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The Future for Interurban Passenger Transport Bringing Citizens Closer Together

**SESSION 3: COMPETITION AND REGULATION OF INTERURBAN TRAVEL:
TOWARDS NEW REGULATORY FRAMEWORKS?**

*Long-distance bus services in Europe:
concessions or free market?*

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The views expressed in this paper are the author's, and do not necessarily represent those of the Delft University of Technology, inno-V consultancy, the International Transport Forum or the OECD.

SUMMARY

INTRODUCTION	3
1. COUNTRY CASES	3
1.1 Scope and Definitions.....	4
1.2 United Kingdom	5
1.3 Sweden.....	6
1.4 Norway	7
1.5 Poland	9
1.6 Spain	10
1.7 Italy.....	10
1.8 France	11
1.9 Germany	12
1.10. Eurolines.....	13
2. MAIN TRENDS AND CHALLENGES.....	14
2.1. Organisational forms in long-distance passenger transport.....	14
2.2. Performances	16
2.3. Markets served.....	16
2.4. Network effects, monopolies, barriers to entry and regulatory needs	17
2.5 Towards further deregulation: challenges for the near future	18
CONCLUSIONS	19
BIBLIOGRAPHY	20

1. INTRODUCTION

Long-distance coach services are not the most glamorous part of Europe's long distance passenger transport system. High-speed rail or airlines attract much more political and media attention. Rail and air are much more visible and require much more (public) investment in highly visible infrastructures. Coaches on the contrary disappear in general traffic and do not require public investments, except perhaps in suitable coach stations at attractive places in urban centres. Yet, long-distance 'express' coaches cater for a substantial part of the mobility of Europe's less-wealthy citizens, at least in those countries that have appropriately (de)regulated this branch of activity.

Few international studies have been published on this topic. The report from the 114th Round Table organised by ECMT in 1999 (ECMT, 2001) was one such study, covering Britain, Poland, Sweden and the Eurolines organisation. National studies on the topic are scarce too, except perhaps in Britain, Sweden and Norway – three countries with a well-functioning deregulated coach market.

This paper makes a review of the current situation in the interurban passenger transport market by coach in Europe, describing for a number of selected countries the regulatory setting, the main market actors, the main developments have taken place in the last decade or two and a number of resulting challenges, especially in terms of regulation. The paper starts with a chapter on country cases. The next chapter summarises the main facts and trends that appear out of this review. The last chapter draws a few conclusions.

2. COUNTRY CASES

This chapter presents an overview of the regulatory setting and main market actors in a selected number of European countries. For each country, recent evolutions and a number of main challenges are also presented. A few countries have been selected to provide, together, a good illustration of the diversity and similarities on the interurban passenger coach market in Europe, with a focus on the Western part of Europe. These countries are: Great-Britain, France, Germany, Spain, Italy, Poland, Norway and Sweden. The presentation of each country focuses on the national interurban coach operations, being for most countries the main part of the market. International coach services are another substantial part of the scheduled coaching business in Europe. We devote a separate section to *Eurolines* as a main part of the international passenger coach services takes place under the flag of this brand.

2.1. Scope and Definitions

The passenger transport services reviewed in this paper are long-distance, scheduled, passenger coach services. Only regular, scheduled passenger transport services are covered, meaning that the touristic coaching sector, or private hire and organised package tours, are not covered here. The services that will be described here are services open to everyone and operated according to a published timetable, *i.e.* similar to local public transport, trains and airplanes.

The words ‘long-distance coach services’ need, perhaps, some further definition in view of the diversity that can be encountered across Europe. ‘Long-distance coach services’, also called ‘express buses’ or ‘interurban coaches’, have in common that they cater for transport needs outside urban agglomerations, usually from city to city, often also serving towns not well served by rail on their way. Operations are generally done with coaches, not by buses, although the concepts ‘coach’ and ‘bus’ do not necessarily exist distinctly in the various European languages. The exact definition of long distance coach services varies also from country to country. This would not be very interesting if it were not for the fact that these definitions also determine the regulation under which services will fall. Distance is often a main criterion to fall under the regulatory regime applicable to long distance coach services, but these distances can be highly different: over 15 miles in Britain, or over 100 km in Sweden. Other countries often adopt an administrative distinction, where long-distance is defined as those services crossing the borders of the regional transport authorities, as in Italy, Norway or as in Sweden, where both definitions are combined.

It would be nice to be able to compare the size, modal shares and modal shift in interurban passenger travel in Europe. Unfortunately, statistics of national and international interurban passenger transport are difficult to compile. Numerous differences in definition exist from country to country, making international comparisons hazardous. Census data for travel surveys often do not include trips made by foreign nationals. Local and regional buses are often aggregated with coach statistics, making this data rather useless for the purpose of the analysis presented here. Differences in the definition of what ‘interurban’ is, make international comparison of modal shares unreliable. The following table should therefore only be seen as a mere illustration of the limited size of mobility by bus and coach compared to the share of mobility by car. It is also striking to see the similarity of the modal shares for bus (and coach) and for train. However, ‘bus’ includes here urban buses, regional buses and interurban coaches. While the share of interurban coaches could be 50% or more of the total of the category ‘bus’ – this is probably the case in Spain with its extensive coach network and relatively limited rail services – this percentage can however be much lower in other countries.

Table 1. Modal shares (in passenger-km)

Country	Year	Bus	Car	Train
EU15	1997	8.9	84.5	6.6
EU15	2007	8.7	84.1	7.1
EU25	1997	-	-	-
EU25	2007	9.3	83.6	7.1
Germany	2007	6.4	85.8	7.8
Spain	2007	13.9	80.9	5.2
France	2007	5.5	84.9	9.6
Italy	2007	11.9	82.4	5.7
Norway	2007	7	88	4.9
Poland	2007	9.6	83.6	6.8
Sweden	2007	7.2	84.1	8.7
UK	2007	6.3	87.3	6.4

Source: Eurostat (2009).

United Kingdom

The British coach market was fully deregulated by the 1980 Transport Act. The only requirement (besides licensing requirements) to create services was that an authorisation was to be requested 28 days before starting the operations. This 28-day prior authorisation was scrapped under the 1985 Transport Act, hence no prior notice is now needed for operation of an express route.

Today, *National Express* is the main supplier of express coach services. *National Express* was privatised in the 1980s and was the former monopolist on the express coach market as part of the former *NBC (National Bus Company)*. Most services are operated by local contractors under the *National Express* brand rather than directly by *National Express* with its own staff.

The deregulation provided intense competition in the 1980s on some relations. A company called *British Coachways*, grouping six existing operators, attempted to establish a network to compete with *National Express*, but this failed as early as 1983 (Robbins, 2007). By the middle of the 1980s, most competitors of *National Express* stopped their services as innovations such as lower fares or higher comfort had been copied by *National Express*. Additionally, *National Express* initially had access to most of the coach stations and refused access to other operators. An important issue at the time was control on the *Victoria Coach Station* in central London. The coach station was subsequently transferred to the control of the London transport authority (now *Transport for London*).

The decline of competition in the 1980s after a strong competitive period resulted in a *de facto* monopoly by *National Express*. This disappeared in 2003 with the arrival of *Megabus.com* as a no frills, low-cost, coach brand provided by the *Stagecoach group* – another main player in local public transport in the UK. *Megabus* strives to differ from *National Express* by concentrating on low income target groups such as students, young people without driving license, or elderly people. Its network is less extensive, has lower frequencies and focuses on main relations between London and main cities. It uses pre-booking with yield management in its pricing strategy, copying the success observed in the low-cost airline business and to some extent by *National Express*. *Megabus* also tries to get closer to its target groups by remaining outside the coach stations used by *National Express* and by stopping closer to where its target groups are located, on the curbside or on university campuses. A higher

propensity of the target groups to use the internet, and the strategy of *Megabus* to sell tickets via the internet meant that access to a coach station, as a central information and access point to the coach network, became less essential (Robbins, 2007), furthermore it also contributed to save costs.

Coach travel in Great Britain represents a substantial share of mobility, but a clear accounting of the market share of the coach sector is difficult as statistics tend to combine (local) bus services in the accounts.

National Express remains dominant in this market, despite the entry of *Megabus*. A study of the competition between *National Express* and *Megabus* on the relation London – Bournemouth, which also showed that car ownership and access to car usage is about 50% lower for *Megabus* users, calculated a market share on this relation of 79% for *National Express* and 21% for *Megabus* (Robbins, 2007).

One of the main challenges for new entrants on the British coach market was to find a niche that *National Express* had not yet occupied. Another challenge was the implementation of appropriate channels for ticket sales. The increasing usage of the internet was a chance for *Megabus*. It facilitated market access for the company as it did not have to rely on the access to existing travel agents, where *National Express* already had an advantage. Most of the ticket sales of *Megabus.com* are now done through the Internet (Robbins, 2007).

Sweden

Long-distance coach services are defined in Sweden as those running at least 100 km and crossing at least one county border. This market is now completely deregulated and non-subsidised. Deregulation took place in two steps, where the first step involved a reversal of the ‘burden of proof’. From 1993 on the national railway carriers *SJ* had to prove that the opening of a coach line would damage seriously the railway business, or counties had to prove that it would seriously damage county bus routes (contracted and subsidised) rather than the entrant having to prove that it would damage neither the railway nor the regional bus services. Although this first step was neutral from an aggregate welfare point of view, it also led to gains for low income (low value of time) customers, while the railways lost a little revenue (SIKA, 1997; Jansson *et al.* 1997). The second deregulation step took place in 1999 with a full deregulation of the market with, however, a continued possibility for the country passenger transport authority to prevent coaches from picking up and setting down passengers in certain cases when these travel only within their area of authority.

Three main players dominate the Swedish market, providing 79% of the total supply in coach-km. A further 25 operators also provided long-distance coach services in Sweden in 2007. The main coach station in Stockholm catered for 25 operators serving 53 routes in 2002 (BR, 2002). *Swebus Express* is the main operator in Sweden. It is owned by *Concordia Bus*, a Swedish company active in all Nordic countries. Interestingly, *Concordia* originates in Norway, as a joint venture between a Norwegian regional operator in Oslo and *National Express* in 1997. *National Express* sold its share in 1999 after which *Concordia* acquired *Swebus* in 2000 from the British *Stagecoach*. *Stagecoach* itself had bought *Swebus* from the Swedish state railway *SJ* in 1996. *Concordia Bus* states, in its 2008 annual report, having a market share of 50% in the express coach market, and a market share of 5% in collective transport, with rail having 75%. *Svenska Buss* is a co-operation company owned by five regional Swedish bus and coach operators. *Sjöfflebuss* and *Bus4you* are now owned by the Norwegian group *Nettbuss*, itself part of *NSB* (the national Norwegian rail operator) and operate under the name of *GoByBus*. *Ybuss* is a Swedish privately owned operator co-operating with *Swebus Express*. Many other regional operators exist.

About 90% of the Swedish long-distance coach services are run on a commercial basis, the rest is run under contract from a transport authority. Coach services represented in 2005/6 about 5% of the number of long-distance trips and 6% of the passenger-km. Cars (66% in passenger-km in 2005/6) and train (about 15% in passenger-km in 2005/6) both have a larger market share in trips and in mobility, as do airplanes (11% in passenger-km in 2005/6) in terms of kilometres only, as few people use buses for very long-distances (above 600 km) (SIKA, 2008). The relative share of collective means of transport increased in the period 1993-1998, in line with the deregulation of both inland air traffic and long-distance coach services. While mobility increased by 9% during this period, that of collective transport grew by 13%. This evolution was reversed between 1998 and 2004 (growth of 9% for collective means of transport while total mobility grew by 13%), but the mobility by bus remained stable during that period, illustrating a shift from air to rail (Banverket, 2006). As in other countries, passengers are mainly students, elderly and low-income population groups.

Long-distance coach services are often included in regional fare integration schemes managed by the county passenger transport authorities. This means that local customers can use the long-distance buses as part of the total regional network and under the same fare conditions. This constitutes an interesting additional source of revenue for the coach operators, while it constitutes an interesting additional service for the customers of the county passenger transport authority.

The results of the deregulation started in 1993 and fulfilled in 1999 are perceived to be positive. Coach services are seen in Sweden as a welcome addition to the rest of the public transport system. Deregulation has become a part of the Swedish passenger transport system and it will gain importance in the near future. The national railway system is currently being deregulated, with open access being implemented in a stepwise approach from this summer (2009) until 2010, in line with the European-wide deregulation and liberalisation of the international rail passenger market. Proposals for a deregulation of the local and regional bus transport are currently being discussed. If these plans go ahead, this is certain to have substantial influence on the possibilities for a further development of the express coach network in Sweden.

Norway

The current express coach services have evolved from the old authorisation regime, and the pre-existing local public transport services. These local public transport services were and are regulated by the counties, and appeared – historically – on the basis of route authorisations initiated by operators. Many of these routes are subsidised by local authorities. Competitive tendering is also used since the end of the 90s for unprofitable area- or route-based contracts.

The current regulatory regime for long-distance coach services is in place since 2003 and represents an almost complete deregulation. It is the result of a gradual liberalisation that began in the 1990s after new initiatives for route co-operation by existing operators started at the end of the 1980s. The express services developed from existing transport companies initiating new and faster transport services crossing the boundaries of their traditional (county) areas to provide more attractive bus connections. The extension of services mostly occurred in partnerships between the transport companies involved in the areas served. Other routes resulted from the extension to Oslo of the former long-distance rail feeder routes.

In the first instance, these initiatives lead to some resistance from the side of the authorities, who feared the weakening of local public transport, and from the national Norwegian railway company *Norges Statsbaner (NSB)* which also wanted to avoid competition. However, the introduction of interurban express coach services through this market initiative lead to a high popularity amongst

users (Leiren and Fearnley, 2008) and the fears for excessive competition between coach and rail appeared unfounded (Hjellnes COWI, 1999).

Whereas route authorisations used to be issued by the national government, this competence was decentralised to the counties. In practice, all requests for authorisations are granted as long as quality standards of operations are fulfilled. The counties can, though, impose some regulation to protect subsidised local public transport services. However, it seems that in many cases counties have adapted the local services to the existence of the express services and chose to 'buy' specific additions to the express services to fulfil local needs (school transport, lengthening routes, etc.)

Today, most interurban coach services in Norway are organised via *NOR-WAY BUSSEKSPRESS*, which is a marketing organisation owned by 40 member companies running the different coach lines, some of which are run in co-operation with one another. The members are each responsible for the design of the services regarding timetables and fares. The main competitor to *NOR-WAY BUSSEKSPRESS* is *TIMEkspress*, a coach brand of *NSB* in Southern Norway. The services are run by *Nettbuss*, the coach operator of *NSB*, which also offers further coach brands like *Komfortbussen*, *Bus4you* and *Flybussen* (the airport express bus brand of *NOR-WAY BUSSEKSPRESS*). It should be noted that *Nettbuss* also runs further interurban services for *NOR-WAY BUSSEKSPRESS*. Other competitors are *Lavprisexpressen* en *Konkurrenten*.

The main part of the express coach services is run commercially and market access is *de facto* free. The current express coach network is seen more as a useful complement than as a competitor to the rest of the public transport services. Studies conducted in Norway showed that most passengers are new or attracted from using the car, rather than from train and airplane services (see Hjellnes COWI, 1999; Strand, 1991). Studies also showed that public transport usage has, on the whole, increased on the corridors with train/coach competition. In total, ridership has more than doubled between 2002 and 2007, while productivity has reached levels significantly higher than in neighbouring Sweden, that has also deregulated its market but with less possibility for co-operation between operators (Alexandersson *et al.* 2009).

Policy documents, such as the National Transport Plan 2010-2019 reiterate that these services are welcome additions to the public transport system, as it allows servicing areas that would otherwise not benefit from public transport. Also, it is seen to contribute to a better environment and to fewer accidents by reducing car traffic.

Leiren and Fearnley (2008) identify two challenges that currently face the express coach market. The first is the subsidisation issue. Express coaches do receive some public payments in a number of cases (providing fare rebates, some pupils transport or service to areas that would otherwise not be served). The current European regulation prescribes to submit subsidised services to competitive tendering. The simple application of this rule would threaten the nature of the industry, replacing it with a more centrally planned system. The regulation can however be limited to those services exceeding some limits regarding the height of subsidy or amount of kilometres produced. An additional element is that some authorities report that buying additional services from commercial long-distance operators proves to be cheaper than organising a separate local contract (competitively tendered) (Leiren and Fearnley, 2008). A danger, though, of having too much such influences on the long distance coach market is that this could lead to less attractive services, effectively taking the economic basis for those services away. Clearly, further political decisions are required here.

Another issue mentioned by Leiren and Fearnley (2008) is that the Norwegian competition authority (and then also European bodies) started to investigate some existing co-operation between operators. Yet, co-operation is often perceived to be beneficial. A study by the Norwegian Transport

Economic Institute (Leiren *et al.* 2007) showed that the coach network, including the routes with co-operation within that network, lead to substantial welfare gains (NOK 1.5 billion per year). The National Transport Plan 2010-2019 now mentions an intention to exempt the co-operations that appeared before 2003 from this control. Here, too, further (political) choices will need to be made to decide how this issue should be regulated in the Norwegian context.

Poland

Public transport in Poland was, prior to 1990, organised in a similar fashion to that in other former communist countries. The State Road Transport (*PKS*) was the main carrier of passengers and goods by road. Before 1988, passenger transport operations in more than one region (voivodship) required a permit from the Ministry of Transport. Permanent permits were only given to state carriers. Other road operators' access to the market was limited to single or periodic permits. It was the Act on Economic Activity (1988) that liberated many fields of activity, including road transport (Taylor and Ciechanski, 2008).

PKS was split into four state-firms in the early 1980s: one national *PKS* and three regional companies. The organisational structure of *PKS* counted numerous local branches receiving subsidies from the state budget. In 1990, the four firms were disbanded and all 233 branches became individual enterprises (Taylor and Ciechanski, 2008). There was little interest from foreign investors. Less than half of all firms were subsequently privatised, the most popular form involving a privatisation to the company's employees. The only main international concern interested was Veolia, which has taken control of 11 *PKS* companies as of mid-2006 (Taylor and Ciechanski, 2008). The limited interest in privatisation by foreign investors could be linked to the rapid decline in ridership. By 2005, public transport ridership was only one-third of the 1989 figure, due to the extensive development of individual motoring (Taylor and Ciechanski, 2008)

Little competition appeared at the national level. A new company started in 1994: *Polski Express*, as a subsidiary of Britain's *National Express Group* and targeting mainly connections not well served by rail. This company experienced serious economic difficulties later on (Taylor and Ciechanski, 2008).

In the late 1990s, real competition came from private 'independent' operators having small numbers of buses, usually of lower standard, serving the most profitable routes. These activities led to a worsening of the economic situation of local *PKS* companies (more involved in local and regional transport). In some areas, local *PKS* companies went out of business. *PKS* remained, though, dominant, accounting for 92% of passengers and 95% of scheduled bus and coach services in Poland (Taylor and Ciechanski, 2008).

Also, *Polbus-PKS* was created in 1995 as a reaction to *Polski Express*. *Polbus PKS* was set up by 21 *PKS* companies and a couple of private companies as a marketing company, inspired by the example of *NOR-WAY Bussekspress*. It aimed at providing a modern coach network for domestic services, with a unified sales and information system throughout the services of its member companies across Poland. The company started providing long-distance services, especially where rail links were unattractive (Taylor and Ciechanski, 2008). *Pekaes Bus*, set up in 1996 as spin-off of *PKS*, also provided long-distance services. It was subsequently taken over by *Veolia Eurolines Polska*.

Komornicki (2001) reported on the substantial supply of semi-legal and illegal bus connections between Poland and neighbouring countries at the beginning of the 1990s. He reported that this problem (lack of quality certification, accidents, etc.) was considerably reduced from 80 to 20% of the

market by 1998. It would be interesting to know whether the issue has completely vanished, now Poland has become a member of the EU, and whether the issue has reappeared further east.

Spain

Long-distance concessions are granted by the national government on an exclusive basis. The length of those concessions varies between 8 and 20 years. Regional inter-urban bus concessions are awarded by regional governments. In both cases, contracts are now mainly granted by means of competitive tendering, although direct contracting is/was possible in some circumstances, but mainly in urban transport. Until 1990, both long-distance and inter-urban services were under state control and concessions were awarded directly, without tendering. A reform was introduced with the decentralisation to the Autonomous communities (Regions) and a reform of the passenger transport legislation (in 1987 and 1990). As a result of this, the 113 existing concessions for long-distance services (all of them not subject to tendering) could be extended until at least 2007, most were extended until 2013 and some until 2018. New concessions for the provision of services on routes insufficiently served, or replacing illegal lines, have to be awarded through public tendering.

Numerous coach operators exist on the Spanish market. In 1988 *ENATCAR* was created as a public company, taking over all coach services of the national railway carrier *RENFE*. This operator was subsequently privatised to *ALSA*, who is the main supplier of long distance coach services – with nearly 10% of the market – and offering a wide range of differentiated services. The company is privately owned, member of *Eurolines*. It was sold to British *National Express Group* in 2005. *ALSA* is expanding its influence in the Spanish bus sector, integrating the second national transport operator *Continental Auto* in 2007.

Coaches have traditionally a strong position in Spain's long-distance public transport market. Reliable statistics seem to be absent, but the coach market is believed to be four times larger than that of the train when measured in passenger-km (García-Pastor *et al.* 2003). The further development of the Spanish high-speed network may bring a change in this situation though, as did low cost airlines. The 2008 annual report of *National Express*, the owner of *ALSA*, mentions these competitive pressures and their response to the entry of low-cost airlines and the development of high speed rail by varying their frequency, adapting their prices and altering their network to provide complementary services. Furthermore, they also announced the launch of new services, with revised on-board catering and offering on-board WiFi, being the first transport mode in Spain to offer this facility.

Despite the usage of competitive tendering, Spain's long-distance coach services are all profitable, in the sense that they do not receive public subsidy. García-Pastor *et al.* (2003) report that, according to a study for the Spanish Ministry of Development (Consultrans, 1999), the competitive tendering initiated in the 1990s did, however, have positive effects on service quality and ticket prices for these concessions. According to this study, extended concessions appeared to have 46% higher passenger-km fares than that in tendered concessions.

Italy

The Italian interurban coach market can be divided into national and regional services. National interurban coach services (*linee extraurbane statali*) operate commercially on routes of 200-1 200 km between the larger cities located in different regions. The legal regime applicable to those services has recently been modified, with a decree from November 2005 aimed at opening the market. Services do not receive any subsidy. Coach operators now have to apply for an authorisation at the ministry before starting new services. While the former regime did not allow competition, the new authorisation

regime is supposed to make competition on the road possible. However, little competition seems to have taken place since, and successive changes in government seem to have delayed the deregulation.

Regional interurban coach services (*linee extraurbane regionali*) serve routes of 30-300 km between larger cities located within the same region. Most regional routes are still directly awarded concessions, subsidised and have regulated routes and fares. Some deregulation is also planned here as some regions have developed regional legislation that follows the national decree. However, this competition seems often restricted to those services that do not interfere with existing subsidised regional services operating under concession contracts.

Operators differ significantly in size. No national operator dominates the market at the moment. *Sitabus*, as a large operator, is owned by the national train operator *Trenitalia*. One of the largest wholly privately owned operators is *Arriva Italy*. The rest of the market is highly fragmented, with a large number of local operators, often owned by regions and municipalities, but privately owned operators exist too. Most operators are based in one region and offer, in addition to regional services, connections with Rome or other main Italian cities. Few companies offer nationwide services. *Arriva* entered the market by taking over 11 regional companies, many of which operate in the interurban market.

Some services are supplied in complement to the existing high-speed trains of *Trenitalia*. *Sita*, as a subsidiary of *Trenitalia*, is a main supplier of such services. Some services include high-quality seats and on-board internet facilities. Other services are directly competing with long-distance train services. Fares on those routes are comparable to the (highly subsidised) railway fares on those relations from the North to the South of the country. These fares are generally lower than domestic airfares.

Recently, *Ibus* was initiated, a co-operation between nine operators integrating marketing and ticketing activities, and also member of Eurolines.

France

There are essentially no long-distance express coach services in France. The regulation of public transport is allocated to the State for interregional passenger transport services, and these are the monopoly of the national railway company *SNCF*. Regional and local transport services are organised by the *Départements* (to be compared with counties) and by (co-operation of) municipalities. Most of these services are submitted to competitive tendering. Express services exist at the level of the *Départements*, when ordered by the respective transport authority, but no services are operated on a national scale on real long distances.

As a result of this, and although some competition exists between *SNCF*'s train services – in particular its *TGV* high-speed train services – and the airline business, there is no such competition between rail and road. Market entry by market initiative by individual transport operators is, for the time being and since the enactment of the current transport legislation in 1982, not foreseen and prevents explicitly direct competition to *SNCF* services. As a result, such entry is *de facto* impossible. Gaining the agreement of *SNCF* seems illusory, as the company has always been opposed to the idea.

This may change in the near future, as the current political majority announced, in July 2009, its intention to introduce a number of amendments to the current legislation to allow international coach services some degree of cabotage on the French territory and, more importantly, to allow a full liberalisation and deregulation of the long-distance coach business at the national level. The idea would be to introduce a system of largely deregulated authorisations, which would effectively abolish

the monopoly of *SNCF* by the end of 2009. Incidentally, this would also be the moment when the liberalisation of international railway services decided at the European level would come to force.

With this in mind, *SNCF* reportedly started changing its mind, perhaps seeing also some opportunities for its own bus and coach subsidiary (*Keolis*), that is currently expanding its activities not only in France but also in the rest of Europe. Additionally, *SNCF* may benefit from replacing some of its loss-making interregional services by more profitable coach services (Kramarz, 2009). The expectation is that, as in other countries, students, less wealthy customers, and people with a lower value of time would be the main beneficiaries of such liberalisation. This, though, would require the appearance of a national network of services, which is perhaps still far-fetched. Yet, here too, some combination with existing, but less profitable, regional services may lead to win-win situations if the regulation allows such combinations.

Germany

The basic regulatory principle of the German express coach market is that of free market initiative by transport operators. The market is, however, strongly regulated by the National law on public transport. That law restricts direct, on-the-route, competition between transport operators and provides some protection to incumbent operators. Supplying new, more or less parallel, services is only allowed when these represent a significant improvement over existing services.

Today, there is an extensive interurban coach network with West Berlin as hub. Most of those services are a relic of the division of Germany. West Berlin, as part of the Federal Republic of Germany, was located inside the territory of the German Democratic Republic. The bus services provided connections between West Berlin and other cities in the Federal Republic. These connections are operated by *Berlin Linien Bus*, a joint venture of various coach operators partly owned by *DB*. Most connections are served once a day. Every journey must have Berlin as starting point or destination. Services starting in Berlin cannot be boarded at other stops, and buses to Berlin can only be left in Berlin (Maertens, 2008).

Other providers are *Touring* and *Public Express*. *Touring* – owned by Eurosur (a joint venture of the Spanish and Portuguese bus operators *Alsa*, *Linebus* and *Socitransa*) operates a night service from Hamburg via Kassel, Frankfurt and Darmstadt to Mannheim. Other services mostly go to other European countries. These represent most of the services performed by *Touring*. *Touring* runs these under the flag of *Eurolines*. Further national services are provided by *Public Express*, who offers coach services between Bremen, Oldenburg and Groningen in the Netherlands, and also between Bremen and Aurich. Another segment of regular coach services are airport express buses. Many regional airports are served by such coach services (Maertens, 2008).

The evaluation of the potential of interurban coach services shows that interurban coaches would provide travel possibilities for people with lower incomes (Maertens, 2008). The services of current suppliers like *Touring* and *Public Express* confirm this. It is obvious that *Public Express*, for instance, focuses on students and families. Students receive discounts of approximately 50%. Adults travelling with children are allowed one child to travel for free. *Touring* wants to attract travellers by offering low fares for those who book the journey well in advance (Touring, n.d.).

Suppliers as *Touring* and *Public Express* show that there are market parties who want to expand but are hindered by the current law. A problem with the existing market entry regulation is that the required level in quality of improvement remains unclear. The extension of the existing German interurban coach services is also confronted by resistance coming from the established passenger transport branch. This causes long court trials between operators of new services and incumbents.

Consequently, the efforts of *Touring* to extend its interurban coach connections are hindered by claims from the German railway company *Deutsche Bahn* (DB). A recent example is the attempt by *Touring* to open a coach service competing with *DB* on the Frankfurt-Cologne route (Köhler, 2009). However, one can also observe that in 2009 a new company, *AutobahnExpress*, has managed to obtain a number of authorisations for routes linking Potsdam, Dresden, Leipzig, Halle, Kassel and Göttingen via motorways.

Two political parties (the liberal democratic FDP and the Green Party) tried to promote the idea of deregulation for interurban coach services in 2005 and 2006, but the Parliamentary Committee on Transport, Building and Urban Affairs rejected both requests (Maertens, 2008). However, deregulation of interurban coaches is now likely to go ahead as the recent coalition agreement of the Federal Government (CDU, CSU and FDP), published in the autumn of 2009, includes the formal intention to deregulate this market.

Eurolines

Eurolines is a joint venture of European coach operators which organises most of the international coach services inside Europe. The brand name *Eurolines* groups 35 independent coach companies, operating in 32 countries and providing together Europe's largest regular coach network. *Eurolines* developed common quality standards for all its members, and harmonised the sales and travel conditions. The network currently connects over 500 destinations, covering the whole of the continent and Morocco.

Eurolines was founded in 1985 as a competitor to *Europabus*, that had been created by several European rail companies in 1965 to prevent other coach operators from competing with their rail services (Eurolines, 2008). While the transport services of *Europabus* remained limited, *Eurolines* developed its market by providing services on international relations with significant demand, starting with the travel needs of migrant and guest workers coming from Spain and Portugal. Various initiatives in the various countries, such as *Budget Bus* in the Netherlands (and many more examples in other countries), were eventually bundled together under the common flag of *Eurolines* as marketing brand for regular international services.

The *Eurolines Organisation* is an International Non-Profit Organisation, according to the Belgian law. Membership is open to (groups of) companies operating international scheduled passenger services by coach. Decisions concerning *Eurolines Services*, as commercial daughter of the *Eurolines Organisation*, are made by a council of directors of all *Eurolines* member companies. Next to this council, an executive committee – consisting of nine directors of the member companies – guides the implementation of new product developments. A main challenge for *Eurolines* has been the differences in national legislation pertaining to the operation of passenger coach services as, for example, differences in fuel taxes and the rules for value added taxation created a lot of bureaucracy (Bochar, 2001).

It is interesting to note that *Veolia* has now acquired a significant position in *Eurolines*, as it owns the brand in Belgium, France, the Netherlands and Portugal and operates the brand, in partnership, in Scandinavian countries, Poland and Spain.

3. MAIN TRENDS AND CHALLENGES

Before drawing a few conclusions in the next chapter, this chapter will summarise the main facts and trends that appear out of the countries reviewed above. Where relevant, a few challenges will also be sketched.

3.1. Organisational forms in long-distance passenger transport

There are two main families of organisational forms for passenger transport services. The first one, that I call ‘market initiative’ regimes, are those organisational forms where it is essentially transport operators that come up with ideas of markets to be served (van de Velde, 1999). Operators are free, in such regimes, to suggest new services and request permission to operate them. In its pure form, the request for permission is a mere formality. ‘Authorisations’ to operate (sometimes called ‘licences’ and sometimes, unfortunately, called ‘concessions’) are then granted without further analysis by transport authorities of whether the market ‘needs’ the additional service, whether another operator already provides similar services, whether fares are appropriate, etc. But this regime can also be combined with various forms of regulatory interventions, limiting the free access to the market by various requirements pertaining to the non-parallelism to existing services, to fare integrations, to the protection of railway rights, etc. The principle remains that of market initiative, but regulation can be so tight as to effectively prevent any entry.

The alternative for market initiative is ‘authority initiative’ (van de Velde, 1999). Here, it is a transport authority that is charged with the creation of the transport services. The authority can then provide the services itself, with its own staff or company, or it can concede these services to an operator of its choice, which then usually takes place via competitive tendering. The essential difference with ‘market initiative’ is that this regime prohibits any spontaneous initiative from market actors. It grants all rights of service creation to the authority. If the authority does not take any initiative, nothing happens and nothing can – legally – happen. The private sector can be involved, but this requires the authority first to realise that a transport service is needed, then to specify its characteristics (in a more or less detailed way) and finally to organise a competitive procedure (tendering) in order to award the service to an operator under contract for a specific period of time. Such contracts are then called ‘concessions’ or sometimes, confusingly, ‘franchises’. They are often exclusive, but this is not necessarily the case.

In the countries presented, and as can be seen in Table 2, deregulated market initiative is clearly dominant. France and Germany, two potentially main European markets, are still effectively closed but an opening of both markets is expected. Concrete steps for liberalisation and deregulation are being taken in France. This is quite striking, as France has organised the rest of its local and regional passenger transport system on the basis of a strict authority initiative and competitive tendering regime that leaves no space for the free market. But this move will require a change in the current legislation. Germany, too, is likely to move to a deregulated regime as this is now included in the new coalition agreement for the Federal Government. Existing market actors are pressing in that direction: a few

routes already exist as the existing legislation does not make it fundamentally impossible – although quite difficult – to enter the market at this moment. This means that it should be a relatively simple move to realise as soon as all actors agree. A main resulting change will then be the necessary abolition of the railway protection that is currently fiercely defended by *DB*. It could be that the opening of the international railway markets in 2010 will also facilitate that shift in position.

As a result, Spain appears to be the only country in the sample (and apparently also in the rest of Europe) that bases its regime not on the free market, but on a regime of concessions awarded by competitive tendering. It should be noted, though, that the current concessions are more the result of historical rights that were probably initiated by the market, and not the authority, at their origin. Some of the existing concessions have already been submitted to tendering, but the bulk is still to come.

At the level of the operators, the organisational form is characterised by a diversity of arrangements, many of which are hybrid. Operators provide services with their own vehicles and staff, but also often make use of sub-contractors (such as *National Express* in Great-Britain). This can be observed in most countries analysed. This, incidentally, allows smaller family-based operators to participate in larger network services. But smaller operators are also present individually on the market, as can be seen in, for example, Sweden and Italy.

Table 2. **Organisational forms in long-distance coach transport in Europe**

Authority initiative		Market initiative	
Public sector	Private concessions	Regulated	Deregulated
<ul style="list-style-type: none"> France: long-distance monopoly for rail (SNCF), no long-distance coach services, competitively tendered coach services at the local/regional level 	<ul style="list-style-type: none"> Spain: exclusive concessions awarded increasingly by competitive tendering to private operators, both at the national and regional level 	<ul style="list-style-type: none"> Germany: market initiative in theory but almost no possibility of entry in practice to due protection of railway monopoly 	<ul style="list-style-type: none"> Great-Britain: open market, free competition, no railway protection Sweden: open market with some regulatory rights for regional transport authorities, no railway protection Norway: open markets with some regulatory rights for regional transport authorities, no railway protection Italy: open market, but still in starting stage Poland: open market but still many state-owned operators present.

Another dominant feature of this market is the ‘marketing co-operation’. Individual operators, conscious of the existence of demand-side network effects present in this industry, bundle their products under an attractive brand name – allowing them to realise a wider service coverage and higher product attractiveness together than would be the case as an isolated provider. *Eurolines* is the

best example of this at the European level. *NOR-WAY Bussexpress* is another example at the scale of one country. Further examples can be found in Sweden. At the extreme, the marketing co-operation, which is a type of commercial franchise (contrary to the usage of the word ‘franchise’ in the context of competitively tendered concessions), approximates the model of the main operator subcontracting most of its operations to local operators. Yet main differences exist, and lie in the balance of power and attribution of risks between the small contractors and the main contractor, or the assembly of operators in the case of co-operation.

3.2. Performances

As can be read in the cases presented, the liberalisation and deregulation of the coach sector is perceived to be a success in those countries that have implemented it. Some countries went for a ‘big bang’ approach, as the UK in 1980. Others, very much in their tradition, went for a more gradual approach, as Sweden; or pragmatic approach, as Norway; or incomplete approach, as Italy. It remains to be seen how France and Germany will tackle to current reluctance to deregulate.

The competitive tendering alternative to the market, as used in Spain, also delivered good results according to the studies reported in the case study. Tendered concessions proved to have lower fares than extended (negotiated) concessions. This does not allow us to draw a conclusion on the relative advantage of tendering above a deregulated market, as one has to remember that the Spanish concessions are exclusive and therefore lack the competitive pressure present in countries such as Norway, Sweden, Poland or Britain. An international comparison of service levels, quality and fares would be needed to be able to judge this.

Contrary to most of the rest of public transport, long-distance coaches are operated on a commercial basis in the sense that subsidisation is almost non-existent. The railway sector on the contrary, even protected from competition from the coach sector, mostly requires subsidisation – if not directly in operations, then at least through part of the infrastructure expenses.

Another attractive aspect of the coach sector can be found in several publications in the fact that coaches produce little pollution per passenger-km, and reach a safety level in terms of accidents that is comparable to that of the train and airplanes – which is substantially lower than the car system (see, e.g. ECMT, 2001). The proponents of deregulation then combine this argument with the observation that in countries that have removed railway protection and deregulated the coach sector, coaches tend to capture more passengers from the car than from rail, to conclude that coach deregulation would be beneficial from an overall transport policy point of view.

3.3. Markets served

Providers of long-distance coach services focus rather clearly on specific target groups: students, elderly, people with no access to cars, and poorer people in general. Swedish and British studies have shown the advantage of deregulation for these groups, while showing at the same time the limited impact on the rail system in terms of passengers captured. Rail and coach seem to cater for people with different values of time in terms of long-distance travelling. Some studies even show that direct competition between both modes in one corridor tends to result in a growing market for both at the expense of the car.

In addition to this, coach tends also to serve quite successfully relationships that are not available by rail, in particular by providing direct links between airports and various areas.

Eurolines is obviously the main player for international services in Europe. Clear statistics do not exist, making the presentation of clear observations on this market difficult. Poland, and probably also the Czech republic and other former communist countries not reviewed here, appear to be main players in term of the European network of coach services. This has much to do with the current propensity of workers from Poland and other Central and Eastern European countries to seek job opportunities elsewhere in (mainly) Western Europe. Family visits, tourism and further exchanges are responsible for the growth of these markets since the fall of the Iron Curtain. As such, this development is very similar to market developments that could be observed several decades ago and that were responsible for the development of the coaching business at that time, especially in relation to the transport flows between Spain and Portugal and the rest of Europe.

Two main European countries still have only very limited coach services, except for the international *Eurolines* services: France and Germany. Changes are clearly overdue here, and political momentum is now building up for change in France and probably also in Germany.

Smaller European countries have, in view of their sheer size, limited or no long-distance coach services. This is the case in the Netherlands, Belgium or Switzerland. Denmark does have a few long-distance coach relations from Copenhagen to Jutland. It should be noted that the railway services are rather excellent in these countries for the distances considered. These countries are of course also well served by the *Eurolines* services.

3.4. Network effects, monopolies, barriers to entry and regulatory needs

Network effects need to be recognised in this industry. The marketing co-operations presented above appear out of the market process in a profitable, competitive and open market. This is an indication of their desirability. But it is also an indicator of their questionability from a regulatory point of view. The British, Norwegian and also the *Eurolines* case show the attractiveness of this concept for the passengers (information, ticketing, image, attractiveness, etc.) The sheer existence of co-operation between providers in a competitive market is prone to attract suspicions from competition authorities, as can be seen in the Norwegian case reported earlier or in the acquisition of the Scottish *Citylink* by *National Express* at the end of the 1990s (followed by a forced divesture) as reported by White (2008).

Yet, as already stated by the 1998 Round Table on Interurban coaches (ECMT, 2001), these co-operations and the resulting conglomerates of operators do not seem to lead to abuse of dominant positions. This is due to the strength of the intermodal competition with (mainly) the car, low-cost airlines and, to a lesser extent, rail. Furthermore, as exemplified by the *Megabus* entry in Britain, the market seems to remain sufficiently contestable in terms of intramodal competition. It is important to stress that this lack of concern can only be true inasmuch as entry barriers are appropriately removed. This relates to non-discriminatory access to coach stations, fair licensing requirements, and fair authorisation procedures. This also requires non-exclusive route authorisations, or a very clever authorisation-issuing authority (which is perhaps too much to ask for in many cases). Last but not least, it requires the enforcement of a fair access to existing marketing organisations where these have a dominant position on some markets. Indeed, competing marketing organisations could also exist, but their viability will very much depend upon the size of the market to be served.

The fair access to coach stations seemed to be more of a problem in the 1980s than it appears to be nowadays. None of the studies accounted for in this research mentioned coach station access as a main issue. Stations can be owned either by the public sector or by a main operator but need, and seem, to be accessible according to fair rates. Furthermore, the relevance of stations as places to find information and buy tickets has lost much of its relevance with the advances reached in internet sales in this sector.

While coaches are often operated through numerous local, small, family operators, one can also observe the continuous expansion of a few main European-wide operators. While the traditional model of small operators as sub-contractors of larger brand-holder or member of market association does not yet seem to be threatened, it will also be interesting to see whether this model will lose in importance and be gradually replaced by larger operators. The expansion of *Veolia*, as main French group, is currently very visible all across Europe. The British *National Express* is a second example, although less prominent. Earlier expansions of international groups, such as *Stagecoach*, have been witnessed in Sweden, but the events showed that these expansions could be very volatile. The future will tell, but a point for further study, in terms of regulatory preoccupations, is whether expanding large conglomerates pose a larger competitive threat to the coaching market rather than the co-operations *per se*.

The European Union adopted, in 2007, a new regulation on public service obligations in the passenger transport sector (Regulation 1370/2007) that is applicable to the end of 2009. In short: services granted exclusive rights or financial support must be submitted to competitive tendering. There are a number of (complex) exceptions to this, however (see van de Velde, 2008 for more details). Deregulated markets without exclusive rights are not directly affected by the Regulation. Furthermore, compensation for fare rebates can continue to exist, when accessible to all operators. This would mean that the long-distance coach sector is not affected by the measure as it operates without subsidy and without exclusivity. The main exception is Spain, but as competitive tendering has been chosen as the awarding mechanism in that country, it all seems compatible with the Regulation. However, as could be seen in, for instance, Sweden and Norway, long-distance coaches do not exist in isolation from other public transport services. As it happens, regional transport authorities in countries with low densities of population, and under whose responsibility local public transport falls, have many times discovered the mutual benefits that may exist between local buses and long-distance coaches. Integrating coach services with regular local services can realise service improvements (speed) for local customers, and can allow serving remote areas that would otherwise not be served if a long-distance bus did not stop on its way to the next remote main city. Combining both types of services often requires subsidisation of the long-distance coach. A problem may appear here with the new Regulation when this amount, or the size of the contract, would exceed some threshold, forcing the authority to use competitive tendering, which would only be counterproductive in this case. There is no clear view at the moment on the extent of this problem, but it could constitute a (probably minor) challenge in the years to come if pragmatism cannot be used.

3.5. Towards further deregulation: challenges for the near future

The points of view and opinions in markets that are currently closed, such as France and Germany, have much in common with what could be heard in countries such as Sweden and Norway before their own deregulation: the railways needed to be protected against coach competition as the opening up of that market would result in losses of attractiveness for the rail system by substantial losses in passengers. The facts proved different in those countries; rail hardly suffered and coaches opened up new markets with people that could not afford the train anyway. Main opportunities are

certainly present in these two countries as well. And France is, unexpectedly, likely to be the first of the two to open the market.

A new factor for the near future is the opening of the international passenger rail market for competition in 2010. The European Parliament forced this unexpected move. It is until now rather unclear how this will work in practice. International passenger train services will, from then on, be able to operate in an open-access regime. However, existing national public service concessions will benefit from some protection. It is as yet unclear how this will be interpreted in the various countries. Germany, as main promoter of this liberalisation, seems favourable to a simple opening. The position in France is likely to be much more restrictive. This deregulation of the international rail travel could have some effect on the international coaching business, although it is likely that here, too, just as for the deregulation of the national coach markets, coach and train will hunt for customers with different values of time.

4. CONCLUSIONS

The title of this paper is “Long-distance Coach Services in Europe: concessions or free market?” The review illustrates that the clear choice of most countries is for a free market, and neither for a system of competitively tendered concessions, nor for a regime of exclusive rights.

Those countries that have not yet opened up their markets are also more likely to move to a deregulated regime rather than a system of tendering concessions. In short: competitive tendering does not seem to be the most favourite choice in this market. Deregulation has shown that it can work and the markets seem to remain sufficiently competitive, both in an intermodal and intramodal sense.

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