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SERVICE DATE - LATE RELEASE SEPTEMBER 20, 1999

SURFACE TRANSPORTATION BOARD

CORRECTED DECISION*

STB Docket No. MC-F-20954

GLOBAL PASSENGER SERVICES, L.L.C., ET AL.—CONTROL—GONGAWARE TOURS,
INC., ET AL.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving Finance Application.

SUMMARY: Global Passenger Services, L.L.C. (Global or applicant), a noncarrier, filed an application under 49 U.S.C. 14303 to: (i) acquire control of nine motor passenger carriers through indirect stock ownership and (ii) merge or consolidate some or all of them with existing affiliates in the future. Persons wishing to oppose the application must follow the rules under 49 CFR part 1182, subpart B. The Board has tentatively approved the transactions. If no opposing comments are timely filed, this notice will be the final Board action.

DATES: Comments are due by November 1, 1999. Applicant may reply by November 16, 1999. If no comments are received by November 1, 1999, this approval is effective on that date.

ADDRESSES: Send an original and 10 copies of any comments referring to STB Docket No. MC-F-20954 to: Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, send one copy of any comments to applicant's representative: Mark J. Andrews, Barnes and Thornburg, 1401 I Street, N.W., Suite 500, Washington, DC 20005.

FOR FURTHER INFORMATION CONTACT: Joseph H. Dettmar (202) 565-1600 [TDD for the hearing impaired: (202) 565-1695.]

SUPPLEMENTARY INFORMATION: Global, a Delaware limited liability company, states that it currently controls 17 motor passenger carriers¹ and holds a majority stock control of Student Transportation of America, Inc. (STA) and Travelways, Inc. (Travelways). STA and Travelways are Delaware corporations that control subsidiaries holding interstate authority as motor passenger

* This decision corrects the decision served on September 16, 1999, and decided on September 10, 1999, by inserting a sentence that was inadvertently omitted in footnote 2.

¹ See Global Passenger Services, L.L.C.—Control—Bortner Bus Company, et al., STB Docket No. MC-F-20954 (STB served July 17, 1998) (Bortner).

carriers. Through this application, Global seeks authority to acquire control of nine additional interstate passenger carriers: three would become wholly owned subsidiaries of STA, and six would become wholly owned subsidiaries of Travelways.²

The carriers to be controlled by STA are:

Gongaware Tours, Inc. (Gongaware), a Pennsylvania corporation, which holds federally-issued operating authority in MC-166233 to provide charter and special operations between points in the United States except Hawaii, and Pennsylvania intrastate authority (PUC No. A-79466), and which conducts limited charter and tour services incidental to a school transportation operation based in central Pennsylvania;

Hamilton Motor Coaches (Hamilton), a New Jersey corporation, which holds federally-issued operating authority in MC-8130 to provide charter and special operations between points in the United States, except Hawaii, and which primarily provides vacation charters and organized tours to and from New Jersey; and

North Bend Bus Lines, Inc. (North Bend), an Oregon corporation, which holds federally-issued operating authority in MC-215564 to provide charter and special operations between points in the United States, except Hawaii, and intrastate authority in Oregon (PUC No. 4124), and which operates school transportation services within Oregon.

The carriers to be acquired by Travelways are:

Perkiomen Valley Bus Company (Perkiomen), a Pennsylvania corporation, which holds federally-issued operating authority in MC-83791 to provide charter and special operations and contract-carrier services between points in the United States, except Hawaii, and regular-route service between Pennsburg, PA, and New York, NY, and Philadelphia, PA; which holds intrastate authority in Pennsylvania (PUC No. A-16420, Folder No. 9); and which primarily operates vacation charters and organized tours within eastern Pennsylvania;

Shoup Buses, Inc. d/b/a Cardinal Charters & Tours (Shoup), an Indiana corporation, which holds federally-issued operating authority in MC-70384 to provide charter and special operations and contract carrier service between points in the United States, except Hawaii, and intrastate authority in Indiana (PSCI Certificate No. 5224-A,2), Michigan (MDOT Certificate No. IA-3) and Ohio (PUCO Permit No. 66209), and which operates group charters and organized tours in Illinois, Indiana, Michigan, Ohio, and Wisconsin;

² Global also seeks authority for the possible future merger of some or all of the carriers with its existing affiliates. As it is not clear what transactions might be covered by this request, no action will be taken with respect to this request in this decision.

Travelways of Nevada, Inc. (Travelways-NV),³ a Nevada corporation, which holds federally-issued operating authority in MC-162053 to provide charter and special operations authority between points in the United States, except Hawaii, and Nevada intrastate authority under TSA Certificate No. 2021, and which conducts casino tours and other charter operations within Nevada;

Travelways of New York, Inc. (Travelways-NY),⁴ a New York corporation, which holds federally-issued operating authority in MC-181064 to provide charter and special operations between New York City on one hand and, on the other, points in the United States, except Alaska and Hawaii; which holds New York intrastate authority in NYDOT Case No. 30468; and which operates convention shuttles and organized tours within New York City and its immediate vicinity;

Tri-State Coach Lines, Inc. (Tri-State), an Illinois corporation, which holds federally-issued operating authority in MC-129038 to provide regular-route and special-operations authority between O'Hare and Midway airports at Chicago, IL, and surrounding points in Illinois and Indiana, and regular route service between points in southern Indiana and Kentucky, and which operates scheduled and on-call airport shuttle services in Illinois and Indiana; and

United Limo, Inc. d/b/a Indiana Motor Bus Company (United), an Indiana corporation, which holds federally-issued operating authority in MC-150365 to provide charter and special operations between points in the United States, except Hawaii, and regular route service between points in Illinois, Indiana, Michigan and Wisconsin; which holds Indiana intrastate authority under PSCI Certificate No. 14299-A,2; and which principally provides group charters and scheduled and on-call airport shuttle services in Illinois, Indiana, Michigan, and Wisconsin.

Applicant states that shares of Gongaware, Hamilton, Perkiomen, Shoup, Tri-State and United have been placed in independent voting trusts under the guidelines of 49 CFR part 1013. Assertedly, the respective trustees will convey the shares of the respective carriers to STA or Travelways on the effective date of the Board's approval in this proceeding. Applicant further states that when it acquired the stock of North Bend, Travelways-NV, and Travelways-NY, it relied on written representations by the sellers that these carriers held no federal operating authority as motor passenger carriers. Global indicates that, when it learned that these carriers had federally-issued authority, it filed this control application to rectify the situation.⁵

Global further states that it is engaging in a series of intra-company, corporate family transactions that will consolidate and simplify its corporate structure, without significantly affecting

³ Travelways-NV was formerly known as Adventure Charters & Tours, Inc.

⁴ Travelways-NY was formerly known as Personal Transit, Inc.

⁵ Global indicates that North Bend, Travelways-NV, and Travelways-NY were identified as non-regulated carriers on the corporate family diagram in its application in Bortner.

its current operations or employment levels. According to applicant, the transactions involve transfers of operating authority and name changes, consolidations, internal stock transfers, and future surrender of unneeded federal authorities. The application contains a detailed description of these intra-company transactions.

Applicant claims that the intra-company transactions are not subject to Board jurisdiction. Global asserts that it has received approval from the Federal Highway Administration (FHWA) for the transfers of federal regulated authority from 10 carriers to non-regulated entities and for changes of names of several carrier subsidiaries. Applicant asserts further that Board approval is not necessary for the mergers of its non-regulated subsidiaries with other subsidiaries whose status as holders of federally-issued operating authority will not change. The transfer of stock from one affiliate to California Travelways, Inc. (CA Travelways) is assertedly of no jurisdictional significance, Global says, citing Transcontinental Bus System, Inc.—Control—American, 87 M.C.C. 796, 798-99 (1961). Finally, applicant intends to surrender unneeded authority for affiliates who are engaged in non-regulated operations after the Board authorizes this transaction.

Our jurisdiction, however, does extend to those aspects of the intra-company transactions that are covered under section 14303. As a result of intra-company transactions, STA will be the transferee of authority currently held by George Ku, Inc. in MC-31422 and will control: Goffstown Truck Center, Inc. (MC-191957) (Goffstown); Rick Bus Company (MC-140403); Santa Barbara Transportation Corp. (MC-198757); STA of Connecticut, Inc. (MC-336635); STA of Pennsylvania, Inc. (MC-251473); Student Transportation of America, L.L.C. (MC-304399); and Student Transportation of Canada, Ltd. (MC-111191). In addition, STA will control Gongaware, Hamilton, and North Bend.

Travelways will control: Boardwalk Financial Services, Inc. (MC-231149); CA Travelways (MC-182176); Golden Touch Transportation, Inc. (MC-235493); Pennsylvania Travelways, Inc. (MC-167547) (PA Travelways); PROTRAV Services, Inc. (MC-227448); Travelways of Florida Charter Busing, Inc. (MC-172787); Travelways of Missouri, Inc. (MC-217893); Travelways of Pittsburgh, Inc. (MC-52479); and Travelways of Tennessee, Inc. (MC-263038). In addition, Travelways will control: Travelways-NV, Travelways-NY, Shoup, Perkiomen, Tri-State, and United.

Applicant states that the intra-company transactions will reduce the number of subsidiaries in its corporate family by 40%, enabling it to reduce administrative operating expenses. Global states further that the transactions will enable it to use “Travelways” and “STA” as brand names for its leisure transportation and school transportation businesses.

Global asserts that the proposed transactions are consistent with the statutory public-interest criteria relating to service adequacy, financial reasonableness and employee interests. Applicant claims that its control of the carriers will produce substantial benefits, including interest cost savings from restructuring of debt and reduced operating costs from its enhanced volume purchasing power. Applicant also claims that the carriers it acquires will benefit from the lower insurance premiums it

has negotiated and from volume discounts for equipment and fuel. Applicant also avers that the proposed transactions will improve the efficiency of all acquired carriers, by providing centralized services to support decentralized operational and marketing managers.⁶ In addition, Global states that the proposed transactions will facilitate vehicle sharing arrangements between acquired entities, so as to ensure maximum utilization and efficient operation of equipment. According to applicant, the involved transactions offer ongoing benefits for employees of acquired carriers not only because of the efficiencies described above, but also because Global's policy is to honor all collective bargaining agreements of acquired carriers.

Applicant further states that the proposed transactions will not reduce competition in the regulated bus industry or competitive options available to the traveling public. Applicant asserts that each of its current passenger carrier affiliates and each carrier to be acquired faces substantial competition from other bus companies and transportation modes. Applicant notes that its current operations focus on two passenger service sectors: school transportation and leisure transportation. School transportation is largely exempt from regulation by the FHWA and the Board under 49 U.S.C. 10526(a)(1), while leisure transportation is regulated as charter and special operations.

Applicant states that its acquisition will not significantly affect its school transportation services. The only carrier being acquired providing school transportation service is North Bend, and it operates strictly within Oregon. North Bend's operations do not overlap geographically with those of any of Global's other affiliates.

Global states further that the control transactions will expand the geographical area covered by leisure transportation operations, but will not increase its share of any local market.⁷ In addition, applicant states that its proposed control of Tri-State and United will allow it to make its first significant entry into a third service sector: intercity airport shuttle operations.

Applicant estimates that its leisure transportation operations account for approximately 0.6% of a nationwide market that generates annual sales of approximately \$25 billion. Moreover, applicant maintains that its proposed additional control of the carriers whose stock has been placed in voting trusts will increase that market share by less than two-tenths of a percentage point.

⁶ Centralized support services will be provided in such areas as legal affairs, accounting, purchasing, safety management, equipment maintenance, driver training, human resources and environmental compliance.

⁷ Applicant notes that there is geographic overlap between the leisure travel services provided by Hamilton and Perkiomen with those of PA Travelways. Applicant states that PA Travelways concentrates on charter transportation for large corporate clients, while Hamilton and Perkiomen package and operate vacation tours for the general public.

Applicant estimates that the nationwide market for intercity airport shuttle services amounts to approximately \$5 billion per year, and that its proposed acquisition of Tri-State and United will increase its nationwide share of this market from essentially zero to slightly more than 0.1%. Tri-State and United, which were commonly owned, serve airports in Chicago, Indianapolis, and Milwaukee, and have a market share ranging between 10 and 50%. Applicant notes that intercity airport shuttles are subject to intense intermodal competition from car rental agencies and private automobiles.

Global certifies that: (1) none of the carriers to be acquired or any of its current affiliates has received a safety fitness rating of less than satisfactory, with one exception that it is attempting to rectify;⁸ (2) all carriers maintain sufficient liability insurance; (3) none of the involved carriers has been or is either domiciled in Mexico or owned or controlled by persons of that country; and (4) approval of the proposed transactions will not significantly affect either the quality of the human environment or the conservation of energy resources. Applicant also asks the Board to approve applicant's proposed control of intrastate operations in Indiana, Michigan, Ohio, Oregon, Nevada, New York, and Pennsylvania, pursuant to the preemptive provisions of 49 U.S.C. 14303(f). Additional information may be obtained from applicant's representative.

Under 49 U.S.C. 14303(b), the Board must approve and authorize transactions it finds consistent with the public interest, taking into account at least: (1) the effect of the transactions on the adequacy of transportation to the public; (2) the total fixed charges that result; and (3) the interest of affected carrier employees.

Although this application is difficult to follow, it is essentially complete, and our rules require that we tentatively approve complete applications in the Federal Register notice providing for public comment. Therefore, we tentatively find that the proposed transactions, including control of intrastate operations pursuant to 49 U.S.C. 14303(f), and corporate restructuring are consistent with the public interest and should be authorized. If any opposing comments are timely filed, this finding will be deemed vacated and, unless a final decision can be made on the record as developed, a procedural schedule will be adopted to reconsider the application.⁹ If no timely comments are filed by the expiration of the comment period, this decision will take effect automatically and will be the final Board action.

⁸ According to applicant, Goffstown, received a Conditional safety rating in 1987, long before that carrier was acquired. Applicant indicates that, while the seller had represented that the problems identified by the FHWA had been corrected, the seller had not requested that the rating be changed (apparently because the seller was unfamiliar with such procedures). Applicant states that it has requested the FHWA to schedule a reinspection.

⁹ Under revised 49 CFR 1182.6(c), a procedural schedule will not be issued if we are able to dispose of opposition to the application on the basis of comments and the reply.

Board decisions and notices are available on our website at
“WWW.STB.DOT.GOV.”

This decision will not significantly affect the quality of the human environment or the conservation of energy resources.

It is ordered:

1. Global’s above-described control of the indicated carriers and corporate restructuring are approved and authorized, subject to the timely filing of opposing comments.
2. If timely opposing comments are filed, the findings made in this decision will be deemed vacated.
3. This decision will be effective on November 1, 1999, unless timely opposing comments are filed.
4. A copy of this notice will be served on (1) the U.S. Department of Transportation, Office of Motor Carriers-HIA 30, 400 Virginia Avenue, S.W., Suite 600, Washington, DC 20024; (2) the U.S. Department of Transportation, Office of the General Counsel, 400 7th Street, S.W., Washington, DC 20590; and (3) the U.S. Department of Justice, Antitrust Division, 10th Street and Pennsylvania Avenue, N.W., Washington, DC 20530.

Decided: September 10, 1999.

By the Board, Chairman Morgan, Vice Chairman Clyburn, and Commissioner Burkes.

Vernon A. Williams
Secretary