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ORIGINAL

Decision No. 12123.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the Matter of the Application of)
BAY CITIES TRANSIT COMPANY,)
a corporation, to borrow money.)

Application No. 8764.

Robert E. Abbott for applicant.

BY THE COMMISSION:

O P I N I O N .

In this application BAY CITIES TRANSIT COMPANY asks permission to execute a mortgage and to issue its note or notes in the aggregate sum of \$25,000.00 for the purpose of financing the cost of additional equipment.

A public hearing was held before Examiner Williams in Los Angeles.

Bay Cities Transit Company is a corporation engaged in operating auto stages for the transportation of passengers between Venice, via Santa Monica and Sawtelle, to the Old Soldiers' Home and locally in Santa Monica. On February 16, 1923, the City Council of the City of Santa Monica granted to applicant an exclusive franchise to operate motor bus lines for the carriage of passengers for hire over fixed routes within the City of Santa Monica. The term of the franchise is fixed at six years but may thereafter be continued for a further period of four years upon the option of the grantee. Under this grant Bay Cities Transit Company, or its successors, is obligated to pay to the city during the first three years of the term, an amount

equal to two per cent. of the gross annual receipts arising from the use, operation or possession of such franchise, and during the succeeding three years, or any continuance thereafter, an amount equal to three per cent. of such gross annual receipts.

Applicant now reports that in order to provide the service required by the franchise, and also to improve the existing inter-urban service, it will be necessary for it to acquire fourteen 2-ton G.M.C. trucks, with specially lengthened bodies, at an estimated cost of \$62,000.00.

The company proposes to borrow not exceeding \$25,000.00 on seven per cent. notes, running for a period of not exceeding two years, to make the initial payments on the trucks, and to complete the payment with moneys obtained from the net income of the business. Apparently, applicant proposes to issue six month notes. It asks, however, that it be permitted to make renewals from time to time for an aggregate period not exceeding two years after date, and to secure the payment thereof by a mortgage of its properties.

The proposed mortgage, a copy of which has been filed in this proceeding, is a first lien on twenty-five motor vehicles, now used by applicant, tools, equipment and office furniture and fixtures. It provides security for the payment of a seven per cent. \$5,000.00 note dated April 28, 1923 and due October 28, 1923, and such future advances as may be made by Pacific Southwest Trust and Savings Bank up to \$25,000.00.

J.E. Anderson, applicant's secretary, testified that in his opinion the company's earnings would be sufficient to provide for not only interest payments but also payment of the principal amount borrowed. It is estimated that when the fourteen new stages are placed in operation the operating revenues under existing rates will approximate \$20,000.00 a month; expenses, including interest, \$15,000.00 a month, leaving a net profit of \$5,000.00. During the year ending

December 31, 1922, the company reported operating revenues of \$181,975.88, operating expenses of \$156,801.30 and net revenues of \$25,174.58.

O R D E R.

BAY CITIES TRANSIT COMPANY having applied to the Railroad Commission for permission to issue notes secured by a mortgage of its properties, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified herein and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that BAY CITIES TRANSIT COMPANY be, and it is hereby, authorized to execute a mortgage substantially in the same form as that filed in this proceeding and referred to in the foregoing opinion, and to issue not exceeding \$25,000.00 of seven per cent. promissory notes, payable on or before two years after the date of this order, for the purpose of financing in part the cost of the fourteen two-ton G.M.C. trucks and bodies referred to in this application.

The authority herein granted is subject to further conditions as follows:

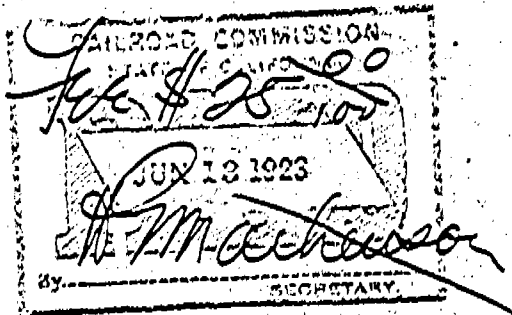
(1)...Applicant may issue the notes for a period of less than two years and renew them from time to time, provided the combined terms of the notes issued and those given in renewal do not extend beyond two years after the date of this order.

(2)....The authority herein granted to execute a mortgage is for the purpose of this proceeding only and

is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

- (3).....Applicant shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable is made a part of this order.
- (4).....The authority herein granted will become effective when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00.

DATED at San Francisco, California, this 23rd day of May, 1923.



C. L. Seavey
Irving Martin
Egerton Shore
J. T. Whittier
Commissioners.