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Sent: 14 September 2004 22:01
To: Mike Davey
Cc: john_metcalf@hertsc.gov.uk; brian_york@hertsc.gov.uk; enquiries@nfbu.org
Subject: Arriva-Sovereign

Dear Mr Davey

Proposed acquisition of Sovereign Bus & Coach Co by Arriva plc

Thank you for your phone call earlier today. I am responding as a long-standing member of the National Federation of Bus Users, at its request, because I am familiar with the operations of Sovereign and Arriva in Hertfordshire.

Both of these are well-established "territorial" operators, descended from London Country Bus Services, the local arm of the one-time National Bus Company. In common with such operators elsewhere, they have tended to focus their activities on their inherited pattern of routes, and there has been little or no direct on-the-road competition between them. Since the disposal of its St Albans garage, Sovereign's services have been concentrated in the Hitchin-Stevenage-Welwyn Garden City-Hatfield corridor. Arriva's has expanded in Stevenage, but its local operations have been mainly to the east of this corridor, in and around Hertford, Ware, Hoddesdon and Cheshunt (there is a geographically separate sector of Arriva's network in the west of the county, based on Watford and Hemel Hempstead, which is not relevant to this inquiry).

Hertfordshire is not good bus-operating territory, because of high car ownership, lack of bus priority measures on its road system, and the dispersed pattern of population with few large towns. Labour recruitment and retention is difficult, notably because of competition from London operators. This relative lack of market buoyancy has contributed to Sovereign's decision to withdraw, at a time when its parent group is expanding elsewhere (e.g. in Harrogate).

Given the somewhat symbiotic relationship of these operators, it is hard to see what practical change (from a user perspective) would result from a merger, and there are no obvious downsides. Indeed, replacement of Sovereign by a large national group (Arriva) is likely to give greater assurance of the long-term investment and commitment needed to maintain the industry locally.

If there has been competition between them, it is likely to have been for county council tendered services, and Herts CC will no doubt advise you as to the extent of this (if any). But there are a number of small operators in the area which specialise in this type of work, particularly school routes, and this market is likely to remain largely unaffected. For conventional bus services, the main challenge locally has come from Universitybus, a Hatfield-based operator which has shown remarkable growth and innovation in recent years, and has been willing and able to take over routes which Sovereign has been unable to sustain. This will remain a constraint on any tendency to complacency on the part of Arriva.

I therefore think it is most unlikely that this merger could be "expected to result in a substantial lessening of competition ... within the market for the supply of bus services in Hertfordshire".

May I add two further comments, arising from those representations already published on your website?

(1) A letter is listed by the Commission as being from Hertfordshire County Council. In fact, it is from one individual member of that body, but could be misread (because of your labelling) as being a statement of the views of the council as a whole.

(2) You appear to have attracted replies from parish councils in several parts of

Hertfordshire, most of which are not (and have never been) served by Sovereign, though some are served by Arriva. Their comments should be treated with caution, as they are not apparently informed by any detailed knowledge of the market situation which has attracted the Commission's interest.

I am happy for these comments to be listed publicly.

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