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COMPETITION COMMITTEE**

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Working Party No. 2 on Competition and Regulation

INNOVATIONS AND COMPETITION IN LAND TRANSPORT

-- Note by the United States --

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More documents related to this discussion can be found at: <http://www.oecd.org/daf/competition/competitionand-innovation-in-land-transport.htm>

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-- UNITED STATES --

1. This submission summarizes some recent developments in the United States land transport market relating to inter-city bus travel and urban mass transportation services.

1. Inter-city bus travel

2. Inter-city bus travel in the United States has expanded in recent years in response to the growing demand for low-cost travel alternatives to airline and rail travel, and has been affected at times by high gasoline prices. According to the US Department of Transportation, inter-city bus companies served approximately 61 million riders in 2015, an increase of 22% since 2010.¹ This growth has been largely driven by two factors. First, the recession of 2008 prompted many Americans to seek lower priced travel alternatives instead of driving between cities themselves and flying. From 2002-2006, ridership on inter-city bus services dropped by 8%, but between 2006 and 2010 it increased by 7% annually.² Second, new entry into the inter-city bus market not only generated price competition, but also spurred innovation around non-price dimensions of competition that made bus travel more appealing to consumers.³

3. Megabus, a subsidiary of the UK-based Stagecoach Group, entered the US inter-city bus market in 2006, opening its first hub in Chicago. It quickly expanded its operations, adding hubs in New York in 2008, Atlanta and Pittsburgh in 2011, California and Texas in 2012, and Florida in 2014.⁴ Megabus not only charged competitive prices compared to other forms of transportation (including promotional one-dollar fares), but also offered bus riders attractive new services, including online ticket purchases and onboard Wi-Fi. It was also one of the first major carriers to offer curbside pick-up at convenient locations in all of its locations, rather than just at central bus stations.⁵ In 2015, Megabus partnered with Google Maps to incorporate its routes and schedules into online map searches.⁶

¹ United States Department of Transportation. “Table 2-9 Motorcoach Carriers Coaches, Passenger-Miles, and Trips: 2010-2014.” *Passenger Travel Facts and Figures 2016*, Sep. 9, 2016, available at http://www.rita.dot.gov/bts/publications/passenger_travel_2016/tables/table2_9.

² “Tartan Tyres.” *The Economist*, Sep. 7, 2013, available at <http://www.economist.com/news/britain/21585035-how-one-british-company-helped-persuade-americans-ride-buses-again-tartan-tyres?zid=303&ah=27090cf03414b8c5065d64ed0dad813d>.

³ *Id.*

⁴ Chaddick Institute for Metropolitan Development at Depaul University. “*The Remaking of the Motor Coach: 2015 Year in Review of Intercity Bus Service in United States*,” 2016, available at <http://las.depaul.edu/centers-and-institutes/chaddick-institute-for-metropolitan-development/research-and-publications/Pages/default.aspx>.

⁵ *Supra* note 2.

⁶ *Id.*

4. Greyhound, the largest US carrier by number of routes, responded to this new competition by investing heavily to improve its on-board experience and offer expanded route offerings. For example, in 2014, Greyhound began advertising Wi-Fi and power outlets as standard amenities on its coaches. In 2015, it launched an integrated online platform called OnTouch, which allows riders to purchase tickets to events and to locate ground transportation at their final destinations. It also introduced “BusTracker” service, a real-time GPS-application that allows riders to track their trip’s progress from their mobile smartphones. BoltBus, a subsidiary of Greyhound, has integrated Uber into its Apple iOS and Android smartphone applications, allowing riders to summon cars upon arrival.⁷

5. Both Megabus and Greyhound partnered with Parking Panda, a parking reservation application that allows users to find, compare, reserve, and pay for guaranteed parking spots within walking distance of bus terminals.⁸

6. Smaller, privately-owned carriers – including GoBus, Peter Pan, and Jefferson Lines – have followed suit and invested in rider-friendly technology, such as smartphone apps and tracking services for riders.⁹

7. After that rapid growth in the bus industry, ridership flattened between 2014 and 2015, as lower fuel prices decreased the cost of driving from one city to another and again made it more attractive for consumers to drive themselves. Moreover, after a period when Megabus, Greyhound, and other carriers rapidly expanded into new territories over the past several years, new entry and expansion have since slowed.¹⁰

2. Booking Apps

8. The expansion of inter-city bus service has helped to create a supplementary market for travel websites that allow consumers to search and compare inter-city bus fares and other travel options. Wanderu (founded 2012) and Busbud (founded 2011), the two leading bus ticket aggregator websites, function much as Orbitz or Expedia do for airlines, allowing customers to search for and compare bus fares across multiple companies and then purchase the best fare. These services include filters that allow customers to sort tickets by price, schedule, and other features.

9. Wanderu, which aggregates information on the offerings of approximately 50 bus carriers as well as Amtrak train service, tripled its sale of bus and rail tickets in 2015 from the previous year.¹¹ It has invested in a user-friendly website platform that allows customers to compare the fares of different bus carriers with the cost of a rail fare for the same route. Wanderu also launched an app in 2015 that allows users to purchase bus and rail tickets from their mobile phones.

10. Busbud, Wanderu’s largest competitor, focuses heavily on international tourists. The website supports 9 different languages and sells tickets in 90 different countries. In 2014, the Montreal-based site received \$9 million in funding from several venture capital firms to improve its online experience and add new territories to its coverage.¹² Between 2014 and 2015, it reached agreements to provide booking services for Greyhound, GoBus, and Peter Pan.

⁷ Id.

⁸ Supra note 4.

⁹ Id.

¹⁰ Id.

¹¹ Id.

¹² Kolodny, Lora. “Busbud Raises \$9 Million as Popularity of Intercity Bus Travel Increases.” Wall Street Journal, Jul. 9, 2014, available at <http://blogs.wsj.com/venturecapital/2014/07/09/busbud-raises-9-million-as-popularity-of-intercity-bus-travel-increases/>.

11. Though these booking sites are in a relatively nascent stage of development, the success of similar online travel aggregators and the continued success of the inter-city bus industry are good indicators of their economic potential.

3. New forms of urban mass transportation services

12. Smartphone-based applications such as Uber, Lyft, Sidecar, and Hailo have transformed passenger motor vehicle transportation services in the United States.¹³ Some city administrations have begun to test different ways to use such technologies to achieve their mass transportation goals.

13. For example, in February 2016, the Transport Administration of Pinellas Park, Florida, launched its Direct Connect initiative, a private-public partnership aiming to replace bus services¹⁴ in certain under-served areas of the city with subsidized Uber or Taxi rides.¹⁵ Similarly, the City of Centennial, Colorado recently initiated a pilot program called Go Centennial that offers free Lyft rides for people traveling to or from the Dry Creek Light Rail Station.¹⁶ In addition, the City of Summit, New Jersey reached an agreement under which Uber will conduct a pilot program designed to offer low-cost rides to or from the train station, aiming to solve a parking problem at the station.¹⁷

14. On a larger scale, in Kansas City, Missouri, the City Transport Administration, Ford, and Bridj, a transport technology company, have teamed up to offer a new application-based public bus service for Kansas City residents. Bridj provides the algorithms and technology, Ford is the exclusive supplier of multi-passenger vehicles (which include free Wi-Fi onboard), and the city administration is in charge of funding the project. This new service enables consumers to request a ride from their phones, avoid transfers, and identify the best pick-up spot; it also helps the driver to calculate the fastest route with the minimum number of stops possible.¹⁸

15. All the above initiatives are at early stages of implementation and it is too soon to assess their impact on competition and public transport services. They do, however, represent examples of the potential development and use of private technology-enabled solutions to provide improved public transport services.

¹³ Note by United States, OECD, *Hearing On Disruptive Innovation*, Jun. 19, 2015, available at https://www.ftc.gov/system/files/attachments/us-submissions-oecd-other-international-competition-fora/1507disruptive_innovation_us.pdf.

¹⁴ Joshua Brustein, *Uber and Lyft Want to Replace Public Buses*, Bloomberg Technology, Aug. 15, 2016, available at <https://www.bloomberg.com/news/articles/2016-08-15/uber-and-lyft-want-to-replace-public-buses>.

¹⁵ See <http://www.psta.net/directconnect/index.php>.

¹⁶ See <http://go.centennialco.gov/>.

¹⁷ See <https://www.cityofsummit.org/CivicSend/ViewMessage/message?id=25285>.

¹⁸ Bridj has operations in Washington, DC and Boston. Nevertheless, Kansas City is the first city to implement the service as a public-private collaboration program. See <http://www.bridj.com/blog/>.