



## Talking point

### Time to boost efficiency in passenger transport across Germany

June 22, 2010

**Scheduled coach operations claim a marginal share of the transport market in Germany. The reason is an anachronistic regulation that virtually prohibits long-distance coach service. Travelling by coach is an attractive alternative to other means of scheduled transport, though. Now change is afoot, for the coalition agreement between Germany's ruling parties states that passengers will soon be able to decide for themselves on the mode of transport they wish to use.**

Not many regulations enjoy such undying support that they are still valid more over 70 years after their adoption. Yet the monopoly on long-distance passenger traffic in Germany lives on as a relic of the overland transport regulations of 1931. Its advocates are found not only among the providers of rail transport services, but also among those companies that were able to start operations in the coach business despite the passenger transport law. According to this law, a licence for scheduled coach operations is to be denied if the route is already being served by other means of transport or other companies and if no major improvement in service is to be expected.

But should this regulation still apply to scheduled coach operations in this day and age? Are generally cheaper prices, environmental benefits and flexibility of coach service not convincing enough arguments on their own to end government paternalism in the choice of mode of transport? Change is afoot, for the current government has taken up the cause, pledging with clear and precise wording in its coalition agreement that it shall permit scheduled coach operations and, to this end, amend section 13 of the passenger transport law (PBefG).

#### Status quo

At present, the few licensed operators offering scheduled coach services in Germany serve about 50 routes and have a market share of only 0.1% of total passenger traffic in Germany. The coach network is mainly concentrated on trips to and from Berlin, since Berlin obtained special status on account of the country's postwar division. By contrast, there are no scheduled coach connections directly linking many of west Germany's major cities, the reason being the legal regulation.

#### Opportunities in scheduled coach travel

The current market constraints keep the potential of this means of transport from being tapped, though various factors do argue in favour of coach travel within Germany:

- First, the deregulation of scheduled coach operations will increase the freedom of choice for customers, who would be given a further option for long-distance travel in Germany besides car, train or airplane. A greater number of coach operators will also lead to a more tightly meshed transport network and improved mobility for users of long-distance transport.
- A German transport expert, Professor Christian von Hirschhausen, says recent surveys suggest that today's car drivers are likely to be among the most important new customers for scheduled coach operations. Experience from abroad also backs up this opinion. Switching from car to coach would help relieve pressures on road infrastructure, and there might be fewer traffic jams as a result. A look at average utilisation levels indicates that one coach supplants 30 cars on the road.
- Furthermore, liberalising the scheduled coach market would be a step towards resource-saving mobility. Reason: coach transport boasts a convincing environmental record even with a load factor of only 40% and clearly outstrips the train, car or airplane in any comparison. Tests conducted by Germany's Federal Environment Agency also confirm that the coach is the most environmentally friendly motorised means of transport.
- Cheap fares are a further argument clearly in favour of taking the coach. The normal fares of existing scheduled operators are already far lower than those of the rail operators. Scheduled coach operators can undercut even the budget fares offered by the rail operators with specials of their own. The liberalisation of scheduled coach operations will drive down fares by intensifying competition and this will induce additional demand.

- This gain in efficiency holds not only for the stiffer competition among scheduled coach operators (intramodal competition), but also and especially for competition between the different types of transport (intermodal competition). A special opinion report prepared for Germany's monopoly commission also calls for the abolition of protection for the railways and the few existing private coach operators. The opening of the market would eliminate inefficient market structures and take better account of customer preferences. When low-cost air carriers were allowed to enter the market, their presence visibly increased fare pressures on the established carriers.

### Opinions to the contrary

Opponents of market liberalisation contend that customers have no interest in (further) scheduled coach operations. They say that rail transport has become firmly established and that it has much greater appeal than travelling by coach. If this were true and there were no demand for alternatives, there would not be any need to continue restricting market access either. According to the coach operators' association, however, many passengers are increasingly opting for the cheaper alternative of coach service even though journeys may take nearly twice as long. In spite of the existing rail connections there is obviously sufficient interest in scheduled coach services. The route where demand is highest at present is Berlin-Hamburg, which itself is offered twelve times daily and is used annually by 370,000 passengers. The coach lines between Berlin and east German cities are also much in demand. In comparison with the 340,000 long-distance passengers travelling daily with Deutsche Bahn, the volume of scheduled coach transport is (still) minor. Surveys indicate, however, that interest in coach service as an alternative means of long-distance passenger transport is set to jump after market deregulation. Experts at the Technical University of Dresden estimate that scheduled coach operations can seize a market share of up to 5% of passenger traffic on routes of up to 300 km.

One further argument cited for upholding the railways' monopoly position is that transport involves a public service obligation. Ensuring connections to and from peripheral regions is not a reason, though, for shielding railway transport from competition. According to transport scientist Sven Maertens, coaches can offer cheaper service – secured if necessary by public tender – on loss-making routes.

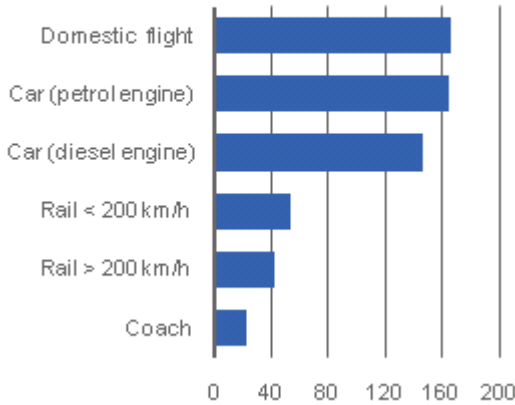
Would liberalisation of scheduled coach operations mean the end of railway transport? Not by a long shot! Well-heeled business customers will rarely tend to switch to coach transport. They mainly value the speed of the connection, and rail transport will in most cases continue to hold the lead on this score even after scheduled coach operations are deregulated. Experience from abroad shows that any cut-throat competition is directed not so much at rail transport as at motorised individuals. Travelling by coach is mainly of interest to price-sensitive young people, the jobless and seniors, for whom the journey time is of secondary importance.

### Conclusion

Scheduled coach travel has sizeable potential in Germany to raise the efficiency of passenger transport. Reasons: the increasing environmental mindset of passengers, rising fuel prices, the unbroken great desire for mobility and, above all, the cheap fares to be had in this segment. The current regulation is an anachronism of regulatory policy, since price reductions and efficiency boosts in scheduled rail and coach operations are worth striving for from an economic standpoint. A move to confine the licensing process for coach operators to the clarification of operational safety aspects is thus to be welcomed!

**Coach emits least carbon dioxide...**

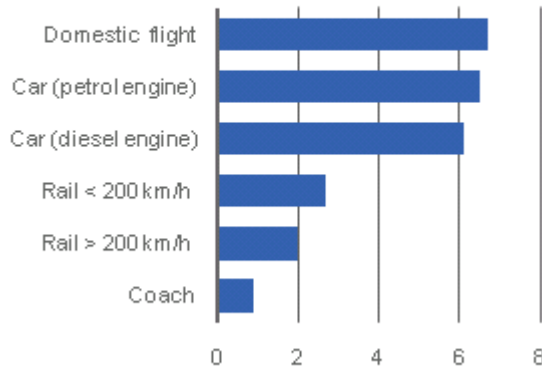
g of CO<sub>2</sub>equiv. per person-kilometre, av. load



Source: IFEU 2009

**...and consumes less than half as much primary energy**

Diesel equiv. per 100 person-kilometres, av. load



Source: IFEU 2009

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