

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

06 September 04

Dear Mr Davey

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

I refer to your letter of 12 August and would apologise for the delay in responding, which came about due to the incidence of annual holidays. I am grateful that you were able to extend the deadline for responses until Monday 6 September.

The Company's observations are as follows:

- (1) It is certainly the case that should the proposed merger go ahead then Arriva's position, as the largest operator in Hertfordshire will be strengthened. This in itself will not necessarily have a negative impact from a customer view point.
- (2) There is negligible current 'on the road' competition between Arriva and Sovereign and so the proposed merger will have no impact in this area. It would appear that both operators are seeking to achieve modal shift (from car to bus) by improved quality of services supported by enhanced publicity and promotion.
- (3) We are aware that both operators face competition in the Stevenage area from Stansted Transit/Transit Group/C & M Coaches (which appear to be related operations). Observations suggest that this competition is of variable quality and reliability.
- (4) There is a relatively high degree of competition for tendered bus services in the area and it is difficult to see that the loss of one operator will alter the market significantly.
- (5) There is unlikely to be any significant effect on suppliers.
- (6) There is a risk that Arriva/Sovereign could use their financial muscle to drive out smaller operators, such as ourselves, from the tendered and/or commercial markets.

This is already a possibility in the case of Arriva and so it is by no means certain that the merger will significantly alter the risk.

- (7) Prices may, if anything, reduce on 'commercial' local bus services. Sovereign fare levels are relatively high and in some markets these maybe a disincentive to travel.

I hope the above information is of assistance. None of it is sensitive and can be attributed to Universitybus if this is done within context.

If you wish to discuss any of the foregoing in more detail please do not hesitate to contact either Bill Hiron (Managing Director) or myself.

Yours sincerely

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