

DRIVING DEMAND

2018 Outlook for the Intercity Bus Industry in the United States

BY JOSEPH P. SCHWIETERMAN & BRIAN ANTOLIN | JANUARY 29, 2018





THE STUDY TEAM

AUTHORS

JOSEPH P. SCHWIETERMAN AND BRIAN ANTOLIN

CARTOGRAPHY AND GRAPHICS

EMILY BOND AND MALLORY LIVINGSTON

PHOTOGRAPHY

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CONTACT: JOSEPH SCHWIETERMAN, PH.D. | PHONE: 312.362.5732 | EMAIL: chaddick@depaul.edu

*Intercity bus lines rolled into 2018 with renewed emphasis on route expansion, ending a period of considerable restraint—and targeted retrenchment—with respect to service offering. A late-year rise in fuel prices and a boost in the rate of economic growth paves the way for new service initiatives while major tech-oriented transformations push the sector in new directions. This report explores the intercity bus industry’s performance and competitive status. **Part I** provides insights into what can be expected to affect the sector over the next several years based on a review of notable trends. **Part II** reviews the most significant service changes in various regions of the country, while **Part III** looks to the future.*

I. SHORT-TERM OUTLOOK FOR THE INTERCITY BUS INDUSTRY

Five trends stand out that illustrate the notable changes underway in scheduled intercity bus travel.

TREND 1:

After a period of relatively slow growth marked by targeted service cuts among express coach lines, scheduled carriers are again expanding, albeit at a less frenetic pace than during the 2008 – 2013 period. Greyhound Lines introduced extensive new schedules in the Northeast following the termination of their “Pool Agreement” with Peter Pan, and BoltBus, Go Buses, and Megabus launched service to several new cities.

Major bus lines added many new routes and schedules in 2017, putting it on a growth trajectory that has not been seen since 2014. Although most new additions besides Greyhound’s involve secondary routes around the country (rather than major hubs or

frequency additions on the busiest corridors), these additions suggest there is growing optimism about the financial payoff of increasing capacity, which is likely to manifest itself in more expansion this year.

Among the highlights was **BoltBus** adding stops in Fresno, CA and Richmond, VA, and **Megabus** adding new routes to Annapolis, MD and Virginia Beach, resuming a daily roundtrip to Omaha, and adding new stops in Florida. **Go Buses** expanded beyond the Northeast by adding routes to Key West Florida, while **Jefferson Lines** returned to Winnipeg—initiatives discussed further in Section III.

In the Northeast, much of the impetus for growth was the heavily publicized termination of the Pool Agreement between **Greyhound** and **Peter Pan** on September 27, 2017. This agreement, having been approved by the Surface Transportation Board back in 1997 and 1998, allowed the carriers to coordinate schedules and share revenues with antitrust immunity. The agreement was forged in the midst of intense competition that prompted each to boost frequency, creating what some regarded as an oversupply of seats and persistent fare cutting, which was seen as financially unsustainable. The Pool Agreement governed four corridors, Boston – Albany, Boston – New York, New York – Philadelphia, New York – Washington DC, that were large revenue generators encompassing prominent intermediate stops, including Hartford and New Haven, CT, Springfield, MA, Baltimore, and numerous smaller points.ⁱ

The notable “upside” of the Pool Agreement was allowing passengers to freely switch between departures with minimal hassle – conveniences that permitted the carriers to compete more effectively with Amtrak and airlines. By having coordinated schedules, passengers enjoyed service at regular intervals – often hourly – in major corridors, putting the bus on a more even footing with the airline “shuttles” and Metroliner trains that were popular at the time. Increasingly, however, the “downsides” of pooling reared their heads. The Agreement proved administratively complex, created difficulties with e-ticketing and added complications to providing guaranteed seating to all ticketed passengers. Such seat guarantees, which eliminate the need to arrive at the station early to secure a place in line, have become universal on express coach lines such as BoltBus and Megabus.

With the Pool’s elimination, Greyhound and Peter Pan are once again head-to-head competitors. Each has rolled out e-ticketing and, as noted in Section II, Greyhound has added significant capacity on most major Northeast Corridor routes, including New York to Boston and Washington. The historic carrier also launched an entirely new route linking Boston to Washington via Hartford and the George Washington Bridge Station in northern Manhattan. Despite going their separate ways, however, both carriers continue to share space in most of the terminals previously used for Pool service.



The refurbished George Washington Bridge Station at 179th Street in northern Manhattan. This station’s bus pavilion on the third level became a focal point for Greyhound’s Northeast Corridor expansion in 2017. (Flickr photo)

TREND 2:

Following several difficult years in which revenues ebbed, the financial picture has brightened, particularly since summer 2017. Among the largest carriers, revenues per bus-mile operated have increased, and margins remain positive.

The remarkable expansion of the intercity bus industry from 2006 to 2014 brought significant revenue growth. Aggressive expansion by express coach lines, such as BoltBus, Go Buses, and Megabus, enlarged the revenue pie. These lines emphasized curbside pickup and offered guaranteed seating to all reservation holders. Greyhound rolled out Greyhound Express, which also offered guaranteed seating while using conventional terminals, on an ambitious timetable.

Table 1: Price trends for Oil, 2013 – Present
West Coast Intermediate Crude



Source: West Texas Intermediate (WTI or NYMEX) crude oil prices on www.matrotrends.net

This era of expansion, during which oil sold for more than \$100 per barrel, was followed by a more austere period, beginning in late 2014. Plummeting fuel prices blunted one of intercity bus’ chief advantages—its tremendous fuel efficiency—by disproportionately lowering the cost of driving and flying. Weaker demand, together with a soft economy and problems with pickup and drop-off locations, hurt the sector. In some cities, attractive locations became increasingly difficult to find due to development pressure and neighborhood opposition.

As noted in past Outlook reports, demand for bus travel tends to be sensitive to oil price reductions. Airlines and private vehicles—cars,

light trucks and SUVs—tend to have an edge when oil prices drop due to their greater fuel dependence.ⁱⁱⁱ This effect is particularly acute outside the Northeast Corridor, where fewer barriers to driving exist. A rise in the price of West Texas intermediate crude from about \$50 per barrel last July to \$64 per barrel in January 2018, however, has been beneficial, pushing the average retail price of gasoline nationwide to \$2.43/gallon. As recently as last summer, it had been \$2.16 and, in early 2016, it was as low as \$1.88.^{iv} This increase, along with a more buoyant national economy, is strengthening demand and giving operators more pricing power. (A review of the finance results of FirstGroup and Stagecoach illustrates the degree

to which “cheap oil” negatively affected the bottom line while also showing that a turnaround appears to be underway, enhanced by significant rise in oil prices.v)

FirstGroup/Greyhound. Like most bus lines, Greyhound’s owner, London-based FirstGroup, faced considerable hardship in North America during 2015 and 2016. When its revenues are measured in U.S. dollars, Greyhound (including BoltBus), experienced a 7.3% drop in revenues during the 2016 fiscal year, which ended in March 2016. In the 2017 fiscal year, revenues dropped another 2.2%. Nevertheless, the first six months of the 2018 fiscal year, which ended last September, saw a 1.2% *gain* in revenue, despite major weather-related disruptions in Florida and Texas.vi By all indications, revenue will be up appreciably for the fiscal year as a whole.

Profit margins at Greyhound rose to 7.5% from 6.6% during this most recent six-month period compared to the same period the year before. Moreover, margins of this unit remain higher than most FirstGroup units. Recent expansion by both BoltBus and Greyhound suggests that company management is confident that demand has strengthened.

Stagecoach/Megabus. Stagecoach Group’s performance in North America has followed a similar pattern: This Scotland-based company reported a 2.4% drop in revenue (measured in U.S. dollars) during its 2017 fiscal year, which also ended in April 2017. This decline was partially the result of Megabus’ major service cuts, including those that ended its presence in Columbus, OH, Grand Rapids and Lansing, MI, and Kansas City, MO. During this same period, Megabus’ “like-for-like revenue”, i.e., revenue

from service provided during both years, dropped 4.9% while other schedule service was down just 0.9%.

Performance improved sharply during the first six months of the present fiscal year, which ended in October. Total revenues fell 1.3%, while margins improved from 6.7 to 8.3%.vii Importantly, like-for-like revenues *rose 0.1%*. Revenues on Megabus fell 4.6% while other scheduled services grew 0.7%. Although Megabus’ latest decline is no doubt unwelcome, it appears largely the result of frequency reductions on certain routes. Indeed, revenues appear to have firmed up: Megabus’ revenue *per bus mile* rose 3.2% compared to the same period the year before.

Exactly how much passenger traffic changed in recent years remains a matter of speculation, as traffic statistics are not made publically available. Based on our analysis of the above financial results, along with an evaluation of newly collected schedule information, we believe that passenger traffic on scheduled intercity carriers nationwide remains in the 60 – 65 million range, and that traffic was up slightly—perhaps 1%-- in 2017 after several years of stagnation or modest decline. (Please refer to our *Remaking the Motor Coach* report from early 2015 for our industrywide traffic estimates). The evidence points to *short-haul routes* (dominated by conventional bus lines) performing better than *longer-haul routes* (heavily served by express coach lines like BoltBus and Megabus) in recent years.

TREND 3:

Technological innovation is pushing scheduled intercity bus travel in important new directions, with several technologies' disruptive effects accelerating the change. Crowdsourced services, innovations in transportation network companies, and Flixbus will likely be primary change agents over the next several years.

In addition to incremental tech-oriented measures taken over the past year, such as Greyhound's and Peter Pan's system-wide rollout of e-ticketing and improvements to "bus tracker program", several larger-scale technological innovations deserve attention.



The expansion of crowdsourced bus service

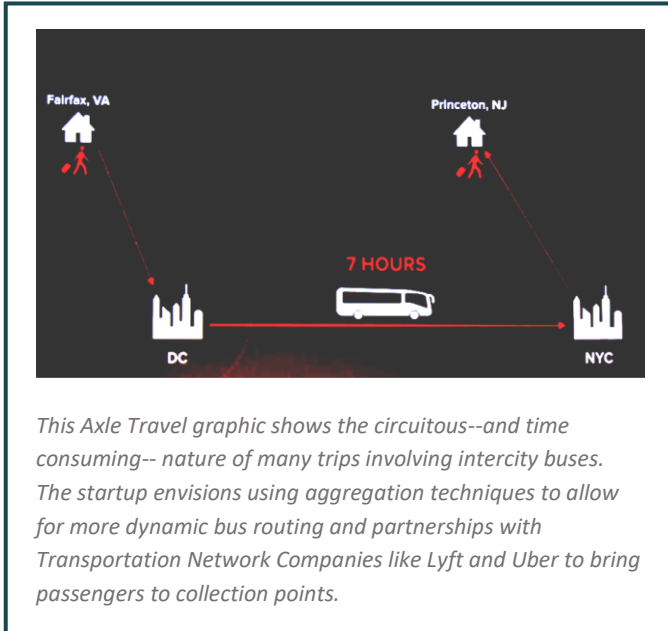
Crowdsourcing is allowing motor coach operators to respond quickly and nimbly to customer demand for bus service. **Rally Bus** and **Skedaddle** accomplish this with considerable sophistication: If enough travelers express a willingness to pay for a bus leaving at a set time on a particular day, the service is operated, and the person who launches the bus trip travels free, if enough others pay to join the ride. If the

trip fails to attract enough riders, it does not operate and no fares are collected. Ticket prices rise as the number of reservations increase. The companies contract with charter operators to operate the buses, which generally involve travel to festivals, music and sporting events, and other cultural activities, with some resembling intercity services.

Both companies had breakthrough years in 2017, showcased by their extensive traffic to the Women's March on Washington, DC on January 21. Skedaddle carried an estimated 10,000 people, around 5% of all participants, to the event. In December, the company reported it was carrying 50,000 people *per month* and that it was commencing with an Initial Coin Offering (ICO) in 2017. Another bus line with its roots in crowdsourcing, **OurBus** (discussed in detail on the following page), is experimenting with "popup" bus services during holidays that could provide a glimpse of the future.

Innovations are also underway to use crowdsourcing to bridge the divide between transportation network companies (TNCs), like Lyft and Uber, which rely primarily on small vehicles, and conventional motor coach operators. **Axle Travel** is partnering with TNCs and intercity bus lines to allow a traveler to book a door-to-door journey with one click. For example, a trip could be reserved from a private residence in New Jersey to a final destination in Northern Virginia that might involve taking an Uber on the first leg of the journey, transferring to a bus bound for Washington, D.C., and then using a Lyft for the final leg—with the price locked-in at the time of booking. The creators of Axle (which regards itself as a TNC) believe that, by aggregating demand data, it will be able to coordinate with different transportation

providers to fill supply gaps in real-time. For example, it plans to utilize a mix of charter and scheduled buses, as well as other modes of transportation. Axle is presently beta-testing its mobile app for travel between the New York and Washington, DC areas.



Ticket aggregator sites like Wanderu are becoming platforms of innovation, making new “pop-up” services possible, such as that offered by OurBus

As noted in past Outlook reports, new “ticket aggregator” websites continue to make headway in their effort to make shopping for bus travel easier. **Wanderu**, the Boston-based booking website, is a leader in this space, selling tickets on all major U.S. bus brands as well as many international brands. The company expanded in 2017 by adding German railway Deutsche Bahn to its lineup. Wanderu also vets the bus lines for which it sells tickets to give consumers confidence they will have a safe and favorable experience. Wanderu has also taken steps to give customers a wider array of travel options by

adding hotels and selected Chinatown bus lines that meet its inclusion criteria.

The ability to instantly gain access to tens of thousands of customers interested in comparison shopping is allowing bus lines to experiment in previously unseen ways, which has been exemplified by the growth of **OurBus**. Unlike other companies that initially focus on one or two routes to build brand identity, OurBus actively experimented while relying on Wanderu and other booking aggregator sites, including **busbud.com**, and starting this year, **iLikebus.com** and **gotobus.com**, to test the market.

OurBus launched its first intercity route last January connecting Allentown to New York City. Although insufficient demand soon resulted in its elimination, a New York – Washington service took its place during March, supplemented with extra schedules on weekends. Bucking the trend of adding new pickup and drop-off locations near the endpoints of Northeast Corridor routes, OurBus added secondary stops at underserved locations farther from its endpoints. It first added a stop in New Brunswick, NJ, home to Rutgers University, and another in Columbia, MD, about halfway between Baltimore and Washington. When a second New York – Washington roundtrip was added later in the year, OurBus began stopping at Hamilton, NJ, near Trenton, and Union City, NJ, a more typical stop five minutes outside of New York. Soon, OurBus was up to six daily trips operated in each direction, depending on the day of the week.

More expansion followed. Over Labor Day weekend, the company did a “pop-up launch” from George Washington Bridge Bus Station, Ft.

Lee and Paramus, NJ to Washington. This consisted of two trips in each direction on Friday and Monday of the holiday weekend. That same weekend, it also ran buses from Brooklyn and Staten Island to the nation’s capital – the first direct service between the route’s endpoints since 2010.^{viii} Other “pop-up” services followed during the Columbus Day and Thanksgiving weekends. Most recently, a daily service linking New York to Malvern, PA and other Philadelphia suburbs was added.^{ix}

Such nimbleness appears to be a harbinger, made possible by the ability for entrepreneurial startups to use booking aggregator sites to lower customer search costs and experiment. More established carriers are also getting in on the act. Peter Pan, for example, ran direct Albany – Boston buses over the Christmas holiday that had a “pop-up” quality.^x The dynamic nature of such scheduling borrows a page from the airlines and contrasts sharply with rail service, which typically requires many months or years for new routes to be launched.

Announced expansion to U.S. by Flixbus

Another disruptive force being fueled by technology is **Flixbus**, which desires to extend its footprint beyond continental Europe. The Germany-based company announced in November that it was launching U.S. operations in 2018. Known for its lime green buses and rapid expansion into new markets, the company seeks to change the way people see and use intercity bus services. It partners with existing bus lines to operate the service while retaining control of all pricing and scheduling decisions. Through sophisticated marketing, and backed by extensive venture capital, Flixbus has acquired

considerable market power in several major European markets, including its home country, since its 2013 launch. In 2016, Megabus turned over its entire continental Europe operation to Flixbus, for which it operates buses under contract. This suggests that the two lines are poised to “bump elbows” when the latter makes a U.S. move. Although details regarding Flixbus’ U.S. launch are scant, there are indications that operations here will be based in Los Angeles, which signals that change in the West region may be most imminent.

TREND 4:

Premium services, including business-class offerings, continue to be rolled out by carriers seeking to capitalize on the airport “hassle factor” and a desire to avoid driving amid worsening congestion. Cabin, a new overnight sleeper service in California, demonstrates the ability for such premium operators to attract private capital.



The expansion of premium bus services reported in our past Outlook report gained momentum in 2017, with five established carriers making moves. **Concord Coach** and **C&J Bus** expanded business-class service between northern New England and New York. Texas’ **Vonlane**, which has luxurious 22-seat buses, including four seats in a small conference room, launched a Fort

Worth – Austin service, complementing its Texas Triangle service. **Redcoach** enhanced its expansive intra-Florida network with a new overnight business-class service from Miami to Tallahassee to give travelers an early start in their destination. Redcoach remains the country’s only scheduled line that operates *both* business-class and first-class buses. Additionally, **Trippler** launched its first class Trippler Bus Elite between New York and Washington. All of these services are described in greater detail in the “Notable New Routes” section below.

The most heavily publicized new service of the year, **Cabin**, launched in July between Santa Monica and San Francisco. Originally piloted in 2016 as “Sleepbus”, Cabin describes itself as a moving hotel, having “private sleeping cabins” that allow passengers to lie flat while also having onboard lounges with conventional seating. Cabin’s attendants work to keep passengers comfortable while also positioning it as a lifestyle and hospitality brand. After initially charging a flat rate of \$115 per person for the eight-hour journey, Cabin turned to demand-based pricing, with fares starting at \$85 on off peak travel days, making it comparable to a moderately priced hotel. Drivers often use secondary roads to assist with the smooth operation of the coaches, allowing for a better night’s rest.

Cabin represents a bold experiment away from the standard seating configuration used by other premium providers and could be indicative of things to come, particularly on medium distance routes. It remains to be seen, however, how scalable the sleep-pod concept proves to be. Cabin operates several times a week, having an 11 p.m. departure and 7 a.m. projected arrival in both northbound and southbound directions.

TREND 5:

Enhanced coordination between Amtrak and motor coach lines indicates that both types of transportation providers see untapped potential in bus-train transfers as part of the Amtrak Thruway bus program. Some of these feeder services are financed through the federal “5311b” program, which remains robust.



With many people looking for alternatives to private vehicle travel, Amtrak is expanding its Thruway network and making its amtrak.com website a more prominent hub for multi-modal travel. Thruway service allows passengers to buy tickets involving bus-rail connections with a single click. Buses are typically emblazoned with the railroad’s logo to publicize the service and (in our view) to help alleviate the apprehension that some passengers might have about using a scheduled intercity bus line. To support these connections, Greyhound has opened ticket offices in several railroad depots, including Chicago’s Union Station.

A report the Chaddick Institute released in November identifies California and Oregon as leaders in the Thruway concept on account of their state governments’ ambitious efforts to

use motor coaches to fill gaps in Amtrak routes. This past year, though, expansion has been particularly brisk in the East and Midwest.

A new tri-weekly route by **Barons Bus** linking Charleston and Clendenin, WV, with stops in Morgantown, Clarksburg/Bridgeport, and other points, provides connections to the Cardinal, a Chicago - New York train. In Michigan, **Indian Trails Bus Lines**, working with the state's transportation department, aligned all of its schedules to facilitate bus-train transfers, while **Miller Transportation/Hoosier Ride** launched Thruway service between Detroit and Port Huron. We discuss both of these initiatives in Section II below.

In the Northeast, **Bieber Tourways** announced an agreement with Amtrak to operate new Amtrak Thruway services from Philadelphia and Lancaster, PA, to numerous cities in the northeastern part of the states, including Allentown and Bethlehem. This agreement, leveraging Bieber's existing routes to the Lehigh Valley, gives passenger railroad's new city-pair combinations to see on its website. Several buses operate from Philadelphia in each direction daily.

In New England, **Vermont Translines** launched a new twice-daily "Vermont Shires Connector" linking Manchester and Bennington, VT to Amtrak's Albany/ Rensselaer station, capitalizing on the station's frequent service to Buffalo, Rochester, Syracuse and New York.

Several new Thruway services as well as other feeder routes unaffiliated with Amtrak (many described below) are supported by the **Federal Transit Administration's "Section 5311b" Program**, which provides funding for

transportation services to communities outside of urban areas with populations of 50,000 or less. These funds are generally awarded to state governments with the stipulation that 15% be spent on intercity bus services. State and local governments are required to match a significant portion of the federal funds provided. It is not uncommon for bus companies to receive funds equivalent to about \$2.00 per bus mile to provide this service.

Much of the "5311b" expansion of the recent past has involved Greyhound. The major moves from 2017, however, centered on smaller carriers, including Miller Transportation, and Silver State Trailways, which sell interline tickets on **greyhound.com** to maximize the potential for bus-to-bus connections. Please refer to our 2017 Outlook report for recent milestones of 5311 program.^{xi}

II. NOTABLE NEW SERVICE

Most regions of the United States received at least some new service in 2017.

New England

Among the hottest regions for service expansion in 2017 was New England. Following the cancelation of its Pool Agreement in October, **Greyhound** increased its offerings in Springfield, MA in competition with hometown carrier and former "Pool Partner" **Peter Pan**. New Greyhound Express services link this Massachusetts city with both Boston and New York, with the latter route, which runs via Hartford, CT, complementing its existing schedule linking White River Junction, VT to Midtown Manhattan.

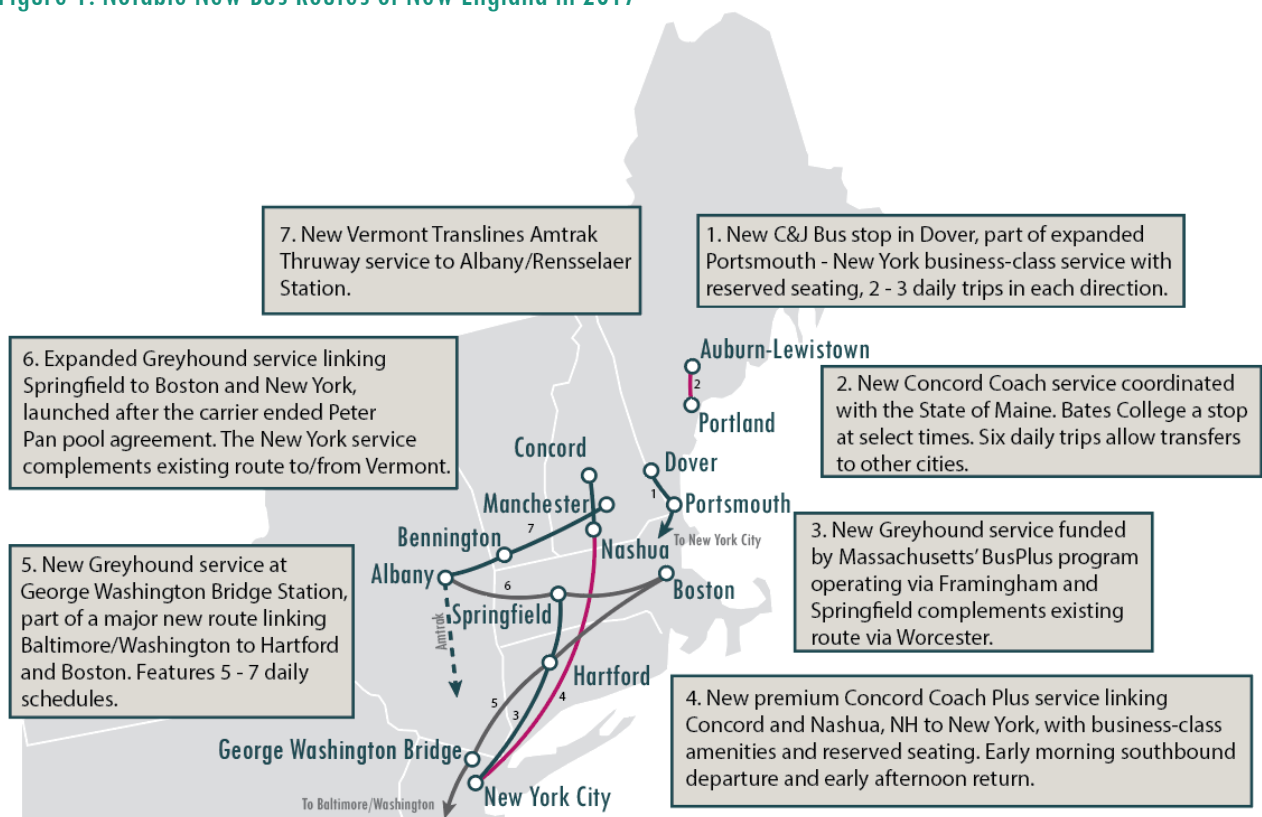
Greyhound also boosted Boston – New York frequency and launched an Albany, NY – Boston route with stops in Framingham, Sturbridge, Springfield, Lee and Pittsfield, MA. This daily roundtrip, made possible with support from Massachusetts’ **BusPlus program**, augments existing Greyhound Express service between the state capitals via Worcester, putting it in direct competition with Peter Pan. Greyhound also created a route linking Boston to Washington, DC, via Hartford and the refurbished George Washington Bridge station in upper Manhattan. This important new high-frequency corridor is discussed in greater detail in the Mid-Atlantic section.

Concord Coach, building on the success of its relatively new express service from Portland, ME to New York, launched a similar service from

Concord and Nashua, NH, eliminating the need for those at its two busiest stations in the Granite State to transfer in Boston to reach Manhattan. Operating under the Concord Coach Plus brand, the service features business-class style seating in lush leather seats, Wi-Fi and outlets, expanded legroom, snacks and beverages and reserved seating. Concord offers a morning departure from New Hampshire and early afternoon return from New York.

After years of planning and coordination with the State of Maine, Concord Coach established a Portland – Auburn route in June with up to six daily trips in each direction and a stop at a new **Exit 75 transportation center in Lewiston/Auburn**. Passengers can make connections to Boston and other destinations, as

Figure 1: Notable New Bus Routes of New England in 2017



well as disembark at Lewiston's Bates College during the fall and spring semesters.

To provide direct access between New Hampshire's Merrimack Valley and Manhattan, **C&J Bus** extended its New York – Portsmouth business class service 13 miles to Dover, NH.

Previously, C&J customers had to either make connections in Boston or drive to Portsmouth for a New York-bound bus. Two to three schedules operate in each direction daily, with most southbound trips leaving Dover in the morning and return trips scheduled for the morning and afternoon.

Vermont Translines launched the Vermont Shires Connector, a new Amtrak Thruway service linking Manchester, NH and Bennington, VT to Albany, NY. The two daily roundtrips launched in August offer convenient bus-train connections at Albany/Rensselaer station, thus capitalizing on the state capital's frequent Amtrak's Empire Service to New York, Rochester, Syracuse, and other points while enhancing economic development and tourism.

As bus and train travel service to Vermont becomes increasingly competitive, **Megabus** quietly discontinued the last of its Burlington, VT – New York service last summer, citing a gradual decline in ridership. Its once-daily trip in each direction had been the only regularly operated direct service from Montpelier, VT to Amherst, MA and Manhattan. Furthermore, **MAXBus** ended its Boston and Brattleboro, VT run last June. Created by the Massachusetts BusPlus program in 2016, MAXBUS had realigned its routes after subsidies ended. With its termination, several intermediate stops no longer have one-seat rides to Boston and a few,

including Orange, Athol and Gardner, MA, have lost intercity bus service altogether.

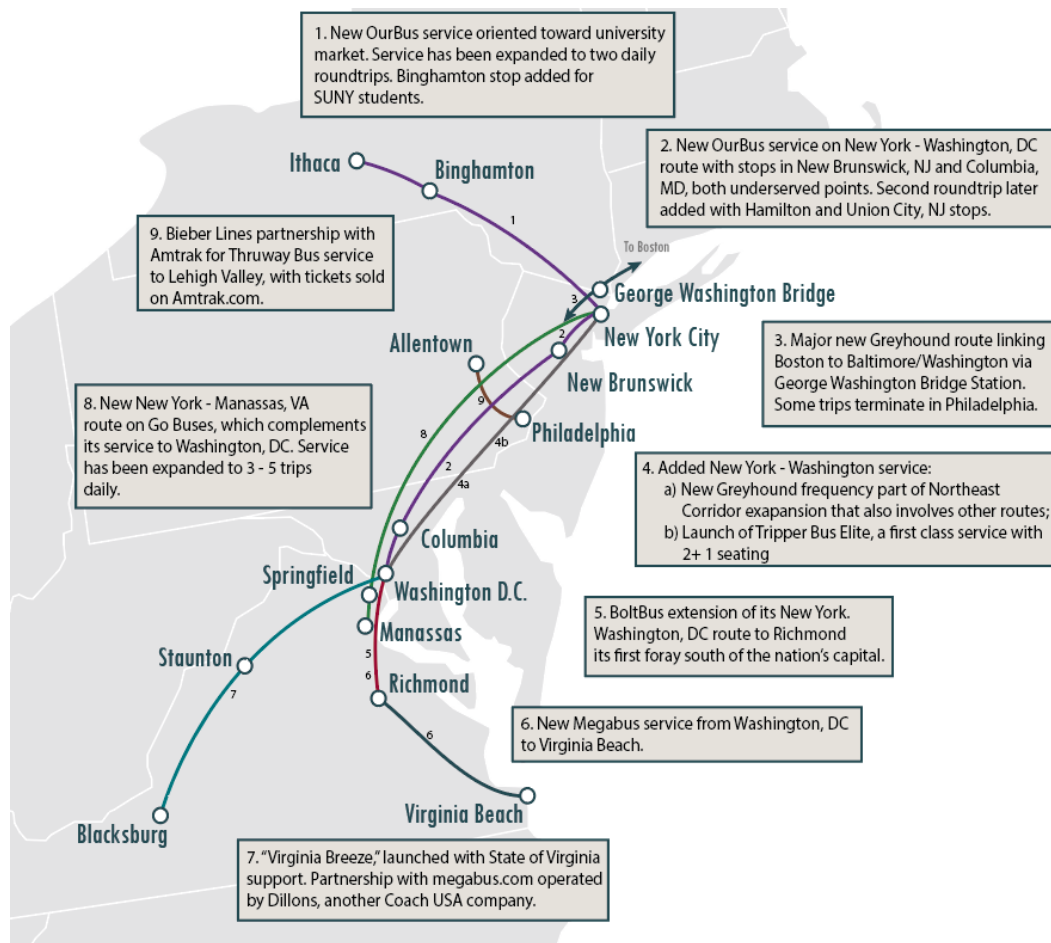
Mid-Atlantic States

Nearly all of the major players were active in the Mid-Atlantic states. As previously noted, when Pool Agreement with Peter Pan ended in September, **Greyhound** added frequency on its mainline Washington – New York Port Authority Bus Terminal (PABT) route. On peak days, the carrier now operates 23 schedules from PABT to Washington, compared to 13 before.

Greyhound also launched a major new Greyhound Express route from Boston through the renovated **George Washington Bridge (GWB)** bus station at 179th Street in upper Manhattan, with some buses continuing to Philadelphia and the others to Baltimore/Washington. By bypassing Midtown Manhattan, this new service saves travelers considerable time compared to trips using the traditional route through PABT, which is six miles south of the GWB station. Although service varies by the day of week, two or three schedules link the GWB station to Philadelphia daily, three or four run to Baltimore and Washington DC, and five run to Boston (with a Hartford stop). GWB Station had not had intercity bus service in over a decade and is positioned to capture business from the northern regions of New York City.

Greyhound owned **Boltbus** expanded to Richmond, VA, its first major move in the Northeast Corridor in several years. Its two to three daily roundtrips to this new city are extensions of its New York – Washington route and terminate near downtown, on the Virginia Commonwealth University campus. **Megabus**

Figure 2: Notable New Bus Routes of Mid-Atlantic States in 2017



closed a gap in its network by launching service to Virginia Beach areas in June with a tourist-friendly stop just two blocks from the boardwalk. This once-a-day service, an extension of its Philadelphia - Richmond route, which has Baltimore, Washington, and Hampton, VA stops, allows for transfers to New York at the nation's capital. In early 2018, Megabus launched an Annapolis – New York service, its first service to Maryland's state capital. This state capital remains devoid of any rail service and had previously lacked direct service to Manhattan. Meanwhile, Tripper's new **Tripper Bus Elite** between New York and Washington gives first

class travelers a new option. The daily roundtrip, launched last month, uses a 34-seat bus with spacious 2 + 1 seating.

Megabus also began operating the new **Virginia Breeze**, created with the assistance of the Virginia transportation department. The Breeze links Blacksburg, VA, and Washington, with stops in Christiansburg, Staunton, Harrisonburg, Dulles International Airport and other points. Unlike most other state-supported services (which leverage Greyhound's vast network and distribution system), Virginia took the novel approach of partnering with Megabus, possibly

due to its desire to appeal to different constituencies. The new service, which experienced sold-out buses during the Christmas holiday, is operated by **Dillons**, a sister Coach USA company, with tickets sold on megabus.com.^{xii}

The most notable new carrier to emerge in the Northeast, **OurBus**, now operates extensive service on a variety of routes from New York, including daily service to Ithaca, the Philadelphia region, and Washington, D.C. We describe the many innovations it employed, including “pop-up” service and stops in underserved locations, such as New Brunswick, on page 9.

A significant amount of service, meanwhile, was realigned in Pennsylvania. **Bieber Tourways** essentially combined several of its routes into one. The carrier’s New York – York, PA route via Norristown and Lancaster was consolidated with its Philadelphia-Pottstown route, the former route part of its earlier acquisition of Capitol Trailways of Harrisburg. Although this adds to travel time on some trips, New York customers now have direct service to Pottstown and Philadelphia, as well as higher frequency to Lancaster, while others benefit from direct service between Limerick, Lancaster and York. As previously noted, Bieber also launched Amtrak Thruway service from Philadelphia to Allentown and Bethlehem last year.

Susquehanna Trailways, based in Lock Haven, PA, announced in August that it was discontinuing its entire intercity bus operation for financial reasons, threatening to sever the only direct links between many smaller Pennsylvania communities and major Eastern population centers. After a month-long negotiation with the state’s transportation

department, **Fullington Trailways**, which is also based in the region, assumed all of the discontinued routes. The affected routes included Elmira, NY – Harrisburg, PA, Elmira, NY – Harrisburg, PA, New York – Williamsport, PA, and New York – Shamokin (Sunbury).

Southeastern U.S.

Several notable expansions took place in Florida, which continues to be a focal point for express coach lines. **Redcoach** added its first “redeye” business-class service between Miami and Tallahassee, an eight-hour trip giving travelers a new early morning arrival option. This boosts frequency on the route to nine trips, seven via Orlando and two via Tampa, in each direction. **Megabus** added a stop in Daytona Beach with service commencing in August along its Atlanta – Jacksonville – Orlando route, with one bus stopping daily in each direction. That same month, Megabus added a stop on its Tampa – Orlando – Miami route in Lakeland, an inland community it typically serves with two or three buses in each direction daily.

Last January, **Go Buses** launched service linking Miami and South Beach to Key West, FL, its first route outside the Northeast. This builds on its New York – Washington/Northern Virginia expansion described in last year’s report. Aimed at providing a budget-friendly option for tourists, this new service is oriented toward daytrips, having an early-morning departure and evening return. Evidently due to the success with this service, Go Buses launched a second route in June linking the international airports of Miami and Fort Lauderdale to Key West. Initially offering one daily round trip, this second route was then expanded to two daily roundtrip departures.

Figure 3: Notable New Bus Routes in Florida in 2017



Midwest

After witnessing cutbacks in 2016, the Midwest is again benefitting from new offerings. A new service by **Miller Transportation/Hoosier Ride** links Detroit and Port Huron with stops in Roseville, Mount Clemens, and New Baltimore. These buses connect the eastern ends of Amtrak's Wolverine service, which terminates in the Detroit region, and Amtrak's Blue Water route, which terminates in Port Huron. The Thruway route is well suited to students at the state's universities by providing convenient connections to major college towns, including Ann Arbor, East Lansing, and Kalamazoo.

Michigan's **Indian Trails Bus Lines** revised all of it is schedules to align with Amtrak connections at Kalamazoo, Lansing, and other points. The new schedule offers improved connections with Amtrak trains between Chicago and Detroit, with emphasis on having eastbound trains from Chicago connect with northbound buses in Battle Creek and southbound buses connecting with Windy City-bound trains in Kalamazoo. This alignment enhances the mobility of disadvantaged populations through the state's southern peninsula: an estimated 36% of Indian Trails' 230,000 annual passengers do not have

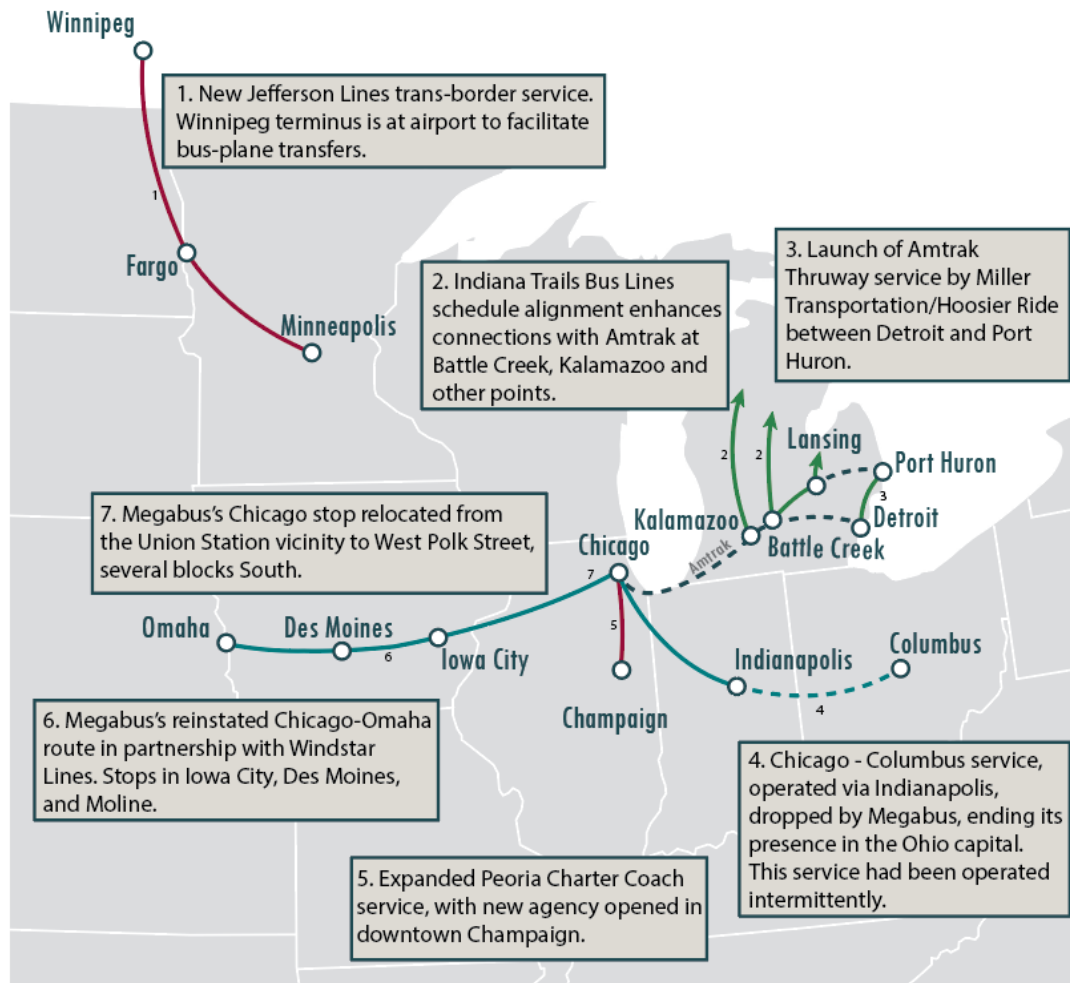
access to a car, and 20% reportedly do not or cannot drive.

As noted in last year’s Outlook report, lower gas prices and weakened passenger demand over the past several years prompted **Megabus** to continue to gradually deemphasize Chicago. This resulted in the elimination of routes to Omaha, NE and Lansing and Grand Rapids, MI. The downsizing is significant, as Chicago was a lynchpin for the company’s early expansion efforts, becoming its first U.S. hub in 2006.

According to a report in the *Chicago Tribune*, daily schedules were reduced from 26 to 16.^{xiii} During this transition, the carrier moved its pickup and departure location to Polk Street, several blocks further south, putting it further from the central Loop district and rapid-transit stops.

Despite this, Megabus nonetheless resumed service over the Chicago – Omaha route in February in partnership with **Windstar Lines**, an arrangement leveraging Windstar’s local

Figure 4: Notable New Bus Routes of Midwest States in 2017



knowledge, drivers, and equipment that consists of one trip daily in each direction. This service makes intermediate stops in Lincoln, NE, Iowa City, IA, Des Moines, IA and Moline, IL.

Another favorable development is **Peoria Charter Coach's** new ticket agency in Champaign, IL, which supports its expanded service between Chicago's airports and the prominent university town. The carrier now operates ten weekday buses between these points.

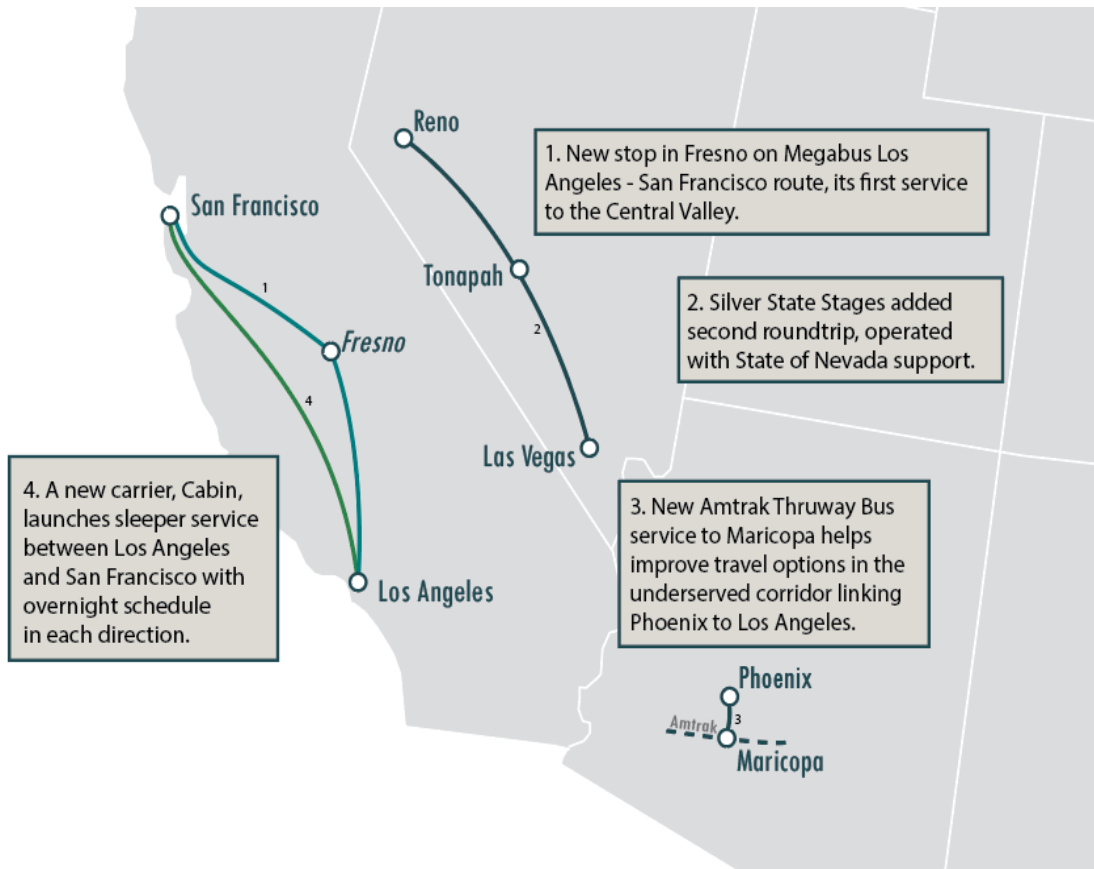
On the region's northern periphery, **Jefferson Lines** initiated a new route between Winnipeg and Minneapolis oriented toward connecting traffic between Manitoba and a wide variety of U.S. destinations. This once-a-day service has

intermediate stops in Fargo and Grand Forks, ND and Sioux Falls, SD while continuing Jefferson Lines' past practice of gradually expanding its network throughout the Upper Great Plains.

Southwest and West Coast

The most significant moves in the Southwest and West involved smaller carriers. **Silverado Stages**, experiencing success on its Silverado Mainline service between Las Vegas and Reno, NV, added a second daily roundtrip in coordination with the Nevada transportation department in August. The new evening and overnight schedule complements its existing daytime trip and includes intermediate stops at

Figure 5: Notable New Bus Routes of Southwest and West in 2017



Reno Airport, Sparks, Carson City, and Tonopah. In Arizona, **Stagecoach Express** worked with Amtrak to launch a new Thruway connection between Phoenix and Maricopa, a stop on the Sunset Limited route. This creates a new ground travel option between the Arizona Capital and Los Angeles that is more direct than the long-established route via Flagstaff.

As previously noted, **Cabin** launched a heavily publicized sleeper service between Los Angeles and San Francisco, with an 11 p.m. departure in both cities. This service, featuring “private sleeping cabins” and on-board attendants, has received a great deal of attention in the popular press (see page 10).

More established carriers also made some notable moves. **Boltbus** added a new Fresno stop on its San Francisco Bay Area – Los Angeles route in October, which closes a gap in express coach lines between California’s Central Valley and the state’s largest cities. The stop, replacing a rest stop in Avenel, is served by two buses in each direction daily, with southbound

runs offering a four-hour trip to Los Angeles. In November, Europe’s **Flixbus** captured headlines by announcing that it expects to launch U.S. service, possibly in Los Angeles, in 2018, a topic we discuss on page 9.

In Texas, **Vonlane** introduced Fort Worth – Austin service in October with executive-class buses seating 16 passengers and equipped with the latest technological advances. By having schedules and amenities oriented toward business travelers, and with fares on the new route typically \$79, Vonlane has charted a course much different than most other operators outside of the Eastern Seaboard. The new route has up to four roundtrips on weekdays, with less service on weekends. In Fort Worth, buses depart near the Omni Hotel and the city’s convention center, both downtown. The efforts by both Cabin and Vonlane to be seen as hospitality brands rather than intercity bus companies suggest that premium operators are using new marketing strategies to overcome obstacles to attracting upscale customers.

III. CONCLUSION AND PROJECTIONS

The intercity bus industry once again finds itself on a growth trajectory, having weathered a sharp drop in fuel prices starting in 2014, which ended an era of frenetic growth that brought the industry a great deal of attention. Whereas much of the sector's earlier expansion centered on new bold hubs and route networks by BoltBus, Megabus and other express coach lines, this most recent expansion has been more nuanced, generally spurred by a desire to fill gaps in the system, improve connectivity with Amtrak, and strengthen existing routes with new intermediate stops. Nevertheless, the recent rise in fuel prices and Greyhound's major moves in the Northeast, together with the emergence of Cabin and Ourbus last year, suggests that profitable expansion is once squarely again on the minds of industry executives and venture capitalists.

The outlook for the next twelve months suggests the following projection:

Strategic, financial and tech-related moves:

- **Increased efforts by tech-oriented bus lines and startups** to use crowdsourcing and dynamic scheduling to attract new markets, including those involving TNCs and charter bus trips open to the general public;
- **E-tickets becoming an industry standard**, much as Wi-Fi and power outlets became several years ago, closing a gap with air and rail service;

- **Guaranteed seating and the ability to change tickets online becoming pervasive on all major bus lines**, including Greyhound, which has eliminated obstacles to these enhancements with the cancellation of its Pool Agreement with Peter Pan;
- **Growing traveler use of booking aggregator sites**, thereby giving smaller lines and ethically based operators, including Chinatown bus lines, the ability to experiment with seasonal, weekend-only, and "popup" schedules, much as airlines do;
- **Continually improved financial performance** by FirstGroup/Greyhound and Stagecoach/Megabus, which have become more adept at closely matching capacity to market conditions and benefit from the recent rise in fuel prices.

Several likely developments in route planning and competition also stand out.

Routes and competition:

- **More growth of business-class and luxury bus services** to destinations that have not yet had a taste of these offerings, particularly outside the Florida, the Northeast, and Texas. These services will increasingly offer reserved seating, comparable to that on most airlines.

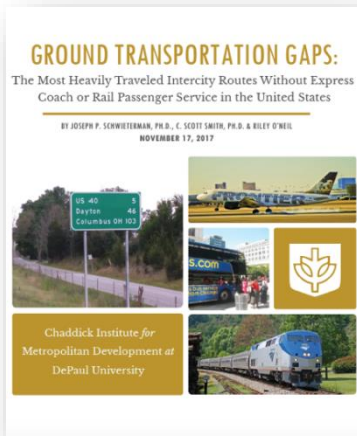
- **A push to move intercity bus service into public transit terminals and Amtrak stations**, a trend that has been gaining traction for several years, resulting in the closure of many traditional intercity bus stations.
- **The emergence of Germany-based Flixbus into the U.S. market**, as a potentially disruptive force, possibly starting with service on the West Coast.
- **More feeder routes to Amtrak stations** as state government seek to expand mobility while lacking the budgets for significant increase in train service.

These suggest that a once-sleepy industry will continue to experiment to expand its role in a hotly competitive U.S. transportation market.

To reach the study team, please email chaddick@depaul.edu or call 312.362.5732.

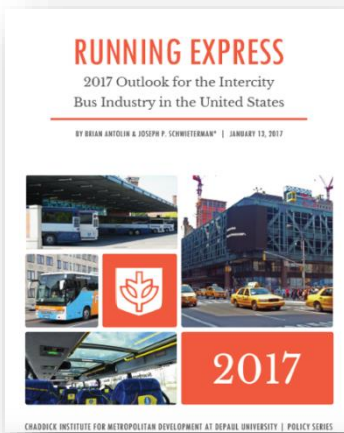
Additional Chaddick Institute publications, including past annual reviews of intercity bus travel, can be found at las.depaul.edu/Chaddick.

NOTABLE RELATED STUDIES BY THE CHADDICK INSTITUTE



Ground Transportation Gaps: The Most Heavily Traveled Intercity Routes Without Express Coach or Rail Passenger Service in the U.S. *November 17, 2017*

Our analysis of major travel corridors in which travelers do not have access to express coach lines, such as BoltBus, Go Buses, and Megabus, or passenger railroads, making it difficult to avoid flying or driving. [Full report here.](#)



Running Express: 2017 Outlook for the Intercity Bus Industry in the United States *January 13, 2017*

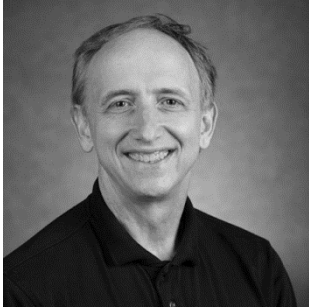
A complete review of major initiatives by the intercity bus industry in calendar year 2016, organized by region. [Full report here.](#)



The Remaking of the Motor Coach: 2015 Year-in-Review of Intercity Bus Service in the United States *January 13, 2016*

Our review of major initiatives by the intercity bus industry in calendar year 2015 as well as our estimates of the number passengers and bus miles encompassed by the intercity bus line, including approximate breakdowns by major carrier, based on an analysis of schedules. [Full report here.](#)

AUTHOR INFORMATION



Joseph P. Schwieterman, Ph.D., a professor of Public Service Management and director of the Chaddick Institute for Metropolitan Development at DePaul University, is a nationally known authority on transportation and urban economics. He has testified three times on transportation issues before subcommittees of the U.S. Congress. Schwieterman holds a Ph.D. in public policy from the University of Chicago and is president of the Chicago chapter of the Transportation Research Forum. He is widely published on intercity bus and rail travel.



Brian Antolin is an entrepreneur, consultant and researcher following his childhood love for travel and transportation. As a respected thought leader in public transportation, Brian's research and commentary has been cited in numerous national publications including the *Boston Globe*, *Philadelphia Inquirer*, *New York Times*, and regional affiliates of National Public Radio. Prior to launching his tour and transportation company, CoTo Travel, Brian worked for BoltBus, a division of Greyhound Lines, Inc. in various operations and management positions.

The Chaddick Institute, which promotes effective planning and transportation, does not receive financial support from intercity bus lines or suppliers of bus operators.

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ⁱ Examples of intermediate stops governed by the agreement are: Silver Spring and New Carrollton, MD, and Mount Laurel, NJ

ⁱⁱⁱ For more discuss of the elasticity of demand, see *Running Express: 2017 Outlook for the Intercity Bus Industry in the United States*. A link is available on the previous page.

^{iv} Average price information derived from US Energy Information Administration, <https://www.eia.gov/petroleum/gasdiesel/>

^v Oil prices derived from <http://www.macrotrends.net/1369/crude-oil-price-history-chart>

^{vi} Greyhound financial results for the most recent period take from :

<http://www.firstgroupplc.com/~media/Files/F/Firstgroup-Plc/reports-and-presentations/press-release/pr-14-11-2017.pdf>

^{vii} Megabus results for the most recent period are reported in the following:

<http://www.stagecoach.com/~media/Files/S/Stagecoach-Group/Attachments/media/press/pr2017/2017-12-06.pdf>

^{viii} *The last operator known to provide the service from Brooklyn to Washington was the Know It Express*

^{ix} For details of this new service, see <https://ourbus.com/blogdetail/13>

^x *This direct service eliminated the need for transfers in Springfield, MA, giving customers a new service option.*

^{xi} *The matching-funds requirements can in some cases be accomplished through in-kind service, such as additional frequencies, provided by bus companies. Many of these services sold on greyhound.com to maximize the potential for passenger connections.*

^{xii} *As part of the rollout of the new Virginia Breeze service, Megabus dropped its existing service between Knoxville, TN, and Washington, DC.*

^{xiii} For more information, please refer to this Chicago Tribune article: <http://www.chicagotribune.com/business/ct-megabus-downsizing-chicago-1111-biz-20161110-story.html>