

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. MCF 21123

PATRICK O. REGAN—ACQUISITION OF CONTROL—
FARIBAULT TRANSPORTATION SERVICE, INC., MINNESOTA COACHES, INC.,
MARSCHALL LINE, INC., REHBEIN TRANSIT CO., INC., MINN-DAKOTA COACHES,
INC., VOYAGEUR BUS COMPANY, INC., AND READY BUS COMPANY, INC.

Digest:¹ The Board is directing Patrick O. Regan to supplement his application seeking authority to acquire control of Faribault Transportation Service, Inc., as well as after-the-fact authority to own and control six other passenger motor carriers.

Decided: September 25, 2024

On August 30, 2024, Patrick O. Regan (Applicant) filed an application under 49 U.S.C. § 14303, seeking authority to acquire control of Faribault Transportation Service, Inc. (FTS), through a corporate reorganization in which Applicant would become the majority shareholder in MNC Holding Company, a new entity created to serve as a holding company for FTS and other motor carriers and noncarrier entities. (Appl. 3.)² In the application, Applicant also seeks after-the-fact authority for four, already-consummated transactions that ultimately resulted in Applicant’s acquisition of control of six passenger motor carriers. (Id. at 5-6.) As discussed below, Applicant will be given the opportunity to supplement his application with additional information needed for the application to be considered complete.

BACKGROUND

Applicant, a noncarrier, seeks to acquire control of FTS, which is currently owned by Garrett O. Regan. Applicant characterizes his proposed acquisition as a “corporate reorganization,” that, if approved and consummated, would result in Applicant becoming the majority shareholder of MNC Holding Company, and Garrett O. Regan becoming a minority shareholder in MNC Holding Company, together with certain other minority shareholders. (Id. at 3.) According to Applicant, FTS operates approximately 66 power units and employs

¹ The digest constitutes no part of the decision of the Board but has been prepared for the convenience of the reader. It may not be cited to or relied upon as precedent. Pol’y Statement on Plain Language Digs. in Decisions, EP 696 (STB served Sept. 2, 2010).

² The application does not have page numbers. The page numbers cited in this decision refer to the pdf page numbers of the application.

approximately 88 drivers and provides local, regional, and national passenger bus service in interstate and intrastate commerce, in regular route and charter service throughout the state of Minnesota and the midwestern United States. (*Id.* at 4.) Applicant states that FTS has a fleet of Type C yellow buses, Type A yellow buses, Type III vehicles and motorcoaches, provides school transportation (including general and special education transportation to and from school on a regular schedule, and school charter service for extracurricular activities and special trips), and offers charters for non-school motorcoach trips. (*Id.*)³

Applicant also seeks after-the-fact authorization for his acquisition of control of six motor carriers through four previously consummated transactions.⁴ Applicant states that, if approval is granted, each of these carriers would be brought under control of MNC Holding Company, with Applicant as the majority shareholder and other minority shareholders of the carriers becoming minority shareholders of MNC Holding Company. (*Id.* at 3.) Applicant describes the transactions for which he seeks after-the-fact authority as follows.

Transaction 1: Minnesota Coaches, Inc., Marschall Line, Inc., and Rehbein Transit Co., Inc. According to the application, in 1994, Applicant founded and incorporated Family Bus Service, Inc., a noncarrier, which is the parent company of three passenger motor carriers: Minnesota Coaches, Inc. (Minnesota Coaches), Marschall Line, Inc. (Marschall Line), and Rehbein Transit Co., Inc. (Rehbein).

Family Bus Service, Inc., purchased 100% ownership of Minnesota Coaches from RECO, Inc., a corporation owned by Applicant and his siblings (though the date of the transaction is not given). (*Id.* at 9.) Minnesota Coaches operates approximately 196 power units and employs approximately 174 drivers. (*Id.* at 10.) Applicant states that Minnesota Coaches, operating in its name and through the assumed names Hastings Bus Company, Big River Bus Company, and Big River Tours, provides local, regional, and national passenger bus service in interstate and intrastate commerce, in regular route and charter service throughout the state of Minnesota and the midwestern United States. (*Id.*) Applicant states that Minnesota Coaches has a fleet of Type C yellow buses, Type A yellow buses, Type III vehicles and motorcoaches, provides school transportation (including general and special education transportation to and from school on a regular schedule, and school charter service for extracurricular activities and special trips), and offers charters for non-school motorcoach trips. (*Id.* at 10-11.)

In 1994, Family Bus Service, Inc., became the sole shareholder of Marschall Line, which was founded in 1971 by the Marschall family and operates approximately 110 power units and employs approximately 118 drivers. (*Id.* at 9, 11.) Applicant states that Marschall Line, operating in its name and through the assumed name Mid-County Bus Company, provides local and regional passenger bus service in interstate and intrastate commerce, in regular route and

³ Applicant indicates that FTS has two wholly owned subsidiaries, PEM Transportation, LLC, and Harmony Transit, LLC, which Applicant states are both intrastate passenger carriers not subject to the Board's jurisdiction. (Appl. 4 n.1.)

⁴ Although Applicant describes four after-the-fact transactions, there are in fact six. Applicant categorizes Family Bus Service, Inc.'s separate acquisitions of three passenger motor carriers as one transaction.

charter service throughout the state of Minnesota and the midwestern United States. (Id.) According to Applicant, Marschall Line has a fleet of Type C yellow buses, Type A yellow buses, Type III vehicles and motorcoaches, provides school transportation (including general and special education transportation to and from school on a regular schedule, and school charter service for extracurricular activities and special trips), and offers charters for non-school motorcoach trips. (Id.)

In 2012, Family Bus Service, Inc. acquired the assets of Rehbein Transit, Inc. from the Rehbein family and formed the subsidiary, Rehbein, which operates approximately 97 power units and employs approximately 91 drivers. (Id. at 10, 12.) Applicant states that Rehbein provides local and regional passenger bus service in interstate and intrastate commerce, in regular route and charter service throughout the state of Minnesota and the midwestern United States. (Id. at 12.) According to Applicant, Rehbein has a fleet consisting of Type C yellow buses, Type A yellow buses, and Type III vehicles, provides school transportation (including general and special education transportation to and from school on a regular schedule, and school charter service for extracurricular activities and special trips), and offers charters for non-school motorcoach trips. (Id.)

Transaction 2: Minn-Dakota Coaches, Inc. In 1997, Applicant acquired control of Minn-Dakota Coaches, Inc. (Minn-Dakota), from August L. Fitch, William H. Barber, and Bonnie L. Barber. (Id. at 14.) Applicant controls Minn-Dakota through his control of Ottertail Transportation, Inc., and Ottertail Coaches, Inc.⁵ Applicant states that Minn-Dakota operates approximately 14 power units and employs approximately 34 drivers. (Id. at 15.) According to Applicant, Minn-Dakota provides local, regional, and national passenger bus service in interstate and intrastate commerce, in regular route and charter service throughout the state of Minnesota and the midwestern United States. (Id. at 15-16.) Applicant indicates that Minn-Dakota has a fleet of motorcoaches and provides charters for school and non-school motorcoach trips. (Id. at 16.)

Transaction 3: Voyageur Bus Company, Inc. In 1992, Applicant and Michael J. Krois (Krois), a noncarrier, acquired Metropolitan School & Charter Bus Service, Inc., from Donald B. Regan. (Id. at 17.) In 2005, Applicant and Krois founded and incorporated Metro Bus Service, Inc., a noncarrier, and changed the name of Metropolitan School & Charter Bus Service, Inc., to Voyageur Bus Company, Inc., (Voyageur), which became a subsidiary of Metro Bus Service, Inc.⁶ (Id. at 16-17.) Applicant states that Voyageur operates approximately 118 power units and employs approximately 125 drivers. (Id. at 18.) According to Applicant, Voyageur provides

⁵ In 1997, Applicant and Michael R. Clark, a noncarrier, founded and incorporated Ottertail Transportation, Inc., which is 65% owned by Applicant and 35% owned by Michael R. Clark. Ottertail Transportation, Inc., a noncarrier, acquired Ottertail Coaches, Inc., an intrastate motor carrier, which is the parent company to Minn-Dakota Coaches, Inc. (Appl. 13.) In 2006, Applicant and Michael R. Clark founded and incorporated Ottertail Trucking, Inc., a motor carrier of property, as a wholly owned subsidiary of Ottertail Transportation, Inc. (Id. at 15 n.7.) According to Applicant, Otter Trucking, Inc., is not subject to Board jurisdiction. (Id.)

⁶ Applicant states that Krois owns 50% of Metro Bus Service, Inc., but does not have a controlling interest in any passenger motor carrier other than Voyageur. (Appl. 16.)

local and regional passenger bus service in interstate and intrastate commerce, in regular route and charter service throughout the state of Minnesota and throughout the United States. (Id.) Applicant indicates that Voyageur has a fleet of Type C yellow buses, Type A yellow buses, and Type III vehicles, provides school transportation (including general and special education transportation to and from school on a regular schedule, and school charter service for extracurricular activities and special trips), and offers charters for non-school motorcoach trips. (Id.) Applicant states that Voyageur also operates a fleet of motorcoaches owned by Lake Superior Motorcoaches, Inc., a noncarrier subsidiary of Metro Bus Service, Inc., through a revenue-sharing arrangement. (Id. at 17 n.8 & 18.)

Transaction 4: Ready Bus Company, Inc. In 2013, Applicant, Garrett O. Regan, and Casey O. Regan acquired the school bus assets of Ready Bus Line Company through River Bluff Bus Company, a corporation founded and incorporated in November 2013. In December 2013, River Bluff Bus Company was renamed Ready Bus Company, Inc. (Ready Bus). (Id. at 18.) Applicant is the controlling shareholder of Ready Bus, which is 50% owned by Applicant, 25% owned by Garrett O. Regan, and 25% owned by Casey O. Regan. (Id. at 18-19.) Applicant states that Ready Bus operates motorcoaches owned by River Bluff Motorcoach, Inc., a noncarrier 50% owned by Applicant.⁷ (Id. at 19 n.9.)

Applicant states that Ready Bus operates approximately 59 power units and employs approximately 56 drivers. (Id. at 21.) According to Applicant, Ready Bus provides local and regional passenger bus service in interstate and intrastate commerce, in regular route and charter service throughout the states of Wisconsin and Minnesota and the midwestern United States. (Id. at 20-21.) Applicant indicates that Ready Bus has a fleet of Type C yellow buses, Type A yellow buses, Type III vehicles and motorcoaches, provides school transportation (including general and special education transportation to and from school on a regular schedule, and school charter service for extracurricular activities and special trips), and offers charters for non-school motorcoach trips. (Id. at 21.)

DISCUSSION AND CONCLUSIONS

Pursuant to 49 U.S.C. § 14303 and the corresponding regulations at 49 C.F.R. part 1182, the transactions described above may be carried out only with the approval of the Board. An applicant is required to file an application that includes, among other things, a description of the proposed transaction, identification of any motor passenger carriers affiliated with the parties, a brief description of their operations, a summary of the intercorporate structure of the corporate family from top to bottom, and information to demonstrate that the proposed transaction is consistent with the public interest. See 49 C.F.R. § 1182.2.

In processing an application, the Board will review it for completeness. 49 C.F.R. § 1182.4(a). If the application is accepted as complete, a summary is published in the Federal

⁷ River Bluff Motorcoach, Inc. (RBM), a noncarrier, was founded and incorporated in November 2013, and acquired the motorcoach operating assets of Ready Bus Line Company. (Appl. 19.) Applicant states that RBM is 50% owned by Applicant and 10% each owned by Garrett O. Regan, Casey O. Regan, Troy J. Nelson, Mike Karlen, and Tom Severson. (Id.)

Register within 30 days after the application is filed. 49 C.F.R. § 1182.4(b). Incomplete applications may be rejected; however, applicants are given an opportunity to correct minor errors or omissions, in which case the filing date of the application is deemed to be the date on which the complete information is filed. § 1182.4(a).

Here, the Board finds that the application contains omissions that Applicant will be given the opportunity to correct. While the application identifies each of the categories of information required under 49 C.F.R. § 1182.2, the information provided is not substantial enough to provide the required notice to the Board and to the public as to the nature and consequences of the already-consummated transactions. Therefore, additional information is necessary for the application to be considered complete.

First, the application offers limited information regarding the relevant operations of the motor passenger carriers involved in each transaction and, therefore, the scope and interstate nature of each motor passenger carrier's operations is unclear. Specifically, for each transaction, Applicant merely states that the carrier operates regular route and charter service in Minnesota and/or Wisconsin and the midwestern U.S. but provides no further details. Therefore, consistent with the requirement under 49 C.F.R. § 1182.2(a)(4) that an applicant provide the Board with a description of the affiliated motor passenger carriers' operations, Applicant will be directed to file supplemental information describing with more specificity the nature of each motor passenger carrier's operations, including, but not limited to: identifying the states in which each of the motor passenger carrier operates; explaining more fully the nature of its regular route and charter services; and discussing the extent to which those operations are conducted in interstate commerce.

Second, even though each carrier appears to operate in the same geographic region, the application fails to indicate whether the motor passenger carriers involved in each transaction are or were competitors at the time of the transaction. Therefore, consistent with the requirement under 49 C.F.R. § 1182.2(a)(7) that an applicant provide the Board with information to demonstrate that the transactions are consistent with the public interest, Applicant will be directed to file supplemental information describing with more specificity how his acquisition of FTS would impact the competitive conditions in the geographic market in which FTS operates. Applicant also will be directed to file information as to how each of his previously consummated transactions impacted competitive conditions in the geographic markets in which Applicant's six other motor carriers operated. Specifically, Applicant should describe the extent of any overlap in markets served by each of the carriers and the effect (prospective, in the case of FTS) of the transactions on the number of competitors in those markets.⁸ In providing this information, Applicant should indicate whether and to what extent FTS and any of the six other motor carriers compete with each other for business.⁹

⁸ See, e.g., Appl. 9-11, Jan. 23, 2023, Avalon Motor Coaches, LLC—Acquis. of Control—Wynne Transp., LLC, MCF 21105; Appl. 9-11, June 14, 2022, Van Pool Transp. LLC—Acquis. of Control—F.M. Kuzmeskus, Inc., MCF 21099.

⁹ In John J. McCarthy—Acquisition of Control—Trombly Motor Coach Service, Inc., MCF 21094 et al., slip op. at 3 (STB served June 3, 2021), the Board noted that, because the

Applicant shall supplement the application as discussed above by October 16, 2024.

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. Applicant is directed to file, by October 16, 2024, supplemental information as described in this decision.

2. This decision is effective on its service date.

By the Board, Board Members Fuchs, Hedlund, Primus, and Schultz.

applications in that proceeding were seeking after-the-fact authority, the impact of the acquisitions on the interstate motor passenger carrier services available to the public should be known, including the impact on the frequency and price of such services provided by each carrier. Here, the Board recognizes that some of the past transactions are decades old and, therefore, Applicant may no longer be able to produce such detailed information. Accordingly, the Board will not specifically require Applicant to provide information regarding the impact of the transactions on the frequency and price of service. However, Applicant is expected to provide sufficient information regarding these past transactions to complete its application.