



Department of Justice

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JUSTICE DEPARTMENT AND NEW YORK ATTORNEY GENERAL
FILE ANTITRUST LAWSUIT AGAINST NEW YORK CITY
TOUR BUS JOINT VENTURE OF COACH USA AND CITY SIGHTS

Twin America Joint Venture of Coach USA and City Sights Has Substantially Reduced Competition and Resulted in Higher Prices for Hop-On, Hop-Off Bus Tours in New York City

WASHINGTON – The Department of Justice and New York State Attorney General filed a civil antitrust lawsuit today against a tour bus joint venture formed by Coach USA Inc. and City Sights LLC alleging that the joint venture, known as Twin America LLC, has resulted in higher prices for hop-on, hop-off bus tours in New York City. The department said that the formation of Twin America gave Coach and City Sights a monopoly over the more than \$100 million New York City hop-on, hop-off bus tour market and enabled Coach and City Sights to increase prices to consumers by approximately 10 percent for tourists visiting some of New York City's leading attractions, including the Empire State Building, Times Square and Central Park.

The lawsuit, filed in the U.S. District Court for the Southern District of New York, seeks to dissolve the joint venture and impose other relief to restore competition and redress the anticompetitive effects of the parties' conduct. In addition to the joint venture itself, the complaint names as defendants Coach and City Sights, and the subsidiaries through which they entered Twin America, International Bus Services Inc. and City Sights Twin LLC.

"The formation of Twin America eliminated intense head-to-head competition between Coach and City Sights and gave the parties an effective monopoly that enabled them to raise prices to consumers," said Acting Assistant Attorney General Renata B. Hesse in charge of the Department of Justice's Antitrust Division. "This lawsuit seeks to restore the competition eliminated by the joint venture and to ensure that the millions of visitors to New York City who take hop-on, hop-off bus tours each year enjoy the benefits of a competitive marketplace."

"This lawsuit is an important step toward restoring competition and protecting tourists in New York City," said New York Attorney General Eric T. Schneiderman. "The iconic double-decker Gray Line and City Sights buses are seen all over New York City but few people know they are run as a monopoly. The formation of Twin America has meant higher prices and less competition. Tourists who come to the Big Apple deserve better."

New York City is one of the world's premier tourist destinations, drawing approximately 50 million visitors annually. An estimated two million of these visitors spend

more than \$100 million each year on hop-on, hop-off bus tours. Hop-on, hop-off bus tours combine sightseeing and transportation by providing tourists with a professionally-guided tour of New York City's leading attractions and neighborhoods, while giving them the ability to "hop off" the tour bus at various locations to further explore attractions of interest and later "hop on" another bus to continue along the tour route using the same ticket. The tours are offered on open-top double-decker buses, which enable passengers to view New York City's attractions and neighborhoods from a heightened vantage point.

The department said that prior to the joint venture, two firms accounted for approximately 99 percent of the hop-on, hop-off bus tour market in New York City: Coach, the long-standing market leader through its "Gray Line New York" brand, and City Sights, a firm that commenced operations in 2005. From 2005 until the 2009 creation of the joint venture, the parties engaged in vigorous head-to-head competition on price and product offerings that directly benefitted consumers.

According to the complaint, by late 2008, Coach was concerned that City Sights was challenging Gray Line's dominant position and set out to eliminate competition. To this end, Coach approached City Sights with a proposal to combine Coach's "existing Gray Line New York business with [its] main competitor in the market, City Sights" by creating a joint venture that would be the "sole player" in the market. Coach anticipated that one of the benefits of the combination would be that the parties could implement a price increase of approximately 10 percent. The complaint states that in a board presentation a Coach executive advised that one of the key "benefits of combining businesses" was "[i]mproved profitability," which was driven, in part, by "assum[ing] [a] 10% fare increase." The presentation explained that without the transaction, there would be no fare increase "due to competition."

The complaint states that during early 2009, Coach and City Sights executed the agreement forming Twin America and each implemented the price increase discussed during negotiations. Specifically, both Coach and City Sights increased base fares for their hop-on, hop-off bus tour products by \$5, raising the retail price of an adult ticket for each company's popular "all routes" tour from \$49 to \$54. By merging their hop-on, hop-off bus tour operations, the parties ended the fierce competition between them that had benefitted consumers. The department said that no other operator of hop-on, hop-off bus tours in New York City has entered or expanded their services to sufficiently replace the competition lost through the parties' combination in the more than three years that Twin America has been operating.

The transaction forming Twin America was not required to be reported under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which requires companies to notify and provide information to the department and the Federal Trade Commission before consummating certain acquisitions. As a result, the department did not learn about the joint venture until after it had been consummated.

As explained in the complaint, however, the New York State Attorney General began investigating Twin America shortly after its March 2009 formation and issued subpoenas seeking information about the joint venture. Shortly after the subpoenas were issued, Coach and City Sights delayed the state's antitrust investigation by asserting that the Twin America transaction

was within the exclusive jurisdiction of the federal Surface Transportation Board (STB), whose approval would exempt the parties' transaction from the antitrust laws. In early 2012, after more than two years of proceedings, the STB denied approval of the transaction as not in the "public interest" and directed the parties to either dissolve Twin America or terminate minimal interstate operations that provided the basis for STB jurisdiction. Coach and City Sights chose the latter option and continue to operate their illegal joint venture today.

Coach USA is a Delaware corporation with its principal place of business in Paramus, N.J. Coach owns more than 20 companies that operate scheduled bus routes, motorcoach tours, charters and city sightseeing tours in the United States and Canada. Coach is a wholly-owned subsidiary of Stagecoach Group plc, a leading international public transport company based in the United Kingdom.

City Sights is a New York limited liability company with its principal place of business in New York, N.Y. City Sights is part of the New York Airport Service group of companies, one of New York City's largest operators of ground transportation, tour and sightseeing services for leisure and corporate markets.

Twin America is a Delaware limited liability company with its principal place of business in New York, N.Y. In addition to offering hop-on, hop-off bus tours through the City Sights and Gray Line brands, Twin America operates City Experts NY, a full-service concierge company.

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