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SERVICE DATE – OCTOBER 18, 2024

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. MCF 21120

AVALON MOTOR COACHES, LLC, AND AVALON TRANSPORTATION, LLC
—ACQUISITION OF CONTROL—
KERRVILLE BUS COMPANY INC., ALL WEST COACHLINES, INC., AMERICAN
COACH LINES OF ATLANTA, INC., COACH LEASING, INC., CAM LEASING, LLC,
COACH USA, INC., AND COACH USA ADMINISTRATION, INC.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving and Authorizing Finance Transaction.

SUMMARY: On August 12, 2024, interstate passenger motor carriers Avalon Transportation, LLC (Avalon Transportation), and Avalon Motor Coaches, LLC (Avalon Motor Coaches), filed an application for control over certain assets of the following Coach USA, Inc. (Coach USA) subsidiaries: Kerrville Bus Company, Inc. (Kerrville); All West Coachlines, Inc. (All West); American Coach Lines of Atlanta, Inc. (ACL Atlanta); Coach Leasing, Inc.; CAM Leasing, LLC; and Coach USA Administration, Inc. (collectively, Coach USA Subsidiaries). On September 19, 2024, Virgin-Fish, Inc. (Virgin-Fish), and Jeffrey Brush submitted a filing joining the application. (Avalon Transportation, Avalon Motor Coaches, Virgin-Fish, and Jeffrey Brush will be collectively referred to as “Avalon” or “Applicants.”) The Board is tentatively approving and authorizing this transaction. If no opposing comments are timely filed, this notice will be the final Board action.

DATES: Comments must be filed by December 2, 2024. If any comments are filed, Applicants may file a reply by December 17, 2024. If no opposing comments are filed by December 2, 2024, this notice shall be effective on December 3, 2024.

ADDRESSES: Comments, referring to Docket No. MCF 21120, may be filed with the Board either via e-filing on the Board’s website or in writing addressed to: Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, send one copy of comments to Avalon’s representative: Barry M. Weisz, Thompson Coburn LLP, 10100 Santa Monica Boulevard, Suite 500, Los Angeles, CA 90067.

FOR FURTHER INFORMATION CONTACT: Jonathon Binet at (202) 245-0368. If you require an accommodation under the Americans with Disabilities Act, please call (202) 245-0245.

SUPPLEMENTARY INFORMATION: According to the application,¹ Avalon Transportation is a California company and Avalon Motor Coaches is a Texas company. (Appl. 8.) The sole member of both limited liability companies is Virgin-Fish, a California company owned by a sole shareholder, Jeffrey Brush.² (Id. at 8.) Avalon Transportation and Avalon Motor Coaches both hold interstate authority to carry passengers.³ (Id. at 3.) According to the application, Avalon Transportation and Avalon Motor Coaches operate chauffeured service offices in California, New York, New Jersey, and Pennsylvania, and motor coach offices in California, Arizona, and Texas. (Id. at 8.) The application states that Avalon Motor Coaches focuses on the Texas Motor Coach division, while Avalon Transportation focuses on chauffeured services and the California Motor Coach division. (Id. at 8-9.) The application also states that Avalon Transportation provides service to clients in over 700 domestic and international locations through its affiliate program. (Id. at 9.)

The application explains that in this transaction Avalon will purchase certain assets and good will of the Coach USA Subsidiaries. (Id. at 4.)⁴ Specifically, Avalon Transportation will acquire “the operating assets utilized in the All West Coachlines, Inc. business segment,” and Avalon Motor Coaches will acquire “the operating assets utilized in the Kerrville Bus Company, Inc. and American Coachlines of Atlanta, Inc. business segments.” (Id.)⁵

According to the application, Coach USA is a noncarrier Delaware corporation headquartered in New Jersey,⁶ and the passenger motor carriers it controls provide services in various locations. (Id. at 10.) The regulated Coach USA Subsidiaries are:

¹ The application was supplemented on August 20, 2024, and on September 19, 2024. Therefore, for purposes of determining the procedural schedule and statutory deadlines, the filing date of the application is September 19, 2024. See 49 CFR 1182.4(a).

² More information about Avalon’s corporate structure and ownership can be found in the application. (See Appl. 9.)

³ Further information, including U.S. Department of Transportation (USDOT) numbers, motor carrier numbers, and USDOT safety fitness ratings, can be found in the application. (Id. at 3, 20.)

⁴ Concurrent with the application in this docket, Avalon Transportation and Avalon Motor Coaches filed, in Docket No. MCF 21120 TA, a request under 49 U.S.C. 14303(i) and the Board’s regulations at 49 CFR 1182.7(b) to manage and operate the assets to be acquired on an interim basis pending approval of the acquisition. The Board granted that request in a decision served on August 30, 2024.

⁵ The application states that real estate assets of Kerrville will be purchased by Found Things, LLC, a California company whose sole manager is Livery Station, LLC, a New York company solely managed by Jeffrey Brush. (Id. at 4, 8.) Applicants state that Found Things, LLC, will not operate passenger motor carrier service. (Id. at 4.)

⁶ More information about Coach USA’s corporate structure and ownership can be found in the application. (Id. at 10-11, Ex. 1.)

- Kerrville, a Texas corporation headquartered in San Antonio, Tex., that provides deluxe motorcoach charters and shuttles, customized group tour packages, casino trips, and convention coordinating and planning, (id. at 10-11);
- All West, a Texas corporation headquartered in Sacramento, Cal., that provides charter bus services in California, charter tours including to Nevada, and thruway bus services under contract, (id.); and
- ACL Atlanta, a Texas corporation headquartered in Norcross, Ga., that provides charter bus services in Atlanta, Ga., and the surrounding Southeast, (id.).⁷

The remaining Coach USA Subsidiaries do not hold operating authority and are described as follows:

- Coach Leasing, Inc., an Illinois corporation headquartered in Chicago, Ill., (id. at 10);
- CAM Leasing, LLC, a Delaware corporation headquartered in Paramus, N.J., (id. at 11); and
- Coach USA Administration, Inc., a Nevada corporation headquartered in Paramus, (id.).

Under 49 U.S.C. 14303(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 resulting from the proposed transaction, and (3) the interest of affected carrier employees. Applicants have submitted the information required by 49 CFR 1182.2, including information demonstrating 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 involved carriers exceeded \$2 million during the 12-month period immediately preceding the filing of the application, see 49 CFR 1182.2(a)(5).

Applicants assert that granting the application would be consistent with the public interest. (Id. at 12.) The application states that Avalon will maintain and improve the service currently provided by the Coach USA Subsidiaries. (Id. at 12-13.) According to Applicants, Avalon will use its experience to increase efficiency by connecting its services to those of the Coach USA Subsidiaries and by integrating the subsidiaries' services into Avalon's software platform. (Id. at 13.) Applicants also state that Avalon will assume the Coach USA Subsidiaries' charter pricing agreements and continue meeting the transportation needs of the charter customers, who will likely increase or improve their transportation options through Avalon's expansion of services. (Id.) Further, Applicants state that they intend to improve the safety, comfort, and reliability of transportation options by purchasing new vehicles. (Id.) Applicants also state that, absent the proposed transaction, passenger transportation options may decrease because the Coach USA Subsidiaries may be required to shut down operations in certain markets. (Id.)

⁷ Further information about these passenger motor carriers, including their USDOT numbers, motor carrier numbers, and USDOT safety fitness ratings, can be found in the application. (Id. at 3, 20.)

Applicants argue that the proposed transaction will not adversely affect competition in the markets where All West and ACL Atlanta operate because Avalon does not own or operate motor carrier services or routes in those markets. (Id. at 16.) Rather, according to Applicants, the proposed transaction will have a positive impact on competition because All West and ACL Atlanta would otherwise shut down operations in those markets. (Id. at 19.) Avalon's operations overlap with Kerrville's operations in San Antonio, Houston, and Dallas, Tex., but Applicants argue that the proposed transaction will not adversely impact competition in those markets. (Id. at 16.) Applicants estimate that Kerrville's current operations constitute only a small fraction of the market in those cities,⁸ where there is vigorous competition from several other charter services, as well as from public transportation and private car transportation. (Id. at 16-17.) Applicants also state that demand for charter service in Texas is expected to increase. (Id. at 16.) Further, Applicants assert that the transaction will have an overall positive effect on competition in the San Antonio and Houston metropolitan areas because it will prevent Kerrville from exiting those markets. (Id. at 18.)

Applicants concede that this transaction may result in additional fixed costs in the form of additional interest charges but assert that any such increase is not likely to impact the public. (Id. at 14.) Applicants state that additional fixed costs may result because acquisition of the Coach USA Subsidiaries will be financed through a combination of cash and term notes, and Avalon will assume the existing debt of the subsidiaries. (Id. at 13-14.) However, Avalon intends to refinance the assumed debt to improve the terms of the loans. (Id. at 14.) Applicants further represent that the proposed transaction will not adversely impact the interests of the Coach USA Subsidiaries' employees. (Id. at 14-15.) According to the application, Avalon has agreed to offer employment to no less than 95% of the employees at each acquired location operated by the Coach USA Subsidiaries, provided that the employees meet certain eligibility standards. (Id. at 14.) Further, Avalon intends to extend employment offers with substantially equivalent salary, benefits, and seniority to nearly all the eligible employees of the Coach USA Subsidiaries at the acquired locations. (Id.) Applicants state that absent the proposed transaction all such employees would likely lose their jobs. (Id. at 15.) Applicants further state that, although most of the employees it will retain are bus drivers, Avalon will also extend employment offers to maintenance, operations, safety, management, and human resource employees of the Coach USA Subsidiaries. (Id. at 14; see also id. at 18-19.)

Based on Applicants' representations, 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. If no opposing comments are

⁸ Applicants estimate that Kerrville operates less than 1% of the motor coaches in Dallas (one or two buses), approximately 6% of the motor coaches in Houston (14 buses), and less than 12% of the motor coaches in San Antonio (23 buses). (Id. at 17 & n.13.) Applicants estimate that post-transaction the combined operations will constitute less than 12% of the Houston market and approximately 21% of the San Antonio market. (Id. at 18 (stating that there will be no competitive impact in the Dallas metropolitan area).)

filed by the expiration of the comment period, this notice will take effect automatically and will be the final Board action in this proceeding.

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 3, 2024, unless opposing comments are filed by December 2, 2024. If any comments are filed, Applicants may file a reply by December 17, 2024.
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 15, 2024.

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