

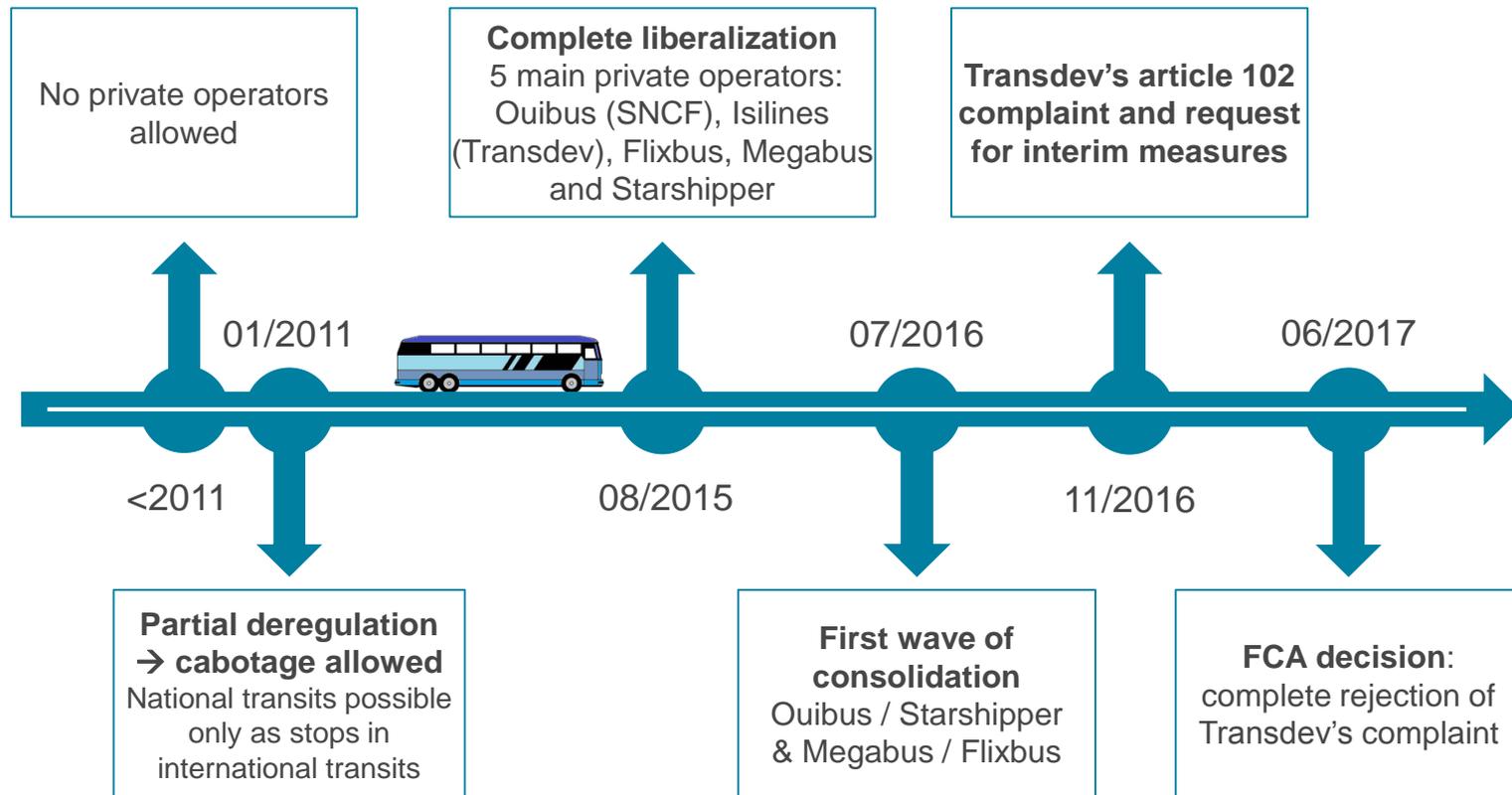
## ACE – TRANSDEV / OUIBUS

Predation by a regulated monopoly in an adjacent  
and newly deregulated market

15 November 2018

# The French intercity coach transport market

## *A brief timeline*

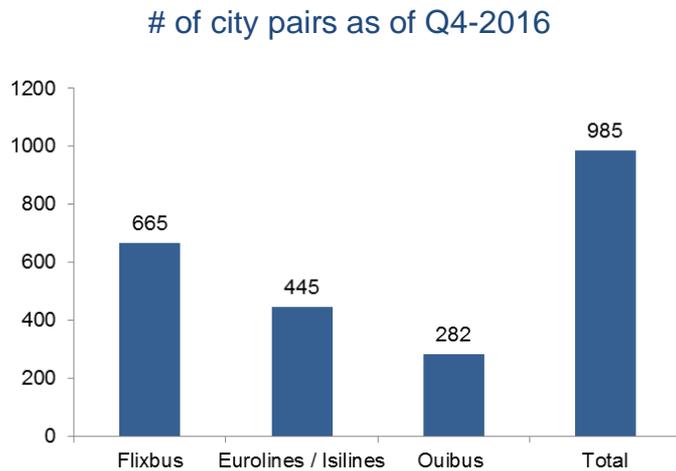


# The French intercity coach transport market

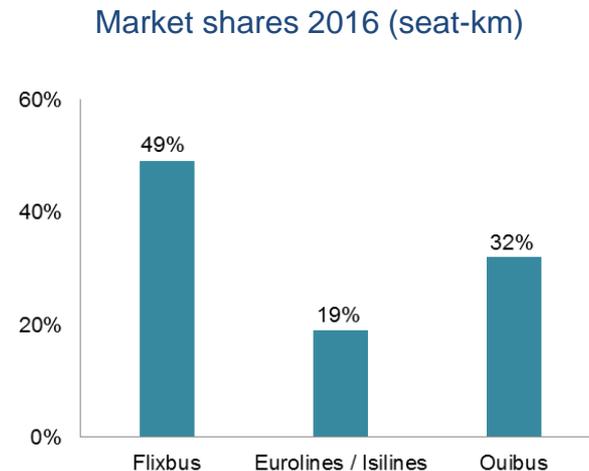
## Market overview

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At the time of the complaint Flixbus was already the market leader:



Source: ARAFER



Source: ARAFER

Therefore Ouibus was not dominant on the French intercity coach transport market

However the SNCF, Ouibus parent company, had a monopoly on the rail passenger transport market

# Transdev's complaint

## *The alleged practices*

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Transdev accused SNCF of abusing its dominant position in the rail passenger transport and alleged several practices that supposedly stifled competition in the intercity coach transport market :

- Aggressive pricing → lowest prices of the market
- Capacity predation → pre-emptive strategy
- Price predation → prices at least in grey area
  
- Coupling of train and coach offer → student offer
- Brand confusion → use of SNCF's brand on buses

According to Transdev, the cross-subsidy was “massive and abnormal” and the break-even point way too far in time for a rational investor

# Transdev's complaint

## *Aggressive pricing*

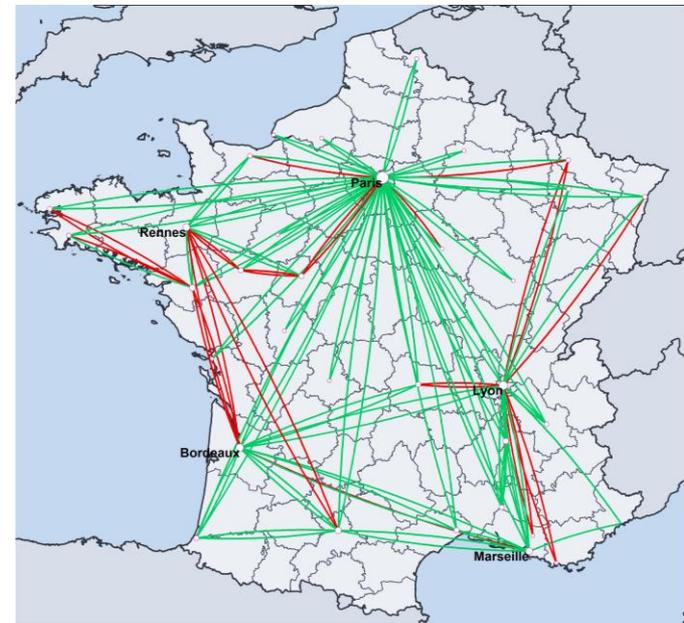
According to Transdev, Ouibus was imposing a price war on its competitors, drawing them into a spiral of losses

But:

- Flixbus was most often the price-setter in the market
- Ouibus sets its prices using yield management
  - and the vast majority of demand builds up starting from 10 days from departure date
- Bus prices for a given route were comparable
  - Transdev prices were for most of the city pairs below those of Ouibus (cf. Figure)
- Ouibus' promotions were rare and negligible

Ouibus was not cheaper than Transdev

Comparison of Ouibus and Transdev prices



■ Ouibus more expensive ■ Ouibus less expensive

Source: Ouibus and Transdev internet sales sites. Computations: Mapp.

Remark: The main city pairs (in terms of turnover) in which both Transdev and Ouibus are present are represented above.

# Transdev's complaint

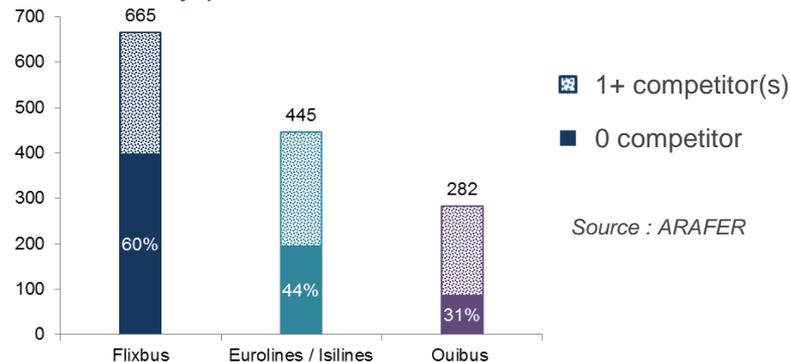
## Capacity predation 1/2

According to Transdev, Ouibus had set up a number of lines and frequencies significantly greater than those offered by the competition

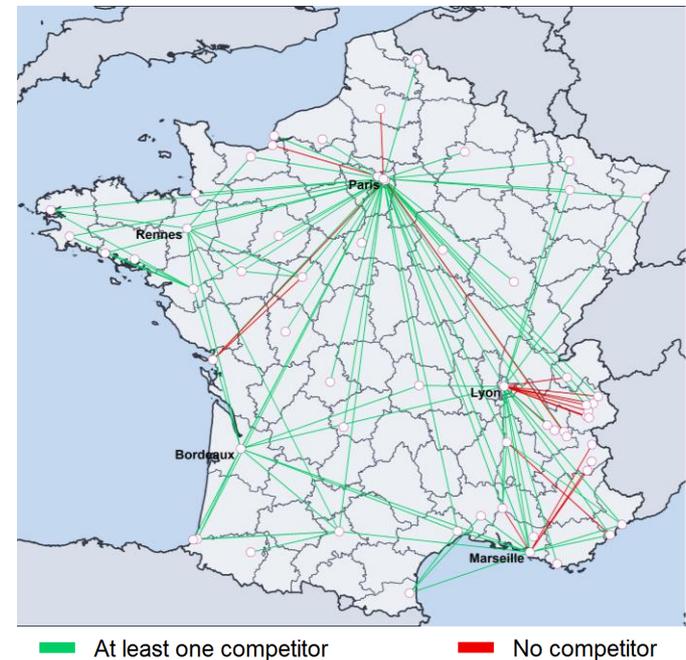
But the majority of Ouibus' lines were exploited by other operators as well:

- Demand very concentrated on city-pairs served by more than 1 operator
  - 2 or more operators city-pairs (30% of total) correspond to nearly 90% of total demand
- Majority of Ouibus' main lines offered by other operators too

Number of city-pairs and % of exclusive ones - Q4 2016



Competition on Ouibus' lines



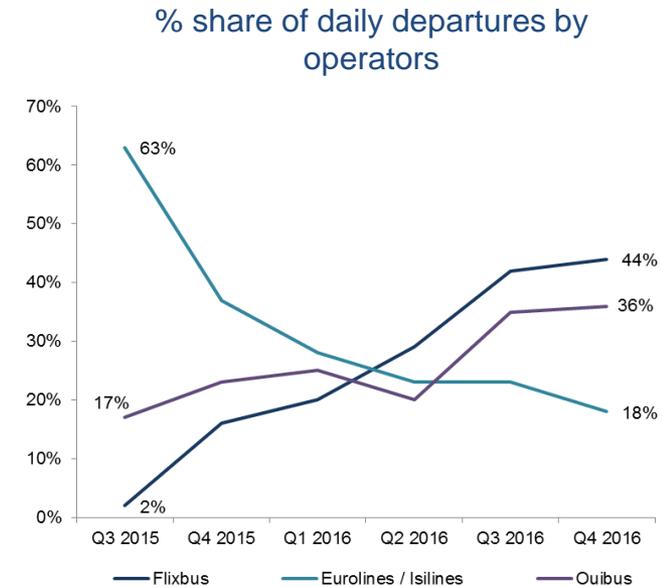
Source: Operators internet sites. Computations: Mapp.

# Transdev's complaint

## Capacity predation 2/2

Moreover:

- In an emerging market, it is normal behavior for operators to open and close lines: discovery and learning of demand characteristics
  - Ouibus increased frequencies at the same rate than all the market
  - Ouibus closed some of its lines over time when the demand was not as high as expected
- Ouibus' occupation rate was greater than the average (ARAFER)
- Starting with a large network is an asset as strong network effects are very likely and minimum scale is required (Flixbus)



Source: ARAFER T4 2016.

No singular behavior of Ouibus in terms of frequency, size or network evolution choices

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