27 February 2014: Sector inquiry - Long-distance coach transport

Published on February 27, 2014

After consulting with the parties involved in the sector, and carrying out an analysis of the coach transport market, the Autorité de la concurrence issues its opinion.

It recommends a more extensive opening up of the market and primarily recommends that a clearer and simpler regulatory framework be implemented in order to provide consumers with the advantage of this practical and economical mode of transport.

> Version française

Today the Autorité de la concurrence is publishing the conclusions of the extensive sector inquiry that it has carried out over a one-year period on competition in the interregional coach transport market.

As part of the investigation for this opinion, the Autorité consulted with numerous parties involved in the sector, including the public transport authorities (*autorités organisatrices de transport*) and user representatives. It notably held a public consultation (from 13 November to 24 December 2013), enabling it to enhance its initial draft recommendations (see press release of 13 November 2013).

COACH TRAVEL IS AN ECONOMICAL AND EFFICIENT MODE OF TRANSPORT, THE DEVELOPMENT OF WHICH IS HINDERED BY REGULATORY CONSTRAINTS

A number of conditions exist for long-distance coach services to develop in France, including the high quality of the French road network, the existence of

potential demand and a marked interest from market operators (Eurolines, iDBUS, Stagecoach, Réunir, etc.).

A mode of transport that complements railway services, making it easier to travel throughout the country

The development of coach services can benefit consumers and contribute to increasing overall demand for transport in France. Firstly, it can lead to an increase in travel, due to a more extensive network than the railway network, serving more cities. In addition, it can increase demand for transport by opening up access to travel for consumers who otherwise could not afford it (students, senior citizensthose on a low income, etc.). Finally, it would enable other consumers to travel at a lower cost and would therefore bring about a shift in purchasing power.

The development of coach transport may eventually make it easier to travel around the country in comfortable conditions, through a more diversified transport offer and increased density of the terrestrial public transport network. In this respect, coach and railway services are generally complementary rather than competing. The development of coach travel would also promote job creation with no adverse effects on the environment (see Sheet 2 – The advantages of interregional coach transport).

Disproportionate commercial, practical and legal constraints, together with problems of access to coach stations

Despite its many advantages, interregional coach transport still represents a very small share of passenger transport in France (around 110,000 passengers in 2013, or 0.0005% of the total number of long-distance journeys), mainly due to stifling regulatory constraints. In comparison, in countries where the coach transport market has been opened up more widely, such as the United Kingdom and Sweden, this mode of transport represents respectively 4% and 5% of long distance trips (see Sheet 3 - Cabotage: the current regulatory framework and Sheet 4 - European comparisons).

Indeed, the 'cabotage' system on international lines – the only existing framework for coach transport in France – creates major commercial, practical and legal constraints for market operators. Moreover, the objective sought during the review of potential "*damage to the economic balance of a subsidised line*" is not defined, and neither are the criteria used. In practice, regional authorities are overwhelmingly opposed to the opening up of coach lines but do not provide any detailed analysis, and the authorising service (the Ministry of Transport) has not sought to question this position. Finally, access to coach stations is made difficult by widely varying circumstances and opaque rules.

These observations made by the Autorité de la concurrence, confirmed by contributions received as part of the public consultation, have lead it to reaffirm the benefit of a wider opening up of the interregional coach transport market.

THE AUTORITÉ DE LA CONCURRENCE ISSUES RECOMMENDATIONS TO OPEN UP COACH SERVICES AND TO UPDATE REGULATIONS

The Autorité de la concurrence recommends the implementation of a simpler, more open and more transparent regulatory framework. The Autorité's recommendations are therefore directed towards measures to overhaul the regulatory framework (see Sheet 1 - Overview of the Autorité's recommendations).

1) Simplifying and shortening the market access process

The time required for authorisation and the lack of transparency in the current system cause a major problem for the efficient development of the coach transport market. Although there is legitimate ground for monitoring potential damage to existing subsidised transport services (primarily local railway services) to allay public policy concerns over the funding of unprofitable lines or the guarantee that such services will continue to run, the procedures need to be reviewed.

A. Withdrawal of cabotage constraints on international lines

The Autorité firstly recommends withdrawing cabotage constraints and setting

out a national framework to reconcile the development of long-distance coach transport by private operators with the preservation of services that meet public service requirements.

B. Implementation of an automatic authorisation system for routes in excess of 200 km

The Autorité recommends an automatic authorisation system for routes in excess of 200 km. Indeed, on these routes, a lack of competition between road and rail services is no justification for systematically assessing potential damage to the economic balance of subsidised services.

C. Clarification of the test for damage to the economic balance of subsidised lines for links of less than 200 km

Testing the damage to the economic balance of routes under 200 km remains relevant. Within two months of a new coach service being proposed, the public transport authorities concerned would have to issue a substantiated notice of objection. Then the alleged risk of damage to the economic balance of existing subsidised services would have to be assessed within two months of the receipt of that notice., (see § 368 to 380 of the opinion).

Moreover, the Autorité recommends using a clearer three-stage test:

1) Verifying that there is a pre-existing subsidised service,

2) Demonstrating the potential for competition between the coach service and the subsidised service,

3) Highlighting damage to the viability of the subsidised line (customer switching and financial damage).

Reinforcing requirements for the provision of data to the public transport authorities (départements, regions and Government)

In order to provide proof of such damage to the economic balance, public transport authorities should have access to all relevant data to enable them to make calculations (usage rates, revenue and expenditure). However, the inquiry showed major shortfalls in terms of access to data, primarily in relation to rail services such as the regional TER services operated by the SNCF. The Autorité therefore recommends that requirements for the provision of transport data by subsidised operators to the public transport authorities (local, regional and central Government) be reinforced.

These recommendations aim to simplify, streamline and shorten the market access process, and should boost passenger transport services, promote investment by coach operators, make public transport authorities aware of their transport requirements and protect services that meet public service requirements.

Opening up sub-regional routes under the control of the regional authorities

In addition, the opening up of services for sub-regional routes is also desirable. The regional authorities should be entrusted with the role of authorising service for these routes.

2) Clarifying the access procedures to coach stations and overhauling the regulatory framework

The Autorité de la concurrence also recommends measures regarding coach stations. The regulatory framework, mainly the product of an Order dating back to 1945, and the range of working methods used by the various local authorities have led to a limited and inconsistent offer of coach station services. Coach operators often struggle simply to identify the relevant contact points. The technical and financial procedures for access to these facilities also vary a great deal.

Ensuring fair and non-discriminatory treatment of coach operators.

In the short term, an inventory of the main coach stations is required as well as

the gathering and centralisation of contact details for the responsible entities. Guarantees should also be implemented for the fair and non-discriminatory treatment of coach operators.

In the longer term, an overhaul of the regulatory framework for coach stations is recommended, with the aim of clarifying the responsibilities of the authorities, redefining the different types of facilities and assigning technical and pricing rules to them for standardised and transparent access.

3) Putting into place an independent administrative authority in charge of the integrated multimodal regulation of the sector (rail and road transport)

This independent authority, whose duties would be broader than those now entrusted to the railway regulator (*Autorité de régulation ferroviaire* - ARAF, which may serve as a basis for a future regulator), would be best-placed to assess intermodal competition between rail and road transport and to reconcile private and public services, while providing additional guarantees of impartiality.

It could also participate in the gathering and centralisation of the transport data that is essential to public decision-makers.

Involving the multimodal regulation authority in the issue of coach stations

The multimodal regulation authority must also be involved in the issue of coach stations, firstly through the power to settle disputes between station managers and transport operators, and secondly through powers to issue opinions and regulations aimed at ensuring that clearer and standardised technical and pricing rules apply to coach operators.

> Content of the press kit:
Sheet 1 - Overview of the Autorité's recommendations
Sheet 2 – The advantages of interregional coach transport
Sheet 3 - Cabotage: the current regulatory Framework
Sheet 4 - European comparisons

> Full text of opinion 14-A-05 of 27 February 2014 regarding competition in the interregional coach transport market

> Press contact: +33 (0)1 55 04 02 28