

# THE WALL STREET JOURNAL.

JANUARY 28, 2005

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## Street Smarts: On the East Coast, Chinese Buses Give Greyhound a Run

Upstarts Rattle the Industry With Cut-Rate Fares; Taking a Tip from JetBlue -- Mr. Zheng, Owner and Driver

BY BARRY NEWMAN

BOSTON -- A bus pulled out of South Station terminal on a Friday morning and headed for New York City. Its windshield was cracked, its speedometer motionless. Orange peel graced its seat trays, and its safety warnings consisted of a single sign: "Watch your step."

The driver said not a word until he stopped the bus outside Cheng's Driving School in New York City's Chinatown. Then, as passengers gathered their bags, he stood up and screamed, "No parking here! You get out!"

The bus, according to the lettering near its luggage compartment, was owned by "Kristine Travel" and operated by "Lucky River," though the sign on its side said "Travel Pack" and its ticket agents called the company "Lucky Star." Its price for the trip from Boston to New York -- 187 miles in 4 1/2 hours -- was \$15.

That may seem an impossibly low fare, yet another carrier on the Boston to New York run has lately started charging \$15, too. The name on the side of its buses is Greyhound.

Greyhound Lines Inc. is a \$1 billion company owned by Laidlaw International Inc., a \$4.6 billion company. The only national bus network, "big dog" was racing along America's highways even before Clark Gable and Claudette Colbert hopped on a Greyhound in 1934's "It Happened One Night." But today, a dozen or so Chinese-owned bus lines are giving the dog a run for its money.

Immigrant enterprises don't often go head-to-head with huge corporations at critical moments in vital sectors. But partly by using tactics borrowed from discount airlines and online ticket brokers, that's what these little companies are doing to Greyhound. Just as Laidlaw, its parent since 1999, climbs out of bankruptcy, Chinatown buses have sucked Greyhound into a wounding

war over its most-traveled runs, from New York to Washington, Philadelphia and Boston.

Two faces of the new Chinese immigration have met along the way: entrepreneurs who don't mind long hours or street fights; and computer engineers who build Web sites. Together, they have broken out of their neighborhoods and gone hunting for customers in what, with few exceptions, have been private Greyhound preserves.

"If Greyhound wasn't a giant, maybe

Mr. Wong, who handles management. "We copied the airline concept to a bus line." Greyhound, he adds, "really feels the pain."

On the Northeast routes that deliver a third of its revenue, Greyhound isn't about to roll over. Conceding that the Chinese lines have reignited bus travel, it has slashed fares to claim new riders for itself.

Greyhound's chief operating officer, Jack Haugland, says, "We will alter our pricing to protect our market share." In the past year, Greyhound has done more: It sued, trying to bump two Chinese lines out of action by charging they weren't licensed properly, and pushed for a federal investigation of a dozen others.

"The industry is under attack," says Peter Pantuso, who heads the American Bus Association, a lobbying group. Of its 950 members, Greyhound is by far the largest. "People wonder, how can you charge half the price of an established carrier?"

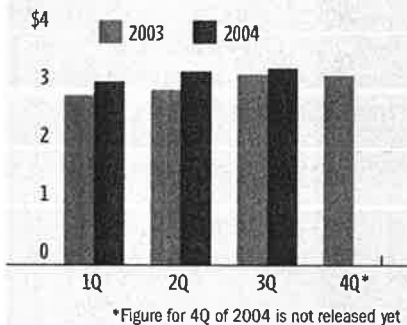
Easily. Eastern Travel, for instance, says its cost for a round-trip to Washington from New York is \$700. The driver gets \$140. A full busload of 61 passengers, paying \$35 each, brings in \$2,135.

The first Chinatown buses appeared on Northeastern curbsides about eight years ago, ferrying Chinese workers to restaurant jobs in nearby cities. Chinese students caught on, then other students followed. The business was an underground hit.

But in 2000, as recounted in a New York conspiracy indictment, competition among Chinese bus lines turned nasty. Several people who worked for Farwell Tours, an operator on the Washington run, are accused of brutalizing a rival, D.C. Express. Two people are awaiting trial; the others are at large. Wrecking its buses and threatening ticket agents, they tried to get D.C.

### Hanging Tough

Despite new competition in the East, Greyhound has boosted its revenue per mile by cutting out unprofitable routes in the West



"If Greyhound wasn't a giant, maybe they could beat us," Shui Ming Zheng says through an interpreter. "But because they are a giant, they cannot."

Mr. Zheng, 49 years old, has been in the U.S. 14 years and drives the Washington run himself as part owner of Eastern Travel & Tour Inc. A year ago, Eastern took on David Wong, 38, as a new partner. He has gelled hair, fluent English and an MBA from Indiana State University.

"Common sense tells me that if JetBlue profits on a \$79 fare to Buffalo, we can profit on a \$15 fare to D.C.," says

Express to either raise its rock-bottom prices or get out of the business, the Manhattan district attorney alleges.

In May 2002, after D.C. Express sold out to another line, a Farwell bus backed into the new owner, crushing his pelvis. The indictment names the driver as Di Jian Chen. Mr. Chen won't be going on trial: He was shot dead on a Chinatown street in May 2003. His murder remains unsolved.

The violence has since ebbed. Yet some Chinese lines, in search of more healthful opportunities, have moved the fight uptown.

"I'm getting Americans to take my bus," says Eastern's Mr. Zheng, meaning anyone not Chinese. He still works in Chinatown, but his partner, Mr. Wong, has moved to 34th Street. Eastern now scoops up travelers near Pennsylvania Station. "The subway is right there," he says. "Everybody comes to us."

The Web is helping. The site most Chinese lines use is IvyMedia.com, launched in 2002 by Jimmy Chen, who came to America from Shanghai for a computer-science doctorate.

"Our model is Expedia," he says. Like the Internet travel service, he offers tickets for several carriers, and sells no more than the empty seats left in inventory. Though Greyhound also sells online, it doesn't limit the number of seats. If it oversells a route, it keeps reserve buses and drivers to absorb overflow passengers. Mr. Chen sees that "wasteful" policy as the big dog's jugular.

An immigrant conquest of the bus business wouldn't be a first. In 1914, a company started carrying Scandinavian miners -- not waiters -- to Minnesota's iron ranges in modified Hupmobiles. That line evolved into Greyhound. By 1980, its revenue topped \$1 billion.

Then came deregulation of the bus industry, a long strike and a bankruptcy in 1990. In 2001, two years after Greyhound merged with Laidlaw, a transportation holding company, it filed for bankruptcy, too. Laidlaw emerged from bankruptcy in 2003. In that year, Bert Powell, an analyst at BMO Nesbitt Burns, pronounced Greyhound, now based in Dallas, Laidlaw's "weakest-performing segment."

Terror fears drove insurance rates up and riders away. Greyhound's results dipped into the red -- by \$23 million in the first nine months of 2004. Last June, Greyhound charted a course correction: It ended service to 260 Western towns, with more cuts to come. It bet its future

on short runs -- exactly the ones the Chinese lines are out to snatch.

Greyhound's countermoves began in 2003 on Chinese turf in New York. It offered a shuttle from Chinatown to the Port Authority. Ignored by riders, it was quickly dropped. But Greyhound and the bus industry had higher hopes -- in the form of a federal investigation.

"We asked, 'Can you please check this out?' " says Mr. Pantuso of the American Bus Association, which doubted that the Chinese companies were complying with federal insurance and licensing rules. The Federal Motor Carrier Safety Administration formed a task force to look closely. Its head, Annette Sandberg, told the industry in a speech last September: "We'll either bring these carriers into compliance or shut them down."

The investigators ran into language mix-ups, and a muddle of company names and cross ownerships. Hiring an agent fluent in three Chinese dialects, they began picking through the records of 14 companies.

Last fall, they visited the Chinatown offices of Dragon Coach Inc. The line's owner, Edward Ho, made available a copy of his federal compliance review: It lists two "acute" violations -- an insurance lapse and a failure to send drivers for drug tests. Mr. Ho put his house in order fast. Dragon Coach scored a federal rating of "satisfactory."

That was the pattern. "Every time we confronted one of these carriers, they did what was necessary to become authorized," says Jim Lewis, a spokesman for the safety administration, a part of the Department of Transportation. The task force has now wound down, but the industry's lobbying group argues that it didn't dig deep enough. Its head, Mr. Pantuso, says, "The feds need to be more aggressive."

Defending its most-traveled corridor, Greyhound already has been: In Massachusetts federal court in last year, it sued two Chinese challengers on the Boston-New York run. With a local partner, Peter Pan Lines Inc., it charged Fung Wah Transportation Inc. and Kristine Travel & Tours Inc. were operating without the proper licenses for scheduled service.

Not even a giant line can "tolerate unauthorized operators cherry-picking business on its busiest routes," Gregory Alexander, a Greyhound vice president, declared in an affidavit. "I wish it were otherwise, but Greyhound's buses are rarely full." Pei Lin Liang, Fung Wah's president, said in his own affidavit that

"our buses are packed regularly." "The true purpose" of the suit, he said, was "to drive Fung Wah out of business."

Greyhound and Peter Pan did seek injunctions to close down Kristine and Fung Wah. The court denied them. The Chinese lines soon cleared up the problems with their licenses, and the suit was dismissed. The struggle for Boston, however, didn't end there.

The city's Chinatown is a short walk from South Station, Greyhound's base. Waiting at curbsides, Chinese buses enticed its passengers away. In spring 2003, the lure grew: a new company, Lucky Star, appeared with a \$10 fare to New York. The others matched it, and turned Chinatown into a travel hub.

"There'd be hundreds of people," says John Meaney, a chief inspector for the city of Boston. "Suitcases everywhere." This congestion broke traffic laws. Last summer, Boston police went on a ticketing spree, and in September, after Lucky Star and Kristine merged, the Chinese lines were moved off the street and into South Station.

(MORE)

Brian Cristy, head of the state office that oversees the terminal, thinks everybody wins. "If people can't get on Fung Wah, now there's a Greyhound bus and a Peter Pan bus," he says.

Greyhound says business is improving. It set its lowest New York-Boston fare at \$15 last year; at times it has been more than twice that. Now ridership (900,000 in 2003) is up. Because of the route cuts in the West, its national ridership (22 million in 2003) is down. That is exactly the kind of efficiency Greyhound says it wants: with more passengers on more profitable routes, its overall revenue per mile is up. "Greyhound," says its spokeswoman, Lynn Brown, "has no objection to competition so long as it is on a level playing field."

Nobody counts overall ridership on the Chinese lines, but they aren't packed any longer. As the Chinese operators see it, the game in South Station isn't on the level at all.

Inside the station, monitors display schedules for Greyhound and Peter Pan. Chinese lines go unlisted, which the station manager blames on "old equipment."

Greyhound and Peter Pan park their buses at the head of the departure hall. Now that the two Chinese lines pay a terminal fee, they also charge \$15. But due to space limits, station management says, they must share one parking bay at the hall's far end.

This leads to squabbling as Lucky

Star and Fung Wah jockey for one space. And to yelling -- "New York City here! Hello! New York City!" -- as agents try to snag customers. "In Chinatown, we took passengers from Greyhound," Monique Chow, a Lucky Star agent, said during a shouting break one day. "Now they take from us."

In South Station, perhaps. But lately, another Chinese line has sprouted. It's called Boston Deluxe, and it doesn't stop in South Station or in Chinatown -- Boston's or New York's. On a Friday at noon, one of its buses swooped in for a pick-up in midtown Manhattan.

"Next block! Next block!" the driver screamed, rolling past a bunch of passengers who chased him to a loading zone. After a four-hour drive at high speed, he left them in Boston on the doorstep of the First Church of Christ, Scientist.

"Where rich people live," says Jack Ho, owner of Boston Deluxe, explaining his choice of stops. "All we do is American business."

At 28, Mr. Ho has had a painful education in the realities of the Chinatown bus: Di Jian Chen, before being murdered in 2003, was his partner. Today, Mr. Ho has become a student of Greyhound.

He knows that in 1998 it got federal approval for a revenue-sharing deal with Peter Pan, ending an earlier Boston price war. Mr. Ho wonders if Greyhound might try to do even more for him.

"I want to force Greyhound to buy me out," he said with a smile over a plate of dim sum in New York. "Unless they buy me, Greyhound has no chance. Before that, I'm like all American people. I just want to make a buck."

