The liberalisation of Italian long-distance bus market
First results, opportunities and threats

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Prepared for:

IRU Forum “Buses & Coaches at a Crossroads: Long-Distance and Innovation”.
Bruxelles – 3 March 2016
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- One year of liberalisation
- Strategies and evolutions
- Conclusions
- extensive network in the South. Direct connection between the main cities and numerous dispersed villages, usually unconnected with train.
  - The majority of services concentrated in Puglia, Basilicata, Calabria and Sicilia to Roma e Napoli, plus some cities in the North.
  - Important connections from Adriatic coast to Rome.
  - Almost nothing within the North (all services coming from the South).
One year of liberalisation
The liberalisation

Public transport (incl. 2-regions) Interregional services (more than 2 regions) Charters

“Servizi di persone effettuati su strada mediante autobus, ad offerta indifferenziata, che si svolgono in modo continuativo o periodico su un percorso che collega più di due regioni” - D.Lgs. 285/2005

Since January 1° 2014 the transitory period from exclusive concessions to non-exclusive authorisations, have ended.

Now, the authorisation regime allows head-on competition on any route connecting three or more regions. Competition with train services is also allowed.
One year of liberalisation
The first effects on the supply

In just one year across liberalisation, there was an overall increase in the number of rides and lines offered.

286 → 380 connections/week monodirectional → +33% connections

1.421 → 1.973 weekly frequencies monodirectional → +38% di rides

19 companies have introduced new connections and other 5 increased the rides

10 have closed existing connections

23 did not change the historical supply

We lack of data for 2 large companies. Probably both of them increased the supply.
One year of liberalisation
The first effects on the supply

Supply of firms: number of weekly monodirectional connections.

Newcomers have entered with extensive networks!

Estimation of weekly connections (excl. feeders) in 2015
Concentration has already started → larger firms increased supply (especially in absolute terms). Closures of services are limited to smaller companies. But some small firms have doubled their services, or even more.

Variation of weekly rides (excl. feeders) in 2015
Excluding a small decrease in the South, all geographical relations have increased significantly: Southern market is mature, but not saturated!
In relative terms, the most impressive increase occurred in the **North**, where coach lines were in the past barely present. Now they supply many new **intercity services**.
One year of liberalisation
A changing geography

Supply and variation 2013-15 per Italian municipality

- In the **South** the traditional “high-density” model remains (many origins to few destinations).
- Important **supply increase** in Calabria, Basilicata, Adriatic coast and North
- In the **North** many new services, but only among main cities (→**intercity**)
One year of liberalisation

A changing geography

**Network and frequency 2013, per Province**

- In 2013 supply was mainly in the Centre/South
- **Rome** as main hub
- **Long** lines directed to Emilia, Milano, Torino and few more
- More fragmented supply network along Adriatic coast w.respect to the Tyrrenic one
One year of liberalisation
A changing geography

Network and frequency 2015, per Province

- Strengthening of supply in the South
- **New relationships** within the Nord, *intercity*, and between North and Centre
- More supply along *Adriatic* coast

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Difference of supply 2013-2015, per Province

- Strengthening of supply in the South
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→ Liberalisation did not shrink services in the South!
One year of liberalisation

A changing geography

**Difference of supply 2013-2015, per Province**

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→ Liberalisation did not shrink services in the South!
One year of liberalisation
Newcomers' strategies

Networks of foreign newcomers (Flixbus e Megabus)

- The foreign newcomer entered Italian market starting from the North → proximity, but especially greenfield!
- Quick extension to the large cities of the Centre (South)
- Supply model very different from legacy Italian companies: less diffused, more alternative to rail, intercity.
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One year of liberalisation

Strategies and evolutions

Conclusions
One year is a short period to assess the effects of liberalisation and the future market development. However, some facts are already clear and – to a certain extent – already foreseen in 2011…

1) **No “cherry picking”** from neighbouring competitors…

2) **No “cherry picking”** from large foreign newcomers

3) Evolution towards a **larger, unique, market**, no more linked to historical catchment areas of concessions.

4) Development of **consortia**, to extend the network but also to improve communication and marketing power

- **Incumbent – ex-concessionario**
- **Newcomer**
Strategies and evolutions
Key issues for the (next) future

Both *newcomers* and legacy companies have shown an important momentum to growth and tendency to investments.

Some key issues remain at stake, especially if coach market aims at competing with rail in the core markets:

1. The network of services
2. Types of services
3. Forms of organisation and collaboration among firms
4. Technologies on board (entertainment)
5. Marketing and communication (more effective)
6. Purchasing expedience to be urgently improved
7. *Pricing* opportunities still not totally exploited
8. Bureaucracy still burdening private initiative
9. Stations and stops to be improved radically
Strategies and evolutions
A) Networks, services and collaborations

The “shape” of Italian network is quite peculiar, and derives from
a. Geography
b. the “history” of its companies

→ No “net” shape, like in Germany: “tree-shaped”
→ The roots are in the South (Italian legacy companies)
→ Newcomers entered from the North

→ New spaces can easily be found overlapping a net of intercity services to the tree of point to point services.
Strategies and evolutions
A) Networks, services and collaborations

✓ Expand the **network**, as already happening in the North, among previously unserved cities (ex. MI-VE, BO-GE)

✓ Which supply model will “win”? Not only **traditional point-to-point**, but also **intercity, night busses, low-cost, hub&spokes**, etc. All of them?

✓ The **consortium model** is very interesting, especially for small operators: the production is spread (and thus optimised), but marketing and sales are concentrated → not necessarily **one** network, but **more networks** in competition!

![Diagram showing different types of competition]

- Head-on competition on single lines
- Full coordination
- Competition among networks + niche operators
Strategies and evolutions

B) Marketing and communication

✓ Need for more effective marketing and communication: now the market is one!
✓ Focus more on occasional travellers (and tourists) in addition to captive ones.
✓ New big operators has put more focus on the sector from public opinion, but this is not enough!

Importance of innovative selling platforms, especially for the most dynamic and interested customers: the young

1. They use massively social media
2. Improve websites and simplify purchasing experience
3. Accept resellers and promote meta-search engines, to extend the market base
4. No need for one app – one firm (not working even for airlines…), but yes to coach sector apps

Communication and marketing have a cost and require professionals!
Strategies and evolutions

C) Just another effort from the public sector!

The public sector proved to be «wise» in allowing a full and – to a certain extent – well managed liberalisation.

Two further elements still require to be solved:

1) **Authorisation procedure is still complex** (also because multi-level: State, provinces, cities). This is a problem especially for small competitors, as the big ones can afford for a legal service.

2) **Stations and stops** are, too often, inadequate. In many cases, investments could be done at zero cost for the public sector: the coach companies are willing to invest in the infrastructure!
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Concluding remarks
A rapidly growing market

One year of liberalisation brought to the sector news and energy. Legacy operators introduced **new services**, two big **new entrants** entered, **passengers increased** significantly:

- + 38% of connections
- **New supply** in the whole country, from North to South
- Few companies reduced the supply but many more have increased it, also of 2-3 times
- the **newcomers** entered with extensive and complex networks, high frequency, mid-distances, intercity services. No cherry picking problems
- A process of **concentration** is starting, partially thanks to **consortia**.
- Starting of an interesting phase of **intermodal competition with rail**, especially on prices, but also on unserved relations.
Thank you for your attention!!!

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