

Policy Analysis

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Intercity Buses The Forgotten Mode

by Randal O'Toole

Executive Summary

The debate over President Obama's fantastically expensive high-speed rail program has obscured the resurgence of a directly competing mode of transportation: intercity buses. Entrepreneurial immigrants from China and recently privatized British transportation companies have developed a new model for intercity bus operations that provides travelers with faster service at dramatically reduced fares.

New-model bus companies save money by selling tickets over the Internet and loading and unloading passengers at curbsides rather than in expensive bus stations. They speed service by running most buses non-stop between major cities rather than making numerous intermediate stops. Some companies distinguish themselves from their competition by providing leather seats, free wireless Internet, more legroom, and—in a few cases—onboard meal service and movies.

In 2006, scheduled intercity bus service reached its lowest level in decades, yet intercity buses still carried almost three times as many passenger miles as Amtrak. Since then, intercity buses have become the nation's fastest-growing

transportation mode, with ridership growing almost twice as fast as Amtrak.

Intercity buses carry at least 50 percent more passenger miles than Amtrak in Amtrak's showcase Northeast Corridor. They do so with almost no subsidies and at fares that are about a third of Amtrak's regular train fares and little more than 10 percent of Amtrak's high-speed Acela fares. Intercity buses are safe and environmentally friendly, suffering almost 80 percent fewer fatalities per billion passenger miles than Amtrak and using 60 percent less energy per passenger mile than Amtrak.

Policymakers can encourage expansion of intercity bus services by ending subsidies to Amtrak and minimizing regulatory barriers to new bus start-ups. Cities concerned about congestion and parking problems caused by curbside bus operations can sell curb rights—the right to load and unload passengers at various locations—at prices equal to the market rate for parking. Federal and state agencies can enforce existing safety rules but should hesitate to impose new rules that could increase costs and reduce competition without clear safety gains.

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Between 2007 and 2010, ridership on intercity buses grew nearly twice as fast as on Amtrak.

The Fastest-Growing Mode

In December 2007, the final report of the congressionally chartered National Surface Transportation Revenue and Policy Study Commission, *Transportation for Tomorrow*, urged Congress to increase spending on intercity passenger trains by seven to nine times—the largest increase proposed for any mode of transportation.¹ Although the report devoted many pages to intercity passenger trains, it mentioned intercity buses only twice: once to suggest that buses should be considered as an alternative before investing in passenger trains, and once to admit that buses use about 60 percent less energy per passenger mile than trains.²

Some might forgive the writers of a 2007 report for ignoring intercity buses. After all, the intercity bus industry had been declining since at least 1980.³ Yet despite this decline—which was exacerbated by government subsidies to Amtrak—intercity buses still carried three times as many passenger miles as Amtrak in 2007.⁴

Moreover, by 2007 it was already apparent to transportation experts that intercity buses were experiencing a significant resurgence.⁵ “The intercity bus sector began to reassert itself in the transportation market later in 2006,” says a report from DePaul University. “By late 2007, the sector was enjoying a significant rebirth and was expanding throughout the country at the fastest rate in more than 40 years.”⁶

Intercity bus service has grown particularly rapidly in the Northeast, Midwest, and California—three regions targeted by passenger rail advocates for heavy government investments. Between 2007 and 2010, intercity bus ridership grew by an estimated 22 percent, making intercity buses “America’s fastest growing transportation mode.”⁷ During that period, intercity bus ridership grew nearly twice as fast as the 12 percent growth in Amtrak passenger miles.⁸

Moreover, while passenger rail requires large and growing subsidies, the growth in bus service is largely unsubsidized. Motorcoach companies pay a lower federal fuel tax of just 7.3 cents per gallon (compared with 18.4 cents for auto drivers).⁹ Congress has also created two

small grantmaking programs to help bus companies comply with the Americans with Disabilities Act and meet national security needs. Altogether, these subsidies are estimated to cost about \$63 million per year.¹⁰ As scheduled intercity buses represent only about a quarter of the motorcoach industry, they receive less than \$17 million in annual subsidies, compared with nearly 100 times that much for Amtrak.¹¹

Ironically, the lack of subsidies may be a major reason policymakers so easily ignore intercity buses. While the government regularly issues many megabytes of data on Amtrak ridership, public transit usage, and other subsidized transportation, the government collects almost no data regarding intercity buses. Though some motorcoach companies provide commuter service similar to that provided by public transit agencies, for example, the Federal Transit Administration refuses to include them in its National Transit Database because they do not receive federal subsidies.

The New Model

The recent growth in bus ridership was driven partly by the Internet, which helped generate a new model of intercity bus service. Under the old model, bus companies maintained stations on expensive downtown real estate, complete with ticket agents, waiting rooms, and baggage handlers. Under the new model, tickets are mostly sold over the Internet, buses pick up and drop off passengers at a curbside, and drivers handle the baggage.

Under the old model, buses typically made intermediate stops between major city endpoints. For example, a bus from New York to Washington, D.C., might stop in Philadelphia, Wilmington, and Baltimore. Under the new model, most buses are nonstop, with separate buses serving the New York–Philadelphia, New York–Wilmington, New York–Baltimore, and New York–Washington markets.

Because of the old model’s high overhead costs, just one, or at most, two carriers (for example, Greyhound and Trailways) served most markets. With the new model’s low

overhead costs, many different carriers might serve some markets. For example, more than a dozen different bus companies operate in the Boston–Washington corridor.

Low overhead and competition has reduced fares. While the old model offered one fixed price for any trip, many new-model carriers rely on yield management, meaning that some seats are sold for very low prices while others go for higher prices. In the New York–Washington market, several carriers sell the first seat on any bus for \$1 (plus a \$0.50 reservation fee). The next few seats may sell for \$5, then \$8, then \$10, eventually reaching \$20. Even \$20 is far less than the lowest Amtrak fare of \$49 or Amtrak’s high-speed Acela fare of \$139.

Competition has also led carriers to rapidly innovate to distinguish themselves from their competitors. A typical intercity bus has 56 seats, but some companies offer more legroom by removing some seats, reducing their capacities to 50 seats. Many carriers offer leather seats, power for personal electronic devices, and free wireless Internet. Another distinction is provided by the neighborhoods the buses serve. Rather than all going to downtown Washington, D.C., for example, some buses from New York terminate in Washington suburbs such as Arlington, Virginia, and Bethesda, Greenbelt, Rockville, and Silver Spring, Maryland.

The new model has also led to classes in service. In the Boston–Washington corridor, the lowest class of service is offered by the so-called “Chinatown buses,” which typically are operated by small bus companies that begin and end their routes in predominantly Asian neighborhoods of major cities. These buses usually have the least legroom and often do not have wireless Internet. Carriers such as Bolt Bus and Megabus provide the next class up, offering a little more legroom, leather seats, and free WiFi. Vamoose provides a further step up with its Gold service, which has only 36 seats and costs \$50 from New York to Washington. LimoLiner provides the current pinnacle in service, with 27-seat buses connecting New York and Boston Hilton Hotels and featuring food service, on-board movies, and meeting tables for \$89 per seat.

In June 2009, I compiled a database of the Internet schedules for all available buses in the Boston–Washington corridor. Many carriers provide more buses on Friday through Sunday than Monday through Thursday. Based on that month’s schedules, 13 different companies provided about 3.6 billion seat miles of service per year. It is likely that some companies were not counted because they do not advertise on the World Wide Web.

In May 2011, I updated this database using the Internet schedules for the week of May 15. By this time, 16 different carriers provided about 4.0 billion seat miles of service per year—about a 10 percent increase from 2009. Members of the American Bus Association report that they fill an average of about 60 percent of their seats in intercity service. Chinatown bus companies (most of which are not members of the association) tend to fill an even higher share of seats.¹² This suggests that buses carried at least 2.4 billion passenger miles in this corridor in 2010. The actual number is probably greater, as some Chinatown buses are not advertised on the Internet.

By comparison, Amtrak reports that it offered about 3.4 billion seat miles in the Boston–Washington corridor and filled about half the seats, for about 1.7 billion passenger miles.¹³ While Amtrak frequently brags that it carries as many or more passengers in the Northeast Corridor than the airlines, it carries little more than two-thirds as many passengers as intercity buses. Overall, counting air, train, bus, and auto, Amtrak has about a 6 percent market share of Northeast Corridor travel, airlines have 5 percent, and intercity buses have an 8 to 9 percent share. The remaining 80 percent is automobiles.¹⁴

Growth of the New Model

Unlike airline passengers and freight-rail service, intercity bus riders did not initially seem to benefit from deregulation. The Bus Regulatory Reform Act of 1982 led to a price war between Greyhound, the nation’s largest bus company, and Trailways, a consortium of

In the Boston-to-Washington corridor, intercity buses carry some 50 percent more passengers than Amtrak.

Stagecoach, a British company, introduced yield management to the American intercity bus industry when it started Megabus in the Midwest in 2006.

independent companies.¹⁵ Both brands also had to compete with low-cost airlines such as Southwest. To control costs, Greyhound—which paid the highest wages in the industry—reduced wages in 1983, but only after a seven-week employee strike that cost the company \$25 million in lost revenues.¹⁶

Greyhound attempted to recover by acquiring Continental Trailways, the largest member of the Trailways consortium, in 1987. But in 1990, Greyhound employees, hoping the booming economy would allow wage increases, went on another strike that remained unsettled for nearly three years and sent Greyhound into bankruptcy court.¹⁷ In 1999, the struggling company was acquired by the Canadian trucking and school-bus company Laidlaw. That acquisition proved too much for Laidlaw, which itself went bankrupt in 2001.

Meanwhile, a Chinese immigrant named Pei Lin Liang took the first step toward the new model when he began offering New York–Boston bus rides for \$25 in 1998. Pei started in the transportation business in 1996 by offering a shuttle service for Chinese workers between Brooklyn and New York City’s Chinatown. In 1998, some of Pei’s customers asked him to provide intercity transportation for their children, who were students in Boston. Within a year the Fung Wah (Magnificent Wind) company offered seven trips a day between Boston and New York Chinatowns at fares far lower than Greyhound or Amtrak.¹⁸

Competition grew after 9/11 devastated the New York City tourist industry. The owners of various tour-bus companies, many of them of Chinese heritage, responded to the decline in charter and sightseeing demand by putting their buses to work in intercity service. Competition pushed Boston–New York fares down to \$10, and bus companies started using the Internet for selling tickets.¹⁹ Competition also led to a Chinatown bus war: companies and their employees fighting over customers and curbside parking suffered vandalism and at least two deaths.²⁰

British bus service was undergoing an even more profound transformation during this same

time period. Prior to 1986, most British buses were government-owned, but the Transport Act of 1985 led to privatization and deregulation. City and county bus authorities spun off dozens of private bus companies, many of which soon merged and formed two large transportation companies: FirstGroup and Stagecoach.

In 1999, Stagecoach acquired Coach USA, which mainly offered commuter and airport shuttle services. Coach USA introduced yield management to the American intercity bus industry when it started Megabus operations in the Midwest in 2006, in California in 2007, and in the Northeast in 2008. The California services ended after a year, but the company has steadily expanded service in the other two regions.

In 2007, FirstGroup bought Laidlaw and quickly applied much of what it had learned in Britain to Greyhound operations. In 2008, Greyhound joined with Northeast carrier Peter Pan to form BoltBus, which uses yield management to set bus fares for New York–Washington service. In other corridors, Greyhound offers Greyhound Express, nonstop services that often compete directly with Megabus. Greyhound and three Trailways companies offer low-fare “NeOn” service (apparently short for NEw york-ONtario) between New York and Toronto/Montreal. Greyhound also owns 49 percent of Crucero, which offers curbside service throughout Southern California and extending into Arizona.

Buses vs. Trains

As well as offering an alternative to traditional bus services, Megabus, BoltBus, Greyhound Express, and other curbside carriers often compete directly with Amtrak. Between Chicago and Milwaukee, Greyhound Express offers 11 daily departures compared with Amtrak’s 7. The bus takes 26 minutes longer than the train, but costs \$8 compared with Amtrak’s \$22 fare.

For fares of \$5 to \$24, Crucero offers 18 buses a day that take between 2 hours and 40 minutes to 3 hours to go between Los

Angeles and San Diego. Amtrak charges \$44 to ride one of its 13 daily Los Angeles–San Diego trains that take between 2 hours and 40 minutes to 2 hours and 50 minutes. In many other markets (including New York–Buffalo, New York–Toronto, New York–Raleigh, Washington–Richmond, Raleigh–Charlotte, Chicago–Minneapolis, and Chicago–Indianapolis) Greyhound Express, Megabus, and other companies offer service that is faster, less expensive, and more frequent than Amtrak.

Because the new model of bus service is mostly based on nonstop buses, buses can compete against even so-called high-speed trains because the trains typically make many intermediate stops between major cities. For example, Amtrak requires 6 hours and 30 minutes to carry passengers from Chicago to Detroit, with fares starting at \$31. Michigan recently received grants from the Department of Transportation that aimed to reduce this travel time by 12 minutes.²¹ But Megabus already offers the same trip in less time—just 5 hours and 40 minutes—at fares starting at \$15.

Amtrak’s “regional trains” between Boston, New York, and Washington go as fast as the so-called high-speed trains the Obama administration wants to start in New England, the Midwest, the South, and the Pacific Northwest, which are projected to typically average 55 to 70 mph. Between Boston and New York, where Amtrak regional trains average 53 to 58 mph, both the regional trains and buses take from 4 hours to 4 hours and 30 minutes. Between New York and Washington, where Amtrak regional trains average 62 to 70 mph, the regional trains take from 3 hours and 12 minutes to 4 hours, while most buses take between 4 hours to 4 hours and 15 minutes. In both segments, the lowest Amtrak fares of \$49 are more than three times the typical Internet bus fares of around \$15.

Nationally, intercity bus fares averaged about 13 cents per passenger mile in 2001, the last year for which estimates are available. These should be typical of old-model bus fares today, while new-model fares average about 7 to 10 cents per passenger mile. By comparison, airline fares have averaged about 13 cents per

passenger mile from 2001 through 2007. Despite the fact that subsidies fund more than a quarter of Amtrak’s operating costs and all of its capital costs, Amtrak fares grew from 25 to 31 cents per passenger mile in the same time period.²²

According to the Bureau of Economic Analysis, Americans spend just under \$1 trillion a year on motor vehicle purchases and operations.²³ Americans drive “light-duty vehicles” (cars and light trucks) about 2.6 trillion miles a year, for an average cost of about 36 cents a vehicle mile.²⁴ According to a study commissioned by the California High-Speed Rail Authority, the average car in intercity travel holds 2.4 occupants, for an average cost of 15 cents per passenger mile.²⁵ This means the new model of bus service is the only alternative form of motorized transportation that is significantly less expensive than driving.

Many of the recent federal grants for so-called high-speed trains will actually provide only slight time savings over existing trains. For example, Amtrak currently offers four trains a day between Portland and Seattle, most of which take 3 hours and 30 minutes, at a fare of \$50. The administration gave the Washington Department of Transportation a grant of \$590 million to increase train speeds from 53.4 to 56.1 mph, reducing trip times by 10 minutes, for a total travel time of 3 hours and 20 minutes.²⁶ Meanwhile, Greyhound offers one nonstop Portland–Seattle trip a day, which takes just 3 hours and 15 minutes, for a \$35 fare. It probably would offer more nonstops if it did not have to compete against the Amtrak trains, which received \$14.3 million in operating subsidies in 2010.²⁷

Similarly, the withdrawal of Megabus from the California market after less than a year in 2008 is partly due to the \$38.7 million in subsidies given to short-distance corridor trains in that state in 2007—subsidies that rose to more than \$58 million in 2010.²⁸ Obama’s high-speed rail plan would create a more heavily subsidized system that, even with subsidies, will cost travelers more to use and offer little more convenience than a relatively unsubsidized bus system.

The new model of intercity bus service is the only form of motorized transportation that is significantly less expensive than driving.

The apparent energy efficiency of steel wheels on steel rails is offset by the fact that trains weigh far more per passenger than buses.

Energy and the Environment

In addition to requiring both lower fares and lower subsidies than Amtrak, intercity buses are more energy efficient than Amtrak. *Transportation for Tomorrow* noted that intercity buses use less than 1,000 British thermal units (BTUs) per passenger mile, while intercity passenger trains use more than 2,500.²⁹ Recent increases in Amtrak ridership have reduced rail's energy usage to 2,400 BTUs per passenger mile, but that is still far less energy efficient than intercity buses.³⁰

Most buses and trains are diesel powered, and greenhouse-gas emissions from such vehicles are proportional to fuel consumption. Thus, diesel-powered Amtrak trains produce roughly 2.5 times as much carbon emissions as intercity buses. Amtrak trains in the Northeast Corridor are electrically powered, but much, if not most, of that electricity is generated by burning fossil fuels, so intercity buses no doubt emit less carbon, per passenger mile, Boston–Washington trains.³¹

A 2007 report prepared by M. J. Bradley & Associates for the American Bus Association found that the average Amtrak intercity train used 2.8 times as much energy and emitted 3.2 times as much carbon dioxide as intercity buses. The most-efficient Amtrak trains were about 9 percent more energy efficient than the least-efficient intercity buses, but were still estimated to produce twice the amount of carbon-dioxide emissions per passenger mile than buses.³²

A full life-cycle analysis of buses vs. trains would be even less favorable to rail because passenger rail lines require so much infrastructure, while highways—the basic infrastructure for buses—are shared with cars and trucks. A life-cycle analysis by researchers at the University of California concluded that, over their complete life cycle, passenger rail lines used about 2.5 times as much energy as they used in just operations, while highway users consumed only about 1.6 times as much energy as in operations.³³

There are two reasons why buses are more energy efficient than Amtrak. The first is a

matter of incentives. Since private bus operators are profit driven, they operate in markets where they can fill most of their seats. As previously noted, the average intercity bus fills about two-thirds of its seats. By comparison, Amtrak is politically driven, and it fills, on average, only about half its seats and runs many trains that are only one-third full.

The second reason is sheer physics. Trains' steel wheels provide less friction and so are more efficient than buses' rubber tires, but their efficiency is offset by the greater weight of railcars. The typical motorcoach weighs about 35,000 pounds, which is about 1,000 pounds per passenger when the bus is two-thirds loaded. A typical 80-seat passenger railcar weighs 110,000 to 150,000 pounds. A locomotive capable of pulling five cars adds about 50,000 pounds per car, so the total is around 4,000 pounds per passenger when the railcars are half loaded. Even at identical load factors, the railcars would still weigh far more per passenger than buses, and so would use more fuel per passenger mile.

Regulation and Safety

Interstate bus companies face regulation at both the federal and state levels. The Federal Motor Carrier Safety Administration (FMCSA) deals with driver and vehicle safety issues, while the Surface Transportation Board monitors bus-company finances and operations.³⁴ State regulators typically include motor vehicle divisions and various public utility commissions. Cities regulate parking, but generally not the buses themselves.

Worries about safety, congestion, and other issues have led to calls for increased regulation of the intercity bus industry and curbside buses in particular.³⁵ Unfortunately, some of the proposed regulations could reduce the competition that has led to so much innovation and been so beneficial to consumers.

For example, the many different bus companies serving the New York–Washington market give travelers their choice of several different destinations in and around each city.

But the state of Massachusetts has reduced such choices in Boston by requiring that all buses load and unload at South Station.³⁶ While this may make sense to central planners who want to create transit hubs, some people might prefer to have a bus that can drop them near their destination rather than at a transit hub, where they then have to transfer to another vehicle.

The state argued that allowing bus companies to use any curbside created congestion on the narrow streets in Boston's Chinatown. New York City has considered similar regulation on the same grounds.³⁷ Others argued, however, that the requirement was a way for established bus companies to limit competition—a claim reinforced by the limited number of bus gates available at South Station.³⁸ A representative of one of the traditional companies says the companies just want “an even playing field,” which to them means that if they pay a fee to use the South Station, other companies should have to pay the same fee even if they do not need those facilities.³⁹ When Fung Wah asked the city for permission to load and unload passengers in Boston's Chinatown, the city said no—partly because, officials admitted, the city did not want to lose terminal revenues.⁴⁰

A better solution to the curbside quandary is for cities to lease curb rights, that is, the right to pick up and drop off passengers at various locations in a city.⁴¹ To be able to lease such rights, a bus company should only have to pay (or outbid) the market rate for parking in each neighborhood. That fee will be more than zero in areas where the market rate for parking is more than zero, but could be significantly less than the charge for using transit hubs such as South Station.

Safety issues have been stimulated by a number of horrendous accidents involving Chinatown buses and low-cost tour buses serving casinos and similar destinations. While there are no data showing that Chinatown buses are significantly more dangerous than traditional buses, anecdotal evidence suggests that they are more likely to exceed speed limits and engage in other dangerous driving practices.

In 2005, the Federal Motor Carrier Safety Administration gave Fung Wah a safety rating of 73 out of 100, with 100 being the worst and zero being the best—Greyhound has a zero rating.⁴² In September 2006, after a Fung Wah bus traveling at excessive speeds rolled over in Massachusetts, the company agreed that it would accept regular and unscheduled state safety inspections and hire only drivers who could read and speak English.⁴³ Today, the FMCSA gives Fung Wah a “conditional” rating because its drivers continue to practice unsafe and fatigued driving.⁴⁴

A March 12, 2011 crash of a motorcoach operated by a tour company killed 14 people and prompted a strong reaction from the public and, in turn, the federal Department of Transportation.⁴⁵ The FMCSA significantly increased the number of bus inspections it conducts. In 2010, it had already doubled the number of annual inspections to 46,000. In just two months of 2011, it worked with state agencies to conduct 20,000 inspections, finding “nearly 1,700 violations severe enough to put the drivers or vehicles out of service.”⁴⁶

In addition to enforcing existing rules, the FMCSA is also imposing new requirements for obtaining a commercial driver's license. Among other requirements, drivers must be able to speak English and first obtain a learner's permit before receiving a full permit. The agency is also increasing the penalties on bus companies that attempt to operate without a federal license from \$2,000 to \$25,000 per day.⁴⁷

At the same time, the National Highway Transportation Safety Administration (NHTSA) has proposed that all new motorcoaches be equipped with seatbelts. NHTSA argues that seat belts should be required because they “could reduce the risk of fatal injuries in rollover crashes by 77 percent, primarily by preventing occupant ejection in a crash.”⁴⁸ This would make sense if bus rollovers were common events, but in fact they are rare. NHTSA says there were just 24 such rollovers in the 10 years between 1999 and 2008. In that same period, there were just 54 fatal motorcoach accidents, resulting in 186 passenger fatalities.⁴⁹

Boston requires “Chinatown” buses to use the city’s South Station partly so that it can charge bus operators for services they don’t need.

From 1999 to 2008, motorcoaches suffered 0.3 passenger fatalities per billion passenger miles, compared with 1.4 for Amtrak and 1.1 for urban transit buses.

Enforcement of existing safety rules, including rules designed to ensure that buses are in a safe operating condition and that drivers are both qualified and not overly fatigued or distracted while driving, is an appropriate response to questions about the safety of some bus operators. However, new rules that can add to the costs of bus operations without providing clear safety benefits may be an over-reaction. While the March accident received nationwide attention, the motorcoach industry as a whole provides one of the safest means of travel in the United States.

Between 1999 and 2008, motorcoaches (including tours and charters as well as scheduled intercity buses) traveled close to 20 billion vehicle miles, carrying more than 600 billion passenger miles. The 186 fatalities during this time period work out to about 0.3 fatalities per billion passenger miles.⁵⁰ In the same time period, Amtrak passengers suffered 81 passenger fatalities out of 60 billion passenger miles, for 1.4 fatalities per billion passenger miles.⁵¹ Urban transit bus riders suffer about 1.1 fatalities per billion passenger miles.⁵²

In 2008, urban driving resulted in 5.0 fatalities per billion passenger miles, while rural driving resulted in 8.8 fatalities per billion passenger miles.⁵³ This makes intercity buses an extraordinarily safe means of travel. Only airline travel, with an average of 0.14 fatalities per billion passenger miles between 1999 and 2008, is safer.⁵⁴ This suggests that seat belts and other regulations might more effectively be applied to transit buses and intercity trains rather than to intercity buses.

NHTSA estimates that the seat-belt requirement would add about \$13,000 to the cost of each motorcoach, which is about 3 percent of the cost of a typical motorcoach.⁵⁵ In total, the rule would cost the motorcoach industry an estimated \$25 million per year and save an average of one to eight lives per year, depending on how many people actually used the seatbelts.⁵⁶ That means the cost per life saved could be as high as \$25 million per year.

At the same time, NHTSA considered and rejected the idea of requiring seat belts on large

school buses. The cost of such a requirement, said the agency, “could result in fewer school buses used to transport children and more students having to use alternative, less safe means to get to school.”⁵⁷ Considering that rail and auto travel are both more dangerous than motorcoach travel, this same argument could apply to motorcoaches. Increasing the cost of new buses is also likely to encourage bus operators to keep running older buses that are unsafe for a variety of reasons other than a lack of seatbelts. These effects could easily result in fatalities, thus offsetting the benefits of the seatbelt rule.

This is not to argue that putting seat belts on buses is a bad idea. Safety should be a top priority, but regulators should take care that the rules they impose are truly cost effective and that they do not impose barriers to entry that could prevent the innovation and low fares that result from a competitive system. The FMCSA’s inspection program and other means of enforcing existing rules are likely to be more effective at improving safety than passing new rules that may only impose more costs on the industry.

Conclusion

Buses will probably never replace the automobile as the dominant form of transportation in the United States. But new-model buses are the only alternative form of transportation that is significantly less expensive than driving. Those who want to promote alternatives for low-income people and others who prefer to use environmentally sensitive modes of travel should encourage intercity buses.

Instead, over the past two years, the Obama administration has handed out more than \$10 billion worth of high-speed rail grants, primarily to states in the Northeast, Midwest, West Coast, and North Carolina. 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. Outside of California, none of the high-speed rail projects now underway will produce trains that go significantly faster than

buses—and California has yet to raise most of the funds it needs to complete its project.

Despite the hype about high-speed rail, intercity buses are proving to be a far superior mode of transportation for travelers who choose not to drive or fly distances of about 100 to 300 miles or so. The buses are safer, more energy efficient, and—despite Amtrak’s huge subsidies—far less costly to ride than intercity trains. The nascent growth of first-class buses, which offer far more room per passenger and amenities such as food service and movies, removes the stigma sometimes associated with buses.

Rather than continue to subsidize a costly competitor, elected officials and regulators should get out of the way and let intercity buses flourish where they make economic sense. Congress and the states should end subsidies to Amtrak and spend no more money on high-speed rail. Federal and state regulators should focus on public safety, enforcing existing rules and issuing new ones only if it can be shown that the benefits of such rules exceed the costs and do not restrict competition.

Rather than requiring bus operators to use central stations, cities should allow bus companies to find curbside locations that are optimal for them, charging the companies no more than the market rate for parking. Policies such as these will help bus operators provide better service with minimal subsidies.

Notes

1. *Transportation for Tomorrow: Report of the National Surface Transportation Revenue and Policy Study Commission* (Washington: U.S. Department of Transportation, 2007), p. 6.

2. *Ibid.* pp. 3-20, 4-20.

3. Joseph P. Schwieterman, Lauren Fischer, Sara Smith, and Christine Towles, “The Return of the Intercity Bus: The Decline and Recovery of Scheduled Service to American Cities, 1960–2007,” Chaddick Institute for Metropolitan Development, Chicago, 2007, p. 5.

4. *National Transportation Statistics* (Washington: Bureau of Transportation Statistics, 2010), table 1-37.

5. Schwieterman et al., p. 9.

6. *Ibid.*, p. 1.

7. *Ibid.*, p. 4.

8. “Monthly Performance Report for September 2010,” p. A-2.2, and “Monthly Performance Report for September 2007,” Amtrak, Washington, p. A-2.2.

9. “Motorcoach” refers to buses with restrooms and large baggage bays. They tend to be about 35 feet long, or longer, and have room for more than 50 seats (although some trade off seats for additional legroom). The National Transportation Safety Administration has defined motorcoach as “a bus with a gross vehicle weight rating (GVWR) of 11,793 kilograms (26,000 pounds) or greater, 16 or more designated seating positions (including the driver), and at least 2 rows of passenger seats, rearward of the driver’s seating position, that are forward-facing or can convert to forward-facing without the use of tools.” The definition also specifically excludes school buses and urban-transit buses. See 75 Fed. Reg. 159 (Aug. 18, 2010), p. 50982, tinyurl.com/69no72v.

10. Robert Damuth, “Federal Subsidies for Passenger Transportation, 1960–2009: Focus on 2002–2009,” Nathan Associates for American Bus Association, 2011, p. 24.

11. In addition to scheduled intercity buses, motorcoaches are also used for tours and sightseeing, charters, commuters, and airport shuttles. Paul Bourquin, “Motorcoach Census 2008: A Benchmarking Study of the Size and Activity of the Motorcoach Industry in the United States and Canada in 2007,” Nathan Associates for American Bus Association, 2008, p. 8.

12. Robin Phillips, interview with author, June 18, 2009.

13. “Monthly Performance Report for September 2010,” Amtrak, Washington, p. C-1.

14. “A Vision for High-Speed Rail in the Northeast Corridor,” Amtrak, Washington, September, 2010, p. 4, tinyurl.com/29qj3cc.

15. Bus Regulatory Reform Act of 1982, 97 Pub. L. No. 261; 96 Stat. 1102 (1982).

16. “The Great Greyhound Strikes,” Mineta Transportation Institute, 2001, tinyurl.com/6bt7fjf.

17. *Ibid.*

18. Cyrus Farivar, “Murder and Vice on the Lower East Side: The Past, Present and Future of the ‘Chinatown Buses,’” Columbia University, 2005, tinyurl.com/25tw4mc.

19. Jimmy Chen, "Brief History of Chinatown Bus," GotoBus, 2011, tinyurl.com/nnh2ea.
20. Janelle Nanos, "Penny-Pinching Peril," *New York Magazine*, May 28, 2007, tinyurl.com/6gdvtlz.
21. "Grant Application for Kalamazoo-Dearborn High-Speed Rail," Michigan Department of Transportation, 2011, p. 7, tinyurl.com/6dvzbfz.
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