

**BEFORE THE SURFACE TRANSPORTATION BOARD****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.****SUPPLEMENT TO APPLICATION UNDER 49 U.S.C. 14303(a)**

Patrick O. Regan (“Applicant”) respectfully submits this Supplement to the Application filed in this proceeding on August 30, 2024. The Supplement is being filed in accordance with the decision of the Board served on September 26, 2024. In this proceeding, the Applicant is seeking Board authority under 49 U.S.C. § 14303(a) and 49 C.F.R. Part 1182 for the acquisition of control of Faribault Transportation Service, Inc. (“FTS”) and after-the-fact authority for the Applicant’s already consummated acquisition of control of the following six interstate passenger motor carriers: Minnesota Coaches, Inc. (“Minnesota Coaches”), Marschall Line, Inc. (“Marschall Line”), Rehbein Transit Co., Inc. (“Rehbein Transit”), Minn-Dakota Coaches, Inc. (“Minn-Dakota”), Voyageur Bus Company, Inc. (“Voyageur Bus”), and Ready Bus Company, Inc. (“Ready Bus”) (collectively, the “Affiliated Carriers”).

**I. Scope of Operations of FTS and the Affiliated Carriers****A. Operations of FTS**

FTS has its principal place of business at 2615 1<sup>st</sup> Ave. NW, Faribault, MN 55021. FTS is exclusively a school bus operator, providing student transportation service including general and

special education transportation to-and-from school on a regular schedule, and school bus charter service for extracurricular activities and other special trips. On limited occasions, the school bus charter service that FTS provides 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). This interstate service is minimal in comparison to the intrastate school bus service that FTS provides in Minnesota.

FTS operates its school bus assets out of terminals in Faribault and Nerstrand, Minnesota (the latter is used primarily for indoor school bus storage). FTS has contracts primarily with Faribault Public Schools in Rice County, Minnesota (which includes the City of Faribault and smaller surrounding communities). FTS operates a fleet of Type C Yellow Buses, Type A Yellow Buses, and Type III vehicles.<sup>1</sup> It operates approximately 66 total power units and employs approximately 88 drivers. FTS has intrastate operating authority issued by the Minnesota DOT (MnDOT # 383558) and interstate operating authority issued by the FMCSA (MC# 1067017; US DOT No. 3342279). FTS does not have a safety rating from the US Department of Transportation.

B. Operations of the Affiliated Carriers

1. Minnesota Coaches

Minnesota Coaches has its principal place of business at 425 East 31<sup>st</sup> Street, Hastings, MN 55033. Minnesota Coaches (operating in its name and through the assumed names (DBAs) Hasting Bus Company, Big River Bus, and Big River Tours) provides both school bus service

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<sup>1</sup> A Type III vehicle is a van or similar vehicle qualified for use in transporting students. FTS owns three Motorcoaches but does not operate any of these assets under its own interstate operating authority. Instead, any interstate trips using these assets (which are stored at the FTS terminal) are operated under the care, custody and control of Minnesota Coaches pursuant to the FMCSA operating authority of Minnesota Coaches.

and motorcoach service on a charter basis. It does not provide any regularly scheduled motorcoach service.

The school bus service provided by Minnesota Coaches includes general and special education transportation to-and-from school on a regular schedule, and school bus charter service in Type C Yellow Buses, Type III vehicles, and Motorcoaches for extracurricular activities and special trips. On limited occasions, some of these trips involve transportation between Minnesota and neighboring states including Wisconsin. 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, St. Paul, and surrounding Twin Cities area. Approximately 57% of the revenue earned under the operating authority of Minnesota Coaches is derived from its operation of school bus assets, and approximately 43% of its revenue is derived from the operation of motorcoach assets.<sup>2</sup>

Minnesota Coaches operates a fleet of Type C Yellow Buses, Type A Yellow Buses, Type III vehicles and Motorcoaches. It operates approximately 196 power units, employs approximately 174 drivers and has two terminals, one in Hastings, Minnesota (Dakota County) and the other in Denmark Township, Minnesota (Washington County). The Hastings terminal services both school bus and motorcoach assets, while the Washington County terminal is used almost exclusively for school bus assets. Minnesota Coaches provides school transportation service primarily for two school districts: Hastings School District in Dakota County, Minnesota (where Minnesota Coaches operates under the DBA Hastings Bus Company) and South

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<sup>2</sup> As described in footnote 1 with respect to FTS, Minnesota Coaches operates a small number of Motorcoaches owned by affiliated carriers under the Minnesota Coaches operating authority. Revenue generated for these affiliates from these trips is included in this revenue calculation for consistency.

Washington County Schools in Washington County, Minnesota (where Minnesota Coaches operates under the DBA Big River Bus). The Hastings School District includes the City of Hastings and portions of surrounding communities. The South Washington County Schools include all or parts of the communities of Cottage Grove, Newport, St. Paul Park and Woodbury, along with Afton, Denmark and Grey Cloud Island Townships.

Overall, a majority of of the business of Minnesota Coaches by revenue is intrastate school bus service. Within the minority of Minnesota Coaches' business that is motorcoach business, 50% of the overall service provided by Minnesota Coaches (by mileage) to motorcoach customers is conducted within Minnesota.<sup>3</sup> With respect to its out-of-state motorcoach mileage, Minnesota Coaches operates mostly within neighboring states including Wisconsin and Iowa (nearly 25%), Illinois (approximately 7%), Missouri (nearly 3%), and the remainder spread out nationally based on customer demand for special event service with a concentration in states that are closer geographically to Minnesota.

Minnesota Coaches has intrastate operating authority issued by the Minnesota DOT (MnDOT # 131838 through its DBA Hastings Bus Company) and interstate operating authority issued by the FMCSA (MC# 208035; US DOT No. 311081). Minnesota Coaches holds a “satisfactory” safety rating from the US Department of Transportation.

## 2. Marschall Line

Marschall Line has its principal place of business at 5119 212<sup>th</sup> Street West, Farmington, MN 55024. Marschall Line exclusively provides school bus transportation services and does not provide motorcoach services. The school bus service includes general and special education transportation to-and-from school on a regular schedule, and school bus charter service for

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<sup>3</sup> All such percentages of miles set forth in this Supplement are based on International Registration Plan (IRP) reporting for the calendar year 2023.

extracurricular activities and special trips. On limited occasions, the school bus charter service that Marschall Line provides involves trips from Minnesota into Wisconsin and other neighboring states (depending on the location of those activities involving the school bus customers served by Marschall Line). This interstate service is minimal in comparison to the intrastate school bus service that Marschall Line provides in Minnesota.

Marschall Line operates its school bus assets out of a terminal in Farmington, Minnesota. Marschall Line (operating in its name and through the assumed name Mid-County Bus Company) operates a fleet of Type C Yellow Buses, Type A Yellow Buses, and Type III vehicles.<sup>4</sup> It operates approximately 110 power units and employs approximately 118 drivers. Marschall Line primarily provides school transportation for two school districts (the Farmington School District and the Rosemount-Apple Valley-Eagan School District) in Dakota County, Minnesota.

Marschall Line has intrastate operating authority from the Minnesota DOT (MnDOT # 132385) and interstate operating authority from the FMCSA (MC# 736524; U.S. DOT No. 859554). It holds a “satisfactory” safety rating from the US Department of Transportation.

### 3. Rehbein Transit

Rehbein Transit has its principal place of business at 6298 Hodgson Road, Circle Pines, MN 55014. Rehbein Transit is an exclusive provider of school bus services and does not provide motorcoach services. The school transportation service 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. On very limited occasions, the school bus charter service that Rehbein Transit provides involves trips from Minnesota into Wisconsin or other neighboring states (depending on the location of those activities involving the school bus

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<sup>4</sup> Marschall Line also owns one mini-coach but this asset is operated under the care, custody and control of Minnesota Coaches pursuant to the FMCSA operating authority of Minnesota Coaches.

customers served by Rehbein Transit). This interstate service is extremely minimal in comparison to the intrastate school bus service that Rehbein Transit provides in Minnesota.

Rehbein Transit operates its school bus assets out of a terminal in Circle Pines, Minnesota. Rehbein Transit operates a fleet of Type C Yellow Buses, Type A Yellow Buses, and Type III vehicles. It operates approximately 97 power units and employs approximately 91 drivers. Rehbein Transit primarily provides school transportation for the Centennial School District, Independent School District 12, in Anoka County, Minnesota (serving the cities of Lexington, Centerville and Circle Pines, plus portions of Blaine and Lino Lakes).

Rehbein Transit has intrastate operating authority issued by the Minnesota DOT (MnDOT # 377138) and interstate operating authority issued by the FMCSA (MC# 796426; U.S. DOT No. 2332736). It holds a “satisfactory” safety rating from the US Department of Transportation.

#### 4. Minn-Dakota

Minn-Dakota has its principal place of business at 1116 N. Tower Road, Fergus Falls, MN 56537. Minn-Dakota provides both school bus transportation service and motorcoach charter service. It does not provide any regularly scheduled motorcoach service. The school transportation service includes general and special education transportation to-and-from school on a regular schedule, and school charter service in Type C Yellow Buses and Motorcoaches for extracurricular activities and special trips. On limited occasions, some of these trips involve transportation between Minnesota and neighboring states including North Dakota depending on the location of the school customer activity. 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. The revenue of

Minn-Dakota is almost evenly derived from its operation of school bus assets and its operation of motorcoach assets.

Minn-Dakota operates its school bus and motorcoach assets out of a terminal in Fergus Falls (Otter Tail County) Minnesota. Minn-Dakota operates a fleet of Type C Yellow Buses, Type A Yellow Buses, Type III vehicles and Motorcoaches. It operates approximately 14 power units and employs approximately 34 drivers. Minn-Dakota primarily provides school transportation service for Fergus Falls Public Schools in Otter Tail County, Minnesota (which includes the City of Fergus Falls and parts of small surrounding communities). Within the approximately 50% of Minn-Dakota's business that is motorcoach business, approximately 50% of the overall service provided by Minn-Dakota (by mileage) is conducted within Minnesota. With respect to its out-of-state motorcoach mileage, Minn-Dakota operates mostly within North Dakota and South Dakota given the location of its terminal in Fergus Falls (nearly 25%), with a limited amount of activity in Iowa and Wisconsin (approximately 8%) and the remainder spread out nationally based on customer demand for special event service with a concentration in states that are closer geographically to Minnesota.

Minn-Dakota has intrastate operating authority from the Minnesota DOT (MnDOT # 134472) and interstate operating authority from the FMCSA (MC# 139270; U.S. DOT No. 235385). It holds a "satisfactory" safety rating from the US Department of Transportation.

##### 5. Voyageur Bus

Voyageur Bus has its principal place of business at 3941 East Calvary Road, Duluth, MN 55803. Voyageur Bus provides both school bus transportation service and motorcoach service. It does not provide any regularly scheduled motorcoach service. The school transportation service includes general and special education transportation to-and-from school on a regular schedule,

and school charter service in Type C Yellow Buses and Motorcoaches for extracurricular activities and special trips. On limited occasions, some of these trips involve transportation between Minnesota and neighboring states including Wisconsin depending on the location of the school customer activity. Voyageur 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 in the greater Duluth area. Over 70% of the revenue of Voyageur Bus is derived from the operation of school bus assets, and only 30% is derived from the operation of motorcoach assets.

Voyageur Bus operates its school bus and motorcoach assets out of a terminal in Rice Lake, Minnesota and also operates school bus assets out of a terminal in Duluth, Minnesota. Both of these terminals are in St. Louis County, Minnesota. Voyageur Bus operates a fleet of Type C Yellow Buses, Type A Yellow Buses, and Type III vehicles. It also operates a fleet of Motorcoaches owned by Lake Superior Motorcoaches, Inc. (an affiliated non-carrier entity). Voyageur operates approximately 118 power units and employs approximately 125 drivers. Voyageur Bus Company primarily provides school transportation for Duluth Public Schools in St. Louis County, Minnesota (which includes the City of Duluth, Rice Lake and surrounding smaller communities). Within the minority of Voyageur Bus' business that is motorcoach business, 70% of the overall motorcoach service provided by Voyageur Bus (by mileage) is conducted within Minnesota. With respect to its out-of-state mileage, Voyageur Bus operates mostly within Wisconsin given the proximity of its Duluth terminal to the Minnesota-Wisconsin border (approximately 14%) with the remainder in Iowa and Illinois (approximately 4%) or other states across the U.S. based on customer demand for special event service with a concentration in states that are closer geographically to Minnesota.



Voyageur Bus has intrastate operating authority from the Minnesota DOT (MnDOT # 147539) and interstate operating authority from the FMCSA (MC# 692906; U.S. DOT No. 2859547). It holds a “satisfactory” safety rating from the US Department of Transportation.

6. Ready Bus

Ready Bus has its principal place of business at 1803 14<sup>th</sup> Street NW, Rochester, MN 55901. Ready Bus provides both school bus transportation service and motorcoach service. It does not provide any regularly scheduled motorcoach service. The transportation service includes general and special education transportation to-and-from school on a regular schedule, and school charter service in Type C Yellow Buses, Type III vehicles, and Motorcoaches for extracurricular activities and special trips. On limited occasions, some of these trips involve transportation between Minnesota and neighboring states including Wisconsin (where Ready Bus has a terminal) depending on the location of the customer activity. 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. Approximately 70% of the revenue of Ready Bus is derived from the operation of motorcoach assets and approximately 30% is derived from the operation of school bus assets.

Ready Bus operates out of two terminals in Minnesota – its terminal in Rochester, Minnesota (Olmsted County) is used for school bus and motorcoach assets, and its terminal in La Crescent, Minnesota (Houston County) is used for school bus assets. Ready Bus also operates both school bus and motorcoach assets out of a terminal in La Crosse, Wisconsin (located on French Island near the Minnesota border). Ready Bus operates a fleet of Type C Yellow Buses, Type A Yellow Buses, Type III vehicles and Motorcoaches. It operates approximately 59 power

units and employs approximately 56 drivers. Ready Bus provides school transportation primarily for La Crescent-Hokah Public Schools in Houston County, Minnesota. With respect to Ready Bus's motorcoach services, approximately 70% of the service (by mileage) is conducted within Minnesota (over 38%) or Wisconsin (nearly 32%). Most of the remaining service (more than 15%) is regionally concentrated in Iowa, Illinois, Missouri and Indiana, and the remaining is spread out nationally based on customer demand for special event service with a concentration in states that are closer geographically to Minnesota and Wisconsin.

Ready Bus has intrastate operating authority issued by the Minnesota DOT (MnDOT # 378489) and interstate operating authority issued by the FMCSA (MC# 124167; U.S. DOT No. 2466035). It holds a "satisfactory" safety rating from the US Department of Transportation.

## II. Competitive Considerations

### A. Proposed Acquisition of Control of FTS

In its decision requesting this Supplement, the Board directed the Applicant to describe how the proposed acquisition of control of FTS would impact competitive considerations in the geographic market in which FTS operates, and the extent to which FTS competes with any of the Affiliated Carriers for business. FTS almost exclusively operates in the non-regulated student transportation service market, competing against other non-affiliated providers to obtain school bus transportation contracts from school districts in its service area (which is primarily the City of Faribault and surrounding smaller communities in Rice County, Minnesota).<sup>5</sup> It exclusively

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<sup>5</sup> The Board does not have jurisdiction over the provision of such transportation of students from home to school to home as set forth in [49 U.S.C. § 13506\(a\)\(1\)](#). Therefore, we refer to this as non-regulated service.

operates school buses (including occasional interstate charter trips) and does not operate any motorcoach service.

FTS does not compete against any of the Affiliated Carriers because they do not serve the same service area in the school bus market. The Affiliated Carriers all serve distinct communities within Minnesota. In addition, there are numerous non-affiliated competitors for student transportation services in the relevant service area, including national school bus transportation providers such as First Student, Transit Team, and Durham, and local companies such as Held Bus Service and Benjamin Bus.

The occasional interstate service provided by FTS involves customer trips for sporting events and other extracurricular activities. These services are usually covered by the existing contracts that FTS has with Faribault Public Schools and other smaller school system customers in Rice County, Minnesota. These trips occasionally cross state lines when groups (primarily school groups, students, teachers, and parent chaperones) travel out of state for athletic events, academic competitions, and other school system activities. There is extensive competition for such school district services among the other providers in the service area, including from Held Bus Service and Benjamin Bus. The Affiliated Carriers do not compete with FTS for this business.

#### B. Competitive Considerations Involving the Affiliated Carriers

Due to the nature of the services they each provide in their respective service areas, the 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 the Applicant. In fact, with the exception of the Ready Bus acquisition (which was strategically designed to expand the

Applicant's bus service business into Wisconsin) and the Marshall Line acquisition (which was an acquisition from a long-time family friend of an exclusively school bus operating company in a school district in which the Applicant was not then geographically positioned to compete), the Applicant acquired control of the Affiliated Carriers through transactions with his father, his siblings and/or other affiliated parties (including employee owners of Minn-Dakota, who had acquired control from the Applicant's father). The purpose of these historical acquisitions was to consolidate the ownership of these closely-held bus companies into a group of commonly-controlled operating entities in order to benefit from the Applicant's successful management track record in the bus industry and the economies of scale that were created from an equipment capacity, safety compliance and purchasing power perspective.

The group of Affiliated Carriers acquired by the Applicant was built over time, and they generally operate in distinct service areas and market their services to distinct customer bases. Although there may have been some very limited overlap in the ability of the respective Affiliated Carriers under prior ownership to respond to certain types of customer demand for charter service (such as event response planning), the Affiliated Carriers generally did not compete head-to-head in their relevant service areas and faced considerably more competition from other bus transportation providers (both national, state and local providers) and other modes of passenger transportation (such as private motor vehicles, ride sharing services, intercity passenger rail or commuter rail service, and passenger airline service).

The overriding purpose of the historical acquisitions by the Applicant was to maintain and grow each Affiliated Carrier's business in their respective markets by improving the quality and depth of services provided by each carrier as part of the overall group of operating companies controlled by the Applicant. The purpose of these historical acquisitions was not to

eliminate any competitors or degrade competition, and in fact all of the Affiliated Carriers have continued to strengthen the quality of their services and scope of their operations (through strategic marketing of their services, investments in equipment and operating employees, and safety compliance protocols developed and implemented across the group) since being acquired by the Applicant.

#### 1. Exclusive School Bus Service Providers

As explained above, all of the Affiliated Carriers provide school bus transportation services. However, two of the Affiliated Carriers (Marschall Line and Rehbein Transit) are and have always been exclusively school bus transportation providers.<sup>6</sup> These two Affiliated Carriers do not provide motorcoach services and they only occasionally engage in interstate school bus charter trips for sporting events or other extracurricular activities from Minnesota into neighboring states. These Affiliated Carriers also serve different school districts within the State of Minnesota. Marschall Line has primarily served the Farmington School District and Rosemount-Apple Valley-Eagan School District, both in Dakota County, Minnesota (which includes the Cities of Farmington, Rosemount, Apple Valley and Eagan). Rehbein Transit has primarily served Centennial School District, Independent School District 12 in Anoka County, Minnesota, which includes the cities of Lexington, Centerville, and Circle Pines, plus portions of Blaine and Lino Lakes. They have competed for separate school bus contracts and have not served the same student population. Therefore, the Applicant's historical acquisition of control of each of these carriers did not adversely impact school bus competition in the relevant markets.

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<sup>6</sup> FTS similarly operates as a school bus transportation provider and does not operate its own motorcoach services. FTS owns three Motorcoaches and Marschall Line owns one mini-coach, but those assets are operated under the care, custody and control of Minnesota Coaches. The discussion in this section with respect to Marschall Line and Rehbein Transit is equally applicable to FTS as an exclusive provider of school bus service.

In addition, there is substantial competition in each of these distinct school bus transportation markets from national school bus transportation providers (First Student, Transit Team and Durham) and from local competitors in the greater Twin Cities market (including Schmitt & Sons Transportation, American Student Transportation, Lorenz Bus Service, Minnehaha Transportation, Metropolitan Transit Network and Centerline Charter Corporation).

## 2. Dual Providers of School Bus and Motorcoach Services

The other four Affiliated Carriers—Minnesota Coaches, Ready Bus, Minn-Dakota, and Voyageur Bus—operate both motorcoach services and school bus services. They do not provide regularly scheduled motorcoach service between geographic points, and their business is pursuant to contractual arrangements with school districts, universities and other customers for special event service. These carriers historically did not compete directly with each other. Instead, they served different service areas and operated their assets out of different geographic terminals in different parts of Minnesota (and, with respect to Ready Bus, in Wisconsin).

The school bus service provided by all of the Affiliated Carriers is based on competitively bid contracts, and most of the Affiliated Carriers have held contracts with their existing customers for many years (due to the high quality of the service provided by the Affiliated Carriers). The motorcoach service provided by Minnesota Coaches, Minn-Dakota, Ready Bus and Voyageur Bus is either based on existing contracts with charter customers such as universities, churches and other social groups, or special event contracts for weddings, sporting events and other one-time activities. The motorcoach service is subject to intense competition from other motorcoach providers (national, regional and local) and from various other modes of transportation (including private motor vehicles, ride sharing services, intercity passenger rail or commuter rail service, and passenger airline service).

Minnesota Coaches operates primarily out of Minneapolis, St. Paul, and the surrounding Twin Cities area. There are a wide number of competitors for motorcoach services in the area, including Lorenz Bus Service, Inc., Voigt's Motorcoach Travel, Inc., Trobec's Bus Inc., Richfield Bus Company, Schmitt & Sons Transportation Inc., Barry Bus Inc, and Jefferson Partners LP. With respect to its school bus service, Minnesota Coaches faces competition from the national providers (First Student, Transit Team and Durham) as well as the local school bus providers.

Minn-Dakota primarily operates out of Fergus Falls, Minnesota (almost three hours from Minneapolis, on the western side of the state). This area is a rural location and Minn-Dakota's business is roughly evenly split between school bus and motorcoach services. Minn-Dakota's primary competitors for motorcoach service are Anderson Coach of Frazee, Inc. and Red River Trails Incorporated. The school bus transportation that Minn-Dakota provides in the Fergus Falls area is subject to competition from national providers (First Student, Transit Team and Durham) as well as local providers Red River Trails, Anderson Bus and Olander Bus..

Ready Bus operates primarily out of the Rochester, Minnesota (about 1.5 hours from Minneapolis) and La Crosse, Wisconsin (about two hours from Minneapolis) areas, in the southeastern side of the state along the border with Wisconsin). Ready Bus operates primarily in the motorcoach market, with only 30% of its revenue derived from the operation of school buses. Ready Bus's primary competitors for school bus or motorcoach services in its service area are Lamers Bus Lines, Inc., Riteway Bus Service, Inc., and Rochester City Lines Co Corp.

Voyageur Bus operates primarily out of Duluth, Minnesota (about two and a half hours from Minneapolis, in the northeastern part of the state). Voyageur primarily serves school district customers, with over 70% of its revenue derived from the operation of school bus assets. These contracts with Duluth Public Schools are subject to periodic competitive bid processes. On the

motorcoach side of the business, Voyageur's primary local competitor in the Duluth area is LCS Coaches, Inc., but Voyageur also faces competition for larger events from regional carriers.

Given the distinctly different areas these carriers serve, the acquisition of each of these carriers into the family of motor passenger carriers controlled by Applicant did not adversely impact the adequacy of transportation to the public. Each of these carriers has strengthened its business since Applicant's acquisition of control, and collectively there is more equipment and driver capacity in the market from the Affiliated Carriers than existed prior to the historical acquisitions of control by Applicant.

### **III. Impact of the Transactions on the Statutory Factors**

Pursuant to 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 that result from the proposed transaction, and (3) the interest of affected carrier employees. For the reasons set forth in the Application and based on the additional information in this Supplement, Applicant believes it has established that the proposed acquisition of control of FTS and the already consummated acquisitions of control of the Affiliated Carriers are transactions in the public interest and should be approved by the Board.

#### **A. Impact of the Proposed FTS Acquisition**

Applicant respectfully submits that its proposed acquisition of FTS is consistent with the public interest because it will enable the Applicant, who has years of experience in the passenger motor carrier industry, to directly exercise management control over the business strategy and operational decisions relating to FTS. FTS operates exclusively in the school bus transportation



market, and allowing Applicant to obtain control of FTS will enable Applicant to make strategic decisions regarding the operational, asset management and safety compliance needs of FTS based on Applicant's years of experience in the school bus market and strong track record of managing successful school bus providers including the Affiliated Carriers.

1. Adequacy of Transportation Services.

The proposed acquisition of FTS by Applicant will not result in any significant changes to the nature or scope of the operations that are conducted by FTS today or any of the other motor carriers of passengers in the Applicant's corporate family. The transaction thus will allow for the continuation of the same services that are being offered to school district today. At the current time, there is no intention of materially altering the nature, extent or frequency of service provided by FTS.

There will be no negative impact on competition as FTS does not compete against the Affiliated Carriers for school bus contracts, which are subject to competitive bid procedures, because the Affiliated Carriers serve distinct school district communities within Minnesota and will not compete against FTS for its existing school district contracts. In addition, there is substantial competition for such school transportation services in the relevant service area from national providers and from local competitors.

2. Total Fixed Charges.

The proposed acquisition of control of FTS will not affect fixed charges. In the prospective transaction, the Applicant will obtain control of FTS through a corporate reorganization that will not involve any external financing.

3. FTS Employee Interests.

The proposed acquisition of control of FTS by the Applicant will have no material effect on employee or labor conditions at FTS. There are no plans for employee layoffs or reductions in staff at FTS as a result of the proposed restructuring transaction, and no adverse changes to existing FTS employee benefits are planned.

## **B. Impact of the Historical Acquisitions of the Affiliated Carriers**

Applicant respectfully submits that the historical acquisitions of control of the Affiliated Carriers were consistent with the public interest because those transactions enabled the Applicant to strengthen the depth and quality of service provided by each of the Affiliated Carriers, based on the Applicant's strong track record in the bus industry and based on the opportunity to more efficiently use the assets, resources and management experience of the affiliated companies.

### 1. Adequacy of Transportation Services.

The historical acquisitions of control of the Affiliated Carriers by Applicant did not result in any adverse changes to the nature or scope of the operations that are conducted by those Affiliated Carriers. In fact, the acquisitions contributed to an overall increase in the available motorcoach and school bus service capacity in the relevant service areas because the Applicant has continued to invest over time in equipment, operating personnel, and other resources to support the business activities of these Affiliated Carriers. The Affiliated Carriers have continued to provide safe and reliable motor passenger transportation service to the public (or in the case of the school bus operators, to the relevant school district communities) while improving the quality and efficiency of that transportation service over time.

There has been no negative impact on competition as these Affiliated Carriers did not historically compete head-to-head against each other in the same service areas. The Affiliated

Carriers all serve different school districts in the student transportation market and do not compete for the same school district contracts (which the Affiliated Carriers generally have held for many years as a result of the high-quality services they have provided to their customers). The motorcoach carriers also have not changed their business practices in any materially adverse manner. They each have continued to operate the same types of services they historically provided under the same names and with the same types of customers. See *John J. McCarthy – Acquisition of Control – Trombly Motor Coach Services, Inc.* (STB MCF-21094) (STB served Aug. 6, 2021) (tentatively granting after-the-fact authorization for historical control transactions where carriers continued to provide transportation services to the public under the same name).

In addition, the Affiliated Carrier have continued 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. The Board has previously explained that because of “the low entry barriers and pervasive intramodal and intermodal competition that characterizes the bus industry, most opportunities for the abuse of market power are effectively foreclosed.” *Coach USA, Inc. – Control Exemption – American Sightseeing Tours, Inc.*, STB Finance Docket No. 33073, at 6 (STB served Nov. 8, 1996).

## 2. Total Fixed Charges.

The historical acquisitions of control of the Affiliated Carriers did not result in fixed charges that adversely affected the ability of those carriers to continue to provide safe and quality transportation service. Although limited debt financing was used by Applicant to acquire some of the Affiliated Carriers, the applicant 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.

### 3. Employee Interests of Affiliated Carriers.

The historical acquisitions of control of the Affiliated Carriers by Applicant have not had any material adverse effect on employee or labor conditions. 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. While the Applicant, like most all motorcoach service providers, temporarily laid off some motorcoach drivers during the COVID-19 pandemic, the Applicant has been able to re-hire drivers and in fact has grown its motorcoach business substantially following the conclusion of the pandemic. The Applicant's control of the Affiliated Carriers during and following the COVID-19 pandemic allowed the Affiliated Carriers to overcome the challenges posed by the pandemic and emerge as strong market competitors in the aftermath of the pandemic.

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The Board has previously found that approval of transactions like those in the Application are consistent with the public interest. See *e.g.*, *Francis W. Sherman – Control – Evergreen Trails, Inc. Horizon Coach Lines, Ltd., and Cabana Coaches, LLC*, Finance Docket No. MC-F-21037 (STB served Oct. 23, 2009) (individual non-carrier acquiring control of motor carriers through a stock purchase). Here, where there are no competitive issues and no adverse impact on transportation, employees, or fixed charges, approval of the Transactions is plainly consistent with the public interest, and the Board should approve the Applicant's proposed acquisition of control of FTS and the Applicant's historical acquisition of control of the Affiliated Carriers on an after-the-fact basis. See *e.g.*, *Silverado Stages, Inc. –Acquisition of Control of Michelangelo Leasing, Inc. and Ryan's Express Transportation Services, Inc.*, Finance Docket No. MC-F-21068 (STB served July 21, 2016); *see also Winthrop Sargent, John Cogliano and*

*Paul Fuerst – Acquisition of control of Plymouth & Brockton Street Railway Company, Brush Hill Transportation Co. and McGinn Bus Co., Inc.*, Finance Docket No. MC-F21089 (STB served Jan. 3, 2020).

## CONCLUSION

For the forgoing reasons, the Applicant respectfully requests that the Board approve the Application for acquisition of control of FTS and after-the-fact approval for the Applicant's control of the Affiliated Carriers.

Respectfully submitted,

/s/ Edward Fishman

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Counsel for Patrick O. Regan

## VERIFICATION

I, Patrick O. Regan, declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief. Further, I certify that I am qualified and authorized to file this Supplement.

October 15, 2024



Patrick O. Regan