

Inter-City Buses Challenge Amtrak

By Robert Poole, Reason Foundation

The new-generation inter-city bus revolution keeps rolling. Since I last reported on this phenomenon, Megabus has added Akron to its existing Ohio services at Cleveland, Columbus, and Cincinnati. RedCoach has recently added Ft. Lauderdale International Airport to its service roster (which already includes the major airports in Miami and Tampa); Red Coach now serves most large Florida cities and links them to Atlanta. And although many of these services operate from curbsides, in Washington, DC the various operators—including Bolt Bus, Megabus, and Washington Deluxe--have recently agreed to shift to Union Station. With airports and train stations being added to their route networks, the new inter-city buses are becoming an important part of an intermodal system.

Three new reports help to document this trend. The newest was released August 1st by the Chaddick Institute at DePaul University, which has become the go-to place for keeping tabs on this emerging industry. “Who Rides Curbside Buses” reports the results of a survey of passengers waiting to board such buses in Chicago, St. Louis, Indianapolis, Philadelphia, New York, and Washington, DC in the first half of 2011. Among the interesting findings are that the availability of this low-priced but high-amenities mode is stimulating new inter-city travel (induced demand!). About 22% of all passengers surveyed said they were making the trip only because the new service was available. And, as many would expect, this lower-priced service is starting to take market share from Amtrak: 34% of those in the East formerly rode Amtrak, while that was true of 22% in the Midwest. Only about one-third of passengers are former Greyhound riders; this really is a next-generation bus service. But thus far it is serving primarily personal and leisure travel. The researchers found that only about one in six passengers are traveling for business. (<http://las.depaul.edu/chaddick/ResearchandPublications/index.asp>)

We all know that Amtrak is pretty heavily subsidized; what about inter-city buses? That question is addressed in a study commissioned by the American Bus Association from Nathan Associates: “Federal Subsidies for Passenger Transportation, 1960-2009.” (www.buses.org/files/Modal%20Subsidy%20Full%20Report.pdf) This study uses the same basic methodology as the DOT’s Bureau of Transportation Statistics, defining a federal subsidy as the difference between the federal user taxes paid by a mode and the amount of federal spending on that mode. For inter-city trips, the best measure is subsidy per passenger mile. According to the study, during the period 2002-2009, Amtrak received a federal subsidy of \$0.254 per passenger mile, while private sector commercial buses received less than \$0.001 per passenger mile. That subsidy results from two factors. First, for some obscure reason, private commercial bus operators pay a diesel tax of only 7.4 cents/gallon, compared with the regular 24.4 cents/gal. paid by everyone else. If they

paid the same rate as other diesel users, the study estimates the bus industry's already miniscule subsidy would be cut by two-thirds. The rest comes from a small Federal Transit Administration subsidy program for non-urban inter-city buses.

The third study is "Intercity Buses: The Forgotten Mode," by Randal O'Toole (www.cato.org/pubs/pas/PA680.pdf). In his usual thorough and well-documented manner, O'Toole documents the rise of this fast-growing mode, and compares it directly with current and planned inter-city passenger rail services. For example, as of May 2011, he identifies 16 different carriers offering 4 billion seat-miles of service per year in the Boston to Washington corridor, which is somewhat more than Amtrak's 3.4 billion seat miles there. Using data on all travel in the Northeast Corridor, including load factors, he estimates that Amtrak has about a 6% market share, inter-city buses 8-9%, airlines 5%, and automobiles 80%. (So yes, in that corridor Amtrak does better than airlines, but both are now exceeded by inter-city bus, and all are dwarfed by car travel.)

O'Toole also makes pointed comparisons with proposed higher-speed rail services that are currently receiving federal start-up funds, finding that "all of the funded rail corridors have intercity bus service and most have new-model bus service featuring low fares and onboard amenities such as wireless Internet." None of these services will provide trips significantly faster than bus—yet each requires hundreds of millions of dollars in capital subsidies and will almost certainly require operating subsidies, as well. By contrast, the inter-city bus subsidy is so small as to be negligible.

Reading these three reports makes you wonder why politicians are so intent on funneling billions of federal tax dollars into creating competition for essentially self-supporting, *taxpaying* inter-city bus companies.