

The trends shaping our business

Capitalising on opportunities

Here we give an overview on how the megatrends are shaping demand for travel and public transport and the opportunities ahead.

Economic environment

The propensity to travel is generally affected by levels of economic activity, as represented by GDP growth. Although levels of transportation and mobility remain relatively stable through the economic cycle, periods of GDP growth generate additional volume demand and pricing benefit.

Opportunity

North America is showing relatively stable growth, whilst the Spanish economy appears to be strengthening, with demand for public transport likely to improve as the economy grows and employment levels rise.

Deregulation, liberalisation and outsourcing

Our markets are created when state provision of public transport is transferred to the private sector. There are different models for this, with examples ranging from the deregulated markets of our UK Bus and UK Coach divisions, through the concessions and franchises of Spain, Morocco and Rail, to the School Bus and Transit contracts of North America.

This is supported by a trend towards market liberalisation, such as European Union directives focused on opening up rail networks. Cost saving is increasingly a factor too, through recognition of the superior efficiency of privately operated services.

Opportunity

The current size of the European public transport market is estimated to be approximately €150 billion*. Liberalisation of the German and Spanish rail markets present opportunities for growth. (* OECD data.)

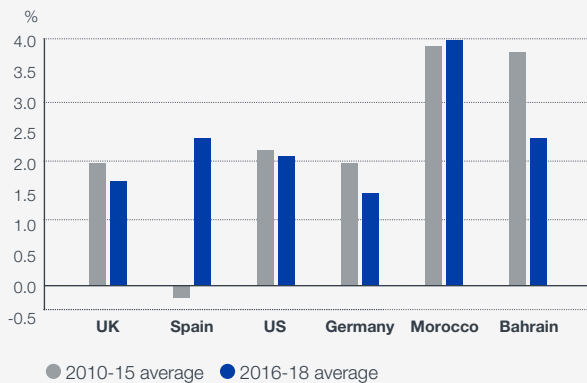
Urbanisation and demographic changes

Our services benefit from increasing urbanisation around the world, in particular driving demand for bus operations. Existing towns and cities are expanding, in addition to the creation of new centres of population. In 2014, 54% of the world's population lived in urban centres and this is projected to grow to 66% by 2050, whilst 73% of the population in Europe and 82% of the population in North America already live in urban centres. These trends are driving the requirement for additional transportation services, both within and between locations, so our UK Bus, UK Coach and Rail operations are increasingly in demand. In addition, population growth in the UK, Europe and North America will drive further demand for public transport services.

Opportunity

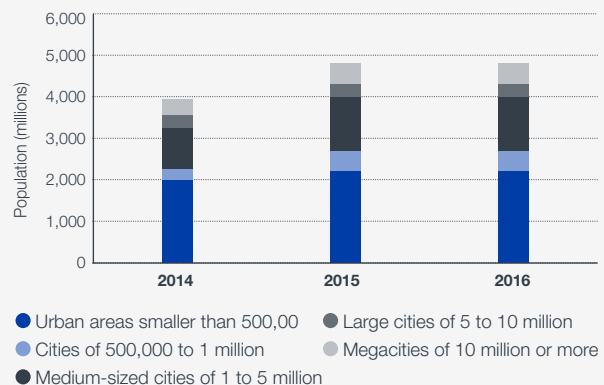
UK population growth is forecast to grow by 7% over the next decade driving the need for further public transport services, whilst the combination of an ageing and increasingly social and ethnically diverse population will drive the need for new products and services to meet changing customer needs.

Average GDP growth



Source: IMF

Global urban population growth is propelled by the growth of cities of all sizes



Source: United Nations – World Urbanisation Prospects 2014



Modal shift

Modal shift is the move by individuals from one form of transport to another. For National Express, the relevant move is from the private car to bus, coach and rail travel. The biggest reason for this is an increase in the cost of motoring, such as higher fuel prices and cost of insurance, and the increasing use of mobile devices, such as tablets and smartphones, while travelling, although other factors such as environmental concerns and congestion can also be important.

Geopolitical and demographic changes in the Middle East are increasing demand for affordable, safe public transport in the region.

Opportunity

New low-price entrants into the market over the last few years, such as Uber and BlaBlaCar, are resulting in fewer licences and lower car ownership amongst millennials, with demand for public transport and coaches likely to increase over time.

Environment and congestion

Environmental concerns continue to have an influence on customer behaviour. Bus, coach and rail services are significantly more environmentally friendly forms of transport than the private car or air travel, reducing both the level of carbon emissions per person travelling and travel congestion. Society as a whole and individuals are becoming increasingly concerned about the effect of emissions on the environment and are explicitly choosing public transport as an alternative.

Opportunity

Improved access to city centre locations, such as priority bus lanes, for environmentally friendly transport and lower congestion.

Technology

Technology and innovation are playing their part, with travel apps providing real-time information as well as customised targeted offers helping to generate incremental demand for journeys on public transport. Digital platforms are increasingly providing customers with end to end journey planning and ticketing tools are delivering greater convenience for passengers, with innovations such as contactless payment and Automatic Delay Repayment.

Opportunity

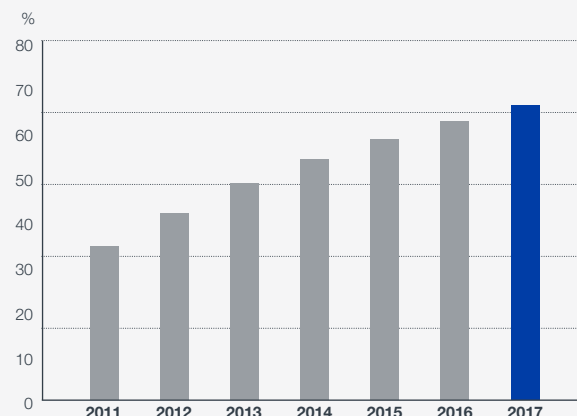
The proliferation of real-time travel information and mobile devices improves the customer experience making public transport increasingly more attractive compared with the car, whilst the introduction of smartcards and contactless payment not only provides greater convenience for customers but help to build stronger customer relationships.

Average speed during peak travel times on urban roads (in England in year to June 2016)



Source: DfT

Smartphone usage in the UK



Source: Statista 2016