

**Summary:**

# The Norwegian Bus Industry - Developments in company structures, positioning and ownership

The Norwegian bus industry has experienced a period of strong structural change during the 1990s. As a result of company acquisitions and new strategic alliances, the number of bus companies has been reduced from around 200 in 1990 to 105 in 1998. The number of strategic units and groups has been reduced from 200 to 82 during the same period. Three of these groups now control about 47 per cent of the bus fleet and represent 57 per cent of total passenger kilometers. In 12 of 18 counties, one or two companies dominate the market by having a market share of at least 80 per cent. In addition, three counties are dominated by three companies.

The trend towards fewer and larger company units and groups can be explained by the expected emergence of competitive tendering arrangements, and cost-cutting schemes initiated by county councils.

## *Major bus companies and groups*

|                                | Turnover<br>Thousand NOK<br>1997 | Veichle kms<br>Thousand<br>1997 | Bus<br>fleet<br>(units) |
|--------------------------------|----------------------------------|---------------------------------|-------------------------|
| NSB Biltrafikk (bus division)  | 925 000                          | N/A                             | 1435                    |
| Norgesbuss-gruppen             | 1 876 000                        | 85 049                          | 1753                    |
| Norbuss                        | N/A                              | N/A                             | 950                     |
| Bus Team (approx.)             | 900 000                          | 43 000                          | 900                     |
| Schøyen-gruppen (bus division) | 352 400                          | 17 009                          | 400                     |

The five major companies have chosen significantly differing strategic approaches. We have identified three separate strategic elements:

- Competitor acquisition
- Company group model (parent company + subsidiaries)
- Alliance formation

Each company has chosen a distinct combination of these elements.

Norgesbuss AS and the government-controlled NSB Biltrafikk AS have pursued the most aggressive acquisition strategies. NSB Biltrafikk is a parent company for a number of local units and companies. Norgesbuss is a network company serving several independent bus operators, as well as a parent company for several large subsidiaries.

Bus Team AS and Norbuss AS are alliances set up by independent companies. Bus Team is a network company serving five large urban transport companies outside Oslo. Norbuss is a network company for a number of rural operators, but has also purchased a smaller operator.

Schøyen-gruppen is based in the Oslo area and specializes in larger-scale urban bus transport. Schøyen has set up the international company Concordia Bus BV together with the UK based National Express Group.

These five companies or groups have a total market share of 77 per cent. Several other bus companies may make significant strategic moves due to sustained cost pressure.

Apart from the Swedish-French operator Linjebuss AB, there is an absence of non-Norwegian companies in the domestic market.

The main incentive for restructuring towards larger company units is the possibility to reap advantages of scale. The advantage of volume discounts in purchasing agreements is an incentive for alliance formation, but not necessarily for mergers and acquisitions. Scale advantages related to administrative functions and route networks are incentives for acquisitions and parent/subsidiary structures. Differing wage agreements may in some cases have been an incentive for acquisitions.

Economies of scale can be divided into two levels: the strategic level and the operative level. The strategic level is related to elements such as marketing, negotiation skills, financing and purchasing agreements, accounting and information systems. The operative level is related to the local operation of buses. The operative economies of scale are usually limited.

To integrate and manage these levels of economies of scale, larger groups tend to retain smaller, acquired companies as local profit centres to obtain an optimal mix of strategic and operative advantages.

The rapid structural changes in the Norwegian bus industry have made strategic planning skills an important competitive asset. However, the Norwegian market for bus transport cannot necessarily be described as deregulated, due to the strong presence of government controlled companies and active transport planning authorities on a county council level. In addition, there are oligopolistic tendencies among the private companies as a result of business concentration. It is too early to conclude whether the possible economic advantages of restructuring will be gained by the companies or by the government.