

Decision No. 17078

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of  
PICKWICK STAGES SYSTEM  
to purchase, and WEST COAST TRANSIT  
COMPANY to sell, all its physical  
assets; and the application of Pick-  
wick Stages System to issue and sell  
two hundred and fifty-nine thousand  
nine hundred dollars (\$259,900.) per  
value of its common capital stock to  
pay therefor; and the application of  
Pickwick Stages System to lease from  
West Coast Transit Company, and the  
latter to lease to the former all  
the operative automobile stage rights  
of West Coast Transit Company.

Application No. 12927.

Warren E. Libby and H. C. Nelson,  
for applicants.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter the Railroad Commission  
is asked to make an order:

1. Approving a lease and option agreement between West Coast  
Transit Company and Pickwick Stages System;
2. Authorizing West Coast Transit Company to lease its oper-  
ative rights, with an option to purchase, to Pickwick Stages  
System.
3. Authorizing West Coast Transit Company to sell its physical

assets to Pickwick Stages System;

4. Authorizing Pickwick Stages System to issue \$259,900. of common capital stock in payment therefor.

The operative rights involved in this proceeding, which West Coast Transit Company proposes to lease to Pickwick Stages System, were acquired by it under authority granted by the Railroad Commission as follows:

Decision No. 13435, dated April 18, 1924, in Application No. 9807

This decision permitted the operation by West Coast Transit Company of an automobile stage service, as a common carrier of passengers and express between Healdsburg and Crescent City and intermediate points, via Eureka, over what is known as the Redwood Highway; between Eureka and Red Bluff, via Forest Glen; between Eureka and Big Bar, via Korbel; between Eureka and Orleans, via Hoopa and Weitchpec; and also between Eureka and Orleans via Orrick; between Eureka and Falk; and between Eureka and Ferndale; and between intermediate points over and along the routes between each of the termini mentioned, said certificates to include permission to operate stages and to sell through tickets between each and all of the termini and intermediate points included under the above described routes.

Decision No. 13961, dated August 25, 1924, in Application No. 10040

In this decision the Commission granted the company permission to operate an automobile stage line as a common carrier of passengers only, between Healdsburg and San Francisco, in conjunction with and as a part of its existing stage service north of Healdsburg, it being provided that the company shall transport no passengers locally between San Francisco, Healdsburg and any points intermediate thereto, but shall on northbound trips pick up south of Healdsburg passengers destined to points north thereof, and on

southbound trips shall pick up no passengers whatsoever from Healdsburg to San Francisco, or points intermediate thereto, and after leaving Healdsburg shall transport only passengers who have originated north of the last named point.

Decision No. 14334, dated December 4, 1924, in Application No. 10630

By this decision the Commission authorized West Coast Transit Company to acquire from Donald MacPherson and William Loxley the right to transport passengers and express, express matter being limited to parcels weighing not more than 200 pounds, between Arcata and Samoa, and to transport passengers and freight between Eureka and Freshwater and intermediate points, via Freshwater Corners.

Subsequently, by Decision No. 15419, dated September 19, 1925, in Application No. 11677, the Commission authorized the company to discontinue the passenger and express service between Arcata and Samoa, and revoked the certificate theretofore granted permitting such operations.

Decision No. 14837, dated April 22, 1925, in Application No. 11017

By this decision the company was authorized to acquire from A. Dunham the right to transfer passengers, baggage and packages between Santa Rosa and Healdsburg and intermediate points.

In the decision the Commission recites that the approval of the transfer from A. Dunham to West Coast Transit Company does not authorize the operation by the Transit Company under such right as a part of its through service between San Francisco and Eureka.

Decision No. 14983, dated May 28, 1925, in Application No. 11154

By this decision the company was authorized to acquire from W. E. Miller an operative right permitting the transportation of passengers, baggage and express and freight between Ukiah and Upper Lake and intermediate points.

The decision further permitted the transportation by West Coast Transit Company of passengers, baggage, express and freight between Upper Lake and a point on the coast shore of Clear Lake about nine miles distant from Upper Lake, such operations to be conducted during the resort season in conjunction with and as an extension of the operative right acquired from W. H. Miller. Decision No. 15638, dated November 14, 1925, in Application No. 11081.

In this decision the Commission granted West Coast Transit Company permission to consolidate the rights obtained by it pursuant to Decisions Nos. 13435, 13961, 14334 and 14837, described above, and to establish through routes and rates, provided that passengers originating at San Francisco and points on the company's line to Santa Rosa shall be picked up on northbound cars only when destined to Windsor or points north thereof, and passengers shall be transported on southbound cars when originating at points then served by the company, from Santa Rosa to San Francisco, provided, further, that the company shall not transfer passengers for compensation locally between San Francisco and Santa Rosa, both points inclusive, and points intermediate thereto.

Decision No. 15676, dated November 21, 1925, in Application No. 11971.

In this decision the Commission granted West Coast Transit Company permission to transport passengers, freight and express between Leggett Valley and the lumber mill of Finkbye and Guild Lumber Company at Rockport.

The present application shows that on June 1, 1926, West Coast Transit Company and Pickwick Stages System executed a lease and option agreement whereby West Coast Transit Company, among other things, agreed to lease all of its operative rights to Pickwick Stages System for a period of ten years and one day, commencing July 1, 1926, and ending July 1, 1936, for a total rental of \$300,000.00 payable in monthly installments of \$2,500.00. The lessee

is given the privilege and option, upon the expiration of the lease, of purchasing the operative rights for the sum of one dollar.

Mr. Charles F. Wren, president of Pickwick Stages System, testifying in support of the application, stated that in his opinion the proposed transaction will be advantageous to Pickwick Stages System in that it will protect that company's present San Francisco-Oregon route. He further testified that he believed the earnings from the operation of the West Coast Transit Company system, when operated as a part of the Pickwick Stages System, should be sufficient to pay the rental under the proposed lease within the ten year period. In this connection it appears that the operations of the lessor were conducted at a loss of approximately \$50,000 during 1925, but that this result was due primarily to the depression in the lumber industry in the territory through which the company operates. With the two systems operated under one management it is estimated that there will be an annual saving in operating expenses of about \$60,000., and that this saving and the increased business that should result from the consolidation due to the interchange of passengers should enable the Pickwick Stages System to meet its obligations under the lease agreement, from West Coast Transit Company line earnings.

Mr. B. P. McConnaha, president of West Coast Transit Company, offered testimony to the effect that the transaction is of advantage to the West Coast Transit Company and that the operation of the line by Pickwick Stages System will develop business because of the interchange of passengers between its line and the Oregon line of the Pickwick System. He testified further that West Coast Transit Company was unable to finance the cost of the equipment necessary to operate the line properly

and that he believed the proposed transaction would result in more equipment being available because of the greater financial resources of the lessee. On this point Mr. Wren stated that it was the intention of Pickwick Stages System, if this application were granted, to equip the line with more units of equipment and with more suitable equipment. It is of record that at present West Coast Transit Company is operating, under lease, twelve stages belonging to Pickwick Stages System.

Upon the record herein, we are of the opinion that public convenience and necessity will be served by the lease of the operative rights of West Coast Transit Company to Pickwick Stages System and the operation thereunder by Pickwick Stages System. The order herein, therefore, will authorize the lease of the operating rights, on the condition, among others, that the rental as agreed between the applicants herein, as set forth in the lease and option agreement, shall never be urged or claimed by Pickwick Stages System as an operating expense or measure of value in any rate fixing, capitalization or other proceeding before this Commission or other public body having jurisdiction, it being understood that the approval herein granted is not in any way to be considered as a finding of value of the operating rights or as binding the Commission to recognize the rental as the basis for an order fixing rates or permitting the issue of stock or other securities, the amount to be paid as rental being considered by the Commission only as the price agreed upon by the two companies for the purpose of this agreement. The rent paid should be charged to surplus and not to a capital account.

Coming to the request of Pickwick Stages System to issue \$259,900. of stock in payment for the physical assets of West Coast Transit Company, we find that the par value of stock proposed to be issued is based on the estimated depreciated value of such assets.

These assets are shown in a schedule attached to the application as follows:

Item	Amount	Depreciation	Balance
Trucks	\$68,142.13	\$13,332.77	\$54,809.36
Service cars	2,748.81	711.54	2,037.27
Passenger stages	121,237.54	28,703.65	92,533.89
Horses, harness, wagons	3,020.72	1,293.12	1,727.60
Improvements on leased properties	5,178.15	-	5,178.15
Land and buildings	45,879.85	1,905.01	43,974.84
Furniture and fixtures	8,624.08	1,558.02	7,066.06
Materials and supplies	29,167.40	-	29,167.40
Printing and tickets	1,505.67	-	1,505.67
Machinery and tools	22,935.40	4,503.96	18,431.44
Hand tools	3,779.95	315.00	3,464.95
Totals. . . . .	<u>\$312,219.70</u>	<u>\$52,323.07</u>	<u>\$259,896.63</u>

The various items are described in schedules annexed to the application. It appears that the rolling equipment includes fourteen trucks, two service cars and thirty-one passenger cars. According to the testimony herein, all of the equipment is in condition for service and will be used by Pickwick Stages System. The transfer will be made free and clear of indebtedness.

O R D E R

West Coast Transit Company and Pickwick Stages System having applied to the Railroad Commission for approval of a lease and option agreement and for an order authorizing West Coast Transit Company to lease its operating rights and to sell its physical assets to Pickwick Stages System, and authorizing Pickwick Stages System to issue \$259,900. of stock, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the application should be granted as herein provided and that the money, property or labor to be procured or paid for through the issue of the stock is reasonably required for the purpose specified herein, and that the expenditure for such purpose is not in whole or in part reasonably chargeable to operat-

ing expense or to income,

IT IS HEREBY ORDERED that West Coast Transit Company and Pickwick Stages System be, and they are hereby, authorized to execute and enter into a lease and option agreement substantially in the same form as that dated June 1, 1926, and filed in this proceeding, and West Coast Transit Company be, and it hereby is, authorized to lease, as of July 1, 1926, all of its operating rights, which are described in the foregoing opinion, with an option to purchase, to Pickwick Stages System, subject to the terms and conditions of said lease and option agreement, provided that the rent paid under such lease be charged to the surplus account of Pickwick Stages System and not to a capital account.

IT IS HEREBY FURTHER ORDERED that West Coast Transit Company be, and it hereby is, authorized to sell its physical assets to Pickwick Stages System, and Pickwick Stages System be, and it hereby is, authorized to issue \$259,900. of its common capital stock in payment therefor, provided that such assets are free and clear of any and all indebtedness.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the following conditions:—

1. West Coast Transit Company shall withdraw immediately all tariffs and time schedules now filed with this Commission, and Pickwick Stages System shall file immediately new tariffs and time schedules, such new tariffs and time schedules to be identical with those heretofore filed by West Coast Transit Company, or satisfactory to the Commission, such withdrawal and filing to be made in accordance with the Railroad Commission's General Order No. 51 and other regulations of the Railroad Commission.

2. The rights and privileges herein authorized to be leased to Pickwick Stages System hereafter shall not be sold, leased, transferred, assigned, hypothecated or discontinued unless the written consent of the Railroad Commission is first obtained.
3. No vehicle may be operated under the rights herein authorized to be leased unless such vehicle is owned by Pickwick Stages System or is leased by it under a contract or agreement on a basis satisfactory to this Commission.
4. No authority is herein granted to Pickwick Stages System to link up or consolidate the rights, the lease of which is herein authorized, with its present operating rights.
5. The rental as agreed between West Coast Transit Company and Pickwick Stages System, as set forth in the lease and option agreement herein authorized to be executed, shall never be urged or claimed by Pickwick Stages System as an operating expense or measure of value in any rate fixing, capitalization or other proceeding before this Commission or other public body or court having jurisdiction, it being understood that the approval herein granted is not in any way to be considered as a finding of value of said operating rights, or as binding upon the Railroad Commission to recognize the rental as the basis for an order fixing rates or authorizing the issue of stock or other securities, the amount to be paid as rental being considered by the Com-

mission only as the price agreed upon by the two companies for the purpose of this agreement.

6. The authority herein granted to execute a lease and option agreement is for the purpose of this proceeding only and is granted only insofar as this Commission has jurisdiction under the Auto Stage and Truck Transportation Act, and is not intended as an approval of said lease and option agreement as to such other requirements to which said lease and option agreement may be subject.
7. The amount of stock herein authorized to be issued in payment for the physical assets of West Coast Transit Company shall not be urged before this Commission or other public body having jurisdiction as a measure of value of such assets for rate fixing or purposes other than the transfer herein authorized.
8. Pickwick Stages System shall keep such record of the issue 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.
9. West Coast Transit Company shall file with the Commission a financial statement covering the period from January 1, 1926, up to the date its operations are taken over by Pickwick Stages System, such statement to be filed on the regular annual report forms prescribed and provided by the Commission.

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

DATED at San Francisco, California, this 3d day of July, 1926.

H. G. ...

O. ...

Leon Whitell

Commissioners.