



The Intercity Bus Bounceback:

THE 4TH QUARTER 2021 BRINGS OPTIMISM TO A STRUGGLING SECTOR

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By Joseph P. Schwieterman, Abby Mader, and Allison Woodward

The final quarter of 2021 pointed to a strong post-pandemic recovery due to:

- 🚌 Rising traffic through late November, when the Omicron variant emerged, indicated strong fundamentals and a customer base eager to take bus trips when the time is right.
- 🚌 FlixBus's acquisition of Greyhound Lines, the largest transaction in the industry in many years.
- 🚌 The emergence of new first- and business class services that provide alternatives to crowded airports, along with the continued inability of the air carriers to satisfy passenger expectations
- 🚌 The massive Bipartisan Infrastructure Bill passed by the U.S. Congress in November, with its strong benefit to surface modes.

The effects of pent-up demand for travel, higher gasoline prices, and new service

offerings, together with other late-year developments, are providing momentum to the U.S. intercity bus industry, even as the pandemic continues to hinder carrier financial performance. Recent developments indicate that better times are ahead for the sector as the pandemic eases.

The **favorable developments come in the wake of a devastating 18 months** in which the industry was marred by weak travel demand due to COVID-19, severe driver shortages, and discouraging setbacks on Capitol Hill, which limited federal bailout assistance. As a result, Intercity bus lines have suffered more during the pandemic than most other modes of transportation. **According to the American Bus Association, 25% of the bus industry has closed due to COVID-19.**¹ The Omicron variant has largely prevented a recovery in all segments of the industry. Even so, developments from the summer and the 4th quarter of 2021 suggest that scheduled long distance and regional bus operators are bouncing back.



CHADDICK INSTITUTE FOR METROPOLITAN DEVELOPMENT

DEPAUL UNIVERSITY | CHICAGO, IL

CHADDICK@DEPAUL.EDU | 312.362.5732 | CHADDICK.DEPAUL.EDU

Photo caption (above): A PETER PAN DEPARTURE FOR NEW YORK AT PHILADELPHIA, JUNE 2021

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JOSEPH
SCHWIETERMAN,
PHD



ABBY
MADER



ALLISON
WOODWARD

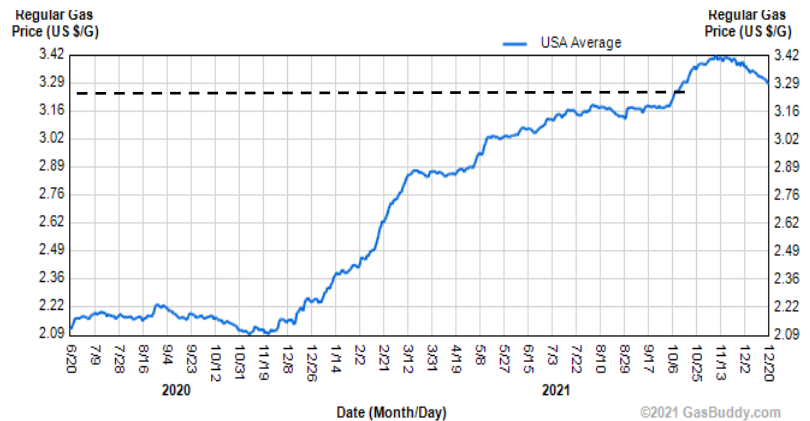
ENCOURAGING DEVELOPMENTS FOR SCHEDULED BUS TRAVEL:

Four developments during the final three months of 2021 stand out:

INDUSTRY DEVELOPMENT # 1: Intercity bus lines experienced steady traffic growth from August to late November as a result of growing interest in resuming travel, higher gasoline prices and airfares, and enhanced schedule offerings. Privately operated bus lines rolled out a variety of new services that were unavailable for the pandemic. COVID-19's Omicron variant has chilled demand, but its effect, though severe, is expected to be temporary, and the autumn traffic buildup points to a strong post-pandemic recovery.

Intercity bus lines enjoyed a sustained recovery from August through the Thanksgiving holiday, indicating that the demand for bus travel will be strong once public-health concerns ease. Traffic on some routes reportedly reached 80% or more of pre-pandemic levels, particularly outside the Northeast and California. Among the factors responsible for the strength was a growing desire to resume traveling and rising gasoline prices. In October, the average price at the pump rose for the first time in seven years to more than \$3.25 per gallon.

FIGURE 1: Average Retail Price of Gasoline in the United States



Average gasoline prices rose sharply during 2021 and crossed the \$3.25 around mid-year 2021. Image taken from gasbuddy.com, with dashed line added

Rising crude oil prices also dramatically increased jet fuel prices. Such increases tend to favor bus travel.

Whereas intercity buses provide about 152 passenger-miles of transportation per gallon of fuel consumed, single-occupant motorists average only about 30, airplanes about 40 and diesel trains around 50 - 120².



A Burlington Trailways coach is in the final boarding process at Indianapolis in October 2021

In addition, air and train fares have risen much more sharply than bus travel on routes less than 450 miles, the distances at which intercity bus travel tends to be the most competitive. Our research has shown that the monetary savings from going by bus were much higher during the 4th quarter, when surging travel demand during Thanksgiving, Christmas, and New Year's holidays led to a surge in Amtrak and air fares, compared to a few months before.

In response, carriers made a variety of 4th quarter moves:

- Greyhound resumed cross-border service to Canada in October; Amtrak still has not.
- **Bustang** added service on its South and West Lines, **Salt Lake Express** added rural Nevada routes, and **OurBus** started three Northeast routes between October and December.
- FlixBus launched service in the Pacific Northwest and added more updated New York service in November.

A range of services available on the national network of intercity bus schedules are sold on the websites of Greyhound, Trailways and booking sites like Wanderu.com. Our analysis shows that schedules have markedly increased since early 2021.³ Examples of bus lines that are part of this national network are **Adirondack Trailways, Barons Bus, Burlington Trailways, Greyhound, Indian Trails, Jefferson Lines, Martz Trailways, Miller Transportation, New York Trailways,** and **Peter Pan**. This system of connecting lines allows for travel on a single ticket to tens of thousands of origin/destination combinations.



A Greyhound bus bound for McAllen, TX boards at South Houston in August 2021

By the end of the 4th quarter, 15 bus lines again linked New York to metropolitan Washington, up markedly from last year.⁴ All but two offer multiple departures every day, and two, **Trippler** and **Vamoose**, offer both regular and business class options. While starting in late November, the Omicron variant and other COVID-related factors sent the recovery into reverse, the strong performance through the Thanksgiving holiday suggests that the fundamentals of the industry are strong.

INDUSTRY DEVELOPMENT #1. FlixBus's purchase of Greyhound on October 21, 2021, is generating optimism for renewed investment to enhance and modernize the legacy carrier's network. The deal excludes Greyhound's sizeable real-estate holdings, which indicates that one of FlixBus's primary motives for the acquisition is to deepen its roots in the North American intercity bus market.

FlixBus, having expanded its **FlixBus** unit across the continental U.S. at an ambitious pace since 2019, is rapidly gaining experience in the domestic market. When announcing the acquisition, the German company noted that "FlixBus, **Greyhound**, and their partners will offer a smart, green, and connected world-class intercity bus experience...".⁵ The company touts its research showing that it has been successful in attracting passengers who are otherwise reluctant to travel by motor coach, noting that 65% of FlixBus customers had never before used a scheduled long distance bus service.⁶

Greyhound's extensive real-estate holdings, including the valuable downtown property it holds in many cities, were excluded from the \$46 million deal. The willingness of FlixBus to pursue the Greyhound purchase

Figure 3

Finishing Strongly: Notable 4th Quarter 2021 Developments

October

- 18 RedCoach launches first- and business-class service on intra-Texas routes
- 21 FlixBus, the parent company of FlixBus USA, announces acquisition of Greyhound Lines
- 26 Greyhound resumes cross-border service to Canada
- 31 Landline expands bus-service partnership with United Airlines from Denver to Ft. Collins, CO

November

- 1 US gasoline prices average more than \$3 per gallon for the first time in six years
- 8 The Jet announces launch of New York – Washington, DC luxury service
- 11 Salt Lake Express launches route linking Salt Lake City to Heber City, Moab, and Vernal
- 18 FlixBus announces Pacific Northwest route. Other autumn additions follow
- 19 DePaul University research shows rising monetary savings for bus travel compared to flying and driving compared to earlier in the pandemic.
- 21 U.S. Congress passes Bipartisan Infrastructure Bill, setting the stage for improved intermodal stations shared by Amtrak and bus lines, electric buses, and both new services and remedial capital investment supporting Amtrak.

December

- 3 CoachUSA announces added service on New York City commuter routes
- 12 Bustang launches new service from Denver to Avon, CO, with a 2nd trip coming in February.
- 24 Fifteen bus lines operating New York – metropolitan Washington, up markedly from 2020.

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without these holdings provides a clear indication that the German company sees profit potential from expanding its US intercity bus offerings. The transaction is generating hope that renewed investment in Greyhound will follow, although specifics about such investment are not yet known. Greyhound benefited from much capital investment between 2008 and 2015, when its former owner, FirstGroup, embarked on large-scale station improvements, service enhancements, and motor coach purchases. Subsequent investments by this owner, however, were more parsimonious. Earlier this year, Greyhound suspended operations of its BoltBus subsidiary.

The differing business models of the two carriers add complexity to FlixBus's strategic options. FlixBus uses contractors to provide its services, whereas Greyhound directly owns and operates most of its buses. FlixBus has not revealed how it will leverage Greyhound's legacy network. It seems probable that Greyhound will keep its distinct identity and maintain its many interline agreements with other bus lines. It also seems possible, though, that the two companies will coordinate service on major routes to reduce service duplication. A slow and incremental approach to integration could provide customers with new departure options without straining resources and personnel.

INDUSTRY DEVELOPMENT #3: In the 4th quarter, bus lines rolled out a variety of new first- and business-class service that provide alternatives to poor airport experience and costly and crowded flights. In addition, nearly all premium services that were available prior to the pandemic have returned.

The 4th quarter of 2022 brought robust activity in the premium-service segment.

a. **Florida-based RedCoach added first- and business-class routes in Texas on October 15.** The new service links Austin, Dallas, and Houston with stops in Waco and College Station. First-class coaches are limited to 27 seats, and business-class coaches to 38, in addition to the 50+ seats on many conventional services. Its custom seating offers *“additional comfort with spacious legroom and bed-like seats that recline up to 140 degrees”* (i.e., 50 degrees from a vertical position). Complementary snacks are offered.⁷ RedCoach continues to have a large intra-Florida operation.

b. **“The Jet” launched New York – Washington, DC first-class service using spacious buses having just 14 seats on November 8.** The Jet generally offers two daily trips in each direction between New York's Hudson Yards and Washington's Metro Center area. The service, priced at \$99, includes a full galley and an onboard attendant. Each seat has a “gel-foam base”, with a built-in tray table and pneumatic leg rest, with a 22” width and 45° recline.⁸

c. **Multimodal ground operator Landline expanded bus service linking the Ft. Collins, CO, and Denver International Airport (DIA) to five daily for its “codeshare partner” United Airlines.**



A RedCoach website photo featuring its generously reclining first-class seats

This expansion, announced in November, comes only nine months after Landline launched four-times-daily service between Northern Colorado Regional Airport in Ft. Collins and DIA, along with a once-a-day service from Breckenridge, Colorado. Each replaces United Airlines' regional jets. Landline's services have similarities to airplane travel, with through ticketing and baggage, and waiting areas in airports resembling those used for flights. Landline also has an extensive Minnesota operation.⁹

In addition, most business-class offerings that were available prior to the pandemic have returned. This includes **Vamoose Gold** and **Tripper Elite** in the New York – Washington, DC market, **Concord Coach Plus** between New Hampshire and New York, and **Vonlane** in Texas and Oklahoma City. **C&J** has ramped up service from Northern New England to New York and, in August, opened a new Terminal in Seabrook, NH.¹⁰ Texas’s **Vonlane**, a first-class operator, is also running a full schedule in Oklahoma and Texas. **Rapid Overland Express** (ROX) has resumed its Virginia and Washington, DC business-class offerings.¹¹ **Hampton Jitney** has maintained and vigorously promoted its Ambassador Class offering and is being helped by complaints of crowding on competing Long Island Rail Road.

INDUSTRY DEVELOPMENT #4: The Bipartisan Infrastructure Bill passed by the U.S. Congress on November 22, 2021 sets the stage for many industry improvements, particularly electric buses, upgraded intermodal stations and highways, and more connecting services with Amtrak.

The enormous scale of the Infrastructure Bill, which allocates \$66 billion for rail-passenger improvements and \$2.5 billion for electric buses, will offer direct and indirect benefits for intercity bus lines.¹² These buses are positioned to benefit from improvements to facilities they jointly use with Amtrak and public transit and many expressway improvements. Intercity bus services, including **Amtrak Thruway bus routes**, are also positioned to complement the expansion of intercity rail-passenger service. Additional bus service will likely be an important transitional and supplementary strategy while improvements to railroad routes can take years to complete.

These trends imbue optimism for scheduled long-distance operators, indicating they have a prominent place in the changing U.S. travel landscape. The market for leisure travel is increasing as the pandemic wanes, whereas the market for business travel, and journey-to-work travel is expected to lag. The need for additional federal support, particularly for commuter-bus, tour, and charter operators, which have been largely left out of the recovery, nonetheless remains acute. More information will be provided in our **2022 Outlook for Intercity Bus Travel**, available on the Chaddick Institute publications page on January 28, 2022.

¹ See “Congress Must Act: We Can’t afford to lose Buses”, at <https://www.buses.org/news/article/univisionnews-congress-must-act-we-cant-afford-to-lose-buses>

² For a discussion of fuel efficiency, see International Council on Clean Transportation, available at <https://theicct.org/blogs/staff/planes-trains-and-automobiles-counting-carbon>. It should be noted that Amtrak trains with several hundred passengers onboard achieve much higher fuel efficiency, as do intercity buses. The estimates provided are based on a variety of governmental sources.

³ Please refer to our November Intercity Bus travel brief, available at <https://drive.google.com/file/d/10xXo59IVzhcKwXYGvN6tKrF0FAn-wrEj/view>

⁴This estimate was made by cataloging carriers on Wanderu.com, gotobus.com, ilikebus.com, and busbud.com while adding The Jet, which does not sell tickets on these aggregator platforms.

⁵ See Flixbus Press Release, at <https://www.flixbus.com/greyhound>

⁶ See Flixbus Press Release, at <https://www.flixbus.com/company/press-room/press-releases/flixbus-now-available-in-ithacas>

⁷ See “Luxury Bus Service in Texas”, at <https://www.redcoachusa.com/luxury-motorcoach-service-offers-new-way-to-travel-in-texas/>

⁸ The carrier touts this as “the most legroom in the industry”. Details available at <https://thejet.coach/features-amenities/>

⁹ Buses depart Denver International at an “airside” location (i.e., behind TSA) security while arriving at the airport on the ground side, with bags seamlessly transferred. Landside also operates services linking Minneapolis– St. Paul International Airport and Duluth and Mankato, which was recently expanded to include trips to and from St. Cloud. Its fleet includes vans and full-size motor coaches.

¹⁰ For details, see **C&J Bus Lines celebrates grand opening of new Seabrook NH location** (seacoastonline.com)

¹¹ Notable exceptions are LuxBus, linking Las Vegas and Los Angeles, and Washington Deluxe’s Gold business-class services, which have not yet resumed, although the latter once again runs an extensive conventional-service schedule. Also, LimoLiner, linking New York and Boston, is no longer operating..

¹² For details, please refer to the Time.com article: <https://time.com/6117544/electric-school-buses/>