

MEMORANDUM

TO: Peter Pantuso
 FROM: John Dunham
 DATE: June 16, 2020
 RE: Impact of COVID-19 on the Motorcoach Industry Revised Report

The U.S. motorcoach industry is not only a vital component of the nation’s transportation network, it is also an important part of the economy, providing over 88,830 direct, good-paying, full-time equivalent jobs. In 2018, the industry generated close to \$15.35 billion in revenue.¹

Table 1
Current Economic Impact of the Motorcoach Sector: United States (2018)

	Total	Charter	Commuter	Scheduled	Shuttle
Jobs	88,834	48,059	8,972	28,693	3,109
Wages	\$ 6,227,141,682	\$ 3,368,883,650	\$ 628,941,310	\$ 2,011,366,763	\$ 217,949,959
Output	\$ 15,345,224,481	\$ 8,301,766,444	\$ 1,549,867,673	\$ 4,956,507,507	\$ 537,082,857

The U.S. motorcoach industry has been decimated by the COVID-19 pandemic. Based on reports from motorcoach companies, between 80 and 95 percent of motorcoach trips have been cancelled or are simply not being booked due to the pandemic and most of these trips will not be rebooked in 2020, while alternatively other businesses will open and have an opportunity to recover. The charter business, the largest of all the various motorcoach services, has experienced the worst losses. Our surveys show that this segment depends heavily on college and high school student trips in the spring and fall for education, sports teams’ events, field trips, band trips and other events. In addition, tours and conference bookings are almost non-existent, even though this is usually the busiest time of year for those events, most of which have been cancelled for the remainder of 2020. Also, the cancellation of concerts, sports events and other large shows and entertainment events through the remainder of the year is impacting this segment along with firms in the entertainer motorcoach segment which is responsible for moving bands, crews and other support staff to venues across the country. Based on discussions with operators, these segments are down by an estimated 95 percent. Shuttles services, which rely on convention and airport business, are down by an estimated 95 percent and scheduled and commuter services are estimated to be down by between 80 and 90 percent.

Further, it is unlikely business will improve for the industry in the coming months, even as states and localities reopen their economies. There are five reasons for this, based on continuing fears surrounding the spread of COVID-19, and CDC and state/local restrictions for reopening economies:

- 1) The charter industry is highly dependent on conferences and business meetings. There are unlikely to be any major conferences or trade shows through the remainder of 2020. This will further degrade the charter and shuttle portions of the industry that depend on these group meetings.
- 2) Discretionary travel is not expected to recover this summer, meaning that scheduled services, motorcoach tours, and airport shuttles will see few passengers through August of 2020.
- 3) Fall charter and tour business is geared toward sports, particularly high school and college sports. It is currently unknown if schools will be open in the fall or if they will allow these events, but if they do, current CDC guidance for school reopening recommends against field trips and

¹ *Motorcoach Tourism Economic Impact Analysis*, prepared by John Dunham & Associates for the American Bus Association Foundation, 2018. Available at: <https://www.buses.org/aba-foundation/research-summary/economic-impact/motorcoach-economic-impact-study>. As measured by economic output which represents the value of industry production for the model year calculated in terms of producer prices. These numbers differ from those on the website in that they represent only motorcoach operating companies.

extracurricular activities, such as sports. Our surveys show that senior/adult travel is also a significant part of the fall charter and tour market, but because this group is most susceptible to contracting COVID-19, and the CDC suggests another spike in the disease this fall, this market will also unlikely return to significant levels in fall 2020.

- 4) The commuter market is highly concentrated in those areas of the country where the government-imposed shutdowns have been the most extreme and long lasting. Most operators do not believe commuter service will return to even half of what it was before the shutdowns in important markets like New York City, Washington DC, Boston, Los Angeles, San Francisco, Chicago and other major cities.
- 5) Finally, just as with air travel, scheduled service, which includes city-to-city and rural-to-urban travel is not likely to return to anything close to what was experienced in 2019 and operators suggest that it may not exceed 50 percent of capacity.

Based on these factors, it is unlikely that any of the sectors of the motorcoach industry will recover to even half of their pre-COVID-19 levels by the end of the year. Based on the 4-month shutdown, the industry already experienced \$4.8 billion in lost sales,² and about 88,000 workers have been furloughed, representing nearly 28,000 FTE jobs lost on an annualized basis.³ If operations are not able to restart as normal, as each state reopens, this would equate to over 62,800 FTE jobs lost on an annualized basis.

Table 2
Estimated Impact of COVID-19 on the Motorcoach Industry as of June 2020

	Total	Charter	Commuter	Scheduled	Shuttle
Jobs	(27,978)	(16,020)	(2,617)	(8,369)	(972)
Wages	\$ (1,961,196,758)	\$ (1,122,961,217)	\$ (183,441,215)	\$ (586,648,639)	\$ (68,145,687)
Output	\$ (4,832,876,149)	\$ (2,767,255,481)	\$ (452,044,738)	\$ (1,445,648,023)	\$ (167,927,907)
Percent of Jobs	-31.5%	-33.3%	-29.2%	-29.2%	-31.3%

This estimate in lost output is \$108.8 million larger than was estimated in April, and it is now estimated that 630 more motorcoach industry jobs have already been lost as a result.

Table 3
Estimated Impact of COVID-19 on the Motorcoach Industry as of April 2020

	Total	Charter	Commuter	Scheduled	Shuttle
Jobs	(27,079)	(6,378)	(10,156)	(4,301)	(6,244)
Wages	\$ (1,898,201,797)	\$ (447,087,927)	\$ (711,889,548)	\$ (301,500,694)	\$ (437,723,628)
Output	\$ (4,677,640,908)	\$ (1,101,735,747)	\$ (1,754,272,743)	\$ (742,972,630)	\$ (1,078,659,788)
Percent of Jobs	-30.5%	-33.3%	-30.0%	-26.7%	-31.7%

Based on these newest estimates, and the assumptions listed above, it will be a long slow recovery for the motorcoach sector of the economy. In April, John Dunham and Associates estimated the industry would lose roughly \$11.1 billion in sales and just over 64,000 jobs based on government-imposed shutdown. Today, we can refine this figure. It is now expected that about \$10.9 billion in sales will be lost due to the shutdown, and about 62,800 jobs will be lost. The charter industry will be particularly hard hit, losing about 76.7 percent of its business. (See Table 4 on the following page)

² As measured by output.

³ Based on the above assumptions and an econometric model of the motorcoach industry prepared by John Dunham & Associates for the American Bus Association Foundation, 2020. Special services are included in the Shuttle numbers in the tables. Industry splits based on both the *Motorcoach Tourism Economic Impact Analysis*, prepared by John Dunham & Associates for the American Bus Association Foundation, 2018. Available at: <https://www.buses.org/aba-foundation/research-summary/economic-impact/motorcoach-economic-impact-study>, and *Motorcoach Census: A Study of the Size and Activity of the Motorcoach Industry in the United States and Canada in 2017*, prepared by John Dunham & Associates for the American Bus Association Foundation, 2019.

While this is a slight improvement from the estimates developed at the height of the economic disaster, it represents just a 1.9 percent improvement. In other words, the clarity gained from the data over the past 2 months has not substantially altered the dire estimates made in April.

Table 4
Estimated Annualized Motorcoach Sector Losses from COVID-19 Shutdown: United States

	Total	Charter	Commuter	Scheduled	Shuttle
Jobs	(62,812)	(36,845)	(5,682)	(18,173)	(2,112)
Wages	\$ (4,403,030,258)	\$ (2,582,810,798)	\$ (398,329,496)	\$ (1,273,865,617)	\$ (148,024,347)
Output	\$ (10,850,160,661)	\$ (6,364,687,607)	\$ (981,582,859)	\$ (3,139,121,421)	\$ (364,768,774)
Percent of Jobs	-70.7%	-76.7%	-63.3%	-63.3%	-67.9%

In spite of being an important part of the nation’s transportation infrastructure (like airlines and railroads), the American motorcoach industry has not received the kind of government stimulus granted to other segments. This is particularly problematic based on the capital-intensive nature of the industry (an individual motorcoach can cost upwards of \$550,000 to purchase), and the costs associated with maintaining a highly skilled and regulated workforce. Due to these factors, provisions included in the various federal relief packages intended to assist businesses are not designed to effectively help the motorcoach industry.

In addition, the impact on this sector will last for many years, as most companies are reliant on trips and events that are scheduled months, or even years, in advance. Short term grants pursuant to the CARES Act, including the Paycheck Protection Program and Economic Impact Disaster Loans, will not be effective to ensure that companies do not go bankrupt, leaving many small towns and rural parts of the country with no transportation choices.

Table 5
Economic Impact of the Motorcoach Travel and Tourism Industry in the United States (2018)

	Direct	Supplier	Induced	Total
Jobs	1,218,930	304,380	464,800	1,988,110
Wages	\$ 43,609,507,500	\$ 17,727,951,800	\$ 25,086,155,700	\$ 86,423,615,000
Economic Output	\$ 101,681,952,900	\$ 54,021,327,700	\$ 81,197,142,500	\$ 236,900,423,100

Bus operators make up just one part of the overall motorcoach travel and tourism industry in the United States. In fact, nearly 2.0 million full-time equivalent jobs depend on the passengers carried by motorcoach operators on tours, charters, and scheduled and commuter routes. This includes 469,650 full-time equivalent jobs in restaurants and taverns, 229,970 jobs in hotels and other lodging establishments, and 327,750 jobs in entertainment venues including sports stadiums, parks, theaters, and zoos. This also includes suppliers to the motorcoach industry like tire, air conditioning, engine, upholstery and other manufacturers. Overall, the motorcoach travel and tourism industry once generated \$86.4 billion in wages and benefits for these workers, and over \$236.9 billion in total economic activity across the country.

It is unlikely the pre-COVID-19 levels of economic contributions will be regained for many years to come because motorcoach operators, like airlines, restaurants, hotels, rail, transit systems and other capital intensive businesses in the transportation and tourism industry are facing not only reduced revenues, but large fixed costs that will not be reduced in the near term. Furthermore, the decisions to utilize motorcoaches whether for conventions, charters, tours and other events, is generally done many months if not a year in advance. As such, many businesses operating motorcoaches will not see a return

to business for another year and many of the smaller businesses operating in this space are unlikely to survive this massive economic downturn.

In sum, the motorcoach industry is facing an unprecedented economic downturn as a direct result of the COVID-19 pandemic, in line with all other public modes of group transportation. Unlike many other businesses, the capital-intensive nature of the motorcoach business, along with the cost burdens associated with its regulated workforce, make it especially difficult to reopen once operations are halted. This, coupled with the expectations of a lengthy recovery period, will exacerbate the situation for the industry unless it receives financial support structured to meet its unique needs.