The Growth of Chinatown Bus: Beyond Ethnic Enclave Economy in America

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Abstract:

The popular Chinatown inter-city bus services among major U.S. cities were almost non-existence ten years or so ago. They began as a response to the transportation needs of the ever growing Chinese immigrant population in this country. It was chaotic, ruthless in competition and price wars, unregulated, and even unsafe in some instances at their beginning and early years. Overtime, the services and safety records have been steadily improved. Their operations have become subject to local and state regulations, and better managed professionally. The popularity and acceptance of Chinatown bus by travelers from many different walks of life have stimulated the growth of inter-city bus services, and helped revitalize the ailing bus transportation industry in the U.S. They intensified the competitions with Greyhound Bus Line and Peter Pan Bus, the dominant forces in the long distance bus transportation market, as well as the competitions among themselves. The outlook of bus transportation landscape amid intense competitions, and ongoing mergers and acquisitions remains to be fully revealed.

Key Words: Chinatown, Chinatown Bus, Inter-City Bus Services, Chinese Immigrants, Growth of Inter-City Bus Services, Price Wars, Long Distance Bus Transportation, Regulations, Competitions and Consolidations.
1. CHAOTIC BEGINNING: MEETING THE TRANSPORTATION NEEDS OF CHINESE IMMIGRANTS

It is a well known fact that many Diaspora are extremely creative in establishing niche markets from within the ethnic communities, and filling the void for the service and product needs of immigrants in their adopted countries. The intercity bus services between Chinatowns in New York City, Boston, Philadelphia, and Washington DC areas offer a perfect example. The Chinese immigrants created a brand new business opportunity, formed a unique transportation market, and later expanded the service well into the mainstream.

Since the 1990s, more and more Chinese immigrants came to the US. On the east coast, the population of Chinese immigrants in NYC, Boston, Philadelphia, Washington DC, and other major metropolitan centers grew exponentially. Chinese communities also emerged in numerous small and medium size towns throughout the area and beyond. As a result, the commercial ties and the movements of population among the Chinese communities, especially among Chinatowns in major Metro centers increased dramatically, which no doubt drew the attentions of Chinese entrepreneurs to the transportation needs of burgeoning Chinese communities.

At the beginning, Asian goods, especially food products and kitchenware, were carried from NY Chinatowns to other states via commercial trucks and vans. Occasionally, some immigrants were transported along the way. As time went by, independent long distance Chinatown bus services emerged (NYT 2002). The Chinatown buses, first established in 1998, primarily transporting restaurant workers to and from Chinatowns across the East Coast — have gradually become the popular choice among students and other budget-conscious travelers looking for a cheap way to get from city to city.

The operations of Chinatown bus lines were very chaotic at beginning, featuring super-cheap fares along the Eastern seaboard, erratic schedules and cutthroat competitions. When Fung Wah bus line launched its first services in 1998, it was the only company that offered inter-city Chinatown-to-Chinatown long distance bus services. Between NYC and Boston, Fung Wah offered the customers an already super low fare of $25 for one way trip. Another bus line Lucky Star, after launching its bus line, soon knocked down the one way fare to $10 during the fabled bus wars of August 2002 and 2003. The $10 fare ultimately proved untenable for both companies—it was a “suicide amount.” The prices later settled at $15 each way for a pre-bought Internet ticket, still astonishingly cheap. Other bus routes between New York, Washington DC, and other areas had their shares of periodical price wars too. Many of those price wars could not last for more than two months though. As the results of chaotic competitions, some bus lines like Sunshine had to abandon certain bus routes. Others were closed or folded into the businesses of their stronger competitors. A number of violent activities
were reported regarding Chinatown buses and their owners. The eruption of violence went away around 2004 while competitions among Chinatown bus lines continued.

The targeted market of Chinatown bus lines were those Asian immigrants who wanted to shop or visit relatives between major metro centers, and needed the cheap and convenient transportations. Although the buses were modern and comfortable, the services were bare bones. No advertising, customer services, and even no bus stations. Customers simply went to the designated bus stops, waiting there for the bus, and paying the driver upon boarding. For those willing to do without frills, these companies offered virtually the same service as Greyhound and other established bus and rail lines but at a substantially lower price.¹ For instance, it cost $50 one way by Greyhound traveling between NYC and Boston, far above those charged by the emerging Chinatown bus lines. Before long, words were spread about the availability of the deep discount transportation services of Chinatown buses, and travelers from different walks of life started using the service. The service became especially popular among young college students, budget travelers, or people for whom the service was simply more convenient.

There were a number of reasons for the unbelievably low fares of Chinatown bus services. The bus lines provided the direct, non-stop transportations for those who travel between Chinatowns in major metro centers without the need to make frequent stops at small towns and cities along the routes, which not only cut down the traveling time but reduced the operating costs considerably. The lower cost was also the results of irregular and flexible operations. For instance, Fung Wah bus line had featured curbside pick-up and drop-off points in Chinatowns and occasionally at other locations in the cities. They operated no full service stations and had small overhead costs. The new and existing immigrants in major cities provided ample sources of cheap labors. The drivers’ wages are generally very low. The convenience of non-stop transportation and low price attracted a growing number of Chinese immigrants, young college students, and other ethnic travelers to Chinatown bus lines, which in turn, allowed them to operate their services on a basis of smaller profits but larger customer volumes. For instance, Chinatown buses were often fully or at least 3/4 seated while Greyhound had much lower seating rate.

2. RAPID GROWTH AND CHALLENGES TO THE ESTABLISHED BUS LINES

The newly emerged intercity bus lines were based in Chinatowns, initially along the east coast. They took advantage of the frequent movement of the Chinese population among the nation’s major metropolitan areas. The concentration of Chinese immigrants in Chinatowns and their expanding population formed a steady stream of basic customers for inter-city bus traveling.

¹ The air shuttle from New York to Washington can cost more than $300, and, while the flight takes less than 90 minutes, there’s that pesky ride to and from the airports. The same-day fare on Amtrak between New York and Washington ranges from $103 to beyond $200, depending on the time of day.
services. Some Chinese entrepreneurs saw the opportunity and plunged themselves into the new venture.

The Chinatown bus lines spread gradually into other areas and functions. Some bus lines are special tourist or leisure buses which transport large groups of mainly Chinese and Vietnamese immigrants to and from casino establishments such as Foxwoods Casino and Mohegan Sun Casino in Connecticut. These gambling buses are modeled after the popular older Atlantic City bus routes which also targeted Asian American customers.

Beyond the Northeast corridor, Chinatown buses rolled out a number of new travel routes. Down to the south, the services reached as far as the major southern transportation hubs Atlanta and Orlando. They even opened limited service routes to a few medium size cities like Rockville, Maryland, Richmond and Norfolk, Virginia.

In other parts of the country, cities like Chicago and Detroit, which also saw their Chinese population growing in recent decades, attracted Chinese entrepreneurs to open similar bus services there too. No doubt Chinatown bus lines are also catching on at the traditional centers of ethnic Chinese immigrants in Los Angeles and San Francisco on the west coast.

Overall, Chinatown buses now travel around 30 cities. There are more than 40 such companies in operation across the country.\(^2\)

The attractiveness of low cost and non-stop, direct travel increased the popularity of Chinatown buses among Chinese immigrants as well as other budget conscious travelers. According to one report of Eastern Travel, 30% of its customers were students; another 30% were returning customers; nearly 40% were customers coming from bus line giant Greyhound. Chinatown buses cost only a fraction of the regular expenses of its national competitors Greyhound Bus Lines and Peter Pan Bus Lines. As the words spread about their services, the 40 plus Chinatown bus companies posted a growing threat and challenge to the established national bus lines.

In May 2004, Peter Pan Bus Lines sued Fung Wah and Kristine Travel for violating regulations of the Federal Motor Carrier Safety Administration. According to Kim Plaskett, a Greyhound spokeswoman, the two Chinatown lines named in the suit had only charter authority, which does not permit hourly departures and arrivals. “We have no objection to competition, as long as it’s on a level playing field,” Plaskett said. “[In the lawsuit], we asserted that Fung Wah and Kristine were operating under charter authority.” However, the judge in that case allowed Fung Wah to continue operation as long as it applied for proper registration.\(^3\)

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\(^2\) LIONEL BEEHNER Chinatown Buses Unveiling New Routes - NYTimes In Transit Blog2010-06-09

\(^3\) BRENDAN R. LINN. Chinatown Bus Hikes Tickets to $15. Popular, cheap student transport changes route to dock at South Station. Harvard Crimson. October 06, 2004
According to *The Boston Globe*, the lawsuit against Chinatown buses was motivated by Peter Pan's and Greyhound's interest in maintaining their monopoly on the NY-Boston bus route. Timothy Shevlin said: "The big dog out there, Peter Pan, is dead set against [Chinatown bus lines]. They don't want that kind of competition."

The other attack was the discrimination case against Fung Wah (2004-2007). The State of Massachusetts Commission Against Discrimination ordered New York based bus line Fung Wah to pay a blind couple more than $60,000 for refusing them to carry their service dog aboard the bus. Fung Wah had a policy that the pets were not allowed because of allergy and other health concerns. Most Asian travelers do not have pets.

3. STREAMLINING OPERATIONS AND IMPROVEMENT OF SERVICES

Whether various lawsuits and customer complains were fair or not, Chinatown bus lines had no choice but to improve their operations, service quality, and to enforce strict safety measures in order to meet the government regulations, and to attract repeating and new customers.

In the summer of 2005, a serious accident changed the fate of many Chinatown bus owners. A bus from one of the major Chinatown bus lines caught fire on I-91 while traveling in Connecticut. Fortunately, all passengers were safely evacuated before the fire got worse. Local and state governments in New York, led by senator Schumer, started to impose strict regulations on Chinatown bus lines, including surprise inspections and forced disclosures, among others. Even under massive media coverage on police crack down, consumers continued to endorse Chinatown bus lines. This was evidenced by the rising online ticketing traffic by the largest bus ticketing service gotobus.com.

However, Chinatown buses had implemented better safety measures and improved their safety records drastically after the incidents. Major Bus lines Fung Wah, Lucky River, Lucky Star, and USAsia currently are all listed by the government regulators as “satisfactory” except Megabus’ Chicago as “conditional”. According to US Department of Transportation, the out of service rates due to safety and operation concerns for Greyhound is 7%, Eastern travel 9% while the current average is 25%.

Increased popularity led to the increasing regulatory interest. In September 2004, the City of Boston required all regularly-scheduled intercity bus services to operate exclusively to and from the South Station transportation terminal instead of dangerous curbside pick-ups and

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4 Several well-publicized incidents and accidents: in 2005, one of Fung Wah's buses caught fire in Connecticut; in 2006 another Fung Wah coach overturned in Massachusetts. In 2006, the Federal Motor Carrier Safety Administration (FMCSA) announced more than $44,000 in fines against Fung Wah for violating safety regulations.

5 In fact, Greyhound’s fatigued driver crashed a bus and killed two people in California around the Thanksgiving holiday.
drop-offs. There had been conflicts for limited curbside spaces among Chinatown buses, for instance, Eastern, Today’ and New Century bus lines. They had to rely on the local leaders of the Chinese community to help coordinate the usage of curbside space issues and services.

The competition for the neighborhood’s limited curb space was ferocious. In addition to the coordinating efforts by local leaders, Chinatown bus operators had also lobbied the city governments to establish designated pick-up and drop-off locations. The buses, which provide the cheap and convenient transportation service to and from Chinatowns across the East Coast, currently still do not have set depots or stops in Manhattan area where passengers have to get on and off the buses from curbsides. Drivers claim they have no choice, but to illegally park their large vehicles on congested neighborhood streets. "We need regulations, but the regulations [for bus stations] do not exist. And I don't think we are in a position to evaluate who gets limited curb space." said CB3’s transportation committee chairman, David Crane.⁷

The competition among various bus lines was another factor forcing Chinatown bus lines to streamline their operations and improve the services. A customer once said in his travel dairy, “The bus was a little warm, and the air circulation wasn't top-notch, creating that familiar sickly, stale bus smell that makes even the most iron-stomached traveler worry she'll succumb to carsickness.” To maintain the popularity among their regular customers and attract new travelers, Chinatown buses added some individual touches to their services. At the South Station of Boston hand-drawn maps were taped up to the windows with labels in both Chinese and English. On some buses they provided punch-colored personal trash bags affixing to the arm of each seat, a surprisingly efficient method of keeping the bus tidy. On Eastern Travel, the neatly dressed driver, speaking good English, politely collected the tickets.

Another noticeable improvement was online booking and scheduling using gotobus.com, a nationwide online bus ticketing service, and chinatownbus.org. The bus operators increased the number of buses in operation and the frequency of trips each day and week. For instance, Fung Wah has maintained a reliable schedule, departing from New York every hour from 7 a.m. to 11 p.m. with additional departures on the half-hour basis during peak afternoon hours.

The new bus lines even brought about other feeding businesses for Chinese entrepreneurs along the busy bus routes. Chinese restaurants were opened along the roués to accommodate travelers’ lunch, or dinner breaks during the journey. In 2003, the bus this author took at that time stopped at a MacDonald’s for a short break. Three years later, as expected, when I took the bus again on the same routes, the bus stopped at a newly opened Chinese buffet restaurant staffed with Mexican immigrants as waiters. It is a natural fit between Chinese restaurants and

6 Suzanne Ma. Chinatown Buses, Long Denied Legal Drop-Off Zones, Lobby for Downtown Curb Space. DNAinfo Reporter/Producer2010-03-18
Chinatown bus lines to compliment one another’s services along the traveling routes since most bus travelers are Chinese or other Asian immigrants.

4. BEYOND CHINATOWN: FROM THE MARGIN TO THE MAINSTREAM

The success increased Chinatown bus operators’ confidence in doing business in a previously unfamiliar land. Some entrepreneurs thought the discount bus services can do a lot better by cutting across the ethnic lines and venturing beyond Chinatowns. David Wong, a native of Nanjing, China, literally took his bus company to the heart of Manhattan to attract non Chinese travelers. Instead of operating in traffic-clogged Chinatown, Wong chose Penn Station, a major Manhattan transportation hub, as the base for his Eastern Travel. In an interview with Asian Weekly, Wong’s partner and co-owner of Eastern Travel Zhen Yongming said, “This is America. We should do more business with Americans.” According to its records, 95% of Eastern Travel customers are non Chinese travelers. It serves its customers in three different languages of English, Chinese, and Spanish. Even half of its bus drivers are of Hispanic origins.

Other Chinatown bus lines are not far behind in expanding into the areas of non-Chinese communities. They travel across eastern sea board cities and other areas ranging from the immigrant center like New York City to some small to medium size cities with small number of ethnic Chinese. For instance, travelers are set to benefit from a new daily bus service that will operate between New York City and Allentown, PA, which started in October 10, 2009. This service is provided by Sky Line Bus and is a welcome addition to their already popular service route between the State College in PA and New York City.

Clearly Chinatown buses have become a viable and even favorable long distance inter-city travel vehicle welcomed by not only ethnic Chinese but increasingly acceptable by African Americans, Hispanics, other Asian immigrants, and even Caucasians. They attracted many low income and middle class travelers. To further their entry into the mainstream, Chinatown bus lines also joined in US Bus associations UMA and ABA.

The very existence and the growth of the Chinatown bus lines reflect the demand for this type of service. They have out-grown their humble and chaotic origins and become more professional, contending successfully in the US inter-city bus service industry.

5. COMPETITION AND EMULATION: CHINATOWN BUS WAVE

The rapid growth of Chinatown bus lines intensified the competition among the existing inter-city bus lines as well as attracted new comers. Greyhound, the largest bus line in the U.S., dropped its prices, offering a familiar name-brand alternative to the increasingly popular low cost Chinatown coaches.

Dozens of new competitors emerged. Hasidic Jews from Brooklyn founded the Washington Deluxe and Vamoose Bus. A former Marriott executive founded DC2NY, a bus line between
Washington and NY that guarantees customers seats if booked online and charges only slightly more than the Chinatown buses (a $40 round-trip versus $35). It also offers free bottles of water and Wi-Fi internet access.\footnote{The Chinatown express-- The Economist 2007-10-25}

To promote their service, the new comers offered customers brand new buses with comfortable leather seats, a perfectly calibrated air-conditioning system, a clean bathroom, and even electrical outlets as well as wireless connection. Given their relatively competitive fares to the mainstream Greyhound Lines, they have become popular among non-Chinese customers as well, especially among young students.

In 2008, after long and exhausted lobbying battle against curbside bus companies, two motor-coach heavyweights Greyhound and Peter Pan reversed their position and jointly formed their own curbside bus line, BoltBus, in hope to recover some lost market share to Chinatown buses and to fender off the anticipated entry of MegaBus that competes with Greyhound in the Mid-West region. BoltBus (boltbus.com), currently serves five destinations between Boston and Washington, D.C., and offers Wi-Fi access, power plug-ins, other amenities, and even a frequent rider program.

In the same year, another motor-coach heavyweight Coach USA entered the low-fare fray. The British transportation conglomerate launched Megabus (megabus.com/us) in the U.S east coast. It currently serves the domestic market of approximately 30 major cities in North America. Both BoltBus and MegaBus tried 'From $1' as the marketing tool to attract the customers. Some Chinatown bus lines matched the 'From $1' pricing model head-on, while others continued their fixed price model. A dynamic price war started among all bus service providers.

Ten years ago, Chinatown buses were lesser known and little noticed. Nowadays, they clearly become a dynamic force in the American long distance bus transportation industry. A competitive marketplace emerged following Chinatown bus wave, which offered the customers an alternative money-saving and convenient travel vehicle.

6. THE RENAISSANCE OF INTERCITY BUS SERVICE AND INDUSTRIAL INTEGRATION

The convenience of Chinatown buses stimulated the demand for the inter-city bus services. A satisfied student traveler wrote in her BLOG that it cost only a small sum of $15 to ride the Chinatown bus to New York City for a fun day of visiting friends and shopping at her favorite stores. In 2006, this author had an opportunity to interview an Egyptian woman who sat beside the author when both of us were on our way from NYC to Boston via a Chinatown bus. The woman is a Math teacher in NYC while her husband works in Boston. The couple could afford only to meet one another once every month before. But now they can afford to meet each other once every week, thanks to the low cost and convenience of Chinatown buses. According to
"Travelers who wouldn't have given a thought to bus travel [before] are now stepping on board."8 "I've become a complete convert to bus travel," said Sue T. Cohen, a psychotherapist who was waiting in line to board a Vamoose Bus on the street near Penn Station. "I used to think buses were terrible." Now she says there is less wear and tear in getting to the bus. It actually takes less time and is easier than facing the congestion and confusion of train stations or airports.9

The no-frills, low-cost bus lines that are buzzing along highways in every region of the United States are causing more Americans to reconsider intercity bus travel as a viable alternative. They helped revitalize a long-forgotten yet important part of the U.S. transportation industry. The seating rate of the bus lines has increased 6.9%, one report indicated. A recent study by the Chaddick Institute for Metropolitan Development at DePaul University in Chicago, which tracked down the industry performances, concluded that "The renaissance of intercity bus service dates to May 1, 2006, when Megabus introduced service." In fact, that bus line's traffic grew by 97% between 2007 and 2008, and this January, Megabus boarded its 2 millionth customer. As for its competitor BoltBus, the study noted that it has not released its traffic statistics but has reported profitability and steady growth.

According to BTS, more Americans are traveling more miles by bus, and those numbers have been steadily increasing in recent years. Scheduled bus services rose by 8.1% in 2007 and again by 9.8% in 2008 (BTS). Also according to the Chaddick Study, bus ridership has gone up 13 percent since 2006 — the first increase in 40 years.10

"Nationally, intercity buses today carry more people in two weeks than Amtrak carries coast-to-coast in a year," said Robert Schwarz, executive vice president of Peter Pan, citing a 2009 study by the American Bus Association. “Bus travel is a better deal, and people today are looking for deals.” Long-distance bus ridership in the United States expanded by nearly 5% last year over 2008 levels, according to Joseph Schwieterman, director of the Chaddick Institute and the conductor of Chaddick Study. The bus industry has outperformed all other modes of transportation, according to professor Schwieterman.11

Buses are the most eco-friendly mode of transportation on certain routes. And there is no contest if you are comparing the carbon footprints of buses to cars. In fact, a recent study from the American Bus Association found motor coaches provide 206.6 passenger miles per gallon of fuel, compared to 92.4 for commuter rail and just 27.2 for single passenger cars. The Chaddick Institute estimates these new low-fare bus lines are reducing carbon dioxide

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8 Suddenly, It’s Cool to Take the Bus--BusinessWeek 2008-09-23
10 Jet Set, Meet the Bus Bunch- NYTTimes 2008-09-26
emissions by an estimated 36,000 tons a year.\textsuperscript{12} The emergency of Chinatown bus services and the revitalization of bus transportation benefit the nation as a whole in terms of saving energy and environmental protection.

Inevitably, as more players are chasing the same customers and markets, the industry consolidation happened via mergers and acquisition. In fall 2008, shortly after Eastern began offering Wi-Fi on its coaches, Coach USA purchased the bus line using the operating authority of a then-inactive company whose operations were sold to Peter Pan in the early 2000s. It gave Coach USA its first foothold in the Chinatown bus market.

In 2009, Coach USA purchased Today’s, placing Coach USA right in the busy Chinatown bus market in Philadelphia area. Earlier in 2008, Coach USA had introduced its Megabus service into the northeastern U.S out of a hub near Penn Station in Manhattan which competed at the time with two of the companies purchased by Stagecoach to form what is now Eastern Shuttle. With the acquisition of Eastern and of Today’s, Coach USA expanded its Megabus service to Philadelphia and D.C. significantly. However, in August 2009, Coach USA divested itself of Eastern Shuttle operations, and the two lines are no longer affiliated with each other.

How the mergers and acquisitions will continue to evolve remain to be seen. What impact the industrial consolidation will have upon Chinatown bus lines is also hard to predict. No doubt, however, being born out of limited niche market serving Chinese immigrants’ transportation needs, Chinatown buses have grown up into a major force in the inter-city bus transportation market in the U.S. Their unexpected emergence and growth without exaggeration have helped revitalize the America’s ailing bus transportation industry.

\textsuperscript{12} Are buses the new way to go? -- USA TODAY 2009-04-30
Eastern US Chinatown Bus System


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