
Rimrock Stages

2011 Draft Business Plan

June 27, 2011

5044 Midland Road
PO Box 988
Billings, MT 59103-0988
406-245-5392 (p) 406-245-7696 (f)
rimrocksta@aol.com
www.rimrocktrailways.com



Photo: KFreon. "Busiest Time of the Day at Butte." 11 June 2010. Online image. Flickr. 15 Jan 2011.
<http://www.flickr.com/photos/kfreon/4695532552/in/set-72157612390064794/>. Edited by Lisa Ballard.

Acknowledgements

This plan was developed by a team led by Current Transportation Solutions, Bozeman, Montana, as part of a project funded in part by the Montana Transportation Department Transit Section. Project participants and their roles are listed below.

- Lisa Ballard, P.E., Kimberly Brown, and Ted Lange, Current Transportation Solutions, Bozeman, MT – project management, technical analysis, documentation, and overall project implementation.
- Barb Beck, Beck Consulting, Red Lodge, MT – public outreach.
- Aaron Antrim, Trillium Solutions, Portland, OR – technology assessment and technical writing.
- Karen Capuano, The Open Book-keeper, Bozeman, MT – business planning, financial planning.
- Stephanie Millar, Lawson-Millar, Portland, OR – compilation of survey results
- Steve Earle, The Bus Man, Missoula, MT – input on operations and maintenance

Table of Contents

Acknowledgements	i
Table of Contents.....	ii
Table and Figures.....	iv
1 Company Profile	1-1
1.1 Operational Entity.....	1-1
1.2 Organizational History	1-1
1.3 Purpose	1-2
2 Company Mission, Vision, and Goals	2-1
2.1 Summary of Goals.....	2-1
2.2 Goal 1- Increase Ridership	2-2
Objective 1.a. Improve knowledge of existing services	2-2
Objective 1.b. Increase Ridership by College Students	2-3
Objective 1.c. Increase Ridership by People with Disabilities	2-3
Objective 1.d. Improve coordination with other operators.....	2-4
Objective 1.e. Improve customer service.....	2-4
2.3 Goal 2 - Improved Management.....	2-4
Objective 2.a. Improve Maintenance Shop Performance	2-4
Objective 2.b. Provide needed staff, tools, and training.....	2-5
Objective 2.c. Attract and retain high quality staff	2-5
Objective 2.d. Anticipate trends and act in advance.....	2-5
2.4 Goal 3 - Expand and Optimize Service Options for Montanans	2-5
Objective 3.a. Optimizing Scheduling of Current Routes	2-6
Objective 3.b. Consider expanded service when comfortable with current operations	2-6
2.5 Implementation Plan	2-6
Year One Summary.....	2-6
Goal 1 – Increase Ridership	2-8
Goal 2 – Improve Management Systems and Culture.....	2-10
Goal 3 – Create New and Expanded Service Options.....	2-11

3	Definition of the Market	3-1
3.1	Residents.....	3-1
3.2	College Students	3-2
3.3	Visitors	3-2
3.4	Customers.....	3-2
	Charter.....	3-2
	Shop.....	3-3
	Intercity	3-3
3.5	Competition	3-4
4	Description of Services	4-1
4.1	Routes	4-1
4.2	Level and Use of Service	4-5
4.3	Stations and Ticket Agents.....	4-5
4.4	Other Organizations.....	4-6
4.5	Transportation Advisory Committee (TAC) Meetings.....	4-7
4.6	Coordination	4-8
5	Organization and Management	5-1
5.1	Control Processes.....	5-3
5.2	Regulatory Environment	5-5
6	Marketing and Sales	6-1
6.1	Positioning Strategy	6-1
6.2	Sales Process.....	6-2
6.3	A Marketing Framework for Goal Setting.....	6-2
6.4	Marketing Budget as Percent of Sales	6-3
6.5	Initial Marketing Strategies.....	6-3
7	Financial Management	7-1
7.1	Annual Income Target.....	7-1
7.2	Income and Balance Statements	7-3
7.3	Budget Assumptions	7-6
	Revenue	7-6
	Costs	7-6
7.4	Sensitivity Analysis.....	7-7
7.5	Cost Allocation Model.....	7-7
7.6	Implications of Greyhound Service Termination	7-9
7.7	Financial Projections for Implementation Plan Alternatives	7-15
	Appendix A: Methodology for Cost Model	A-1

Table and Figures

Table 3-1: Montana’s Largest Colleges.....	3-2
Table 4-1: Summary of Routes (with new services)	4-2
Table 4-2: Rimrock Schedule of Services as of June 21, 2011	4-4
Table 4-3: Depots in Large Montana Communities.....	4-6
Table 5-1: Board of Directors	5-1
Table 5-2: Employees by MDT-Defined Categories.....	5-1
Table 5-3: Rimrock Wage Scale	5-1
Table 5-4: Rimrock Vehicle Inventory	5-4
Table 7-1: Income Statement (with Expanded Services).....	7-4
Table 7-2: Balance Sheet (with Expanded Services).....	7-4
Table 7-3: Revenue per Mile Summary	7-6
Table 7-4: Increases in Facility Costs by Location.....	7-7
Table 7-5: Comparison of Cost and Revenue Under Differing Assumptions.....	7-7
Table 7-6: Cost Models Based on Rimrock Financial Reports (Rimrock FY 2010)	7-8
Table 7-7: Cost Model with New Services	7-8
Table 7-8: Annual Service Hours and Miles by Route (status quo)	7-10
Table 7-9: Annual Service Hours and Miles by Route (expanded service).....	7-11
Table 7-10: Cost and Revenue by Route (Status Quo)	7-12
Table 7-11: Cost and Revenue by Route (New services).....	7-13
Table 7-12: Target Passenger Revenue per Mile for Expanded Services	7-14
Figure 4-1: New Rimrock routes as of June 21, 2011	4-3
Figure 5-1: Rimrock organization chart	5-2
Figure 7-1: Historical and projected company net worth (status quo).....	7-2
Figure 7-2: Historical and projected company net worth (with expanded services).....	7-2
Figure 7-3: Annual profit margin (status quo).....	7-3
Figure 7-4: Annual profit margin (with expanded services).....	7-3

1 Company Profile

1.1 Operational Entity

Rimrock Stages, Inc. is a family owned for-profit corporation located in Billings, Montana that operates intercity scheduled routes in Montana and North Dakota and provides chartered contracts for bus services throughout the United States and Canada. The company operates a bus repair shop located in Billings, Montana.

Rimrock is currently owned and operated by Thorm Forseth, President and CEO and Eric Forseth, vice President and COO. Eide Bailley, LLP serves as the Certified Public Accountant. Legal Representation is provided by William O'Connor of O'Connor & O'Connor. The company operates on a fiscal year that starts October 1. Rimrock's Tax ID number is 810345421.

Rimrock is a member of Trailways, an association of independent motorcoach companies providing public scheduled route, charter and tour transportation services in the United States and Canada. Rimrock is also a member of the American Bus Association and the Montana Transit Association.

Rimrock Stage's intercity operations are partially subsidized by funding available through the Federal Transit Administrations 5311(f) Rural Intercity program. Montana Department of Transportation, Transit Section administers this program in Montana. In the past Rimrock has received funding for vehicles from North Dakota Department of Transportation.

1.2 Organizational History

Rimrock Stages, Inc. was founded in July 1972 by Thorm Forseth utilizing one new Dodge van operating a route between Billings and Helena. Routes have changed over the years as the company adapted to significant upheaval in the bus industry. Rimrock Stages joined the Trailways system in 1993 to strengthen its identity within a nationally recognized brand. Expansion into Eastern Montana and North Dakota occurred in 2004 when Greyhound lines stopped service for that route.

On June 21, 2011 Rimrock expanded Montana services when Greyhound discontinued its routes between Missoula and Billings.



1.3 Purpose

The purpose of this business plan is to create a document that will guide the direction of Rimrock Stages, identify short and long-term goals, and provide a context for business decisions to be measured.

This project is funded in part through the Montana Department of Transportation. As such, efforts and analysis are focused on Rimrock's intercity operations in Montana.

Rimrock executive and operations management will review and update this plan at least once per year to adapt to changing business and market conditions, to maintain stability within the company, and to focus on leading Rimrock in the right direction.

The financial manager will use this plan and the goals established within to evaluate fiscal reports, set budgets, and prioritize expenditures under the guidance of management.

Finally, this document will support Rimrock requests for operating assistance from Montana and North Dakota Departments of Transportation, as well as funding from lenders.

The importance of regularly updating this plan is illustrated by the significant change in Montana's intercity bus service that occurred as this plan was nearing completion. Greyhound's May 2011 decision to drop its Billings to Missoula routes resulted in extensive revisions to the working draft for this plan, and the business planning process helped guide Rimrock in its decision to expand its services to fill the gap left by Greyhound. This business plan now fully incorporates the financial, management and marketing implications of this expansion of Rimrock's intercity service. However, the projections contained in this plan will need to be updated as implementation of this expansion provides new data and new issues and opportunities inevitably arise as a result of this significant change.

2 Company Mission, Vision, and Goals

As part of the 2011-2016 Transportation Development Plan, Rimrock refined its mission statement and also developed a vision statement for future business success.

Mission Statement:

Rimrock Stages provides quality, environmentally conscious transportation at a reasonable cost. We are passionate about customer service, safety and comfort. Rimrock will remain the largest carrier in Montana and North Dakota, covering the most area.

Vision Statement:

In 2016, Rimrock is a profitable business enterprise because people who have a need for intercity bus transportation in Montana and North Dakota know about Rimrock's services and choose to ride on Rimrock when it is an option that meets their needs.

Rimrock Stages owners envision that in ten years Rimrock has systems in place which allow the business to be run efficiently. All equipment is up to date, the operation is staffed and run by quality employees, and the business is well on its way toward achieving financial stability. Furthermore, the expansion of services and improved profitability allow Rimrock Stages to relocate operations to company owned property and buildings.

2.1 Summary of Goals

In support of the mission and vision, Rimrock has identified three major areas of focus:

1. **Increase Ridership** - More people want and choose to use Rimrock's intercity bus service. Improved customer service makes Rimrock Stages a safer and more enjoyable experience, earning repeat customers.
2. **Improve Management** - Rimrock is running more smoothly and efficiently, enabling the business to operate more profitably and to respond to market changes. The company is able to attract and maintain high-quality staff and has created an operation in which roles and expectations are clearly defined. Staff is invested in their jobs because they have opportunities for advancement.
3. **Expand and Optimize Service Options for Montanans** - Montanans use Rimrock to travel within Montana, and to nearby places, and are able to make day trips using the state's intercity bus network and its connections to rail service. Rimrock has strategically expanded service options while maintaining or improving profitability.

This business plan includes a condensed version of materials presented more thoroughly in the Transportation Development Plan that accompanies this business plan. That document presents alternatives encompassing marketing initiatives, changes to existing routes, implementation of new routes, and coordination activities that will help Rimrock be a more efficient business.

2.2 Goal 1- Increase Ridership

More people want and choose to use Rimrock's intercity bus service. Improved customer service makes Rimrock Stages a safer and more enjoyable experience, earning repeat customers.

Increasing ridership is central to achieving profitability, and to providing the best possible service to benefit Montana residents, visitors and benefiting the economies of Montana communities. A number of strategies offer potential for increasing ridership. These include improving public awareness of existing services, increasing ridership by specific demographics, improved coordination, and improving customer service. Marketing should be targeted toward populations with the greatest potential for increased ridership. These populations of potential customers include young adults, seniors, people with low incomes, people with disabilities, college students, and tourists.

Objective 1.a. Improve knowledge of existing services

Lack of awareness of Rimrock Stages services is a barrier to increasing ridership. The consultant team conducted a review of current service information materials including printed information, and online information at www.rimrocktrailways.com.

As revealed through the public workshops process, Rimrock Trailways' present brand recognition is low. Lack of awareness of Rimrock's services is a significant barrier to increasing ridership. Before potential customers are able to even consider Rimrock Trailways, they need to be aware of its existence as a travel option.

The TDP presents recommendations to enhance the Rimrock Trailways brand and improve its recognition in the travel marketplace. These include engaging a marketing and branding firm to redesign the Rimrock Trailways logo and associated branded image. Following the development of this foundation, awareness of the Rimrock Trailways brand and service would be developed through the development of partnerships with universities, local transit agencies, and other key strategic partners. Awareness would also be increased with eye-catching bus wraps, an email list, traditional marketing, and other tactics.

Most customers appear to be satisfied with the schedule information that is currently available. 68% of customers were "satisfied" or "very satisfied" with the ease of understanding

the schedule. However, the consultant team believes opportunity for improving this fundamentally important customer information remains.

On-board and online survey asked customers what information they wished to see presented on the website. 81% of online respondents reported they would like to see schedules included on the website. 70% of online respondents reported they would like to see route maps included on the website.

Suggested Performance Measures - Improved customer survey responses regarding ease of use of schedules, increased traffic to website, and increased online ticket sales.

Objective 1.b. Increase Ridership by College Students

College students, especially in Missoula and Bozeman, are one of the Montana populations offering the greatest market potential for Rimrock Stages. Several examples offer instructive strategies for accessing this market.

Developing strong cooperative relationships with key individuals within University administrations and staff will be essential for Rimrock Stage's success in targeting student populations. The potential of marketing to college students is demonstrated by Salt Lake Express, which runs a profit-making service between Rexburg and Salt Lake City. This success is supported by Salt Lake Express's excellent relationship with Brigham Young University-Idaho.

Student populations at the University of Montana and Montana State University are a key customer base for many local businesses. Recognizing this, many local advertising firms have developed expertise and experience at targeting students in communities like Missoula and Bozeman. These alternatives focus on students from MSU and U of M but if successful should be expanded to include students at other campuses.

Suggested Performance Measures - Loadings and debarkings in Missoula and Bozeman increase 25% by June 2012.

Objective 1.c. Increase Ridership by People with Disabilities

People with disabilities are one of the populations with the greatest potential to increase ridership on Rimrock's intercity buses, however results from our public workshops indicated there is minimal awareness that many of Rimrock's coaches are equipped with lifts for wheelchairs.

Suggested Performance Measures - Ridership by people with disabilities increase by 10%.

Objective 1.d. Improve coordination with other operators

Coordination with other operators offers significant opportunities to increase ridership through cooperative marketing simply by ensuring that customers are provided with good information and the most seamless and efficient service possible.

Suggested Performance Measures – Overall ridership is increased 10% by June 2012. Net operating deficit for each route improves 10% by June 2012.

Objective 1.e. Improve customer service

Customer service covers many aspects of Rimrock’s operations and offers obvious opportunities for increasing ridership by improving the company’s reputation and customers’ willingness to recommend Rimrock to others. Moreover, good customer service is essential to overcoming the generally negative perception of bus travel among most populations that meet the criteria of “choice riders”.

Overall, results from our passenger surveys and public workshops indicated that Rimrock customers are fairly satisfied. Seventy-two percent of on-board respondents said they were likely or very likely to recommend Rimrock to their friends. However, there are a number of areas where responses clearly showed opportunities for improvement.

Suggested Performance Measures – Improved customer satisfaction scores on surveys and positive comments from focus group participants.

2.3 Goal 2 - Improved Management

Rimrock is running more smoothly and efficiently, enabling the business to operate more profitably and to respond to market changes. The company is able to attract and maintain high-quality staff and has created an operation in which roles and expectations are clearly defined. Staff is invested in their jobs because they have opportunities for advancement.

Objective 2.a. Improve Maintenance Shop Performance

When this project started, overtime pay for shop staff was excessive, the shop was sending vehicles to outside shops for some maintenance items that could have been completed in house, and staff was not using the maintenance management database owned by Rimrock. When breakdowns occurred on the road the Vice President held responsibility for finding a replacement bus and recovering the vehicle. Improving performance will save money and time.

Performance Measures - Improved shop manager accountability reduces number of hours the Vice President spends responding to maintenance breakdowns. Overtime and outside shop expenditures are reduced. Maintenance expenditures align with industry standards.

Objective 2.b. Provide needed staff, tools, and training

During the development of this TDP, one theme continued to occur. While Rimrock does have systems in place to track ridership and important business metrics, those systems are not typically compatible so information cannot be analyzed in an efficient or effective manner. Implementing upgraded software will reduce duplication and make evaluating changes to the business more straightforward.

Performance Measures – Reduced data entry time among management team, and improved job satisfaction from President and Vice President.

Objective 2.c. Attract and retain high quality staff

There is an overall concern at present with employee retention and forecasted retirements in the organization. Rimrock should put a plan in place that will attract new employees who are well trained in anticipation of future needs.

Performance measures - Improved qualifications among applicant pool and improved employee satisfaction.

Objective 2.d. Anticipate trends and act in advance

The management team should convene at least semi-annually to discuss trends observed that could affect profitability and develop a strategy to address in advance. We recommend these meetings be held in January/February and July/August to coincide with funding application due dates and fiscal year end.

Performance Measures - Increased accuracy in budget and ridership estimates

2.4 Goal 3 - Expand and Optimize Service Options for Montanans

Montanans use Rimrock to travel within Montana, and to nearby places, and are able to make day trips using the state's intercity bus and rail network. Rimrock has strategically expanded service options while maintaining or improving profitability.

Our needs assessment shows that Rimrock's service plays an important role in access to services and economic opportunities within Montana's borders and in our region, carrying many people who begin or end their trips in Montana and North Dakota. However, service is limited for Montana residents, especially for riders seeking to make day trips between Montana's seven largest cities. While Rimrock's routes provide service to these seven cities as well as the two largest cities in North Dakota, services are limited to the major corridors of I-90, I-94, I-15, and US 93, and the frequency and/or timing of service is not adequate for many to make trips on

these routes. Furthermore, there is no direct service to the state capital in Helena from Missoula, Billings, or Bozeman.

Objective 3.a. Optimizing Scheduling of Current Routes

Several of Rimrock’s current routes have schedules that make it difficult for riders to make reasonable day trips or connections. Optimizing these schedules will likely increase ridership. The timeliness of connections with other intercity bus routes was noted as “very important” by 46% of on board respondents and “important” by an additional 20%. Only 32% were “very satisfied” and 26% “satisfied” with those connections.

Objective 3.b. Consider expanded service when comfortable with current operations

If Rimrock meets ridership projections and/or Rimrock receives additional funding from the federal 5311(f) program, Rimrock can expand services to better meet the needs of Montanans.

2.5 Implementation Plan

The following tables summarize the alternatives presented in the TDP. Dates reflect the target for systems to be in place. Implementation dates are staggered to accommodate a reasonable workload for the Rimrock staff.

Year One Summary

Through Fiscal Year 2011 (October 1, 2010-September 30, 2011) the following tasks should be initiated. These tasks have been identified by riders, stakeholders, and the Current Transportation team as those deserving immediate attention by Rimrock.

June 2011

- Recruit high quality staff
- Define job descriptions for all company positions
- Assess and address bus cleanliness and maintenance
- Implement new routes as necessitated by Greyhound’s decision to reduce Montana service
- Create easy to understand schedules and brochures

July 2011

- Communicate through TACs and intercity carrier meetings

August 2011

- Increase marketing skills at management level
 - Work with university staff to implement on-campus actions
 - Implement a marketing campaign to appeal to students
-

September 2011

- Set up regular communication mechanism with all employees to disperse information and collect suggestions and/or complaints
- Upgrade office software
- Provide staff with customer service training
- Targeted promotion of Rimrock's services

Goal 1 – Increase Ridership

Through improved marketing to targeted demographics, coordination with other operators, and an increased level of customer service, Rimrock ridership increases. Subsequently, revenues increase.

Goals, Objectives, and Alternatives	Date	Responsibility	Measure
Goal 1: Increase Ridership			
Objective 1.a Increase ridership of college students			
1) Implement a marketing campaign to appeal to students	8/11	Executive Committee	Loadings and debarkings in Missoula and Bozeman increased 25% by 6/12
2) Work with university staff to implement on-campus actions	8/11	Regional Management	
3) Offer and promote bicycle service	2012	Executive Committee	
4) Increase marketing skills at management level	8/11	Executive Committee	
Objective 1.b Increase ridership among people with disabilities			
5) Targeted promotion of Rimrock's services	9/11	Regional Management	Ridership among people with disabilities increased 10% by 6/12
6) Provide staff with customer service training	9/11	Executive Committee	
Objective 1.c Improve knowledge of existing services			
7) Create and implement a marketing, outreach, and promotion plan	2012	Marketing Consultant	Increased awareness among targeted population
8) Create easy-to-understand brochures and schedules.	6/11	Marketing Consultant	
9) Create and maintain standardized look-and-feel for the brand	2012	Marketing Consultant	
10) Wrap buses in meaningful and attractive images to increase Rimrock Stages brand recognition	2013	Executive Committee	Increased ridership
11) Use the internet more effectively	2012	Marketing or Technology Consultant	

Goals, Objectives, and Alternatives	Date	Responsibility	Measure
12) Pilot innovative services to expand market share of choice riders	2012	Marketing Consultant	
Objective 1.d Improve coordination with other operators			
13) Communicate through TACs and intercity carrier meetings	7/11	Local Management/ Representative	Overall ridership increased 10% by 6/12
14) Coordinate through Linx	Ongoing	Executive Committee	
15) Assign coordination responsibilities to managers and ticket agents	2012	Executive Committee	Net operating deficit for each route improves 10% by 6/12
16) Improve depot experience	2013	Regional Management	
Objective 1.e Improve customer service			
17) Provide real time traveler information	2013	Technology Consultant	
18) Assess and address on-time performance	2012	Executive Committee	
19) Assess and address safety perceptions	2012	Executive Committee	
20) Assess and address bus cleanliness and maintenance	6/11	Maintenance and Driver Supervisor	Improved customer satisfaction
21) Offer ticket price incentives	2013	Executive Committee	
22) Assess and address phone service	2012	Executive Committee	
23) Improve ride comfort	Ongoing	Executive Committee / MDT	

Goal 2 – Improve Management Systems and Culture

A more efficient operation, with high-quality staff that is invested in the success of Rimrock leads to a reduction in costs and improves the overall bottom line.

Goals, Objectives, and Alternatives	Date	Responsibility	Measure
Goal 2: Create efficient, effective management systems and culture			
Objective 2.a Improve maintenance shop performance			
1) Define job descriptions for all company positions	6/11	Executive Committee	Improved employee satisfaction Reduced equipment failure rate
2) Reduce vehicle fleet age by obtaining new vehicles when possible	Ongoing	Executive Committee / MDT	Reduced number of hours from Vice President responding to maintenance breakdowns
Objective 2.b Provide needed staff, tools, and training			
3) Upgrade office software	9/11	Technology Consultant / Executive Committee	Reduced data entry time among management team
4) Better define roles and responsibilities	2012	Executive Committee	Improved job satisfaction from President and Vice President
Objective 2.c Attract and retain high quality staff			
5) Recruit high quality staff	6/11	Executive Committee	Improved qualifications among applicant pool Improved employee satisfaction
6) Set wage structure to align with other employers	2012	Executive Committee	
7) Set up regular communication mechanism with all employees to disperse information and collect suggestions and/or complaints	9/11	Executive Committee	
Objective 2.d Anticipate trends and act in advance			
8) Convene the management team semi-annually to discuss trends that could affect profitability. Chart a strategy to address.	Every February	Executive Committee	Increased accuracy in budget and ridership estimates

Goal 3 – Create New and Expanded Service Options

By expanding existing service options and creating new routes, Rimrock is better able to serve the needs of Montanans in targeted areas leading to increased ridership in currently underserved communities.

Goals, Objectives, and Alternatives	Date	Responsibility	Measure
Goal 3: Create new and expanded service options for Montanans			
Objective 3.a. Consider altering existing routes to create new service to better serve needs of target customer populations			
9) Modify Missoula-Whitefish route for better connectivity to the west.	2012 (Scenario 1)	Executive Committee	Increased ridership Unduplicated service No net loss in revenue
10) Change Missoula-Billings route to travel through Helena and continue operating routes formerly served by Greyhound	6/11 (Scenario 2,4)	Executive Committee	
11) Coordinate on service-specific issues	2012 (Scenario 1)	Executive Committee	
Objective 3.b. Consider expanded service when comfortable with current operations			
12) Summer service to and through Yellowstone	2012 (Scenario 1)	Executive Committee	Increased number of Montanans with service
13) Summer service Whitefish-Apgar Transit Center, West Glacier	2013 (Scenario 1)	Executive Committee	Decreased travel times for most Montanans
14) More direct services between Montana's major cities and nearby metropolitan areas	2014 (Scenario 2)	Executive Committee	Improved hours of service Decreased layovers
15) Add stops at major airports	2014 (Scenario 2)	Executive Committee	Maintain or decrease overall operating deficit
16) Instate service between Great Falls and Calgary	2016 (Scenario 3)	Executive Committee	Positive net revenue on defined routes by end of trial period

3 Definition of the Market

Rimrock is the primary intercity bus operator in Montana and North Dakota with connections to other services linking to the rest of the country. The routes Rimrock provides hold national significance because they carry people across the country along one of only four cross-country corridors.

On the east coast and other high-density corridors, the intercity bus service is rapidly growing. While we expect most corridors in Montana and North Dakota to continue needing FTA funding to meet societal goals for access to rural services, we predict the trends from the more populated areas to carry through to Rimrock's service area, especially if Rimrock ties into the mobile communications framework.

The residential, student, and visitor patterns in Montana offer an understanding of the market for Rimrock Trailways.

3.1 Residents

Montana, the fourth largest state geographically in the United States, has a population of 974,989 people and a population density of around seven people per square mile.¹ Montana has three metropolitan areas (Billings, Missoula, and Great Falls) and four micropolitan areas (Bozeman, Kalispell, Helena, and Butte). Sixty-four percent of Montanans live in these seven areas. While statewide population growth between 2000 and 2009 has been slower than the country as a whole (8.1% vs. 9.1%), the seven largest counties have experienced dramatic growth. The heaviest growth is in Bozeman's Gallatin County, which has increased by 78% since 1990. By contrast, the eastern and northern parts of the state have lost population. (U.S. Census Bureau, 2010)

Montana and North Dakota, the states that Rimrock serves, have changing populations and evolving needs. Montana is projected to have one of the highest percentages of elderly populations in the United States, with the number of Montana residents 65 years and older projected to grow to 269,558 by 2030. (U.S. Census Bureau, 2005) Transit services will be vital for elderly residents to receive goods and services, including necessary medical care, and for visiting family and friends.

Seven Indian reservations are located in Montana. The American Indian population is disproportionately low income and isolated and will use intercity bus service if it is available. Currently, the Flathead reservation is served by Rimrock's Missoula-Whitefish routes; the Crow

¹ U.S. Census Bureau, 2009 estimate: 974,989; Land area: 145,552 square miles; population density: 6.7 people per square mile.

and Northern Cheyenne can access Rimrock services if members can find transportation to Billings.

3.2 College Students

Rimrock’s routes serve the communities that host Montana’s five largest colleges and universities, listed in Table 3-1.

Table 3-1: Montana’s Largest Colleges

University/College	Student Population (2010)
University of Montana-Missoula	15,642
Montana State University – Bozeman	13,559
Montana State University – Billings	5,335
Montana Tech of the University of Montana (Butte)	2,864
Carroll College (Helena)	1,477

Source: Education-Portal.com

3.3 Visitors

Nearly 10 million nonresident travelers visited Montana in 2009. The largest portion of the estimated annual \$2.27 billion nonresident expenditures goes to gasoline and oil (32%). By comparison, transportation fares comprise only 1% of expenditures. Montana ranked fifth nationally in per-capita tourist receipts in 2008, according to the US Travel Association.

The majority of vacationers are drawn to Montana because of the state’s mountains and forests or Yellowstone National Park. Other attractions include Glacier National Park, open space and un-crowded areas, wildlife, and rivers and lakes. Attractions for vacationers during the 3rd and 4th quarter are quite similar. (Institute for Tourism and Recreation Research, 2010)

If 1 in 100 of those visitors were to use intercity buses, that is a potential for 1 million customers. Most likely riders are residents of nearby states, people too young to rent a car, visitors from foreign countries, and people with extra leisure time (e.g., retirees). Greyhound offers a “See America” pass designed for the tourist by bus.

3.4 Customers

Charter

For Rimrock Charter service, the ideal customer is a school, community organization, or tourist group that needs transportation for sports, tourism, or other activities.

Shop

For the bus repair shop, the ideal customer is a school district, charter bus, or intercity bus carrier that doesn't have the resources in or near Billings to repair the buses in the area.

Intercity

Data from the 1995 American Travel Survey found that bus riders are more likely to be young adults or seniors, have lower incomes, and lack alternative personal transportation. Previous users of bus, rail, or shared van are more likely to choose a bus for future trips.

The 2001 National Household Travel Survey provides some characteristics on trips over 50 miles in length. The national statistics indicate that people using scheduled bus service over 50 miles are more likely to be traveling for leisure or personal business, are more likely to be female, and are making longer trips than users of train or personal vehicle, but shorter trips than airline passengers. The median trip length for intercity bus is 287 miles. This data is in line with Greyhound's descriptions of its customers, and with a recent study in North Dakota.

The Mattson et al recent study in North Dakota and Northwest/West Central Minnesota North Dakota (Mattson, 2010) found that 80% of responders preferred travel by automobile, 6.7 % by van, 5.4% by rail, 4.0% by air, and 3.5% by bus. Results vary by cost, distance, age, gender, income, and trip purpose. The mode choice of bus fared better as gas prices increased to \$6/gallon, and for trips between 30 and 240 miles. Income was also a factor, with those making less than \$30,000/year being more likely to choose bus.

The study asked respondents to agree or disagree with a series of statements. The top 10 statements respondents agreed with are:

- If my travel options are delayed, I want to know the cause and length of delay.
- It is important to have comfortable seats when I travel.
- When traveling, I like to keep as close as possible to my departure schedules.
- A clean vehicle is important to me.
- I prefer a travel option that has a predictable travel time.
- Having a stress-free trip is more important than reaching my destination quickly.
- I would like to make productive use of my time when traveling.
- I would change my form of travel if it would save me some time.
- Having privacy is important to me when I travel.
- I avoid traveling at certain times because it is too stressful.

The following are the five statements respondents were likely NOT to agree with are:

- People who travel alone should pay more to help improve the environment.
- The people who ride intercity buses are like me.

- I worry about getting in an accident when I travel.
- The people who use intercity rail service are like me.
- I would be willing to pay more when I travel if it would help the environment.

Looking at these responses, several conclusions can be drawn about factors that impact passenger mode choice:

- Passengers desire clear information and communication, including information about problems.
- On-time, reliable and consistent service is important.
- Passenger amenities such as wireless internet, comfortable seating, and clean vehicles have a positive impact on passenger satisfaction.
- Decreasing environmental impact is not a goal that passengers value significantly enough to change their choices about transportation services.

Increasing ridership by choice riders will improve the economics of providing service to communities and populations with the greatest need. While the traditional bus rider has limited travel choices because of income or disability, trends point towards attracting a wider customer base. Time Magazine reported in its November 23, 2009 edition, bus travel, at least in the Northeast and Midwest, has become a hip, affordable mode of transportation. Operators are attracting a new demographic of riders by offering amenities such as power outlets, free Wi-Fi, or movies. Travel time is not competitive with air travel for the longer trips, but Time reports the bus competes well for trips less than 300 miles. This distance is probably a bit longer in the mountain west, where few trains exist and a flight between Missoula and Billings requires a stopover in Salt Lake City. That trip by bus, which is 344 miles, becomes more competitive when service is frequent and priced well.

3.5 Competition

Competition varies between intercity, charter, and shop services.

For intercity transportation, travelers have the choice between taking a private automobile, renting a vehicle, flying, taking a train, or taking another intercity bus. For much of the area Rimrock serves, Amtrak is a viable alternative only if the rider is travelling through the region since Rimrock's east-west corridor is along I-90 and I-94, while Amtrak's Empire Builder serves the high line. Commercial air also is limited in its competition with intercity bus service given the cost, the limitation of cities with airports, and the routing through out-of-state hubs to travel between communities in North Dakota and Montana. If the Amtrak southern route, currently under study were to return, that service would compete with Rimrock.

Intercity bus companies, while competitors in some sense, build the greatest ridership when they coordinate to allow transfers between different routes.

One group of potential “competitors” is other organizations committed to providing services to people in need in the community. This includes churches, service clubs, assistance groups that provide food, help with paying bills, family counseling, and local/federal aid programs. Other potential competition could arise if other intercity operators serving Montana, described in the Rimrock TDP, choose to expand service. The concern we should have with the existence of these “competitors” is to ensure that we are not working at cross purposes and, where possible, determining how we can work together to achieve a common objective.

Rimrock’s charter market focuses on Billings. Powder River Transportation and First Student offer charter service from Billings. Other regional competitors include Karst Stage, offering charters out of Bozeman, Tucker Transportation out of Butte, and Beach Transportation located in Missoula.

4 Description of Services

Rimrock Stages operates three types of service:

- Scheduled intercity service, marketed as Rimrock Trailways
- Charter service, including transportation for Billings school activities
- Bus service and repair for other intercity, charter, and school buses

This section provides a brief summary of intercity services. More details can be found in Section 5 of the Transit Development Plan.

In Montana, Rimrock Stages is the primary intercity operator. Rimrock Trailways provides scheduled service across Montana and North Dakota with connections to other services linking to the rest of the country. In spite of the remoteness and low population density of Rimrock's service area, the routes Rimrock provides hold national significance because they carry people across the country along one of only four cross-country corridors. Rimrock also allows Montanans to connect to communities within Montana and also to communities outside the state.

As of January 2011 the system has 17 vehicles, providing 47,700 passenger trips per year in the state of Montana. Rimrock operate 365 days per year, cancelling service only when travel conditions are dangerous.

4.1 Routes

As of June 21, 2011, Rimrock operates the routes described in Table 4-1. Those routes in *blue italics* are new. The list includes routes 15 and 16 between Whitefish and Missoula that have not yet begun but are proposed within the next year if there is adequate MDT funding and/or passenger revenue. A map of routes is shown in Figure 4-1; schedules are in Table 4-2.

Scheduled transportation serves the following counties in Montana: Flathead, Lake, Missoula, Granite, Powell, Dear Lodge, Silver Bow, Jefferson, Cascade, Lewis & Clark, Broadwater, Gallatin, Park, Sweet Grass, Stillwater, Yellowstone (headquarters), Treasure, Rosebud, Custer, Prairie, Dawson, Wibaux.

Based on 2010 estimates, 619,000 Montanans (63%) live within 10 miles of a Rimrock bus station; 733,000 (74%) live within 25 miles.

Ridership and the volume of service have remained constant between 2009 and 2010 while ticket revenue increased by 8%. The passenger trip length for Rimrock riders is among the highest in the country.

Rimrock connects with urban and rural fixed route public transportation. In Whitefish connections to Amtrak are available.

Table 4-1: Summary of Routes (with new services)

Route	Corridor	Description	Dir
0001	Billings-Fargo	Fargo to Miles City to Billings 13:15 Departure	WB
0002	Billings-Fargo	Billings to Miles City to Fargo 06:30 Departure	EB
0003	Billings-Fargo	Fargo to Miles City to Billings 01:45 Departure	WB
0004	Billings-Fargo	Billings to Miles City to Fargo 17:45 Departure	EB
0005	<i>Missoula-Helena-Billings</i>	<i>Billings to Helena to Missoula 8:45 Departure</i>	<i>WB</i>
0006	Missoula-Billings	Missoula to Butte to Billings 16:00 Departure	EB
0007	Missoula-Billings	Billings to Butte to Missoula 13:45 Departure	WB
0008	<i>Missoula-Helena-Billings</i>	<i>Missoula to Helena to Billings 11:15 Departure</i>	<i>EB</i>
0009	<i>Missoula-Billings</i>	<i>Billings to Butte to Missoula 1:15 Departure</i>	<i>WB</i>
0010	<i>Missoula-Billings</i>	<i>Missoula to Butte to Billings 23:10 Departure</i>	<i>EB</i>
0011	<i>Helena-Great Falls</i>	<i>Great Falls to Helena 11:45 Departure</i>	<i>SB</i>
0012	<i>Helena-Great Falls</i>	<i>Helena to Great Falls 13:30 Departure</i>	<i>NB</i>
0013	Butte-Great Falls	Great Falls to Butte 14:50 Departure	SB
0014	Butte-Great Falls	Butte to Great Falls 18:30 Departure	NB
0015	<i>Whitefish-Missoula (future)</i>	<i>Missoula to Kalispell 15:45 Departure</i>	<i>NB</i>
0016	<i>Whitefish-Missoula (future)</i>	<i>Kalispell to Missoula 18:40 Departure</i>	<i>SB</i>
0017	Whitefish-Missoula	Missoula to Whitefish 08:15 Departure	NB
0018	Whitefish-Missoula	Whitefish to Missoula 11:55 Departure	SB

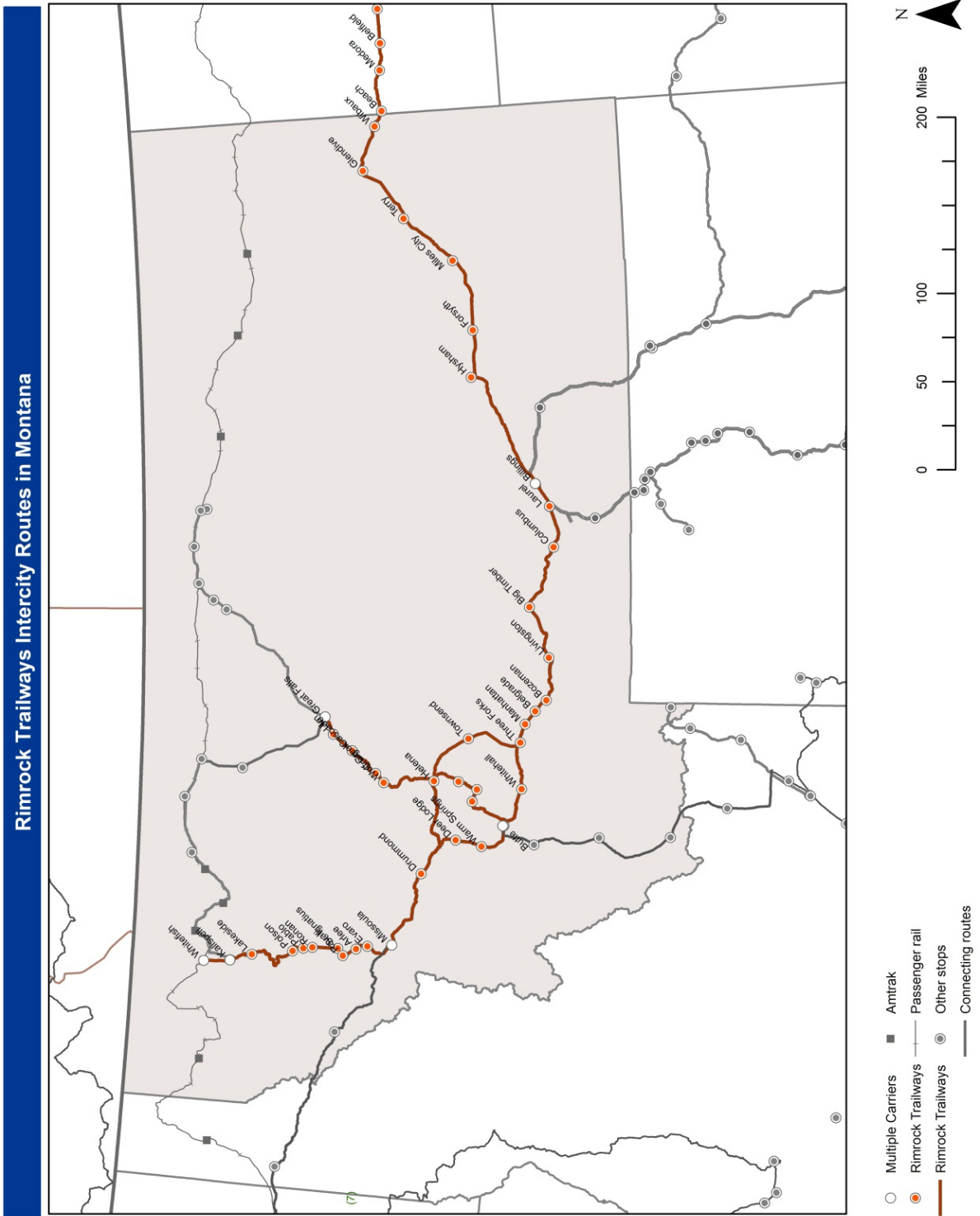


Figure 4-1: New Rimrock routes as of June 21, 2011

Table 4-2: Rimrock Schedule of Services as of June 21, 2011

MISSOULA -- BILLINGS -- FARGO						GREAT FALLS -- HELENA -- BUTTE					
Effective 6/21/2011			Revision 6/15/2011			Revision 6/15/2011					
Read Down			Read Up			Read Down			Read Up		
GL 1276	GL 1274	LOCATION	GL 1277	GL1275		RRS 0013	RRS 0011		RRS 0012	RRS 0014	
11:30p	10:40a	LV Seattle AR	7:30a	5:35p		3:15p	11:45A	LV GREAT FALLS AR	3:00p	9:45p	
5:45a	5:10p	LV Spokane AR	1:20a	11:20a		3:30p	12:00p	Ulm	2:40p	9:25p	
11:00a	10:25p	AR Missoula LV	10:00p	8:00a		3:50p	12:15p	Cascade	2:27p	9:00p	
RRS 0006	RRS 0008	RRS 0010		RRS 0007	RRS 0009	RRS 0005	4:15p	12:35p	Craig Jct	2:07p	8:50p
4:00p	11:15a	11:10p	LV MISSOULA AR	9:20p	7:35a	3:30p	4:25p	12:42p	Wolf Creek	2:00p	8:40p
5:05p	12:10p	12:10a	Drummond	8:25p	6:40a	2:25p	4:55p	1:15p	AR HELENA LV	1:30p	8:10p
5:35p		12:40a	Deer Lodge	7:40p	6:10a		5:00p		LV HELENA AR		8:05p
5:55p		1:00a	Warm Springs	7:20p	5:50a		5:30p		Boulder		7:30p
6:15p		1:15a	AR Butte LV	7:00p	5:35a		5:40p		Basin		6:55p
6:45p		1:30a	LV Butte AR	6:15p	5:20a		6:15p		AR BUTTE LV		6:45p
	1:15p		AR Helena LV			1:30p					
	1:30p		LV Helena AR			1:15p					
	2:15p		Townsend			12:30p					
7:15p	NS	2:00a	Whitehall	5:40p	4:50a						
7:40p	2:45p	2:25a	Three Forks	4:55p	4:15a	12:00a					
/	2:55p	2:35a	Manhattan	4:45p	4:05a	11:50a					
8:00p	3:05p	2:45a	Belgrade	4:35p	3:55a	11:40a					
8:25p	3:20p	3:05a	AR Bozeman LV	4:25p	3:45a	11:30a					
8:30p	3:25p	3:10a	LV Bozeman AR	4:15p	3:40a	11:25a					
9:05p	4:00p	3:45a	Livingston	3:45p	3:05a	11:00a					
10:00p	4:40p	4:25a	Big Timber	3:10p	2:30a	10:25a					
10:35p	5:15p	5:00a	Columbus	2:15p	1:40a	9:30a					
11:00p	5:40p	5:35a	Laurel	1:50p	1:20a	9:05a					
11:15p	6:00p	6:00a	AR BILLINGS LV	1:30p	1:00a	8:45a					
	RRS 0004	RRS 0002		RRS 0003	RRS 0001						
	6:25p	6:30a	LV BILLINGS AR	11:45a	11:35p						
	7:40p	7:45a	Hysham	10:30a	10:20p						
	8:05p	8:05a	Forsyth	10:05a	9:55p						
	8:45p	8:45a	AR Miles City	9:25a	9:15p						
	9:00p	9:00aa	LV Miles City	9:10a	9:00p						
	9:40p	9:45a	Terry	8:20a	8:20p						
	10:20p	10:25a	Glendive	7:45a	7:40p						
	10:50p	10:55a	Wibaux,MT	7:15a	7:10p						
	11:00p	11:05a	Beach,ND	7:05a	7:00p						
	11:25p	11:30a	Medora	6:40a	6:35p						
	11:40p	11:45a	Belfield	6:25a	6:20p						
	11:55p	12:10p	AR Dickinson LV	6:00	5:55p						
	12:10a	12:40p	LV Dickinson AR	5:35a	5:25p						
	12:35a	1:05p	Richardton	5:10a	5:00p						
	2:45a	3:10p	AR Bismarck	4:55	4:45p						
	2:50a	3:30p	LV Bismarck	4:50	4:30p						
	3:05a	3:55p	Sterling Corner	4:25a	4:00p						
	3:20a	4:10p	Steele	4:10a	3:45p						
	4:25a	5:20p	Jamestown	3:10	2:45p						
	4:55a	5:50p	Valley City	2:45	2:15p						
	5:55a	6:50p	AR FARGO, ND LV	1:45	1:15p						
	JL 0932	JL 0934		JL 0931	JL 0933						
	6:15a	7:20p	LV FARGO AR	1:20a	12:45p						
	10:55a	11:40p	AR MINNEAPOLIS LV	9:00p	8:00a						
	GL 4737	GL 4901		GL 4916	GL 4952						
	1:10p	12:54a	LV MINNEAPOLIS AR	7:26p	7:41a						
	10:40p	9:00a	AR CHICAGO LV	11:29a	11:44p						

Light Print am
 Dark Print pm
 On Call Stop-Reservation Required

WHITEFISH -- KALISPELL -- MISSOULA

Read Down			Read Up	
RRS 0018				RRS 0017
1155a		LV Whitefish AR		1140a
1220p		AR Kalispell		1110a
1250p		LV Kalispell		1100a
105p		Lakeside		1040a
150p		Polson		955a
200p		Pablo		942a
210p		Ronan		935a
245p		St. Ignatius		915a
250p		Ravalli		900a
300p		Arlee		845a
310p		Evaro		835a
330p		AR Missoula LV		815a

Light Print am
 Dark Print pm
 On Call Stop-Reservation Required

Light Print am
 Dark Print pm
 On Call Stop-Reservation Required
 Italics show connecting carriers
 RRS - Rimrock Stages - 800-255-7655
 GL - Greyhound Lines
 JL - Jefferson Lines

RRS Schedules 0008 & 0005 go through Helena.
 RRS Schedules 0006, 0010, 0007, 0009 go through Butte, MT
 Schedules subject to change for weather, connections or other conditions

4.2 Level and Use of Service

In Calendar Year 2010, Rimrock provided 46,671 rides in Montana, or 131 rides per day. These values are approximately the same as 2009. Passenger types are categorized as:

- 20% Elderly (60 and over)
- 10% Disabled
- 70% Under 60

Rimrock serves all people regardless of race or ethnicity, with a higher percentage of minorities than the Montana population as a whole.

Rimrock buses are on the road 24 hours per day, 365 days per year. Rimrock cancels service only when travel conditions are dangerous, which occurred on 3 days in 2010.

Annual mileage of all vehicles on Montana scheduled services prior to the June 21 changes is 859,546 miles. In North Dakota, Rimrock operates 543,000 miles per year. The service changes will increase Montana miles by 69% to 1,450,000 miles per year.

4.3 Stations and Ticket Agents

Rimrock's stations have been co-located with Greyhound's stations where possible, and some Rimrock stations are co-located with city bus services. Outside Montana's largest cities, stations are staffed through ticket agents in their place of business. For example, the Drummond agents also operate a restaurant, and in Polson, Rimrock's stop is at a flower shop. Most agents are paid based on ticketing commission, while Missoula agents are Rimrock employees and are salaried. As of June 21, Bozeman and Billings stations transitioned from Greyhound to Rimrock; agents at both are independent contractors operating on commission.

Table 4-3: Depots in Large Montana Communities

City	Depot Owner	Agents	Notes
Billings	Greyhound	Contracted to Rimrock (formerly Greyhound)	shared terminal with Greyhound, Jefferson Lines, Black Hills Stage Lines ; two blocks from MET transfer center
Butte	Butte-Silver Bow	Rimrock contract agents	shared terminal with Salt Lake Express and Butte-Silver Bow Transit ; Butte-Silver Bow wants intercity carriers to stay out of loop between 7am and 7pm but grass-covered drop area is snow covered or muddy much of the year.
Bozeman	Leased by Rimrock	Contracted to Rimrock (formerly Greyhound)	Streamline stops at terminal ; High rent; Rimrock wants to find new space
Great Falls	Great Falls Transit	Great Falls Transit	shared terminal with Great Falls Transit; connections available to Shelby via Northern Transit Interlocal; connections available to Havre via North Central Transit
Helena	Helena Area Transit	Helena Area Transit	shared terminal with HATS ; new facility opened in June 2011
Kalispell	Store front	Ticket agent	connections available to Shelby via Northern Transit Interlocal
Missoula	Greyhound	Rimrock employees	shared terminal with Greyhound; riders can connect with Bitterroot Bus; Mountain Line stop at terminal
Whitefish	Amtrak	Amtrak	shared terminal with Amtrak

4.4 Other Organizations

In Montana, Rimrock Stages is the primary intercity operator. Other intercity services include:

<i>Connections east to Minneapolis</i>	<i>Jefferson Lines</i>
<i>Connections west to Spokane</i>	<i>Greyhound Lines</i>
<i>Connections south to Denver</i>	<i>Black Hills & Jefferson Lines</i>
<i>Connections south to Salt Lake City</i>	<i>Salt Lake Express</i>
<i>Connections to Havre and the Highline</i>	<i>North Central Transit</i>
<i>Connections to Shelby and the Highline</i>	<i>Northern Transit Interlocal</i>

Amtrak and the state’s commercial airports also connect Montanans to the rest of the country. Routes and schedules for Rimrock and other intercity carriers are included in attachments to the TDP.

4.5 Transportation Advisory Committee (TAC) Meetings

Since Rimrock Trailways serves most of the State of Montana, it does not participate exclusively with one local Transportation Advisory Committee. It is a member of the Billings Transportation Advisory Committee.

In the future, Rimrock Trailways will coordinate more extensively with local TACs and other intercity carriers. For the next year, we propose the following enhanced coordination efforts.

- Work with MDT to organize meetings of all Montana intercity carriers twice per year. To balance travel between carriers and encourage growth of the Montana Transit Association, meetings can be split between the east and west of the state. One meeting could be the day before or after the spring Montana Transit Association meeting; the second fall meeting could be in Billings (or Helena or Butte if the MTA meeting is scheduled in Billings that year.)
- Participate in TAC meetings in the 7 largest markets once per year.
- Communicate via email, electronic newsletters, and phone with the other TACs.

4.6 Coordination

Between November 2010 and January 2011, Rimrock conducted outreach meetings across Montana. The following groups had representation at one or more of the workshops. In addition to participating more frequently with local TAC's, Rimrock should continue to conduct outreach meetings and coordinate with the groups listed below.

- Associated Students of the University of Montana
- Active Transportation Alternatives
- Big Sky Economic Development
- Bitterroot Bus
- Bozeman, Mayor's Task Force on Climate Change
- Bozeman Transportation Incorporated
- City of Billings
- City of Helena
- City of Missoula
- Eagle Transit
- Easter Seals
- Helena Area Transportation System (HATS)
- Homeward
- Kalispell Agency on Aging
- Karst Stages
- Linx
- Living Independently for Today & Tomorrow
- MET Transit
- Missoula Aging Services
- Missoula in Motion
- Missoula Mountain Line
- Missoula Office of Planning and Grants - Transportation
- Montana Association for the Blind
- Montana Business Enterprises
- Montana Department of Corrections
- Montana Department of Public Health and Human Services
- Montana Department of Transportation
- Montana Independent Living Project
- Montana League of Women Voters
- Montana Orientation and Mobility Program
- Montana State University-Bozeman
- Montana Vocational Rehabilitation
- Missoula Ravalli Transportation Management Association/Montana Transit Association
- North Central Independent Living
- North Central Transit
- Office of Senator Jon Tester
- Opportunity Link
- private citizens
- Red Lodge Area Chamber of Commerce
- Roberts Fire Department
- RSS
- Salt Lake Express
- Summit Independent Living Center
- Transportation for America
- U.S. Department of Housing and Urban Development
- Western Transportation Institute
- Yellowstone Business Partnership

Workshops included discussion about how to work together more effectively, and key strategic work partnerships. The following list addresses the key groups, in alphabetical order.

- Bicycle groups
- Climate change task forces and efforts (Blue Skies Green Pockets)
- Colleges and universities
- Local transit providers—include brochures on city buses and link websites
- Confederated Salish and Kootenai Tribes
- Greyhound
- Other intercity bus services
- Linx
- Major health centers and hospitals
- Montana Association for the Blind
- Montana Department of Public Health and Human Services
- Montana Department of Transportation
- State and federal elected officials
- Independent Living Centers
- Transportation Advisory Committees (TACs)
- Tourism and travel groups such as Travel Montana

5 Organization and Management

Rimrock Stages, Inc. is a privately held, owned and operated company. The Board of Directors, as listed in Table 5-1, is the same as the management team. In Fiscal Year 2010, the President worked part time with a salary of \$43,225, and the Vice President worked full time with a salary of \$54,769. There were no further distributions. Thorm Forseth owns the majority of the shares in the company.

Table 5-1: Board of Directors

Name	Term of Office	Affiliation
Thorm R Forseth	38 years	President
Eric B Forseth	15 years	Vice President
Jon Phillips		Controller

The organization chart shown in Figure 5-1 illustrates the relationship between employees. Employees of Rimrock are not union members, and are categorized in the MDT application for funding as shown in Table 5-2. Drivers and mechanics are paid according to the scale shown in Table 5-3.

Table 5-2: Employees by MDT-Defined Categories

	Number	Full Time	Part Time
Executive	2	2	0
Office Staff	7	5	2
Drivers	21	14	7
Dispatch	1	0	0
Mechanics	3	3	0
Janitorial	4	2	2

Table 5-3: Rimrock Wage Scale

Time Period	Drivers		Cushion Rate (per hour)	Lead Mechanic
	Grade Level	Driving Rate (per hour)		

Rimrock Stages, Inc., dba Rimrock Trailways
Organizational Chart

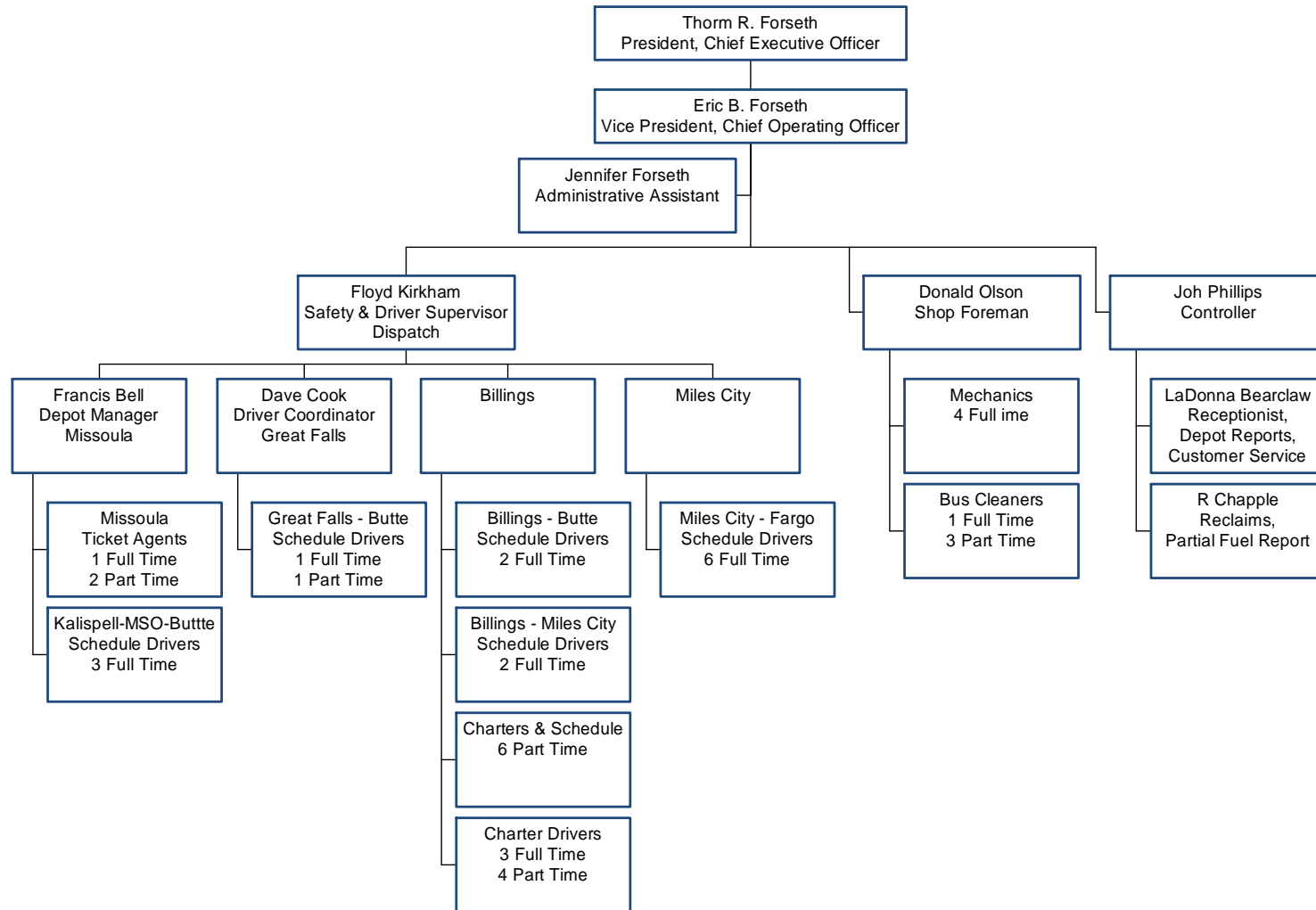


Figure 5-1: Rimrock organization chart

5.1 Control Processes

Rimrock Stages implements procedures to minimize fraud and theft within the organization. Cash is handled by drivers, ticket agents, and management. Cash fares collected by drivers averaged \$600 per month in FY 2010. Drivers turn in fares collected along with ticket stubs at the end of each shift. The Missoula depot is the only depot that has Rimrock employees processing cash. Each employee has their own cash drawer. The drawers are closed out each day at the end of the employee's shift and are balanced to the computer report of sales. Management maintains a petty cash box to pay small expenses and process driver per diem distributions. A receipt book records transactions and collects supporting documentation. The petty cash box is balanced at the end of each month.

Inventory is limited to shop parts. As an inventory check, there is a manager walk through count each year on September 30th, the end of Rimrock's fiscal year.

Access to payroll records is limited to management. Payroll records are maintained by Jennifer Forseth and kept in a lockable file cabinet in Eric Forseth's office. Records are updated every time that payroll is processed.

Overtime is primarily limited to shop personnel. Hours are approved by the shop manager as necessary to complete business then reviewed by management for each payroll. Overtime is captured by the time clock.

Operational equipment consists primarily of buses. The shop equipment is fairly limited and has a long useful life. The only significant office equipment would be EDP items that are replaceable on an individual basis.

Rimrock obtains buses on a limited budget as best as possible. Due to the financial burden of the lost contract and following lawsuit, securing financing has been difficult. However, a concerted effort to reduce the company debt led to improvements in FY2010.

Rimrock has partnered with MDT and NDDOT to purchase new buses with FTA assistance, but because of the limited funding, the vehicles are mid-duty compared to the heavy duty buses Rimrock prefers to purchase. The buses purchased through the low-bid process have been troublesome, leading to a current approach of purchasing used motorcoaches with wheelchair lifts.

Rimrock States, Inc. is a tightly held, non traded, family owned business. Management is the family. There have not been any borrowing covenants developed by the owners.

The company holds a \$5,000,000 liability policy.

Secured assets are represented by buses listed in Table 5-4.

Table 5-4: Rimrock Vehicle Inventory

BUS #	MAKE	YEAR	SERIAL #	# PASS.	LIC. #	PRESENT VALUE	LIENHOLDER	OWED	GVW	IFTA Decal
Shop Tr	FORD	1999	1FTYR10C0WTA75510	SVC		LIAB. ONLY				
2034	MCI	1984	1TUA AH9A4ER004406	47	S10941	Liab. Only	RRS	\$0.00	28K-44K	YES
2121	Prevost	2001	2PCH3349211013956	56	S13109	150,000	Advantage		32K-50K	YES
2120	Prevost	1999	2PCH3341XX1012850	50	S12033	\$130,000.00	Advantage		35K-50K	YES
2119	102DL3	1996	1M8PDMPA7TP047984	55	S12514	\$120,000.00	RRS	\$0.00	32.5K-50K	YES
2061	MC-12	1994	1M8RCM7A7RP046659	47	S10407	LIAB. ONLY	RRS	\$0.00	28K-44K	YES
2062	MCI- 12	1994	1M8RCM7A5RP046661	47	S10408	LIAB. ONLY	RRS	\$0.00	28K-44K	YES
2063	MCI- 12	1994	1M8RCM7A9RP046663	47	S10409	LIAB. ONLY	RRS	\$0.00	28K-44K	YES
2064	MCI- 12	1994	1M8RCM7A4RP046649	47	S10410	LIAB. ONLY	RRS	\$0.00	28K-44K	YES
2066	MCI- 12	1994	1M8RCM7A3RP046657	47	S11188	LIAB. ONLY	RRS	\$0.00	28K-44K	YES
2102	PREVOST	1999	2PCH33491X1012788	56	S07374	\$150,000.00	VOLVO	\$0.00	33K-50K	YES
2103	PREVOST	1999	2PCH33491X1012791	56	S07375	\$150,000.00	Advantage	60000?	33K-52K	YES
2113	PREVOST	2000	2PCH3349XY1013309	56	S08409	\$160,000.00	VOLVO	\$12,000.00	33K-52K	YES
2114	VAN HOOL	2000	YE2CC13B8Y2045037	57	S08936	\$175,000.00	RRS	\$0.00	31.2K-50K	YES
2201	PREVOST	2000	2PCH33415Y1013549	46	S08023	\$175,000.00	VOLVO	\$10,000.00	35K-50K	YES
2202	VAN HOOL	2001	YE2CC23B512045220	57	S11003	\$175,000.00	Random	\$35,000.00	31.2K-50K	YES
2203	MCI	1996	1M8PDMPA5TP048718	55	S13110	\$45,000.00	FIB	\$40,000.00	32.5K-50K	YES
2204	MCI	1996	1M8PDMPA5TP048719	55	S13111	\$45,000.00	FIB	\$40,000.00	32.5K-50K	YES
2205	Synergy	2011	New	37			ST of MT	\$0.00		
2206	Synergy	2011	New	37			ST of MT	\$0.00		
2207	Synergy	2011	New	37			ST of MT	\$0.00		

5.2 Regulatory Environment

As a motorcoach operator that crosses state lines, Rimrock Stages is subject to the regulations of the Federal Motor Carrier Safety Administration.

“The Federal Motor Carrier Safety Administration (FMCSA) issues, administers, and enforces the Federal Motor Carrier Safety Regulations (FMCSRs) and Commercial Regulations that apply to commercial motor vehicles transporting passengers. FMCSA sets minimum safety standards that motorcoach companies must follow for the buses/vehicles they operate and the physical qualifications and operating rules for their drivers.” (Federal Motor Carrier Safety Administration, 2011)

As an intercity carrier, Rimrock is eligible for the Federal Transit Administration 5311(f) program. Funds are allowable under this program for intercity routes that are not profitable. FTA defines the goal of Section 5311(f) funds to support providers operating regularly scheduled bus service for the general public, with:

- Limited stops over fixed routes
- Connectivity between two or more urban areas not in close proximity
- Capacity to transport baggage carried by passengers
- Meaningful connections with scheduled intercity bus service to more distant points, if that service is available

5311(f) funds are available for intercity routes that are not profitable. A measure of a successful program would be an increase in ridership and revenue on funded routes, resulting over time in a reduced need for funding.

Because Rimrock receives funding from Montana Department of Transportation, Rimrock reports to the MDT Transit Section.

Charter and other commuter services may fall under the authority of the Montana Public Service Commission, but interstate routes operated by Rimrock Stages are not.

6 Marketing and Sales

Rimrock plans to expand upon its current marketing practices. At this time, people know about Rimrock's intercity services by:

- Seeing Rimrock buses and signs at stations and on the road
- Yellow pages
- Rimrock web page
- Booking tickets through Greyhound and other intercity carriers that contain a leg in Montana and North Dakota (using the TRIPS system)
- Trailways national marketing
- Community meetings
- Using Rimrock's charter buses
- Word of mouth

6.1 Positioning Strategy

A positioning strategy results in the image Rimrock wants to draw in the mind of customers, the picture the customer visualizes of what Rimrock offers, in relation to the market situation, and the competition. For Rimrock's intercity passenger service, it can be summarized as:

"You relax while we drive"

Rimrock has very little direct competition for intercity services in Montana and is well positioned to profit from the recent withdrawal of Greyhound from the market. As the only carrier providing service across the state of Montana the routes Rimrock runs provide vital linkages to residents of the many small communities.

Rimrock's scheduled services offers the following benefits compared to other forms of transportation:

- Rimrock's bus service is more affordable than flying, taking the train, or renting a car. Rimrock is more affordable than driving when considering the entire cost of automobile ownership, although many consider only the cost of fuel when calculating travel cost by car.
- Riding the bus can be less stressful than driving, especially in winter driving conditions.
- Accident rates are far lower among buses than private vehicles.
- The time in the vehicle can be spent doing something other than driving.
- People who cannot drive can use Rimrock.
- Social service agents can put their clients on Rimrock instead of setting up their own transportation system.

- In many cases, the bus offers more direct service than commercial air. It also serves more communities.
- Rimrock offers friendlier customer service and better on-time performance compared to national bus carriers.
- A Rimrock rider is helping the environment since intercity buses are among the most energy efficient forms of transportation.
- Over the next five years, technology will make riding Rimrock even more convenient and attractive since people will know exactly when their bus will arrive, and riders will have internet access onboard the buses wherever cell coverage is available.

Rimrock's freight service benefits customers by providing same-day shipping in Montana and North Dakota at a lower price than Fed Ex, UPS, or the postal service.

Charter services offer many of the same benefits as scheduled services. Compared to the competition in the Billings area, Rimrock buses are comfortable; drivers are friendly; and guided services are highly regarded.

Shop services offered by Rimrock are unique within the Billings market. Rimrock mechanics know how to fix and maintain buses, and do so with a high level of integrity.

6.2 Sales Process

Rimrock sells tickets in multiple ways. Principally tickets are purchased over the phone or in person from ticket agents at its bus stations. The ticket agents use the Greyhound TRIPS/MAX system, which ties Rimrock into the national intercity network and tracks the number of seats sold on a vehicle. Passengers can also purchase tickets online through Rimrock's website or through Greyhound.com.

Most freight business is through ongoing accounts with organizations such as tire dealerships, local governments testing water, libraries moving books, and the American Red Cross moving blood. Ticket agents across Rimrock's service area are asked to develop new accounts, but agents would benefit from more direction and tools from management.

Rimrock sells charter services over the phone or online based on ongoing relationships with potential customers and reputation.

Shop services similarly are based primarily on reputation and relationships.

6.3 A Marketing Framework for Goal Setting

Achieving the goals set forward in this document will require marketing strategies focusing on the "Five-Ps" of marketing included in the widely-used "Marketing Mix" model. The marketing

mix combines the roles different marketing elements play in promoting products and services and delivering those products and services to customers.

- 1) **Product** – The products or services offered to your customer: Their physical attributes, what they do, how they differ from your competitors and what benefits they provide.
- 2) **Price** – How you price your product or service so that your price remains competitive but allows you to make a good profit.
- 3) **Place** (Also referred to as Distribution) – Where your business sells its products or services and how it gets those products or services to your customers.
- 4) **Promotion** – The methods used to communicate the features and benefits of your products or services to your target customers.
- 5) **People** – the level of service and the expertise and skills of the people who work for you, and how they can be used to set you apart from your competitors.

These Five-Ps are addressed through the goals listed above, and through the objectives and alternatives detailed in the TDP, and discussed previously. These goals, objectives and alternatives are refined and expanded from the goals and objectives summary presented in the Rimrock Stages Coordination Plan for Fiscal Year 2012 submitted to MDT on March 1, 2011.

6.4 Marketing Budget as Percent of Sales

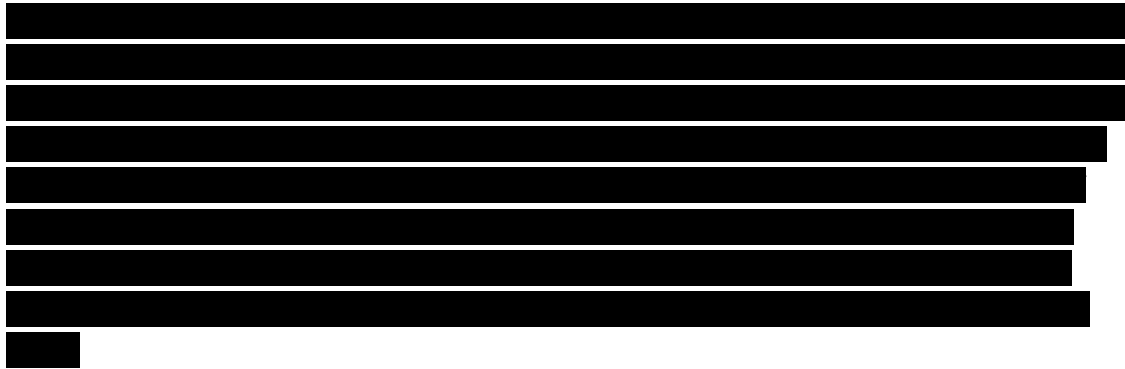
Rimrock Stages has a need for more effective promotion, communication and advertising. Current investments to achieve this objective are minimal. Annual expenditures for advertising run approximately \$5,500. We recommend increasing the level of effort and resources dedicated towards marketing Rimrock services to \$100,000 (2.5% of revenue) in Year 1. Following the development of a plan, a reduction of this budgeted amount to \$75,000 may be desirable in subsequent years. Establishing a budget for marketing will enable funds to be spent on these efforts.

6.5 Initial Marketing Strategies

A marketing budget would, at a minimum, allow for the cost of developing a marketing plan, designing and printing marketing materials, and implementing core elements of a marketing plan. The recommended approach for the marketing plan is to follow a strategy that starts by implementing small, manageable projects to address fundamental information and promotion needs. A first step is to develop collateral such as printed timetables, maps and other essential service information. The next step is to communicate this information online. The third step is to leverage these fundamental information elements in the process of seeking new customers, with publicity, advertising, and public relations strategies. Missoula, Bozeman, Billings, Helena, Kalispell and Great Falls are markets that make sense to target because of the presence of universities, tourist destinations, and population centers.

7 Financial Management

The overall budget for all Rimrock Stages services is approximately \$4 million per year. Intercity expenses make up \$3.2 million of that budget. Rimrock reported \$2,098,972 of expenses to MDT during state Fiscal Year 2010 for expenses associated with Montana services.



7.1 Annual Income Target

One purpose of this business plan is to set a course for Rimrock to [redacted].

Based on the financial situation, Rimrock's **net income must** [redacted]. Rimrock will exceed this target if it continues on its current trajectory. Average net income over the past five years has been [redacted] per year, including 5311(f) funds averaging \$192,106, [redacted].

Figure 7-2 shows the actual balance at the end of the past six fiscal years, and projects the net worth five years into the future based on some assumptions with the new services. A comparison against Figure 7-1 shows the future costs and revenues associated with expanded services results in a greater net worth than the status quo. Similarly, the profit margins shown in Figure 7-3 and Figure 7-4 show a better projected outcome with the expanded services. Note that these projections reflect a simplified five year projection. The first year of new services can be more unreliable, with potentially higher costs and lower revenue.

[redacted proprietary information]

Figure 7-1: Historical and projected company net worth (status quo).

[redacted proprietary information]

Figure 7-2: Historical and projected company net worth (with expanded services).

[redacted proprietary information]

Figure 7-3: Annual profit margin (status quo)

[redacted proprietary information]

Figure 7-4: Annual profit margin (with expanded services)

7.2 Income and Balance Statements

The income statements and balance sheets for Rimrock are included on the following pages for the scenario with Greyhound changes.

Table 7-1: Income Statement (with Expanded Services)

[redacted proprietary information]

Table 7-2: Balance Sheet (with Expanded Services)

[redacted proprietary information]

7.3 Budget Assumptions

Projections are based on a series of conservative assumptions. The status quo forecast assumes costs and revenue increase at a rate of inflation of 3.5% per year. In addition, the budget for new service assumes the following.

Revenue

- Billings-Fargo ridership and revenue per mile increases over 2010 revenue per mile as shown in Table 7-3; Great Falls-Butte/Helena and Missoula-Whitefish remain constant.
- Missoula-Billings revenue per mile based on calculations combining Greyhound and Rimrock riders; assumes ridership remains constant.
- Package express revenue per mile decreases slightly; commissions revenue per mile remains constant.
- Future maintenance shop revenue will decrease to \$50,000 due to a competitor taking some of the market share and management decision to focus on maintaining Rimrock vehicles.

Table 7-3: Revenue per Mile Summary

Corridor	Current Revenue per Mile (2010)			New		
	Passenger	Package Express	Commissions Earned	Passenger	Package Express	Commissions Earned
Billings-Fargo						
Missoula – Billings						
Butte-Great Falls						
Whitefish-Missoula						

Costs

- Costs per hour remain the same.
- Costs per mile remains the same.
- Future years' costs and revenue increase at an inflation rate of 3.5%.
- Fixed costs increase 5% with the following exceptions:

Additional equipment

- 3 buses at \$250,000 per bus, 9% APR, 5-year loan
- Annual cost per bus \$62,275
- Annual cost (3 buses) \$186,825

Additional operating and lease costs on facilities

\$30,200 per year as shown in Table 7-4

Table 7-4: Increases in Facility Costs by Location

Location	Current	New	Additional Costs
Billings	Costs paid through commissions and fees	\$40,000 per year divided by provider revenue; assume 50% of costs will be Rimrock	\$20,000
Missoula	\$100/yr + first \$500 of maintenance	Same	\$0
Bozeman	\$1,700 per month, split between Rimrock and Greyhound (\$10,200 per year each)	\$20,200 per year	\$10,200
Great Falls	\$6,274	\$6,274	\$0
Miles City	\$400	\$400	\$0
Butte	Costs paid through commissions and fees	Costs paid through commissions and fees	\$0
Helena	Costs paid through commissions and fees	Costs paid through commissions and fees	\$0
Total			\$30,200

Marketing

Increase to \$50,000

7.4 Sensitivity Analysis

In any budgeting process there are always variables that are uncertain. For the expansion of Rimrock Stages, the largest uncertainty is in revenue estimates. Cost estimates have uncertainty based on fuel prices, vehicle maintenance, inflation rates, administrative costs, and exposure to liability. Sensitivity analysis answers the question, "if these variables deviate from expectations, what will the effect be?" Table 7-5 summarizes the output for four different scenarios. The Baseline Assumptions reflect the calculations under the budget assumptions discussed in Section 7.3. The second scenario reflects higher costs, while the third reflects lower revenue. The final scenario compares the new services against projections without the Greyhound changes. All scenarios show an improvement against the current conditions.

Table 7-5: Comparison of Cost and Revenue Under Differing Assumptions

Scenario	Costs	Pax Revenue	Net Operating Deficit	Total Revenue	Total Profit (Loss)
Expanded services					
Using 2010 Cost Allocation model (7% higher costs)					
10% drop in former Greyhound ridership on Missoula-Billings					
Current Conditions (status quo)					

7.5 Cost Allocation Model

The forecasts over the next five years are based on an assessment of previous costs and the development of a cost allocation model. A fully allocated cost model allows Rimrock to know the

true cost of a service and allows an assessment of service alternatives. It is used to evaluate service performance and to know the cost of any component of a service. A valuable tool in developing contracts for services and coordination strategies, it is required for Rimrock to comply with FTA policy.

A model that accounts for both hours and miles provides the most accurate measurement of costs when average number of miles per hour varies between services. This would be the best model when Rimrock is estimating the costs for services such as within Yellowstone or over the Chief Joseph Highway where speed limits are lower than on major highways. However, for most services Rimrock operates, a cost per hour or cost per mile can be used accurately, and have the advantage of being easier to visualize and quicker to calculate.

Developing the cost allocation model requires a budget or statement of operating funds, the miles of service, and the hours of service for a year. During this project we developed two cost allocation models. Both follow standard transportation cost allocation models. The first model, included in the appendix uses only operating costs. It is based on reported costs and miles to MDT for calendar year 2010 and calculated service hours from existing schedules. The second cost model is based on Rimrock’s chart of accounts for federal Fiscal Year 2010, and includes all intercity costs. This second model is used in the financial analysis in the business plan.

The second cost model based on the company financial statements served as a data quality check and a tool to document the translation between company financial statements and MDT budgets and cost reimbursements. This model is based on Rimrock’s fiscal year, October 1 – September 30. The methodology is documented in the appendix. The resulting equations, shown in Table 7-6, are in line with the cost allocations from data reported to MDT.

Table 7-6: Cost Models Based on Rimrock Financial Reports (Rimrock FY 2010)

hours + miles	Cost = [redacted] (\$ [redacted] x # of hours in service + \$ [redacted] x # of miles in service)
Cost per hour	Cost = \$ [redacted] x # of hours in service
Cost per mile	Cost = \$ [redacted] x # of miles of service

The expansion of services should result in an efficiency of overhead and administrative costs. Based on the income statements previously shown in Table 7-1, the new services should operate under the following cost allocation. Note, these models are based on 2010 costs and are budgeted to increase 3.5% per year due to inflation.

Table 7-7: Cost Model with New Services

hours + miles	Cost = [redacted] (\$ [redacted] x # of hours in service + \$ [redacted] x # of miles in service)
Cost per hour	Cost = \$ [redacted] x # of hours in service
Cost per mile	Cost = \$ [redacted] x # of miles of service

7.6 Implications of Greyhound Service Termination

On June 21, 2011 Greyhound dropped its service in Montana. This change presents a significant opportunity for Rimrock to expand and improve its service and increase profits. Table 7-8 through Table 7-11 compare the levels of service, revenues, and costs for the new services against the current services. Based on these projections, Rimrock's passenger revenue per mile should increase from \$ [REDACTED] per mile to \$ [REDACTED] per mile. In order to track performance, Rimrock can refer to Table 7-12, which translates the annual passenger revenue per mile to monthly values.

Table 7-8: Annual Service Hours and Miles by Route (status quo)

Route	Corridor	Dir	Annual					
			Hours MT	Hours ND	Total Hours	Bus Mi MT	Bus Mi ND	Total Bus Mi
0001	Billings-Fargo	WB	1,539	2,082	3,620	93,034	135,750	228,784
0002	Billings-Fargo	EB	1,539	2,082	3,620	93,034	135,750	228,784
0003	Billings-Fargo	WB	1,629	1,901	3,530	93,034	135,750	228,784
0004	Billings-Fargo	EB	1,629	1,901	3,530	93,034	135,750	228,784
Billings-Fargo Total			6,335	7,964	14,299	372,136	543,000	915,136
3	Missoula-Billings	WB	2,639	0	2,639	133,588	0	133,588
6	Missoula-Billings	EB	2,639	0	2,639	133,588	0	133,588
Missoula-Billings Total			5,278	0	5,278	267,176	0	267,176
13	Butte-Great Falls	SB	998	0	998	59,169	0	59,169
14	Butte-Great Falls	NB	1,086	0	1,086	59,006	0	59,006
Butte-Great Falls Total			2,084	0	2,084	118,175	0	118,175
17	Whitefish-Missoula	NB	1,274	0	1,274	50,960	0	50,960
18	Whitefish-Missoula	SB	1,278	0	1,278	51,100	0	51,100
Whitefish-Missoula Total			2,552	0	2,552	102,060	0	102,060
Grand Total			16,249	7,964	24,213	859,547	543,000	1,402,547

Table 7-9: Annual Service Hours and Miles by Route (expanded service)

	Route	Corridor	Dir	Annual						
				Hours MT	Hours ND	Total Hours	Bus Mi MT	Bus Mi ND	Total Bus Mi	
Billings-Fargo	0001	Billings-Fargo	WB	1,539	2,082	3,620	93,034	135,750	228,784	
	0002	Billings-Fargo	EB	1,539	2,082	3,620	93,034	135,750	228,784	
	0003	Billings-Fargo	WB	1,629	1,901	3,530	93,034	135,750	228,784	
	0004	Billings-Fargo	EB	1,629	1,901	3,530	93,034	135,750	228,784	
Billings-Fargo Total				6,335	7,964	14,299	372,136	543,000	915,136	
Missoula-Billings	0005	Missoula-Helena-Billings	WB	2,457	0	2,457	128,492	0	128,492	
	0007	Missoula-Billings	WB	2,639	0	2,639	133,588	0	133,588	
	0009	Missoula-Billings	WB	2,639	0	2,639	133,588	0	133,588	
	0006	Missoula-Billings	EB	2,639	0	2,639	133,588	0	133,588	
0008	Missoula-Helena-Billings	EB	2,457	0	2,457	128,492	0	128,492		
0010	Missoula-Billings	EB	2,639	0	2,639	133,588	0	133,588		
Missoula-Billings Total				15,470	0	15,470	791,336	0	791,336	
Butte-Great Falls	0011	Helena-Great Falls	SB	581	0	581	33,033	0	33,033	
	0012	Helena-Great Falls	NB	581	0	581	33,033	0	33,033	
	0013	Butte-Great Falls	SB	998	0	998	59,169	0	59,169	
	0014	Butte-Great Falls	NB	1,089	0	1,089	59,169	0	59,169	
Butte-Great Falls Total				3,249	0	3,249	184,404	0	184,404	
Whitefish-Missoula	0015	Whitefish-Missoula (future)	NB	946	0	946	44,044	0	44,044	
	0016	Whitefish-Missoula (future)	SB	971	0	971	44,165	0	44,165	
	0017	Whitefish-Missoula	NB	1,274	0	1,274	50,960	0	50,960	
	0018	Whitefish-Missoula	SB	1,278	0	1,278	51,100	0	51,100	
Whitefish-Missoula Total 1 (planned)				2,552	0	2,552	102,060	0	102,060	
Whitefish-Missoula Total (with future)				4,469	0	4,469	190,269	0	190,269	
Grand Total				29,523	7,964	37,487	1,538,145	543,000	2,081,145	
Grand Total without Whitefish-Missoula future routes				27,605	7,964	35,569	1,449,936	543,000	1,992,936	

Table 7-10: Cost and Revenue by Route (Status Quo)

[redacted proprietary information]

Table 7-11: Cost and Revenue by Route (New services)

[redacted proprietary information]

7.7 Financial Projections for Implementation Plan Alternatives

The TDP presents extensive recommendations for alternatives to achieve Rimrock's goals of increasing ridership, improving management and creating new and expanded service options. Achieving these goals should improve Rimrock's business performance. However implementing these alternatives will incur costs. The budget presented above reflects the projected cost and revenue implications of investing \$50,000 for the year one implementation strategies identified in the TDP.

Beyond the \$50,000 budget in year 1, Rimrock will need to consider costs compared to benefits. Many of the alternatives are difficult to directly associate with accurate revenue increases, therefore, the key consideration is based on a revenue target. In the most basic terms, in a 2 million mile per year business, for every \$100,000 in increased costs, revenue must increase by \$0.05 per mile.

Appendix A: Methodology for Cost Model

In future years, we recommend that Rimrock develop a budget based on the procedures developed for this project. Costs and revenues must be divided in two ways:

- Between different parts of the business
- Intercity costs and revenue must be divided between the states.

The Rimrock chart of accounts allows for easy distribution of revenues between different parts of the business. Cost accounts are not as easily attributed. Table A- shows the Chart of Accounts used by Rimrock. For each Account, it notes how the expenses for that account were distributed between the three different sectors of the business; it also shows which line item on the Montana Department of Transportation application for funding and quarterly report the account is associated with.

Each Rimrock account is associated with no more than one MDT line item except for salaries. For a recommended translation of payroll expenses into the categories on the MDT forms, we analyzed the pay schedule by category. The payroll for each employee was allocated in two ways. Like the other items in Rimrock Chart of Accounts, the employee was allocated across the different business categories. Additionally, since MDT has different line items for drivers, mechanics, dispatch, and administrative functions, each employee was allocated across those items as well. The percent allocations by employee are shown in Table A-1, and the resulting allocation by business sector and MDT employee type is shown in Table A-2.

Table A-1: Chart of Accounts with Distribution by Business Category

Account	Associated MDT Line Item	Notes	Schedule %	Charter %	Shop %
Operating Revenue					
Passengers	6d2		100%	0%	0%
Charters	n/a		0%	100%	0%
State of MT Operating Assistance	6d11		100%	0%	0%
Express	n/a		100%	0%	0%
Shop	n/a		0%	0%	100%
Total Revenue			78%	18%	5%
Cost of Operations					
Salaries/Wages	1a,1b	schedule drivers, charter drivers, mechanics	76%	20%	4%
Payroll Taxes	1d		82%	14%	4%
Workers' Comp	1d		82%	14%	4%
Pension plan	1d		82%	14%	4%

Account	Associated MDT Line Item	Notes	Schedule %	Charter %	Shop %
Sub Total			77%	19%	4%
Fuel and Oil	4a	Line haul & charter	81%	19%	0%
Commissions	3d	100% Line Haul	100%	0%	0%
Bus leases and loans	14a	Line haul & charter	81%	19%	0%
Insurance	11a	Property & general	65%	15%	20%
Repairs	17a	Payment for repairs outside Rimrock shop	81%	19%	0%
Depreciation	n/a	not eligible for reimbursement	81%	19%	0%
Supplies	4b	for shop & buses	65%	15%	20%
Bldg rental	14b	Billings office;	65%	15%	20%
Travel	15b	Eric & Tom to attend meetings & meet with staff	65%	15%	20%
Tires	17b	Line haul & charter	81%	19%	0%
Charter meals	n/a	100% charter	0%	100%	0%
Licenses and fees	6a	Line haul & charter	81%	19%	0%
Driver rental	5a		81%	19%	0%
Equip rental	5a	renting buses when breakdowns occur	81%	19%	0%
Depot rental	14b	line haul - 100% MT	100%	0%	0%
Claims	7a		65%	15%	20%
Drug screens/physicals	15c	Line haul	100%	0%	0%
Uniforms	4a		81%	19%	0%
Customer service	4a				
Permits		Charter - National park entrance fees			
Sub-total			82%	15%	3%
Total Operating Expenses			81%	16%	3%
			100%	0%	0%
Gross Profit:			66%	24%	10%
Administrative Expenses					
Salaries and wages	1c,8a	includes dispatch, MSO agent	80%	13%	8%
Officers' salaries	8a	Eric & Thom	65%	15%	20%
Payroll taxes	2a,9a		77%	12%	11%
Group insurance	2a,9a		77%	12%	11%
Workers' compensation	2a,9a		77%	12%	11%
Officers' life insurance	2a,9a		77%	12%	11%
Pension plan	2a,9a		77%	12%	11%
Salaries/Benefits			76%	13%	11%
Charge card discount	16a		81%	19%	0%
Telephone	12a	line haul, charter, shop	81%	19%	0%

Account	Associated MDT Line Item	Notes	Schedule %	Charter %	Shop %
Utilities	12a	line haul, charter, shop	65%	15%	20%
Supplies	10a	line haul, charter, shop	65%	15%	20%
Dues and subscriptions	15a	line haul, charter, shop	65%	15%	20%
Accounting and legal	16a	line haul, charter, shop	65%	15%	20%
Bank charges	n/a	line haul, charter, shop	65%	15%	20%
Contributions	8a	line haul, charter, shop	65%	15%	20%
Depreciation	n/a	line haul, charter, shop; capital cost	65%	15%	20%
Miscellaneous	16a	line haul, charter, shop	65%	15%	20%
Advertising	3b	line haul, charter, shop	65%	15%	20%
Computer	n/a	line haul, charter, shop; capital cost	65%	15%	20%
Printing and postage	10a	line haul, charter, shop	65%	15%	20%
Freight	16a	line haul, charter, shop	65%	15%	20%
Taxes, other	13a	line haul, charter, shop	65%	15%	20%
	Sub-total		75%	14%	11%
Total Expenses			80%	16%	4%

Table A-2: Allocation of Pay Schedule by Business Category

Job Duty	Allocation								
	Schedule Driver	Charter Driver	Mechanic - Schedule	Mechanic - Charter	Mechanic - Revenue	Dispatch - Schedule	Admin - Schedule	Admin - Charter	Admin - Shop
SCH DRIVER: MSLA-WHITEFISH, MSLA-BUTTE	100%								
SCH DRIVER: MLS CITY-FARGO, ND	100%								
SCH DRIVER: MSLA-WHITEFISH, MSLA-BUTTE	100%								
CHARTER DRIVER		100%							
CHARTER DRIVER		100%							
SCH DRIVER: BLGS-BUTTE, MT	100%								
SCH DRIVER: MLS CITY-FARGO, ND	100%								
SCH DRIVER: MLS CITY-FARGO, ND	100%								
SCH DRIVER: MSLA-WHITEFISH, MSLA-BUTTE	100%								
SCH DRIVER: BLGS-MLS CITY, MT	100%								
SCH DRIVER: BLGS-BUTTE, MT	100%								
SCH DRIVER: MLS CITY-FARGO, ND	100%								
SCH DRIVER: BLGS-MLS CITY, MT	100%								
SCH DRIVER: GTF-BUTTE, MT	100%								
SCH DRIVER: MLS CITY-FARGO, ND	100%								
CHARTER DRIVER		100%							
SCH DRIVER: MLS CITY-FARGO, ND	100%								
CHARTER DRIVER		100%							
CHARTER DRIVER		100%							
CHARTER DRIVER		100%							
CHARTERS & SCHEDULE	50%	50%							
SCH DRIVER: GTF-BUTTE, MT	100%								
CHARTER DRIVER		100%							
CHARTERS & SCHEDULE	50%	50%							
CHARTERS & SCHEDULE	50%	50%							
CHARTERS & SCHEDULE	50%	50%							
CHARTERS & SCHEDULE	50%	50%							
CHARTERS & SCHEDULE	50%	50%							
RECEPTIONIST, DEPOT REPORTS, CUST SERVICE							70%	30%	
MISSOULA BUS DEPOT MANAGER	100%								
TICKET AGENT - MISSOULA DEPOT	100%								
SAFETY SUPERVISOR, DISPATCH						100%			
SHOP FOREMAN		70%	15%	15%					
CONTROLLER, CUST SERVICE							70%	15%	15%
ADMIN ASSISTANT, HR, CUST SERVICE							70%	15%	15%
RECLAIMS, PARTIAL FUEL REPORTING							70%	15%	15%
DRIVER COORDINATOR - GTF, MT							100%		
TICKET AGENT - MISSOULA DEPOT							100%		
TICKET AGENT - MISSOULA DEPOT							100%		

Table A-4: Distribution of Budget by Business Category (Rimrock FY 2010)

	<i>Schedule</i>	<i>Charter</i>	<i>Shop</i>
Operating Revenue			
Passengers	██████████		
Charters		██████████	
Express	██████████		
Shop			██████████
Commissions Earned	██████████		
Total Revenue	██████████	██████████	██████████
Cost of Operations			
Salaries/Wages	██████████	██████████	██████████
Payroll Taxes	██████████	██████████	██████████
Workers' Comp	██████████	██████████	██████████
Pension plan	██████████	██████████	██████████
Sub Total	██████████	██████████	██████████
Fuel and Oil	██████████	██████████	
Commissions	██████████		
Bus leases	██████████	██████████	
Insurance	██████████	██████████	██████████
Repairs	██████████	██████████	██████████
Depreciation	██████████	██████████	
Supplies	██████████	██████████	██████████
Bldg rental	██████████	██████████	██████████
Travel	██████████	██████████	██████████
Tires	██████████	██████████	
Charter meals		██████████	
Licenses and fees	██████████	██████████	
Driver rental	██████████	██████████	
Equip rental	██████████	██████████	
Depot rental	██████████		
Claims	██████████	██████████	██████████
Drug screens/physicals	██████████		
Uniforms	██████████	██████████	
Scheduled Per Diem	██████████		
Credit Card Sales Pd Out	██████████		
Sub-total	██████████	██████████	██████████
Total Operating Expenses	██████████	██████████	██████████
Gross Profit:	██████████	██████████	██████████

	Schedule	Charter	Shop
Administrative Expenses			
Salaries and wages	██████████	██████████	██████████
Officers' salaries	██████████	██████████	██████████
Payroll taxes	██████████	██████████	██████████
Group insurance	██████████	██████████	██████████
Workers' compensation	██████████	██████████	██████████
Officers' life insurance	██████████	██████████	██████████
Pension plan	██████████	██████████	██████████
Salaries/Benefits	██████████	██████████	██████████
Bank charges	██████████	██████████	██████████
Charge card discount	██████████	██████████	██████████
Accounting and legal	██████████	██████████	██████████
Telephone	██████████	██████████	██████████
Utilities	██████████	██████████	██████████
Supplies	██████████	██████████	██████████
Advertising	██████████	██████████	██████████
Dues and subscriptions	██████████	██████████	██████████
Freight	██████████	██████████	██████████
Contributions	██████████	██████████	██████████
Depreciation	██████████	██████████	██████████
Taxes, other	██████████	██████████	██████████
Computer	██████████	██████████	██████████
Printing and postage	██████████	██████████	██████████
Miscellaneous	██████████	██████████	██████████
Sub-total	██████████	██████████	██████████
Net Income/(Loss)	██████████	██████████	██████████
Total Expenses	██████████	██████████	██████████

Table A-5: Cost Allocation Model 2 - Distribution of Schedule Bus Income Statement by Cost Allocation Category

Schedule Revenue and Cost by Category			
	Vehicle-Hours	Vehicle-Miles	Fixed
Operating Revenue			
Passengers		██████████	
State of MT Operating Assistance		██████████	
Express		██████████	
Total Revenue	██████████	██████████	██████████
Cost of Operations			
Salaries/Wages	██████████		
Payroll Taxes	██████████		
Workers' Comp	██████████		
Pension plan	██████████		
Sub Total	██████████	██████████	
Fuel and Oil		██████████	
Commissions			██████████
Bus leases and loans			██████████
Insurance			██████████
Repairs		██████████	
Depreciation		██████████	
Supplies			██████████
Bldg rental			██████████
Travel			██████████
Tires		██████████	
Licenses and fees			██████████
Driver rental	██████████		
Equip rental			██████████
Depot rental			██████████
Claims			██████████
Drug screens/physicals			██████████
Uniforms			██████████
Sub-total	██████████	██████████	██████████
Total Operating Expenses	██████████	██████████	██████████
Gross Profit:	██████████	██████████	██████████

Schedule Revenue and Cost by Category

	Vehicle-Hours	Vehicle-Miles	Fixed
Administrative Expenses			
Salaries and wages			██████████
Officers' salaries			██████████
Payroll taxes			██████████
Group insurance			██████████
Workers' compensation			██████████
Officers' life insurance			██████████
Pension plan			██████████
Salaries/Benefits	██████████	██████████	██████████
Charge card discount			██████████
Telephone			██████████
Utilities			██████████
Supplies			██████████
Dues and subscriptions			██████████
Accounting and legal			██████████
Bank charges			██████████
Contributions			██████████
Depreciation			██████████
Miscellaneous			██████████
Advertising			██████████
Computer			██████████
Printing and postage			██████████
Freight			██████████
Taxes, other			██████████
Sub-total	██████████	██████████	██████████
Total Expenses	██████████	██████████	██████████
	Vehicle-Hours	Vehicle-Miles	Fixed Cost
Hours	██████████		
Miles		██████████	
Fixed Cost Factor		██████████	██████████
Cost per hour; cost per mile	██████████	██████████	██████████

This model presents different results from Cost Allocation Model 1, yet they are in line with each other. Contributing to those differences are the calendars; the exclusion of capital costs; and differences in processes between the two methods of assigning costs to Montana intercity services.

Table A-6: Cost Allocation Model 1 per MDT Quarterly Reports (2010 Calendar Year)

	CY 2010 Costs	Cost by Category		
		Vehicle-Hours	Vehicle-Miles	Fixed Costs
Operating Costs				
1. Labor				
a. Operator's wages	\$338,995	\$338,995		
b. Mechanic's wages	\$55,273	\$55,273		
c. Dispatcher's wages	\$15,174	\$15,174		
2. Fringe Benefits				
a. Operator's/Mechanic/Dispatcher Fringe	\$59,282	\$59,282		
3. Services				
a. Professional and technical services	\$15,929			\$15,929
b. Advertising fees	\$5,956			\$5,956
c. Custodial services	\$5,520			\$5,520
d. Other services	\$0			\$0
4. Materials & Supplies Consumed				
a. Fuel and Oil	\$434,454		\$434,454	
b. Other materials and supplies	\$21,284			\$21,284
5. Purchased Transportation Services				
a. Purchased transportation services	\$4,390	\$4,390		
6. Taxes				
a. Vehicle Licensing and registration fees	\$6,235			\$6,235
7. Other Operating Expenses				
a. Other Expenses	\$273,105			\$273,105
Administrative Costs				
8. Labor				
a. Other salaries (Manager and Administrative personnel)	\$218,173			\$218,173
9. Fringe Benefits				
a. Other salaries fringe benefits distribution	\$39,811			\$39,811
10. Materials and Supplies				
a. Office Supplies	\$14,582			\$14,582
11. Casualty & Liability Costs				
a. Casualty and Liability Costs	\$72,520			\$72,520
12. Utilities				
a. Utilities (Gas, Electric, Sewer, Phone and Internet)	\$27,197			\$27,197
13. Taxes				
a. Property tax	\$648			\$648
14. Leases and Rentals				
a. Vehicle				\$0
b. Facilities	\$79,576			\$79,576
15. Miscellaneous Expense				
a. Dues and subscriptions	\$6,062			\$6,062
b. Travel and meetings	\$3,199			\$3,199
c. Drug Testing	\$3,514			\$3,514
d. Promotional/Coordination Ridesharing	\$0			\$0
e. Indirect Cost (Attach plan from Grantee)	\$0			\$0
16. Other Administrative Expenses				
a. Other expenses (personnel, admin)	\$713			\$713
Maintenance Costs				
17. Maintenance Costs				
a. Vehicle maintenance parts & service	\$168,439		\$168,439	
b. Tires and tubes	\$32,310		\$32,310	
Total System Operating Costs	\$1,902,342	\$473,115	\$635,204	\$794,024

	Vehicle- Hours	Vehicle- Miles	Fixed Cost
Hours	16,291		
Miles		847,456	
Fixed Cost Factor			1.72
Average Unit Cost	\$29.04	\$0.75	
Cost per Hour	\$116.77		
Cost per mile		2.24	

Table A-7: Alternative Views of Cost Models 1 Based on MDT Quarterly Reports (CY 2010)

hours + miles	Cost = 1.72 (\$29.04 x # of hours in service + \$0.75 x # of miles in service)
Cost per hour	Cost = \$117 x # of hours in service
Cost per mile	Cost = \$2.24 x # of miles of service