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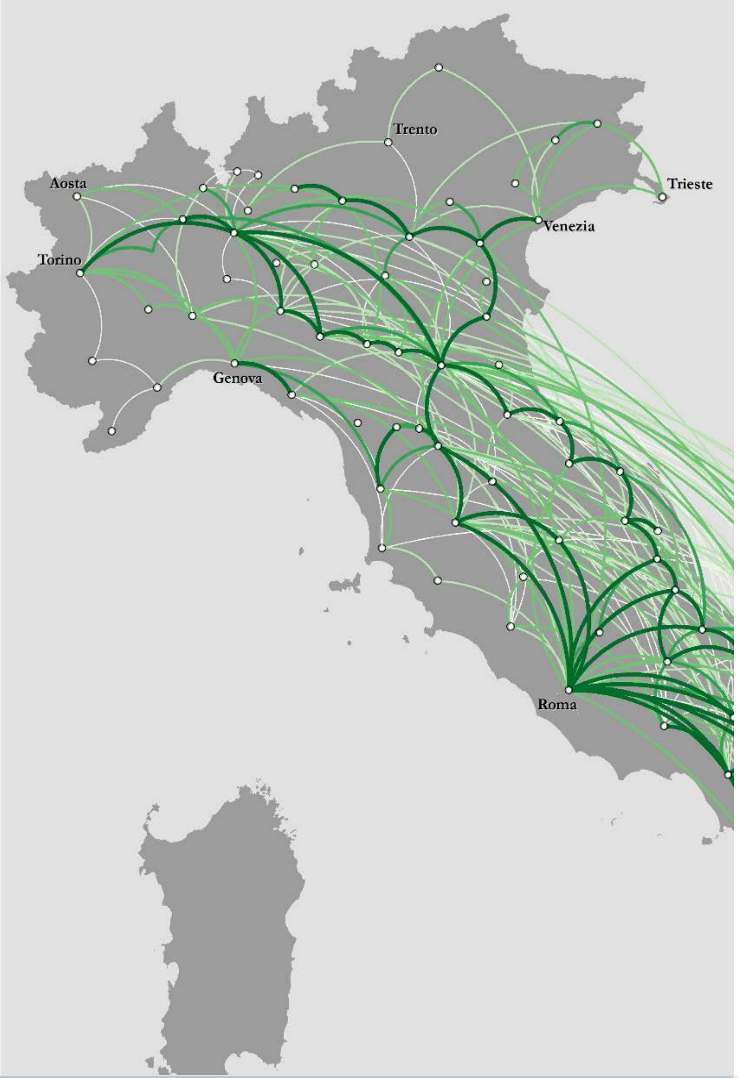

The liberalisation of Italian long-distance bus market

First results, opportunities and threats

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DIPARTIMENTO DI ARCHITETTURA E STUDI URBANI

IRU Forum "Buses & Coaches at a Crossroads: Long-Distance and Innovation".
Bruxelles – 3 March 2016

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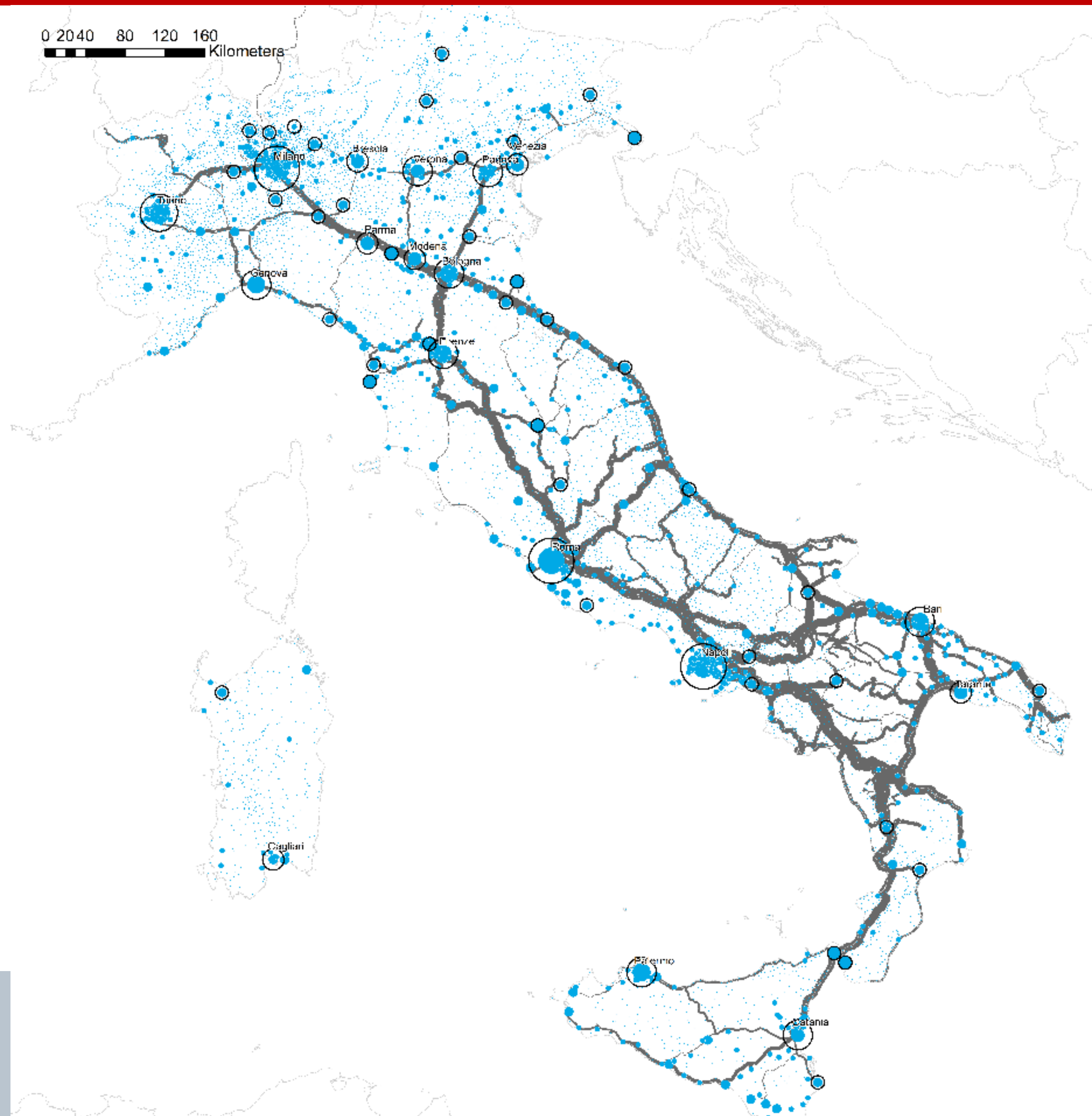
- Strategies and evolutions
- Conclusions

One year of liberalisation

Before 2014

- 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**

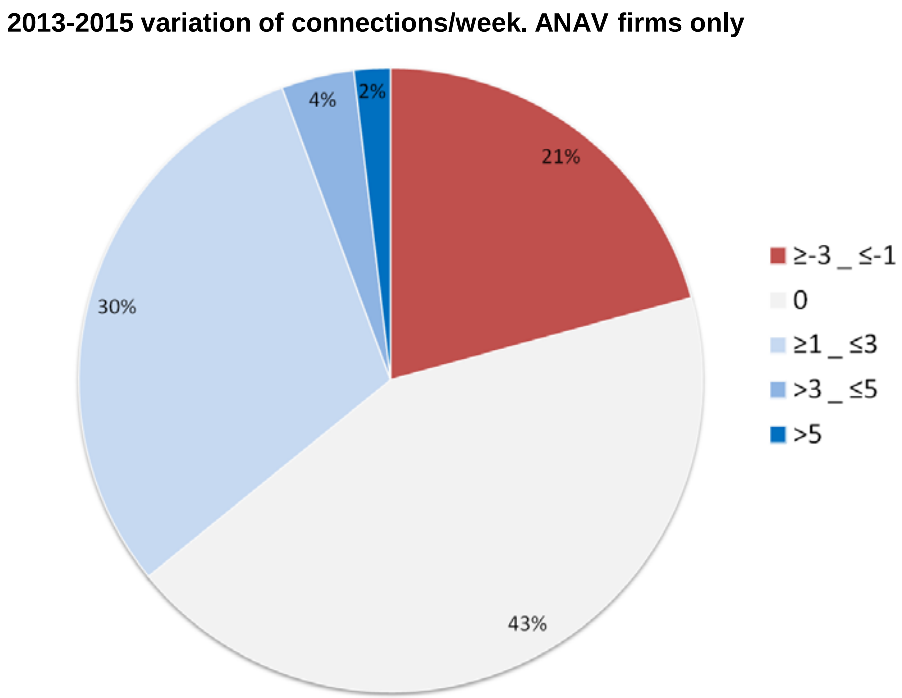
1.421 → 1.973 weekly frequencies monodirectional → **+38% di rides**

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.



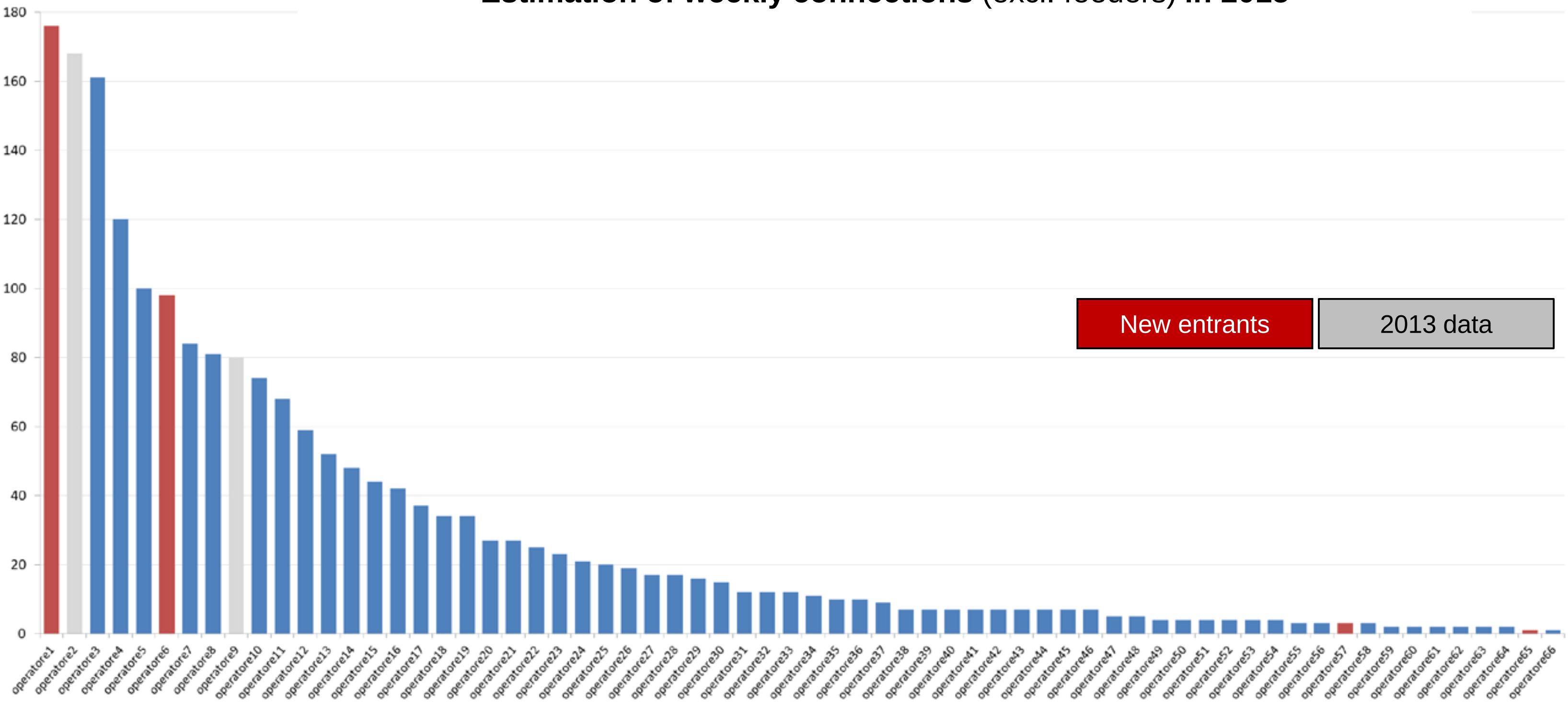
One year of liberalisation

The first effects on the supply

Supply of firms: number of **weekly monodiretional connections**.

Newcomers have entered with extensive networks!

Estimation of weekly connections (excl. feeders) **in 2015**

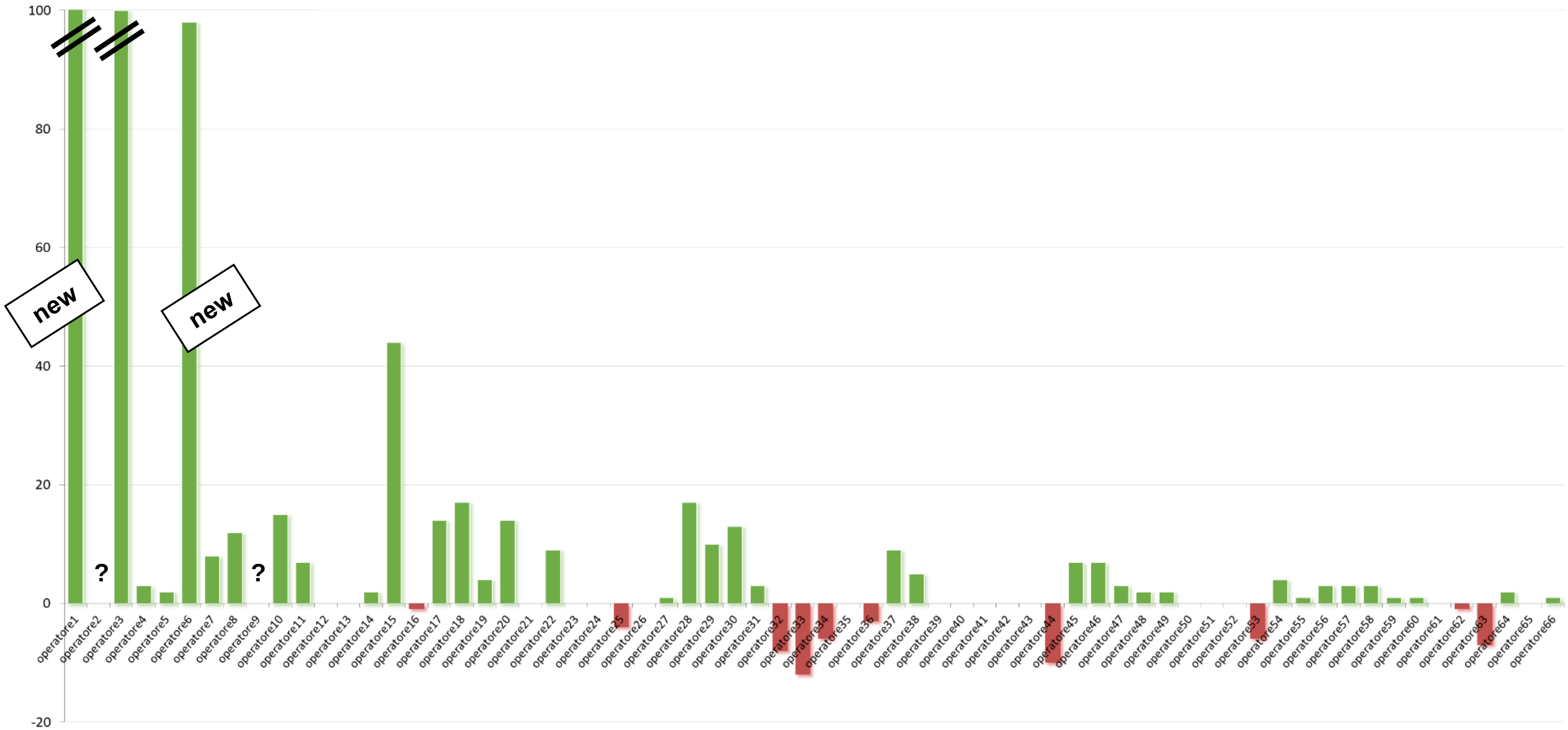


One year of liberalisation

The first effects on the supply

<u>**Concentration** has already started</u> → **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.

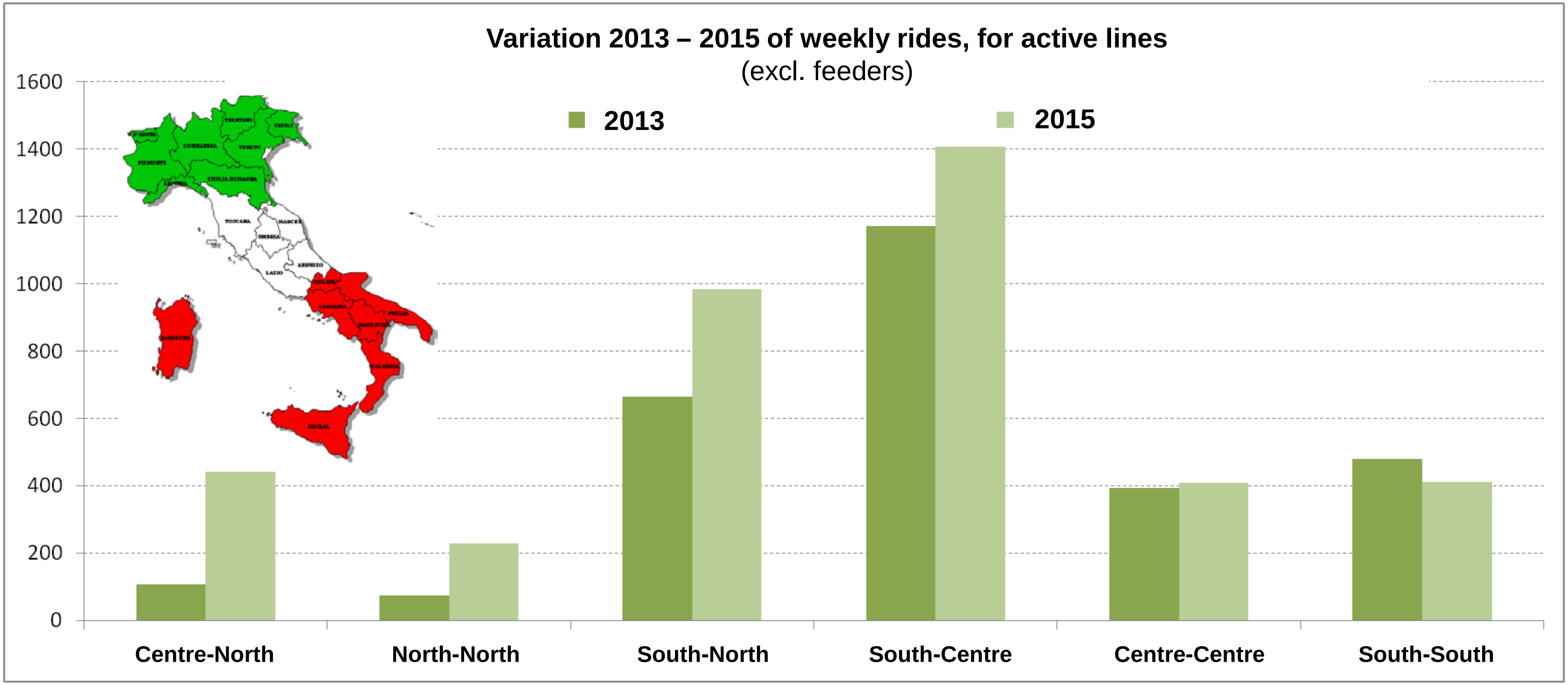
Variation of weekly rides (excl. feeders) **in 2015**



One year of liberalisation

A changing geography

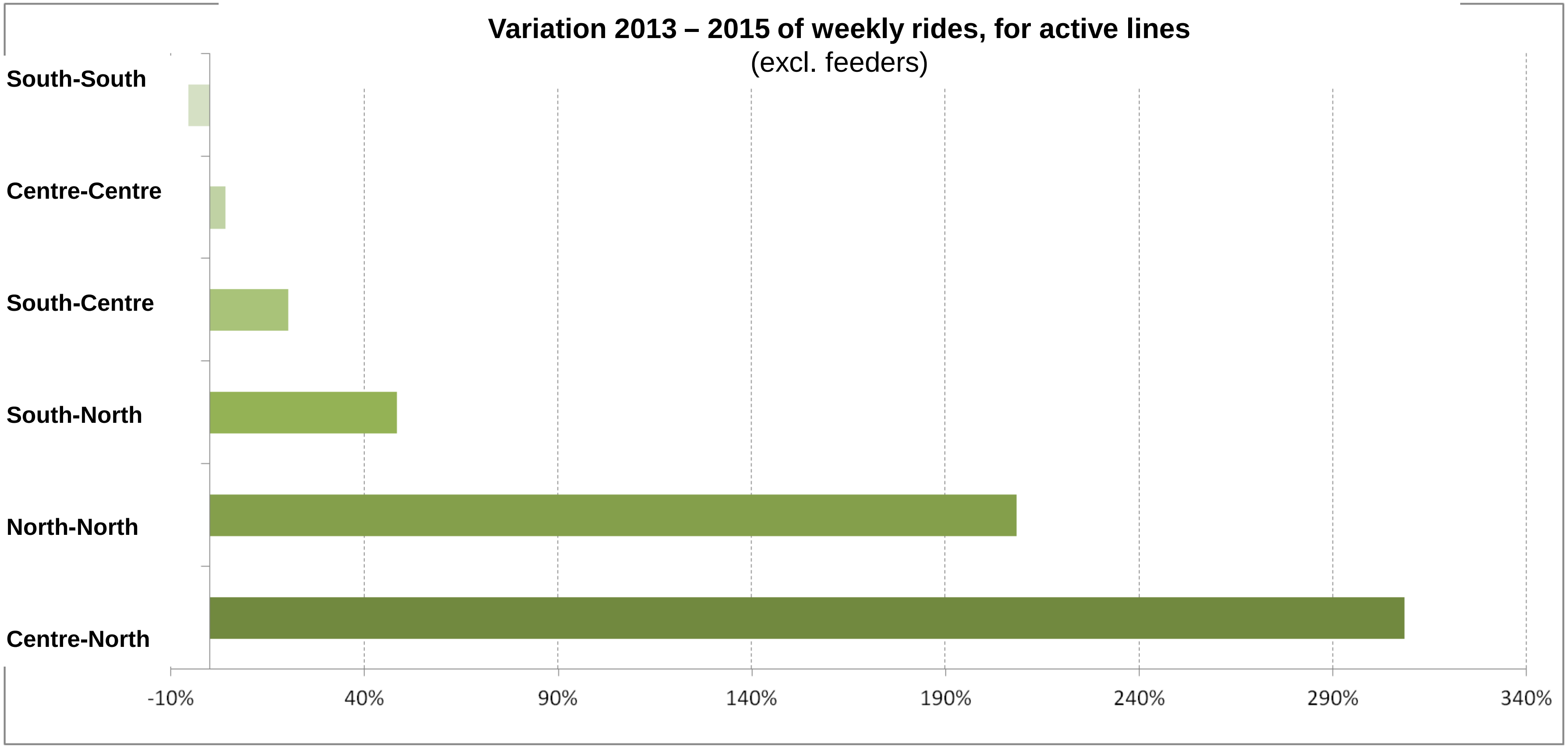
Excluding a small decrease in the South, **all geographical relations have increased** significantly: Southern market is **mature**, **but not saturated**!



One year of liberalisation

A changing geography

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**

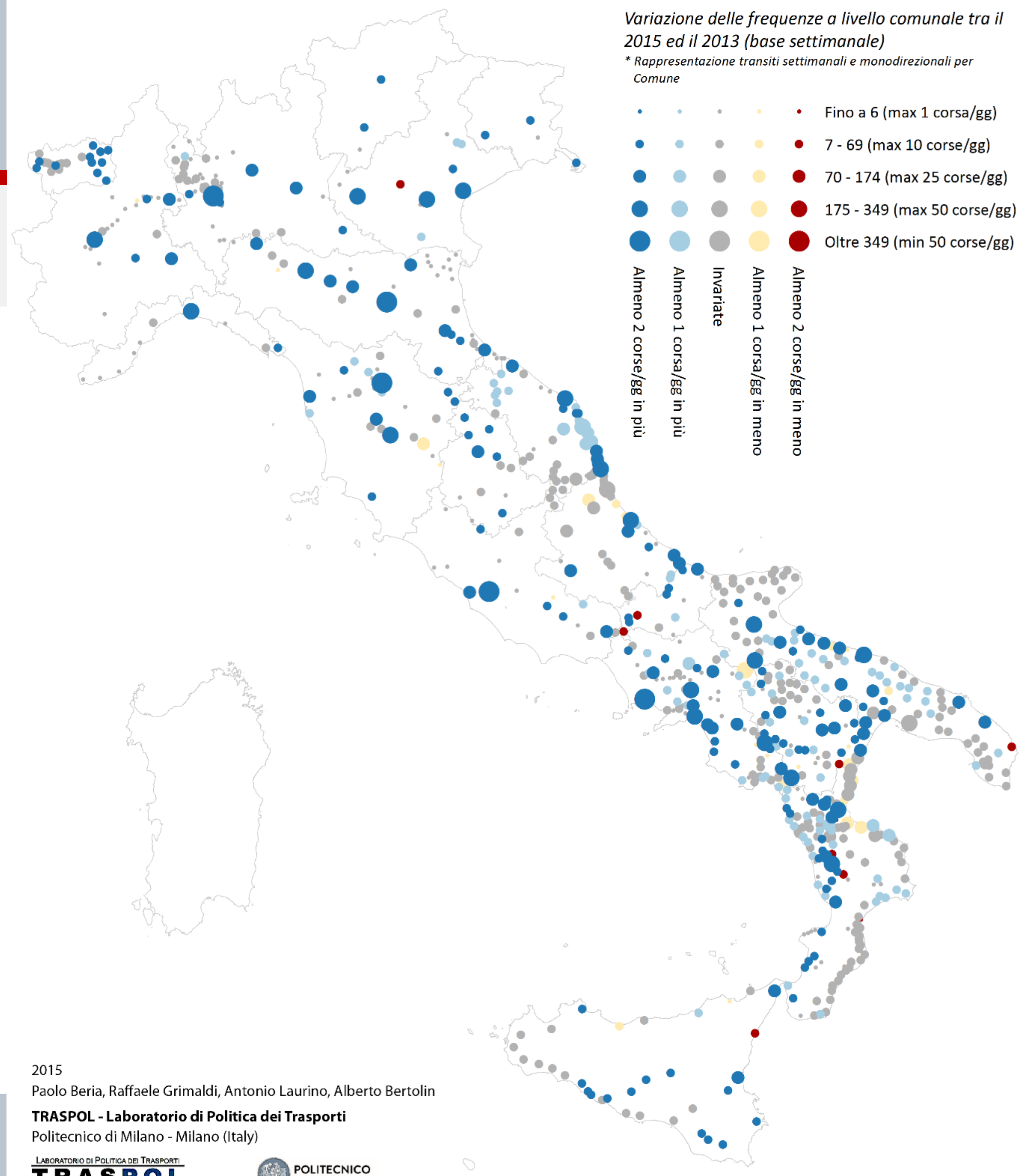


One year of liberalisation

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**)

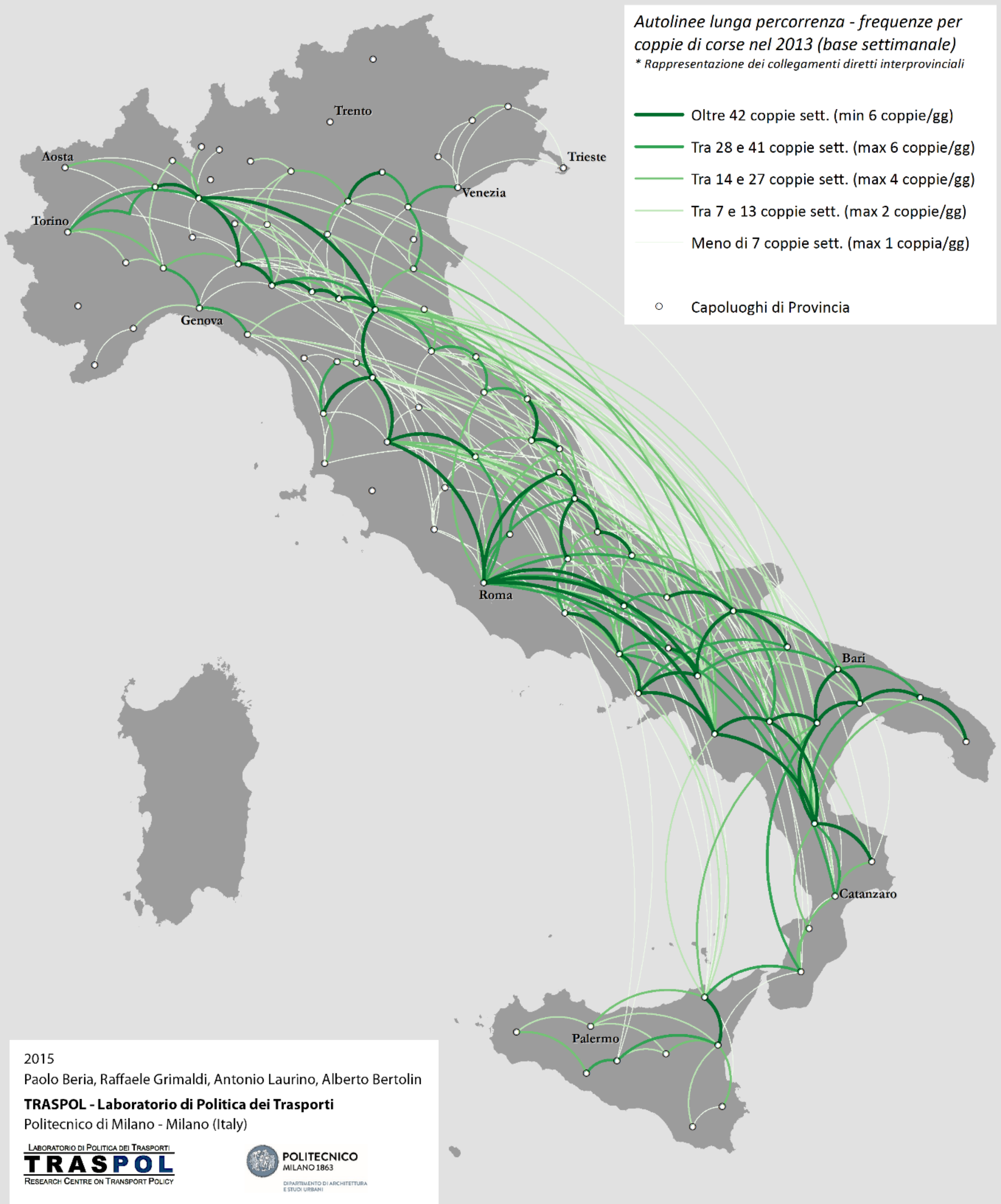


One year of liberalisation

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

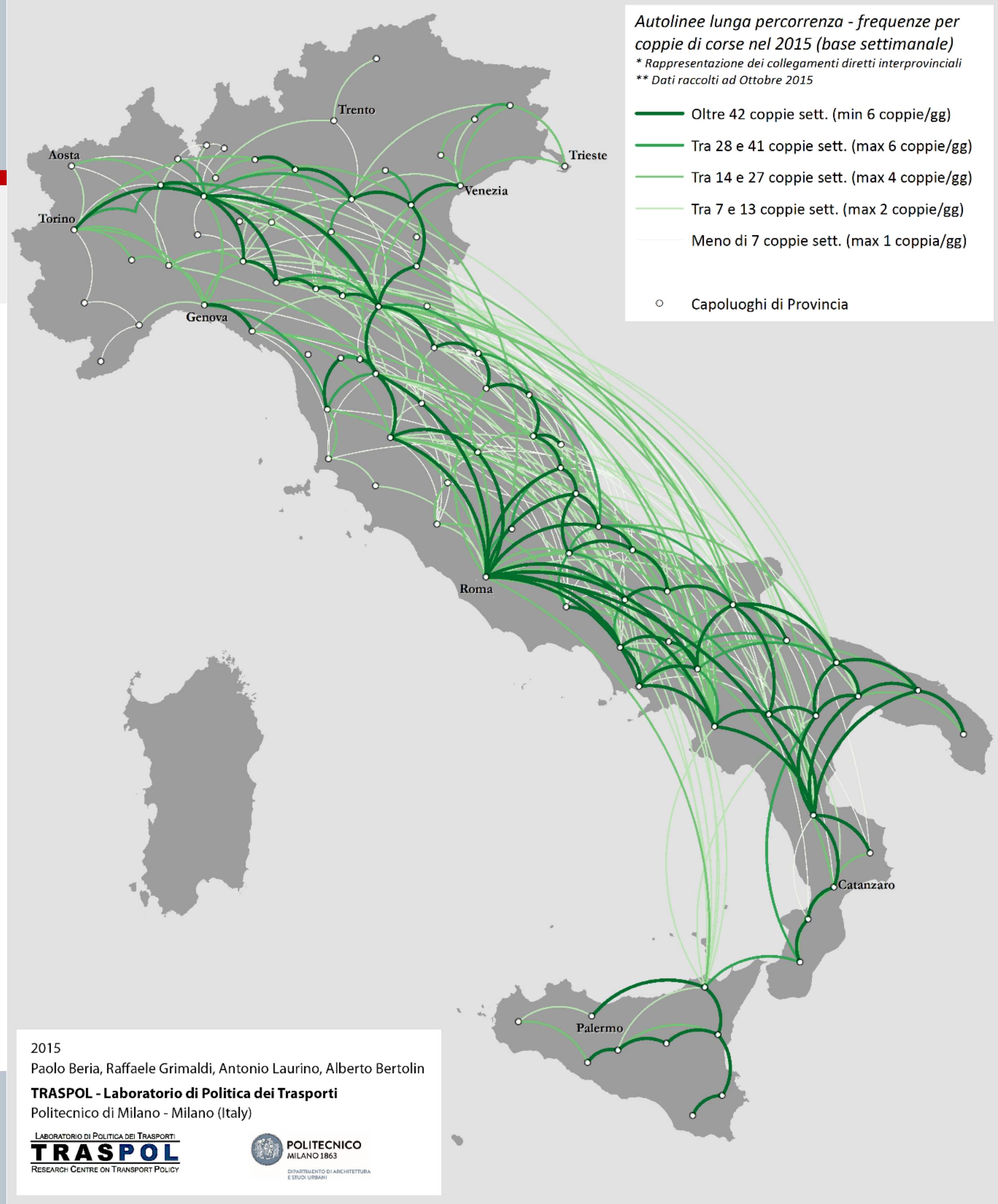


One year of liberalisation

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



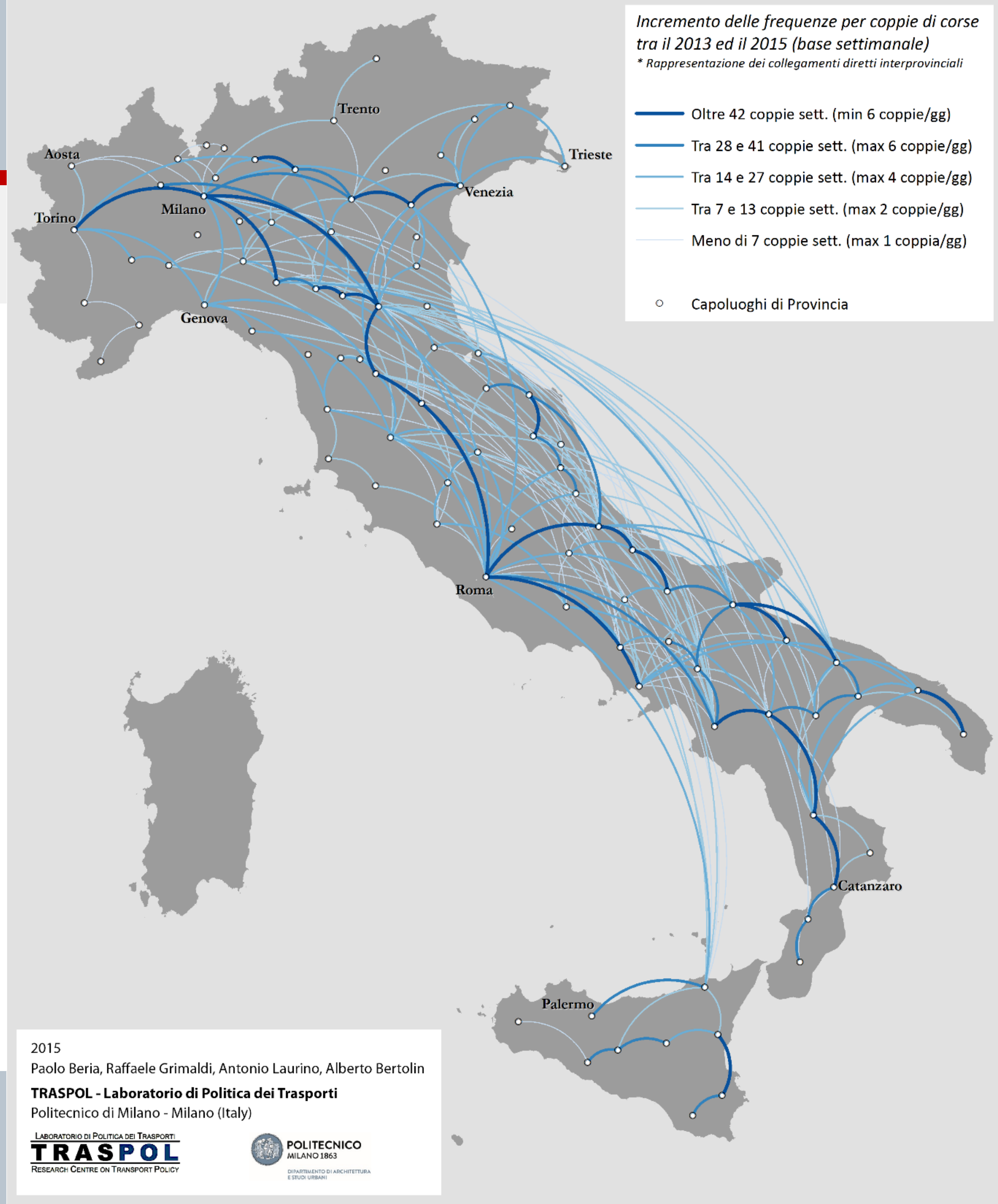
One year of liberalisation

A changing geography

__Difference of supply 2013-2015, per Province__

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

→ Liberalisation did not shrink services in the South!

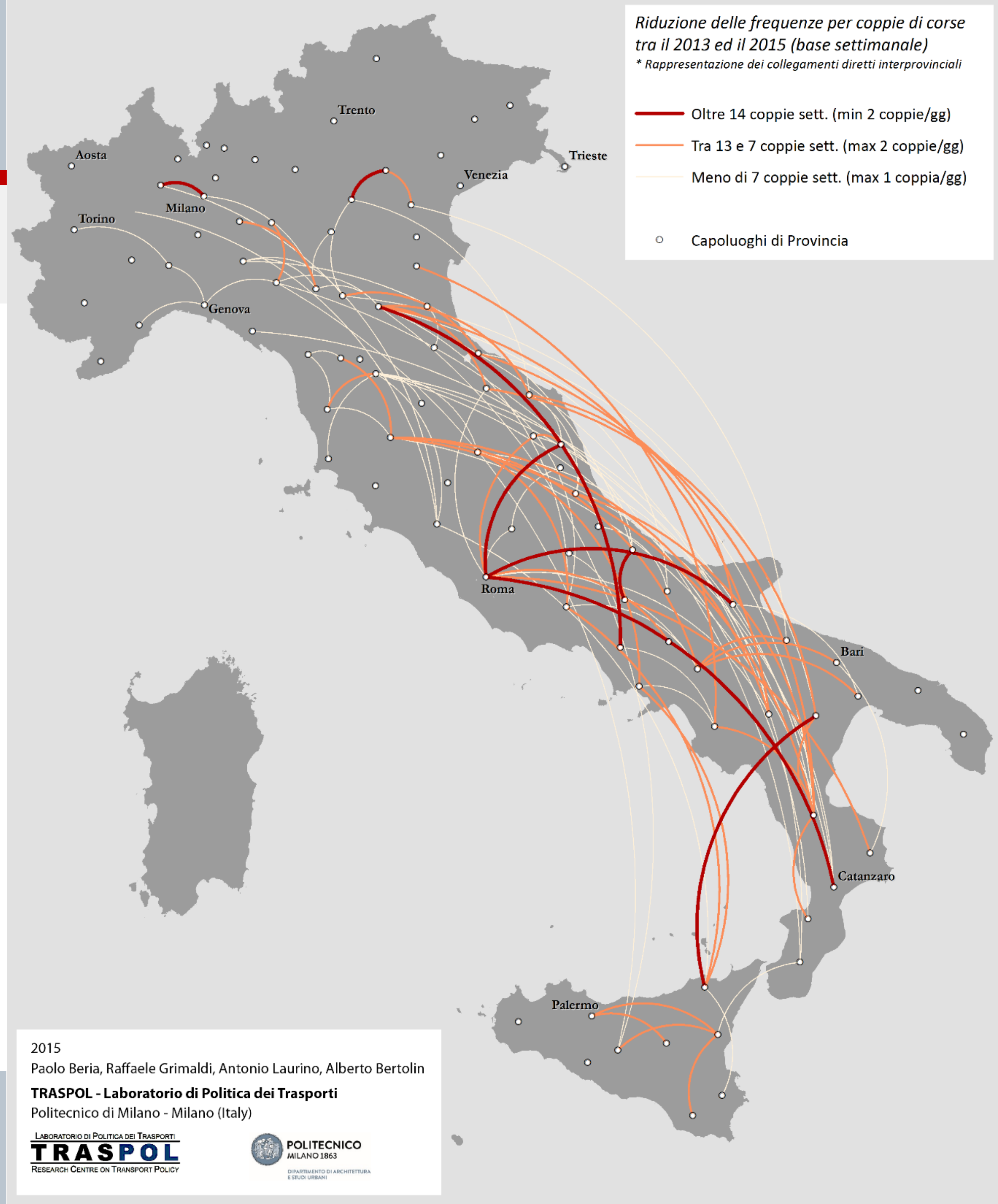


Beria P., Laurino A., Bertolin A., Grimaldi R. (2015)
The liberalisation of Italian long-distance bus market. First results, opportunities and threats.

One year of liberalisation

A changing geography

__Difference of supply 2013-2015, per Province__



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

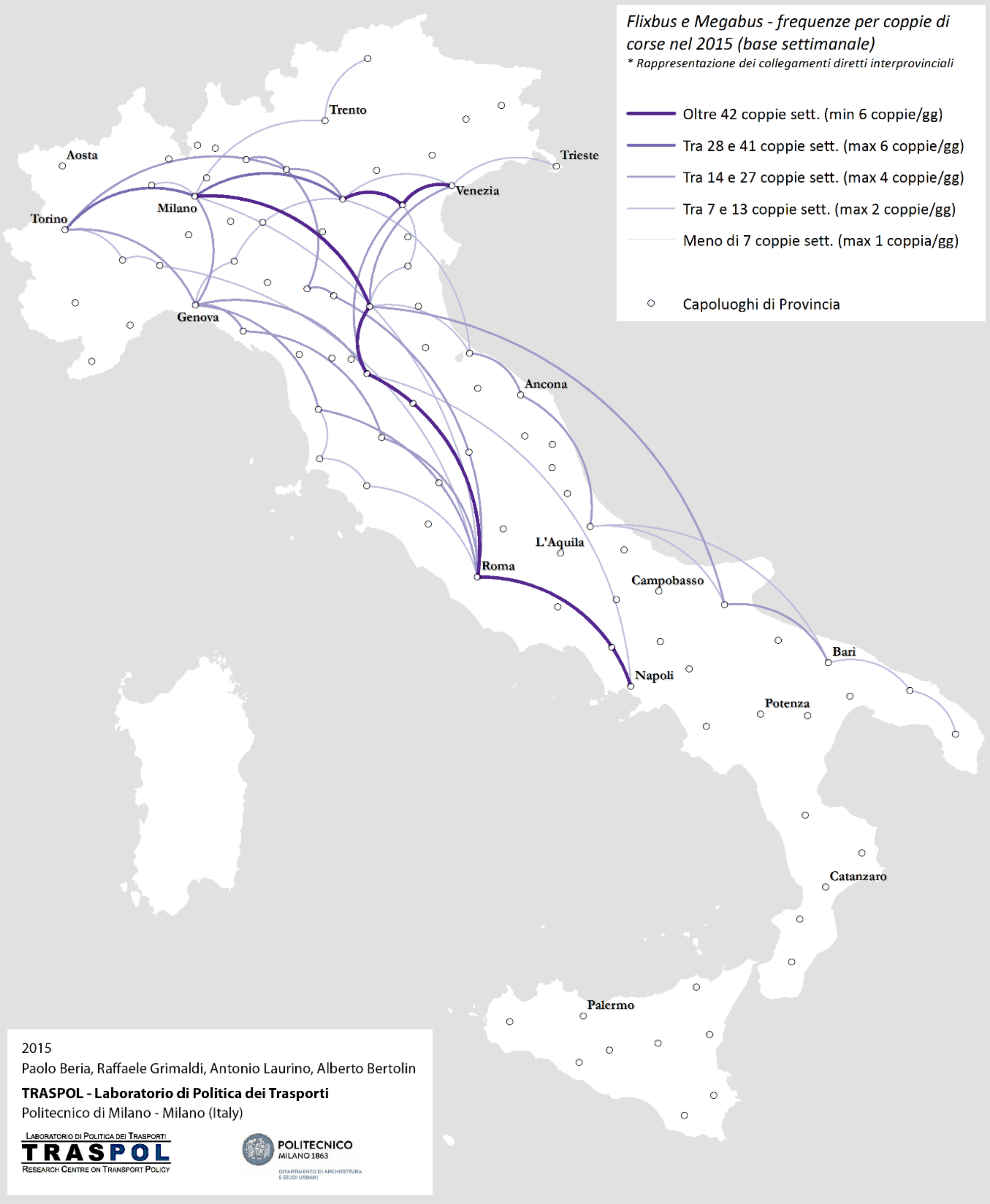
→ Liberalisation did not shrink services in the South!

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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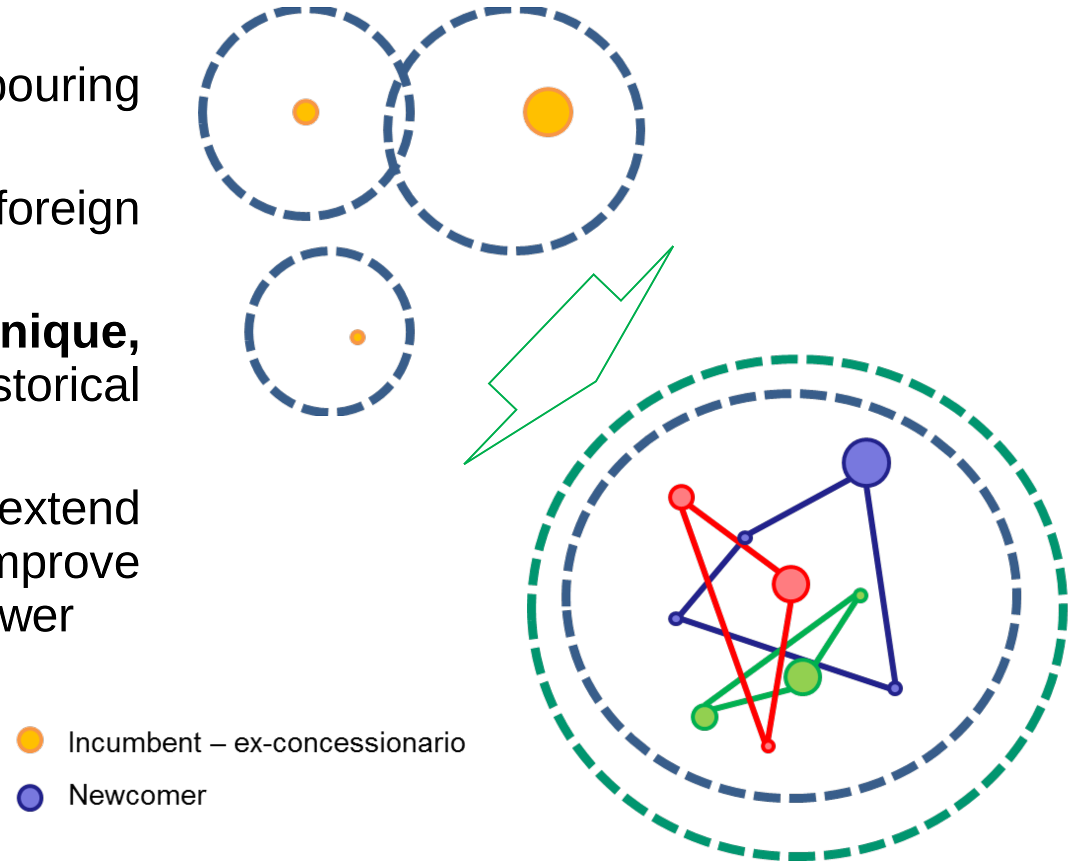
Strategies and evolutions

What happened in one year?

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



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

A

B

C

Strategies and evolutions

A) Networks, services and collaborations

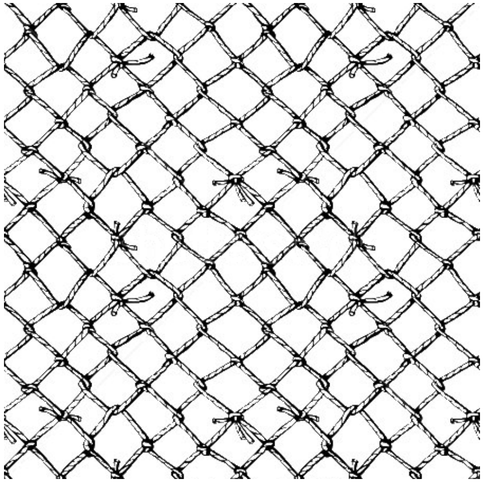
The “shape” of Italian network is quite peculiar, and derives from

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

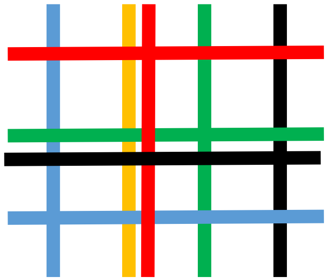


→ New spaces can easily be found overlapping a *net* of intercity services to the *tree* of point to point services.

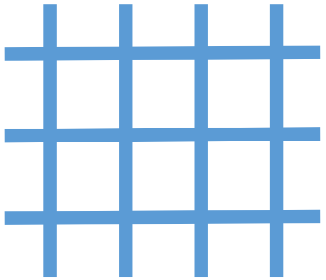
Strategies and evolutions

A) Networks, services and collaborations

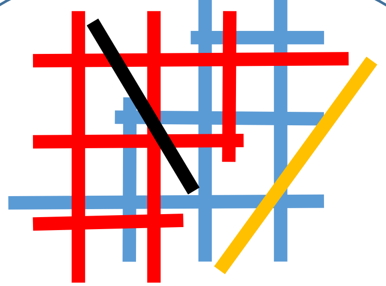
- ✓ Expand the **network**, as already happening in the North, among previously unserved cities (ex. MI-VE, BO-GE)
- ✓ Which supply model will "win"? Not only **traditional point-to-point**, but also **intercity**, **night busses**, **low-cost**, **hub&spokes**, etc. All of them?
- ✓ The **consortium 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!



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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Please quote as follows / Per favore, citare come segue:

Beria P., Laurino A., Bertolin A., Grimaldi R. (2015). *Autolinee statali: gli effetti della riforma. Risultati, opportunità e criticità dell'apertura del mercato. Studio ANAV 2015.*