

New intercity coach services in Germany and France: Can they make money?

Prof. Dr. Laurent Guihery (Université de Cergy-Pontoise)

Economist Cornelia Gremm (KIT, Germany)

Long-distance passengers transport: market, planning, innovation

Milano, 29.09.2017

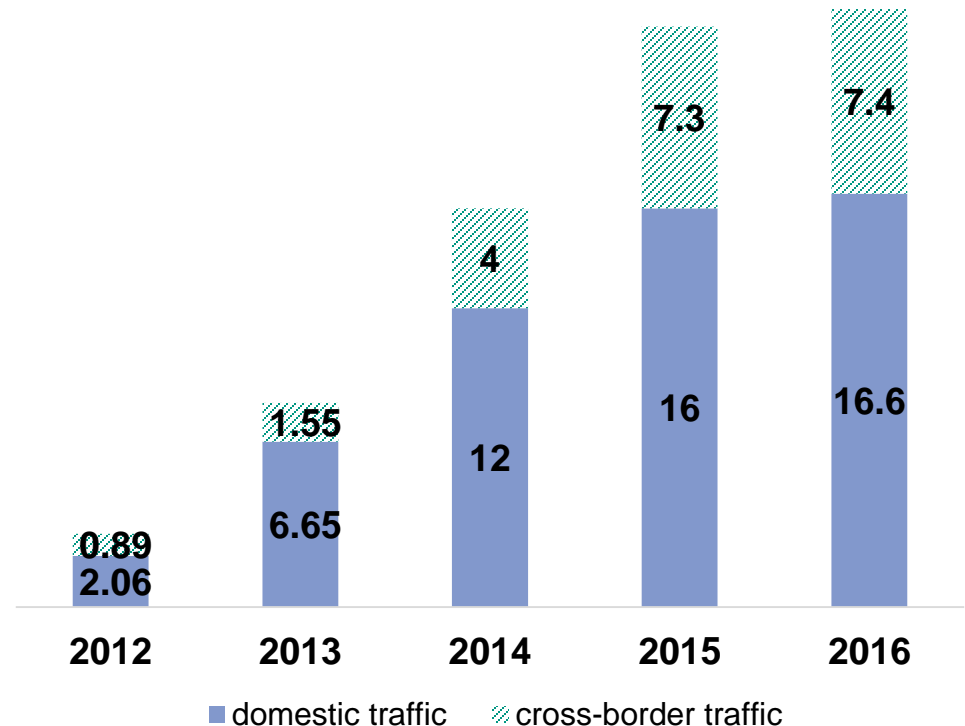


- **New framework of coach services**
 - **France - Germany**
- **Issue of profitability**
 - **A German – French perspective**
- **Conclusion**

New Passenger Transport Act § 42a since January 1st 2013

Intercity bus services are legal if:

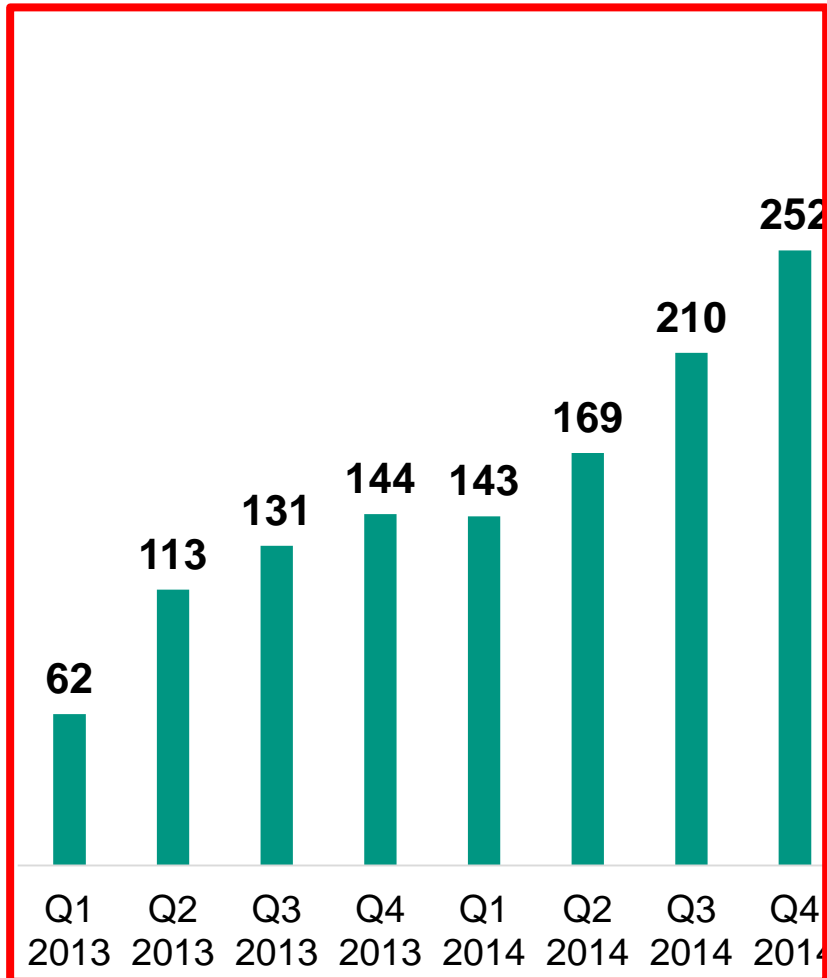
- distance > 50 km
- travel time regional trains > 60 minutes
- No fare regulation



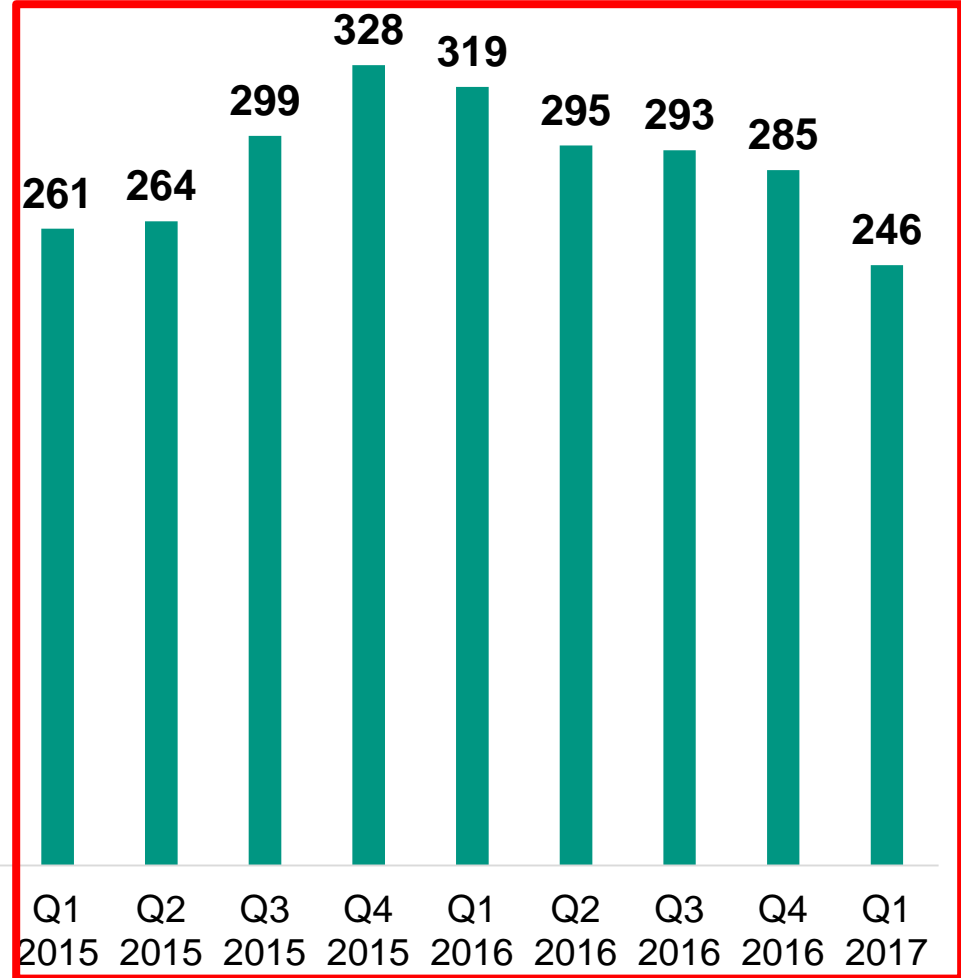
Sources: German Federal Statistical Office

Number of German intercity bus lines

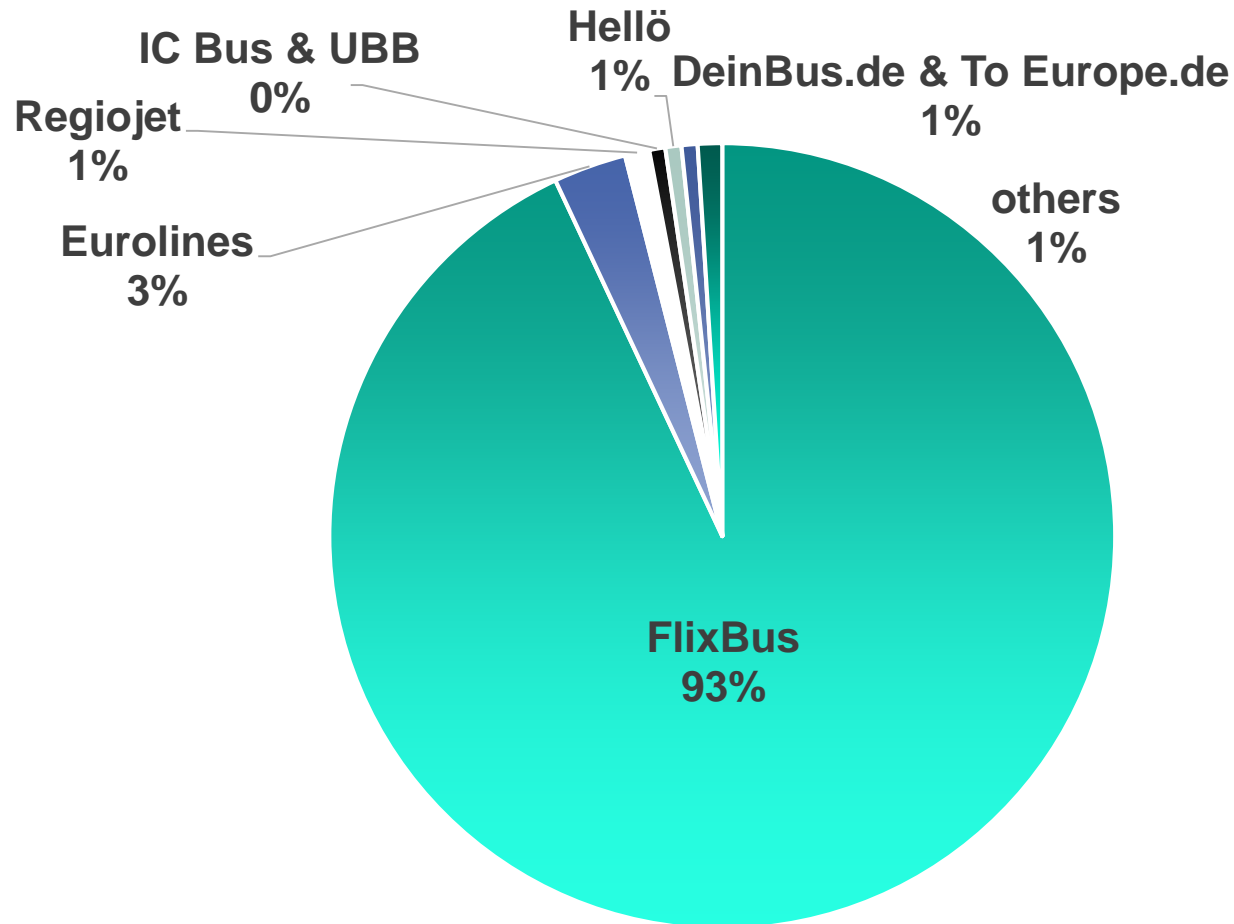
Growth



Consolidation

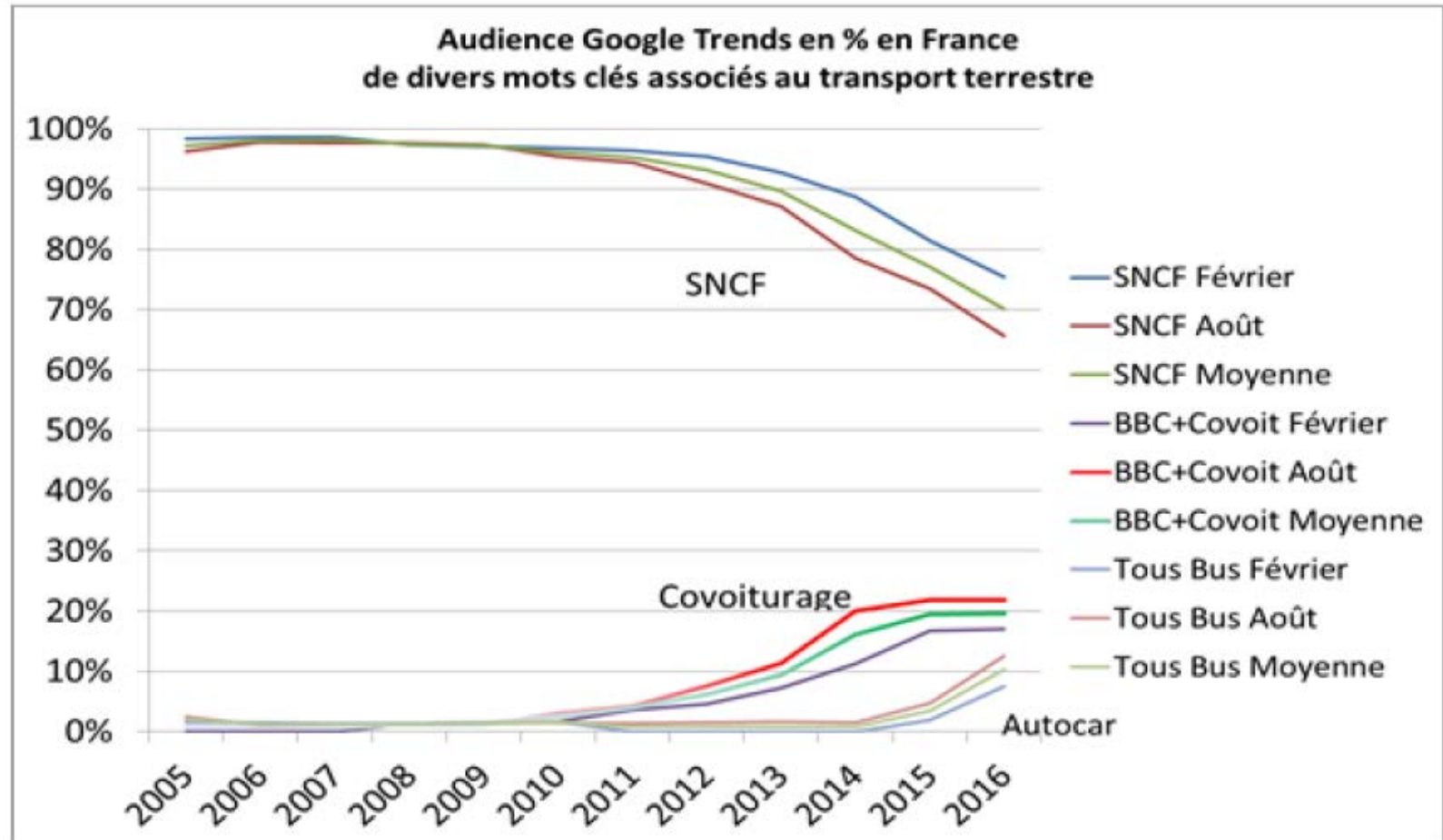


Market share of intercity bus transport depending on scheduled kilometers (July 2017)



Source: IGES

The French market : behavioral changes



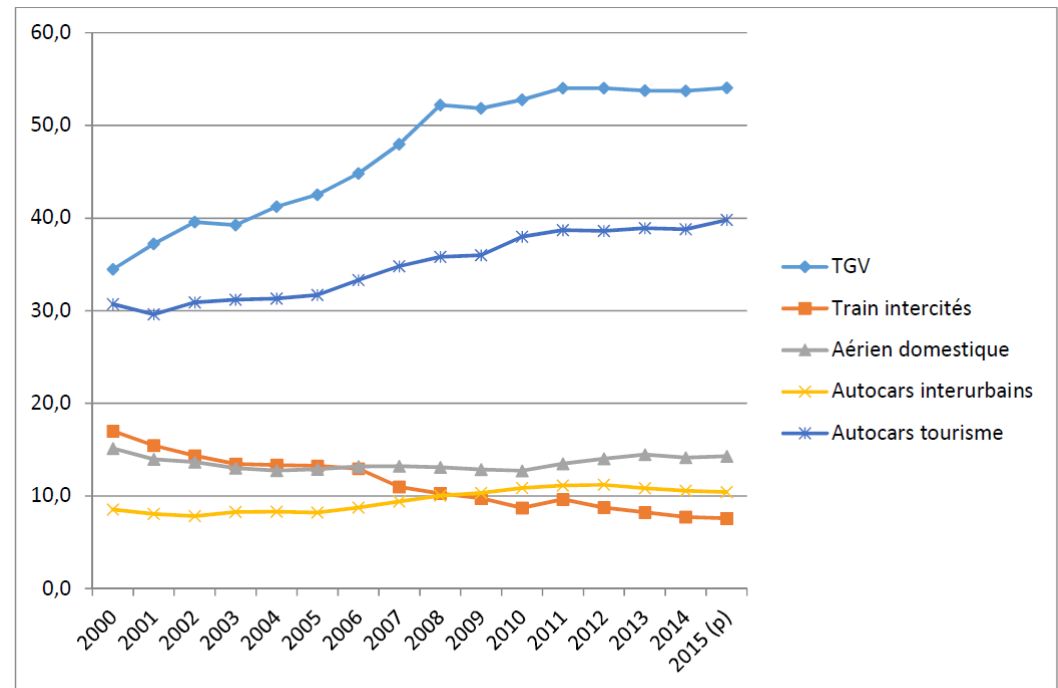
The French market :

Appendix : French Long Distance Passengers Market : 122 billion passenger.km

Long distance pass. market :
(billion pass.km)

	Ticket price
HST (TGV) : 54	= 0,08 €/km
Intercities train : 8	--
Tourism coach : 40 (!)	=
BlablaCar : 4	= 0,07 €/km
Interurb. C. (SLO) : 2	+ 0,043 €/km
Air Travel : 14,3	+++

Service innovations : Ouigo / ID-TGV
Price innovations : Abonnement TGV Max
(TGV illimited for 79 €/month)



Source: Ministry of transport and Yves Crozet, 2017

The French market:

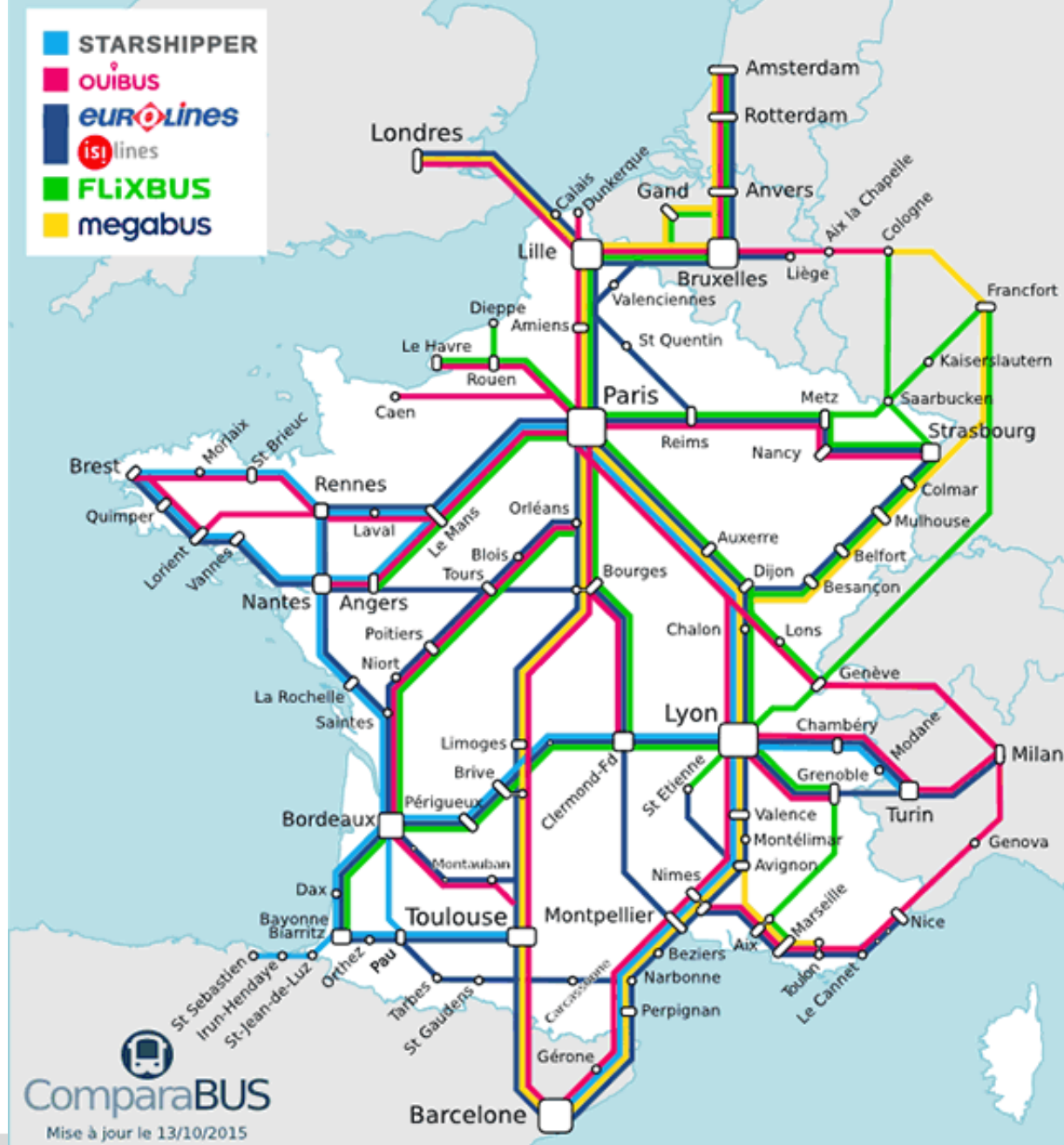
A lot of new entrants
At the beginning



Three now !

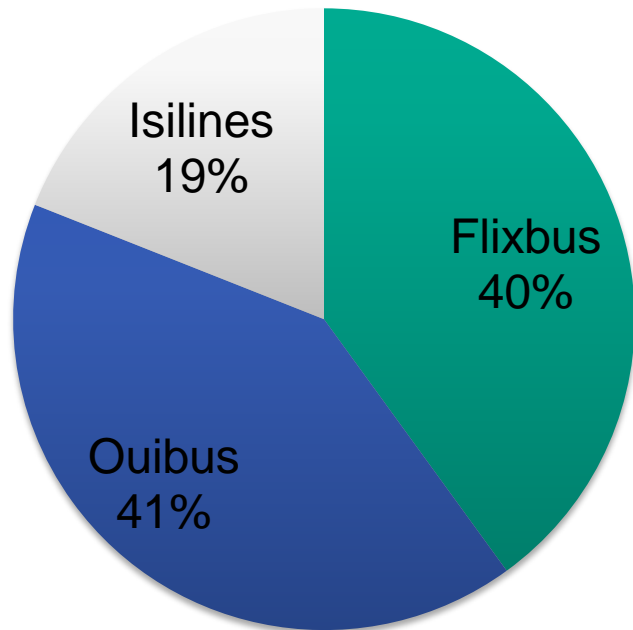


230 cities connected (2017)
Stabilisation (load factor : 45 %)



The French market :

Market share of the French intercity bus market



- Megabus and Starshipper are out of the market
- Three remaining operators are making losses: e.g. Ouibus 40 million € in 2016 → 20 Euro/ passenger
- Idea : 1st class seats ; news franchising contracts ; outsourcing drivers / coach management
- Target Ouibus : price 20 % below BlaBlaCar

The French market :

A (financially) lose-lose game?

- High losses for coach operators
- 6 or 7 million passengers per year is not enough.
- 12 or more are necessary to have 3 operators
- But the domestic long-distance market is growing slowly in France
- In order to attract more long distance traffic, SNCF in France as DB in Germany, are obliged to accept a lower turnover (price elasticity < 1).



LES PRIX ÉBLOUISSANTS!

55 555 BILLETS DE BUS
À 5€⁹⁹

OUIBUS

OUIBUS LANCE LES PRIX ÉBLOUISSANTS

Pour fêter son 5 millionième passager, OUIBUS aligne les 5 et vous propose 55 555 billets à partir de 5€ pour voyager en France et en Europe entre le 7 juin et le 5 juillet.

[J'en profite !](#)

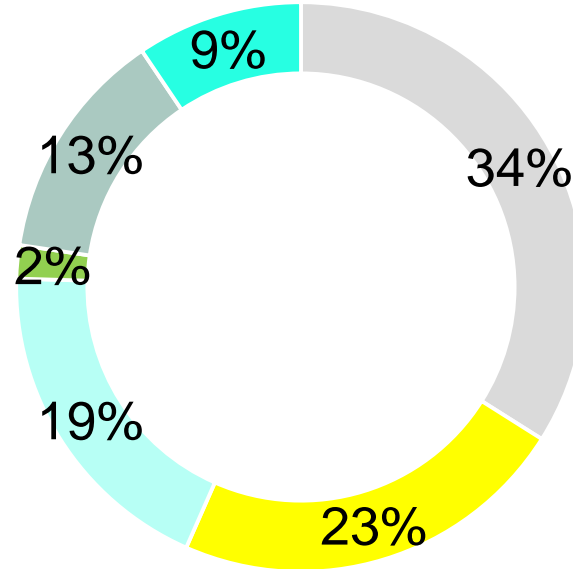
Agenda

- New framework of coach services
- **Issue of profitability**
- Conclusion

		2015	2016	change 2015/16
intercity bus traffic based on passengers	domestic intercity bus passenger traffic	15,966,250	16,600,000	4%
	domestic passenger-km traffic	4,484,792,304	4,648,000,000	4%
	average distance in km for domestic traffic	280.89	280.89	0%
intercity bus traffic based on buses	bus-km for domestic traffic	165,377,452.00	156,711,100.00	-5%

		2015	2016	change 2015/16
Turnover	Turnover/passenger (€)	21.68 €	21.14 €	-2%
	Net turnover/passenger (€) (excl. 19% sales tax)	17.56 €	17.12 €	-2%
	Total net turnover	280,380,123.00 €	284,248,440.00 €	+1%
	Turnover/passenger-km (€)	0.077 €	0.076 €	-2%
	Net turnover/passenger-km (€)	0.063 €	0.061 €	-2%
	Turnover/bus-km	1.70 €	1.81 €	7%

5,3 euro cent per pkm



■ operation

■ vehicle

■ fuel

■ infrastructure

■ others

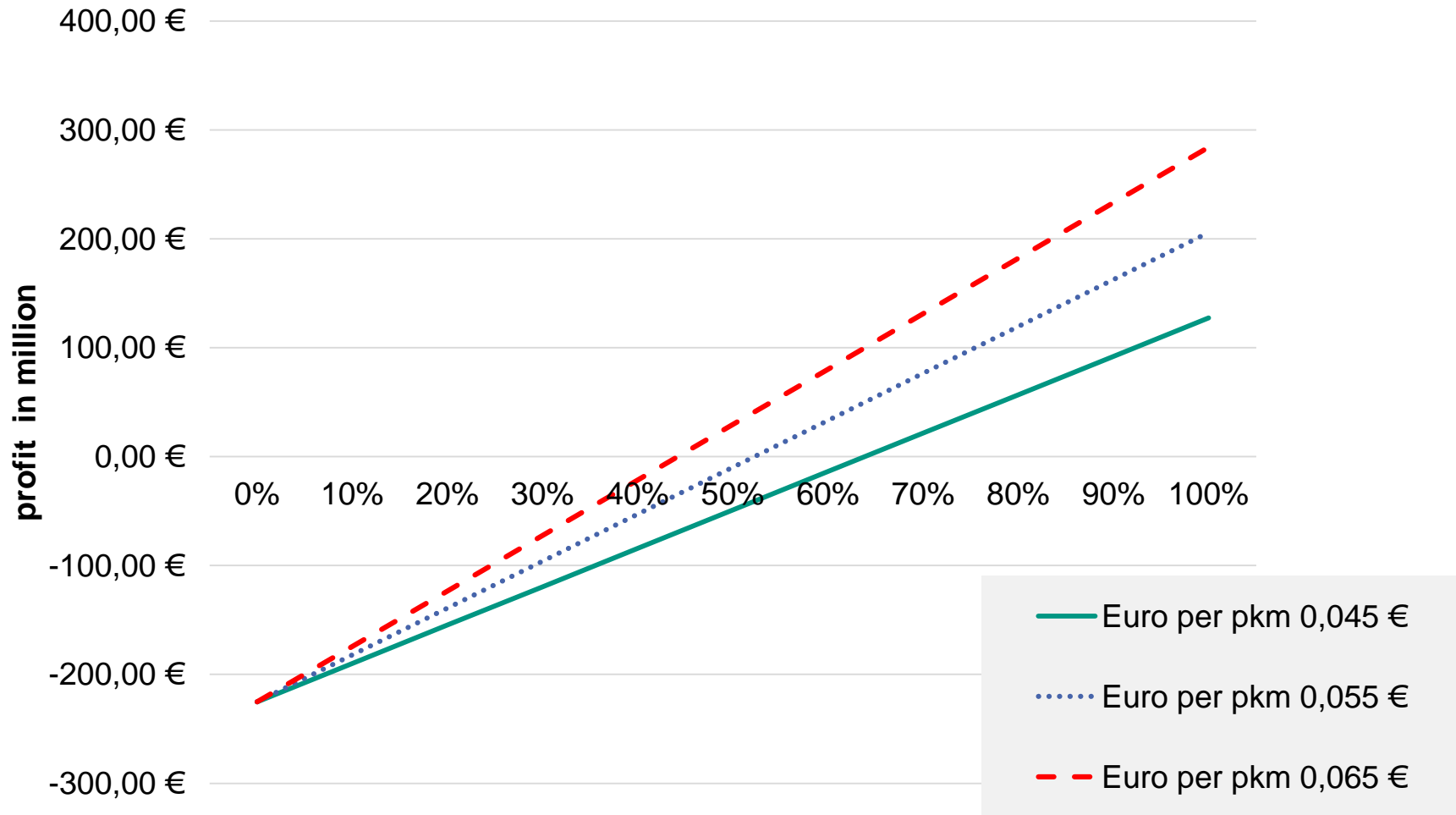
■ marketing, sales

Source: BAG SPNV 2016

		2015	2016	change 2015/16
costs	total cost excl. toll (assumption 5,3 Euro cents per pkm in 2015)	237.693.992,11 €	225.238.002,62 €	-5%
	cost per pkm	0,053 €	0,048 €	-9%
	total toll	18.026.142,27 €	17.081.509,90 €	-5%
	total cost incl. toll	255.720.134,38 €	242.319.512,52 €	-5%
	cost per bus-km excl. toll	1,44 €	1,44 €	0%
	cost per bus-km incl. toll	1,55 €	1,55 €	0%

		2015	2016
Profit contribution	total profit contribution	42.686.130,89 €	59.010.437,38 €
	profit per pkm in Euro	0,010 €	0,013 €
	profit per bus-km in Euro	0,258 €	0,377 €

Break-even analysis depending on load factor and turnover per pkm



France : profitability issues

a) A micro-economic analysis

Costs structures: interurban coaches services (France ; regional - 2016)

Very efficient Cie - France

(regional : for 414,8 km)	
Wages and primes	49 %
Gasoline	15 %
Depreciation, leasing vehicles	16 %
Toll and stops	6 %
Maintenance / Cleaning	8 %
Insurance	0,5 %
Setup Coach	0,3 %
Managements costs	1 %
Other cost (phone)	0,2 %
Profit	4 %
TOTAL	100 %

Source : Guihéry – Gremm, 2017

Cost of a driver :

France :

Wages (+bonus) :
28 802 € (1971 h.)

Employers tax : 40 %

Total cost : 40 000 €

Hourly cost : 28,35 €/h

Germany :

Wages (+bonus) :
24 587 €

30 % employer tax :

32 000 €

France : profitability issues

a) A micro-economic analysis

Table : Key figures on coach services in France (2016)

	2016-T1	2016-T2	2016-T3	2016-T4
Passenger (million)	1,081	1,502	1,995	1,563
Turnover (million euros)	12,2	19	27,7	24,2
Turnover/passenger (€)	11,29	12,65	13,88	15,48
Turnover/passenger-km (€)	0,033	0,037	0,04	0,047
Passenger-km (million)	370	513	692,5	515
Load factor	30,2%	40,7%	46,6%	36,1%
Coach-km (million)	24,48	25,23	29,72	28,53
Turnover/coach-km	0,50	0,75	0,93	0,85
Total costs	49	50	60	58
LOSSES (million €)	-37	-31	-32	- 34
TOTAL LOSSES FRANCE 2016 : - 134 million €				

Source ARAFER, 2017 ; Crozet,Guihery, 2017 ; Cost in coach . km : 2 €

Profitability : A German – French perspective

2016 France and Germany	Allemagne	France Global case study -1	France Local efficient Cie - 2	Source (France)
Passenger (million)	23,3 (24 in 2016) Domestic market : 16,6 (2016)	6,1	6,1	Crozet, Guihéry, 2017
Turnover (million euros)	Flixbus 215 [2015] Domestic market 2016 : 284,2	83,1	83,1	Crozet, Guihéry, 2017
Turnover/passenger (€)	Domestic market 21,14 €	13,6 €	13,6 €	Crozet, Guihéry, 2017
Turnover/passenger- km (€)	0,08 €	0,039 €	0,039 €	Crozet, Guihéry, 2017
Passenger-km	4,648 billion	2, 090 billion	2.090 billion	Crozet, Guihéry, 2017
Load factor	59 % (2015)	38,4 %	50 %	ARAFER (1) Own estimation (2)
Coach-km (million)	156	108	70	
Turnover/coach-km	1,81 €	0,77 €	1,2 €	Crozet, Guihéry, 2017 (1) Own estimation (2)
Cost (€/coach.km)	1,44 €	2 €	1,6 €	
Cost (€/pass.km)	0,048 € (0,053 in 2016)	0,10 €	0,054 €	
PROFIT / LOSSES (€ / coach.km)	+ 0,37 €	- 1,23 €	- 0,4 €	
PROFIT / LOSSES (million €)	57,72 million €	- 132, 84 million €	- 28 million € (efficient Cie)	
Profit (millions €)	Domestic market : + 59			
Losses (million €)	Flixbus (Cie global) - 31,47 [2015]	- 40 (Ouibus)	- 40 (Ouibus)	
Average price tickets	21,14 €	15,5 € (no tax incl.)	15,5 € (no taxe incl.)	ARAFER
Average distance in km (domestic for Germany)	280 km	329 km	329 km	ARAFER
Profit/ Losses per pass.km in €	0,01			
Profit per bus.km in €	0,38			

Source : Crozet, Guihéry, 2017 – own calculation

LG – CG – Draft V.0 – working process

Agenda

- New framework of coach services
- Issue of profitability
- **Conclusion**