



Intercity Bus Service

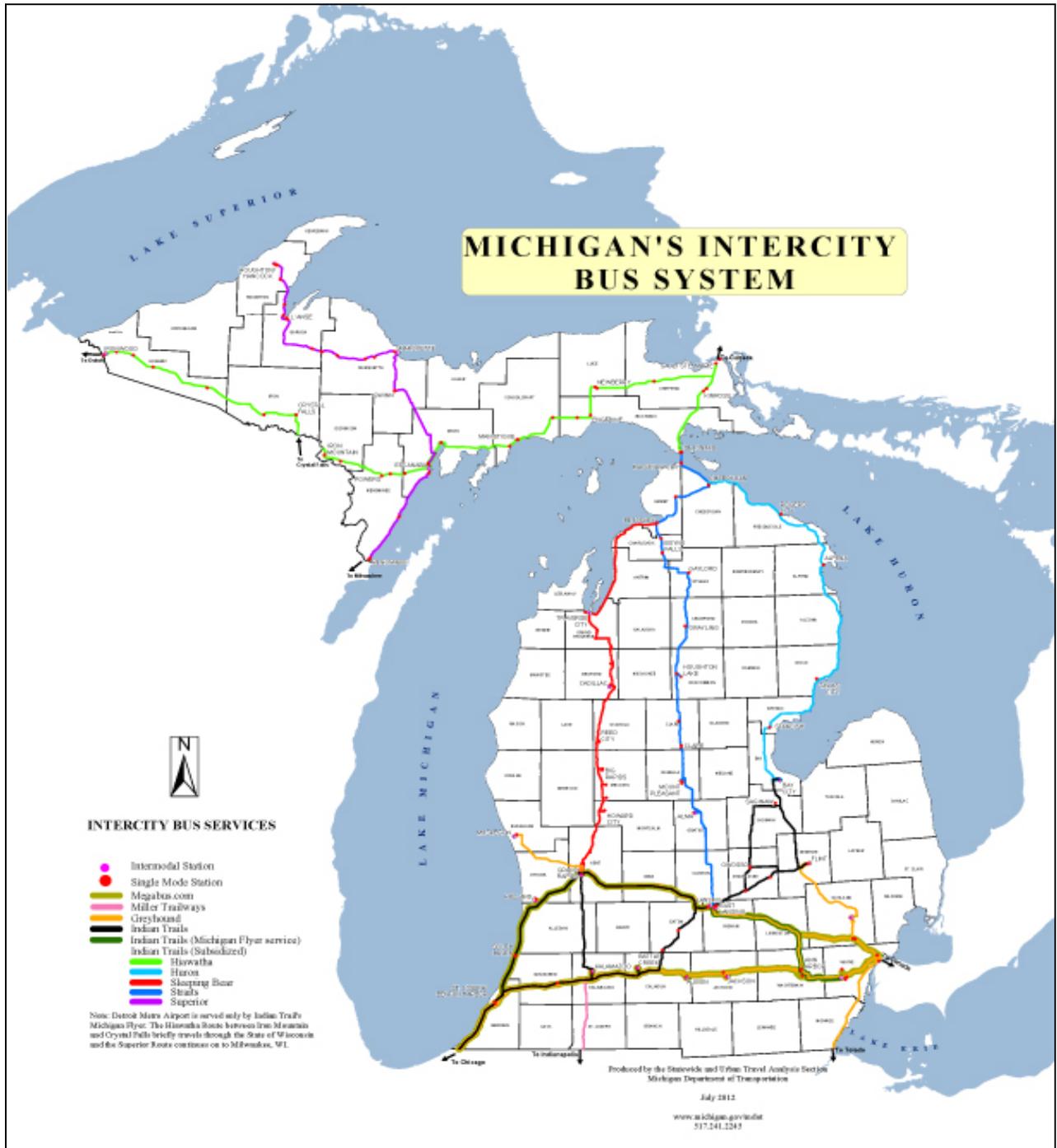
The MI Transportation Plan (MITP) included a technical report on *Intercity Passenger* transportation. That technical report included information and analysis about the intercity rail and bus components of Michigan's passenger transportation system. This white paper provides an update to the intercity bus portions of that technical report.

Status of Intercity Bus Service

As was the case when MITP was adopted, Michigan is served by two principal intercity bus carriers; Greyhound Lines, Inc. and Indian Trails, Inc. Subsidized bus service in Michigan has emerged in response to carrier service reductions. As carrier decisions are made, the Michigan Department of Transportation (MDOT) reviews the affected routes and determines whether to provide a subsidy for the service, based on the state's objective to maintain community access to the national intercity bus network, and subject to the availability of federal and state resources. All intercity bus services in the Upper Peninsula and Northern Lower Peninsula currently are dependent on service contracts with MDOT. The funding that MDOT provides to the intercity carriers for the subsidized routes takes the form of a revenue guarantee.

Founded in 1914, Greyhound Lines is the largest provider of intercity bus transportation in the United States, serving more than 2,300 destinations with 13,000 daily departures across North America. Indian Trails is a Michigan-based firm that has provided intercity bus services in Michigan and adjacent states since 1910. It operates approximately 54 coaches from three modern facilities in Owosso, Kalamazoo, and metro Detroit. In addition to being an intercity carrier, Indian Trails is one of the leading charter coach operators in the country.

These two carriers, through a combination of subsidized and unsubsidized services, provide the majority of intercity bus service in Michigan. The subsidized and unsubsidized services work together to form the intercity bus network in Michigan.



MDOT’s Role in Intercity Bus Service

MDOT continues to contract for rural intercity bus service in portions of the state not served by the marketplace. Prior to 2007, the subsidized system consisted of four routes, which traversed the Lower Peninsula and the Upper Peninsula. In 2007, the Straits route

was added to the subsidized system providing scheduled service from Lansing to St. Ignace. In 2011, the State of Wisconsin contracted with Indian Trails to provide scheduled service between Duluth, Minnesota and Ironwood, Michigan, increasing passenger connectivity in the Upper Peninsula.

Since 2007, Indian Trails has been the service provider for all contracted routes. Indian Trails has worked with MDOT and local communities to increase passenger options and efficiencies and have brought service to Sault Ste. Marie for the first time since 1993. In 2007, Greyhound Lines adjusted its business model to provide service only along the major corridors throughout the nation. Greyhound Lines works with local carriers to feed passengers to these major corridors and have not bid to provide subsidized service in Michigan’s rural areas since 2003.

MDOT invested \$1.8 million in state and federal funds for intercity bus operating subsidies in fiscal year (FY) 2011 (Figure 1). The subsidy amount does not include capital costs, which are borne by the carriers with financial assistance from MDOT. Between FY 2005 and FY 2011, MDOT invested an average of \$1.6 million a year, in federal and state funds in capital assistance, in the form of replacement of motor coaches for use by Greyhound Lines and Indian Trails on all routes in Michigan, subsidized and unsubsidized. Since the MITP was adopted, MDOT’s motor coach investment switched from being funded 100 percent with state funds to a combination of state and federal.

Figure 1

Intercity Bus Operating Subsidies

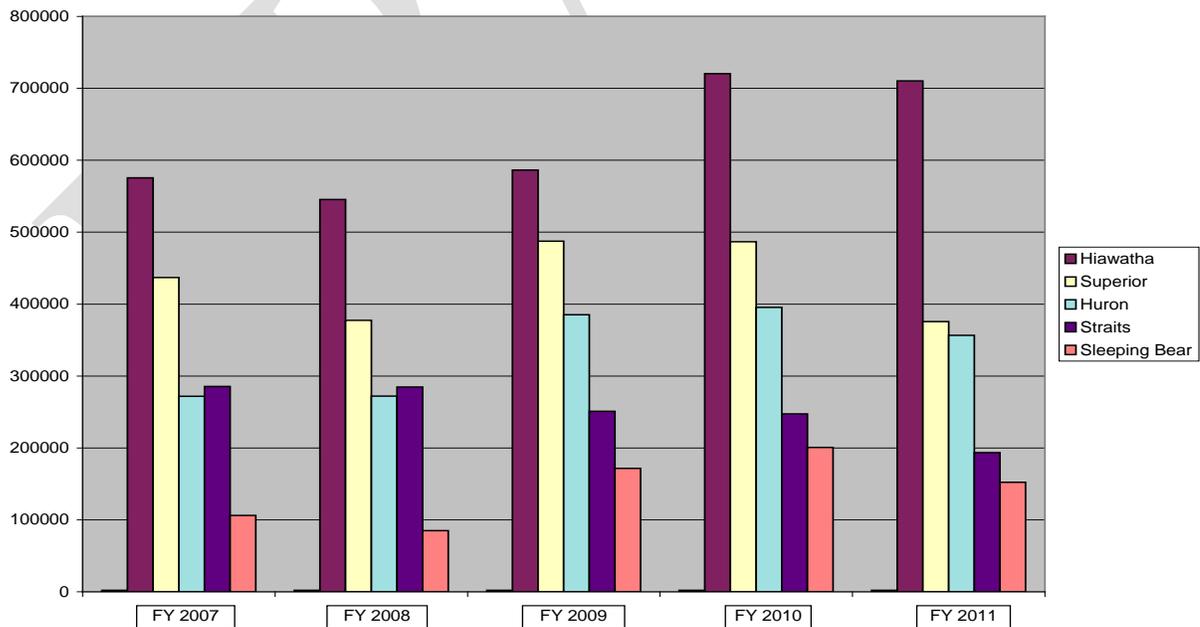
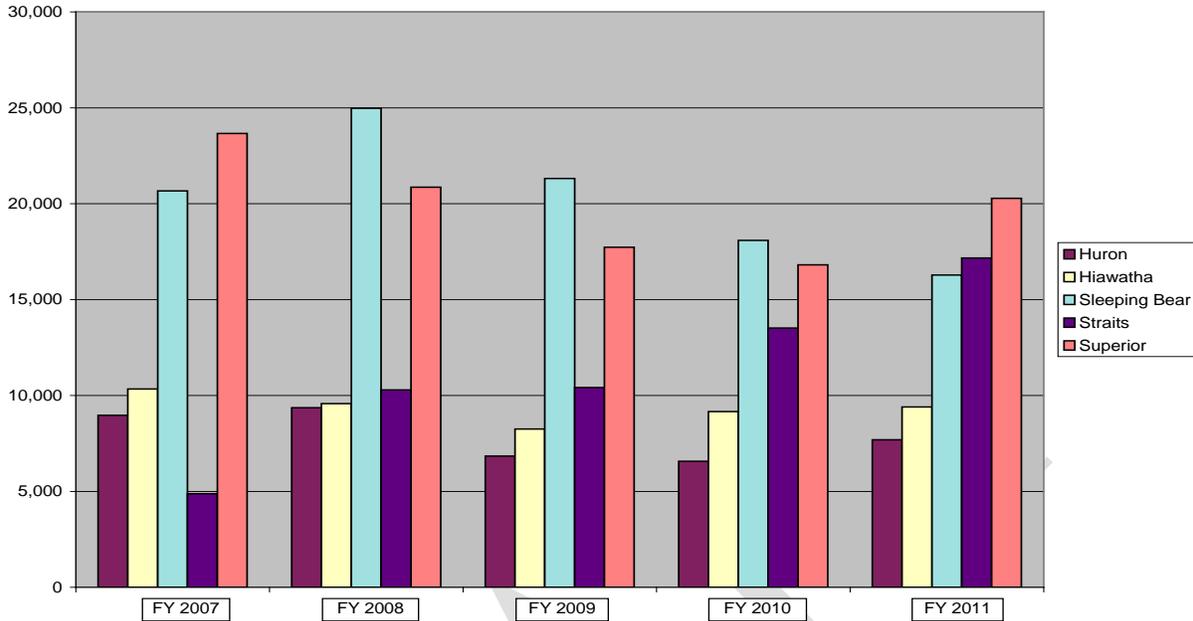


Figure 2: Intercity Bus State Subsidized Routes - Ridership



MDOT’s capital investments also include funding for transportation facility construction and improvement. In 2009, a new facility (the first permanent Intercity Bus Station in the Upper Peninsula) was built in St. Ignace, Michigan, with federal and state funds granted to the City of St. Ignace. An outdated multi-modal transportation center in Pontiac, Michigan was demolished in 2008 and replaced with a more efficient, modern, smaller facility in 2010. This facility is owned by MDOT. Facility improvements also were incorporated into other MDOT-owned transit facilities. The Southfield facility (located in a historic building) was completely remodeled in 2010 and 2011, retaining its historic feel, while the Benton Harbor and Detroit facilities are being upgraded throughout 2012 and 2013. MDOT also has provided financial assistance for the installation of security systems at the Southfield and Benton Harbor facilities. These funds have assisted carriers with enhancing their ticketing systems. All future buses used for intercity bus service will be required to be equipped with a Global Positioning System (GPS) to track the on-time performance of the carrier, as well as to provide information to passengers at MDOT owned facilities.

Private sector initiatives have led to service expansion in Michigan’s urban areas. Among these are the expansion by Megabus Express (along the I-96 corridor between East Lansing, Michigan and Chicago, Illinois), and the Michigan Flyer, a subsidiary of Indian Trails, which provides service between Lansing, Michigan and the Detroit Metro Airport. Miller Trailways also has extended service from Indianapolis, Indiana to Kalamazoo, Michigan.



Intercity Bus Funding

Comprehensive Transportation Fund

The Comprehensive Transportation Fund (CTF) is the primary source of state funding for Michigan's public transportation programs. As shown in Table 1, state appropriations have declined since FY 2007 and in FY 2011, were 66 percent below FY 2007 appropriations. Fortunately, ridership revenues have increased on the intercity routes, which reduce the amount of state subsidy required. However, the increased ridership is not enough to offset continued reductions in the appropriation. Service cuts may be required if the funding decline continues.

Table 1 Comprehensive Transportation Fund Appropriations

FY	CTF Appropriation for Intercity Bus
2005	\$2,052,017
2006	\$1,735,736
2007	\$2,783,042
2008	\$1,875,000
2009	\$1,875,000
2010	\$1,306,600
2011	\$700,000

Annual Appropriations Requirements

In recent years, MDOT's annual appropriations bill no longer includes language that designated specific bus routes as essential corridors. However, this change has not resulted in a shift in MDOT's approach to its financial support of intercity bus services.

Federal Funding

Section 3038 – Over the Road Bus Accessibility (OTRB) Program: In FY 2011, Indian Trails utilized funding from this program to increase the number of vehicles compliant with Americans with Disability Act (ADA) requirements in its non-state supported fleet by installing new wheelchair lifts.

Section 5311(f) – Intercity Bus Transportation: Michigan's intercity bus set-aside represents 15 percent of Section 5311 funds. As shown below, there was a 30 percent increase from FY 2005 to FY 2006, but only slight increases thereafter.



Table 2: Section 5311(f) Funding

FY	Section 5311(f) Funding
2005	\$1,403,575
2006	\$2,168,220
2007	\$2,277,715
2008	\$2,454,009
2009	\$2,584,265
2010	\$2,579,132
2011	\$2,587,872

New federal legislation, "Moving Ahead for Progress in the 21st Century Act" (MAP-21), a 24-month transportation authorization bill, was signed into law on July 6, 2012. Folded into the bill is an extension of SAFETEA-LU for another three months, until September 30, 2012. MAP-21 authorizes federal transportation programs and funding through September 30, 2014. The impacts and implications of pending policy changes won't be fully known for some time and therefore cannot be considered and prepared for immediately. In the months ahead, U.S. Department of Transportation will need to put out new regulations and prepare for the changes. With the passage of MAP-21, the number of transit programs is consolidated and there are modest increases in formula funding for Michigan, including the rural formula program that supports intercity bus service. The legislation maintains current funding for transportation, with a slight adjustment for inflation. But it does not index the federal gas tax, limit spending to revenue, or transition funding to a more sustainable, user-based revenue source to ensure the future long-term solvency of the Highway Trust Fund as many hoped a new authorization bill would. The impacts to Michigan are currently being assessed.

The American Recovery and Reinvestment Act (ARRA) Funding - 2009

ARRA of 2009 provided critical funding to improve the intercity bus system condition. There were \$7.9 million dollars utilized for the replacement of motor coaches and improvements to facilities. Indian Trails has replaced nine motor coaches that had reached or surpassed their useful life. Greyhound will be replacing four vehicles by the end of FY 2013. Without the availability of the ARRA funds, the replacement of many motor coaches would have been delayed resulting in a deteriorating infrastructure and added costs to the carriers. ARRA funding was utilized for facility improvements in Saginaw and Owosso, Michigan, where doorways were widened and accessible ramps were installed. The funding for Indian Trails' Pathfinder Sign project, provided by



ARRA, has resulted in the installation of directional signage to bus stops throughout the entire intercity bus network.

Performance Management

Surveys of intercity bus passengers continue to be an important performance measurement tool. The Intercity Passenger Technical report included the results of intercity bus passenger surveys conducted in 2001, as reported in the Intercity Rail and Bus Passenger Study, published in 2002. Follow-up surveys were conducted in 2007 with the results published in 2009. Some notable comparisons in passenger characteristics between the 2001 and 2007 surveys included:

- Little change was observed in the income of bus passengers between the 2007 and 2001 surveys with approximately 22 percent of passenger reporting incomes of less than \$10,000 in both years.
- The share of bus rides that came from households that did not own a car decreased from 33 percent in 2001 to 20 percent in 2007.
- The share of riders that were women (over the age of 74) dropped from 85 percent in 2001 to nearly 60 percent in 2007.
- Slightly over 50 percent of riders reported the purpose of their trip as “visiting friends and family” in 2007. This purpose was also the most cited in 2001, with 40 percent identifying this as their trip purpose.
- In both 2001 and 2007, most bus riders reported feeling safe while waiting for the bus and while riding the bus. Most riders indicated that “cost” and/or “only transportation available” were their primary reason for using intercity bus as their mode of travel.
- In both 2001 and 2007, a vast majority of bus riders indicated a high degree of satisfaction with their overall experience riding an intercity bus.

In addition to passenger satisfaction data, intercity bus service is also measured in terms of level of service. Service levels are reported in MDOT’s Transportation System Condition Report (<http://www.michigan.gov/mdotperformance>). When the Transportation System Condition report was first released in 2010, MDOT measured the intercity bus system condition based upon the percentage of Michigan’s rural population within 100 miles of an intercity stop. This condition measurement differed from those contained within the 201a, U.S. Department of Transportation (USDOT), Bureau of Transportation Statistics report, The U.S. Rural Population and Scheduled Intercity Transportation in 2010: A Five-Year Decline in Transportation Access http://www.bts.gov/publications/scheduled_intercity_transportation_and_the_us_rural_population/2010/pdf/entire.pdf. Released every five years, the USDOT report details the nationwide condition of the intercity bus system. In 2011, MDOT adopted the USDOT



intercity bus condition measurement of measuring the percentage of the rural population located within 25 miles of an intercity bus stop. In its report, USDOT stated that 78 percent of the nation's rural population was provided access to an intercity bus stop within 25 miles. Michigan's intercity bus system condition is similar to the national data with 79 percent of its rural population being located within the 25-mile range. This measure, along with customer, carrier and community feedback, is used in the evaluation of route schedules and the creation of policies impacting the intercity bus program.

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