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SERVICE DATE - JANUARY 27, 1999

SURFACE TRANSPORTATION BOARD

DECISION

STB Docket No. MC-F-20943

COACH USA, INC. AND COACH CANADA, INC.--CONTROL --AUTOCAR
CONNAISSEUR, INC.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving Finance Transaction.

SUMMARY: Coach USA, Inc. (Coach), a noncarrier that controls numerous motor passenger carriers, and its wholly owned noncarrier subsidiary, Coach Canada, Inc. (Coach Canada) (collectively, applicants), filed an application under 49 U.S.C. 14303 for control of Autocar Connaissanceur, Inc. (Autocar II), an entity that intends to become a motor carrier of passengers. Persons wishing to oppose the application must follow the rules under 49 CFR 1182.5 and 1182.8.¹ The Board has tentatively approved the transaction, and, if no opposing comments are timely filed, this notice will be the final Board action.

DATES: Comments must be filed by March 15, 1999. Applicants may file a reply by April 5, 1999. If no comments are filed by March 15, 1999, this notice is effective on that date.

ADDRESSES: Send an original and 10 copies of any comments referring to STB Docket No. MC-F-20943 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 comments to applicants' representatives: Betty Jo Christian and David H. Coburn, Steptoe & Johnson LLP, 1330 Connecticut Avenue, N.W., Washington, DC 20036.

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

SUPPLEMENTARY INFORMATION: Coach currently controls a number of motor passenger carriers. Coach Canada is a wholly owned Coach subsidiary established for the purpose of obtaining control of those motor passenger carriers that Coach currently controls that are based in Canada, as well as Canada-based motor passenger carriers that Coach and Coach Canada may in the future seek to control. In their application, Coach and Coach Canada state that Coach assumed

¹ Revised procedures governing finance applications filed under 49 U.S.C. 14303 were adopted in Revisions to Regulations Governing Finance Applications Involving Motor Passenger Carriers, STB Ex Parte No. 559 (STB served Sept. 1, 1998).

control of Autocar Connaisseur, Inc. (Autocar I) by a stock transaction that was consummated on December 19, 1996. Applicants indicate that Coach did not until recently determine that Autocar I holds not only operating authority from Canadian agencies, but also authority issued by the Interstate Commerce Commission. Having discovered this unresolved control issue, Coach and Coach Canada sought Board authority in STB Docket No. MC-F-20938 to control this carrier.²

Applicants state that, under Canadian law, Autocar I is to be amalgamated (merged) with three other noncarrier entities with which it is affiliated by common ownership: Connaisseur Parts Distribution, Inc., Agencie de Vehicules Connaisseur, Inc., and 170861 Canada, Inc. Applicants aver that each of these four corporations now shares common ownership with Autocar I, and that the ultimate parent of each within the Connaisseur Group of companies is 3329003 Canada, Inc., a noncarrier owned by Coach. Applicants further contend that the product of the amalgamation transaction will be a new corporate entity also to be known as Autocar Connaisseur, Inc. (Autocar II). Applicants state that, following the amalgamation, Autocar II will carry on the same motor carrier business now conducted by Autocar I, under the same management that now operates Autocar I, and pursuant to the same operating authorities now held by Autocar I. Applicants aver that the amalgamation will in fact be “invisible” to Autocar’s customers.

Applicants state that granting the application will not result in any changes to carrier operations that are now being conducted and will not reduce competitive options available to the traveling public. They assert that Autocar II is relatively small and will face substantial competition from other bus companies and modes of transportation.

Applicants also submit that granting the application will produce substantial benefits, including reduced fixed charges in the form of interest cost savings from the restructuring of debt and reduced operating costs from Coach’s enhanced volume purchasing power. Specifically, applicants claim that Autocar II will benefit from the lower insurance premiums negotiated by Coach or Coach Canada and from volume discounts for equipment and fuel. Applicants indicate that Coach will provide Autocar II with centralized legal and accounting functions and coordinated purchasing services. In addition, applicants state that vehicle sharing arrangements will be facilitated through Coach or Coach Canada to ensure maximum use and efficient operation of equipment. Applicants aver that, with Coach’s and Coach Canada’s assistance, coordinated driver training services will be provided, enabling Autocar II to allocate driver resources in the most efficient manner possible. Applicants add that the proposed transaction will have no adverse impacts on the employees of Autocar II and that collectively bargained agreements will be recognized.

² Autocar I is a Quebec corporation. It holds federally issued operating authority in Docket No. MC-166643, allowing it to conduct charter and special operations between certain U.S./Canada border crossings and points in the United States. Autocar I operates a fleet of approximately 180 buses and employs approximately 250 full and part time persons. Autocar I’s annual revenues for the twelve month period ending June 1998 were approximately \$12.1 million. Autocar II will undertake the same business operations now conducted by Autocar I.

Applicants state that Coach Canada, like other management subsidiaries that Coach has established to assume control of, and manage the operations of, motor passenger carriers as to which control authority has previously been granted to Coach, will focus its efforts on those carriers that are based in Canada. Applicants also indicate that Coach Canada will be responsible for developing strategic business and growth plans for the Canadian based entities that it seeks to control, and for assessing opportunities for further Canadian acquisitions of passenger transportation entities. Applicants add that, over the long term, Coach and Coach Canada will provide centralized marketing and reservation services for the bus firms that they control, thereby further enhancing the benefits resulting from these control transactions.

Applicants certify that: (1) Autocar II does not hold an unsatisfactory safety rating from the U.S. Department of Transportation;³ (2) Autocar II will maintain sufficient liability insurance; (3) Autocar II is not domiciled in Mexico or owned or controlled by persons of that country; and (4) approval of the transaction will not significantly affect either the quality of the human environment or the conservation of energy resources. Additional information may be obtained from applicants' representatives.

Under 49 U.S.C. 14303, we must approve and authorize a transaction we find consistent with the public interest, taking into consideration at least: (1) the effect of the transaction on the adequacy of transportation to the public; (2) the total fixed charges that result; and (3) the interest of affected carrier employees.

On the basis of the application, we find that the proposed acquisition of control is 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.⁴ If no opposing comments are filed by the expiration of the comment period, this decision will take effect automatically and will be the final Board action.

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

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

³ Autocar I holds a satisfactory rating from the U.S. Department of Transportation. Because it will be a new carrier following the amalgamation, Autocar II holds no safety rating.

⁴ 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.

It is ordered:

1. The proposed acquisition of control is approved and authorized, subject to the filing of opposing comments.
2. If timely opposing comments are filed, the findings made in this decision will be deemed as having been vacated.
3. This decision will be effective on March 15, 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; and (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530.

Decided: January 21, 1999.

By the Board, Chairman Morgan and Vice Chairman Clyburn.

Vernon A. Williams
Secretary