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FR-4915-01-P

SURFACE TRANSPORTATION BOARD

[Docket No. MCF 21084]

Variant Equity I, LP, and Project Kenwood Acquistion, LLC—Acquisition of Control—Coach USA Administration, Inc., and Coach USA, Inc.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving and Authorizing Finance Transaction

SUMMARY: On December 20, 2018, Variant Equity I, LP (Variant), and Project Kenwood Acquisition, LLC (collectively, Applicants), both noncarriers, jointly filed an application to acquire from SCUSI Limited 100% of the stock in Coach USA Administration, Inc., a noncarrier that owns 100% of Coach USA, Inc., another noncarrier, that controls 29 motor passenger carriers that hold federally-issued interstate operating authority. The Board is tentatively approving and authorizing the transaction,[1] and, if no opposing comments are timely filed, this notice will be the final Board action. Persons wishing to oppose the application must follow the rules.

DATES: Comments must be filed by April 8, 2019. Applicants may file a reply by April 23, 2019. If no opposing comments are filed by April 8, 2019, this notice shall be effective on April 9, 2019.

[1] Due to the partial shutdown of the Federal government from December 22, 2018, through January 25, 2019, the Board was not able to act within the period set forth in 49 U.S.C. 14303(c). On January 28, 2019, Applicants filed a motion seeking expedited review of the application and publication of a notice in the Federal Register. On January 30, 2019, Stagecoach Group plc filed a reply in support of Applicants' motion to expedite.

ADDRESSES: Send an original and 10 copies of any comments referring to Docket No. MCF 21084 to: Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, send one copy of comments to Applicants' Representative: Matthew J. Warren, Sidley Austin LLP, 1501 K Street, N.W., Washington DC 20005.

FOR FURTHER INFORMATION CONTACT: Matthew Bornstein at (202) 245-0385. Assistance for the hearing impaired available through the Federal Information Relay Service (FIRS) at 1-800-877-8339.

SUPPLEMENTARY INFORMATION: Applicants explain that Variant is a private equity firm organized under the laws of the State of Delaware. (Appl. 2.) It controls 100% of the equity and vote of Project Kenwood Acquisition, LLC, which is also organized under the laws of the State of Delaware. Applicants assert that neither Variant nor any entity currently under its control holds motor carrier authority or a U.S. Department of Transportation number or safety rating.[2] (Id.)

Applicants state that Coach USA, Inc., which is a Delaware corporation, controls 29 motor passenger carriers that hold federally issued interstate operating authority[3] and operate, in total, approximately 2,213 buses.[4] Coach USA, Inc., is a wholly owned subsidiary of Coach USA Administration, Inc., a Nevada corporation. (Id. at 3-4.) All the equity interests in Coach USA Administration, Inc., are held by SCUSI Limited, a

[2] Applicants state that Variant controls multiple assets, including Curb Mobility, which provides a comprehensive mobility platform that serves taxi and other for-hire ride operators, regulators, service providers, and riders. (Appl. 2.)

[3] A 30th Coach USA-owned carrier, Community Transportation, Inc., operates only on intrastate routes in New Jersey. (See id. at 6.)

[4] This figure is derived from Exhibit 1 of the verified application, which lists, among other things, the approximate number of buses operated by each Coach USA carrier with active federal operating authority.

public limited holding company organized under the laws of England and Wales. Stagecoach Group plc is the ultimate parent of SCUSI Limited and is organized under the laws of Scotland. (Id. at 3.)[5]

The 29 interstate motor carriers are described in Exhibit 1 of the application as follows:[6]

- Airport Supersaver Inc., which primarily operates in Illinois;
- All West Coachlines, Inc., which primarily operates in California and Nevada;
- American Coach Lines of Atlanta, Inc., which primarily operates in Georgia, Florida, Alabama, and South Carolina;
- Butler Motor Transit, Inc., which primarily operates in Pennsylvania, New Jersey, New York, and Michigan;
- Central Cab Company which primarily operates in Pennsylvania, Ohio, and West Virginia;
- Chenango Valley Bus Lines., Inc., which primarily operates in New Jersey, New York, and Pennsylvania;
- Community Coach, Inc., which primarily operates in New Jersey, New York, Ohio, and Pennsylvania;
- Community Transit Lines, Inc., which primarily operates in New Jersey;

[5] The Board has approved several acquisitions by Stagecoach Group plc and Coach USA, Inc., the most recent of which was in Stagecoach Group plc—Acquisition of Control of Assets—American Coach Lines of Atlanta, Inc., MCF 21045 (STB served Aug. 15, 2012).

[6] Additional information about the motor carriers, including USDOT numbers and motor carrier numbers, can be found in the application.

- Dillon's Bus Service, Inc., which primarily operates in Maryland, Virginia, and the District of Columbia;
- Elko, Inc., which primarily operates in Nevada;
- Hudson Transit Lines, Inc., which primarily operates in New Jersey, New York, and Pennsylvania;
- Independent Bus Company, Inc., which primarily operates in New Jersey;
- Kerrville Bus Company, Inc., which primarily operates in Texas, Arkansas, and Louisiana;
- Lakefront Lines, Inc., which primarily operates in Illinois, Indiana, Ohio, Pennsylvania, Michigan, Tennessee, and New York;
- Megabus Northeast, LLC, which primarily operates in Connecticut, the District of Columbia, Georgia, Massachusetts, Maryland, North Carolina, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia, West Virginia, and Maine;
- Megabus Southeast, LLC, which primarily operates in Alabama, the District of Columbia, Florida, Georgia, Kentucky, Louisiana, North Carolina, Tennessee, and Virginia;
- Megabus Southwest, LLC, which primarily operates in Arkansas, Texas, Louisiana, Tennessee, and Missouri;
- Megabus West, LLC, which primarily operates in California and Nevada;
- Olympia Trails Bus Company, Inc., which primarily operates in New Jersey and New York;
- Orange, Newark, Elizabeth Bus, Inc., which primarily operates in New Jersey;

- Pacific Coast Sightseeing Tours & Charters, Inc., which primarily operates in California and Nevada;
- Powder River Transportation Services, Inc., which primarily operates in Wyoming and Montana;
- Rockland Coaches, Inc., which primarily operates in New York and New Jersey;
- Sam Van Galder, Inc., which primarily operates in Wisconsin, Illinois, and Minnesota;
- Suburban Trails, Inc., which primarily operates in New Jersey and New York;
- Transportation Management Services, Inc. (d/b/a Lenzner Coach Lines), which primarily operates in Pennsylvania;
- Trentway-Wagar, Inc., which primarily operates in New York and Canada;
- Tri-State Coach Lines Inc., is not currently operating; and
- Wisconsin Coach Lines, Inc., which primarily operates in Wisconsin and Illinois.

Applicants state that the purpose of the transaction is to transfer the ultimate ownership of the 29 carriers from Stagecoach Group plc and SCUSI Limited to Variant. Variant seeks to acquire the carriers as an investment and plans to manage the assets with the goal of continuing to provide safe and reliable motor passenger transportation, while at the same time improving long-term value. (Appl. 1.)

Under 49 U.S.C. 14303(b), the Board must approve and authorize a transaction subject to section 14303 that it finds consistent with the public interest, taking into consideration at least: (1) the effect of the proposed transaction on the adequacy of transportation to the public, (2) the total fixed charges that result, and (3) the interest of affected carrier employees. Applicants have submitted information required by 49 CFR

1182.2, including information to demonstrate that the proposed transaction is consistent with the public interest under 49 U.S.C. 14303(b), see 49 CFR 1182.2(a)(7), and a statement that the aggregate gross operating revenues of the involved carriers exceeded $2 million during the preceding 12-month period. See 49 U.S.C. 14303(g).[7]

Applicants assert that the proposed transaction would have a positive effect on the adequacy of transportation services for the public. They state that, at the current time, Variant has no intention of materially altering the nature, extent, or frequency of the service provided by the 29 motor carriers. (Appl. 12.) Applicants state that the carriers would continue to operate as they have been with their existing names and trade names, but under new ultimate ownership. Applicants further state that Variant would use its management experience to enhance the carriers' overall financial viability while providing safe and quality service to customers. (Id.)

Applicants argue that the proposed transaction would have no negative impact on competition because Variant is not a carrier and does not own or control any carriers. (Id.) They assert that there would be continued competition in each of the categories of service provided by the carriers because they would continue to face actual and potential competition from numerous modes of transportation, including competing bus services, automobiles, and more. (Id. at 12-13.)

Applicants state that the proposed transaction would increase fixed charges, in the form of interest expense, because funds would be borrowed to assist in financing the transaction. (Id. at 13.) They claim, however, that such an increase would not affect the

[7] Parties must certify that the transaction involves carriers whose aggregate gross operating revenues exceed $2 million, as required under 49 CFR 1182.2(a)(5).

provision of transportation services to the public. Applicants also cite to Sureride Charter, Inc.—Acquisition of Control—McClintock Enterprises, Inc., MCF 21077 (STB served Nov. 2, 2017), where the Board approved a transaction envisioning debt financing and the possibility of an increase in interest expenses.

Regarding the interests of employees, Applicants claim that there would be no material effect on employee or labor conditions because the proposed transaction does not envision any immediate change in the day-to-day operations of the carriers that could negatively impact employees. (Appl. 14.)

The Board finds that the acquisition proposed in the application is consistent with the public interest and should be tentatively approved and authorized. If any opposing comments are timely filed, these findings 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. See 49 CFR 1182.6(c). If no opposing comments are filed by the expiration of the comment period, this notice will take effect automatically and will be the final Board action.

This action is categorically excluded from environmental review under 49 CFR 1105.6(c).

Board decisions and notices are available at www.stb.gov.

It is ordered:

1. The proposed transaction is approved and authorized, subject to the filing of opposing comments.

2. If opposing comments are timely filed, the findings made in this notice will be deemed vacated.

3. This notice will be effective April 9, 2019, unless opposing comments are filed by April 8, 2019.

4. A copy of this notice will be served on: (1) the U.S. Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue, S.E., Washington, DC 20590; (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530; and (3) the U.S. Department of Transportation, Office of the General Counsel, 1200 New Jersey Avenue, S.E., Washington, DC 20590.

Decided: February 15, 2019.

By the Board, Board Members Begeman, Fuchs, and Oberman.

Jeffrey Herzig,

Clearance Clerk.

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