



FR-4915-01-P

SURFACE TRANSPORTATION BOARD

AAAH Regional Acquisition LLC—Acquisition of Control—First Class Tours, Inc. and Sierra Stage Coaches, Inc.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving and Authorizing Finance Transaction.

SUMMARY: On October 4, 2019, AAAHI Regional Acquisition LLC (ARA), a motor carrier, filed an application to acquire control of two interstate passenger motor carriers, First Class Tours, Inc. (First Class), and Sierra Stage Coaches, Inc. (Sierra), from their owners, Reta Jean (Jean) Rogers, Jeffrey Scott (Jeff) Rogers, and Gregory Bryan (Greg) Rogers (collectively, Sellers). The Board is tentatively approving and authorizing the transaction, 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 may be filed by December 16, 2019. ARA may file a reply by December 31, 2019. If no opposing comments are filed by December 16, 2019, this notice shall be effective on December 17, 2019.

ADDRESSES: Comments may be filed with the Board either via e-filing or in writing addressed to: Surface Transportation Board, Attn: Docket No. MCF 21087, 395 E Street, S.W., Washington, DC 20423-0001. In addition, send one copy of comments to: Andrew K. Light, Scopelitis, Garvin, Light, Hanson & Feary, P.C., 10 W. Market Street, Suite 1400, Indianapolis, IN 46204.

FOR FURTHER INFORMATION CONTACT: Jonathon Binet at (202) 245-0368.

Assistance for the hearing impaired is available through the Federal Relay Service at (800) 877-8339.

SUPPLEMENTARY INFORMATION: According to the application, ARA is a motor carrier organized under Delaware law and headquartered in Lakewood, Colo. (Appl. 2.) ARA represents that it obtained interstate operating authority on July 31, 2018, but has not yet conducted either interstate or intrastate operations, and that it does not have a U.S. Department of Transportation (USDOT) Safety Rating. (Id.)¹

ARA states that it is indirectly controlled by Tensile Capital GP LLC (Tensile), a Delaware limited liability company and noncarrier.² (Id.) ARA states that, in addition to ARA, Tensile indirectly controls the following passenger motor carriers that hold interstate carrier authority (collectively, ARA Affiliated Carriers) (id. at 2-4):³

¹ According to ARA, it holds interstate operating authority from the Federal Motor Carrier Safety Administration (FMCSA) under FMCSA Docket No. MC-98597 and has been assigned USDOT Number 3140195. (Appl. 2.)

² The application states that ARA is wholly owned by All Aboard America! Holdings, Inc., which in turn is wholly owned by AAAHI Acquisition Corporation. (Appl. 2.) The application further states that AAAHI Acquisition Corporation is wholly owned by AAAHI Intermediate Holdings LLC, which is wholly owned by AAAHI TopCo Corporation, and AAAHI TopCo Corporation is wholly owned by AAAHI Holdings LLC. (Id.) According to the application, each of these entities is a noncarrier holding company. (Id.) AAAHI Holdings LLC is controlled by Tensile Capital Partners Master Fund LP, a limited partnership and noncarrier, which in turn is controlled by its general partner, Tensile. (Id.) According to ARA, none of these companies has motor carrier authority, a USDOT Number, or a USDOT Safety Rating. (Id.)

³ Additional information about these motor carriers, including USDOT numbers, motor carrier numbers, and USDOT safety ratings, can be found in the application. (See Appl. 3-4 & Sched. A.)

- Ace Express Coaches, LLC, which provides regional charter, contract, and casino passenger charter services in Colorado and surrounding areas;
- Hotard Coaches, Inc., which provides local and regional passenger charter services primarily within Louisiana and Mississippi;
- Industrial Bus Lines, Inc., d/b/a All Aboard America, which provides local and regional passenger charter services generally in the states of Arizona, New Mexico, and Texas;
- Lux Bus America Co., which provides local and regional passenger charter services primarily in California and Nevada;
- Sureride Charter Inc., d/b/a Sun Diego Charter Company and Sun Express Charter Co., which provides local and regional passenger charter, tour, and contract shuttle services in south California and surrounding areas; and
- McClintock Enterprises Inc., d/b/a Goldfield Stage & Co., which formerly provided local and regional passenger charter, tour, and contract shuttle services in south California and surrounding areas but is currently inactive.

The application states that First Class is a Texas corporation that provides interstate charter service between Texas and points throughout the United States, Texas intrastate charter service, and intrastate weekday park-and-ride commuter services between The Woodlands, Tex., and points in Houston, Tex. (Id. at 6.) The application further states that First Class has full-service maintenance facilities and two terminals in Houston that are used primarily in the operation of daily and overnight individual passenger roundtrips to and from casinos in Louisiana for pre-formed charter groups.

(Id.) First Class holds interstate operating authority under FMCSA Docket No. MC-346969, it has a “Satisfactory” USDOT Safety Rating, and its USDOT number is 774995.

(Id.) According to the application, First Class uses approximately 66 vehicles and 99 drivers in providing its services. (Id.)⁴

The application states that Sierra is a Texas corporation that provides interstate and intrastate passenger group charter motor coach and shuttle services in the Houston area and throughout the United States, as well as weekday park-and-ride commuter services between The Woodlands and points in Houston, and that Sierra often operates under subcontract with First Class. (Id. at 7, 10-11.) Sierra holds interstate operating authority under FMCSA Docket No. MC-166321, it has a “Satisfactory” USDOT Safety Rating, and its USDOT number is 229351. (Id. at 7.) According to the application, Sierra uses approximately 27 vehicles and 25 drivers in providing its services. (Id.)⁵

The application states that the Sellers collectively own all equity interests in First Class and that Greg Rogers has a 100% equity ownership interest in Sierra. (Id. at 5.) The application further states that Jean Rogers and Jeff Rogers have no direct or indirect ownership interests in any interstate passenger motor carrier other than First Class and that Greg Rogers has no direct or indirect ownership interest in any interstate passenger motor carriers other than First Class and Sierra. (Id.)

⁴ Additional information about First Class, including information about operations pursuant to state and tribal authority, can be found in the application. (See Appl. 6.)

⁵ Additional information about Sierra, including information about operations pursuant to state authority, can be found in the application. (See Appl. 7.)

ARA represents that, through this transaction, it will acquire direct control of the interstate and intrastate passenger motor carrier assets and operations of First Class and Sierra. (Id. at 1; see also id. at 7.)⁶

Under 49 U.S.C. 4303(b), the Board must approve and authorize a transaction 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. ARA has submitted the 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 jurisdictional statement under 49 U.S.C. 14303(g) that the aggregate gross operating revenues of the ARA Affiliated Carriers, First Class, and Sierra exceeded \$2 million during the 12-month period immediately preceding the filing of the application, see 49 CFR 1182.2(a)(5).

ARA asserts that the proposed transaction is not expected to have a material, detrimental impact on the adequacy of transportation services available to the public. (Appl. 8.) ARA states that it anticipates that services to the public will be improved by using the business and financial management skills of Tensile, as well as its capital, to enhance and make operations more efficient for First Class and Sierra in their respective

⁶ ARA also states that, as part of the proposed transaction, it will acquire the rolling stock assets of RJR Leasing LLC (RJR), which owns and leases vehicles to First Class and Sierra and is headquartered in Houston. According to the application, RJR, which is collectively owned by Jean Rogers and the Estate of Lanny Gerald Rogers, does not operate any motor coach or other ground transportation service. (App. 1, 7.) Because RJR does not engage in interstate transportation, RJR is not subject to the Board's jurisdiction, see 49 U.S.C. 13501, and the acquisition of RJR is not subject to the Board's acquisition authority, see 49 U.S.C. 14303.

marketplaces, thereby ensuring the continued availability of adequate transportation service for the public. (Id. at 8, 11.) ARA further states that the continued use of the assets and work force of the Sellers will help maintain a strong competitive bus presence in the eastern Texas area; that the proposed transaction includes the right to use the “First Class” and “Sierra” names post-closing; and that due to these strong brand names, ARA may also seek approval from the FMCSA to change its name to more closely resemble First Class and/or Sierra. (Id. at 8-9.)

ARA claims that neither competition nor the public interest will be adversely affected by the proposed transaction. (Id. at 9-11.) ARA asserts that competition is keen in the markets in which First Class operates (i.e., passenger group charter motor coach and shuttle services in the Houston area, including charter transportation between Houston and various Louisiana casinos, and weekday park-and-ride commuter services between The Woodlands and points in Houston). (Id. at 10.) Specifically, ARA states that the competition in the charter and shuttle services marketplaces consists of a large number of competitors, ranging from small charter operators to very large corporate charter organizations. ARA also states that special licensing is required to provide direct service to casinos located in Louisiana, and that at least two other carriers operating from within the Houston area have these special permits.⁷ (Id.) According to ARA, the marketplace of Sierra, like First Class, is primarily passenger group charter motor coach and shuttle services in the Houston area. ARA explains that in many instances, Sierra’s

⁷ ARA also notes that the distance between Houston and these casinos is short enough that people may elect to drive themselves rather than use a bus service. (Appl. 10.)

marketplace is nearly identical to the marketplace of First Class because Sierra often operates under subcontract with First Class, including charter transportation between Houston and Louisiana casinos and weekday park-and-ride commuter services between The Woodlands and Houston. (Id. at 10-11.) Additionally, ARA states that there is little, if any, overlap of market areas served by First Class and Sierra with those served the ARA Affiliated Carriers. (Id. at 11.)

ARA states that there are no significant fixed charges associated with the proposed transaction. (Id. at 9.) Regarding the interests of employees, ARA claims that the transaction will not have a material impact on employees or labor conditions, nor does ARA anticipate a measurable reduction in force or changes in compensation levels or benefits. (Id.) ARA states, however, that staffing redundancies could result in limited downsizing of back-office or managerial-level personnel. (Id.)

The Board finds that the acquisition as 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 December 17, 2019, unless opposing comments are filed by December 16, 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: October 28, 2019.

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

Brendetta Jones

Clearance Clerk

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