



U.S. Department  
of Transportation  
**Federal Transit  
Administration**

Administrator

400 Seventh St., S.W.  
Washington, D.C. 20590

MAR 22 2005

Dear State Transportation Colleague:

The intercity bus industry is undergoing major restructuring, with service cutbacks being implemented by the Nation's largest intercity bus company, Greyhound. Many of your rural communities may be directly affected by the dramatic reductions in rural intercity bus service. In August 2004, the company began route and service point reductions affecting some 260 communities in 13 States across the north central and northwestern United States. Greyhound has indicated that it will also implement route and service cuts in all the other parts of its United States network. An announcement of service cuts in many southern States is expected in the first half of 2005 and in the remainder of the country by the end of 2006. While Greyhound's broad restructuring may lead to increasing its service in higher density regions, routes, and service corridors, the obvious trend is less service in many rural areas.

Declines in scheduled, intercity bus service by private companies have been occurring for several decades. Whereas scheduled service once reached more than 17,000 communities, the industry now serves fewer than 6,000 locations, and will serve even fewer locations when the Greyhound restructuring is completed. Nationwide, intercity bus ridership peaked at about 130 million passengers in 1970 and is currently about 40 million passengers per year. Intercity transportation, however, remains an important part of essential mobility in rural areas.

The Federal Transit Administration (FTA) rural formula program (Section 5311) provides a resource to help provide or preserve intercity bus service. Various combinations of capital, operating, and administrative assistance - even when the amounts are fairly small - may help preserve private bus service in communities seeking to keep it. For example, when Greyhound discontinued some routes subsidized with rural formula funds, other private operators were willing to continue operating the subsidized service. Although not part of Greyhound's current business plan, these rural routes can still be attractive to smaller regional companies given a small level of assistance. Another way to enhance the continued viability of private intercity service is to fund local feeder services that connect with intercity routes. Coordinated marketing and ticketing can also help sustain intercity services. Capital funding for joint facilities can improve intermodal connections and support private providers. When private alternatives are unavailable, rural transit providers may expand services to include intercity destinations. Transportation Cooperative Research Program Report 79, "Effective Approaches to Meeting Rural Intercity Bus Transportation Needs," provides additional ideas about how to address intercity bus needs.

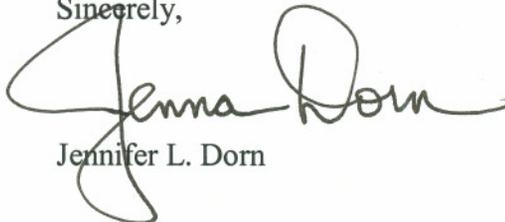
Section 5311(f) requires that each State use 15 percent of its annual formula apportionment to support intercity bus service unless the Governor certifies that the intercity bus needs of the State are adequately met. States that so certify may use the intercity bus set-aside funds for other rural transit services instead. As we noted in our Fiscal Year 2005 Federal Register Notice of Apportionments and Allocations (December 29, 2004), given the ongoing changes in the intercity bus industry, we encourage you to consult with intercity bus operators and communities affected by loss of service when evaluating the intercity bus needs of the State. In reauthorization, we propose to strengthen Section 5311(f) by requiring “consultation with affected intercity bus service providers” before certification. The reauthorization bills introduced in both the House and Senate last year incorporated this language. Even absent this statutory requirement, if you choose to certify for purposes of Section 5311(f) that your intercity bus service needs are already being adequately met, we urge you to base such findings on careful consultation with appropriate industry groups, transportation planning officials, and the traveling public.

For many of you, the continuation of currently existing intercity bus service in your State is no longer a certainty. I encourage you to preserve the resources to address anticipated service cuts rather than certifying that intercity bus needs are adequately met and programming all your rural formula funds for other purposes. When you submit your grant application for your Section 5311 formula funds, you may reserve the intercity bus set-aside for projects to be determined later within the three-year period of availability of the funds. You may also want to target some of your intercity bus funds this year for planning and analysis to address service cuts when they occur. FTA Circular 9040.1E, “Nonurbanized Area Formula Program Guidance and Grant Application Instructions,” contains additional guidance about how to program Section 5311(f) funds for planning, operating, capital, and administrative assistance, and reserving funds for future projects.

The Department of Transportation is currently evaluating the extent and impact of the service cutbacks and how the Department should respond to these changes. It may be that broader, more flexible planning and funding approaches are required to address the travel needs of rural communities. As we work to identify innovative approaches and effect appropriate changes, we welcome your comments and suggestions as to how the Nation may best meet the challenge of providing intercity mobility for all our citizens.

Your FTA regional office will be pleased to work with you to address intercity bus transportation issues in your State and respond to any questions you may have about the use of FTA formula funds to support intercity bus transportation that addresses rural mobility needs.

Sincerely,

A handwritten signature in black ink that reads "Jennifer L. Dorn". The signature is written in a cursive style with a large, looping initial "J".

Jennifer L. Dorn