

ORIGINAL

Decision No. 13023

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 COASTSIDE TRANSPORTATION COMPANY, a)
 Corporation, to issue stock; the Ap-)
 plication of EDWARD SERRETTO, LOUIS A.)
 MATTEI and E. MICHEL, Co-partners,)
 doing business under the fictitious name)
 and style of COASTSIDE TRANSPORTATION)
 COMPANY; to transfer certain operative)
 rights and other property to said cor-) Application No. 9320
 poration and receive stock in exchange)
 therefor, and COASTSIDE TRANSPORTATION)
 COMPANY, a corporation, to acquire said)
 operative rights and other property)
 and issue stock in exchange therefor;)
 the ratifying and validating of certain)
 operations, and authorizing the con-)
 tinuance of such operations.)

Harry A. Encell by James A. Miller
For Applicants.

BY THE COMMISSION,

O P I N I O N

This proceeding is a joint application filed by Edward Serretto, Louis A. Mattei and E. Michel, co-partners doing business under the fictitious name and style of Coastside Transportation Company and Coastside Transportation Company, a corporation, in which the co-partnership applies for an order of the Railroad Commission defining the operative rights owned by said co-partnership and authorizing the transfer of such operative rights to the corporation and of the corporation for permission to issue stock and assume indebtedness.

A public hearing in the above entitled proceeding was held before Examiner Fankhauser at San Francisco on September 11, 1923, at which time the matter was submitted and it is now ready for decision.

The co-partnership at the present time possesses the following operative rights:

Under Decision No. 11654 in Application No. 8252, dated February 13, 1923, a certificate was issued authorizing operation of an automotive stage line as a common carrier of freight and express between San Francisco, Pescadero and intermediate points, California, via the so-called "Coast Route."

Under Decision No. 12052 in Application No. 8949 dated May 8, 1923, a certificate was issued authorizing operation of an automobile truck line as a common carrier of freight and express between San Mateo and Half Moon Bay, as a part of and in connection with their existing operation between San Francisco, Pescadero and intermediate points. This operative right expressly prohibited transportation of any property for compensation between San Francisco and San Mateo. It also prohibits operation of trucks destined to or from San Francisco over the main State Highway known as the "Peninsula Highway" between San Francisco and San Mateo in either direction.

Under Decision No. 12130 in Application No. 8963, dated May 24, 1923, the co-partnership was authorized to acquire the operative rights heretofore owned by Neal Forrest, doing business under the fictitious name of Red Star Stage Line which operative rights authorize operation of passenger, freight and express service between San Francisco, Pescadero and intermediate points, via the "Coast Route."

It appears that the Red Star Stage Line had, since prior to May 1st, 1917, been intermittently operating freight, express and passenger service beyond Pescadero to Pigeon Point. This service was not upon a regular schedule, but only upon call. There is a Government Light House situated at Pigeon Point and it is only on infrequent occasions that telephone calls are received at Pescadero for transportation service or a passenger from San Francisco to Pescadero desires to be transported to

Pigeon Point or points intermediate thereto. Farmers in this district also call Pescadero when they are desirous of shipping their products or receiving shipments from San Francisco. Due to the fact that this territory is entirely without means of public transportation and that the previous application of the Red Star Stage Line did not include this portion of its operation, the present order should specifically grant a certificate authorizing extension into this territory.

The co-partnership believes that its business can be conducted more economically and efficiently by a corporation and accordingly have organized the Coastside Transportation Company for the purpose of acquiring the operative rights, business and other properties now owned and operated by them.

The Articles of Incorporation of Coastside Transportation Company, a copy of which is attached to the application, show that it was formed on or about August 9, 1923, with an authorized capital stock of \$150,000. divided into 15,000 shares of the par value of \$10. each.

The corporation now asks permission to issue \$90,030. of stock. It proposes to sell \$30. of stock at par for cash to its directors for qualifying purposes and to deliver \$90,000. of stock to Edward Serretto, Louis A. Mattei and E. Michel. Applicants submitted a balance sheet (Exhibit C) of the copartnership as of August 1, 1923, which shows a surplus of \$41,238.16. Subsequent to the hearing, and in response to a request by the Commission, a balance sheet as of August 31, 1923, was submitted, which balance sheet shows the following:-

ASSETS

Automobiles	\$52,519.68
Shop equipment	6,585.31
Office equipment	374.43
Franchises and goodwill	26,940.51
Lease deposit	500.00

Assets Con'td.

Accounts receivable	\$ 3,594.14
Consumable supplies	212.51
Buildings and land	25,000.00
Unexpired insurance	2,941.23
Station betterments	340.62
Suspense account	427.44
Bank account (Credit balance)	<u>893.53</u>

Total Assets \$118,542.34

LIABILITIES

Accounts payable	\$ 15,544.28
Notes payable	5,350.20
Mortgage	9,000.00
Reserve for depreciation	3,895.30
Salaries unpaid	2,150.85
Cash invested	55,778.97
Surplus	25,500.00
Surplus from operations	<u>1,322.74</u>

Total liabilities \$118,542.34

The automobiles to be transferred to the corporation include ten trucks and five trailers for hauling freight and six stages for transporting passengers. The \$52,519.68 represents original cost plus additions less depreciation estimated to have accrued since date of purchase. The \$26,940.51 for franchises and goodwill represents, it appears, the amounts paid by the co-partners to Red Star Stage Line, their predecessor, for their operative rights, plus an allowance of \$9,000. for estimated appreciation in value. The buildings and land, which are carried among the assets at \$25,000. were purchased, so it appears, for \$14,000. but subsequently were estimated to possess an additional value of \$11,000. Shop equipment is likewise carried on the books at an appreciated value of \$5,500.

The \$15,544.28 of accounts payable represents amounts due on account of the purchase of trucks and stages. The \$5,350.20 of notes consists of two notes due December 31, 1923; one for \$705. without interest and ^{one for} \$4,645.20 with interest at six percent. The mortgage of \$9,000. is a lien on the buildings and properties, and matures July 1, 1924 with interest at six percent. The surplus

W.M.

of \$25,500. represents the estimated appreciation in value of assets and consists of \$9,000. for franchise, \$5,500. for shop equipment and \$11,000. for properties and buildings. The surplus of \$1,322.74 represents net earnings from April 16, 1923, the date operations commenced, to August 31, 1923.

The Uniform Classification of Accounts for Class A automotive transportation companies, effective January 1, 1922, requires that the various plant and equipment accounts should show the cost of the property acquired or constructed. In our opinion, adjustment of asset accounts to reflect an estimated appreciation in the value of the assets is contrary to the Commission's system of accounting referred to, and which applies to applicants. The uniform system of accounts does not authorize the creation of a surplus, through a valuation of the assets. We think the surplus of \$25,500. reported by applicants should be eliminated from applicants' records, and its books adjusted accordingly.

Section 52 of the Public Utilities Act provides among other things that the Commission shall have no power to authorize the capitalization of any franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the state or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right. Applicants made no showing as to the amount paid to the state or a political subdivision thereof for the right to operate auto stages and trucks. No such showing having been made, we will not authorize the issuance of any stock to capitalize the amount paid to the Red Star Stage Line or any one else for its operative rights. Neither will we authorize the issue of any stock to capitalize the estimated increase in the value of the assets. We will authorize the issue of \$43,090. of stock including \$30. for director's shares. We will also authorize the corporation to assume the payment of indebtedness in the amount of not exceeding \$32,045.33, making a total stock issue and indebtedness

assumed of \$75,135.33.

O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of operative rights and properties and the issue of \$90,030. of stock, a public hearing having been held and the Railroad Commission being of the opinion that the application should be granted as herein provided, and that the issue of \$43,090. of stock is reasonably required by Coastside Transportation Company,

IT IS HEREBY ORDERED that Edward Serretto, Louis A. Mattei and E. Michel, co-partners, be, and they hereby are authorized to transfer to the Coastside Transportation Company, a corporation, operative rights secured by them under Decision Nos. 11654, 12052 and 12130.

THE RAILROAD COMMISSION HEREBY DECLARES that public convenience and necessity require the operation by Coastside Transportation Company, a corporation, of an automotive stage line as a common carrier of freight, express and passengers upon demand between Pescadero and Pigeon Point and intermediate points in conjunction with and as a part of the existing operative rights hereinabove authorized to be transferred to said corporation and

IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity be, and the same hereby is granted.

IT IS HEREBY FURTHER ORDERED that the co-partnership shall immediately cancel tariff of rates and time schedules now on file with the Railroad Commission in the name of said co-partnership and the corporation be, and the same hereby is directed to adopt or file in its own name tariff of rates and time schedules identical with the tariff of rates and time schedules at present on file by the co-partnership with the exception that

such addition shall be made to such tariff as may be required under the extension certificate herein granted.

The operative right herein granted may not be discontinued, sold, leased, transferred nor assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has first been secured.

No vehicle may be operated by applicant herein unless such vehicle is owned by said applicant or is leased under a contract or agreement on a basis satisfactory to the Railroad Commission.

IT IS HEREBY FURTHER ORDERED, that Coastside Transportation Company be, and it is hereby, authorized, in payment for the properties, rights and business of Edward Serretto, Louis A. Mattei and E. Michel, the transfer of which is herein authorized, to issue not exceeding \$43,060. of stock and to assume the payment of not exceeding \$32,045.33 of indebtedness.

IT IS HEREBY FURTHER ORDERED, that Coastside Transportation Company be, and it is hereby, authorized to issue and sell at par for cash to its directors, \$30. of stock and to use the proceeds for working capital.

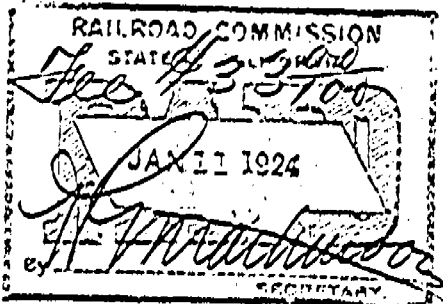
IT IS HEREBY FURTHER ORDERED, that the application insofar as it relates to the issue of \$46,940. of stock be, and it is hereby, dismissed without prejudice.

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

1. The authority herein granted to assume the payment of indebtedness will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$33. The authority herein granted to issue stock and transfer rights and properties will become effective upon the date hereof, but will expire on March 1, 1924.

2. Coastside Transportation Company shall keep such record of the issue, sale and delivery of the stock herein authorized 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 insofar as applicable, is made a part of this order. The Company shall also file a statement showing the indebtedness assumed.

Dated at San Francisco, California, this 10th
day of January, 1924.



W. C. Sawyer
H. B. ...
J. W. ...
E. ...
J. B. ...
Commissioners