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Decision No. 14436.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PARLOR CAR TOURS, )  
a co-partnership, owned and operated )  
by J.A.Boyd and R.C.Smith, to trans- )  
fer certificate of public convenience )  
and necessity to California Parlor )  
Car Tours Company, a corporation, and )  
of California Parlor Car Tours Com- )  
pany to issue stock. )

ORIGINAL

Application Number 10661

Devlin and Brookman, by Douglas Brookman,  
for Applicants.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing J. A. Boyd and R. C. Smith to transfer a certificate of public convenience and necessity and properties to California Parlor Car Tours Company, a corporation, and California Parlor Car Tours Company to issue \$50,000.00 of stock.

By Decision Number 14035, dated September 10, 1924, in Application Number 9936, the Railroad Commission granted to J. A. Boyd and R. C. Smith a certificate of public convenience and necessity to operate an automobile stage line as a common carrier between San Francisco and Los Angeles, such service being confined solely to transportation between the two termini, no intermediate points being served.

It is now reported that pursuant to the authority granted in Decision Number 14035, operations were started on November 17, 1924, since which time one round trip has been made each week. The total revenues from November 17 to December 26 are reported at \$2,232.50. It appears that the co-partners, J. A. Boyd and R. C. Smith, desire that the business be conducted as a corporation and for that reason have caused the organization of applicant, California Parlor Car Tours Company, for the purpose of receiving the certificate of public convenience and necessity granted by the Commission and of thereafter operating pursuant to such certificate.

The Articles of Incorporation of California Parlor Car Tours Company show that it was organized on or about November 15, 1924, with an authorized capital stock of \$100,000.00, divided into 1,000 shares of the par value of \$100.00 each. The company asks permission at this time to issue and sell \$50,000.00 of stock at par for the following purposes:-

To purchase certificate of public convenience and necessity granted by Decision No. 14035 . . .	\$4,700.00
To purchase two parlor cars . . . . .	21,000.00
To pay for advertising and for additional equipment . . . . .	24,300.00
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Total.....	<u>\$50,000.00</u>

According to the testimony of J. A. Boyd, the item of \$4,700. represents amounts actually expended in acquiring the certificate now held by the co-partners, and includes attorneys fees, traveling expenses, costs for transcripts of proceedings before the Railroad Commission and expenditures of similar nature. A statement showing these expenditures in detail has been filed with the Commission. The amount, \$21,000.00, represents the cost, at \$10,500.00 each, of two 20-passenger Fegeol parlor cars which will be transferred to the corporation, free and clear of indebtedness. In support of the proposed expenditure of \$24,300.00, applicants report that there has been an extensive de-

mand for service of the nature covered by the certificate granted by the Commission, and now that such a certificate has been granted it is necessary that such an amount of the \$24,300.00 as may seem necessary, be expended for folders, circulars and other means of advertising to acquaint the traveling public with the inception of the service. It is further stated that the corporation may find it necessary to acquire a third 20-passenger Fageol parlor car which would cost \$10,500.00.

We do not believe that applicants have made a showing which enables the Commission to determine what amount it is necessary for applicant to expend for advertising. Moreover, under the Uniform Classification of Accounts prescribed by the Commission for Class "A" automotive transportation companies, the cost of advertising is chargeable to operating expenses and not to capital. The company reported at the hearing held in this proceeding the necessity of providing itself with funds for working capital. The company will be permitted to use \$2,000.00 of the proceeds from the sale of the stock for working capital. The order following shows specifically for what purposes or under what conditions the proceeds from the sale of stock may be expended.

#### O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of a certificate of public convenience and necessity and the issue of stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the application should be granted only as provided herein,

IT IS HEREBY ORDERED that J. A. Boyd and R. C. Smith, co-partners doing business under the firm name and style of Parlor Car Tours, be, and they are hereby, authorized to transfer to California Parlor Car Tours Company, a corporation, the certificate of public convenience and necessity granted by Decision Number 14035, dated September 10, 1924, and California Parlor Car Tours Company be, and it is hereby, authorized to issue and sell at par for cash, on or before December 31, 1925, not exceeding \$50,000.00 of its common capital stock.

The authority herein granted is subject to the following conditions:-

1. California Parlor Car Tours Company may use the proceeds from

the sale of its stock as follows:-

a. To pay for certificate of public convenience and necessity herein authorized to be transferred . . . . .	\$4,700.00
b. To pay for the two 20-passenger Fageol parlor cars referred to in foregoing opinion . . . . .	21,000.00
c. To pay for an additional 20-passenger Fageol parlor car, approximately . .	10,500.00
d. To provide working capital . . . . .	<u>2,000.00</u>
Total.....	<u>\$38,200.00</u>

The remaining proceeds and such portion of the \$38,200.00 not needed for the foregoing purposes may be expended only as authorized by the Commission in supplemental orders.

2. California Parlor Car Tours 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 Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

3. J. A. Boyd and R. C. Smith shall cancel immediately all tariffs and time schedules now on file with the Railroad Commission, and California Parlor Car Tours Company shall file immediately tariffs and time schedules in its own name, or adopt as its own the tariffs and time schedules heretofore filed with the Railroad Commission by J. A. Boyd and R. C. Smith, all such tariffs and time schedules to be identical with those heretofore filed by J. A. Boyd and R. C. Smith, such cancellation and filing to be in accordance with the provisions of General Order No. 51, and other regulations of the Railroad Commission.

4. The rights and privileges which are herein authorized to be transferred may not hereafter be discontinued, sold, leased, transferred or assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has been secured.

5. No vehicle may be operated by California Parlor Car Tours Company unless such vehicle is owned by the company, or is leased for a specified amount on a trip or term basis, the leasing of the equipment not to include the services of a driver or operator. All employment of drivers or operators of leased cars shall be made on the basis of a contract by which the driver or operator shall bear the relation of an employee of the transportation company.

6. The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 8<sup>th</sup> day of January, 1925.

C. Seavey  
H. B. ...  
Egerton Shore