

Intercity Bus Service Changes Following the Bus Regulatory Reform Act of 1982

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ABSTRACT

The Bus Regulatory Reform Act of 1982 (BRRA) increased entry and exit flexibility for regular-route intercity bus firms and created a process for preemption of burdensome state regulations, particularly those dealing with exit. Congress directed the Motor Carrier Ratemaking Study Commission to study the impacts of these changes. The results of that study regarding changes in bus service are presented. In the year following implementation of the BRRA, carriers filed to discontinue service to 2,154 points. Most of the points losing service had small populations; 80.7 percent had less than 2,500 persons and had been receiving a very low level of service. Revenue and cost data for a number of the route segments at issue indicated annual carrier losses of \$7 million on variable costs and more than \$13 million on a fully allocated cost basis. A number of routes did not have any revenue, indicating that few users would be affected by discontinuance. Against these service losses must be balanced the positive effects of increased competition resulting from 225 applications for regular-route authority, of which 71 percent were for regular-route intercity service. The competitive pressures for new services and fare reductions between larger cities provide benefits such that the overall effect of increased entry and exit flexibility has been positive even though a small number of bus riders have experienced an absolute loss of service.

The Bus Regulatory Reform Act of 1982 (BRRA) [P.L. 97-261, 96 Stat. 1104 (49 U.S.C.A. 10922)] was a comprehensive package of revisions designed to deal with a number of problems experienced by the intercity bus industry in recent years. Among many other changes, the BRRA significantly eased requirements for entry into the intercity bus industry. Entrants no longer need satisfy the traditional standard of public convenience and necessity. The Interstate Commerce Commission (ICC) is now required to grant regular-route authority to firms that are fit, willing, and able to provide the service, unless the applicants' proposal is not in the public interest. The entry reforms also allow removal of "closed-door" restrictions that have prevented carriers from serving intermediate points on existing routes.

In the past, the states, rather than the ICC, were the primary regulators of exit. However, the BRRA provides for preemption of state regulatory decisions, which were found by the ICC to be a burden on interstate commerce. Although the states retain their ability to review and pass judgement on service discontinuances, the ICC has become the final authority through the creation of an appeals process, with definite standards for the ICC to follow in permitting abandonments denied by the state.

In passing the BRRA, Congress anticipated that increased freedom to enter and exit from the industry could possibly have negative effects on those using intercity buses, particularly passengers in small towns and rural areas and those over the age of 60. Therefore, Congress directed the Motor Carrier Ratemaking Study Commission to determine the impact of the BRRA on persons over the age of 60, particularly those living in small cities and rural areas, and to assess the effect on intrastate bus services. As part of that effort, an overall assessment was made of the impact of entry and exit re-

forms following passage of the BRRA. This paper summarizes the results of that assessment.

THE IMPACT OF SERVICE DISCONTINUANCES

With respect to service discontinuances, two points must be made at the outset to put the remaining discussion in the proper perspective: Intercity bus service is not nearly so prevalent as commonly thought, especially in small communities and rural areas, and the number of places served by intercity buses has been on the decline for years.

Because intercity buses serve so many more places than other common carrier modes (air and rail), it is often supposed that intercity bus service is ubiquitous, a part of rural and small town life across the country. In fact, according to one study of the availability of public transportation in small towns, only 42 percent of towns having a population of 2,500 to 10,000 had intercity bus service available, whereas only 10.9 percent of rural towns of less than 2,500 had such service (1). Of 189 predominantly agricultural counties, only 43 percent had an intercity bus service point, and of 298 persistently low-income counties, just over 50 percent had a bus stop within the county. On the average, residents of agricultural counties had to travel 23 miles to the nearest bus stop, and residents of persistently low-income counties had to travel 9 miles to the nearest intercity bus stop (2,p.12). The unavoidable conclusion is that much of rural and small town America has gone without intercity bus service in the past. A study commission witness confirmed this assessment (E.T. Wellhausen, Motor Carrier Ratemaking Study Commission hearing, July 1983): "The Bus Regulatory Reform Act of 1982 does not create new massive hardships...because frankly commercial bus service is already so limited

that it is, for all practical purposes, nonexistent in most small...communities."

Also noteworthy is the decline of intercity bus service over the years. In 1978, the American Bus Association reported that from September 1968 to December 1977, the number of points served had declined from 16,800 to 15,035, a decrease of 1,765, or 10.5 percent (3, pp.4-9). A 1980 study by the U.S. Department of Transportation found that some 1,800 communities had lost intercity bus service since 1972, and that in 10 case studies of rural areas the bus industry had been reducing rural service before implementation of the BRRRA (4, p.41).

The fact remains, however, that the BRRRA preemption provisions will result in loss of bus service for some passengers as carriers abandon operations over unprofitable routes. The reason for this is not at all difficult to understand. All the states that have studied intercity bus route profitability have concluded that a substantial amount of the bus industry's route mileage is unprofitable. The Georgia intercity bus study, for example, indicates that 20 to 25 percent of intercity bus miles in Georgia are unprofitable (5, pp.71,77). According to the Indiana Department of Transportation, approximately 80 percent of the routes in that state are unprofitable (6, p.61). Although intrastate fare increases will help to preserve service over some routes, others are so plainly unprofitable that abandonment is unavoidable.

Changes in Bus Service

The BRRRA created a mechanism by which carriers could appeal state abandonment decisions to the ICC under certain circumstances or if the state had refused to take action in a timely fashion. However, the carrier seeking discontinuance of intrastate services still has to make initial application for abandonment to the state regulatory authority and follow the correct state procedure. The carriers have followed this sequence of procedures in their abandonment activities since passage of the BRRRA. Of the points abandoned, 135, or 10 percent of the total, were discontinued as a result of the carrier appeals to the ICC under the provisions of the BRRRA. The remainder were handled at the state level, either in state abandonment proceedings or simply through changes in bus service schedules without state review.

The BRRRA, and its provisions setting variable cost recovery standards for evaluating abandonments, may well have had an effect on the states that did grant abandonments to the carriers. In addition, it is unlikely that the carriers would have filed such a large number of abandonment requests if the BRRRA had not been implemented. For these reasons the study commission considered all abandonments following enactment of the BRRRA to be attributable to it, even though the majority of the points abandoned were discontinued as a result of proceedings at the state level.

Data concerning the identity and number of points losing service since enactment of the BRRRA have been gathered from several sources. One source was the carriers themselves. Greyhound Bus Lines, Inc., and Trailways, Inc., were asked by the study commission to provide detailed information concerning the routes they have or are proposing to abandon, the points losing service, the abandonment procedures that they followed, and the costs and revenues associated with abandoned service points, if available. Both carriers were cooperative in providing the requested data.

A second source of information was the ICC. As part of its study of terminal ownership, it had

surveyed all the regular-route carriers. In that survey, the carriers were asked to list all points they proposed to abandon. The ICC provided the study commission with that information as well.

The study commission was also presented with the results of a survey of the states conducted by AASHTO jointly with the National Association of Regulatory and Utility Commissioners (NARUC). The AASHTO/NARUC survey asked state governments to list points losing service, points gaining new service, points receiving replacement service, and points receiving subsidized service as a result of the implementation of the BRRRA. The survey was conducted in late June, and the results were presented to the study commission at its hearing in Des Moines, Iowa, on July 17, 1983.

Finally, the study commission consulted the September 1982 and November 1983 issues of Russell's Official National Motor Coach Guide, the national timetable listing of intercity bus service, to determine which communities actually lost intercity bus service during the year following enactment of the BRRRA.

One source of inconsistency was that carrier filings in state discontinuance proceedings listed route segments proposed for abandonment rather than the points along these segments that were receiving service. Often the route segment descriptions were the same as those of the state route authority, which often listed every point or junction on a route, even those that had not been listed in timetables. It was apparent that state utility commissions and carriers had difficulty using the route descriptions to determine the points actually facing a loss of service. These difficulties created some of the discrepancy between the AASHTO/NARUC survey results and the carrier-supplied lists of points being abandoned.

A related source of inconsistency was the fact that many states apparently included all the points listed in their route authority descriptions as losing service, even though many of them had not been listed in bus timetables for some time, if ever. It appears that many of the points listed by the states may once have had bus service, but that service had been dropped in the years before the passage of the BRRRA. Thus, the loss of service to these points predates the BRRRA, and is not included in this study as attributable to the act. At least one state contended that carrier accounts of points losing service understate the problem because some of the carriers' service points that remain in the timetables have no indication that service is provided.

The study commission found only a few instances of this undercounting, but attempted to verify all points listed by any source as losing service by using Russell's guide as a check. Although some intercity bus carriers are not listed in Russell's, for the most part they are small local firms whose service changes are dealt with in state proceedings without invoking the provisions of the BRRRA. Carriers not listed in Russell's guide are effectively outside the national intercity bus system.

Another major source of difficulty in identifying those places losing service was that the surveys and lists obtained by the study commission were all snapshots of the situation at different points in time. The AASHTO survey describes the service changes implemented as of the end of June 1983, although some states listed not only the places where service discontinuances had already occurred but also those for which proceedings were under way. The carrier lists supplied to the ICC are dated the end of August 1983, but they show both the points already dropped and those that the carriers are

proposing to abandon. The final check used by the study commission was the September 1982 and November 1983 issues of Russell's guide, showing service as of November 1, 1983.

By cross-checking these sources, the study commission was able to reconcile most of the many inconsistencies and to construct a reasonably accurate list of the service changes rightfully attributable to the BRRA. The data are summarized in Table 1.

Points Actually Losing Service

Table 1 lists the number of points by state that actually lost service during the year following enactment of the BRRA. It also lists the number of points by state that carriers are proposing to abandon but that have yet to lose service. Combining the two gives a total of 2,154 points abandoned as a result of the BRRA. Table 1 contains the individual state totals as well.

Section 16 of the BRRA allows carriers to apply to the ICC for permission to discontinue intrastate services over interstate routes when they have been denied such permission by the state regulatory authority or if that authority has failed to take action on such a petition within 120 days of the

carrier's initial complete filing with the state agency. That same section requires the ICC to grant the carrier petition unless it finds, on the evidence of persons objecting to the petition, that the discontinuance is not consistent with the public interest or that continuing the transportation service will not result in an unreasonable burden on interstate commerce. In assessing the degree of reasonableness of such a burden, the ICC is directed by the BRRA to place great weight on the extent to which intrastate and interstate revenues from the services at issue are less than the variable costs, including depreciation, of the service. Three other considerations are (a) the National Transportation Policy enunciated in 49 U.S.C. 10101, (b) whether the carrier has been offered a subsidy to continue the service, and (c) whether it is the last service available to the communities on the affected routes and what alternatives may be available.

Eighteen cases had been decided by the ICC by the end of November 1983. In 15 of the 18 cases, the ICC agreed with the petitioning carrier, allowing the service at issue to be discontinued. The precedents were set in the first decision on a complete case [Petition of Greyhound Lines for Review of a Decision of the West Virginia Public Service Commission, Pursuant to 49 U.S.C. 10935, before the Interstate Commerce Commission, Docket No. MC-1515 (Sub-332), decided August 23, 1983], in which Greyhound Lines, Inc., petitioned for review of the decision by the West Virginia Public Service Commission denying permission to discontinue certain services. Greyhound demonstrated that the variable costs of providing the service exceeded the revenues and the ICC decided to permit the abandonment. Much the same line was followed in the other cases, with the variable cost and revenue criteria being the major deciding factors.

In the one case in which the carrier petition was denied [Petition of Virginia Stage Lines for Review of a Decision of the West Virginia Public Service Commission, Pursuant to 49 U.S.C. 10935, Docket No. MC-59238 (Sub-74), decided September 9, 1983], Virginia Stage Lines sought permission to abandon services in West Virginia after the West Virginia Public Service Commission denied such permission. The ICC also denied the carrier permission to abandon because the carrier had failed to provide and support, as mandated, data and exhibits presenting the variable costs and revenues associated with the services in question. Virginia Stage Lines had presented state-wide cost and revenue figures rather than route-specific data. In the remaining case [Petition of Greyhound Lines for Review of a Decision of the Georgia Public Service Commission, Pursuant to 49 U.S.C. 10935, Before the Interstate Commerce Commission, Docket No. MC-1515 (Sub-331), decided July 22, 1983], the ICC dismissed for lack of jurisdiction a petition by Greyhound for permission to discontinue services in Georgia, because the record did not indicate that state procedures had been followed by the carrier.

Thus, the cases to date indicate that the ICC will permit carriers to abandon intrastate service over interstate routes if the carrier can demonstrate that its variable costs exceed the revenues produced by the services in question. It seems unlikely then that carriers will bring such petitions in the future unless they have developed such evidence. With the necessary specific supporting data, the carrier can expect approval from the ICC to abandon that point. For that reason, the study commission considers it likely that all of the points on routes that the carriers have appealed to the ICC for permission to abandon will in fact eventually lose service.

TABLE 1 Loss of Intercity Bus Service During the Year Following Enactment of the BRRA

State	No. of Points by Category		Total
	Lost Service	Proposed for Abandonment	
Alabama	47		47
Arkansas	43		43
California	81	43	124
Colorado	24		24
Connecticut	17		17
Delaware	3		3
Georgia	46	2	48
Idaho	27		27
Illinois	98		98
Indiana	96		96
Iowa	57		57
Kansas	26	5	31
Kentucky	45	17	62
Louisiana	38	5	43
Maine	50		50
Maryland	7	1	8
Massachusetts	16		16
Michigan	172		172
Minnesota	89	2	91
Mississippi	27	3	30
Missouri	102	12	114
Montana	10	1	11
Nebraska	12		12
Nevada	29		29
New Hampshire	7		7
New Jersey	6		6
New Mexico	12		12
New York	37		37
North Carolina	57	2	59
North Dakota	31		31
Ohio	101		101
Oklahoma	63	5	68
Oregon	48		48
Pennsylvania	41		41
Rhode Island	2		2
South Carolina	32		32
South Dakota	9		9
Tennessee	61	6	67
Texas	14	86	100
Utah	20		20
Vermont	1		1
Virginia	136	5	141
Washington	29		29
West Virginia	75	1	76
Wyoming	14		14
Totals	1,958	196	2,154

How significant the loss of service at these points may be depends in part on the kind and extent of service existing before abandonment. For each point abandoned, the study commission collected information on the type of stop (scheduled, flag, highway, discharge only, call and demand, or not indicated) and the frequency of service (more than daily, less than daily, weekly, seasonal, or one way). A summary of the service data is presented in Table 2 (7, Appendix B). As is indicated, 49 percent of the points losing service were scheduled stops, 46.5 percent were flag or highway stops, and 4.5 had some other service arrangement, including those points with no stop listed in timetables. As for frequency of service, 26.3 percent had service more than daily, 55 percent had daily service, and 16.7 percent had less-than-daily, seasonal, weekly, or one-way service. The figures clearly indicate that most of the points being abandoned had a very low level of service. This is not surprising if one considers that the carriers would long ago have abandoned many of these points but for regulation and thus had every incentive to provide only the minimal level of service necessary to meet regulatory requirements.

Population Distribution of Abandoned Points

Table 3 (7, Appendix B) contains state-by-state population distributions for the points being abandoned, of which 937, or 43.5 percent of the total, had no listed population. Although census figures are available for some unincorporated places, some of the abandoned points have no population figure available, either because they did not meet the census definition of a "place" or because they have no population. There was a population of less than 1,000 at 448, or 20.8 percent of the total. The number of places with a population between 1,000 and 2,499 was 354, or 16.4 percent of the total. Places with a population between 2,500 and 9,999 persons totaled 315, which was 14.6 percent of the total. Points with a population of 10,000 or more numbered 100, or 4.6 percent of the total. As is evident, most of the points being abandoned have very small populations; 80.7 percent have a population of less than 2,500, and 95.3 percent have a population of less than 10,000. This was perhaps to be anticipated. One analyst has suggested that 5,000 is the minimum population concentration capable of supporting an intercity bus stop (8).

TABLE 2 Service Previously Rendered to Points Losing Intercity Bus Service During the Year Following Enactment of the BRRA (7)

State	Type of Stop						Frequency of Service					
	Flag	Scheduled	Highway	Discharge Only	On Call	Not Indicated	More Than Daily	Less Than Daily	Daily	Seasonal	Weekly	One Way
Alabama	26	15		2		4	12	7	23		1	
Arkansas	14	27	2				11		22		6	4
California	29	88	4	2	1		35	15	67	4		3
Colorado	8	13	1	1	1		11	1	12			
Connecticut	1	16					2	6	7		2	
Delaware	3						2					1
Georgia	28	19				1	28	1	17			1
Idaho	4	16	5	2			7	1	19			
Illinois	60	24	10	3		1	25	12	41	2	5	12
Indiana	37	51	5	1		2	10	32	35		16	1
Iowa	11	37	4	4		1	12	1	41			2
Kansas	16	13		2			4	2	15			10
Kentucky	42	14	1	3		2	9		41			10
Louisiana	25	18					20		18			5
Maine	16	31	1			2	23		24	1		1
Maryland	6	1	1				1	1	6			
Massachusetts	3	13					6	2	5		3	
Michigan	82	78	4	6		2	41	2	53		58	16
Minnesota	28	44	8	1		10	8	10	62			1
Mississippi	12	11	2			5	8		15			2
Missouri	64	41	5	4			20		88			6
Montana	4	4	2			1	8		2			
Nebraska	3	9							12			
Nevada	10	17	1		1		11	4	10	1	1	2
New Hampshire		6		1			1		6			
New Jersey		2				4			1			1
New Mexico	9	2		1			7		2			3
New York	22	12				3	5	2	22		5	
North Carolina	25	25	3		2	4	12	1	31		10	1
North Dakota	8	8	15				18		13			
Ohio	50	48	1	1		1	16		77		3	4
Oklahoma	18	45	3			2	19		44			3
Oregon	11	36		1			23		24			
Pennsylvania	12	28				1	16		19		5	
Rhode Island		2							1		1	
South Carolina	20	9	3				9		18			5
South Dakota	4	4	1				1		8			
Tennessee	42	18	3	3		1	25		32			9
Texas	59	24	16	1			39	2	43		3	13
Utah	7	6	7				7		13			
Vermont				1					1			
Virginia	32	106		1		2	25	1	109			4
Washington	7	22					21		8			
West Virginia	29	46				1	4	3	65			3
Wyoming	7	7					2		10	2		
Totals	894	1,056	108	41	5	50	564	106	1,182	10	119	123

TABLE 3 Population Distribution of Points Losing Intercity Bus Service During the Year Following Enactment of the BRRA (7)

State	No. of Points by Population				Total
	Less Than 1,000	1,000-2,499	2,500-9,999	10,000 and Over	
Alabama	17	13	17	0	47
Arkansas	34	5	4	0	43
California	87	18	13	6	124
Colorado	24	0	0	0	24
Connecticut	6	2	5	4	17
Delaware	3	0	0	0	3
Georgia	17	14	16	1	48
Idaho	20	6	1	0	27
Illinois	53	18	20	7	98
Indiana	49	20	18	9	96
Iowa	33	15	9	0	57
Kansas	15	11	4	1	31
Kentucky	33	16	9	4	62
Louisiana	27	6	7	3	43
Maine	28	8	12	2	50
Maryland	4	2	0	2	8
Massachusetts	7	1	5	3	16
Michigan	93	34	34	11	172
Minnesota	67	15	8	1	91
Mississippi	20	7	3	0	30
Missouri	92	10	8	4	114
Montana	11	0	0	0	11
Nebraska	5	6	1	0	12
Nevada	25	1	3	0	29
New Hampshire	1	3	2	1	7
New Jersey	2	1	2	1	6
New Mexico	12	0	0	0	12
New York	26	5	3	3	37
North Carolina	40	8	9	2	59
North Dakota	30	1	0	0	31
Ohio	44	16	26	15	101
Oklahoma	40	15	11	2	68
Oregon	39	3	6	0	48
Pennsylvania	22	12	5	2	41
Rhode Island	0	0	0	2	2
South Carolina	16	7	7	2	32
South Dakota	9	0	0	0	9
Tennessee	41	11	13	2	67
Texas	71	18	9	2	100
Utah	16	1	2	1	20
Vermont	0	0	1	0	1
Virginia	123	5	10	3	141
Washington	22	4	3	0	29
West Virginia	49	15	9	3	76
Wyoming	12	1	0	1	14
Totals	1,385	354	315	100	2,154

Revenue and Cost for Services Discontinued

The study commission asked Greyhound and Trailways to supply the same cost and revenue information used in discontinuance proceedings at the state level. Table 4 (7, Appendix C) presents a summary by state of the revenues and costs associated with the route segments proposed for discontinuance. The figures in Table 4 are derived from the data supplied by the carriers, which presented the available information by route segment for each state. It should be noted that cost and revenue data were available for only some of the route segments at issue, because the carriers apparently developed and provided such information only when requested by state regulatory authorities or for presentation to the ICC in appeals of state decisions. The states did not request such information in every case, often focusing only on the route segments with the highest ridership or the most public response in the hearing process. If the sample of route segments for which data are available is biased, the bias is likely to be toward the inclusion of the most viable of the route segments for which the carriers sought discontinuance.

In a number of states, the disputes over proposed discontinuances focused on the method employed by the carriers, primarily Greyhound, to determine the

costs and revenues associated with the route segments being proposed for abandonment. Much of the concern stemmed from Greyhound's use of a one-week or two-week ticket and bus bill sample to generate annual revenue figures, expanding the sample result by a factor relating the sales during that period to sales for an entire year.

Other state contentions about revenue and cost data included assertions that carriers had filed schedule changes that made their service inconvenient to users just before the sampling period, thus leading to an understatement of potential revenues. Also, a number of states requested information from carriers on statewide revenues and costs as relevant to discontinuance proceedings. The ICC examined these contentions as state decisions were appealed and found the methods used by the carriers to be reasonable and within the regulations implementing the BRRA.

The revenue and cost statements are the best available evidence of bus use at abandoned points, because data on ridership and package express shipments are not available. A review of the revenue figures in Table 4 clearly shows that both passenger and package express revenues on abandoned routes were extremely low; there was no estimated revenue in many cases. Even if the methods used by the car-

TABLE 4 Revenues and Costs Associated with Service to Points Losing Intercity Bus Service During the Year Following Enactment of the BRRA (7)

State	Revenues (\$)	Variable Costs (\$)	Loss on Variable Costs (\$)	Fully Allocated Costs (\$)	Loss on Fully Allocated Costs (\$)
Alabama	121,060	770,523	649,192	1,539,400	1,418,339
California	38,122	101,351	63,229	203,704	165,582
Georgia	148,416	1,937,646	1,789,230	3,908,249	3,759,833
Illinois	47,574	230,118	182,544	431,925	384,351
Indiana	56,550	391,230	334,680	782,893	726,343
Iowa	24,867	215,793	199,392		
Kansas	18,458	47,954	29,496	93,690	75,232
Kentucky	181,956	1,005,842	823,886		
Maine	6,639	174,834	168,195	352,910	346,271
Minnesota	126,656	478,104	351,448	940,273	777,617
Missouri	57,053	74,052	16,999	137,147	80,094
Nebraska	1,880	49,243	47,363	98,621	96,741
New York	128,366	526,560	398,194	1,049,332	920,966
North Carolina	82,543	339,302	256,759	672,718	590,175
Ohio	318,759	655,127	336,368	1,100,034	781,275
Oklahoma	168,707	219,979	51,272	421,481	252,774
Oregon	60,823	200,341	139,518	369,847	309,024
Pennsylvania	95,298	223,641	128,343	437,171	341,873
Tennessee	410,180	1,180,985	770,805	2,316,418	1,906,238
Wyoming	11,344	13,698	2,354		
Totals	2,105,351	8,836,323	6,739,267	14,819,813	12,932,728

riers to estimate revenues were in error by several hundred percent, most of the abandoned route segments would not have come close to covering the carriers' variable costs of providing the discontinued services. It appears, therefore, that the carriers have been heavily cross-subsidizing the routes they are now abandoning, losing nearly \$7 million per year as compared with their variable costs. The carriers' projected losses are much higher, of course, when revenues are compared with fully allocated costs; the amount rises to roughly \$13 million.

The lack of revenues associated with the routes abandoned suggests that, to date, the carriers have been dropping their most unprofitable route segments. Although it is probable that many of the carriers' remaining routes would also be considered unprofitable if examined individually, the carriers can be expected to continue serving those routes, which feed the trunk systems and therefore contribute to overall system profitability. Hence it does not appear that there will be a second wave of abandonments to follow the one that took place immediately after enactment of the BRRA. Representatives of both major carrier systems have stated that in the future they plan to abandon additional routes only on an incremental basis.

Also, although some individuals will suffer a loss of bus service, the number of such users is very small, and in many cases no users will be affected. Those who live at abandoned points will lose convenient access to intercity bus services, but because they had not been using the available bus service, the impact of that loss is likely to be negligible in most cases. The availability of resources saved to the bus companies for use elsewhere may well benefit the majority of bus passengers.

THE IMPACT OF NEW ENTRY

The BRRA substantially changed the policies and procedures of the ICC regarding new entry. The primary change was replacement of the former public convenience and necessity standard for new applicants with one of public interest [Sec. 6 (b)]. The burden of proof in an application for new authority now shifts from the carrier requesting new authority to those protesting it, and the grounds for protest

have been narrowed considerably. In the past, competitors could stall a new entrant indefinitely by filing a protest that required rebuttal by the entrant. In order to avert a new entry, protestants themselves must now provide evidence that the new service is contrary to the public interest. It is now to be presumed that increased competition will benefit the public unless proven otherwise. In addition, the BRRA now enables carriers to apply directly to the ICC for both interstate and intrastate authority, for intrastate authority only, or for removal of state operating authority subject only to a show of fitness. All of these changes have the effect of opening entry into the bus industry.

Unfortunately, it is yet too early to determine precisely what the overall impact of new entry will eventually be. In part this is because firms responding to the regulatory reforms enacted in the BRRA are more likely to utilize the exit provisions to reduce losses before they turn to the opportunities presented by relaxed entry standards. In addition, the procedures for exit have a number of well-defined steps, each with mandated time limits, whereas the entry provisions offer more possibilities for delay as protestants present their cases. Even after a carrier receives new authority, management may take some time to arrange to operate the new service, whereas it may not require very much time at all to end a service. In view of this, any assessment at this time of the bus industry's response to the entry reforms enacted in BRRA is preliminary. The same must be said for conclusions regarding the impact of industry actions on the bus-riding public.

Applications Filed Since Enactment of the BRRA

As might be expected, the number of applications for new operating authority has increased greatly. According to a Greyhound compilation (W.L. McCracken, Greyhound Bus Lines, Inc., Oct. 19, 1983, unpublished data) as of October 10, 1983, 1,706 applications for charter authority had been filed since enactment of the BRRA, 764 by existing firms and 942 by first-time applicants. The filing of charter applications has increased 511 percent over the previous 5-year average. Regular-route applications during the same period totaled 225, an increase of

275 percent over the average of the 5 previous years. The predominance of charter applications is not surprising given both the perceived and actual higher profitability of charter and special operations. The increase in charter applications is certain to drive down charter fares, a development that will benefit the majority of bus passengers (American Bus Association, Nov. 1983, unpublished data).

Regular-Route Applications by Type and Mileage

The 225 applications for regular-route authority embody requests to operate a total of 46,686 route miles. Not all of these applications have been granted nor have all those granted been implemented. Nevertheless, the interest of the carriers in providing new services is apparent.

Table 5 lists the type of authority sought by carrier grouping. As can be seen, the majority of applications (153) and route miles (38,733) are for both combined interstate and intrastate authority and removal of intrastate operating restrictions. Independent carriers not affiliated with either the Greyhound or the Trailways systems account for most of the applications, 63.5 percent, and slightly more than 50 percent of the route miles. Eight applica-

tions, representing 1.7 percent of the route mileage, are for fitness-only authority, indicating that carriers have thus far done little to extend service to places that do not already have it or to those that are losing their last service. The likely reason is that such places have not shown the ability to support intercity bus service.

Despite the lack of fitness-only applications, it appears that the carriers are interested in regular-route intercity services, and not just those services to casinos and airports or for long-distance commuters (mainly to New York City). In Table 6, 71 percent of the applications, or 87 percent of the route miles, are for service that is apparently intercity in nature, whereas 29 percent of the applications, or 13 percent of the route miles, are for casino, commuter, or airport services. These categorizations by type of service sought are based on the abbreviated general route descriptions and may include services in each category that are intercity, although they serve another more specialized function as well.

Although the overall picture could be clearer, one development is evident. There will be increased competition on routes between large population centers. These improvements will not be confined just to the largest cities as was the case with airlines.

TABLE 5 Regular-Route Authority Applications by Carrier Group During the Year Following Enactment of the BRRA

Type of Authority	Carrier Group				Total
	Greyhound	Trailways	NTBS	Independent	
Interstate and intrastate					
Applications	13	16	26	66	121
Route miles	2,078	4,872	6,820	15,799	29,420
Interstate only					
Applications	0	4	3	52	59
Route miles	0	707	382	5,929	7,018
Restriction removal					
Applications	^a	12	3	20	35
Route miles	3,249	3,756	194	2,114	9,313
Fitness only					
Applications	0	1	2	5	8
Route miles	0	16	491	279	786
Totals					
Applications	13	33	36 ^b	143	225 ^b
Route miles	5,327	9,351	7,887	24,121	46,686

Source: W.L. McCracken, Greyhound Lines, Inc., Oct. 19, 1983, unpublished data.

Note: NTBS = National Trailways Bus System, independent carrier not affiliated with Trailways, Inc.

^aRestriction removal applications were included with interstate and intrastate applications.

^bIncludes two applications that were not classified.

TABLE 6 Type of Service Sought by Regular-Route Applications During the Year Following Enactment of the BRRA

Type of Service	Carrier Group				Total
	Greyhound	Trailways	NTBS	Independent	
Intercity					
Applications	13	33	35	79	160
Route miles	5,327	9,351	7,888	18,045	40,611
Atlantic City					
Applications	0	0	0	20	20
Route miles	0	0	0	3,627	3,627
Commuter					
Applications	0	0	0	29	29
Route miles	0	0	0	1,246	1,246
Airport					
Applications	0	0	0	16	16
Route miles	0	0	0	1,202	1,202
Totals					
Applications	13	33	35	144	225
Route miles	5,327	9,351	7,888	24,120	46,686

Source: W.L. McCracken, Greyhound Lines, Inc., Oct. 19, 1983, unpublished data.

Service improvements can also be expected in metropolitan areas in the form of more schedule options, newer equipment, and upgraded terminal facilities brought on by the increase in competition and by availability of revenue that was previously used to subsidize unprofitable markets. Consequently, urban residents, who constitute approximately 70 percent of the intercity bus travelers, should soon see a noticeable increase in the quantity and quality of the bus service that they receive.

Applications for Replacement Service

It is difficult to determine the extent to which applications for authority represent replacement services to points that have been abandoned by another carrier. The applications themselves, with the exception of the fitness-only applications, do not consistently state whether the services they propose would replace services previously offered by other carriers. The ICC, as part of its survey on terminal ownership, asked carriers to list points to which they had restored service, which provided some information on the extent of replacement services. The AASHTO/NARUC survey of states also included a question on replacement service, and some carrier responses to study commission information requests listed instances of replacement service. This information has been used to construct Table 7, in which the points known to be receiving replacement service are listed by state, with both the previous and the replacement carrier shown. Table 7 is illustrative, rather than exhaustive. It shows that in some cases lower-cost regional carriers may see opportunities in routes abandoned by the major carriers, though interest thus far has been limited. Given the extremely poor revenues of many of the routes for which the larger carriers are seeking discontinuance, it would not be surprising if even low-cost carriers could not see themselves as being able to serve these routes profitably.

Effect of Entry on Service to Small Communities

A contention of those opposing relaxed entry standards has been that service to small communities

will suffer as a result of losing cross-subsidies from former monopoly routes now subject to competition. This argument arose during the debate over the BRRA (9). It was raised again by the protestants in recent Greyhound application proceedings [Docket No. MC-1515 (Sub-324, 325, 326, and 327), filed January 1983]. Greyhound sought certificates to transport passengers over 147 regular routes. On 29 of those routes, Greyhound was opposed by various protestants, many of whom contended that granting Greyhound authority to operate over the routes at issue would result in such a large diversion of traffic and consequent loss of revenue that they would be forced to reduce service to small communities. Trailways, Inc., protested the Greyhound applications, stating in part [verified statement of M. Myers in Protest of Trailways, Inc., in the Matter of Greyhound Bus Lines, Docket No. MC-1515 (Sub-324), filed March 31, 1983]: "If, however, Greyhound traffic diversions from a grant of new service requests contained in these applications cause the magnitude of losses that I have projected, then Trailways will have no alternative but to eliminate service to many small communities."

Similarly, on behalf of the independent carriers in the National Trailways Bus System (NTBS), Trailways, Inc. stated that these firms, which "are uniquely oriented to small and rural communities," would also be forced to reduce or eliminate marginally profitable rural services. A number of the other independent carriers raised the same issue in the various proceedings in this case.

This argument was dismissed by the ICC for lack of evidence. The ICC found that it is not specifically shown that the service to any small community will need to be reduced by the protestants, nor is it shown that replacement service is unavailable from new carriers that may emerge to meet passenger needs abandoned by applicant and protestants [Docket No. MC-1515 (Sub-324)]. The ICC concluded that granting the Greyhound applications would not seriously impair service to small communities or commuter bus operations.

The contention that service to small communities will be harmed by new entry depends on the assump-

TABLE 7 Examples of Replacement Service by State During the Year Following Enactment of the BRRA

State	Previous Carrier	New Carrier	Source of Data	No. of Points Receiving Replacement Service
Alabama	Trailways	AAA Transport	AASHTO/Trailways	7
Arkansas	Trailways	Jefferson	Trailways	1
Idaho	Empire Lines	Greyhound	AASHTO	2
Iowa	Missouri Transit	Mo-Tran	AASHTO	24
Kansas	Midwest Coaches	Jack Rabbit	AASHTO	9
	Trailways	Trans State Trailways	Trailways	13
	Trailways	Viking Trailways	Trailways	1
Maine	Trailways	KG Lines	Trailways	2
	^a	Bangor and Aroostock	ICC survey	1
Maryland	Baltimore-Solomons Bus Lines	Charter Bus	AASHTO	2
Michigan	Greyhound	Tower Bus	AASHTO	3
New Jersey	^a	De Camp Bus	ICC survey	4
	Trailways	Fullington Trailways	Trailways	1
New York	Trailways	Greyhound	ICC survey	4
North Carolina	Trailways	Trailways Southeastern	Trailways	3
Oregon	Pacific Trailways	Willamette Valley Stage Lines	Trailways	5
Pennsylvania	Trailways	Susquehanna Trailways	Trailways	8
Virginia	Trailways	James River	ICC survey	1
	Greyhound	Piedmont Coach	ICC survey	1
Washington	Greyhound	Bremerton-Tacoma Stages	ICC survey	3
South Dakota	Midwest Coaches	Jack Rabbit American	AASHTO	1
Wisconsin	Greyhound	American Trailways	AASHTO	5
	Greyhound	Wisconsin-Michigan Coaches	AASHTO	13
Total				114

^a Previous carrier not listed in survey.

tion that intraservice cross-subsidies exist and should be continued. The issue in this case is cross-subsidies from a profitable route to an unprofitable one rather than cross-subsidies from interstate to intrastate services or from charter to special services to regular-route service. Obviously, both revenues and costs vary from route to route, and some routes are more profitable than others. Under the exit provisions of the BRRRA, firms are essentially free to abandon services when variable costs exceed revenues. Sound management practices should lead a firm to drop such service regardless of new entry on other routes. It would not be sensible, however, for a firm to drop service on a marginally profitable route in response to a loss of profits on a high-profit route, because this would merely compound the loss. A major thrust of the BRRRA, however, is the reduction or elimination of cross-subsidies between various types of service or different routes.

The study commission was unable to find any evidence that service to small communities has been or will be jeopardized by the entry of additional competitors. The larger, high-cost carriers are abandoning the most unprofitable of rural services while seeking to initiate service over routes previously closed to them by regulation. Although larger carriers may divert some revenue from smaller firms in these markets, the smaller firms have the advantage of lower costs, which will allow them to continue rural services for which there is little competition from the larger firms. Smaller firms are not likely to eliminate even marginally profitable rural service in response to reduced profits on their better routes.

SUMMARY

The evidence presented to the study commission indicates that the BRRRA will have a negative effect on very few people. Although witnesses believed that attention to the problems of those few is important, they agreed that the solution does not lie in continued cross-subsidization and forced service on unprofitable routes.

The groups affected negatively by the BRRRA include intrastate passengers, who will in the future pay fares more representative of the true costs of providing service, and residents of or visitors to communities that lose convenient access to intercity bus service. However, the magnitude of the hardships imposed on these individuals will not approach the benefits accruing to most intercity bus riders. Passengers traveling in the larger markets will pay lower fares for better service. New competition between existing bus companies will result in downward pressure on fares, especially those high fares previously charged in captive markets. Charter fares will drop, and passengers will be offered more service options. The remedies provided in the BRRRA will

also improve the financial performance of most intercity bus companies. This increased financial viability will not be a boon strictly to the intercity bus industry. Increased earnings will enable carriers to compete more effectively for funds with which to maintain a fleet that attracts existing and potential passengers.

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