

## 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 also explained that it had had no evidence of any interest from any other possible acquiror apart from Arriva, nor would it expect there to be such an acquiror in the future.

## Proposed restructuring

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

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

Vehicle s	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.

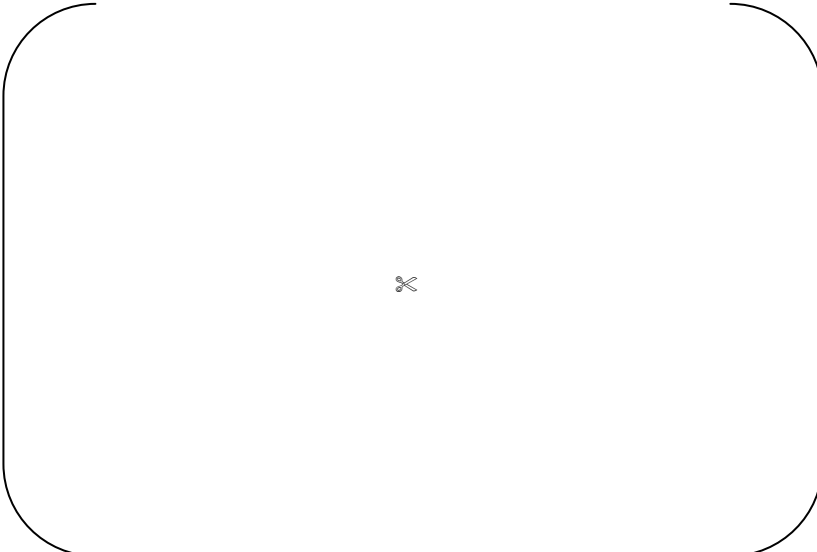
5. The increase to profit before tax arising from the restructuring would be approximately £[REDACTED], including an estimated £[REDACTED]<sup>1</sup> saving on the [REDACTED].
6. Blazefield indicated that the time period for restructuring might be less than 12 months with the contracts for 215 and 889 tendered services expiring in March

<sup>1</sup>[REDACTED]

and July 2005 respectively [redacted].<sup>2</sup> Notwithstanding the proposed timetable outlined in the letter, Blazefield indicated that any timetable for the withdrawal of services would be dependent on HCC, the employees and trade unions and any changes in operating profit on the routes (such as the SB1 route).

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.

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<sup>2</sup>[redacted]