

SURFACE TRANSPORTATION BOARD

DECISION

STB No. MC-F-20904

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

Decided: June 24, 1997

On January 24, 1997, Peter Pan Bus Lines, Inc. (Peter Pan), of Springfield, MA, and Greyhound Lines, Inc. (Greyhound), of Dallas, TX (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 service between Philadelphia, PA, and New York, NY. Notice of the application was published in the *Federal Register* (62 FR 9819) on March 4, 1997, and served on March 6, 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 interest 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 presumably assent to the transaction.

BACKGROUND

Peter Pan (MC-61016) is a Class I regional bus carrier, operating over a series of regular routes throughout New England and the Middle Atlantic States. Greyhound (MC-1515) is a Class I nationwide bus carrier, operating over approximately 70,000 miles of intercity bus routes throughout the country. Applicants contend that they are longtime competitors on various intercity routes, including, for example, service between Albany and Boston, between Boston and New York, and between New York and Washington. As relevant to this filing, Peter Pan states that it operates 16 daily trips in each direction between New York and Philadelphia, while Greyhound operates 18 daily trips in each direction. According to applicants, this overlapping of services has resulted in the fragmentation of the available passenger business and led to unsatisfactory load factors¹ on the buses each company operates, causing an intolerable drain on both carriers' resources. Applicants contend that they continue to operate these schedules despite losses in order to protect their respective market shares, notwithstanding the fact that operating that number of schedules results in the market being over-served, as well as in operating inefficiencies and lost opportunities.

Applicants state that, in addition to reducing the excess bus capacity on the route, the pooling agreement will also cement their business relationship. They note that the revenue pooling agreement will yield greater stability for the carriers because it will allow them to share financially in the vicissitudes 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 efficiencies and cost savings by eliminating unnecessary duplication of facilities and staff.

Applicants submit that the pooling of operations and revenues will directly benefit the traveling public. For example, they contend that: (1) schedules will include more frequent service at peak hours; (2) ticket sales and departures will be in one location rather than two; (3) carriers will honor each other's tickets; and (4) there will be an overall reduction in the number of trips, thereby conserving the environment.

¹ The load factor is a ratio or percentage comparing the number of passengers transported to the number of available seats.

Applicants also contend that the pooling agreement will have a minimal effect on competition. They cite overwhelming intermodal competitive pressures in the form of daily Amtrak passenger train service between Philadelphia and New York,² numerous air flights between the affected points,³ and private automobile travel.

DISCUSSION AND CONCLUSIONS

The proposed pooling arrangement should allow the applicants to rationalize the level of service they currently offer over this route and enable them to end the inefficient duplication in service that exists between Philadelphia and New York. This should increase the passenger load per bus and lead to stronger, more efficient, and more sustainable operations.

Such rationalization of bus schedules should not degrade service to passengers. Although bus departures may be fewer overall, the elimination of duplicate departures will enable the carriers to offer departures at half past the hour, which should reasonably accommodate passengers. In addition, the use of common terminals will make travel more convenient and expand the availability of connecting transportation services.

The proposed pooling agreement should not unreasonably restrain competition in the affected transportation market. Rail, air service, and the private automobile ensure that the traveling public will retain the benefits of substantial intermodal competition. A strong competitive field, based on service provided by other transportation modes, has been recognized as preventing undue competitive restraints 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. To the contrary, as suggested above, the proposed agreement may represent the best way to promote, if not ensure, continued competitive passenger service in the affected region.

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 Applicants state that Amtrak operates 24 trains each way on a daily basis, plus an additional 15 each way Monday through Friday.

³ Applicants state that Delta Air Lines offers three daily nonstop flights in each direction between New York and Philadelphia, US Airways offers five, and TWA offers nine, for a total of 34 flights a day. They state that these flights use a variety of aircraft, with capacities ranging from 20 to 130 passengers.

2. This decision will be effective on June 30, 1997.

By the Board, Chairman Morgan and Vice Chairman Owen.

Vernon A. Williams
Secretary