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SERVICE DATE - JULY 8, 1998

SURFACE TRANSPORTATION BOARD

DECISION

STB Docket No. MC-F-20913

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

Decided: June 25, 1998

On November 20, 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 a pooling agreement to govern their motor passenger and express operations (but not the revenues earned from those operations) between Albany, NY, and Boston, MA. Notice of the application was served and published in the Federal Register (63 FR 2716-17) on January 16, 1998. 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 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, including those that are the focus of this pooling agreement. The applicants aver that their performance of overlapping services in this corridor 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 both carriers' resources. Applicants add that they feel compelled to continue to operate current excess schedules solely to protect their respective market shares, notwithstanding the inefficiencies and lost opportunities that result from these operations.

Applicants aver that, in addition to reducing the excess bus capacity on the subject routes, the pooling agreement will also cement their business relationship. Applicants make clear, however,

that they do not propose to apportion their earnings; that each bus line will set its own passenger fares and express rates; and that each will retain its individual revenues from its operations on the pooled routes.

Applicants state that, by combining operations over the involved routes, they will be able to increase the number of passengers on the buses they operate over those routes, thus improving their load factors and reducing their unit cost of rendering service. Applicants claim, further, that the proposal will enable them to operate their schedules more rationally and to dispatch runs more evenly throughout the day. The result, they assert, will be that passengers and shippers of express will have a greater choice of departure times and thereby enjoy greater convenience in their use of intercity bus service.¹

Applicants contend that there is substantial intermodal competition between the points on these routes. They assert that Amtrak operates daily passenger train service between Albany and Boston. Additionally, they identify numerous air flights offered by Delta, Continental, and U.S. Airways between the affected points, and they claim that the region's highway network makes private automobile travel relatively quick and inexpensive. Applicants add that there is significant intramodal competition in the area as well.² Applicants assert, however, that, because their buses frequently operate only partially loaded, their operations are inefficient and costly and they are unable to compete effectively with Amtrak, airline service, and private automobiles.

DISCUSSION AND CONCLUSIONS

The proposed pooling agreement should enhance applicants' ability to operate more economically and efficiently. By rationalizing their competing operating schedules, applicants should be able to end the inefficient duplication that characterizes the service they currently offer between the affected points and, thereby, increase their passenger load per bus. This, in turn, will reduce their unit costs and allow them to price their services more competitively with respect to other transportation modes.

The ability to rationalize bus schedules will also permit applicants to improve service to passengers and the shipping public. By permitting the scheduling of buses more evenly throughout the day, the pooling agreement will afford the traveling public a greater choice of departure times,

¹ For example, applicants note that the proposal will enable their passengers to transfer from the bus of one of the carriers to that of the other, at the same terminal, without the need to purchase another ticket and without regard to which company's bus will depart next.

² Specifically, Bonanza Bus Lines, Inc., which operates 2 schedules daily each way between Albany and Providence, RI, and 7 schedules daily each way between Providence and Boston; and Plymouth & Brockton Street Railway Co., which operates 32 schedules each way, Mondays through Fridays, between Boston and Hyannis, MA, and 19 schedules each way on Saturdays and Sundays.

thus making bus travel more convenient. In addition, use of common terminals will further enhance the convenience of bus transportation to passengers by making applicants' service options more accessible and expanding the availability of connecting transportation services.

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 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 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