U.S. Department
of Transportation

Study of
Intercity Bus Service

Report of the Department of Transportation
to the United States Congress
Pursuant to House Report 108-671 (2004)

July 2005

EXECUTIVE SUMMARY

House Report 108-671 (2004) accompanying the Department of Transportation (DOT) Appropriations bill for fiscal year 2005 requested that the DOT study the problem of declining intercity bus service, especially in rural America, and make policy recommendations about how this problem could be addressed by the Congress. The Conference Report accompanying the DOT Appropriations bill for fiscal year 2005, House Report 108-792 (2004), reiterated the request for the study. This report is in response to these requests. As the multi-decade trend towards increased use of autos and commercial airlines to make long distance trips continues, the goal of ensuring the mobility of rural residents in the face of declining intercity bus service must reflect broad public policy goals of program efficiency and cost-effectiveness. There are a number of such options available to preserve the mobility of rural residents.

The catalyst for congressional action was cutbacks initiated by Greyhound Lines, the Nation's largest intercity bus carrier, in August 2004. Part of a multi-phased route and service restructuring, Greyhound's August cutback focused on 13 States in the upper Great Plains and Northwestern United States. Approximately ten routes and 245 of Greyhound's 2,500 U.S. service points were eliminated. Greyhound has indicated that some vehicles and drivers have been reallocated to higher density areas of their network which could result in service increases in those areas. Several regional bus carriers have replaced some of the service that Greyhound abandoned. However, preliminary estimates suggest that rural residents in the Great Plains and Northwest service area would take 150,000 fewer intercity bus trips this year because of the service reductions. Other major Greyhound cutbacks are underway or expected to occur later in 2005.

Scheduled intercity, regular route bus service has been declining for decades. Current ridership of approximately 40 million annual passengers is down from a 1970 peak of 130 million passengers. While there are about 3,700 intercity bus companies today, fewer than 100 carriers remain substantially engaged in the longer-distance, scheduled intercity business. The vast majority of other bus companies serve charter, tour, sightseeing, and shuttle markets. Total ridership in these other markets is strong and approximates 600 million passengers per year.

The Federal government has responded to service declines before. The 1991 Intermodal Surface Transportation Efficiency Act assigned 15 percent of the Federal Transit Administration's rural program budget (Sec. 5311(f)) specifically to rural intercity bus service. In 1993, the General Accounting Office confirmed the long-term erosion of intercity bus traffic, and it highlighted the potential of the 5311(f) program to augment service provision in rural areas. The Transportation Research Board's 2002 Transit Cooperative Research Program (TCRP) Report #79 examined ways to maximize Federal program potential to meet rural, intercity bus travel needs. Finally, the 2004 Executive Order on Human Service Transportation Coordination, which called on Federal agencies to coordinate 62 Federal travel programs targeting the transportation disadvantaged, focused in part on travel needs of rural Americans.

Despite efforts to maintain intercity bus service, especially in rural areas, Greyhound's restructuring reflects sobering economics about travel in America. To ensure profitability and to enhance the likelihood of continuing intercity bus service elsewhere in America, Greyhound is exiting markets where it loses money and allocating resources to those where profitable operations are possible. This is a prudent response to business realities. In 1970, U.S. auto ownership was approximately 100 million vehicles, and commercial airlines served fewer than 200 million passengers per year. Today there are about 200 million private automobiles and the airline industry flies more than 600 million passengers annually. Even the country's population growth to nearly 300 million Americans has not sustained intercity bus ridership, given travelers' use of these other modes of transportation.

The economic realities of intercity travel, as well as the limitations of public subsidy programs that target rural mobility needs, suggest a range of possible actions for dealing with intercity bus travel. Some of these actions have been proposed by the Administration in its SAFETEA legislation, such as a strengthened 5311(f) certification process, improving traveler information, and ensuring access to intermodal facilities. Others are measures currently available to States, including under FTA's Section 5311(f) rural intercity bus program, that warrant renewed or expanded emphasis, such as offering rural feeder service to intercity bus routes and improving coordination between adjacent States. In addition, the Department continues to consider ways of developing broader, more flexible, and more cost-effective approaches for assuring mobility and access to the Nation's intercity travel network. The concept of *essential transportation service* is such an approach and could further those mobility and access goals.

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I. INTRODUCTION

House Report 108-671 (2004) accompanying the Department of Transportation (DOT) Appropriations bill for fiscal year 2005 requested that the Office of the Secretary of Transportation conduct a study of declining intercity bus service. The report states (at pages 81-82):

> *Intercity bus service.--The Committee is concerned that the significant cutbacks in intercity bus service in the Midwest and upper Midwest have created a situation in which many small communities are completely lacking intercity mass transportation options. Current law requires each State to spend 15 percent of its annual apportionment of Federal non-urbanized funds to support rural intercity bus service unless the State's governor certifies that the State's intercity bus needs are adequately met. As noted in a 2002 report by the Transit Cooperative Research Program, however, many States have struggled to find effective ways to support and improve rural intercity bus transportation.*
>
> *The Committee directs the [Office of the Secretary of Transportation], in light of this dire situation, to conduct a study of the problem of dwindling intercity bus service, especially in rural areas, and report, no later than 120 days after enactment of this Act, to the House and Senate Committees on Appropriations with recommendations as to how this problem could be addressed by Congress.*

The Conference Report accompanying the DOT Appropriations bill for fiscal year 2005, House Report 108-792 (2004), reiterated the request that DOT conduct this study. This report examines the decline in intercity bus service within the context of the demand for travel in rural areas, reviews the Federal programs to support rural access, and presents options on how people and communities can be connected to the intercity public transportation network.

II. DECLINING INTERCITY BUS SERVICE

Greyhound Service Reductions

On June 25, 2004, Greyhound Lines, the Nation's largest provider of intercity bus service, announced that it would discontinue service on August 18, 2004, to a number of locations across its Northern Region stretching from Chicago, Illinois, to Washington State. Greyhound indicated that this service reduction was the first phase of a two to three-year network restructuring. Approximately ten routes and 245 of Greyhound's 2,500 US service points were eliminated (See Appendix A). Some Greyhound vehicles and drivers have been reallocated to higher density portions of the Greyhound network, resulting in service increases in those areas, while several regional bus carriers have replaced much of the service that Greyhound discontinued.

One media source[1] indicates that "Greyhound's strategy going out two years is to eliminate up to 75 percent of its 3,400 stops [throughout the United States and Canada], many of which don't produce ticket sales and slow down riders. (Only 50 of 1,700 sales locations

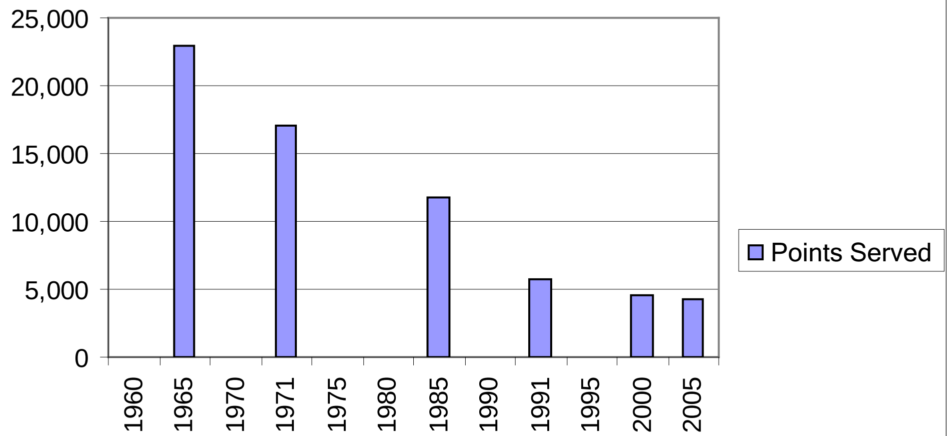
[1] http://www.forbes.com/free_forbes/2005/0131/094.html

produced half of all ticket revenue in 2003.) Instead, it will concentrate on trips shorter than 450 miles and trips between big cities." The discontinued stops are shown on the map in Appendix A.

Intercity Bus Service Has Been Declining for the Past 30 Years

Restructuring of the intercity bus transportation industry, combined with reductions in air fares, declining populations in many rural areas[2] and the temporary reduction in travel as a result of the terrorist events of September 11, 2001, has led to reductions in rural intercity bus service. As intercity bus carriers are no longer required to keep lines open if they are unprofitable,[3] today there are approximately 4,500 communities with daily intercity bus service compared to 23,000 such communities in 1965.[4]

Figure 1
Number of Points Served by Intercity Bus



[2] According to the U.S. Census of Population, the percent of the U.S. population that lives in rural areas has declined from 36 percent in 1950 to 21 percent in 2000. While the U.S. population has increased from 151 million in 1950 to 281.4 million in 2000, the U.S. rural population has remained relatively stable, ranging from 54.5 million in 1950 to 59.1 million in 2000.

[3] The Motor Carrier Act of 1935 placed interstate bus service under the authority of the Interstate Commerce Commission. The Commission had the authority to restrict the ability of firms to eliminate service on routes that were unprofitable, routes that were typically in rural areas. Passage of the federal Bus Regulatory Reform Act (BRRA) of 1982 essentially ended the Federal Government's economic control over interstate bus service (TCRP Report 79, pages 15, 16).

[4] Office of Technology Assessment, Congress of the United States, *Access to Over the Road Buses for Persons with Disabilities,* OTA-SET-547, May 1993.

U.S. General Accounting Office, *Surface Transportation: Availability of Intercity Bus Service Continues to Decline,* RCED-92-126, June 22, 1992.

USDOT, Bureau of Transportation Statistics, *Scheduled Intercity Transportation: Rural Service Areas in the United States,* Washington DC September 2004.

Yet, as noted by the Bureau of Transportation Statistics (BTS) in their 2004 study *Scheduled Intercity Transportation: Rural Service Areas in the United States,* intercity bus service has the deepest penetration of the three modes – intercity bus, air, and rail – within rural America.[5] Despite the discontinuation of some intercity bus routes by Greyhound in August 2004, the intercity bus network still covered 89.4 percent of the total U.S. rural population, and 90.1 percent of the rural population in the 48 contiguous States – 73.6 million rural residents.[6] This analysis was completed before Greyhound announced two additional rounds of cuts.

Rural Travel - Declining Demand for Intercity Bus Service

Nationwide, intercity bus ridership peaked at about 130 million trips in 1970 and is currently at or below 40 million trips per year. While almost 90 percent of rural Americans in the 50 States have access to intercity bus service, less than 1 percent of long distance trips made by rural Americans are by intercity bus.

- *The average number of vehicles per household grew from 1.2 in 1969 to 1.62 in 1999*
- *In 1950, 36 percent of the US population lived in rural areas; by 2005 that figure had fallen to 27 percent.*

According to DOT travel estimates based on the 2001 National Household Travel Survey (NHTS) and the 1995 American Travel Survey, rural Americans with access to intercity bus service make 1.8 billion long distance trips by all modes per year. Yet these residents make only 11.6 million trips per year on intercity bus. As illustrated in Figure 2, rural Americans responded that in the thirty days prior to the NHTS, they used their cars to travel long distances: 41 percent of rural residents reported that they took a long distance trip by car; 2.2 percent reported that they took a long distance trips by air; less than 1.2 percent reported that they made a long distance trip by intercity bus and less than 1 percent reported that they used rail for their long distance trip.[7]

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[5] USDOT, Bureau of Transportation Statistics, *Scheduled Intercity Transportation: Rural Service Areas in the United States,* Washington DC September 2004.

[6] Ibid.

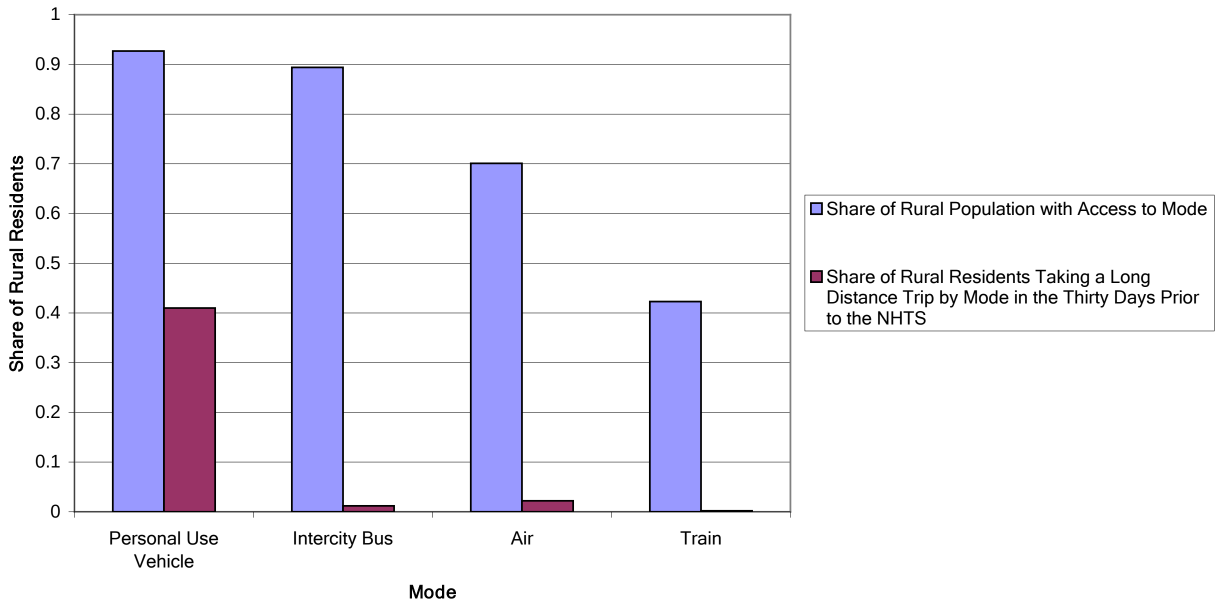
[7]

Percent of Rural Residents Taking Long-Distance Trips by Mode

Mode used most to destination	Percent Traveling	Percent Not Traveling	Total	Std. Error
Personal Vehicle	41.0	59.0	100	0.68
Air	2.2	97.8	100	0.18
Bus	1.2	98.8	100	0.12
Train	0.2	99.8	100	0.05

Source: *2001 National Household Travel Survey, Long Trip Dataset*

Figure 2.
Percent of Rural Residents with Access to A Mode
Compared to
Percent of Rural Residents Taking Long-Distance Trips by Mode
in the Thirty Days Prior to the NHTS



As found by the General Accounting Office (GAO) in their 1992 study, *Surface Transportation: Availability of Intercity Bus Service Continues to Decline*, the Dwight D. Eisenhower National System of Interstate and Defense Highways and other road improvements favor use of the private auto over bus, especially as people's value of time increases. Air service improvements, especially the many that followed airline deregulation in the late 1970's, favor air over bus travel as well. Federal and State support of Amtrak has also provided competition to bus operators.

Impact of Service Reductions

According to a 2004 analysis by the Bureau of Transportation Statistics (BTS), 75 million of the 82 million rural Americans had access to intercity bus service prior to Greyhound's August 2004 reductions, with access defined as being within 25 miles of a bus stop. For 14.9 million rural Americans, intercity bus service was the only connection to the intercity public transportation network. The restructuring initiated by Greyhound in August 2004 reduces intercity bus service in eighteen States with a rural population of 22.5 million people. Based on the August 2004 service reductions, approximately 1 million additional residents will no longer be within 25 miles of the intercity bus network, and intercity bus service is the ONLY connection for 14.4 million rural Americans, resulting in the loss of an estimated 150,000 net annual intercity bus passenger trips in the upper Great Plains and Northwest.

Yet, intercity bus transportation is an important part of the Nation's overall surface transportation network, providing a critical service for smaller communities in which air or passenger rail travel options are not readily available, and a transportation option that may be more affordable than air or rail when these travel options are available. The 2000 Census of Population indicates that approximately 6 percent of rural households (1.6 million) do not have access to a private vehicle. While it is difficult to identify how many of these households lost access to intercity bus service as a result of the restructuring of Greyhound service, it is likely, as found by the GAO in its June 1992 study "the bus service declines affect those with the least access to transportation alternatives."[8]

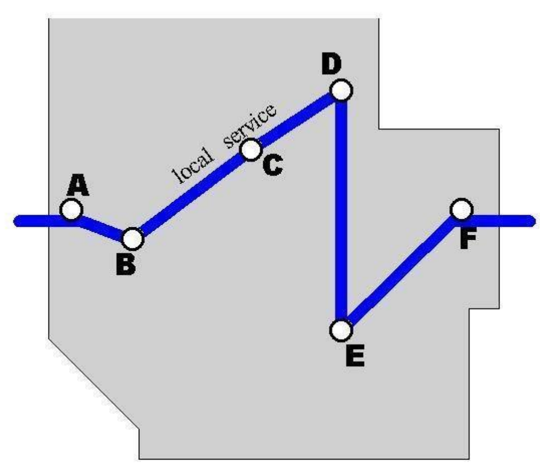
> *"The decline in intercity bus service is undisputed, but the social and economic significance of the decline are difficult to assess. Data on the number of people affected by service abandonments and the nature of this effect are scant. The number of regular-route intercity bus passengers declined from 75 million in 1983 to 37 million in 1990. There are no data, however, indicating how many depended on the bus. Nevertheless, the limited evidence available suggests that the abandoned riders are those least able to afford and least likely to have access to other transportation. While rural and small urban transit systems meet some needs, such services are only available in 60 percent of the non-metropolitan counties, and it is uncertain to what extent these services fulfill transportation needs once met by intercity bus service."* [9]

Greyhound ridership surveys identify that more than half of their passengers do not own an automobile or did not own an automobile they would feel comfortable taking on a trip. The surveys indicate that intercity bus passengers tend to be lower income, female, minority, less educated, and older than air and rail passengers.[10]

The Evolution of Intercity Bus Service in the United States

Before the Dwight D. Eisenhower National System of Interstate and Defense Highways was initiated in the 1950s and largely completed in the 1980s, buses generally operated on State and Federal highways which linked small towns. While traversing the country, intercity buses stopped in most of these places. This basic service configuration can be termed "local intercity service," and it is depicted schematically in Figure 3.

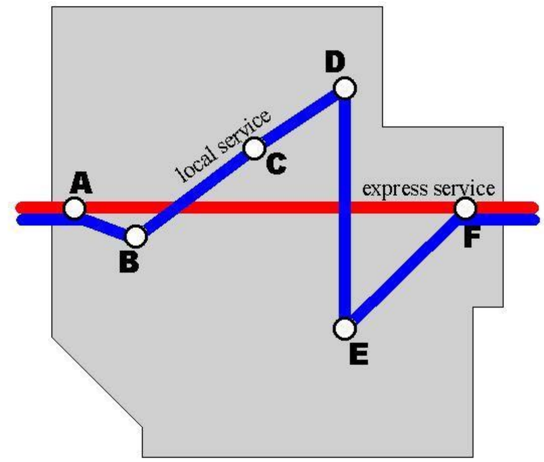
Figure 3: Local Service



[8] U.S. General Accounting Office, *Surface Transportation: Availability of Intercity Bus Service Continues to Decline*, RCED-92-126, June 22, 1992.
[9] Ibid.
[10] Ibid.

From the 1950s through the early 1980s, as the interstate highway system developed, carriers received permission to also operate additional limited stop services on the Interstates between larger towns and cities, often bypassing smaller communities and rural areas. The emerging mix of local and express service is illustrated in Figure 4. The local services became increasingly less profitable, as passengers between the larger towns shifted to the faster express schedules. During this period, the intercity bus industry experienced ridership losses and higher operating costs that led to declining profits. Initially, Federal and State regulations required the carriers to maintain the local services at some minimal frequency, cross-subsidizing them internally if necessary. Some carriers even tried shifting the operations to lower-cost regional carriers to reduce the losses.

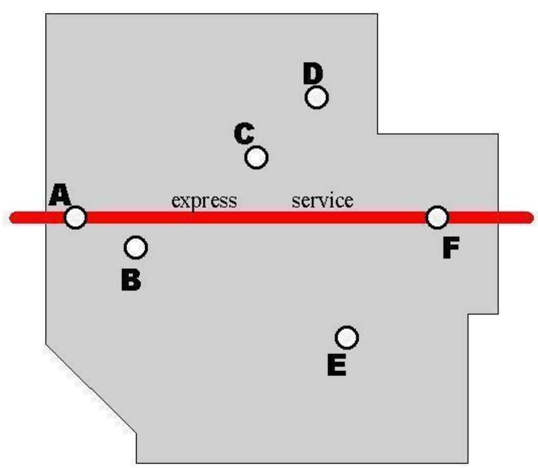
Figure 4: Local and Express Service



The Bus Regulatory Reform Act of 1982

Following on the heels of airline deregulation in 1978 and trucking and freight railroad deregulation in 1980, the Bus Regulatory Reform Act of 1982 diminished the roles of the Interstate Commerce Commission (ICC) and State agencies in regulating the industry and gave bus firms greater freedom to set fares, enter markets, and discontinue unprofitable service.[11] It allowed carriers to abandon unprofitable services—resulting in a wave of route and service point abandonments in the years immediately following passage of the Act. The resulting service pattern was increasingly one of express service between larger communities and loss of direct service among the original, smaller locations (Figure 5). The realignment of intercity bus service has continued even through 2004-2005, with Greyhound's current restructuring efforts moving resources from local service points to express service corridors.

Figure 5: Express Service



Deregulation was intended to help bus carriers by letting them abandon unprofitable routes and services. However, deregulation also exposed the intercity bus industry to increasing competition from other deregulated transportation carriers, such as passenger airlines and trucks and air

[11] Ibid.

package express services that competed with the bus industry's own package express service. Greyhound and its chief competitor, Trailways, were facing financial difficulties and possible liquidation. In 1987 Greyhound bought Trailways, and by June of 1990 Greyhound itself filed for bankruptcy protection.

Regulatory relief did not address the causes of the industry's decline: increased competition from air and rail transportation and increased car ownership that led to reduced bus ridership. Consequently, the industry continued to contract, from serving 23,000 locations in 1965 to 11,820 in 1982, and was serving fewer than 6,000 locations in 1991. Of the locations that lost bus service following deregulation in 1982, some 73 percent were in areas with populations of less than 10,000 people. The decline of intercity bus service, particularly in terms of the number of points served, represents an on-going effort by the bus industry to achieve profitability by increasing productivity and providing more attractive service in fewer travel corridors.

III. FEDERAL, STATE AND INDUSTRY RESPONSES

The Energy Tax Act of 1978

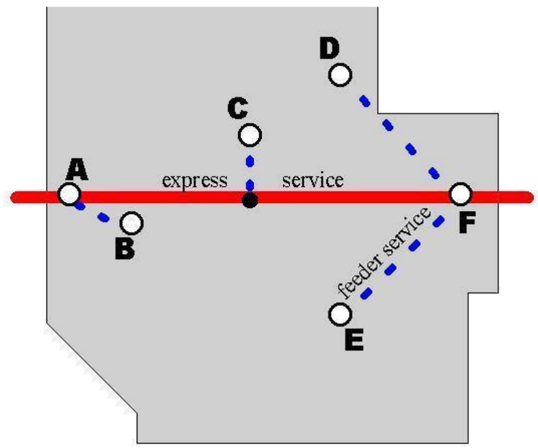
The first Federal response to the decline of intercity bus service was the Energy Tax Act of 1978. This act provided refunds to intercity bus companies for Federal excise taxes on fuel and lubricants, and eliminated the Federal excise taxes on tires, inner tubes and tread rubber. Currently, intercity bus companies may claim a refund of all excise taxes on gasoline and tires, and may claim a refund of all but 3.1 cents per gallon of the Federal taxes on diesel or other fuels.[12]

[12] http://www.ctaa.org/ntrc/rtap/pubs/ta/intrcity.asp.

An Initial Response to Service Cutbacks: The Greyhound Rural Connection Program

Perhaps the first response to many of the post-deregulation (1982) cutbacks was an innovative service concept that was developed and promoted in the late 1980s to maintain small town access to the larger intercity bus network. Developed largely by Greyhound, but supported by the non-profit Community Transportation Association of America (CTAA) and later the Federal Transit Administration (at the time, the Urban Mass Transportation Administration, or UMTA), it was termed the "Rural Connection Program," and later the CTAA Intercity Bus Feeder Project. The concept encouraged local rural public transportation systems to adjust their route/service configurations to provide feeder service, taking persons from smaller communities and rural points to the remaining intercity bus services operating between larger towns and cities (Figure 6).

Figure 6:
Rural Connectors to Express Service



The Rural Connection Program was a demonstration program that envisioned local operators, both transit and smaller intercity bus companies, as "off-line agents" selling intercity bus tickets to more distant points under a commission arrangement with the line-haul intercity bus carrier (primarily Greyhound). It generated considerable interest in certain States and rural communities. FTA provided funding for the multi-dimensional demonstration project until 1991. It included the development of a manual for the local systems, regional meetings to interest local operators, a marketing manual and Official National Motor Coach Guide, and project evaluation. This was essentially the first Federal effort to provide support for rural access to the intercity bus network. The Federal demonstration project did not include any additional capital or operating assistance for rural operators. By the end of 1991, there were 73 transportation systems providing connecting service in over 850 communities in 20 States. But FTA funding for the demonstration program ended in 1991, and Greyhound's bankruptcy that same year ended its promotion of the concept. A number of rural transit operators continued providing the service, with some even continuing to market their services in Russell's Official National Motor Coach Guide (Russell's Guide).

This concept was and remains a "win-win," with intercity carriers maintaining their comparative advantage in line-haul service, and local operators maximizing rural resident access to the intercity network through minor adjustments to existing, local circulator routes.

Pre-ISTEA

From its 1992 survey of 50 States as part of its report to Congress on the declining intercity bus industry, the GAO found that in 1991-1992 twenty States had in place efforts that supported regular-route intercity bus service. States most frequently assisted bus firms by providing operating support for routes that might otherwise be abandoned and subsidies to obtain new vehicles. In addition, some States were funding the construction or rehabilitation of intermodal terminals used by buses.

1991 Intermodal Surface Transportation Efficiency Act: Targeted Federal Assistance

Greyhound's 1991 bankruptcy filing, less than four years after its purchase of the assets of the failed Trailways network, underscored the systemic difficulties facing scheduled, regular-route intercity bus carriers in the United States. Responding to the threat of more cutbacks in rural areas, the 1991 surface transportation reauthorization legislation, the Intermodal Surface Transportation Efficiency Act (ISTEA), added a provision in the Federal program of assistance for rural public transportation, Section 18. Section 18(i) called upon the States to spend a certain percentage (5 percent the first year, rising to 10 percent and then 15 percent thereafter) of their Federal rural public transportation formula allocation on rural intercity bus projects, unless the Governor (or designee) certified to FTA that the State had no unmet rural intercity service needs. Funds could be used for project planning, marketing, administration, capital, and operating assistance. States could, if they chose, provide funding to operate rural feeders or they could support continuing intercity local service. Section 18(i) became Section 5311(f) in the 1994 codification of FTA programs.

Rural Transit Assistance Program (RTAP)

The Rural Transit Assistance Program (RTAP) (49 U.S.C. 5311(b)(2)) provides a source of funding to assist in the design and implementation of training and technical assistance projects and other support services tailored to meet the needs of transit operators in nonurbanized areas. RTAP helps rural transit operators maximize the use of limited resources with assistance on such diverse topics as developing, designing, and delivering community transit services, complying with Federal Regulations, developing a transit system personnel policy, vehicle procurement, performance measurement, drug and alcohol policies, and making the transit system accessible and safe.

RTAP has both State and National program components. The National program provides for the development of information and materials for use by local operators and State administering agencies, and it supports research and technical assistance projects of National interest. The National component of the program is funded under a competitive cooperative agreement.

The State program provides an annual allocation to each State to develop and implement training and technical assistance programs in conjunction with the State's administration of the

Section 5311 formula assistance program. States may use RTAP funds to support nonurbanized transit activities in four categories: training, technical assistance, research, and related support services. FTA allocates RTAP funds to the States based on an administrative formula. The RTAP formula first allocates $65,000 to each of the States and Puerto Rico, and $10,000 to the Insular Areas of Guam, American Samoa, Northern Marianas, and the Virgin Islands and then distributes the balance according to nonurbanized population of the States.

1992 GAO Study on the Decline of Intercity Bus Service

In June 1992, in response to the Congress's concerns about the decline of intercity bus service, the GAO reported to Congress on the decline of intercity bus service since bus deregulation in 1982, the effect of the decline on people with few transportation alternatives, and the risk of further cutbacks. GAO also discussed how FTA might administer the recently passed ISTEA provisions designed to deal with intercity bus service in rural areas.

As the Section 18(i) program was taking shape, GAO cautioned that several activities were needed to better ensure the effectiveness of the program. It noted that FTA needed to clarify funding eligibilities for the program. While it was clear that feeder service to intercity bus routes was eligible for funding, it was not clear if all aspects of feeder service were eligible. GAO also found that better planning and needs assessments were necessary. An agreement between the Department of Transportation and the Department of Labor facilitated the administration of the labor requirements of the Section 18 funds through a warranty that eliminated case-by-case review and approval. Still, confusion about what activities would be eligible to receive Section 18(i) set-aside funds was apparently causing reluctance of certain States to use these funds.

Federal Transit Administration Circular on Intercity Bus

In November 1992, FTA released its circular 9040.1C on the Section 18(i) program. The circular summarized the program, stated the program's National objectives, discussed the Governor's certification and the State role in the program, described eligible activities (highlighting the eligibility of feeder services to intercity bus lines), defined what constituted intercity bus service, and addressed other related issues such as the Federal match, the use of Section 18(i) funds in urbanized areas, and labor protections.

Eligible Activities under Section 18(i)

- *planning and marketing for intercity bus transportation*
- *capital grants for intercity bus shelters, joint-use stops, and depots*
- *operating grants through purchase-of-service agreements, user-side subsidies, and demonstration projects*
- *coordination of rural connections between small transit operations and intercity bus carriers*
- *other capital and operating projects that support rural intercity bus service*

TEA-21 Reauthorization

The Section 5311(f) program was reauthorized in 1998 by the Transportation Equity Act for the 21st Century (TEA-21). TEA-21 authorized approximately $1.3 billion for the FTA's Nonurbanized Area Formula Program with $192 million to support the intercity bus industry from 1999 through 2004. Section 5311 and Section 5311(f) funding are also included in both the House and Senate versions of the 2005 surface transportation reauthorization proposals.

TCRP 79: Effective Approaches to Meeting Rural Intercity Bus Transportation Needs

This project, developed by the Transit Cooperative Research Program (TCRP) and funded by FTA, was initiated in 1999. The 2002 report (TCRP Report No. 79) provides needed information to anyone involved in the planning, funding, marketing, or operation of rural intercity bus services, particularly State and regional transportation program administrators. The report includes background information on the industry, discusses the funding sources available to support rural intercity projects, and identifies the barriers to rural intercity bus projects as perceived by both States and carriers.

Although a number of potential funding sources are available to States and localities to support or improve rural intercity service, the Section 5311(f) program and its implementation were a primary focus of the TCRP 79 project. This funding source allows for a great deal of flexibility and has funded a wide variety of projects. A key part of the TCRP 79 research was to gather more information about the different kinds of rural intercity bus projects in an effort to determine their effectiveness and applicability.

As part of the TCRP 79 research program, all State departments of transportation and all known regular route intercity carriers were surveyed about their efforts to address rural intercity travel needs. States were surveyed about projects they had funded, and a subset of the recipients was contacted directly for more detail. The research found that State transit programs varied significantly due to variations in other statutory or regulatory issues (such as the inability to provide grant funding to a private for-profit entity) and sometimes resulting from variations in the operating environment, State goals, funding levels, and the availability of State funds. These variations had led States to many different and creative strategies.

Barriers to Addressing Rural Intercity Travel Needs

From the States' perspective, their ability to address rural intercity travel needs was hampered by several factors, the majority involving funding. One was the competition for limited funds, given the pressure from various constituencies to support rural local transit needs. States also sought to have local governments contribute to the necessary 50 percent non-federal match for operating assistance, and faced difficulty in persuading them to do so; while each community might welcome the service, it may also view neighboring communities as benefiting more and therefore having greater cost responsibility. Carriers themselves may be willing to incur losses on certain routes if the traffic later contributes to overall profitability; however, carrier ability to sustain losses is limited, as is their success in eliciting financial contribution (match) from multiple localities. Another type of obstacle States reported was the lack of communication between private carriers on the one hand and government agencies and local transit operators on the other.

Carriers agreed that it was difficult to communicate with States and transit operators but also believed that there was a bias in favor of projects submitted by local public operators or existing private non-profit recipients.

Comprehensive Approach to Improving Service

In response to the various barriers identified, the report enumerates seven key elements or measures for State program managers, transportation planners and others to pursue when developing a comprehensive approach to improve and support intercity bus services. These seven elements are:

1. Determining the Interest in Rural Intercity Service Assistance
2. Planning
3. Developing a Program
4. Providing Operating Assistance
5. Providing Capital Assistance
6. Providing Marketing Assistance
7. Creating Project Combinations

Combining Program Elements – The Most Effective Strategy

The report noted that the most effective strategy may be one that combines program elements: States working with operators to put together programs that combine different types of projects to complement or reinforce each other as probably the most effective way to address rural intercity travel needs. A State might use planning funds to perform a statewide study of rural intercity or inter-regional transit services and needs, using the results of the study to define an appropriate statewide intercity travel program. Through planning, States, localities, and private carriers can identify the needed connections and how they might all work together, with a rural provider bringing passengers to connect for an intercity trip at an intermodal terminal owned by a local urban or rural transit system.

To support the rural intercity bus service program, Section 5311(f) can provide capital funding to upgrade facilities, purchase new operating equipment, or otherwise increase the attractiveness, accessibility, and reliability of service. Section 5311(f) could also provide funds to market projects, including connecting services. And if needed, Section 5311(f) could also provide operating assistance for the service – for up to 50 percent of the net deficit – with some combination of local, State, or carrier match to fund the remaining costs. This combination of program elements can be used to fund either rural intercity bus service or the feeder connections to intercity bus service.

State Use of the Section 5311(f) Program

Through 2003, States chose to obligate approximately 65 percent of available Section 5311(f) program funds to support intercity bus services. As shown in Table 1, the majority of Section 5311(f) funds have been spent for operating and capital purposes. Approximately 7 percent have been used for State planning and administrative purposes. The grant recipient – the State, locality, private carrier, or other non-Federal organization - must match Federal funds at the 20 percent level for capital and 50 percent for operating and other funds.

Table 1: 5311(f) Program Funding Summary FY 1992-2004 (thousands)[13]

Fiscal Year	Capital	Operations/ Administr.	State Admin/ Planning	Program Reserve	Total Oblig. For 5311(f)	Total Avail. For 5311(f) (@ 15%)	5311 Program Total
FY 1992	$534	$1,604	$322	$2,736	$5,196	$16,020	$106,800
FY 1993	$1,085	$3,375	$697	$4,145	$9,302	$13,710	$91,400
FY 1994	$2,309	$5,169	$718	$6,264	$14,460	$19,455	$129,700
FY 1995	$2,586	$4,513	$1,678	$8,138	$16,916	$19,920	$132,800
FY 1996	$3,342	$4,624	$692	$3,148	$11,805	$16,680	$111,200
FY 1997	$2,256	$3,948	$1,268	$4,786	$12,258	$17,430	$116,200
FY 1998	$2,895	$4,686	$1,255	$3,654	$12,591	$20,220	$134,800
FY 1999	$3,249	$7,113	$1,233	$4,755	$16,349	$26,685	$177,900
FY 2000	$7,550	$7,584	$202	$4,090	$19,426	$28,905	$192,700
FY 2001	$4,823	$8,256	$4,750	$1,813	$14,897	$30,825	$205,500
FY 2002	$7,262	$8,014	$250	$6,828	$22,354	$33,960	$226,400
FY 2003	$5,236	$9,749	$756	$4,896	$20,637	$35,835	$238,900
FY 2004	$6,818	$10,899	$434	$3,639	$21,790	$35,970	$239,800
TOTAL	$49,945	$79,534	$14,255	$58,892	$202,626	$315,615	$2,104,100
% of 5311					10%	15%	100%
% of Oblig.	25%	39%	7%	29%	100%		
% Avail.	16%	25%	5%	19%	65%	100%	

Operating Costs, Revenues and Subsidies

In observing how States work with carriers to provide or replace bus service, it is helpful to understand the basic relationship of revenues, operating costs, project costs, and available subsidies for a given route segment or carrier operation. As illustrated in Table 2, the difference between the operating cost of the service and the fare box revenue is the operating deficit, also called the "project cost." Under the rules of the 5311(f) program, no more than 50 percent of this "project cost" can be covered by Federal operating subsidy; the rest must be covered by the non-federal match from the State government, a local government, or possibly the carrier itself. Because rural traffic generally feeds a private carrier's larger route network – and thus generates

[13] TABLE NOTES: For fiscal years 1992 – 2004, FTA obligated a total of $202.6 million for intercity bus projects. Approximately 39 percent of obligated funds were used for operating subsidies; 29 percent were reserved at the time of obligation for intercity bus projects to be identified later (program reserve); 25 percent were used for capital projects; and 7 percent were used for State administration and planning. During the FY 1992 – 2004 period, obligations increased by an average of $1.38 million per year, or approximately 12.7 percent annual growth.

added revenue on those non-rural segments – carriers are often willing to contribute to, or "absorb," some of the project costs. However, if the operating deficit is too large for a carrier to shoulder alone, even with an operating subsidy, it will abandon unprofitable service rather than incur a continuing loss.

If a State or locality provides no match, a carrier must fund the full State/local share ($0.70 in the example shown in Table 2), i.e., bear a full $0.70 loss per vehicle mile. Given a loss of several hundred dollars per week and possibly tens of thousands per year on a given route segment, carriers eventually abandon such unprofitable segments. In deciding whether to abandon a route segment, the carrier may also consider the "opportunity costs" of not using the vehicle elsewhere. Even where the subsidy and additional feed traffic may result in a breakeven service for the carrier, use of the equipment on more heavily traveled routes may result in an operating profit. In those cases, the availability of an operating subsidy may still not be enough to preclude a carrier from abandoning a route. Indeed, Greyhound stated that it would use vehicles freed up by its service discontinuances to provide additional service on routes where there was a greater profit potential.

Table 2
Illustrative Costs, Revenues, and Subsidies per Vehicle Mile

Line	Activity Measure	$ Amount
1	Operating Cost Per Vehicle Mile, Illustrative	$3.00
2	Fare Box Revenue Per Vehicle Mile, Illustrative	$1.60
3	Deficit or Project Cost Per Vehicle Mile	$1.40
4	Operating Subsidy From 5311(f), With Contribution Limited to 50 percent of Project Cost	$0.70
5	Remaining Operating Subsidy or "Match" that State, Local, or Carrier Must Supply	$0.70

State Certification

Many States have certified and continue to certify annually that they have no unmet intercity bus needs within their State. When deciding whether to certify, States can consider unmet intercity transportation needs relative to local transportation needs in rural areas. By certifying, States effectively transfer their available 5311(f) funds back to the broader Section 5311 program for use on other rural transportation projects. As a result, annual funding of 5311(f) activities amounts to about 10 percent of the 5311 program rather than the full 15 percent that is statutorily available. As shown in Table 3, the number of States certifying each year was twenty (20) or more during most of the 1990s. In recent years, the number has declined.

Table 3: State Certifications Under the 5311(f) Program

State	FY 92	93	94	95	96	97	98	99	00	01	02	03	04	Tot	
Alabama	x	x	x	x	x	x								6	AL
Alaska															AK
Arizona															AZ
Arkansas		x	x	x	x	x	x	x	x		x	x	x	11	AR
California												x		1	CA
Colorado	x	x		x	x	x	x	x	x	x		x	x	11	CO
Connecticut	x	x	x	x	x	x	x	x	x	x		x		11	CT
Delaware															DE
Florida				x	x									2	FL
Georgia															GA
Hawaii			x	x	x	x	x	x	x	x	x	x	x	11	HA
Idaho															ID
Illinois			x	x	x	x	x							5	IL
Indiana				x	x	x	x	x	x	x	x			8	IN
Iowa															IA
Kansas	x	x	x	x	x			x	x	x	x	x		10	KS
Kentucky															KT
Louisiana	x	x	x	x	x	x	x	x	x	x	x	x	x	13	LA
Maine			x	x										2	ME
Maryland	x	x	x	x	x	x	x	x	x	x	x	x	x	13	MD
Massachusetts		x	x											2	MA
Michigan															MI
Minnesota								x	x					2	MN
Mississippi															MS
Missouri	x	x	x		x			x	x					6	MO
Montana															MT
Nebraska				x	x			x	x			x		5	NE
Nevada										x		x		2	NV
New Hampshire					x	x	x	x	x			x		6	NH
New Jersey	x	x	x	x	x	x	x	x						8	NJ
New Mexico															NM
New York															NY
No Carolina		x	x	x	x		x	x	x	x	x			9	NC
North Dakota															ND
Ohio	x	x	x	x	x	x	x	x	x	x				10	OH
Oklahoma		x	x	x	x	x	x	x	x	x	x	x		11	OK
Oregon															OR
Pennsylvania															PA
Puerto Rico	x				x									2	PR
Rhode Island		x	x	x	x	x	x	x	x	x	x	x		11	RI
So Carolina	x	x	x	x	x	x	x	x	x		x	x		11	SC
South Dakota					x	x	x	x	x		x		x	7	SD
Tennessee		x		x	x	x	x	x	x	x		x	x	10	TN
Texas	x				x						x			3	TX
Utah	x	x	x	x	x	x	x			x	x			9	UT
Vermont		x	x	x	x	x		x	x	x		x		9	VT
Virginia	x	x	x	x	x	x	x	x	x	x	x	x	x	13	VA
Washington															WA
West Virginia	x	x	x	x	x	x	x	x	x	x	x	x	x	13	WV
Wisconsin			x	x	x	x	x	x	x		x	x	x	10	WI
Wyoming												x	x	2	WY
TOTAL	15	20	22	25	29	22	21	24	23	17	16	20	11	265	

NOTE: Certification is a State's determination that there are no unmet intercity bus travel needs within the State. When a State certifies, its 5311(f) funds are available for its broader Section 5311 program. A total of sixteen (16) States have never certified. Four States have certified every year.

Responses to Greyhound's August 2004 Restructuring Plan

FTA, the affected States, and the intercity bus industry have responded to Greyhound's August 2004 restructuring plan. Greyhound's basic restructuring decision assumes that abandoned segments are either losing so much money that even government subsidy provides insufficient offset or, in some cases, that shifting vehicles and drivers to other services could generate profitable operations.

FTA Response

In response to the on-going Greyhound service reductions, FTA took two opportunities to emphasize the importance of the Section 5311(f) program and to stress the care that should be taken in the certification process. In both its Fiscal Year 2005 Federal Register Notice of Appropriations and Allocations, and in a March 2005 "Dear Colleague" letter from Administrator Jenna Dorn to State transportation officials, FTA noted the Department's reauthorization proposal to require consultation with affected intercity bus providers as part of the certification process, and encouraged States to implement such consultations on their own even before the reauthorization bill is enacted. (The entire March 2005 Dear Colleague letter is included in Appendix C.)

FTA March 2005 Dear Colleague Letter Excerpt

As we noted in our Fiscal Year 2005 Federal Register Notice of Apportionments and Allocations (December 29,2004), given the ongoing changes in the intercity bus industry, we encourage you to consult with intercity bus operators and communities affected by loss of service when evaluating the intercity bus needs of the State. In reauthorization, we propose to strengthen Section 5311(f) by requiring "consultation with affected intercity bus service providers" before certification. The reauthorization bills introduced in both the House and Senate last year incorporated this language. Even absent this statutory requirement, if you choose to certify for purposes of Section 5311(f) that your intercity bus service needs are already being adequately met, we urge you to base such findings on careful consultation with appropriate industry groups, transportation planning officials, and the traveling public.

State Response

Specific responses within each State to the Greyhound cutbacks have varied considerably, with some acting aggressively to replace service while others show little change in their policies or programs to deal with reductions in intercity bus service. Some are renewing emphasis on providing or maintaining rural feeder service, undertaking or revisiting their rural travel needs studies, and reassessing how to assemble funding support for intercity bus service. Given Greyhound's decision, several States are working with other carriers and are providing 5311(f) financial assistance to them. Minnesota, for example, has shifted virtually all previous Greyhound 5311(f) service contracts to regional carrier Jefferson Lines. Iowa is working with both Jefferson Lines and Burlington Trailways to replace most previous Greyhound operations. With 5311(f) assistance, Iowa provides $0.50 per vehicle mile for new or replacement service. While several States expressed surprise at Greyhound's decision and even puzzlement that the carrier did not further pursue 5311(f) or other government assistance, most States are adjusting and working with alternative carriers where appropriate.

Industry Response

Greyhound's August 2004 route and service changes, the first step in a multi-phased, nationwide restructuring, have been in effect now for more than ten months. From the company's perspective, preliminary indications are that the plan to reduce losses and reallocate fleet and other resources to potentially more profitable markets is having some success. According to Greyhound, the reduction in passenger miles in the target States is only about a third the size of the reduction in vehicle miles, indicating that the abandoned services were lightly used.

While Greyhound's restructuring envisions reassigning some buses from the target region to higher density markets elsewhere in the United States, some improvements are actually occurring within the Great Plains/Northwest region. Prior to the restructuring, the Duluth-to-Minneapolis/St. Paul route involved three local stops with a total travel time of approximately 3 hours and 20 minutes. The restructured Duluth-Minneapolis/St. Paul route, with one local stop, now has a scheduled trip time of only two hours and 40 minutes, a twenty percent improvement in travel time along that corridor.

A deregulated industry operating environment has allowed lower cost regional private carriers to replace much of the Greyhound service. At least five different carriers have either replaced service or continue to serve in the communities that Greyhound abandoned. These include Jefferson Lines, Rimrock Stages, Burlington Trailways, Arrow/Black Hills, and Powder River Lines. These companies are now directly serving approximately half of the 245 communities previously served by Greyhound. In most cases, the replacement services continue to feed the remaining Greyhound network.[14]

14. KFH Group, May 2005

IV. SUMMARY OF FINDINGS AND ISSUES

Our review of decades-long bus industry performance, Federal responses to changing rural travel conditions, and possible opportunities for preserving mobility options yields a cautious appraisal of the economic and policy environment in which intercity buses operate. It is one of limited private and public resources and often conflicting interests.

We summarize that environment and its opportunities in this chapter as a prelude to possible prescriptive measures discussed in Chapter V. Any legislative, program, or policy responses should consider these constraints if cost-effective outcomes are to result.

Industry Economics

The economics of public intercity transportation works against the viability of scheduled intercity bus service in rural areas. Low population density, the availability of competing modes, and the demand for faster through service all make it impossible for carriers to provide ubiquitous service and operate profitably. At best, more locally or regionally-oriented carrier operations with lower cost structures can provide the service. Even these carriers must concentrate their feeder traffic and core routes where they gain the maximum ridership and revenue. Otherwise, they too face curtailing their service or, at best, obtaining public subsidies to continue operations.

Program Challenges

From the perspective of public officials, the adequacy of existing government support for intercity bus service varies. Some States consider the Section 5311(f) support inadequate, either because the absolute amount is insufficient to cover their perceived needs or because they do not have the ability to produce the appropriate State/local match, foregoing the available funding altogether. Other States indicate that the Section 5311(f) and other funding programs generally meet their needs. Yet others feel the support for intercity bus service is essentially too high, and they would prefer to redirect the 5311(f) funds to other travel needs – typically for local rural medical trips and similar travel needs.

Major Issues and Opportunities

Despite constraints confronting the intercity bus industry, opportunities exist for improving the role the industry plays in ensuring rural area mobility. Using the industry's strengths and intermodal links, tightening the 5311(f) program certification process, and improving traveler information have promising potential.

Intermodalism

The U.S. transportation network is both multi-modal and intermodal in nature. That is not to ignore the exclusive strengths or appeal of individual modes, but rather to commend an environment that makes the most of the comparative advantage of individual modes while making links between them more efficient and cost-effective. The fact that taxicabs serve train stations, intercity buses serve airports, and private automobiles link with commuter and transit lines demonstrates the role of multiple modes and the potential for better integrating them in our national transportation network.

TCRP Report 79 found that the condition and location of intercity bus terminals have been significant issues for improving intercity services. Poor terminals, often isolated from other transportation modes, in poor locations discourage potential passengers and limit coordination. According to BTS estimates, there are approximately 500 major intercity terminals in the United States, including 150 airports and 100 intercity rail terminals. Yet, intercity bus services are connected to only 35 airports and 90 intercity rail terminals.

Improvements to terminals can lead to ridership growth, and the development of intermodal terminals supports coordination and the role of intercity bus service as a feeder mode to the Nation's broader long distance travel network. Similarly, the Section 5311 and 5311(f) programs have long supported capital funding of terminals or parts of terminals (parking, counters, staging areas, etc.) that better connect rural area intercity bus operations with rural transit services. Finally, States and carriers themselves have chosen to invest in these facilities, and where multiple modes participate, the investment burden on individual modes may be reduced.

Adequacy of Analysis on Which State Certification Is Based

A challenging issue underscored by recent discussions with State officials is State certification – asserting there are no unmet intercity bus travel needs. Some States undertake the process of determining intercity bus travel needs with great purpose, analytical rigor, research and procedural expertise, and transportation industry knowledge; others do not. Some systematically confer with private bus carriers in estimating demand and the costs of meeting that demand; others do not.

FTA guidance on certification continues to emphasize the importance of conducting rigorous, comprehensive assessments of rural, intercity bus travel needs, as well as thorough assessments of available transportation service supply. As encouraged by FTA, conferring directly with the carriers strengthens the process. Identifying the need for intercity bus service can be an element of the broader statewide intermodal transportation planning process in which State and local officials assess the transportation needs of the State.

Adequacy of Traveler Information on Intercity Bus Services

The impact of service reductions can be magnified when information about other travel options is not available. Information about available intercity bus services is another issue that has surfaced in the context of Greyhound cutbacks and has been a perennial issue for States. Despite modern technology and widespread availability of the Internet, it remains an extreme challenge for States, localities, and carriers to systematically and cost-effectively compile and track information about intercity bus service to, from, and within their States. As a consequence, user groups from transportation and community officials to public service planning agencies to the isolated, individual rural passenger find it very difficult to accurately assess what services are still available or projected to be available.

A recent comparison of the intercity bus industry's most recognized information source, Russell's Guide, with data available from additional State and local sources for the State of Nebraska, as shown in Figures 7A and 7B, is instructive. The added information in Figure 7B was unavailable from a single source, but its compilation demonstrates the gap between the information typically accessed by average users and the more comprehensive information that may actually exist. Transportation officials need quality information to plan and implement available services, and travelers need the information to make informed choices about the mode(s) they can and do select.[15]

[15] This comparison is in no way intended to discredit any particular data source or sources, but rather to underscore the potential for systematic, comprehensive acquisition and compilation of data from all available sources.

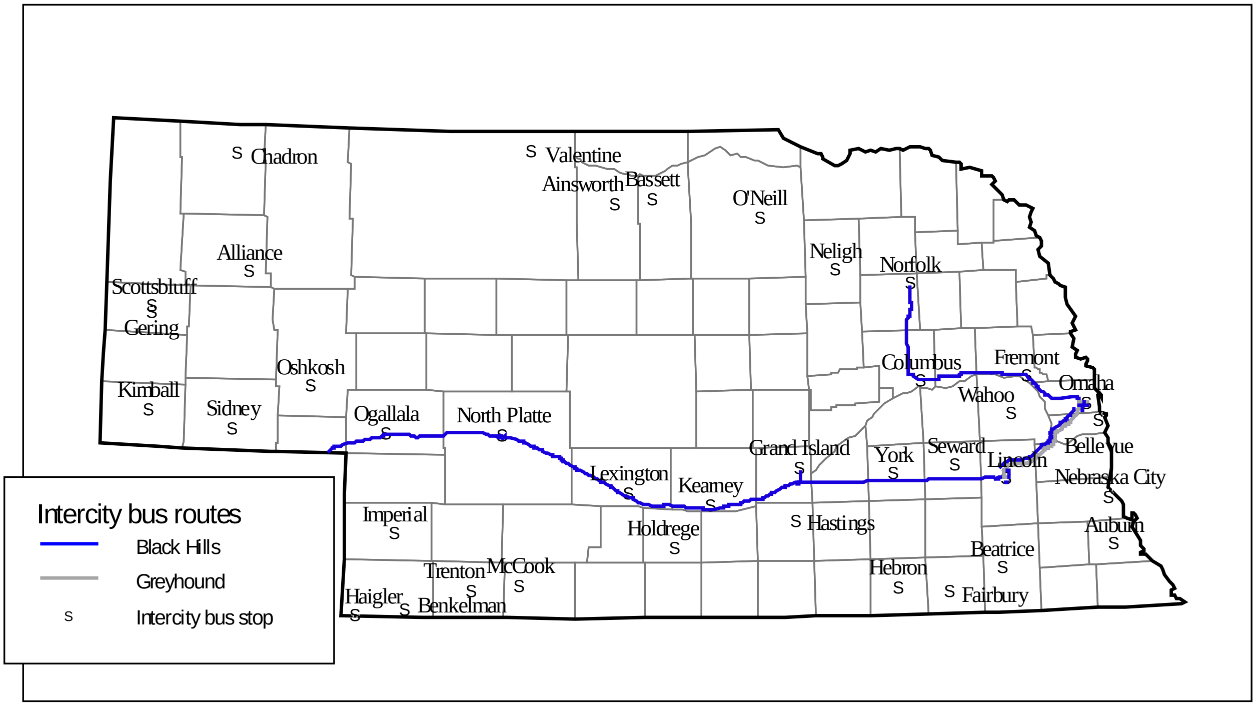


Figure 7A:
INTERCITY TRANSIT SERVICE IN NEBRASKA
Source: Russell's Official National Motor Coach Guide
Map Supplement Part 3 - Winter 2004 - Vol. 77, No. 3

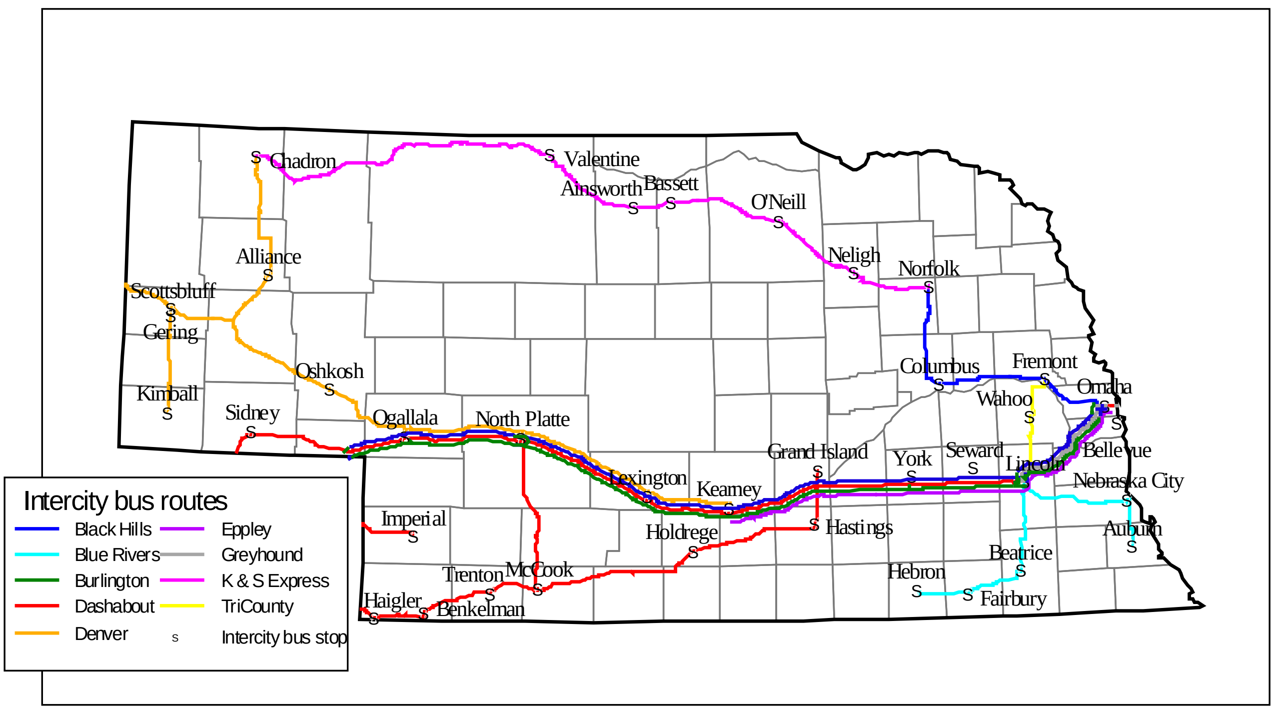


Figure 7B:
CURRENT INTERCITY TRANSIT SERVICE IN NEBRASKA
Based on information derived from the
Nebraska Department of Roads and carrier timetables

V. OPTIONS

The economic realities of intercity travel, as well as the limitations of public subsidy programs that target rural mobility needs, suggest a range of possible actions for dealing with rural intercity bus travel. Some of these actions have been proposed by the Administration in its SAFETEA legislation; others are measures currently available to States, including under FTA's Section 5311(f) rural intercity bus program, that warrant renewed or expanded emphasis. In addition, the Department continues to examine its policies and programs aimed at meeting mobility needs and to explore the potential of an essential transportation service approach. In an effective intermodal transportation system, all modes are used to their full potential. The modes are connected, offer choices, and cooperate in providing a seamless intermodal transportation system.

SAFETEA Provisions

The Administration has proposed several measures in its SAFETEA legislation that would support provision of intercity bus service, especially in rural areas. Whether and how these measures emerge from the current Conference Committee negotiations remains to be seen, but the Administration continues to urge their passage. These include:

- Increased funding for the 5311 program
- Strengthened 5311(f) certification process
- Continued funding of ADA lift equipment for intercity bus vehicles
- Funding of intercity bus intermodal facilities through a grant program, and otherwise clarifying the funding eligibility for intercity bus facilities in FTA capital programs
- Ensuring access to intermodal facilities
- Improving traveler information

Increased Funding for the Section 5311 Program

By increasing the funding of the Section 5311 Program by nearly 60 percent over the six-year life of the legislation, the annual authorization level for 5311 would grow from $239 million to $380 million. The 15 percent set-aside for 5311(f) would grow by a similar percentage, increasing from $36 million to $57 million annually.

Strengthened 5311(f) Certification Process

Section 3010 (e)(2) of the Administration's SAFETEA proposal calls for strengthening the 5311(f) certification process. This would require States to consult with the private intercity bus industry before making a certification determination. This consultation process should help States conduct more comprehensive analysis when determining the intercity travel needs of their citizens. A consultation with carriers should also better identify the routes and services carriers believe are most in jeopardy of being curtailed. Finally, it could further encourage coordination among carriers themselves in preparing to provide new or replacement services within a State. This is to ensure a more comprehensive and systematic effort by the States when determining the travel needs of their citizens.

Continued Funding of ADA Lift Equipment

Section 3038 of the Administration's SAFETEA proposal would continue funding of the ADA accessibility equipment for the intercity bus industry and actually raise the annual support level from about $6.0 to $6.5 million. Funding is available for equipping new vehicles, retrofitting existing vehicles, and training drivers and other personnel involved in using the equipment.

Funding Intermodal Passenger Facilities

It is in the economic interest of the United States to improve the efficiency of public surface transportation modes by ensuring their connection with and access to intermodal passenger terminals, streamlining the transfer of passengers among modes, enhancing travel options, and increasing passenger transportation operating efficiencies. Section 6002 of the Administration's SAFETEA proposal would authorize the Secretary to make grants on a competitive basis to State and local governmental authorities for financing intermodal facilities that support intercity bus service. The $85 million annual grant program would make funds available for capital projects that connect intercity bus services with other modes, allowing the construction of terminals, kiosks, loading and unloading facilities, etc. that would connect bus travelers with air, rail, transit, commuter, and other passenger services. While eligibility includes facilities in urban as well non-urban areas, the program has the potential for improving intercity bus service both in rural communities and where rural services connect to larger urban area networks.

While the Senate reauthorization bill includes the Intermodal Passenger Facility Program as proposed by the Administration, TEA-LU, the House reauthorization proposal (H.R. 3), does not. However TEA-LU clarifies that intercity bus intermodal capital facilities are eligible expenses under the existing FTA statute.

Ensuring Access To Intermodal Facilities

Section 6002 of the Administration's SAFETEA proposal also includes a provision that would facilitate better intercity bus access at existing intermodal passenger facilities. Modeled after a Federal Aviation Administration (FAA) statutory provision designed to improve intercity bus access at airports,[16] this SAFETEA provision requires that:

> *"Intercity buses and other modes of transportation shall, to the maximum extent practicable, have access to publicly funded intermodal passenger facilities including, but not limited to, those passenger facilities seeking funding under 49 U.S.C. Section 5574."*

The measure does not require free or even subsidized access for intercity buses at an intermodal facility, but it is intended to grant intercity bus carriers treatment that is comparable

[16] Language in the Airport Improvement Statute, Section 47107(a) (20), currently states: "the airport owner or operator will permit, to the maximum extent practicable, intercity buses or other modes of transportation to have access to the airport, but the sponsor does not have any obligation under this paragraph, or because of it, to fund special facilities for intercity bus service or for other modes of transportation."

to what other modes receive at these facilities. Thus, while rental payments for kiosks, floor space, curb drops, and similar facility uses need not be waived by facility operators, comparable treatment with other modes is expected.

Improving Traveler Information

SAFETEA's Section 6002 Intermodal Passenger Facilities provision also targets traveler information. A stated general purpose of the provision is:

> *……"(2) encouraging the development of an integrated system of public transportation information…."*

Projects of this type are defined as eligible expenses under the Section's grant program. As envisioned by the legislation, such information improvements would help join intercity bus services to passenger services provided by other modes. Accordingly, eligible capital projects would include those intended for:

> *"(B) establishing or enhancing coordination between intercity bus service and transportation, including aviation, commuter rail, intercity rail, public transportation, and the National Highway System through an integrated system of public transportation information…"*

The scope, technology, and many other details of an integrated transportation information system are yet to be determined. However, the inclusion of this provision reflects the Administration's expectation that better traveler information will improve the overall travel experience for users of intercity bus and other modes. It would also help carriers as well as State and local transportation officials who develop strategies for improving bus service coverage and delivery.

Available Measures Warranting Increased Consideration

TCRP Report 79 and the more recent review of State efforts following Greyhound's 2004-2005 restructuring have underscored the importance of several measures presently available to States seeking to provide, preserve, or expand intercity bus service. Besides various best practices that include comprehensive planning, multi-agency coordination, and expanded consultation with private bus companies, several other measures warrant careful consideration by State and local transportation officials. These measures may provide particularly cost-effective bus service solutions:

- Rural Feeder Service to Intercity Bus
- Adjacent State and Regional Cooperation
- Improved Traveler Information

Rural Feeder Service to Intercity Bus

In the mid 1990s, Greyhound's "Rural Connections Program" worked with rural transit operators to provide direct connections with Greyhound's intercity bus service network. In addition to operating local circulation systems and linking with nearby activity centers (clinics, hospitals, shopping centers, county government offices, etc.), rural transit operators were encouraged by Greyhound to connect directly with the intercity bus network and thereby to more distant communities and destinations. At the program's peak in the late 1980s, more than 800 communities were connecting to Greyhound's network via feeder routes served by participating rural transit operators. Currently, Illinois and South Dakota fund rural feeder service and South Dakota, viewing the success of its efforts, is considering an expansion of the rural feeder service in the State.

This *rural feeder* concept deserves renewed attention from State and local transportation officials. At negligible or no cost to the transit operators, a number of minor operational modifications could exploit the comparative advantage of transit operations and intercity bus service within a given State. Transit operators would incur marginal adjustments to their existing, locally oriented routes, and the intercity carriers could focus on providing express service along major corridors and between larger service points. Reorienting local rural transit operations to augment feeder service could benefit passengers, the rural transit operators, and the intercity carriers.

Under both the existing Section 5311 program and its 5311(f) subsection, States may fund rural feeder service that connects with intercity bus stops. A renewed and broadened emphasis on rural feeder service need not and should not be carrier-specific. Rather, where any of the nation's fifty or more scheduled regular route carriers are appropriate partners for connecting rural residents with the broader intercity travel network, those carriers should be considered and worked with.

As noted, the Section 5311 and 5311(f) programs already permit States to fund rural feeder operations that connect with intercity bus service. Because this type of operation is potentially highly cost-effective and may yield more benefits than some States have considered, the Department is exploring ways of further promoting its potential, e.g., through further outreach. One approach is by funding training and marketing efforts through FTA's Rural Transit Assistance Program (RTAP) or similar educational activities. We will be happy to share with Congress any specific efforts the Department undertakes in enhancing or promoting this concept.

Adjacent State and Regional Coordination

A characteristic of the 5311 program and its 5311(f) intercity bus service component is that States and localities tend to look at rural travel needs from a local perspective.[17] As a result, rural transit services often focus on travel from an outlying community to, for example, the county seat, rather than between counties or to bordering States.

[17] TCRP Report 79, as well as recent discussions with States concerning Greyhound's restructuring, has confirmed the narrow, local focus of most agencies addressing rural traveler needs.

In contrast, Greyhound, large regional, and even small regional carriers typically plan and orient their operations on a long-distance and interstate basis. If States are seeking to preserve intercity bus service, in many instances they need to coordinate their support with adjacent and nearby States. Multi-state coordination is an additional practice that States should consider and, where cost-effective, focus on. Scheduled, regular route intercity bus service is by nature a longer distance and usually interstate service. Bringing together parties from adjacent States, or even on a regional basis, may facilitate economies of scale that services currently supported by 5311(f) tend to lack. Targeting multi-state coordination could also yield important coordination and operational findings that may provide wider program applications.[18]

Improved Traveler Information

Better information about publicly available transportation services, including intercity bus service, has broad implications. It can be used by transportation officials as an essential planning tool. And, depending upon information availability and methods of dissemination, most of the traveling public can utilize the information to improve their decision making and to make better use of the transportation service.

Efforts underway by the Washington and Oregon State DOTs to develop a "Regional Trip Planner" illustrate the potential of compiling and facilitating use of comprehensive traveler information. The internet-based, integrated multimodal transportation information system is designed to include information about rail, ferry, scheduled intercity bus, local urban transit, rural transit, and demand-responsive transportation for both States and combine these into a single internet website. The system would be publicly accessible, and the goal is that the final project phase would allow users to plan an entire trip encompassing routes, schedules, fares, transfer locations, walking directions, and any other pertinent trip planning information needed. The target audience is the traveling public, including passengers with special needs, as well as transportation providers, tourism information providers/seekers, and other potential users.

The Washington-Oregon experience, the Nebraska bus service information example cited in Chapter 4, the spread of both voice menu and Internet menu 511 traveler information services, and other observations increasingly point to the substantial payoff from having better traveler information. Once again, these kinds of information improvement activities are already encouraged by and eligible for funding under 5311 and other programs. In addition, if proposed Section 6002 of SAFETEA is approved by the Congress, funding for an integrated system of public transportation information would become an eligible expense. Efforts such as Washington-Oregon's multi-state trip network would presumably be eligible for funding and could contribute to faster, more wide-spread adoption of improved travel information.

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[18] Implementation of coordinated State-to-State services would not be costly, as in many instances the operational costs are already being funded by individual States. Even if new service segments were started from scratch, conservatively estimated subsidies of $1.00 per vehicle-mile could fund round-trip service on hundreds of route miles annually for under $1 million. (For example, 1,000 route miles with daily round-trip bus service and a subsidy of $1.00 per vehicle mile would amount to $730,000 per year: 1,000 miles x 2 x 365days x $1 = $730,000.) This amount, if shared by two or more States and supported both with Federal funds and a State/local match, may be within. State's current means. As with emphasis on rural feeder service, the Department expects to explore ways of promoting greater State to State cooperation. RTAP and other outreach avenues will be considered.

As a further note on improved traveler information, we would underscore the important private sector role in automobile trip planning and airline travel information by organizations and companies like AAA, Mapquest, and Expedia. This role is particularly crucial to providing information networks that are truly national in scope. We would expect that as States improve the compilation and integration of information about available public transportation – through the existing 5311 program, SAFETEA's Section 6002, or various other means – there will be private vendors positioned to develop nationally oriented trip information that includes intercity bus services.[19]

Essential Transportation Services

Currently, there are multiple Federal programs to support access by rural communities and rural residents to the nation's intercity transportation network. In addition to the Section 5311(f) program support for intercity bus service in rural areas, the Essential Air Service (EAS) and related small community air programs support rural access to the nation's air network, and some of Amtrak's annual subsidy supports rail passenger service in rural areas.

Approaching the goal of rural mobility with maximum flexibility for strategic planning and allocating resources and travel assistance is an increasingly attractive option. The individual nature of the current modal programs with their own requirements, conditions, and limitations does not provide maximum flexibility. The concept of *essential transportation service* embodies a more flexible approach, where the goal is to facilitate travel, not necessarily to preserve or promote use of any specific transportation mode.

In the long-term, a comprehensive, non-mode specific approach may offer the best likelihood of sustaining travel choices for those with the greatest mobility needs. Accordingly, the Department continues to examine its policies and programs aimed at meeting mobility needs and to explore the potential of an *essential transportation service* approach to ensure that mobility.

VI. CONCLUSION

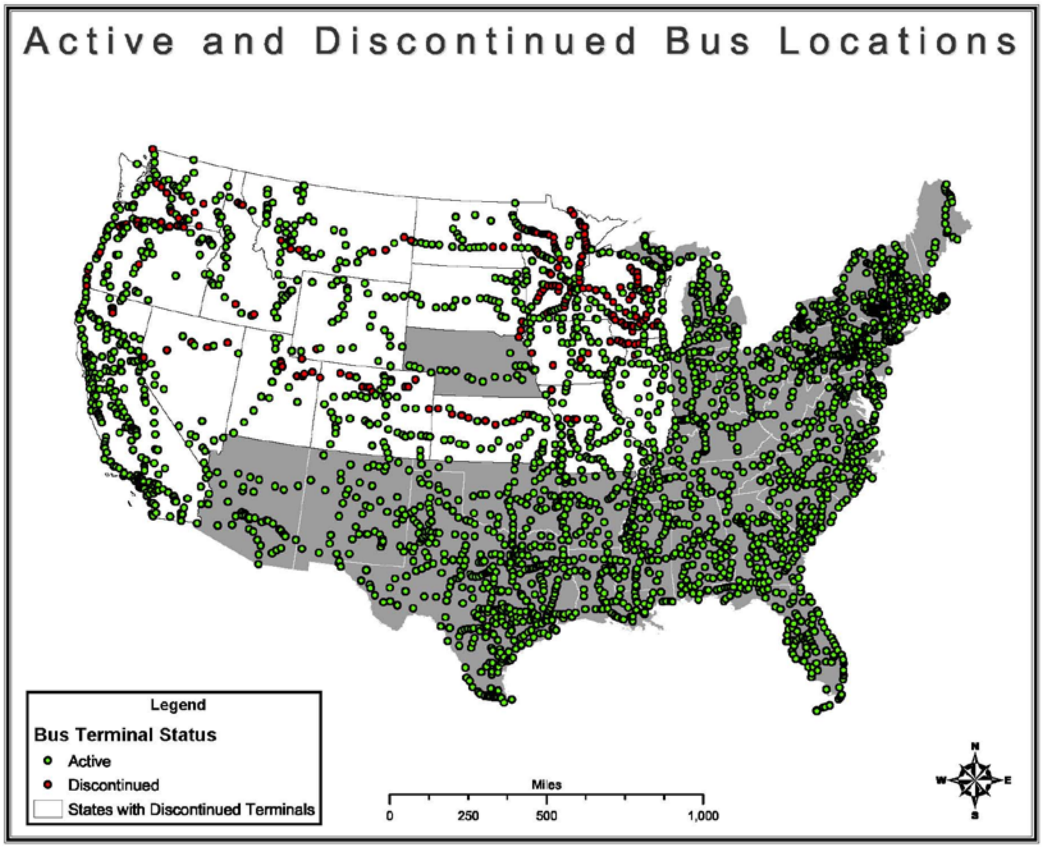
Given the fundamental economic conditions facing the intercity bus industry – declining demand for its regular route service and the continuing growth in the market share of other modes – service cutbacks in selected markets can be expected. The response by other carriers and by State and local governments to the recent Greyhound restructuring is welcome, with significant impacts being mitigated where service replacement appears feasible and cost-effective.

The recent Federal response, much like responses during the past several decades of intercity bus service decline, is appropriate as well. Aspects of the existing Section 5311(f)

[19] Russell's Guide (print version only) and Greyhound's own network information system are potential components of a national information network. Further efforts by States could yield a critical mass of State-by-State information that vendors may choose to combine into a national information network.

program would be strengthened by emerging reauthorization legislation. High-payoff practices available under existing programs should be further encouraged, and opportunities to promote these approaches are being explored. Finally, the Department continues to consider ways of bringing broader, more flexible, and more cost-effective approaches for assuring mobility and access to the Nation's intercity travel network. The concept of *essential transportation service* is such an approach and could further those mobility and access goals.

APPENDIX A: ACTIVE AND DISCONTINUED BUS LOCATIONS
(Reflecting Greyhound's August 2004 Service Changes)



Source: *Bureau of Transportation Statistics, June 2005*

APPENDIX B: GREYHOUND SERVICE DISCONTINUANCE LIST

State	Number of Locations No Longer Served by Greyhound by Date of Discontinuance	Number of Locations With No Prior-Year Sales *
August 2004		
Colorado	12	-
Iowa	13	-
Idaho	11	-
Minnesota	64	-
Montana	14	-
North Dakota	11	-
Nebraska	9	-
Oregon	35	-
South Dakota	3	-
Utah	8	-
Washington	21	-
Wisconsin	43	-
Wyoming	2	-
Total	**246**	-
February 2005		
Arkansas	3	1
Arizona	19	11
California	1	0
Louisiana	3	1
Missouri	5	3
New Mexico	2	1
Nevada	1	1
Oklahoma	6	0
Texas	28	11
TOTALS	**68**	**29**
April 2005		
Arkansas	27	8
California	47	34
Colorado	3	2
Kansas	3	2
Louisiana	8	2
Mississippi	2	1
Missouri	34	26
Nevada	1	1
Oklahoma	10	3
Texas	10	7
Utah	3	1
TOTALS	**148**	**87**

* That is, no outbound sales. Passengers may have boarded or disembarked, but no ticket sale was formally recorded at the location. In such a case, the boarding passenger later paid on the bus or at a subsequent location stop. Information on the number of locations with no prior year sales is not available for locations where services were discontinued in August 2004.

APPENDIX C: FTA March 22 Dear Colleague Letter on Intercity Bus Service

Number C-04-05

Dear State Transportation Colleague: 03-22-05

The intercity bus industry is undergoing major restructuring, with service cutbacks being implemented by the Nation's largest intercity bus company, Greyhound. Many of your rural communities may be directly affected by the dramatic reductions in rural intercity bus service. In August 2004, the company began route and service point reductions affecting some 260 communities in 13 States across the north central and northwestern United States. Greyhound has indicated that it will also implement route and service cuts in all the other parts of its United States network. An announcement of service cuts in many southern States is expected in the first half of 2005 and in the remainder of the country by the end of 2006. While Greyhound's broad restructuring may lead to increasing its service in higher density regions, routes, and service corridors, the obvious trend is less service in many rural areas.

Declines in scheduled, intercity bus service by private companies have been occurring for several decades. Whereas scheduled service once reached more than 17,000 communities, the industry now serves fewer than 6,000 locations, and will serve even fewer locations when the Greyhound restructuring is completed. Nationwide, intercity bus ridership peaked at about 130 million passengers in 1970 and is currently about 40 million passengers per year. Intercity transportation, however, remains an important part of essential mobility in rural areas.

The Federal Transit Administration (FTA) rural formula program (Section 5311) provides a resource to help provide or preserve intercity bus service. Various combinations of capital, operating, and administrative assistance - even when the amounts are fairly small - may help preserve private bus service in communities seeking to keep it. For example, when Greyhound discontinued some routes subsidized with rural formula funds, other private operators were willing to continue operating the subsidized service. Although not part of Greyhound's current business plan, these rural routes can still be attractive to smaller regional companies given a small level of assistance. Another way to enhance the continued viability of private intercity service is to fund local feeder services that connect with intercity routes. Coordinated marketing and ticketing can also help sustain intercity services. Capital funding for joint facilities can improve intermodal connections and support private providers. When private alternatives are unavailable, rural transit providers may expand services to include intercity destinations. Transportation Cooperative Research Program Report 79, "Effective Approaches to Meeting Rural Intercity Bus Transportation Needs," provides additional ideas about how to address intercity bus needs.

Section 5311(f) requires that each State use 15 percent of its annual formula apportionment to support intercity bus service unless the Governor certifies that the intercity bus needs of the State are adequately met. States that so certify may use the intercity bus set-aside funds for other rural transit services instead. As we noted in our Fiscal Year 2005 Federal Register Notice of Apportionments and Allocations (December 29,2004), given the ongoing changes in the intercity bus industry, we encourage you to consult with intercity bus operators and communities affected by loss of service when evaluating the intercity bus needs of the State. In reauthorization, we propose to strengthen Section 5311(f) by requiring "consultation with affected intercity bus service providers" before certification. The reauthorization bills introduced in both the House and Senate last year incorporated this language. Even absent this statutory requirement, if you choose to certify for purposes of Section 5311(f) that your intercity bus service needs are already being adequately met, we urge you to base such findings on careful consultation with appropriate industry groups, transportation planning officials, and the traveling public.

For many of you, the continuation of currently existing intercity bus service in your State is no longer a certainty. I encourage you to preserve the resources to address anticipated service cuts rather than certifying that intercity bus needs are adequately met and programming all your rural formula funds for other purposes. When you submit your grant application for your Section 5311 formula funds, you may reserve the intercity bus set-aside for projects to be determined later within the three-year period of availability of the funds. You may also want to target some of your intercity bus funds this year for planning and analysis to address service cuts when they occur. FTA Circular 9040.IE, "Nonurbanized Area Formula Program Guidance and Grant Application Instructions," contains additional guidance about how to program Section 5311(f) funds for planning, operating, capital, and administrative assistance, and reserving funds for future projects.

The Department of Transportation is currently evaluating the extent and impact of the service cutbacks and how the Department should respond to these changes. It may be that broader, more flexible planning and funding approaches are required to address the travel needs of rural communities. As we work to identify innovative approaches and effect appropriate changes, we welcome your comments and suggestions as to how the Nation may best meet the challenge of providing intercity mobility for all our citizens.

Your FTA regional office will be pleased to work with you to address intercity bus transportation issues in your State and respond to any questions you may have about the use of FTA formula funds to support intercity bus transportation that addresses rural mobility needs.

Sincerely,

Jennifer L. Dorn

ACKNOWLEDGEMENTS

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