

STATEMENT OF JOSEPH CANNY
DEPUTY ASSISTANT SECRETARY FOR POLICY
U.S. DEPARTMENT OF TRANSPORTATION
BEFORE THE SURFACE TRANSPORTATION SUBCOMMITTEE OF THE
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE
CONCERNING RECENT DEVELOPMENTS IN THE INTERCITY BUS INDUSTRY
MARCH 11, 1993

Introduction

Mr. Chairman and Members of the Subcommittee, I am delighted to be here this morning. I commend you, Mr. Chairman, for holding these hearings and providing the opportunity for all parties to discuss the issues listed in your letter of invitation.

The Department of Transportation (DOT) acknowledges the significance of the intercity bus industry. The Secretary is particularly concerned about the continuing availability of regular route bus service to important segments of the population--the young, the elderly, and those with below average incomes--who have few viable alternative means of travel. Although the intercity travel market share of the bus industry has been declining, it has a vital role to play. The Department believes that it is important to maintain and encourage a safe, efficient, and connected national intercity network including all modes of transportation.

To this end, we are in the process of implementing the intercity bus provisions of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)-- especially Section 18(i) of the Federal Transit Act. We will work with Congress, the Interstate

Commerce Commission (ICC) and the industry to foster and promote a viable intercity bus system in all parts of the nation.

I want first to say a few words about several of the current issues confronting this industry, then focus on three areas where the Department has significant jurisdiction: implementation of ISTEA, and the Americans with Disabilities Act (ADA), and motor carrier safety.

Rural and Small Community Service

There has been a long history of service abandonments by the bus industry going back at least to the early 1970's. The reasons for these abandonments include reduced demand, increased average incomes which allow individuals to switch to other modes, as well as Essential Air Service and rail passenger subsidies. Bus ridership has been declining for many years as travel by automobile became economically accessible to the vast majority of U.S. residents. As Interstate highways were completed, bus companies changed some routes to save travel time and bypassed intermediate stops between larger points.

Airline deregulation has also affected small community bus service, as it is often now cheaper for travelers to drive to a larger community and continue on by air than to travel by bus. Subsidized rail service by Amtrak is also available to some of these points, with fares that are comparable and service that is better and more comfortable.

To put these numbers in perspective, about 1,800 communities lost all regular route service between 1972 and 1979, a period when bus service was fully regulated. Since the Bus Regulatory

Reform Act of 1982 (BRRRA) abandonments have continued. A 1986 ICC report showed that an additional 3,763 communities had lost all intercity bus service between 1982 and 1986.

The 1990 Greyhound strike was a catalyst for further service losses. Before the strike, intercity service by all bus carriers was being provided to about 10,000 communities. A June 1992 General Accounting Office (GAO) report on the intercity bus industry estimated that as of November 1991 intercity buses served about 5,700 locations.

In many cases, small communities were served by bus only because state regulatory commissions would not permit abandonment, even though losses on the service (and sometimes overall losses) were clearly being suffered by the bus carriers. "Service" was in some cases only several times per week. The state preemption provisions of the BRRRA enabled carriers to stop unprofitable service they had tried to drop for years.

Competitive Issues in the Bus Industry

The passage of the BRRRA and the subsequent acquisition of Trailways in 1987 (the second largest bus carrier and a "failing firm") by Greyhound (the largest) brought fundamental change to the industry. No longer do we have two bus systems that essentially both compete and cooperate with each other to provide nationwide bus service. Now those independent bus carriers which used to be affiliated with Trailways, and coordinated their schedules for purposes of interlining passengers at Trailways terminals, must rely instead on Greyhound in many cases.

DOT anticipated this situation and filed comments with the ICC in support of Greyhound's acquisition of Trailways. However,

in the interest of the concerns expressed by the independent carriers at the time, we urged a temporary prohibition against "unreasonable" refusals to interline, and oversight by the ICC to determine any need for additional conditions to attach to its approval of the acquisition. The ICC did not adopt these conditions because it believed competitive forces would prevent abuses.

The 1990 strike at Greyhound, and the Chapter 11 bankruptcy that followed on its heels, have further heightened the tension between Greyhound and the independent carriers. During the bankruptcy, and since emerging successfully from it, Greyhound has understandably had to analyze the profitability of each segment of its operations, including ownership and subleasing of its terminals and under what conditions it will accept other carriers' tickets. The resulting terminal access and ticket exchange problems have been brought before the ICC for its review and possible action.

ISTEA and Other Assistance

Although the ICC is the economic regulator of the intercity bus industry, DOT has an overall policy role in encouraging a "seamless" transportation system.

The revised Section 18 assistance contained in the ISTEA is likely to enhance State efforts to maintain intercity rural and small community bus service. The Act requires States to spend a portion of the Section 18 allocation to assist intercity bus service, unless the Governor of a State certifies that the existing service is adequate.

The Federal Transit Administration (FTA) has recently issued its program guidance circular to reflect the new statewide planning and flexible funding provisions of ISTEA and to underscore the importance of the State's role in identifying rural and small community needs and allocating funds to meet them. Furthermore, FTA requires that when intercity bus facilities (e.g., terminals) are provided with these funds, such facilities must be made available for use on a reasonable, nondiscriminatory basis to other carriers.

It should be noted that this is a new program that is just beginning to accomplish its goals. While waiting for the FTA's final guidance to be published, many States programmed FY 92 funds for intercity bus service into a reserve account, allowing for specific projects to be selected later. All States were in compliance with the requirements in their programming of FY 92 funds, either by programming the funds for specific projects, programming a reserve, holding back five percent of the FY 92 funds for later obligation, or by issuing a Governor's certification. Now that FTA guidelines are published, and set-aside funds are available, we anticipate that the program will expand. The States can be expected to program a variety of innovative projects of both capital and operating assistance, planning, marketing and technical assistance.

Maryland, Missouri, Texas and West Virginia certified that current intercity service was adequate for FY 1992, and that they intended to apply these funds to other needs. Thus far, only Vermont has so certified for FY 1993.

An important component of ISTEA is the Surface Transportation Program (STP), a major transportation block grant type program authorized at close to \$24 billion for fiscal years 1992-1997. States may use STP funds for capital costs of publicly owned bus terminals and facilities. Such funds may also be used for a broad range of transit and highway capital projects and bus projects such as passenger waiting areas, passenger loading areas, maintenance garages, parking lots associated with a terminal, and kiosks and other information centers, in addition to the construction of terminals.

The ISTEA allows for the transfer of STP funds to the FTA for capital projects under the Federal Transit Act, including the purchase of buses by public or nonprofit entities under section 18. These entities can then lease the buses to private sector carriers.

Other joint Federal Railroad Administration/FTA programs provide funding and encourage studies of multimodal passenger terminals linking various modes, particularly where the city and its metropolitan planning organization are committed to the concept, and where the proposed project could serve as a cost-effective example of modal integration. Cities where planning projects have been funded include: Chicago, Milwaukee, Seattle, San Antonio, Detroit, Denver, Orlando, Atlanta, and Portland, Maine. Atlanta has completed its study.

Impact of the Americans With Disabilities Act

The ADA will require privately-owned intercity bus carriers to begin providing service accessible to persons with disabilities

by 1996. The Office of Technology Assessment (OTA) study required by the ADA is exploring cost effective alternatives for making intercity buses accessible. The final OTA report is expected this summer.

Within one year of the OTA report, DOT must promulgate new implementing regulations, taking into consideration the OTA study recommendations. We are fully committed to ensuring accessibility through full implementation of ADA requirements. While thoroughly considering both the goals of the ADA and the recommendations of the OTA report, the Department must be cognizant that the regular route segment of the bus industry is in a very fragile financial situation. We need to take account of the possibility that imposition of significant accessibility costs could cause the industry to curtail service, especially to small and rural communities. The Department will consider the possibility of providing research and development support for development of accessible over-the-road buses.

New Bus Safety Initiatives at the Department

The Federal Highway Administration's (FHWA) Office of Motor Carriers, through its Motor Carrier Safety Assistance Program, has developed a bus inspection video and instruction manual to encourage increased use of existing bus inspection procedures and to educate bus inspectors in the proper methods for accommodating bus passengers when conducting inspections. The manual addresses issues unique to bus inspections, such as the impact of delays on passenger safety and comfort, schedule convenience, and a carrier's image before the riding public. The video and manual also include special instruction in public affairs and safety.

In the spring of 1992, FHWA established within its Office of Motor Carriers, the Motorcoach and Special Programs Division, to provide the industry with a direct point of contact for regulatory, research, safety, enforcement, and other related issues concerning intercity bus operations. The National Motorcoach Program implemented by this division encompasses a range of activities designed to reduce the number and severity of accidents involving intercity buses. The program consists of four important activities:

- o Research and Development
- o Industry Networking and Outreach
- o FHWA Field Operations Activities
- o International Activities

In the area of research and development, research is already underway on the number, severity and causes of passenger injuries in non-collision accidents. This includes research into safety issues that may be posed by standees on intercity buses. Research activities planned for the next two years include the development of a standardized driver training curriculum, a preventive maintenance model, mechanic standards, and driver proficiency criteria.

Industry networking and outreach activities are also an essential part of the program. The FHWA believes that it is extremely important to understand the industry and be sensitive to its trends in order to develop and implement efficient and effective safety regulations and programs. Seeking industry

guidance on appropriate activities for our research plan is just one example of how the FHWA is reaching out to the industry to improve safety on our Nation's highways.

Field operations activities are directed through FHWA and conducted by State enforcement personnel throughout the country. Intercity bus operations are receiving a high priority in established field programs such as the Educational and Technical Assistance program and the Selective Compliance and Enforcement program. In addition, the division is working with field personnel to ensure that the passenger carrier "census" maintained by FHWA is current and accurate, and that uniform review and enforcement procedures are followed by both States and the FHWA.

Finally, international activities at the Department include reciprocity issues concerning other governments such as Canada and Mexico. Most important is ensuring the comparability of safety regulations and driver qualifications.

The Department is committed to its National Motorcoach Program noted above and believes that the industry and members of the general public should have a strong voice in its future development.

Conclusion

Mr. Chairman, I thank you again for holding these important hearings. I would be happy to answer any questions you and the Members of the Subcommittee may have.