

Mike Davey

From: Philip Waters [P.E.Waters@herts.ac.uk]
Sent: 02 September 2004 17:33
To: Mike Davey
Cc: r.bunce@herts.ac.uk; r.j.t.wilson@herts.ac.uk
Subject: Anticipated acquisition by Arriva plc of Sovereign bus and coach co. ltd

Dear Mr Davey,

Firstly, can I thank you for granting an extension to the period allowed for reply because of my annual leave arrangements and giving us an opportunity to comment on the above acquisition.

The University is in an unusual position in that it finds itself heavily dependent upon public bus operation to allow students and to a lesser extent staff to access our major campuses. This is due to a range of locational factors and the university recruiting a substantial number of students from within a commuting distance of the main sites. A recent survey showed that approximately 20% of the university's 18,000 students taught in campuses in Hertfordshire relied on the bus as the principal means of reaching the university. The University has also been extremely anxious to reduce the use of the private motor car to access its sites and bus and other means of travel have been encouraged as part of a travel plan. To guarantee supply the University took the step of creating a subsidiary bus company in the early 1990's and this company Universitybus is an established operator within the county of Hertfordshire. The company is run on an 'arms length' commercial basis with the University placing its requirements with the company in the form of negotiated contracts for services. The bus company will, no doubt, have made a separate submission on this matter. My response sets out the view of the University on the proposed acquisition.

Our overriding concern is to ensure that the University and the surrounding area benefits from an adequate supply of bus services which link Central Hertfordshire with all the major towns of the County and key points in North London. We believe the network currently in place meets to a reasonable extent this need. The network is currently provided by Universitybus and to a certain extent Sovereign (especially the 300/301 trunk route) and to a lesser extent by services provided by Centrebus/In-Motion(i.e. 366) and Arriva (724). Our comments are predicated on the basis that we do not think it would in ours or the public interest for the basis of this network to be radically disturbed. Any action which encouraged more people to use the private motor car (possibly through a reduction in provision or increase in cost) would be clearly detrimental.

Looking at your key issues in turn I would define the relevant market as being bus operations within Hertfordshire and extending links into parts of North London. My calculations reveal that within this area Arriva deploys up to about 300 vehicles of its 600 strong Arriva the Shires fleet on operations based in Hertfordshire. Sovereign has a fleet of 60 vehicles (4 of which are on loan to Centrebus) whilst Universitybus has 49 vehicles. All told about 500 buses are used on all manner of Hertfordshire based operations from all companies which demonstrates that Arriva is already the dominant bus operator in the County. It might be felt that adding 56 vehicles from Sovereign giving Arriva approximately 350 of the 500 operational vehicles would further reinforce their position.

It is our belief that competition does exist within the existing market despite the relative size of Arriva. New entrants such as Centrebus/In-Motion have made an impact whilst the operations of Sovereign and Universitybus have been strong particularly in the Central Hertfordshire area. Obviously, a concern might arise from the acquisition that the balance will shift so much in favour of Arriva that it might prove a barrier to further competition. That, however, might be countered by the establishment of appropriate safeguards. Clearly Universitybus exists as does Centrebus/In-Motion. Other operators might seek to expand their

operations. It might be appropriate to seek assurances that a preponderant operator such as Arriva would not use their dominant position to squeeze the remaining operators off major corridors.

With regard to the impact on customers our priority would be to expect that the acquisition would have no damaging impact on the current network. To reduce the network would lead to the problems of increased car use and increasing problems of access to key sites. Arriva might not wish to make major changes to the Sovereign network leaving the operation broadly in place. However, merger does give the opportunity to rationalise and it is conceivable a radical reshaping of bus operation in the County. This might lead to a dramatic reduction in service levels. Again I believe it would be appropriate to obtain undertakings that radical change was not contemplated.

Again the impact on price might be negligible. There is an appropriate level of fare in Hertfordshire which is based upon the cost of operation. I would not envisage a merger leading to substantial change as to increase fares to an unsustainable level merely reduces the customer base.

In summary, my view is that a merger in itself will not necessarily be detrimental, however, as it would increase the dominance of Arriva in Hertfordshire appropriate safeguards and undertakings should be sought such that continuing competition was not discouraged and that the existing route network was not damaged.

I would be pleased to provide further information and comment.

Yours sincerely,

Philip Waters.