Opening the intercity bus and coach market in Germany: challenges and opportunities

IRU Bus and Coach Workshop
Long Distance Bus and Coach Transport in Europe: (re) Discovering the wheel

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Brussels, 29 February 2012

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The opportunity of an emerging 200 mio. € market meets the challenges of timing and rail competition

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Summary

I. Currently the German Coach market is small within an industry with mostly small companies.

II. The liberalisation will open up opportunities from 200 mio. € to 1 bln € revenue potential, due to the rise of oil prices, the rail network bottlenecks and the competition of German railway companies.

III. However, Deutsche Bahn with its bus companies is already the market leader with a share of 40^+ %. Other competitors are amongst small start ups with excellent web marketing skills, strong regional coach service providers and various global player waiting for the entry signal.

IV. Competition will be fierce due to that unique opportunity and due to the already existing price level of coach and railway services. Capacity utilisation of 50% and more with fares around four to five euros per 100 km will provide a business challenge to grow profitable.

V. Coach services don´t require public funding and establish political alternatives to subsidised rail services. However, they will strengthen the public transport as a key to CO_2-efficiency in the transport sector.

VI. Besides the great market opportunities there are some challenges regarding timing in the liberalisation process and the strategies of Deutsche Bahn AG with its existing German wide activities both in rail and coach services.

VII. The market may provide an employment opportunity of 1.500 – 8.000 new jobs for drivers

Brief introduction: Verkehrs Innovations Partner

Background:

- Founded 2009 by former manager of Deutsche Bahn AG
- Consulting in the areas of rail, coach, associations and local authorities
- Strategic and political projects, analysis and expert, concept and trend studies
- Interim-CEO´s, Experienced team leader and project manager in the transport sector
- Contact Information www.vi-partner.de
  in Berlin, Frankfurt and Kiel

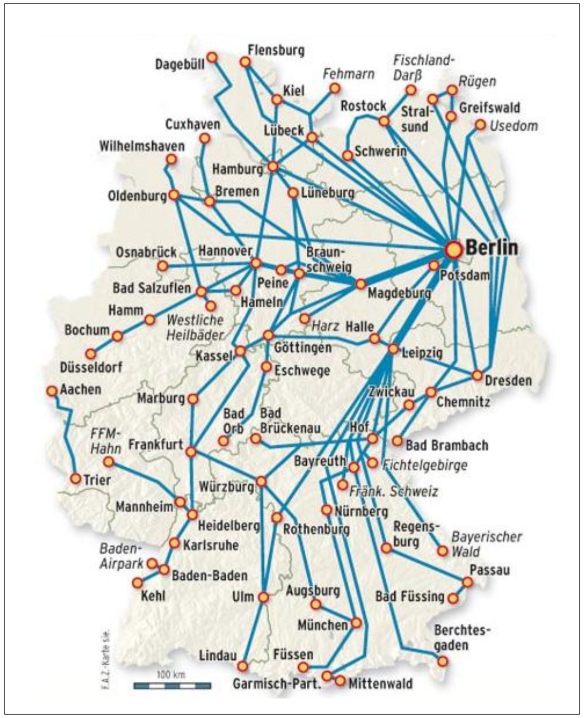
Special expertise:

- Founder and former Managing Director of startup Deutsche Bus GmbH, a web 2.0 – social shopping online charter bus company
- Business plans for market entry strategies into the coach market as well as for other areas (e.g. rail, dynamic ride sharing)
- Tender management, maintenance, rolling stock projects, energy cost management, energy price and CO2-Studies
- Political studies

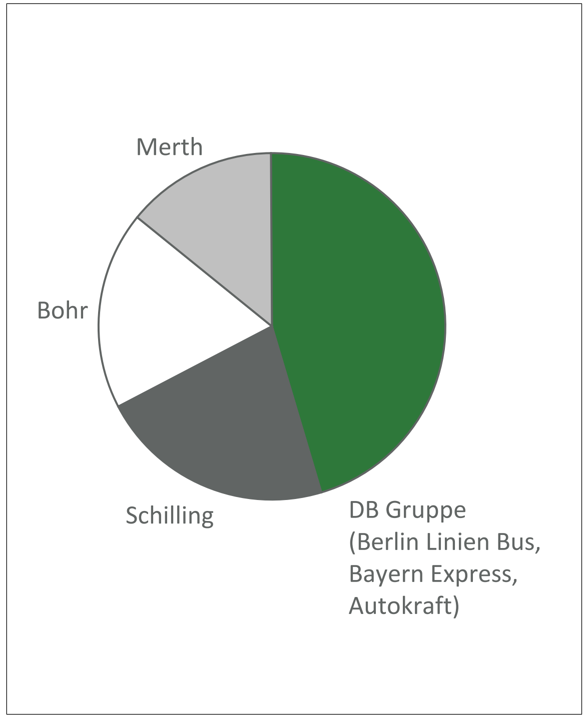
Only today a few long distance routes, four large providers and 30 to 70 M. € annual turnover

Overview of current long-distance coach market and forecast

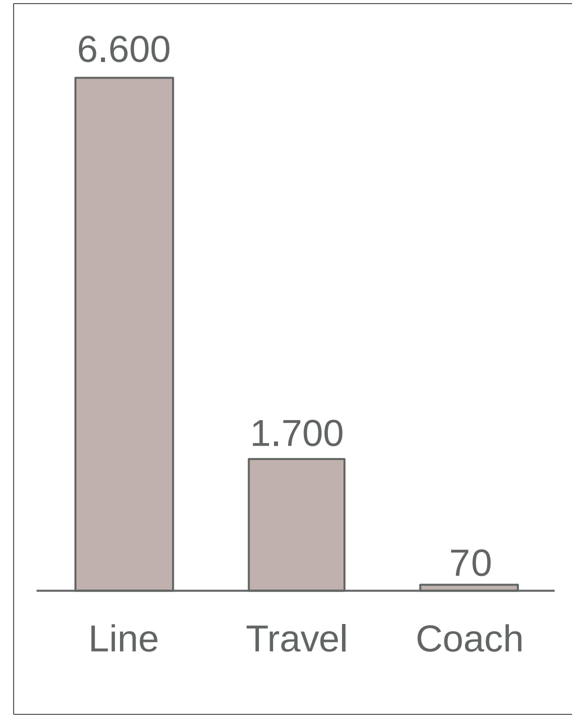
Network 2010



Competitors 2010



Revenue today [in Mio. € p.a.]



- Today's long-distance coach transportation dominated by services from/to Berlin and Ryanair Airports
- Decline in number of bus companies of 20%, 50% of all companies own less than 10 busses, only few companies (1,5% of all coach companies) are already active in this market, approx. 30 – 70 Mio. € turnover in 2010

Source: FAZ, own calculations, TU Dresden

1 bn Euro market volume in long term, 200 – 300 mio. Euro p.a. in short term more realistic

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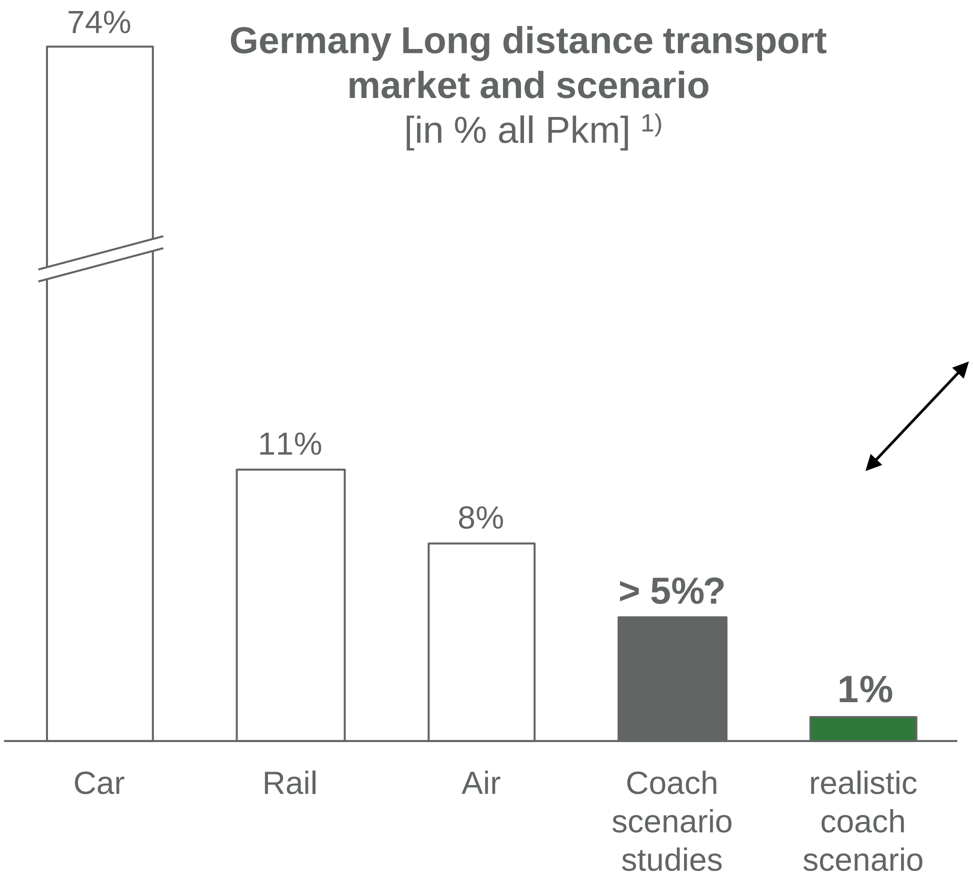
Long distance coach potential



- In comparison: 5% market volume in long term means more than 1 bn Euro p.a. (high price energy scenario)
- Realistic volume in mid term of about 200 – 300 mio. Euro p.a.
- Market liberalisation has been "hyped" by the media
- A few startups and some other companies try to establish
- Liberalisation process takes more time than political parties wish
- With 25% labour cost that equals 1.500 to 8.000 new jobs for drivers

Source: 1) INVERMO (2005) für die Ist-Anteile; 5% = Minimum-Wert der Potenzialstudie der TU Dresden; vi-partner mit folgenden Annahmen: Jahreslaufleistung bei 200.000 km je Bus, Ansatz von 50er und 78er Bussen mit jeweils 50% bzw. 70% Auslastung; Fz-Preis zwischen 300 – 400 T€; 300 Mrd. Pkm Gesamtmarkt; 25 Fahrgäste pro Bus; 300 km durchschnittliche Strecke; 7 € pro Halt

Three types of competitors will compete:
Quick concentration on a few dominant players expected

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Overview competitor types

Small medium sized enterprise	National corporations	Global Player
▪ Single line operators ▪ Public transport providers ▪ Normally, largely represented at regional-airports such as Frankfurt Hahn, Weeze, Bremen etc. ▪ No German widespread prevalence or cooperation ▪ Many web-startups	▪ Established market presence German wide ▪ Already operating national or international lines ▪ Far more than 500 coaches in operation	▪ Extensive long-distance coach experience in other countries ▪ Often the market leader in some of these countries ▪ Large financial power

Source: analysis by vi-partner

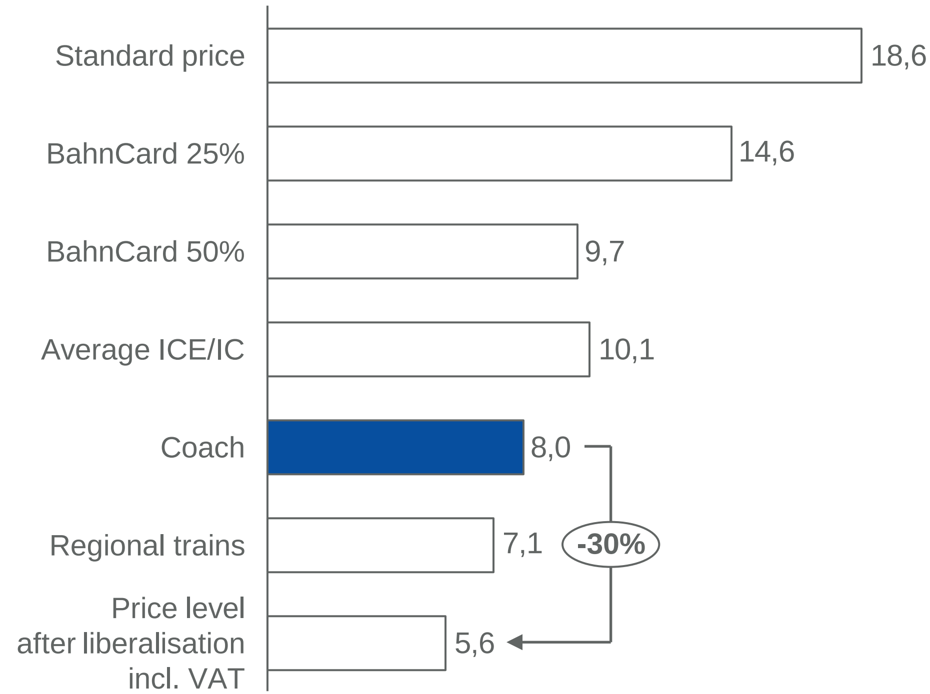
Deutsche Bahn AG has a very good rail network, low average rail prices und will defend its monopol

Competitor Deutsche Bahn AG

Long distance rail services

Fares Rail and Coach

[cent/pkm] [1]



1) Auswertung Hannover – Frankfurt mit ICE und verschiedenen Rabattstufen; Preis Fernbus gem. Analysen Uni Köln, Durchschnitt ICE/IC als Division Umsatz / Verkehrsleistung gem. Geschäftsbereich DB Fernverkehr AG 2009

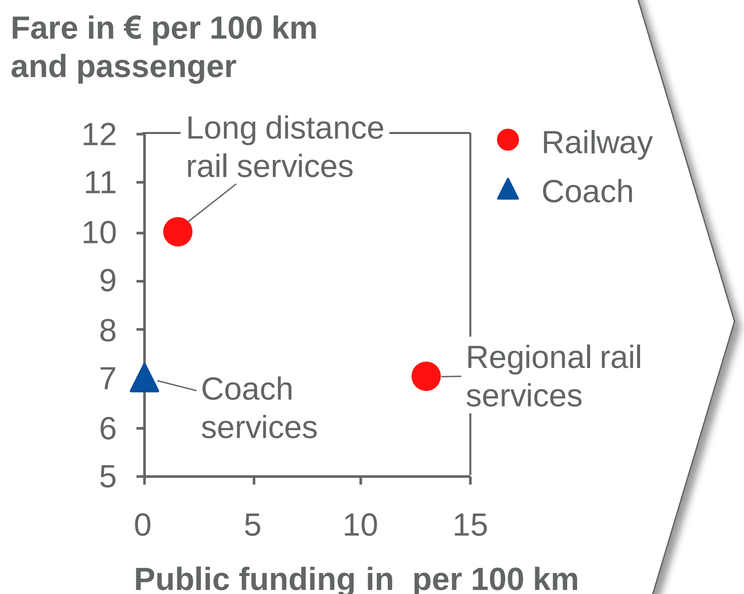
2) UBA, bdo, eigene Berechnungen (Reisebus mit 30 l Sprit auf 100 km und 50 Sitzplätzen)

Source: Deutsche Bahn / vi-partner

Coach services don´t require public funding and establish political alternatives to subsidised rail services. However, they will strengthen the public transport

Financial requirements of public funding of public transport vs. Fares per 100 pkm[1]

Fares and Public funding



Coach services

- Are financed by 100 % by users
- Will increase the share of people not possessing an own car
- Thus, will increase the share of people dependent on public transport services
- Will strengthen public transport
- Will establish a real political alternative to highly subsidized , low utilized und fuel-unefficient local rail services

1) Daten aus den Geschäftsberichten der Deutsche Bahn – Gruppe; Preisniveau Fernbus gem. ADAC
2) 0,5 Mrd. € Finanzierungsanteil Schieneninfrastruktur rein für Fernverkehrsprojekte im hohen Geschwindigkeitsbereich

The liberalisation will open up very interesting opportunities in the German coach market

Discussion of opportunities and risks

Opportunities	Challenges
▪ Approx. 1 bn € turnover potential in the liberalized German market in the long term (high energy price scenario)	▪ Time delays of the process of the liberalization make timing difficult, in respect to procurement decisions, etc
▪ Rising energy prices and current and future rail bottlenecks will increase the coach market attractiveness further	▪ The right timing between current legislation and risking the first mover risk
▪ A German wide coach business is an excellent market entry strategy into the long distance railway market	▪ German Railways lobby-dominance and - to a certain degree - the rail orientation of the regional transport politics endangers far-reaching liberalisation
▪ Due the limited funds coach services might replace regional rail services financed by the public	▪ Current activities and current market share of over 40% provide Deutsche Bahn AG with a very strong starting position






Vielen Dank für Ihre Aufmerksamkeit!

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Thanks for your attention!

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