

Decision No. 13372

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of  
MOTOR TRANSIT COMPANY, a corporation,  
for an order permitting it to issue  
certain shares of its corporate stock

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Application Number 9781

Herbert W. Kidd, for Applicant.

BY THE COMMISSION :

O P I N I O N

Motor Transit Company asks permission to issue and sell at 80 per cent of its par value \$187,500.00 par value of common stock and use the proceeds to acquire additional auto stage equipment.

Applicant has an authorized stock issue of \$1,500,000.00 of which \$1,084,935.00 is reported as outstanding. As of December 31, 1923 the company reports \$50,000.00 of notes and \$94,579.94 of accounts payable. The investment in its plant and equipment is reported at \$1,800,293.71. The equipment operated by applicant is reported to consist of -

1 - 7 passenger stage	10 - 14 passenger stage
1 - 8 passenger stage	10 - 18 passenger stage
27 - 11 passenger stage	29 - 21 passenger stage
17 - 25 passenger stage	

In addition, the company reports 12 eleven passenger and 2 eighteen passenger combination freight and passenger stages; 2 freight and express trucks and 5 service cars. During 1922 the company carried 2,139,449 and during 1923 2,110,946 passengers. The number of tons of freight carried in 1922 is reported at 2,406 and for 1923 at 3,743. For 1922 the company reports operating revenues of \$1,461,436.25 and for 1923 operating revenues of \$1,546,020.08.

The operating expenses are reported at \$1,469,667.98 for 1922 and at \$1,447,049.06 for 1923. The operating expenses for 1922 include \$450,641.20 for maintenance and \$155,437.29 for depreciation of equipment, while the operating expenses for 1923 include \$403,466.52 for maintenance and \$171,057.39 for depreciation on equipment. F. D. Howell, applicant's Vice-President, testified in this proceeding as he did in Application Number 8786 that in his opinion the company was including in its operating expenses too large an allowance for depreciation. At the hearing had on Application Number 8786 he testified in part as follows :-

"the company has been carrying depreciation on the basis of 2 per cent a month on equipment or rolling stock, and on investigation for the purpose of this hearing it was found that on that basis cars that were comparatively better than 50 per cent efficient, that were operating every day in the week would be carried on the books as practically out of service, so I had a survey of the equipment made by our shop superintendent and foreman and myself, and we decided that the equipment was actually on an average 75 per cent operating value, and that the depreciation reserve should - the accrued depreciation to date should really equal about 25 per cent of the total value of the equipment rather than the amount set up on our books, so I have assumed for the purpose of this hearing, a depreciation of 25 per cent, and the reserve for depreciation of that same amount equalling \$160,608 depreciation on furniture and fixtures, machinery and tools and so forth, as against some \$350,000 set up on our books at that time. The books have not been altered as yet to meet that condition, but instructions have been given to the auditing department to set up that depreciation as of the first of the year and carry that depreciation from then on on the basis of 1 per cent a month until a further survey can give us more data for an actual depreciation."

If effect were given to the opinion of Mr. Howell the company for 1923 would show a net operating revenue of about \$183,000.00 instead of \$98,971.02.

It is of record that the company during 1923 will be called upon to expend about \$150,000.00 for new equipment, such equipment to consist of 12 - 25 passenger, 2 - 14 passenger and 6 - 18 passenger stages. The company will purchase White Motor Company equipment.

Applicant asks permission to sell its stock at a net price of 80 per cent of its par value. The Commission has considered the evidence submitted in regard to this request and believes that such evidence does not justify the Commission to make an order authorizing the sale of the stock at the price requested. The order will permit the issue of the stock at not less than 90 net to applicant.

#### O R D E R

Motor Transit Company, having applied to the Railroad Commission for permission to issue \$187,500.00 of its common stock, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the Motor Transit Company should be authorized to issue such stock and that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant,

IT IS HEREBY ORDERED that MOTOR TRANSIT COMPANY be, and it is hereby, authorized to issue and sell at a net price of not less than 90 per cent of par value \$187,500.00 par value of its common capital stock and use the proceeds to acquire stage and truck equipment referred to in this application.

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

1. Applicant shall file with the Commission  
monthly statements containing a complete  
description of all equipment purchased or  
constructed through the issue and sale of  
the \$187,500.00 of stock referred to in  
this order.

2. Motor Transit Company shall keep such record of the issue, sale and delivery of the stock 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 Number 24, which order in so far as applicable is made a part of this order.
3. The authority herein granted will become effective upon the date hereof and will expire on December 1, 1924.

DATED at San Francisco, California, this 5<sup>th</sup> day of April, 1924.

C. Seavey

H. B. Brundage

Issac Martin

Egerton Shore

J. Whitney

Commissioners.