Are We There Yet?

A somewhat philosophical look at changes in the bus industry and how they affect our future

by Larry Plachno

Scheduled intercity buses and passenger trains spent more years working together than in competition. This GM coach was built during the 1930s and operated for Burlington Trailways, which was originally founded by the Chicago, Burlington & Quincy Railroad. These buses ran feeder lines to passenger trains and occasionally substituted for passenger trains on branch lines. REDDEN ARCHIVES COLLECTION.

This somewhat traditional and plaintive query from the back seat is a good title for this article. Like the kid in the back seat, most of us have no idea where this industry is going or how long it will take us to get there.

In recent months we have noticed an increasing penchant for industry veterans to sit down over coffee (or other appropriate beverages) and discuss some of the many changes in the bus industry. These discussions range from the philosophical to business profit and cover a wide range from good influences to bad. The fact that they are being discussed indicates an increasing concern over industry changes and how they may affect the future.

For those readers who may not have been in on some of these discussions, or who may not have taken a few minutes to think about industry trends, here is a brief overview of some of the major bus industry changes. For the sake of simplicity, we have broken things into three major categories: ridership trends, deregulation, and mergers and acquisitions.

Ridership Trends

Although it actually started earlier, the bus industry has seen substantial change since the era immediately following World War II. Increased affluence caused a trend to the private automobile which was detrimental to bus ridership. However, that same affluence combined with the aging of the postwar baby boomers is now increasing tour patronage and helping bus ridership.

To some extent, public transportation in the United States has come full circle. Initially, the first means of transportation was private, generally by foot or horseback. When enough population and need developed, a stage coach was usually the first offered public transportation on most routes. As population and need increased, the stage coaches were replaced by passenger trains.

When Americans began to move away from public transportation, the decline followed the same trend in reverse. During the years when passenger trains dominated intercity travel, many of the railroads developed subsidiary bus operations as feeder lines and to serve routes without rail lines. As passenger trains were eliminated, the intercity buses became more important in intercity travel. As the decline continued, even the bus routes were discontinued due to lack of patronage. Today, travel on many routes has reverted back to private transportation since public transportation is no longer economical or available.

What makes the intercity bus industry different in the United States and Canada than in many other parts of the world is that it started primarily as scheduled service and remained that way until recently. Making the change from scheduled service to charters and tours has created numerous concerns. At one time, bus company marketing was effectively limited to checking your monthly listing in *Russell's Guide* for accuracy and placing a listing in the *Yellow Pages* under "Charter Buses." Today, marketing is much more sophisticated.

Deregulation

We are now quickly approaching the two-decade mark for deregulation. Undoubtedly there are numerous readers who did not have the advantage of living through those halcyon pre-deregulation days when many of us kept attorneys (and the ICC) busy with applications for emergency authority, temporary authority, and the all-important permanent authority. In those days you could buy and sell operating authority as easily as a used bus, and the guy with 48-state operating authority was looked upon with envy.

Deregulation changed all that. For a relatively minimal fee, plus proof of insurance and safety, you could be in the bus business. Not unexpectedly, the advent of deregulation also marked a major industry change when scheduled service no longer dominated the industry but was replaced by charter and tour operations.

Many people have not yet made up their minds as to whether deregulation has been good or bad for the intercity coach industry. It, apparently, has been a good influence with scheduled service. While new routes have been established and new operators have gotten involved with scheduled service, the U.S. scheduled service route structure has been reduced substantially to where only the better and profitable routes remain in operation today.

However, numerous new operators now compete in the charter market. With industry profit already marginal, this increased charter competition could easily be considered a negative. The increased competition has held down charter rates which in turn have held down profit margins which in turn have made it increasingly difficult to attract drivers and mechanics with better wages.

The connection between buses and stage coaches may not be as obvious today, but it was a century ago. Generally considered to be the first real bus, this vehicle started the first omnibus line in 1895 which ran between Wiegen, Netphen and Deuz in Germany. Its origin as a stage coach is obvious. Note the tiller instead of a steering wheel and the baggage area on the roof. MERCEDES-BENZ / NBT COLLECTION.

What I find surprising is the reluctance of intercity coach operators to get into the tour business. A recent study instituted by the American Bus Association indicated that virtually all bus companies provide charter service but only about 30 percent plan and sell bus tours. Since tours are considered to be the most profitable segment of the bus industry, you would think that more bus operators would expand in this area.

In addition to being the most popular intercity coach ever built, the MC-9 was also perhaps the last model to readily serve in different tasks. When originally built, the MC-9 was equally comfortable in scheduled service, charters and tours. This example belonged to Wisconsin-Michigan Trailways and was photographed in August of 1982. ROBERT REDDEN, REDDEN ARCHIVES.

Deregulation has fostered numerous changes including those in the area of equipment. Prior to the advent of deregulation, operators would use one model of bus for all types of service. The MC-9 was perhaps the last outstanding example of this. It not only was the most popular intercity coach of all time, but when built, it was used for scheduled service, charters and tours.

Because of increasing competition and the need for amenities to appeal to customers, it is increasingly unusual to see the same coach operating in both scheduled service and tour service. Today's sophisticated tour passengers now ride in coaches with video equipment, a galley, and an excellent public address system.

While deregulation has reduced paperwork and concerns in some areas, more regulations have crept up in other areas. Today's bus operator must worry about engine pollution, environmental concerns with fuel storage and dispensing, driver testing, and increased paperwork from several government agencies. If given the choice, some of us would rather deal with the ICC – at least we understood the ground rules there.

Mergers and Acquisitions

The third and most recent category of concerns center around mergers and acquisitions. There was a time when most bus companies and many suppliers were an independent family business. However, more and more bus family youngsters are increasingly opting to seek their fortunes elsewhere rather than get involved with an industry that requires long working hours, offers questionable profitability, and promises increasing government intervention. One recent industry joke compared bringing your kids into the family bus business with child abuse.

One of the major influences in this area in recent years has been Coach USA. There is no question of the fact that it has set an industry record in the area of acquisitions and expansion. Even during its most expansive formative years, Greyhound never expanded this quickly.

On the positive side, it would be difficult to argue with the logic that a company the size of Coach USA can provide some superb management potential, develop state-of-the art office procedures, and reap the benefits of joint purchasing volume. Some negative comments seem to be somewhat nostalgic and revolve around the loss of several well-known families from the bus industry. In our own situation, we are having some difficulty finding host companies for Bus Bash events since the established, traditional companies that have been Bus Bash hosts in the past are also the prime candidates for joining Coach USA.

However, ownership by a conglomerate is not necessarily a bed of roses as Greyhound Lines has recently found out. Greyhound survived separation from its parent corporation followed by effectively swallowing its major competitor and then fell upon financial hard times. It emerged as a viable, albeit leaner, operation under the expert hand of Craig Lentzsch only to be swallowed up by the emerging Laidlaw group of companies.

Now that Laidlaw is suffering from problems caused by its health care and waste management holdings, its ownership of Greyhound may be of questionable value. Greyhound was recently advised that Laidlaw would no longer be able to provide additional cash funding. As a result, Greyhound has had to look for its own financing based on its own cash flow. This is exactly what Greyhound had to do when it was independent.

All of this has caused at least a little concern in the bus industry as well as on Capitol Hill. For all practical purposes, Greyhound has achieved the unofficial status of an intercity scheduled bus monopoly since no other company comes close to matching its geographic area of operation. If Greyhound were forced to cease operation it would effectively mean the end of the nationwide intercity bus network.

There is also some concern about some of the bus manufacturers being owned by conglomerates and holding companies. At one time, all bus manufacturers were independent and some (such as Flxible and Kässbohrer) remained as a family business for quite some time. Today, only Van Hool can lay claim to still being a family business. Whether real or imagined, one of the major concerns about holding companies is that they might put too much emphasis on the immediate bottom line instead of long term growth that is good for the industry.

What is probably the major current concern in manufacturing centers around the recent loss of residual value. With the move to 102-inch wide and 45-foot long coaches, bus operators have increased their new coach orders, in recent years, to modernize

This interesting night shot was taken on Madison Avenue in New York City on November 27, 1999. The bus is an MCI 102EL3 Renaissance® coach and the operator is Pawtuxet Valley Bus Lines, part of Coach USA. Not only is Coach USA the largest intercity bus operation in the United States but also the fastest growing bus operation. J.C. REBIS JR.

Operating as 6428 in the Greyhound fleet is this 45-foot 1999 102DL3. It was photographed on 29th Street near 11th Avenue in New York City on December 18, 1999. Greyhound is now part of the Laidlaw group of companies. J.C. REBIS JR.

their fleets. This has resulted in several record-breaking years of coach sales.

However, the years of record new coach sales may be drawing to a close because these unusually high sales may have caused a major problem. Because of the unusual high number of new coaches being purchased, an unusually high number of used coaches have been put on the market. As a result, the value of used coaches has declined markedly, particularly with coaches that are less than 45 feet long or less than 102 inches wide.

This reduction in the value of used coaches is harming the intercity coach industry in two areas. The most obvious area is that many bus operators depended on residual value of paid-off coaches as a major factor in their profit. With this residual value now substantially reduced, the overall profitability of what was always a marginal business is increasingly questionable.

Less obvious is the fact that bus operators need to sell their used coaches to help pay for their new coaches. If they are having difficulty in selling their used coaches, it makes it more difficult for them to place orders for new coaches.

This reduction in residual value could foster some major changes in the bus industry. One of the big reasons for buying very expensive, durable buses is they hold their value at resale time. If durable buses are no longer holding their value, then operators might consider buying less expensive buses that are less durable since residual value may no longer be a concern.

Are we there yet? No, but many people in the industry are concerned about where we are going. It will be interesting to see whether we can come up with solutions for our problems and see what new directions the industry takes in the future. ❑

In not much more than 10 years, the bus industry made a switch from 40-foot buses to 45-foot buses. This 45-foot Prevost H3-45 is operated by Trentway-Wagar, a Coach USA company. It was photographed on Trinity Place in New York on April 30, 2000. J.C. REBIS JR.

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