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Greyhound Hit With \$17M Suit Over Route-Sharing Deal

By **Daniel Siegal**

Law360, Los Angeles (October 16, 2015, 11:25 PM ET) -- Three New York regional bus companies have hit Greyhound with a \$17 million suit in New York federal court, alleging it hasn't been paying its fair share of revenues on routes the bus companies share under a pooling agreement.



Greyhound is accused of flouting a pooling agreement with several privately owned New York bus companies. (Credit: AP)

The three plaintiffs, Adirondack Trailways, Pine Hill Trailways and New York Trailways are privately owned intercity bus

companies that share revenues on certain pooled routes in New York, stemming from the early 1990s, when a struggling Greyhound Lines Inc. reached out to Adirondack about entering into a pool agreement, according to the suit filed Wednesday. The bus companies also named as a defendant FirstGroup America Inc., the North American subsidiary of Greyhound's parent company FirstGroup PLC.

The plaintiffs alleged that Greyhound, by slapping riders on these routes with myriad fees, is cheating the agreement by collecting additional revenue that it doesn't include in its calculation of gross revenue to be split with the regional companies, keeping \$6.5 million for itself that belongs to the plaintiffs under the deal.

Under that arrangement, executed in 1997, the two companies coordinate operation along the pooled routes according to prenegotiated percentages and split revenues, the suit said. The agreement covers routes between Albany, Buffalo and New York City, and Greyhound is to operate 59.25 percent of the revenue miles and receive 56.66 percent of the revenue while Adirondack is to operate and receive the remainder, according to the complaint.

The plaintiffs alleged that after English transit operator FirstGroup acquired Greyhound via Laidlaw International Inc. in 2007, the bus operator has attempted to keep more pool revenue for itself and shift more of its expenses to the regional companies. Adirondack contended that because the companies split revenue but bear their own costs, Greyhound is incentivized to try to shift costs to its pool mates and keep more of the revenue for itself.

Greyhound has done so by adding new fee categories for riders on the pooled routes, increasing existing fees and imposing new and stringent requirements on the use of its tickets, garnering even more fee revenue from pooled route riders, all without the consent of Adirondack the other bus companies, the plaintiffs said.

This allowed the company to make more money of the routes without increasing its ticket fares, which would have resulted in more revenue but also seen that revenue be split per the agreement, according to the suit. Greyhound also doesn't include in the gross revenue pool tickets it sells that are not redeemed for travel, the suit said.

Greyhound owes the plaintiffs a \$5 million refund for accounting services it provides as its breach of the agreement is a breach of fiduciary duty, according to the suit, and \$5 million for charging nonrevenue miles to the pool and thus receiving credit for more miles than it actually operated.

A representative for Greyhound declined to comment on Friday, and representatives for the plaintiffs did not immediately respond to a request for comment on Friday.

The plaintiffs are represented by Alden L. Atkins and Crystal Y'Barbo Stapley of Vinson & Elkins LLP and Justin A. Heller and Shannan C. Krasnokutski of Nolan & Heller LLP.

Counsel information for Greyhound was not immediately available on Friday.

The case is Adirondack Transit Lines Inc. et al. v. Greyhound Lines Inc. et al., case number 1:15-cv-01227, in the U.S. District Court for the Northern District of New York.

--Editing by Christine Chun.

