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SERVICE DATE – NOVEMBER 14, 2024

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.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving and Authorizing Finance Transaction.

SUMMARY: Patrick O. Regan (Applicant) filed an application 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. Applicant also seeks after-the-fact authority for several already-consummated transactions that ultimately resulted in Applicant's acquisition of control of six passenger motor carriers: Minnesota Coaches, Inc., Marschall Line, Inc., Rehbein Transit Co., Inc., Minn-Dakota Coaches, Inc., Voyageur Bus Company, Inc., and Ready Bus Company, Inc. (collectively, Affiliated Carriers). The Board is tentatively approving and authorizing these transactions. If no opposing comments are timely filed, this notice will be the final Board action.

DATES: Comments must be filed by December 30, 2024. If any comments are filed, Applicant may file a reply by January 13, 2025. If no opposing comments are filed by December 30, 2024, this notice shall be effective on December 31, 2024.

ADDRESSES: Comments, referring to Docket No. MCF 21123, 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 Applicant's representative: Edward Fishman, Hogan Lovells US LLP, Columbia Square, 555 Thirteenth Street, N.W., Washington, DC 20004.

FOR FURTHER INFORMATION CONTACT: Brian O'Boyle at (202) 245-0364. If you require an accommodation under the Americans with Disabilities Act, please call (202) 245-0245.

SUPPLEMENTARY INFORMATION: According to the application,<sup>1</sup> 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.<sup>2</sup> (Appl. 3.)<sup>3</sup>

Applicant states that FTS has its principal place of business in Faribault, Minn., and provides student transportation service, including general and special education transportation, to and from school on a regular schedule, as well as school bus charter service for extracurricular activities and other special trips. (*Id.* at 4; Suppl. 1-2.) Applicant states that, on limited occasions, FTS’s school bus charter service involves trips from Minnesota into Wisconsin and other neighboring states (depending on the location of those activities involving the school bus customers served by FTS). (Suppl. 2.) FTS operates approximately 66 power units and employs approximately 88 drivers. (Appl. 4.)<sup>4</sup>

Applicant also seeks after-the-fact authorization for his acquisition of control of six motor carriers through six previously consummated transactions. 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 5.) Applicant describes the transactions for which he seeks after-the-fact authority as follows.

*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. (Family Bus), a noncarrier, which is the parent company of three passenger motor carriers providing interstate service: Minnesota Coaches, Inc. (Minnesota Coaches), Marschall Line, Inc. (Marschall Line), and Rehbein Transit Co., Inc. (Rehbein).

Family Bus 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 has its principal place of business in Hastings, Minn., and operates

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<sup>1</sup> Applicant originally filed the application on August 30, 2024, but it then filed a supplement on October 15, 2024. Therefore, for purposes of determining the procedural schedule and statutory deadlines, the filing date of the application is October 15, 2024. See 49 CFR 1182.4(a).

<sup>2</sup> More information about the proposed corporate structure and ownership can be found in the application. (See Appl., Ex. 3.)

<sup>3</sup> The application does not have page numbers. The page numbers cited in this decision refer to the PDF page numbers of the application.

<sup>4</sup> 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.)

in its name and through the assumed names Hasting Bus Company, Big River Bus Company, and Big River Tours. (*Id.* at 10.) Minnesota Coaches provides school bus service that includes general and special education transportation to and from school on a regular schedule, and school bus charter service for extracurricular activities and special trips, which, on limited occasions, involve transportation between Minnesota and neighboring states including Wisconsin. (*Id.* at 10-11; Suppl. 3.) Minnesota Coaches also offers motorcoach contract service for universities, sports teams, and other business, as well as event specific charter services for weddings, conventions, and other events, concentrated primarily in the Minneapolis, Minn., St. Paul, Minn., and the surrounding Twin Cities area, as well as some interstate operations primarily in Wisconsin, Iowa, Illinois, and Missouri. (Suppl. 3, 4.) Minnesota Coaches operates approximately 196 power units and employs approximately 174 drivers. (Appl. 10.)

In 1994, Family Bus became the sole shareholder of Marschall Line, which was founded in 1971 by the Marschall family. (*Id.* at 9.) Applicant states that Marschall Line has its principal place of business in Farmington, Minn. (*Id.* at 11.) Marschall Line, operating in its name and through the assumed name Mid-County Bus Company, provides school bus transportation services, which includes general and special education transportation to and from school on a regular schedule, and school bus charter service for extracurricular activities and special trips. (*Id.*; Suppl. 4-5.) Applicant states that, on limited occasions, the school bus charter service involves trips from Minnesota into Wisconsin and other neighboring states. (Suppl. 5.) Marschall Line operates approximately 110 power units and employs approximately 118 drivers. (Appl. 11.)

In 2012, Family Bus acquired the assets of Rehbein Transit, Inc., from the Rehbein family and formed the subsidiary, Rehbein. (*Id.* at 10.) Applicant states that Rehbein, whose principal place of business is in Circle Pines, Minn., provides school bus services that include general and special education transportation to and from school on a regular schedule, and school bus charter service for extracurricular activities and special trips. (*Id.* at 12; Suppl. 5.) Applicant states that, on very limited occasions, the school bus charter service involves trips from Minnesota into Wisconsin or other neighboring states. (Suppl. 5.) Rehbein operates approximately 97 power units and employs approximately 91 drivers. (Appl. 12.)

*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. (*Id.* at 13.)<sup>5</sup> According to Applicant, Minn-Dakota, whose principal place of business is in Fergus Falls, Minn., provides school bus transportation service that includes general and special education transportation to and from school on a regular schedule,

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<sup>5</sup> 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. (Appl. 13.) Ottertail Transportation, Inc., a noncarrier, acquired Ottertail Coaches, Inc., an intrastate motor carrier, which is the parent company to Minn-Dakota Coaches, Inc. (*Id.*) 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, Ottertail Trucking, Inc., is not subject to Board jurisdiction. (*Id.*)

and school charter service for extracurricular activities and special trips. (*Id.* at 15-16; Suppl. 6.) Applicant notes that some of these trips involve transportation between Minnesota and neighboring states including North Dakota. (Suppl. 6.) Applicant states that Minn-Dakota also offers motorcoach contract service for universities, sports teams, and other business, as well as event specific charter services for weddings, conventions, and other events in the Fergus Falls area, with some motorcoach services conducted out of state, mostly within North Dakota and South Dakota, but a limited amount of activity in Iowa and Wisconsin, and the remainder spread out nationally based on customer demand for special event service. (*Id.* at 6-7.) Applicant states that Minn-Dakota operates approximately 14 power units and employs approximately 34 drivers. (Appl. 15.)

*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.<sup>6</sup> (*Id.* at 16-17.) According to Applicant, Voyageur has its principal place of business in Duluth, Minn., and provides school bus transportation service that includes general and special education transportation to and from school on a regular schedule, and school charter service for extracurricular activities and special trips, with some trips on occasion involving transportation between Minnesota and neighboring states. (Suppl. 7-8.) Voyageur Bus also offers motorcoach contract services for universities, sports teams, and other business, as well as event specific charter services for weddings, conventions, and other events in the greater Duluth area. (*Id.* at 8.) Voyageur Bus's motorcoach services are conducted primarily in Minnesota, with some operations in Wisconsin, Iowa, Illinois, or other states across the U.S. based on customer demand for special event service. (*Id.*) Applicant states that Voyageur operates approximately 118 power units and employs approximately 125 drivers. (Appl. 18.) Applicant further notes 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.)

*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. (*Id.* at 19.) 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 that is 50% owned by Applicant.<sup>7</sup> (*Id.* at 19 n.9.)

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<sup>6</sup> 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.)

<sup>7</sup> 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.*)

According to Applicant, Ready Bus, whose primary place of business is in Rochester, Minn., provides school transportation service that includes general and special education transportation to and from school on a regular schedule, and school charter service for extracurricular activities and special trips. (*Id.* at 21; Suppl. 9.) Applicant notes that, on limited occasions, some of these trips involve transportation between Minnesota and neighboring states including Wisconsin, depending on the location of the customer activity. (Suppl. 9.) Ready Bus also offers motorcoach contract service for universities, sports teams, and other business, as well as event-specific charter services for weddings, conventions, and other events with service in Minnesota, Wisconsin, and neighboring states. (*Id.*) According to the application, most of the motorcoach service (outside of Minnesota and Wisconsin) is regionally concentrated in Iowa, Illinois, Missouri, and Indiana, and the remainder is spread out nationally based on customer demand for special event service. (*Id.* at 10.) Applicant states that Ready Bus operates approximately 59 power units and employs approximately 56 drivers. (Appl. 21.)<sup>8</sup>

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. Applicant has 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). (*See* Appl. 22.)

*Acquisition of FTS.* Applicant states that his proposed acquisition of FTS would be consistent with the public interest, as it would not result in any significant changes to the nature or scope of the operations that are conducted by FTS or any of the other motor carriers of passengers in the corporate family. (*Id.* at 23; Suppl. 17.) Applicant asserts that the acquisition would allow him to make strategic decisions regarding the operational, asset management, and safety compliance needs of FTS based on his years of experience in the school bus market and strong track record of managing successful school bus providers. (Suppl. 16-17.)

Applicant asserts that there would be no negative impact on competition as a result of his acquisition of FTS. Applicant states that FTS is exclusively a school bus service provider that only occasionally crosses state lines. (*Id.* at 10-11.) According to Applicant, FTS does not compete for school bus contracts against the Affiliated Carriers, which each serve distinct school district communities within Minnesota. (*Id.* at 10 (stating that FTS provides service primarily in the City of Faribault and surrounding areas); *see also id.* at 13-15 (describing which school districts the other carriers at issue here serve.) Moreover, Applicant asserts that the existing school district contracts with FTS are subject to competitive bid procedures and that there is

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<sup>8</sup> Further information about these motor carriers, including U.S. Department of Transportation (USDOT) numbers, motor carrier numbers, and USDOT safety fitness ratings, can be found in the application. (*See* Appl. 26; *id.*, Ex. 1.)

substantial competition for such school transportation services in the relevant service area from national providers and from local competitors. (Id. at 10-11, 17.)

Applicant states that his acquisition of control of FTS would not affect fixed charges, as he would obtain control of FTS through a corporate reorganization that would not involve any external financing. (Appl. 24; Suppl. 17.) Applicant asserts that there would be no material effect on employee or labor conditions at FTS, as there are no plans for employee layoffs or reductions in staff at FTS as a result of the proposed restructuring transaction, nor plans for adverse changes to existing FTS employee benefits. (Appl. 25; Suppl. 18.)

*Historical Acquisitions of Affiliated Carriers.* Applicant contends that the historical acquisitions of control of the Affiliated Carriers were consistent with the public interest because those transactions enabled him to strengthen the depth and quality of service provided by each of the Affiliated Carriers, based on Applicant's track record in the bus industry and the opportunity to more efficiently use the assets, resources, and management experience of the affiliated companies. (Suppl. 18.) Applicant contends that the acquisitions did not result in any adverse changes to the nature or scope of the operations that are conducted by those Affiliated Carriers; rather, the transactions contributed to an overall increase in the available motorcoach and school bus service capacity in the relevant service areas, as Applicant has continued to invest over time in equipment, operating personnel, and other resources to support the business activities of these Affiliated Carriers. (Id.)

Applicant argues that there has been no negative impact on competition, as these Affiliated Carriers do not compete with each other today and generally did not compete directly with each other at the time of the respective acquisitions by Applicant, due to the nature of the services they each provide in their respective service areas. (Id. at 11.) Moreover, Applicant asserts that the Affiliated Carriers have faced (and continue to face) substantial competition in each of the relevant markets from national, regional, and local bus operations, as well as intermodal competition from motor vehicles, passenger train, and passenger aviation service. (Id. at 12, 19.) Applicant notes that two of the carriers subject to the application, Marschall Line and Rehbein, are exclusively school bus service providers that only occasionally provide interstate charter service. (Id. at 13.) Applicant asserts that these two carriers compete for different school bus contracts, do not serve the same student population, and compete in markets with substantial competition from national and local bus transportation providers. (Id. at 13-14.) Applicant states that Minnesota Coaches, Ready Bus, Minn-Dakota, and Voyageur, all of which provide both school bus and motorcoach services, also do not directly compete, have served different service areas, operate their assets out of different geographic terminals, and face intense competition from other bus transportation providers. (Id. at 14-16 (describing the different areas served and other entities with whom these four carriers compete for both school bus and motorcoach service).)

Applicant asserts that, while limited debt financing was used to acquire some of the Affiliated Carriers, the historical acquisitions did not result in fixed charges that adversely affected the ability of those carriers to continue to provide safe and quality transportation service. (Id. at 19.) Applicant states that he has no outstanding debts related to these transactions, has

minimal overall debts, and was able to pay down acquisition debt promptly following the relevant acquisitions. (Appl. 24; Suppl. 19.)

Applicant states that the historical acquisitions of control of the Affiliated Carriers have not had any material adverse effect on employee or labor conditions. Applicant asserts that, since those acquisitions, there have not been any mass layoffs or substantial employee restructurings, and no adverse changes to wage and benefit arrangements have been implemented. (Suppl. 20.)

Based on Applicant's representations, the Board finds that the acquisition of FTS is consistent with the public interest and should be tentatively approved and authorized. The Board also finds that the historical acquisitions of control of the Affiliated Carriers are consistent with the public interest and should be tentatively approved and authorized after the fact. 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 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](http://www.stb.gov).

It is ordered:

1. The proposed acquisition of FTS is approved and authorized, subject to the filing of opposing comments.
2. The acquisitions of the Affiliated Carriers are approved and authorized after the fact, subject to the filing of opposing comments.
3. If opposing comments are timely filed, the findings made in this notice will be deemed vacated.
4. This notice will be effective December 31, 2024, unless opposing comments are filed by December 30, 2024. If any comments are filed, Applicants may file a reply by January 13, 2025.

5. 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: November 7, 2024.

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