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SERVICE DATE - FEBRUARY 12, 1998

SURFACE TRANSPORTATION BOARD

DECISION

STB No. MC-F-20912

PETER PAN BUS LINES, INC.--POOLING--GREYHOUND LINES, INC.

Decided: February 3, 1998

On September 19, 1997, Peter Pan Bus Lines, Inc., of Springfield, MA (Peter Pan), and Greyhound Lines, Inc., of Dallas, TX (Greyhound) (collectively, applicants), jointly applied for approval under 49 U.S.C. 14302 of an operations and revenue pooling agreement to govern their motor passenger and express transportation services between Boston, MA, and New York, NY, and between Springfield, MA, and New York, NY. Notice of the application was served and published in the Federal Register (62 FR 60559) on November 10, 1997. In addition, a copy of the notice was served on the U.S. Department of Justice, Antitrust Division. No comments have been filed. We have analyzed the application under the statutory criteria of 49 U.S.C. 14302 and have decided to approve it.

Under 49 U.S.C. 14302(b), an agreement to pool or divide services and earnings may be approved if the carrier participants assent, and if we find that the agreement (1) will be in the interests of better service to the public or of economy of operation, and (2) will not unreasonably restrain competition. By jointly filing the application, both carriers evidence their assent to the transaction.

BACKGROUND

Peter Pan (MC-61016) is a Class I regional bus line operating over a series of regular routes throughout New England and the Middle Atlantic states--from Boston, MA, on the northeast, to Albany, NY, on the northwest, to Washington, DC, on the south--including the major cities of New York, NY, Philadelphia, PA, Baltimore, MD, and Washington, DC. Greyhound (MC-1515) is a Class I bus line, operating over approximately 70,000 miles of intercity routes throughout the United States.

Applicants state that they have long been head-to-head competitors on certain of their intercity routes as, for example, they have been on the routes that are the focus of this pooling agreement. The applicants aver that their performance of overlapping services in these corridors has resulted in the fragmentation of the available passenger business and unsatisfactory load factors on the buses each company operates, occasioning an intolerable drain on each company's resources. Applicants add that they feel compelled to operate current excess schedules solely to protect their

respective market shares, notwithstanding the inefficiencies and lost opportunities that result from these operations.

Applicants state that, in addition to reducing the excess bus capacity on the subject routes, the pooling agreement will also cement their business relationship. The applicants note that the revenue pooling agreement will yield greater stability for the carriers because it will allow them to share the risks of each other's pooled-route operations. Applicants also state that they will be better able to manage their pricing structures and capital improvements, including vehicle replacements, and will enjoy economies, efficiencies, and cost savings by eliminating unnecessary duplication of facilities and staff. Applicants further assert that the proposed arrangement will offer public benefits in the form of rationalization of schedules, more frequent bus service over a broader time period, more coordinated use of terminals and ticketing agents, capital improvements, and continued bus service by carriers that are more financially stable.

According to applicants, the intermodal competitive pressures on them from trains, airplanes, and automobiles are overwhelming. According to applicants, Amtrak operates ten trains each way daily between Boston and New York, and five trains each way between Springfield and New York. Moreover, they state, there is frequent air service available between the major cities on these routes. Finally, applicants point out that a superb highway system connects the involved cities. As a result, applicants contend, their proposed application will not unreasonably restrain competition.

DISCUSSION AND CONCLUSIONS

The proposed pooling arrangement should allow the applicants to operate more economically and efficiently. By rationalizing their competing schedules, applicants should be able to end the duplication in service that currently exists, thereby increasing the passenger load per bus and reducing unit costs. Such rationalization will enable applicants to spread their schedules more evenly throughout the day, and thus offer the traveling public a wider choice of departure times and enhance the convenience of bus travel. In addition, the sharing of revenues derived from their operations will provide applicants with greater financial stability. This should allow each carrier to better manage its pricing structure and capital improvements and should result in improved service for the traveling public. Passengers will also benefit from more coordinated use of terminals and ticketing agents. Most notably, at the congested Port Authority Bus Terminal in New York, Peter Pan will move its operations almost two city blocks so that Greyhound and Peter Pan ticketing, arrivals, and departures can all take place within the north side of the terminal.

The proposed pooling agreement should not unreasonably restrain competition in the affected transportation markets. The ready availability of Amtrak, air service, and the private automobile ensure that the traveling public will enjoy the benefits of substantial intermodal competition. A strong competitive field, involving a variety of services provided by other transportation modes, has long been recognized as sufficient to ensure competitive discipline in the intercity bus industry. See GLI Acquisition Company—Purchase—Trailways Lines, Inc., 4 I.C.C.2d 591 (1988), aff'd mem. sub nom. Peter Pan Bus Lines, Inc. v. ICC, 873 F.2d 408 (D.C.

Cir. 1989). Thus, we find nothing of record to suggest that the proposed pooling agreement will restrain competition within the affected service area to any material extent.

We find:

The proposed operations and revenue pooling agreement between Peter Pan and Greyhound will foster improved service to the public and economy of operation, and will not unreasonably restrain competition. This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The proposed operations and revenue pooling agreement between Peter Pan and Greyhound is approved and authorized to the extent specified in the application, the pooling agreement, and this decision.

2. This decision will be effective on its service date.

By the Board, Chairman Morgan and Vice Chairman Owen.

Vernon A. Williams
Secretary