

SHENLEY PARISH COUNCIL

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Mr Mike Davey
Inquiry Coordinator
Competition Commission
Victoria House
Southampton Row
London WC1B 4AD

Our Ref:LETBUS200904

20 September 2004

Dear Mr Davey,

THE ANTICIPATED ACQUISITION BY ARRIVA PLC OF THE HERTFORDSHIRE BUS OPERATIONS OF SOVEREIGN BUS AND COACH COMPANY LTD

Thank you for your letter of 13 August 2004 (which arrived during the Council's summer recess) and for agreeing to extend the date for responses. Our comments are set out below.

The relevant market

We do not have enough data to suggest a definition for the relevant market. However, insofar as the Parish Council is concerned, it would be the market for public transport in the travel to work (including onward rail connections to London and Luton) /shop/leisure area around Shenley, extending to Radlett and Watford in the west, St. Albans and Hatfield to the north, and Borehamwood to the south ('the Shenley travel area'). This excludes the market for travel to school, which is separately catered for by dedicated services largely unavailable for use by members of the public.

Competition within the product and geographic markets

For travellers to and from Shenley without access to cars, the only realistic alternatives to buses are taxis or minicabs. These are significantly more expensive than buses. Sovereign used to run bus services to and from Shenley, but withdrew some time ago, leaving Universitybus as the sole provider. The result is a relatively infrequent service outside the morning and evening peaks. Both Sovereign and Arriva buses provides onward connections for Shenley residents via St.Albans, Borehamwood and Radlett.

Barriers to entry to such market

The Council is concerned that the acquisition by Arriva of Sovereign's Hertfordshire bus services (the largest and second largest supplier of bus services in Hertfordshire) would give the combined entity significant market power. This would reduce the scope for contestability, as SMP would give Arriva the ability to discourage other bus operators from entering the market for bus services within the Shenley travel area through such tactics of predatory pricing and scheduling. This ability would be sufficient to discourage most potential competitors from contesting the market.

Effect of the proposed acquisition on customers and suppliers

The Council is concerned that the acquisition by Arriva of Sovereign:

- (a) could allow the combined entity to reduce the level of bus services within the Shenley travel area, and/or to raise prices; and
- (b) would mean that Sovereign would no longer be able to take independent decisions to re-enter the market for direct journeys to and from Shenley, thus foreclosing the opportunity for Shenley travellers to benefit from competition between Sovereign and Arriva.

Effect on level of prices and variety and quality of products


As indicated above, the Council is concerned that the acquisition would give Arriva SMP, and with that, the ability to raise prices and cut services with little fear of competition from new entrants.

Other comments

The Council believes that the proposed acquisition would have the effect of significantly reducing the scope for competition in the provision of bus services in Hertfordshire (including the Shenley travel area). This would be detrimental to the public interest, since bus services offer the only economic alternative to car travel, and are important to those who do not have access to a car, including older and younger people, and families with one car obliged to make simultaneous and mutually exclusive journeys. The provision of bus services also serves to restrain the growth in traffic congestion; by contrast, a further reduction in bus services is likely to result in a greater increase in journeys by car.

The Council welcomes the enquiry by the Competition Commission, and would be happy to make further contributions if asked to do so. We have no objection to this response being posted on the Commission's website.

Yours sincerely,



John Marks
Clerk to the Council