28321 SERVICE DATE - DECEMBER 18, 1997
EB

SURFACE TRANSPORTATION BOARD

DECISION

STB No. MC-F-20910

ADIRONDACK TRANSIT LINES, INC., PINE HILL-KINGSTON BUS CORP., AND PASSENGER BUS CORPORATION--POOLING--GREYHOUND LINES, INC., AND VERMONT TRANSIT CO., INC.

Decided: December 11, 1997

On May 16, 1997 (as supplemented and corrected May 23, 1997), the Adirondack Group[1] and the Greyhound System[2] jointly applied for approval under 49 U.S.C. 14302 of a revenue pooling agreement with respect to their pooled motor passenger and package express transportation services between various points in New York, and services extending between New York, NY, and Montreal, Quebec, Canada. Notice of the application was served and published in the Federal Register (62 FR 45695-96) on August 28, 1997, and a copy of the notice was served on the U.S. Department of Justice, Antitrust Division. No comments have been filed.

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 interest of better service to the public or of economy of operation, and (2) will not unreasonably restrain competition. By jointly filing the application, all of the involved carriers presumably assent to the transaction. We find that the application satisfies the remaining statutory criteria as well, and, accordingly, it will be approved.

[1] The Adirondack Group consists of Adirondack Transit Lines, d/b/a Adirondack Trailways (MC-2835), and its corporate affiliates, Pine Hill-Kingston Bus Corp., d/b/a Pine Hill Trailways (MC-2060), and Passenger Bus Corporation, d/b/a New York Trailways (MC-276393), all of Kingston, NY.

[2] The Greyhound System, as pertinent to this application, consists of Greyhound Lines, Inc. (MC-1515), of Dallas, TX, and its corporate affiliate, Vermont Transit Co., Inc. (MC-45626), of Burlington, VT.

BACKGROUND

The Adirondack Group operates more than 1,500 miles of intercity bus routes, predominantly in New York, and the Greyhound System operates more than 90,000 miles of intercity bus routes throughout the nation.

In Adirondack Transit Lines, Inc., Pine Hill-Kingston Bus Corp., and Passenger Bus Corporation--Pooling--Greyhound Lines, Inc., and Vermont Transit Company, Inc., STB No. MC-F-19190 (Sub-No. 1) (STB served Nov. 26, 1996), we approved, in addition to an existing pooled route between New York City and Albany, NY, a service pooling agreement between the Adirondack Group and the Greyhound System over routes that they both operate: (1) between New York City and Buffalo, NY; (2) between Albany and Buffalo; (3) between Albany and Long Island, NY; and (4) between New York City and Montreal, Quebec, Canada. These routes serve intermediate points such as Syracuse and Rochester, NY. Under the proposed arrangement the Adirondack Group and the Greyhound System will also pool their passenger and package express revenues over all of these pooled routes.

As direct competitors over the pooled routes, applicants, in the past, operated only partially loaded buses, which was both costly and inefficient. Under their service pooling agreement, applicants state that they have been able to reduce the number of schedules each of them operates, while providing additional departure times designed to meet the demands of their passengers. Applicants note that load factors[3] on their buses have improved, making their operations more economical and efficient than they otherwise would have been. Although the service pooling agreements have helped in this regard, neither carrier is operating full buses. By pooling their revenues as well as their services on these routes, applicants expect to strengthen their commitment to providing safe, convenient, and comfortable bus transportation at reasonable and competitive fares, as each applicant will share financially in the vicissitudes of the pooled-route operations of the other. Applicants state that they will accomplish this goal by further reducing the number of trips they both operate over the involved routes, thereby improving their load factors. At the same time, applicants submit that they will be able to offer the traveling public a greater number of departures times and that their revenue pooling agreement will also facilitate the sharing of certain terminals, to the benefit of the traveling public.[4] Applicants note that they continue to experience keen

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[3] The load factor is a ratio or percentage comparing the number of passengers transported to the number of available seats.

[4] According to applicants, by spreading out the scheduled departures of each carrier, a traveler would have a shorter wait for the next bus and a real choice of more frequent departure times. Currently, although some schedules have been reduced and additional departure times have been provided under the service pooling agreement, the carriers still feel compelled to continue to operate certain duplicate schedules in order to protect their respective market shares. The proposed
(continued...)

competition from other modes of passenger travel in the region, including rail passenger service operated by Amtrak, air service operated by at least four airlines, and automobile travel over interstate highways.[5]

DISCUSSION AND CONCLUSIONS

The proposed revenue pooling arrangement should enable applicants to terminate any uneconomic service options remaining in their pooled operations. Allowing applicants to pool their revenues should eliminate the fear of traffic and revenue inequities that could result from further rationalization of their respective schedules. This should lead to more sustainable operations over the specific routes, and, in turn, should enhance the carriers' overall ability to use their resources more efficiently.

Affected passengers can anticipate more frequent departure times (and reduced waiting time) for buses. Also, passengers should benefit from the added security of economically stronger, more sustainable passenger operations. Because applicants will have greater incentives and additional resources to compete more effectively on an intermodal basis with the other, more pervasive transportation modes, the quality of service to the public should increase as excess capacity is replaced by economy of operations.

It appears unlikely that the proposed revenue pooling agreement will unreasonably restrain competition in the affected transportation market. Ample transportation service between the points served by these routes is available by other transportation modes, including Amtrak, the airlines, and private automobiles. 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).

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[4] (...continued)
revenue pooling agreement would address that concern.

[5] Applicants state that Amtrak operates daily, each way, 10 trains between Albany and New York City; 5 trains between Buffalo and New York City and between Albany and Buffalo; and 2 trains between New York and Montreal. Applicants also state that the number of daily, non-stop flights each way between Albany and New York City are: five on American Airlines; five on Continental Airlines; two on Delta Air Lines; and five on U.S. Airways. Between Buffalo and New York City there are: four on American Airlines; six on Continental Airlines; and six on U.S. Airways. Finally, between New York and Montreal there are: four on American Airlines; five on Continental; and five on Delta Air Lines. In addition, applicants indicate that New York City and Buffalo are joined by Interstate Highways 90, 81, and 87; Albany and Buffalo are joined by Interstate Highway 90; Albany and Long Island are joined by Interstate Highways 78, 87, and 95; and New York and Montreal are joined by Interstate Highways 84, 87 and 95.

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

We find:

The proposed revenue pooling agreement between the Adirondack Group and the Greyhound System will foster improved service to the public and economy of operations 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 revenue pooling agreement between the Adirondack Group and the Greyhound System 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

28321
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SERVICE DATE - DECEMBER 18, 1997

SURFACE TRANSPORTATION BOARD

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As direct competitors over the pooled routes, applicants, in the past, operated only partially loaded buses, which was both costly and inefficient. Under their service pooling agreement, applicants state that they have been able to reduce the number of schedules each of them operates, while providing additional departure times designed to meet the demands of their passengers. Applicants note that load factors[3] on their buses have improved, making their operations more economical and efficient than they otherwise would have been. Although the service pooling agreements have helped in this regard, neither carrier is operating full buses. By pooling their revenues as well as their services on these routes, applicants expect to strengthen their commitment to providing safe, convenient, and comfortable bus transportation at reasonable and competitive fares, as each applicant will share financially in the vicissitudes of the pooled-route operations of the other. Applicants state that they will accomplish this goal by further reducing the number of trips they both operate over the involved routes, thereby improving their load factors. At the same time, applicants submit that they will be able to offer the traveling public a greater number of departures times and that their revenue pooling agreement will also facilitate the sharing of certain terminals, to the benefit of the traveling public.[4] Applicants note that they continue to experience keen

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competition from other modes of passenger travel in the region, including rail passenger service operated by Amtrak, air service operated by at least four airlines, and automobile travel over interstate highways.[5]

DISCUSSION AND CONCLUSIONS

The proposed revenue pooling arrangement should enable applicants to terminate any uneconomic service options remaining in their pooled operations. Allowing applicants to pool their revenues should eliminate the fear of traffic and revenue inequities that could result from further rationalization of their respective schedules. This should lead to more sustainable operations over the specific routes, and, in turn, should enhance the carriers' overall ability to use their resources more efficiently.

Affected passengers can anticipate more frequent departure times (and reduced waiting time) for buses. Also, passengers should benefit from the added security of economically stronger, more sustainable passenger operations. Because applicants will have greater incentives and additional resources to compete more effectively on an intermodal basis with the other, more pervasive transportation modes, the quality of service to the public should increase as excess capacity is replaced by economy of operations.

It appears unlikely that the proposed revenue pooling agreement will unreasonably restrain competition in the affected transportation market. Ample transportation service between the points served by these routes is available by other transportation modes, including Amtrak, the airlines, and private automobiles. 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).

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