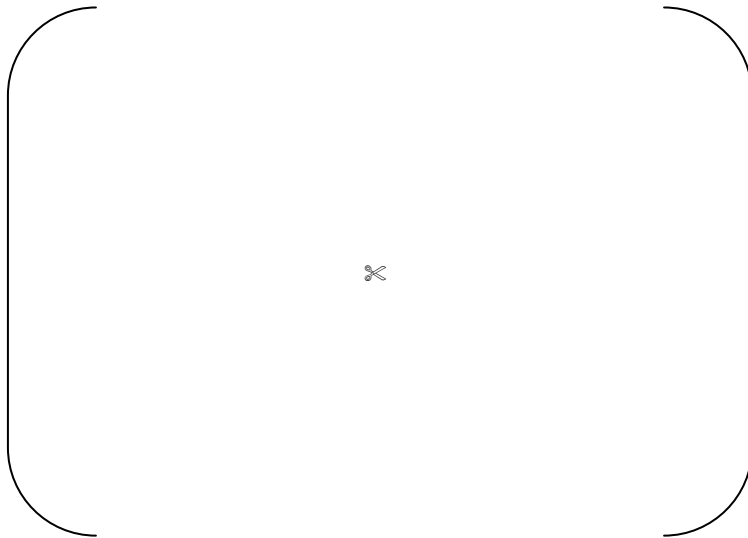
²[redacted]

³I suspect we would do it progressively over a period of between 12 and 24 months. I am guessing. I think I mentioned 18.'

⁴[redacted]

TABLE 2 Timetable for withdrawal of vehicles from the Hatfield depot

	<i>Stevenage</i>	<i>Hatfield</i>	<i>Total</i>
Current vehicles	35	17	52



Source: Sovereign
