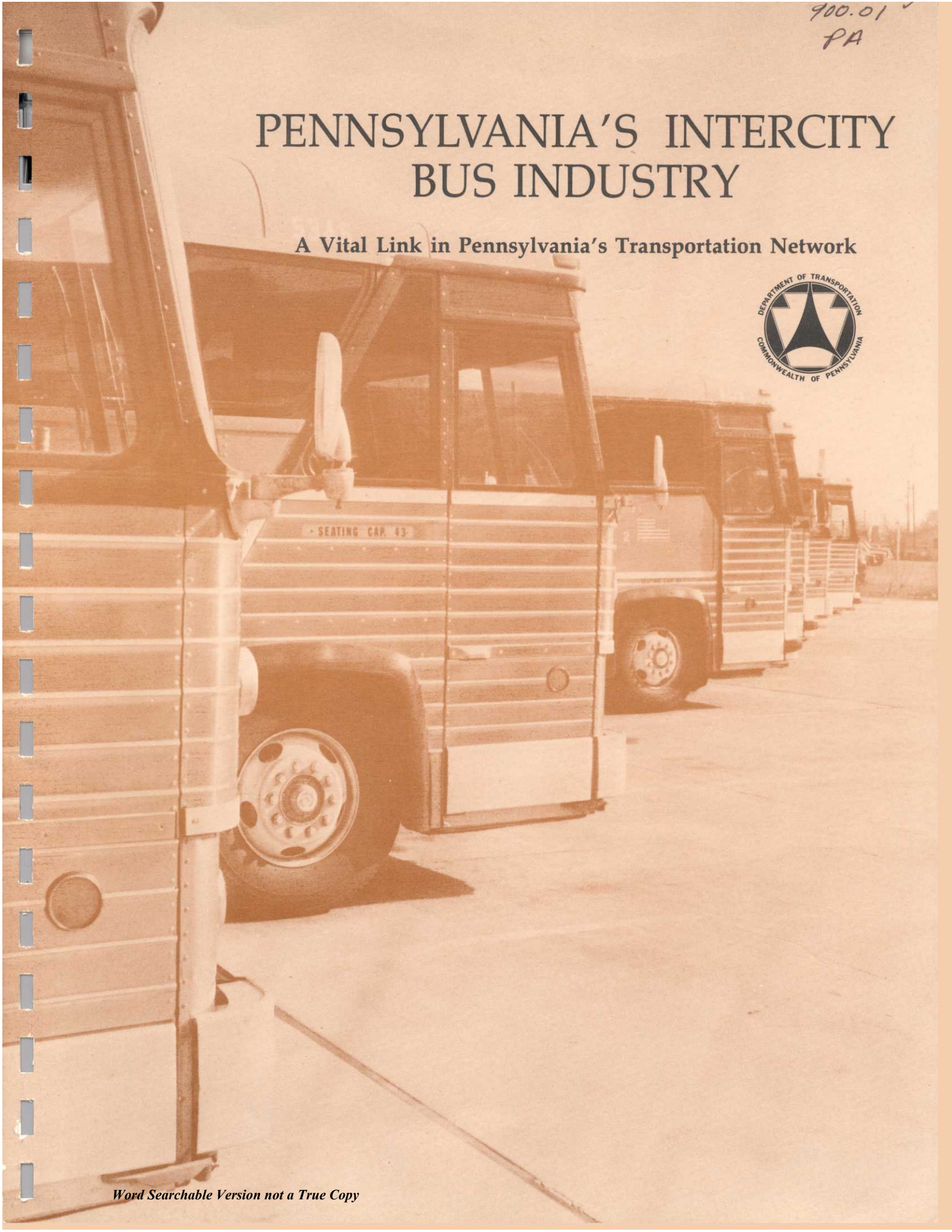


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PENNSYLVANIA'S INTERCITY BUS INDUSTRY

A Vital Link in Pennsylvania's Transportation Network



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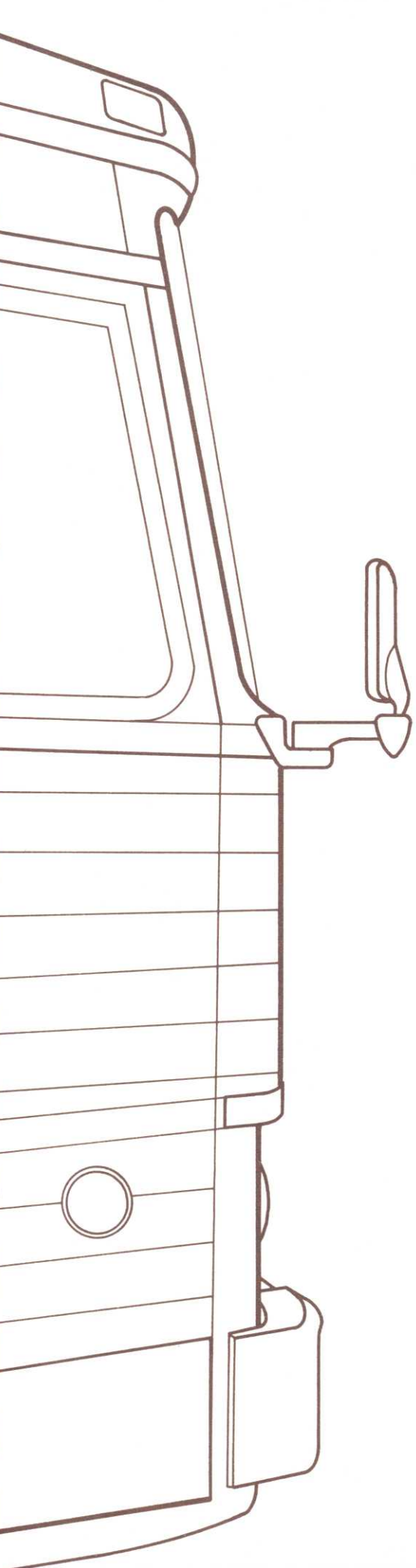
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Pennsylvania's Intercity Bus Industry

A Vital Link in Pennsylvania's Transportation Network

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Bureau of Public Transit and
Goods Movement Systems

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April 1985

ACKNOWLEDGMENT

It is with great pleasure that the Pennsylvania Department of Transportation makes available this executive summary of the Pennsylvania Intercity Bus Study, an inventory of facts on the intercity bus industry in Pennsylvania. This is the first comprehensive study in Pennsylvania of an industry that provides an essential service to most of the communities and counties in the State.

The effort needed to gather, analyze and present the information in this study required nearly two years and the cooperation of all the major bus companies providing services in Pennsylvania, the Pennsylvania Public Utility Commission and the Bus Association of Pennsylvania. Special recognition must be given to the following individuals who gave of their time as members of the Study Advisory Committee to help guide the collection and analysis of pertinent information:

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THE INTERCITY BUS INDUSTRY

Important To The People And The Economy Of Pennsylvania

The intercity bus industry provides the most extensive service of any public transportation mode available to the citizens of Pennsylvania. It connects small towns and rural areas with major cities and provides daily service to over 400 communities in 63 of Pennsylvania's 67 counties. The industry provides crucial mobility to those people who may not have access to the private automobile, particularly our senior citizens, the young, and low income persons.

Since World War II, the automobile and airline industries have provided a major proportion of the public transportation service in the nation, cutting deeply into the demand for intercity bus service. As a consequence, many routes serving small towns and rural areas have been abandoned or have experienced substantial service reductions. Many intercity bus carriers have continued to operate scheduled and charter

services that were marginally profitable in order to preserve operating authority granted by either the Interstate Commerce Commission (ICC) or the Pennsylvania Public Utility Commission (PUC).

However, the entry and exit provisions of the federal Bus Regulatory Reform Act of 1982 have started dramatic changes that will affect the intercity bus industry in the coming years. The relaxed entry provisions of the act have allowed new providers to offer charter service. While passengers traveling between major markets can now enjoy reduced prices due to increasing price competition among carriers, the act has also allowed carriers to abandon service in unprofitable markets, especially in rural areas. So far, the negative impacts of these abandonments in Pennsylvania have been limited, but an ever-increasing number of scheduled carriers are seriously evaluating the possibility of discontinuing profitless services.

The Pennsylvania intercity bus industry is important, not only to its passengers, but also to the economy of the state. In 1981 the intercity

bus industry and its passengers spent \$534 million in the state. Charters and tours are increasing rapidly and are major contributors to Pennsylvania's tourism industry. In addition to Greyhound Lines and the National Trailways Bus System (which includes American Buslines, Safeway Trails, Inc., and numerous affiliates), Pennsylvania-based companies logged more than 12 million miles of scheduled bus service and carried more than 3 million passengers. When charter service mileage is added, Pennsylvania-based carriers traveled over 55 million miles. The Pennsylvania-based carriers employed more than 4,000 persons and had operating budgets in excess of \$120 million in 1982. Including the Pennsylvania portion of Greyhound and Trailways services, the total intercity bus industry contributes to the economy by spending more than \$150 million in operating expenses and employing more than 5,000 persons in Pennsylvania.

Pennsylvania has been a leader in supporting the intercity bus industry. Since the enactment in 1976 of the "Pennsylvania Rural and Intercity Common Carrier Surface Transportation Assistance Act" (Act 10), the Pennsylvania Department of Transportation (PaDOT) has provided financial support, through capital and operating subsidies, to intercity bus carriers that operate needed intercity routes. During the fiscal year 1983-1984, nearly \$550,000 was provided to carriers to continue the operation of 11 intercity routes.

To maintain its leadership position and to prepare for changes in the intercity bus industry, PaDOT's Bureau of Public Transit and Goods Movement Systems contracted with the Pennsylvania State University and Carter-Goble Associates to perform an inventory of this important Pennsylvania resource. The inventory study had four objectives:

- To assemble information about the industry in Pennsylvania in a form that could be used by PaDOT for policy formulation and for program management,
- To identify trends that may have a negative impact on the quantity and quality of service available to Pennsylvania residents,
- To analyze the impacts of the Bus Regulatory Reform Act of 1982 on the Pennsylvania Intercity Bus industry, and
- To identify state-related policy issues that affect the industry.

The inventory identified 94 bus carriers as providers of intercity scheduled and charter services. Financial and operating data for these carriers were obtained from PUC records for the years 1978 and 1982. In addition, these carriers were surveyed to determine the impact of the federal deregulation on their operations and to obtain their opinions on what the most appropriate role for state government should be in helping the industry prosper and continue to serve Pennsylvania residents. The findings of the industry inventory and the analysis of industry trends are reported in this summary.



The National Intercity Bus Industry: Recent Trends

In 1982, the intercity bus industry was composed of over 1,500 firms that provided scheduled, charter, and package delivery services to nearly 15,000 communities. During the 1960s and 1970s, the number of participants in the industry stabilized at about 1,000 firms. In the early 1980s, as a result of less restrictive entry requirements, the number increased by 50 percent. However, this increase in the number of firms does not represent a substantial increase in the number of operating buses when compared to the number operated during the past 25 years. Intercity bus trends in the past 50 years are illustrated in Figure 1.

Greyhound Lines and the National Trailways Bus System dominate the intercity bus industry and account for over 80 percent of all revenue produced by carriers with operating revenue totaling over \$3 billion. Greyhound alone has a 43 percent market share for regular route service. The National Trailways Bus System is a group of independent intercity bus companies united in a nonprofit association to coordinate marketing, routing, schedules, and fares. Trailways, Inc. is the largest of the affiliates; five Pennsylvania-based carriers are Trailways affiliates.

When first regulated in 1935, intercity bus carriers received nearly all of their income from scheduled operations. Revenues from scheduled operations accounted for over 90 percent of the total revenue as recently as 1950. The carriers' dependence on scheduled passenger revenue, which is illustrated in Figure 2, has now declined to less than 70 percent of total revenue, and recent carrier actions to reduce scheduled services suggest that this trend will accelerate in the coming years. Ridership on scheduled intercity routes has been falling for the past decade; many carriers have continued to operate scheduled runs by supplementing passenger revenue with package and express income, and by increasing their charter operation. Expenses have increased faster than revenue, however, resulting in an increased average operating ratio (the ratio of operating expenses to operating revenue) for the industry. For this reason, many carriers supported deregulation of the industry so that they could eliminate their less profitable scheduled services and be free to change fares.

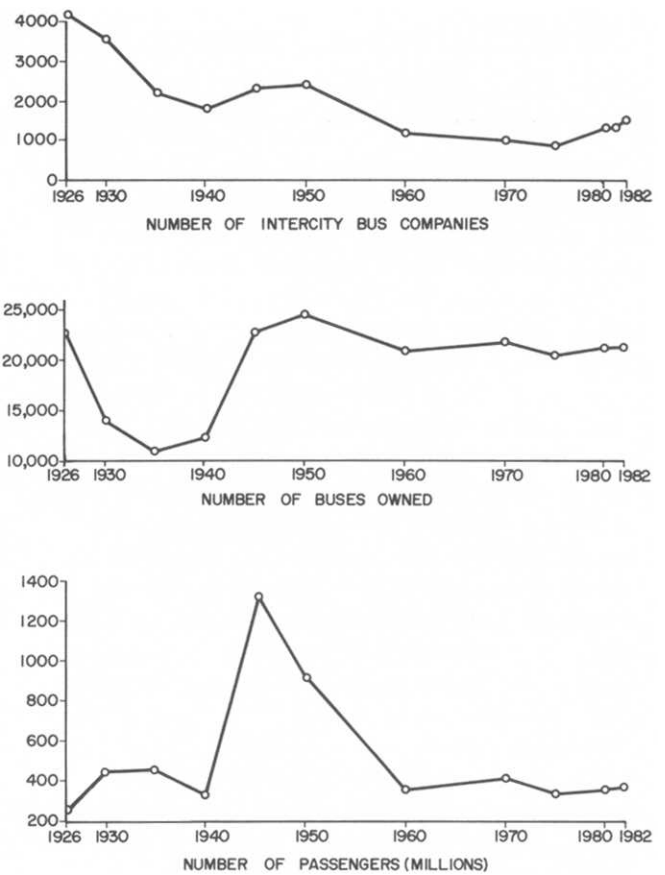


Figure 1. Intercity bus industry trends.

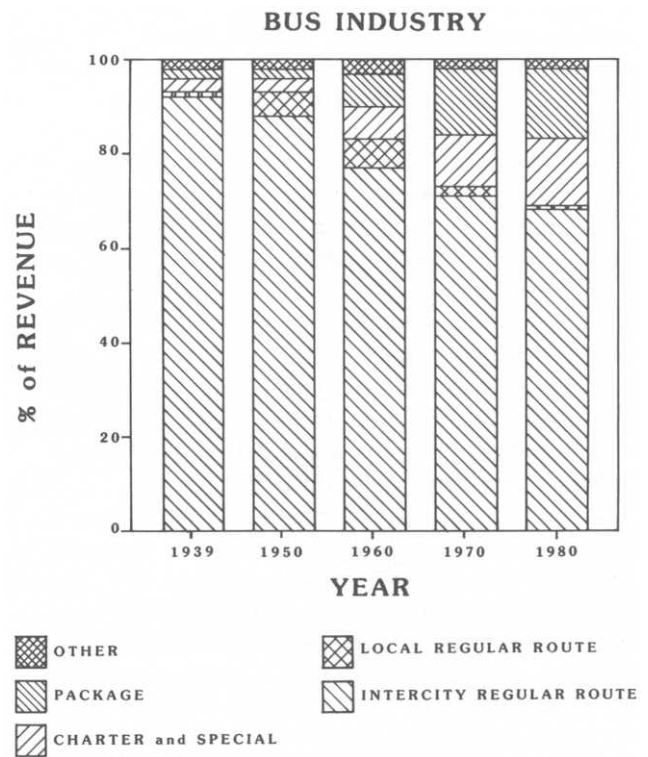


Figure 2. Trends in the distribution of revenue.

Deregulation: A Turning Point For The Intercity Bus Industry

The Bus Regulatory Reform Act was signed into law on September 20, 1982. It represents the final step in the deregulation of the major modes of passenger and freight transport that was begun five years earlier with deregulation of the air freight industry. Embodying many of the features of the airline and motor carrier legislation that preceded it, the act directs the ICC to relax entry requirements for scheduled and charter operations. Scheduled carriers that are fit, willing, and able may now be granted operating authority unless a protestant shows that granting such authority is contrary to the public interest. Authority for charter services and for special operations such as tours may now be granted solely on the basis of a fitness test, defined as proof of minimum financial responsibility or the ability to obtain insurance.

One important exception to this easy entry policy applies to publicly subsidized transit agencies that seek charter rights. An additional "public interest" standard is applied in cases in which a public agency that uses vehicles purchased with federal funds may compete with a private carrier. The ICC has not yet granted charter authority to a publicly funded agency, although Pennsylvania's Cambria County Transportation Authority has applied for charter rights, as has New Jersey Transit, the state-owned transit operator. New Jersey Transit was forced to withdraw its application after the private bus industry protested.

Rate freedoms were also granted to intercity bus carriers to raise and to lower fares within a broad range, although they are no longer allowed to engage in collective ratemaking for charter and tour fares through rate bureaus. Similarly, collective ratemaking will become illegal for scheduled operations effective December 31, 1985.

The most controversial provision of the Bus Regulatory Reform Act allows the ICC to overrule state regulatory actions if the ICC finds that the state action places an "undue burden on interstate commerce." Carriers that have been turned down by state agencies for rate increases or for service reductions have successfully petitioned the ICC to overrule the state decision. In Pennsylvania, Greyhound's petition to abandon a number of routes was rejected by the PUC but then approved by the ICC under the state preemption provisions of the 1982 law.



Data collected during the study period did not reveal major changes in the scheduled service portion of the industry as a result of the federal legislation; however, several trends have become evident in the past year. Scheduled carriers are increasing their intrastate rates, which had been held lower by the PUC, more than they are increasing their interstate rates for equivalent distances. Another trend is toward rate reductions on scheduled routes between major markets and to such popular destinations as Atlantic City. There is also a pronounced trend for the new intercity bus carriers receiving operating authority from the ICC to offer charter service. Few, if any, new carriers have entered scheduled operations, although a few existing scheduled carriers have expanded into new markets with scheduled service.

Most carriers responding to this study's survey had not felt the impact of deregulation. Most of the responses, however, were from charter operations that had not been seriously affected by the law. Those carriers that did indicate that their operations had been affected by deregulation cited as new problem areas the increased competition and reduced profitability on charter business, and an inability to maintain scheduled service without the benefit of profits from charter work. Since the full impacts of the act are still unknown two years after its passage, the need continues for close monitoring of developments in the intercity bus industry.

THE PENNSYLVANIA INTERCITY BUS SYSTEM

Pennsylvania's intercity bus network serves more than 400 locations in 63 counties. Only Cameron, Potter, Huntingdon, and Sullivan counties are not served by regularly scheduled intercity buses. All urbanized areas of the state are served by at least two carriers.

In 1983, 28 carriers listed in *Russell's Official National Motor Coach Guide* provided scheduled bus service to points in Pennsylvania; the most comprehensive service was offered by Greyhound and the National Trailways Bus System affiliates. The smaller carriers operated local or regional routes that focused on a single urban hub or that connected a number of communities in a particular region of the state. Figure 3 displays the intercity bus network as of March 1984; Figure 4 indicates the frequency of service along each route. As would be expected, the most frequent service is between major cities.

Figure 5 indicates areas with populations of over 2,500 persons who live five miles beyond an



intercity bus stop. The map also shows areas of the state that are served by urban or rural publicly sponsored transit systems. In many cases, these systems serve as feeders to intercity routes in areas that are no longer served by intercity buses.

Over the five-year period considered in this study (1978 to 1983), relatively minor changes were made to the intercity bus network serving Pennsylvania. For instance, Greyhound reduced the frequency of service in the Binghamton-Scranton-Philadelphia corridor and along north-south routes that have stops in Philadelphia, and added scheduled service to Atlantic City. As a result of the breakup of the Edwards Lakes-to-Sea Bus System, Trailways transferred routes previously operated by Edwards to other Trailways affiliates. Independent carriers reduced service in the central and western parts of the state. In addition, some transit authorities started routes to replace abandoned intercity service.

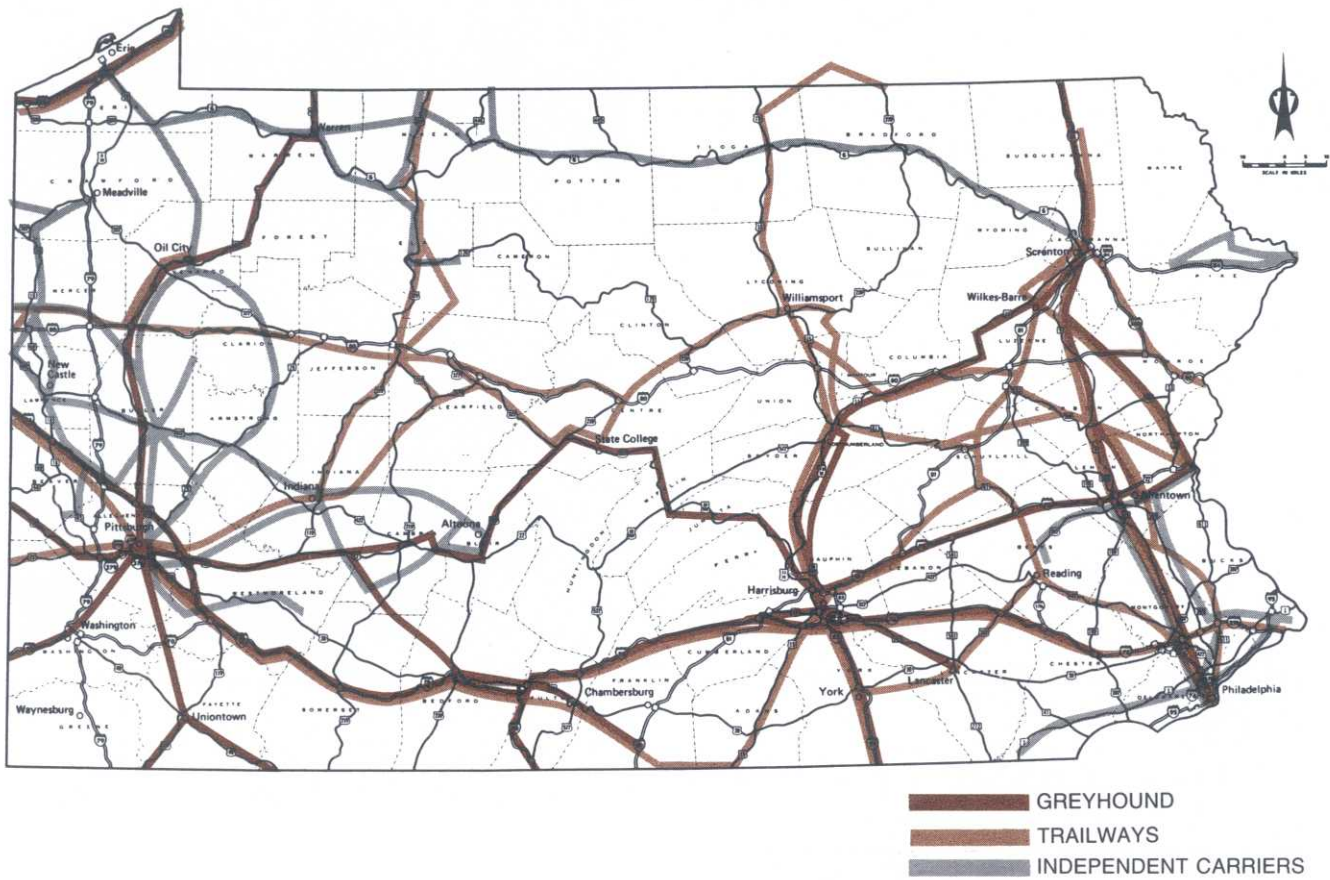


Figure 3. Pennsylvania intercity bus routes, March 1984.

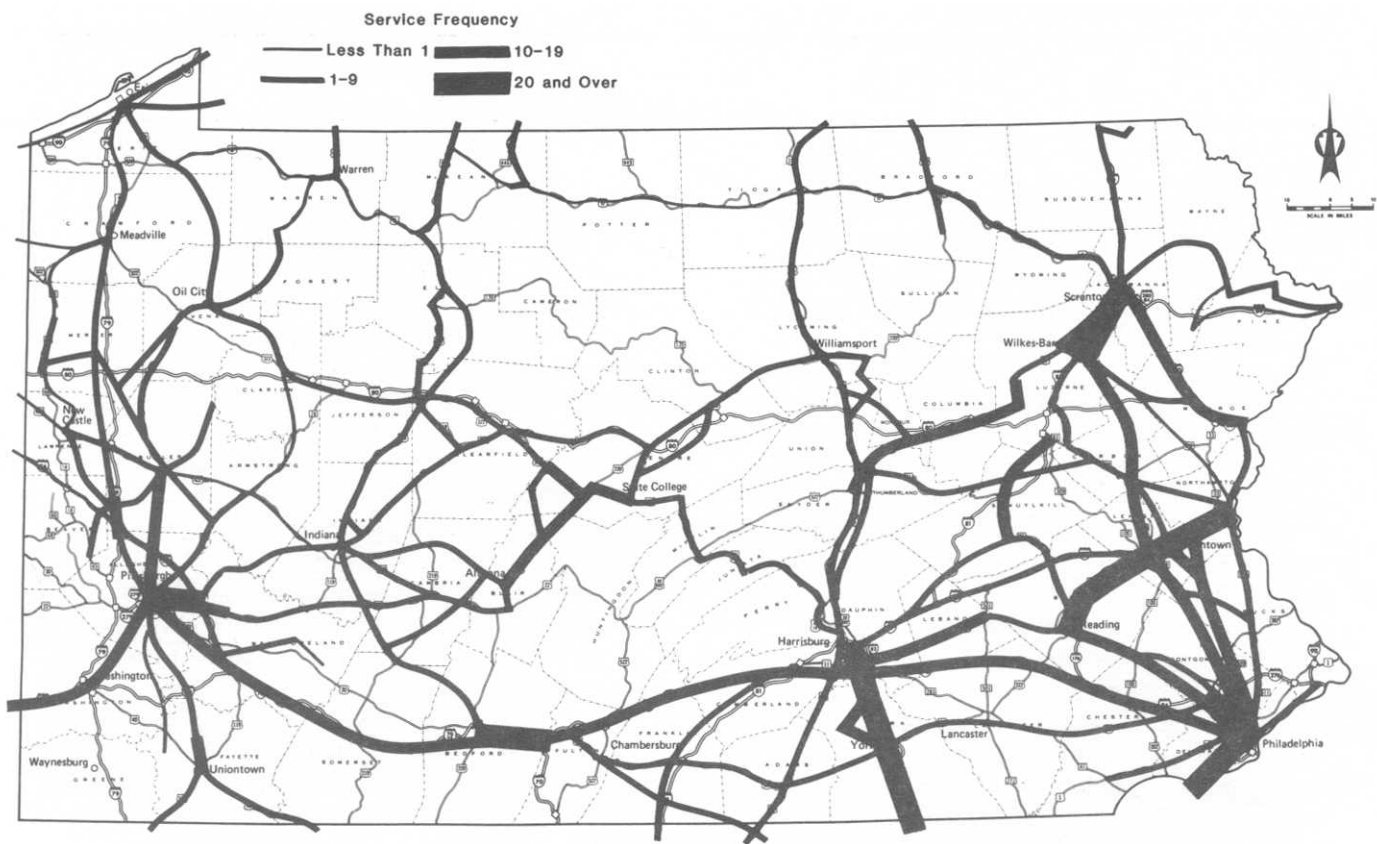


Figure 4. Intercity bus volumes by corridor, March 1984.

Intercity Bus Terminal Facilities

Bus terminal facilities used by the intercity bus industry range from multicarrier, intermodal transportation centers to small agency shops, and even include roadside stops with no facilities. Terminal facilities represent the most significant fixed operating cost incurred by scheduled service operators, and most existing carriers have made substantial investments in these facilities. Potential new entrants may be precluded from the scheduled market because of a lack of adequate facilities. Figure 6 shows the location of major intercity bus terminals in Pennsylvania. This figure shows only those facilities that primarily serve as an intercity terminal; excluded from the map are agency stops that might be located at a drug store or hotel.

The Intercity Bus Fleet

Intercity bus carriers that operate in Pennsylvania own more than 6,200 vehicles. Excluding Greyhound and the two national Trailways companies, Pennsylvania carriers owned 2,521 vehicles in 1982. While nearly all of the vehicles operated by Greyhound and the National Trailways Bus System are intercity coaches, 56 percent of the vehicles operated by the smaller carriers are school buses, vans, and other small vehicles. The average age of Greyhound's fleet is five years. The Trailways affiliates operate a fleet that is about six years old, while smaller carriers own intercity vehicles

that are about seven years old. Generally, the newest buses are reserved for charters and tours. One consequence of the increased competition resulting from deregulation is the effort that charter carriers are making to upgrade their fleets to gain an edge over their competitors.

Intercity Bus Fares

The intercity bus industry is faced with a two-tiered fare structure for interstate and intrastate scheduled services. This structure evolved as interstate fares under the jurisdiction of the ICC were allowed to rise, while intrastate fares under the control of state regulatory agencies were held to lower levels. Interstate fares were often 30 to 40 percent higher per mile than intrastate fares because of the difference in regulatory philosophy between the ICC and state agencies. Interstate rates average between \$.17 and \$.20 per mile. Intrastate fares range from as low as \$.05 per mile on publicly subsidized routes to \$.18 per mile for several intrastate Greyhound routes. Using the state-preemption powers that are given to the ICC, interstate carriers are raising intrastate rates in spite of the objections of state agencies. Charter and express prices are also becoming increasingly competitive.

Until recently, there was little rate competition among intercity bus carriers; however, using the new freedoms under deregulation, carriers are now discounting fares between major markets. In addition, Trailways introduced a new, simplified interstate fare structure that ranges from \$.18 per mile for trips between 21 and 26 miles to as little as \$.06 per mile for trips over 2,500 miles.



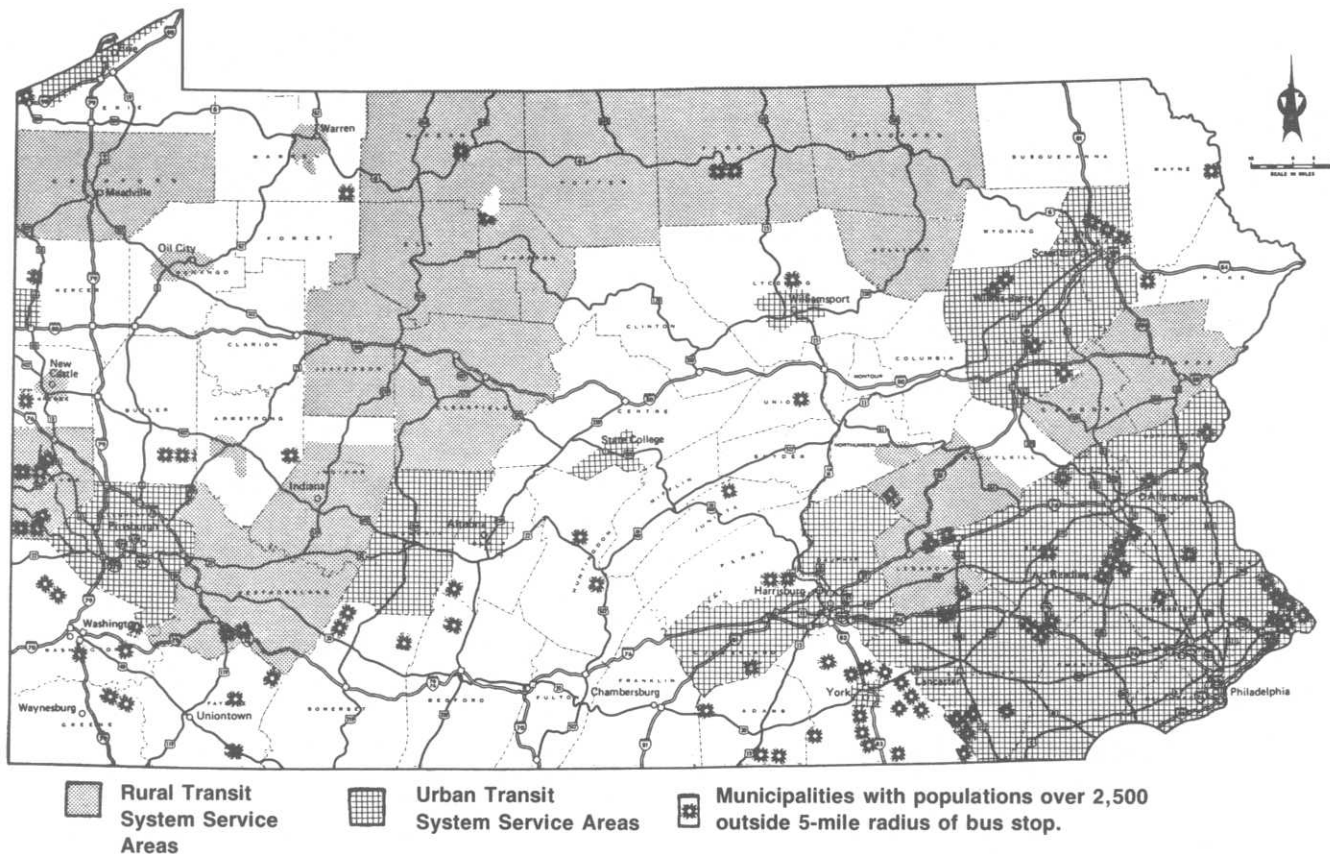


Figure 5. Municipalities outside a 5-mile radius of an intercity bus stop and with a population of more than 2,500.

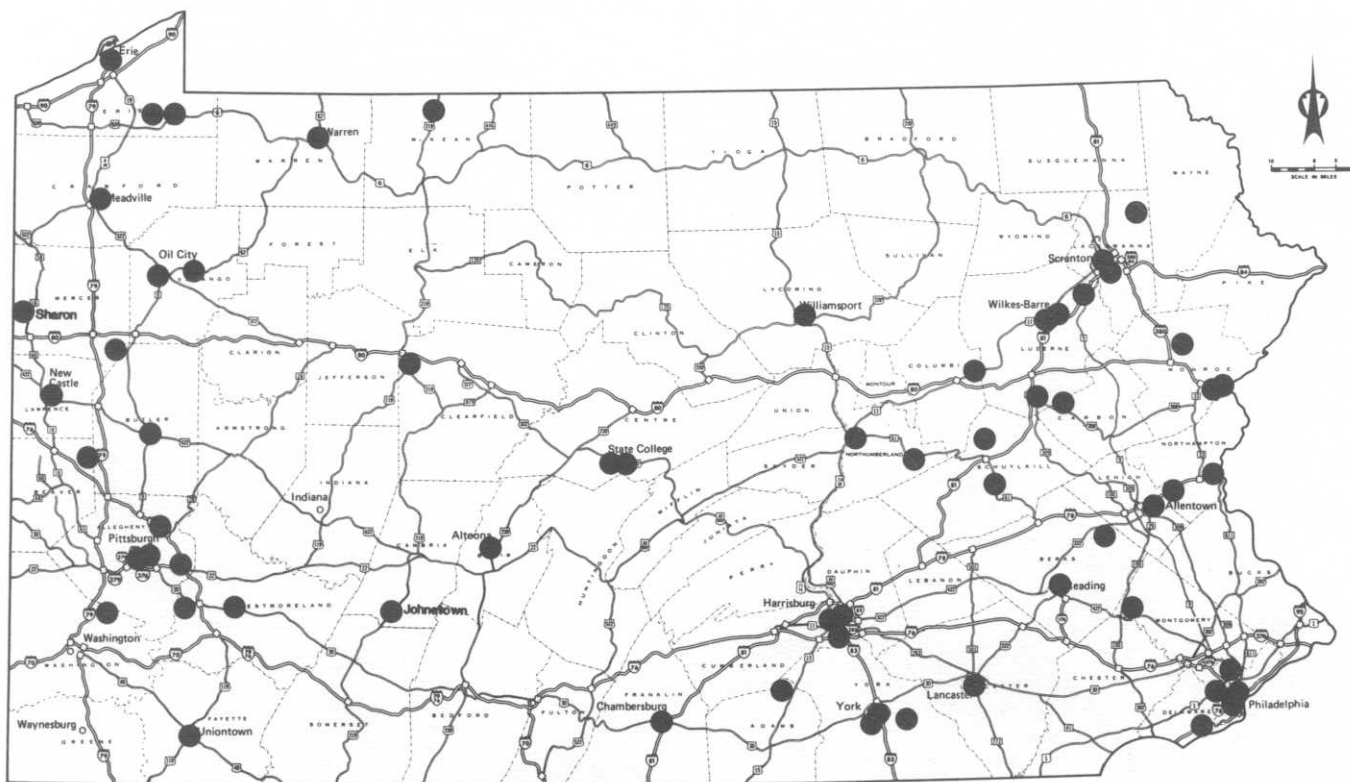


Figure 6. Major intercity bus terminals, July 1984.



PENNSYLVANIA INTERCITY BUS CARRIERS

Nearly all of the intercity bus service in Pennsylvania is provided by 25 private companies that range in size from Greyhound Lines, with over \$633 million in assets, to companies with assets as little as \$250,000. While the industry is dominated by two national firms, Greyhound Lines and the National Trailways Bus System, most intercity bus providers are small businesses that serve a local or regional market within the state. Table 1 summarizes key financial and operating data for the 25 carriers that provide most of the state's intercity service.

The largest carriers receive most of their revenue from scheduled services, while the smaller operators depend more upon charter, school bus, and other revenue. Figures 7 and 8 show the distribution of revenue and expenses for the three major groups of intercity carriers. The two major cost components for a carrier are its drivers and the fuel for its buses, commonly

referred to as transportation costs. As many as 70 to 80 percent of all employees work in the transportation area. In general, the largest carriers also pay the highest wages. The average hourly wage for Trailways affiliates in 1982 was \$8.53, while the average wage for the independent carriers was \$6.74, and the smallest carriers had an average wage rate of \$5.28 per hour.

During the past decade, the intercity bus industry has been plagued by low profits. Although fare increases have resulted in increased income, expenses have risen faster than revenue. The industry's revenue per mile rose by 43.8 percent between 1978 and 1982, but expenses per mile rose 46.5 percent during the same period. Of the 25 major carriers included in this study, 8 showed an operating loss for the year. The most profitable firms appear to be the ones that rely least on scheduled services for income.

Table 1. Financial and operating characteristics of major intercity bus carriers – 1982.

	Assets 1982 (\$)	Number of Vehicles	Revenue 1982 (\$)	Total Vehicle Miles	Total Passengers	Total Employees
GREYHOUND LINES	633,041,913	3,276	849,527,943	401,773,215	57,139,185	16,734
NATIONAL TRAILWAYS BUS SYSTEM						
American Buslines	56,250,637	311	43,932,349	28,037,755	2,013,543	899
Ashland & Shamokin	912,607	N/A	1,390,555	N/A	N/A	N/A
Capitol Bus Co.	7,883,963	70	8,851,751	4,756,127	800,014	159
Fullington Trailways	2,201,678	70	2,727,648	1,680,936	736,485	117
Martz Trailways	18,792,438	76	8,727,173	5,370,190	747,788	168
Safeway Trails, Inc.	12,089,634	107	30,012,521	12,532,491	3,170,932	736
	\$98,130,957	634	\$95,641,997	52,377,499	7,468,762	
Total - NTBS						
MAJOR INDEPENDENT CARRIERS						
88 Transit Lines	2,567,565	24	1,628,812	968,416	581,527	42
Bieber, Carl R. Tourways	8,298,925	96	6,010,175	3,173,820	598,349	186
Blue Bird Coach Lines	10,003,876	266	10,152,715	4,944,211	416,688	316
Blue and White Lines	8,039,508	78	4,404,552	2,932,498	N/A	106
Butler Motor Transit	2,806,983	26	1,856,426	N/A	N/A	35
Central Cab Co.	3,162,601	65	2,886,799	N/A	N/A	N/A
Chenango Valley Bus Lines	1,439,772	12	1,218,929	839,728	369,230	25
Edenfield Stages	658,825	17	566,493	236,262	135,844	18
G.G. & C. Bus Co.	N/A	56	1,339,412	232,156	204,126	69
Grenaldo, D., Inc.	440,918	15	357,218	N/A	N/A	N/A
Grove City Bus Line	3,341,187	28	3,496,608	1,585,751	49,295	72
Lincoln Coach Lines	3,026,899	25	2,820,948	1,238,819	192,270	51
Lodestar Bus Lines, Inc.	383,809	11	157,052	118,800	38,292	8
Reeder's, Inc.	643,983	13	508,489	347,866	N/A	20
Starr Transit Co.	6,474,453	47	7,593,309	4,446,451	1,050,043	127
Suburban Lines, Inc.	2,147,070	25	1,638,967	756,656	459,508	26
Trans-Bridge Lines	4,123,993	24	2,534,579	1,965,900	225,000	53
Trenton-Phila. Coach	255,406	4	248,604	195,438	129,361	46
Total – Major Independent Carriers	\$57,815,773	832	\$49,420,087	23,982,772	4,449,533	

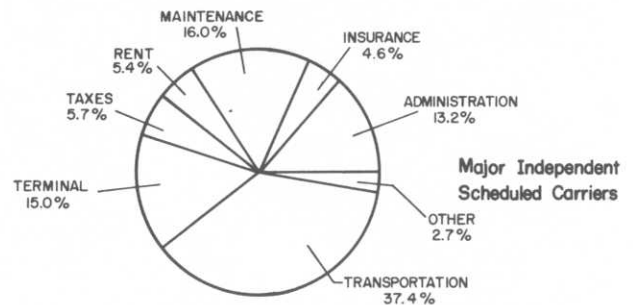
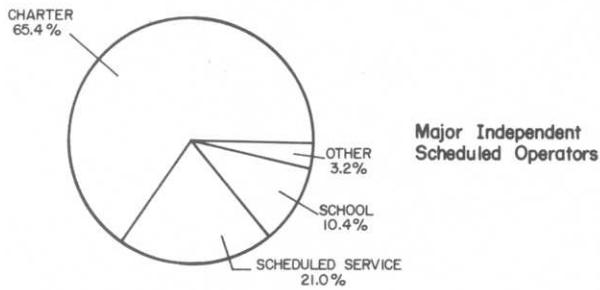
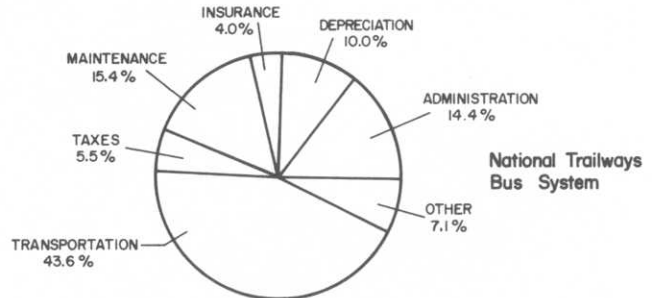
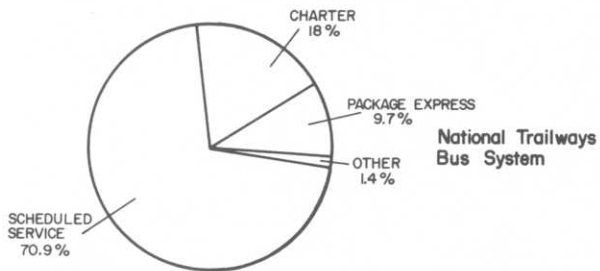
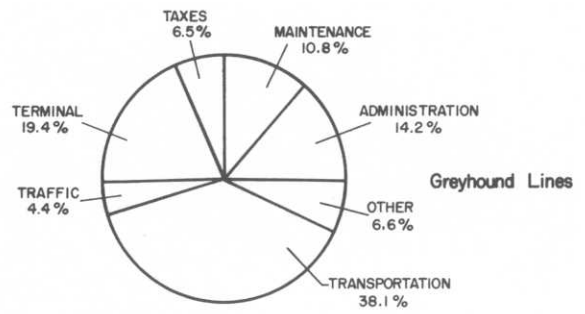
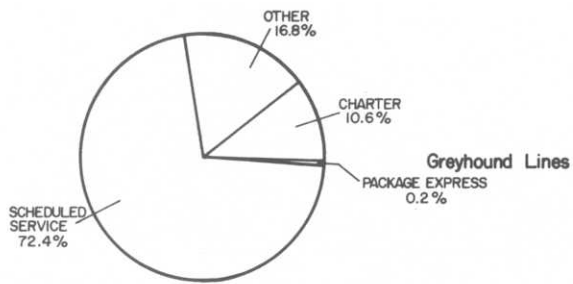
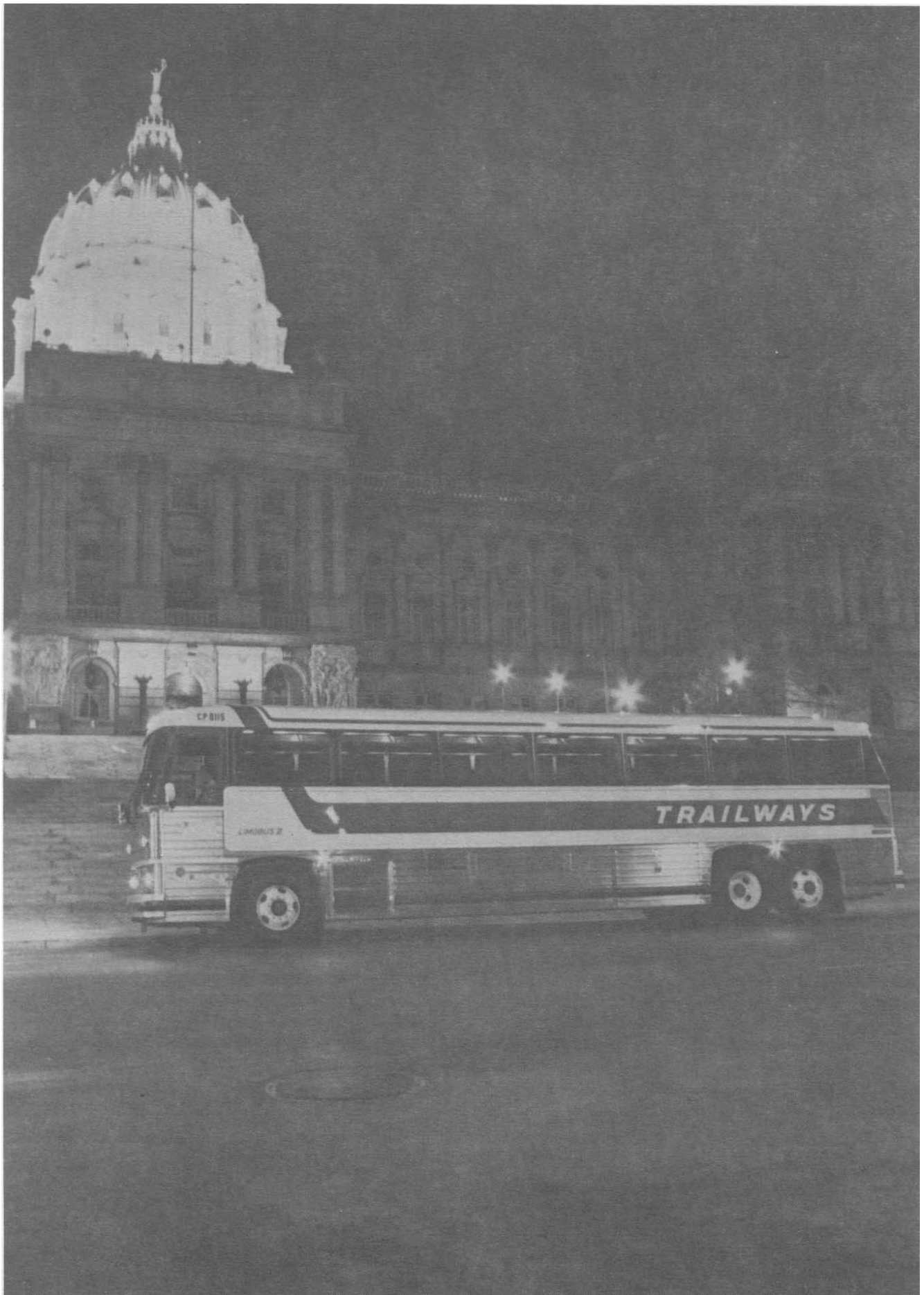


Figure 7. Distribution of revenue, 1982.

Figure 8. Distribution of expenses, 1982.







THE ROLE OF PENNSYLVANIA GOVERNMENTS

The Pennsylvania Intercity Bus Financial Assistance Program

The Pennsylvania Rural and Intercity Common Carrier Surface Transportation Assistance Act of 1976, commonly referred to as Act 10, authorizes the Pennsylvania Department of Transportation to provide financial assistance to preserve and to improve intercity bus services in the Commonwealth.

The form of assistance most commonly provided to intercity bus companies has been the operating subsidy, which covers the cost of preserving services that would have been abandoned or reduced due to insufficient revenue. The state reimburses up to three-fourths of the losses incurred by an intercity carrier, but calculates grants on the assumption that passenger revenue accounts for 40 percent of

expenses. If passenger revenue is less than 40 percent of expenses, the carrier must make up the difference. In fiscal year 1983-1984, the Intercity Bus Operating Assistance Program provided nearly \$550,000 in state subsidies to preserve service on the 10 routes identified in Figure 9.

After remaining relatively stable for five years, the state's operating assistance grants to intercity bus operators have increased rapidly in the past two years in response to their need for greater financial assistance to preserve scheduled services (Figure 10). The subsidies per passenger and per vehicle mile have remained fairly constant during the past five years (Figure 11). The average subsidy per passenger is now approximately \$2.40, while the average subsidy per mile is about \$.55. Operating revenue on the subsidized routes meets approximately 50 percent of expenses.

In addition to operating assistance, PaDOT awards capital grants to selected intercity bus operators or to local government agencies that

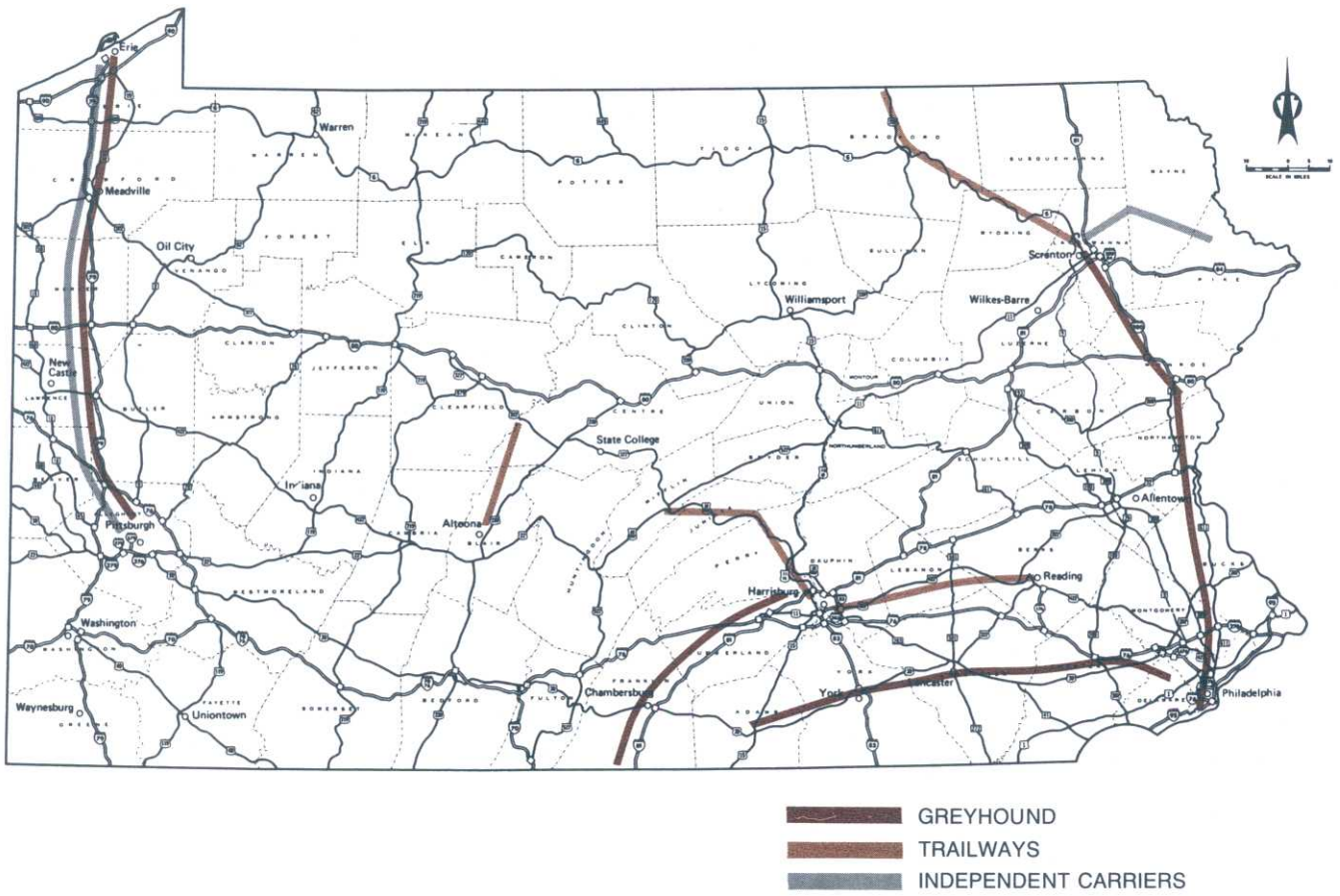


Figure 9. Intercity bus routes receiving PaDOT financial assistance, 1983-1984.

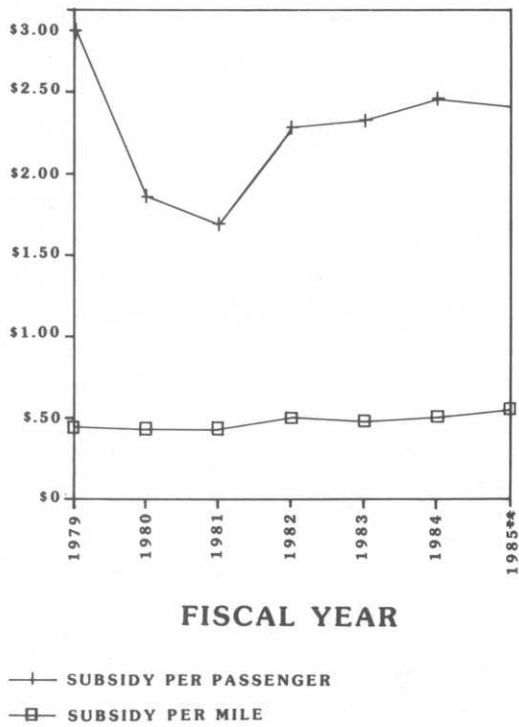


Figure 10. Intercity Bus Operating Assistance Program.

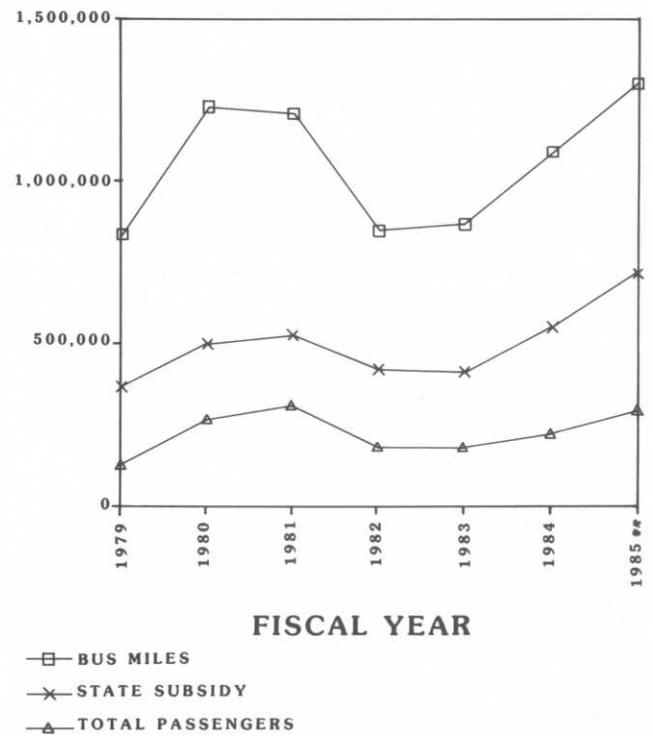
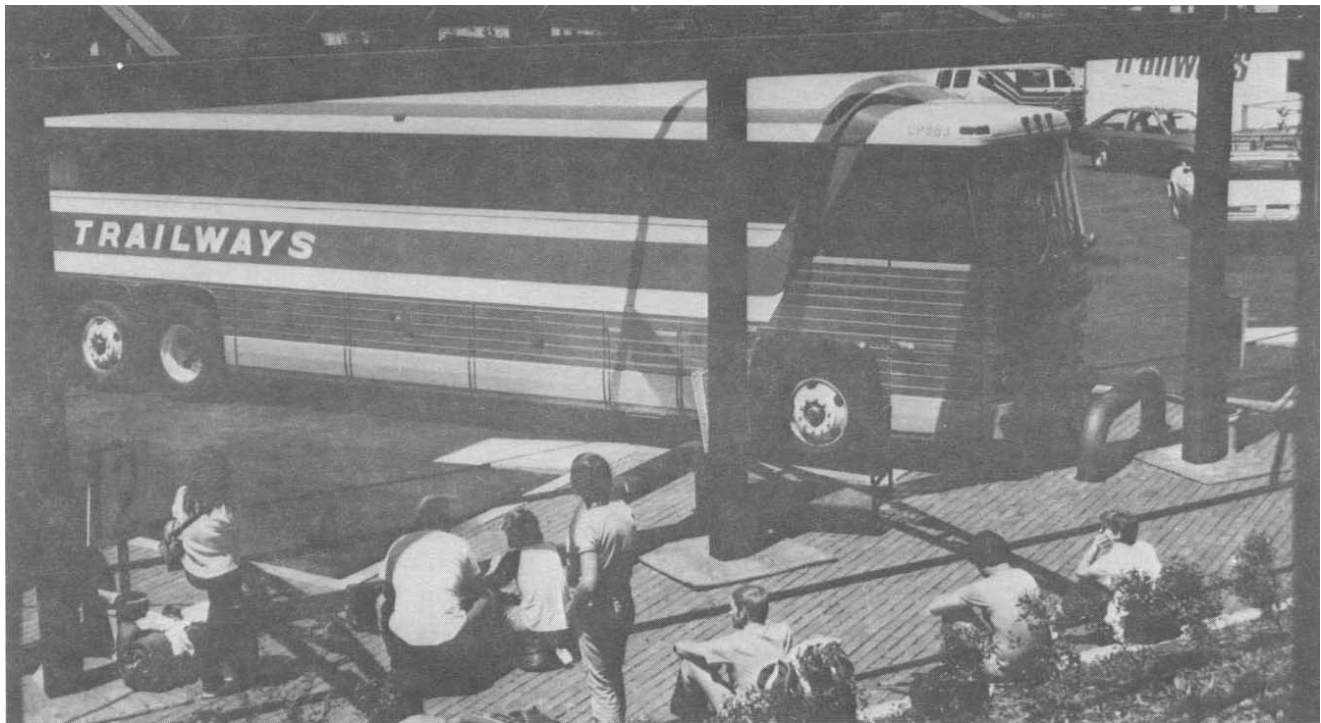


Figure 11. Intercity Bus Operating Assistance Program.



provide intercity bus service. The primary use of these funds has been to improve intercity bus terminals.

The carriers and routes supported by the Commonwealth with Act 10 funds during fiscal year 1984-1985 are listed below.

Route	Carrier
Harrisburg-Hagerstown	Greyhound
Pittsburgh-Erie	Greyhound
Philadelphia-Gettysburg	Greyhound
Scranton-Elmira	Capitol Bus
Altoona-Clearfield	Fullington Auto Bus
Harrisburg-Lewistown	Fullington Auto Bus
Pittsburgh-Sharon	Grove City Bus
Grove City-Erie	Grove City Bus
Scranton-Honesdale	Avery Transportation

Additional State Roles in Intercity Bus Transportation

The Commonwealth plays a supportive and regulatory role for the intercity bus industry in areas including economic regulation and financial assistance. The first of these functions is performed by the PUC; the other is a function of PaDOT. The carriers surveyed during this study were questioned about their satisfaction with the state's current activities in both of these areas, as well as about future state roles in the intercity bus industry. The study advisory committee also considered these questions.

Economic Regulation

The regulatory role of the PUC in the intercity bus industry has changed dramatically since the passage of the federal Bus Regulatory Reform Act of 1982. The ICC now has the power to overrule state regulatory actions on rate and service matters. Since the passage of the act, most decisions made by the PUC on rate increases and on route abandonments have been overruled by the ICC.

The carriers responding to this study's survey expressed mixed feelings about the new powers of the ICC and about the resulting decrease in state authority. Some carriers thought that the PUC should follow the federal pattern of rate and service deregulation; others felt that the federal deregulation had gone too far and that "reregulation" was needed. Still others wanted the PUC to protect certified territories from what the carriers described as "illegal" carriers: new carriers entering the market without PUC operating authority. Since the scope of this study did not include examining the appropriate regulatory role of the state in the intercity bus industry, specific recommendations for changes in PUC regulation are not offered here. However, given the change in regulatory philosophy at the federal level, the PUC's future role in the economic regulation of the intercity bus industry should be examined.

Financial Assistance

Pennsylvania is one of only a few states that provide direct support to intercity bus operators. The operating assistance program has preserved needed services that might have been abandoned or targeted for significant reductions in both the quantity and quality of services. Several of the questions on the carrier survey sought the operators' opinions on additional roles for PaDOT. A small percentage of the respondents favored state aid, possibly because most carriers responding to the survey provided only charter service. The major scheduled carriers, however, did report that both operating and capital funds were needed to preserve some services. In order of priority, the carriers that favored state aid ranked operating assistance first, capital assistance for the purchase of buses second, and low-interest loans third. Only two carriers favored capital grants for terminals, marketing and promotions grants, or for demonstration or trial service grants as areas of high priority for state action.

The study advisory committee recommended that the state consider expanding the funding for terminal improvements since terminals represent the largest fixed investment associated with scheduled intercity service. Because Act 10 empowers the state to provide this type of aid, no legislative action would be required to implement this recommendation; however, an increase in the annual appropriation would be required to increase the state's role in improving the quality of bus terminals.

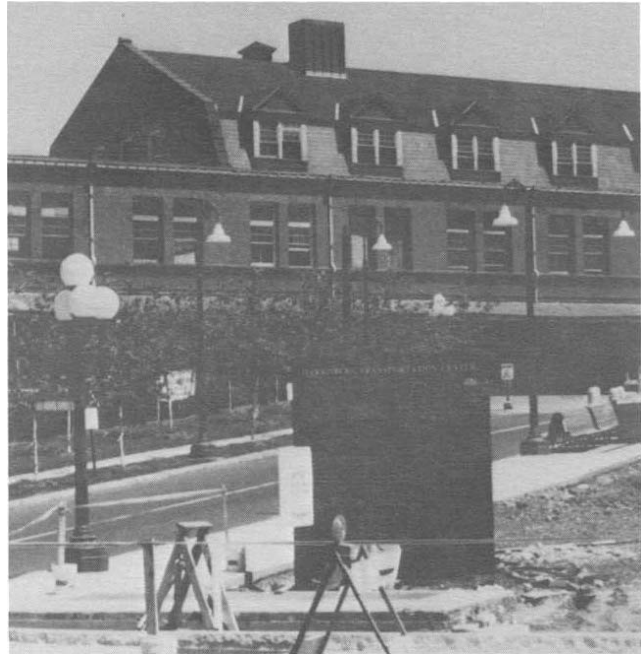
The Local Role in Intercity Bus Transportation

Traditionally, the intercity bus industry has not sought state or local financial aid, but rising losses on some intercity scheduled services have recently forced carriers to seek financial help in order to maintain services. Local support for intercity bus operations is hard to obtain because it is difficult for local agencies to agree on the appropriate shares to be provided by each government entity. The Commonwealth, recognizing the regional importance of intercity transportation and the difficulty in obtaining local public funding, contracts directly with private transportation companies participating in the Intercity Bus Assistance Program. The state

reimburses the private operators for up to three-fourths of operating losses, and the private carrier provides the "local share" by absorbing the remaining amount.

While public support for the local share of direct operating assistance is difficult to achieve, other local roles were identified during this study. Local governments in several communities including Harrisburg, Johnstown, and State College have provided intercity bus terminals that can be used by several intercity carriers. Local support of terminal development and operation not only increases the likelihood of a higher quality terminal facility at a better location than could be achieved without public support, but it also increases the opportunities for new carriers to provide service to the community. A centrally located community bus terminal can become an important community resource; in the case of Johnstown, the terminal is the major transfer point on the urban bus system. Local transit agencies and planning bodies can also improve coordination between local and intercity bus services. Sharing common transfer points greatly increases the likelihood of convenient transfers and protected waiting areas.





FUTURE ISSUES

This inventory was conducted at a turning point in the direction of the Pennsylvania intercity bus industry. The passage of the federal Bus Regulatory Reform Act of 1982 marks the beginning of a new era of services and of competition. Entry freedoms granted under the act have allowed hundreds of new entrants to provide charter and tour services. Nearly anyone or any corporation with a reasonable credit record, and with the ability to obtain the required insurance, can obtain nationwide operating authority from the ICC. The overall impact of deregulation on the charter and tour segments of the industry is positive from the consumer's point of view because more services are now being offered at lower prices.

Intercity bus operators in Pennsylvania generally agree that charter and tour services will be the areas of strongest growth for the industry. Routes to Atlantic City are the state's most rapidly expanding single market, with hundreds of charter and tour buses traveling there daily. The competition for this market is keen, and several carriers expressed opinions that legalized gambling in the Poconos would have a similar effect on intercity bus operations in eastern Pennsylvania. While Pennsylvania bus operators

could benefit from additional business, out-of-state carriers could also be drawn to the state by Poconos tours, increasing the competition for charters and tours traveling to points outside the state.

In contrast with the charter and tour part of the intercity bus industry, regularly scheduled intercity bus service is not viewed as a growth market. This study was conducted just after the Bus Regulatory Reform Act was passed, and the full effect of the law was not evident either from the carrier survey or from the financial analysis. The future of scheduled intercity bus service, therefore, especially through rural communities, is still uncertain. Scheduled carriers reported that diminished profits on charter operations, caused by new entrants and the resulting price competition, have reduced their ability to sustain unprofitable scheduled services. Greyhound Lines' plans to abandon a number of Pennsylvania routes were recently changed only because of state financial assistance. As revenue declines on scheduled services, state and local officials will have to decide whether to continue subsidies or to allow abandonment of these services.

