

Intercity Bus Service White Paper

The 2035 Michigan Transportation Plan (MITP) included a technical report on [*Intercity Passenger Transportation*](#). The technical report contained 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.

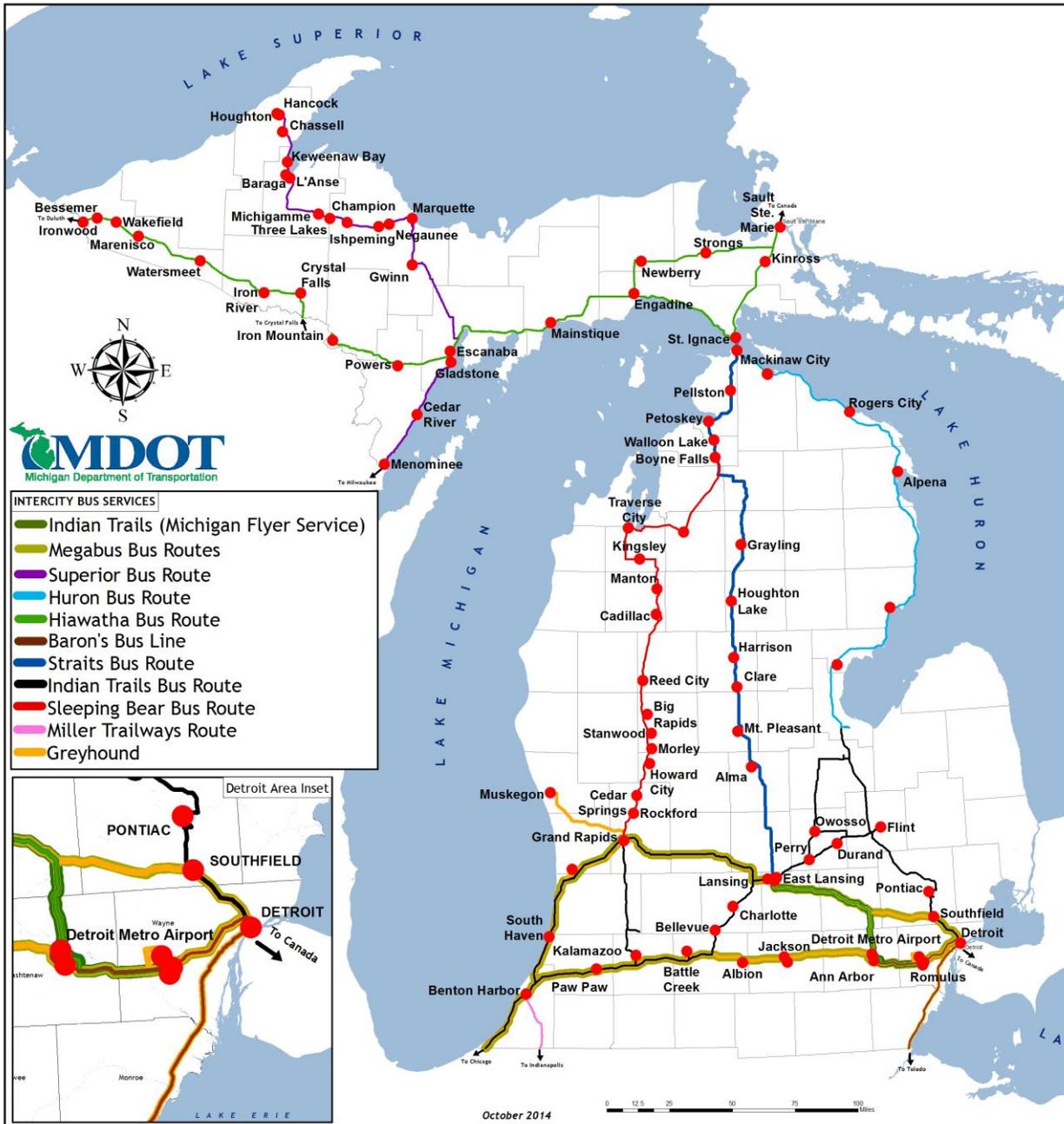
Status of Intercity Bus Service

As was the case when the 2035 MITP was adopted, Michigan is served by two principal intercity bus carriers: Greyhound Lines, Inc. and Indian Trails, Inc. As carrier service reductions have occurred, stemming from decreased ridership and increased cost of providing service, subsidized bus service in Michigan has emerged in response. 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 are currently dependent on service contracts with MDOT. The funding that MDOT provides to the intercity carriers for the contracted 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 70 coaches from three 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 contracted services and subsidized capital, provide the majority of intercity bus service in Michigan, as shown in Map 1.

Map 1: Michigan Intercity Bus Services



MDOT's Role in Intercity Bus Service

In 2014, MDOT and the Wisconsin Department of Transportation (WisDOT) signed a Memorandum of Understanding (MOU), creating a partnership to provide joint funding for a rural intercity bus route between Ironwood, Michigan, and Duluth, Minnesota.

Prior to 2011, MDOT's Hiawatha (St. Ignace, Michigan, to Ironwood, Michigan) route provided limited connectivity for Upper Peninsula residents to the national network. This lack of connectivity resulted in minimal ridership on that route. In 2011, WisDOT began providing state and federal funds for a route between Ironwood and Duluth, Minnesota. Passengers in rural Michigan, Wisconsin, and Minnesota saw the benefit of this route and expressed their approval with increasing passenger counts. The improved connectivity of this new route resulted in passenger increases along MDOT's Hiawatha route in each of the following years (Figure 1). However, in 2013, WisDOT notified MDOT that effective Jan. 1, 2014, their state funding for the route and daily operations would cease. Neither state wished to see this route end. Discussions between WisDOT, MDOT, and the Federal Transit Administration (FTA) led to the innovative solution of an MOU between the two states, with WisDOT providing federal funds and MDOT providing state matching funds for the continuation of the Ironwood-Duluth route.

This MOU allows for WisDOT to contract with a carrier to provide daily service, which is funded with WisDOT's federal section 5311(f) appropriation and matching funds from MDOT's Comprehensive Transportation Fund (CTF). The carrier invoices WisDOT for operational costs and then WisDOT requests the state share from MDOT on a quarterly basis, up to an agreed upon maximum contribution. A critical connection is maintained for Michigan residents and the federal funds are available for other projects. The success of this MOU led to a second MOU for a similar operation between Escanaba, Michigan, and Milwaukee, Wisconsin, which started in June 2016.

Since 2007, Indian Trails has been the service provider for all contracted routes in Michigan. The service is bid out every two to three years to ensure competition and fair pricing. Indian Trails has worked with MDOT and local communities to increase passenger options and efficiencies, and brought service to Sault Ste. Marie in 2009 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 has not bid to provide contracted service in Michigan's rural areas since 2003.

MDOT invested \$1.96 million in state and federal funds for intercity bus operating subsidies in fiscal year (FY) 2015 (Figure 2). Between FY 2011 and FY 2015, MDOT invested an average of \$2.4 million a year in federal and state capital funding for replacement of motor coaches for use by Greyhound Lines and Indian Trails on all routes in Michigan, both contracted and subsidized. 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 funding.

Figure 1: Intercity Bus Operating Contract – Ridership per Year

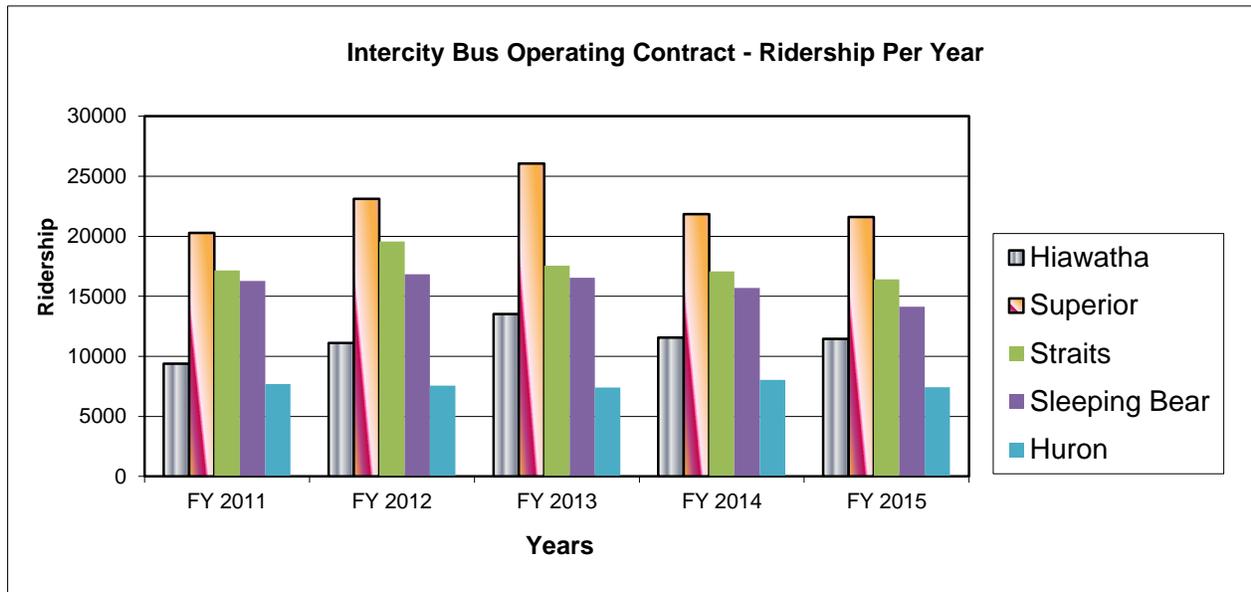
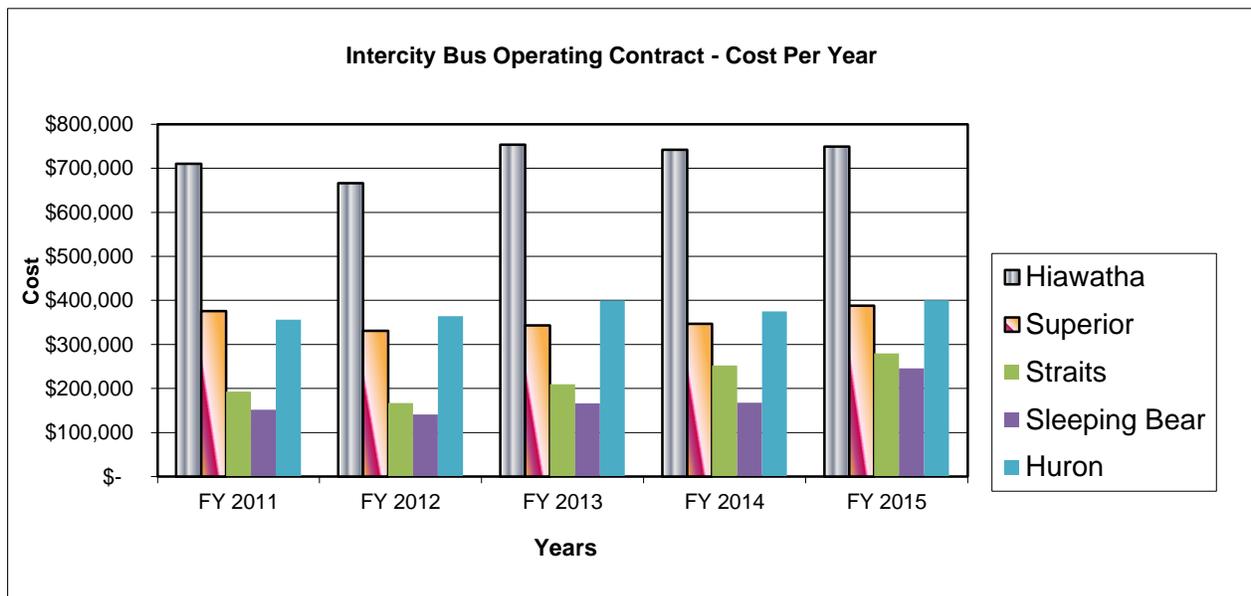


Figure 2: Intercity Bus Operating Contract – Cost per Year



MDOT’s capital investments also include funding for all four MDOT-owned transportation facility construction and improvement projects between FY 2011 and FY 2015. MDOT invested \$885,000 in facility improvements to the Flint and Saginaw transportation centers. Additionally, \$500,000 was provided to the Capital Area Transportation Authority (CATA) for the newly built East Lansing transportation center. MDOT’s capital investments for FY 2016 will include funding for all future MDOT-funded buses used for intercity bus service 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 in Michigan’s urban areas. Among these are the Megabus Express between Detroit, Ann Arbor, East Lansing, Grand Rapids, and Chicago, Illinois; and the Michigan Flyer, a subsidiary of Indian Trails, which provides service between Lansing and Detroit Metro Airport. Miller Trailways also has extended service from South Bend, Indiana, to Michigan’s I-94 corridor (with Michigan stops in Benton Harbor, Kalamazoo, Battle Creek, Albion, Jackson, Ann Arbor, Ypsilanti, and Detroit).

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 were 25 percent below FY 2014 appropriations primarily due to the number of buses eligible for replacement. Ridership revenues have decreased on the intercity routes, as shown in Table 2. This often happens when gas prices are low, which increases the amount of state subsidy required.

Table 1: Comprehensive Transportation Fund Appropriations

FY	CTF Appropriation for Intercity Bus
2011	\$700,000
2012	\$1,350,000
2013	\$3,000,000
2014	\$1,250,000
2015	\$1,000,000

Table 2: Ridership Revenue

FY	Ridership Revenue
2011	\$1,810,021
2012	\$2,002,336
2013	\$2,047,942
2014	\$2,032,719
2015	\$1,876,284

Federal Funding

Section 5311(f) – Intercity Bus Transportation: Michigan’s intercity bus set-aside funding represents 15 percent of Section 5311(f) funds. As shown in Table 3, there was a 19 percent increase from FY 2011 to FY 2015.

Table 3: Section 5311(f) Funding

FY	Section 5311(f) Funding
2011	\$2,587,872
2012	\$2,586,827
2013	\$3,115,433
2014	\$3,096,961
2015	\$3,094,579

Intercity bus contracted routes are funded with 50 percent state (CTF) and 50 percent federal (5311(f)) funds, while intercity bus capital purchases are funded using 20 percent state (CTF) and 80 percent federal (5311(f)) funds.

The FAST Act, Fixing America’s Surface Transportation Act (P.L. 114-94), was signed into law by President Obama on Dec. 4, 2015. The FAST Act authorized funding and programs for FY 2016 and FY 2020.

The FAST Act, like the Moving Ahead for Progress in the 21st Century Act (MAP-21) (the preceding federal reauthorization bill), is transformational in many important areas. The federal highway and transit programs are transitioning to become performance-oriented. This legislation placed new emphasis on studying, planning for, and facilitating the movement of freight. It also streamlined the federal highway program by greatly reducing the number of overall programs.

The impacts and benefits that may come from program revisions included in the FAST Act have not yet been fully realized. Many of the changes are still in the process of being implemented through regulations and other program guidance. Therefore, this plan is not able to fully reflect the changes that may result from the FAST Act.

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 2007, as reported in the Intercity Rail and Bus Passenger Study published in 2009. Follow-up surveys were conducted in 2011, with the results published in 2012. Some notable comparisons in passenger characteristics between the 2007 and 2011 surveys included:

- Passengers reporting incomes of less than \$10,000 increased from 22 percent in 2007 to 36 percent in 2011.
- The share of bus rides that came from households that do not own a car decreased from 20 percent in 2007 to 8 percent in 2011.
- Little change was observed in the number of unemployed bus passengers, from 18 percent in 2007 to 19 percent in 2011.
- 40 percent of riders reported the purpose of their trip as “visiting friends and family” in 2011. At more than 50 percent, this purpose was also the most cited in 2007.
- In 2007, 27 percent of bus travelers reported having taken no other trips in the past year; by 2011, this figure dropped to 16 percent.
- In 2007 and 2011, the cost per trip ranked number one as the reason for choosing intercity bus service.

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](#). Released every five years, the 201a, United States 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](#), details the nationwide condition of the intercity bus system. MDOT has adopted the USDOT intercity bus condition methodology 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 81 percent of its rural population being located within the 25-mile range.

In 2015, MDOT sponsored an “attitudes and perceptions” survey to explore the opinions of adult residents of the state of Michigan toward MDOT and the state of transportation in Michigan, in general. This was the sixth survey in a series since 2006. The survey is part of the public participation process for development of the state long-range plan.

Professional interviewers conducted interviews from a random sample of 1,400 adult Michigan residents by phone. Included in the interview was a list of 13 MDOT activities, of which respondents were asked to rate their satisfaction on a scale of 5-Most Satisfied to 2-Very Dissatisfied or 1-Unsure. In evaluating the results, the 13 activities were grouped by those with highest, middle and lowest satisfaction ratings. Among the five activities that ranked the lowest was the respondents’ satisfaction with “making sure sufficient alternatives to driving for long distance trips are available, such as intercity passenger rail or bus.” In addition, those surveyed were asked if they had used bus or rail for long distance transportation with at least one stop in Michigan in the past year. Eleven percent said yes and those specific individuals were asked to rate their satisfaction using the same 5 to 1 scale. The average satisfaction rating was 3.42. This puts the quality of the long distance transportation services that respondents had directly experienced among the top five activities with the highest satisfaction ratings.

These results suggest the public is not satisfied with the level of intercity passenger service, but for those who have used the service, they are satisfied with its quality. The full report is titled: [Attitudes & Perception of Transportation in Michigan: A 2015 Survey of Michigan Adults.](#)

All of the information gathered from the surveys and reports listed above are used in the evaluation of route schedules and the creation of policies impacting the intercity bus program.