13 November 2013: Sector inquiry – Regular interregional coach transport services

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The Autorité de la concurrence calls for greater competition within the interregional coach transport sector to enable consumers to benefit from cheaper transportation means which are moreover opening new routes

It is submitting its draft recommendations for public consultation and calls to modernize the conditions in which authorizations to operate routes are granted

> Version française

In the context of the sector inquiry : "What is the future for long-distance coach travel in France?" the Autorité launched a one-month public consultation to enrich its analysis and seek stakeholders' views.
Today, it is publishing a mid term working document. It specifies : the regulatory framework for the regular interregional coach transport services, the main characteristics of this market, the potential effects of the developing of coach transport services and the impediments to competition on this market.
While interregional coach transport has numerous advantages, it still represents a very small proportion of public passenger transport (about 2% of the number of journeys, mainly those involving links that are the subject of a contractual agreement), due mainly to regulatory constraints.

1. Despite its numerous advantages, coach transport currently remains very limited in France

The advantages of interregional coach transport

The development of coach services would make it easier to travel around the country, and this, at competitive costs, by enriching the collective transport network . It would also promote job creation while offering a positive environmental balance.

• Increased buying power and diversified public transportation means to the benefit of consumers with limited incomes

From the consumers' point of view, the main interest in opening up the interregional coach transport market is the creation of transport means at more competitive prices than those offered by other transport modes. For example, the Autorité established that, for the ten most popular routes used by coach travellers, HST train tickets were, on average, twice as expensive as coach tickets[1] .
Despite the obvious handicap in terms of journey time, coach transport could democratise long-distance travel. The customer base would be one with limited purchasing power (students, senior citizens, etc.), who would probably not travel at all if the train, plane or car were the only alternatives. It is currently estimated that 20 to 30% of those using interregional routes served by coaches would not have travelled at all if coaches had not been available to them and that more than 40% of passengers on these routes are aged under 26.

Furthermore, it was noted that coach ticket prices remain stable, in contrast with the variability of the cost of tickets for other modes of transport which alter prior to the date of departure.

• A convenient and flexible transport mode

In addition to the undeniable pricing advantage, the coach permits point-to-point travel without changes made necessary by heavy infrastructures. A more extensive network serving smaller towns could thus be covered by regular coach services at a competitive price and be accessible to a large number of people, unlike HST trains or planes.

Furthermore, the options can easily be adapted to passenger demand, thanks to the flexibility of coach deployment.

• A transport mode that is complementary - rather than in competition - with the train

Coach travel attracts customers who are more concerned with ticket costs than with journey time, which explains why competition for interregional travel between the coach and the train appears to be so limited. These two modes of transport seem to be more complementary than competing.

• Gains for the community

From the point of view of the SMEs that would like to use public transport services, a much smaller traffic flow could be sufficient to maintain a profitable service, unlike the situation that prevails in rail transport. Additional job opportunities can be expected from the development of coach transport.

Furthermore, a coach emits less greenhouse gas per passenger/km than an HST or intercity train.

An under-developed market

Despite these advantages, interregional coach travel represents only about 2% of the number of long-distance journeys. In comparison, it represents 4 to 5% of long distance trips in the United Kingdom and Sweden, both countries having opened up the market. The market is not yet well-developed in France, even though the country has the biggest road network in Europe and an excellent road infrastructure.

2. The main constraint on the development of regular coach services is the regulatory framework

The current position on interregional routes: “cabotage”

In the current state of legislation, interregional coach services can only be introduced in France in the context of:

- either “contract” transport (contracts between the organising authorities and the coach companies),

- or through "cabotage", a system permitted since 2011 (see below). The right to use cabotage enables international transport companies to provide a certain proportion of a national service on a route. Cabotage services require prior authorisation and, once permitted, they must represent less than 50% of passengers on a given route and less than 50% of turnover for the route in question.

An example of cabotage: a Lille-Paris or Paris-Lyon route could be covered by an international Brussels-Lyon coach service operating via Lille and Paris. The same coach would have to be used for the entire route (no change of rolling stock is permitted).

The obligation to form part of an international line tends to restrict long-distance coach service in some parts of France for certain communes and populations. Turnover restrictions and limits on the number of passengers also complicate the activity.

An unsatisfactory situation

Cabotage services require prior authorisation from the Ministry of Transport, which approves about 60% of the applications. The criterion for obtaining authorization is that the service should do nothing to harm the economic balance of a line operating under contract, and especially a rail service. The conditions for granting operating authorizations are not currently specific enough, however.

The Ministry of Transport relies mainly on the opinions of the AOTs (*Autorité Organisatrice des Transports* - for regions and départements) which delivers the administrative authorizations. Some of these bodies lack significant data relating to transport (number of passengers per type of transport and destinations, costs of transport and delays) that ought to be used to assess the possible economic imbalance of a contractual railway line. Furthermore, the points of view and methods of analysis vary depending on the region in question.
In its working document, the Autorité de la concurrence points out a gap between, on the one hand, the theoretical criteria on which the refusal to grant an authorization are based and, on the other hand, the administrative practice.

3. draft Recommendations submitted to public consultation

The Autorité is asking for the modernization of the administrative approval system

The lack of transparency in the current system is a major problem for the efficient development of coach transport markets. It is not illegitimate to check if these latter would match with existing subsidised services, because they may be meeting requirements of public policy and may provide guarantees that publicly-run services will not be seriously threatened by private provision. Nevertheless, the procedures need to be reviewed so that firstly, the technical criteria taken into consideration for the acceptance or rejection of authorization become more transparent and secondly, choices are substantiated and make it genuinely possible to show that a new service would substantially harm an existing service governed by contract.

The Autorité also recommends the introduction of an independent administrative authority responsible for integrated multimodal regulation of the sector (rail and road transport)

In this respect, the control should be awarded to an industry regulator, offering guarantees of independence and technical skills.

This regulator should have enough power to access all information requested for exercising control. The setting up of an independent administrative authority responsible for integrated multimodal regulation of the sector, including road and rail transport at the very least, should therefore be taken into account.

Such an industry regulator would thus have an obvious benefit in enabling access by political decision-makers to information about the operation of public transport services.

Opportunity for a forthcoming parliamentary debate on the issue

The draft bill for "*the development of territorial solidarity and local democracy*" soon to be debated in parliament will be offering changes to the existing framework

that are designed to expand interregional coach services.

The Autorité de la concurrence invites the legislator to seize this opportunity to further develop interregional services. The draft bill could also be an opportunity for clarifying and homogenising the relations between contractual services and regular private coach services, regardless of distance.

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Several stakeholders have already been heard during the investigation that is now complete and this public consultation will supplement the information gathered and open up consultation to all the interested parties. They are asked fifty-five questions, with the interested parties being able to reply to all or some of them in writing within a one-month period.

The interested parties have until 6.00 p.m. local time on 16 December to submit their contributions, by letter or email to: ***Mel***. The contributions will not be published. Their authors (names of organisations) can, if necessary, be stated in the opinion, unless they expressly stipulate otherwise.

[1] For example, on the Paris-Lyon route, the price of a round trip HST ticket can be between 96 euros and 186 euros, depending on the methodology used for calculating the fares used in the survey, while the price of a round trip coach ticket for the same route varies between 47 and 62 euros for Eurolines and between 70 and 78 euros for iDBUS.
[2] ADEME study 2008, see § 201 of the working document.

Legislative and regulatory context

Since the 1990s, international passenger transport by coach has opened up in Europe, in its present form, in application of a set of European regulations.
European regulation no. 1073/2009 of 21 October 2009 establishing the shared rules for access to the international market of passenger coach and bus services consolidated and amended the framework. It added the possibility for European travel operators to provide cabotage services, i.e. those consisting of " ***carrying and depositing passengers in a single member state during the course of a regular international service***, (…) *as long as the carriage and depositing do not constitute the main purpose of the service".*

Consistent with this regulation, article 38 of law no. 2009-1503 of 8 December 2009 concerning the organisation and regulation of rail transport and covering various transport provisions offers the possibility for coaches to **carry passengers between two points on the national territory, in the context of regular international services.**

Decree no. 2010-1388 of 12 November 2010 determined the applicable procedure and specifies the conditions for authorization.

> Public Consultation

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