TØI report 904/2007
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Oslo 2007, 65 pages Norwegian language

Summary:

Express Coaches – a Complex Market

Express Coach Route

"Express coach" is a term introduced by the industry. While express coach routes are defined geographically in other countries, the Norwegian definition is administrative. In Norway an express coach is bus transport that crosses a county border. In comparison the English definition includes route buses which travel at least 15 miles (24 km); in Sweden 100 kilometres; and in Finland 250 kilometres (Holmefjord and Steckmest 2001).

The typical understanding of an express coach is a bus with high average speed and few stops. This is not an appropriate description of all express coach routes, as some are integrated in the local public transport system, something which increases the travel time.

There are different types of express coach routes. Some cross a national border. In this paper the focus is on express coaches which travel within Norway. Moreover, there are commercial and partly commercial express coach routes. Some support the local market, while others mainly have long distance travellers and are instructed by the Public Transport Authority to keep their doors closed for entrants in areas where they may compete with local public transport.

The Norwegian Express Coach Market

Most express coach routes are extended local routes, and local bus companies operate most of them. The reason is to be found in the traditional way of organizing public transport in Norway. The companies receive subsidies in order to deliver local public transport within a certain area or on a distance, i.e. the operators have an "area licence" or a "route licence". This makes it complicated for passengers to travel long distances that cross areas in which different operators have licences. Passengers may experience barriers such as bus changes which result in less comfort and might imply waiting. In addition bus changes make the travel more complex as more information is required. A solution to this problem is that bus companies cooperate on establishing common through-services.

In the 1980s local bus companies began to apply to the permission authority to cooperate on through-services by extending already existing local routes. By doing so the local public transport service remained, operators kept their subsidies for these local routes, and the extension of the local routes was commercial.

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Express coaches developed through combined licences. In the 1980s when the express coaches in Norway where introduced, the local public transport market experienced a period of business decline. The market would, in many areas, not be large enough for competition among express coach operators. The cooperation, however, resulted in series of innovations that resulted in the development of a new service. Historically seen this kind of service would most probably not have been established without cooperation.

Today, the dispute is about the degree of competition in this new transport market, which is a sign of how successful the innovations have been. At the same time there is a steady development of new services in the market. Still, some of these involve cooperation between existing companies.

The dynamic aspect has resulted in an express coach market that cannot easily be grasped. This is due to the fact that some of the routes are commercial, but in some counties express coach services and local public transport are coordinated. It means that express coach operators carry out local public transport and get public funding for doing this. One example is that pupils travel on express buses to school. Another is that a Public Transport Authority, which in Norway is the counties, funds or buys services in order to maintain a service within its county, while the part of the distance outside the county borders are commercial. There are also counties cooperating on funding express coach routes. While one county funds the express coach routes in one direction, another county gives subsidies for the routes in the opposite direction.

Moreover, the express coach market is complicated regarding who owns the products. This is due to the fact that many of the routes are operated in cooperation between companies. Half of the distances of Nor-Way Bus Express are operated in cooperation among two or more companies. At the same time the market concentration in the bus market in general is high because of mergers.

Two groups dominate the Norwegian express coach market. They are the “Hourly Express” and Nor-Way Bus Express. The former is owned by the Norwegian State Railways, and the latter is owned by 40 different bus operating companies, including the owner of the Hourly Express. In order to operate a “Nor-Way” express coach service, the participating operators must meet certain requirements (driver training, guaranteed seat for all, bus specifications etc).

It should be mentioned that Nor-Way Bus Express is not an operator. It does not own bus material nor operate express coach routes; it is an umbrella or a marketing company in which the majority of express coach operators are members. The fact that the express coach market is characterized by such a dominating company is not unique for Norway. It is also the case in several other countries.

Local Public Transport on Express Coach Routes

For several reasons it seems reasonable to let local public transport be part of express coach services. The counties’ experiences are positive to a large extent. The counties with the most extensive use of funding to express coach routes are the most positive ones. They compromise with the operators, and argue that all actors gain from the coordination of local public and express coach transport.

When express coaches are free to use local stops, passengers may avoid change of transport, and time of departure is coordinated. Some counties also argue that local public transport becomes cheaper when coordinated with express coach routes. One county is of the opinion that if it could not coordinate its transport with express coach services, local public transport would be ten times more expensive to support. An advantage is also seen in the fact that some express coach routes would not have existed, if the operator had not achieved some economic support by the authorities.

Many places the express coach routes are the only public transport service on a distance. Where the population density is low, the Public Transport Authorities buy transportation of pupils, which is the only public transport service that a county has to provide by law. The service on some distances depends on public grants on parts of it. Through grants a route that commercially would only be operated from B to C is, for example extended to cover the distance between A and D, as illustrated below.

Figure S1: An extended express coach route

TØI-report 904/2007

However, the counties see a challenge in the coordination of planning. This is most crucial to the balance between journey time and the number of stops, detours to population centres and coordination with other express coach and local routes. Where express coach routes are not part of the local transport system, the Public Transport Authorities have limited information about public transport travellers due to lack of statistics. Other counties argue that because an express coach route already exists, local public transport is not prioritised in certain areas. Other challenges regard fares. Minimum fares on express coach routes treat long distance and local passengers unequally.

Social Importance

We have estimated the economic benefit of the express coach market by comparing today's express coach market with how passengers would have travelled in a situation where this service did not exist or was reduced. Our tool was the Norwegian Transport Model (NTM5) and the Regional Transport Model (RTM). Table S2 illustrates the results. In the modelling we used the following three hypothetical alternatives:

- Alternative A: Removal of all express coach routes with the brands Nor-Way Bus Express, the Hourly Express, the Low Price Express, and the Competitor
- Alternative B: Removal of routes on which operators cooperate
- Alternative C: The frequency of routes on which operators cooperate is reduced with 25 percent

Table S1: Annual effects of three alternatives with reduced express coach services compared to today's market

	Alternative A Removal of all express coach routes with the following brands: Nor-Way Bus Express, the Hourly Express, the Low Price Express, and the Competitor	**Alternative B** Removal of routes on which operators cooperate	**Alternative C** The frequency of routes on which operators cooperate is reduced with 25 percent
Change in number of long bus trips per day	Ca. 3200 which is 36 percent reduction* (between some counties the reduction is close to 80 percent)	Reduction of about 1000 trips/day	Reduction of about 300 trips/day
Change in number of short public transport trips per day	Reduction of about 14 000 (car use increases with almost 10.000 trips/day)	Reduction of about 6000	Reduction of about 1000
Annual reduction of produced bus-kilometres (short and long travels)	Ca. 50 millions	Ca. 20 millions	Ca. 4 millions
Yearly increase of kilometres driven by car (short and long travels)	Ca. 143 millions	Ca. 65 millions	Ca. 8 millions
Total welfare effect (2006 prices)	Welfare loss of NOK 1.5 billions	Welfare loss of NOK 427 millions	Welfare loss of NOK 61 millions

* The daily reduction of bus trips on long distances buses is less than expected in this alternative, as most of the express coach market (thus the long distance bus market) is removed. This is explained by the fact that the models create routes for passengers from destination to destination. The passengers may have to change buses more often. Another reason is that the models assume that passengers would choose different travel destinations, thus send passengers with buses to other destinations than where they would have travelled with today's service.

TØI-report 904/2007

If all the express coach routes were removed (alternative A), the net present value in 25 years is a welfare loss of 22.5 billions NOK based on the price level of 2006. To remove the routes on which operators cooperate, results in a loss of 6.3 billions NOK (alternative B). A reduction of their (routes on which operators cooperate) frequency results in a loss of 0.9 billions (alternative C). Compared to the current calculations of the Norwegian National Transport Plan (NTP) strategies, the benefit of the express coach market represents one-third of the benefits of the development of public transport construction in NTP.