

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of UNION PACIFIC STAGE COMPANY, a corporation organized under the laws of the State of California, for a certificate of convenience and necessity authorizing it to operate a motor bus service in Death Valley, Inyo County, California.

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) Application No. 13474.
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In the Matter of the Application of UNION PACIFIC STAGE COMPANY, a corporation organized under the laws of the State of California, for authority to issue and sell certain common stock.

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) Application No. 13610.
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Fred E. Pettit, Jr., for applicant;

H. W. Eichbaum for Mt. Whitney-Death Valley Stage Line.

BY THE COMMISSION:

O P I N I O N.

Applicant herein, Union Pacific Stage Company, a California corporation, seeks a certificate of public convenience and necessity authorizing the transportation of passengers and baggage between Ryan and Furnace Creek Inn and other points in Inyo County, thrice weekly as a seasonal service only, between October 1 and May 15, continuously; also to issue and sell \$13,000. of the capital stock of the corporation to provide working capital.

A public hearing herein was conducted by Examiner Williams at Furnace Creek Inn, at which time the matter was duly submitted and now is ready for decision.

Applicant corporation is a subsidiary of the Los Angeles & Salt Lake Railroad Corporation, which is owned by the Union Pacific Railway System. The stage service for which applicant seeks a certificate is to be operated from Ryan, a terminus of the Death Valley Railroad, and is the ultimate and most important portion of a railroad side trip available to tourists and others in visiting the Death Valley region. According to the schedules proposed by applicant, passengers from the Union Pacific Railroad are transported over the Monopah & Tidewater Railroad from Crucero to Death Valley Junction and from there to Ryan over the Death Valley Railroad. At Ryan the stage service will connect with the rail line and passengers are to be transported to Furnace Creek Inn and from there to diverse points of interest, the termini of which are Dante's View, the Devil's Golf Course (a journey across the dry salt sea) and northwardly to Salt Creek Crossing. This entire trip is sponsored by the Union Pacific, and advertised by it throughout the United States and in other countries. It is to cost \$42., leaving Crucero and returning thereto, plus Pullman fares, and of this amount \$14.50 is allocated for the transportation service conducted by applicant herein. For the convenience of those not taking the entire trip, a schedule of rates (Exhibit "E") for each separate portion is filed with the application.

The time schedules, in detail, are shown in applicant's Exhibit "I" and provide for tours aggregating 117 miles, which, at the rate of \$14.50 for the entire service, is on a rate base of 12½ cents a mile. This per mileage base is not unreasonable considering the unimproved and difficult roadways over which applicant is to operate - the life of tires being estimated at not more than 2000 miles. The "all-paid" tour price includes not only transportation by rail and stage but a night's lodging

and four meals at Furnace Creek Inn, a modern hotel built for the convenience of tourists by the Pacific Coast Borax Company, conducting the principal industry in Death Valley and which has long been known for its historic "Twenty-Mule-Team" service, which, however, has long since yielded to the railroad and the truck.

According to the testimony of Mr. Fred E. Pettit, attorney for applicant corporation, the applicant desires not only to establish the service for the convenience of tourists and sightseers, but also to give local service within the valley, such service, however, to be limited to the period between October 1 and May 15 of contiguous years. According to the testimony of Mr. George R. Bierman, General Passenger Agent, Los Angeles & Salt Lake Railroad at Los Angeles, tickets for this tour are to be sold anywhere in the United States with coupons entitling the holder to the side trip leaving and returning to Crucero.

The side trip was inaugurated February 1st, 1927, as a sightseeing service, although advertising was begun about January 1st, 1927. Between February 1st and April 9th, the service had transported 72 passengers at the rates established. It was the opinion of Mr. Bierman that this patronage was satisfactory, considering the short period of advertising, and fully justified continuation of the trip. Mr. Alfred L. Riddle, who is superintendent of the stage operations, testified that the mileage in total of all vehicles to be operated by the applicant would be about 1000 monthly, and that the rate of wear and tear upon the equipment would be high, due to the rough character of the roads traversed. Mr. Riddle is an experienced operator, having been for two years in the service of the Utah Parks Company, conducting tours of Bryce Canyon and Zion Park.

The service to be rendered by applicant herein is distinctly of benefit not only to the residents or others having business in Death Valley during the moderate seasons, but is of large educational value because of the routes it traverses and the remarkable geographic and mineral spectacles that it brings within easy contact to the public. The routes and schedules and the explanations made by the stage operators are enlightening as to the area in which the bizarre effects of the fusion of many volcanic actions are exposed with diversity and clarity rarely found.

The only opposition appearing to the granting of the application was presented by Mr. H. W. Eichbaum, who conducts a service from Los Angeles via Lone Pine into the north end of the valley to Stovepipe Wells. After hearing the testimony of applicant, Mr. Eichbaum withdrew his protest.

We believe the record presented entirely justifies the granting of the certificate applied for.

Applicant also seeks authority to issue and sell \$13,000. of its capital stock of \$50,000. for the purpose of providing working capital. An exhibit (No.2) filed by applicant shows that its revenue between February 1, 1927 and March 31, 1927, inclusive, amounted to \$1,044., and its gross expenses were \$2,209. The expense did not include any amount for rental of the three vehicles used. It is estimated that these vehicles are worth \$8,000., and the rental for their use is based upon 7 percent of that amount, and this is the sole compensation paid for leasing, as applicant agrees to assume every other expense incident to the operation. It is explained by applicant that it is not expected that this operation will prove self-sustaining for two or three seasons, and that the money used for working capital is necessary for advance payments

and to absorb losses; it is further explained that while the business is presumably on a cash basis, the cash itself is not received for a long period after the tickets are honored, due to the fact that they are sold anywhere in the United States or Canada and considerable time is required for the actual money to pass into possession of applicant. Applicant is a subsidiary of the Union Pacific Railway Company. Another subsidiary is the Utah Parks Company, operating similar service in Utah. Because of the seasonal operation of both companies, the equipment is used in Utah in the summer-time and is available for California in the winter-time; hence the leasing arrangement. It is further explained that the Union Pacific Railway Company desires to keep the Death Valley operation of applicant separate from its other business, and to facilitate has subscribed for \$12,500. of the proposed issue and expects to contribute this amount to the support of the operation and to provide it with ample capital, thus avoiding necessity of loans for temporary use.

Section Six of the Auto Stage and Truck Transportation Act reads in part as follows:

"No transportation company may issue any stock or stock certificate, or any bond, or any note or other evidence of indebtedness payable at a period of more than twelve months after the date thereof, unless such transportation company, in addition to the other requirements of the law, shall first have secured from the Railroad Commission an order authorizing such issue and stating the amount thereof, and the purpose or purposes to which the issue or the proceeds thereof are to be applied and that, in the opinion of the Railroad Commission, the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that, except as otherwise permitted in the order in the case of bonds, notes and other evidences of indebtedness, such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income."

It appears that applicant in this instance is asking permission to issue some stock to cover losses which represent charges that should be included in operating expenses. We do not believe

that the Commission is authorized by the Auto Stage and Truck Transportation Act to permit the issue of stock for such purpose. We realize that applicant should be provided with some working capital and are willing to allow it to issue for that purpose \$3,000. of stock. If applicant cannot conduct its operations with that amount of working capital, it should obtain such additional funds as it may need from some source other than the issue of stock.

O R D E R.

Union Pacific Stage Company, a corporation, having made application to the Railroad Commission for a certificate of public convenience and necessity to establish automobile stage service for the transportation of passengers and baggage between Ryan and Furnace Creek and other points in Inyo County, a public hearing having been held, the matter having been duly submitted and now being ready for decision,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA
HEREBY DECLARES that public convenience and necessity require the establishment by applicant of the service as proposed herein along the following route:

From Ryan to Dante's View, Travertine Springs, Furnace Creek Inn, Furnace Creek Ranch, Harmony Borax Works, Salt Creek Crossing and Devil's Golf Course, over main County roads; and

IT IS HEREBY ORDERED that a certificate of public convenience and necessity therefor be and the same is hereby granted, subject to the following conditions:

- I. Applicant shall file with this Commission, within twenty (20) days from date hereof, its written acceptance of the certificate herein granted.
- II. Applicant shall file, in duplicate, time schedules and tariff of rates within a period of not to exceed thirty (30) days from date hereof, such tariffs of rates and time schedules

to be identical with those attached to the application herein, or rates and time schedules satisfactory to the Railroad Commission, and shall commence operation of the service herein authorized within a period of not to exceed sixty (60) days from date hereof.

III. The rights and privileges herein authorized may not be sold, leased, transferred nor assigned, nor service thereunder discontinued, unless the written consent of the Railroad Commission to such sale, lease, transfer, assignment or discontinuance has first been secured.

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

Union Pacific Stage Company, a corporation, having made application to the Railroad Commission for authority to issue and sell \$13,000. of stock, and the Railroad Commission being of the opinion that the company should be permitted to issue \$3,000. of stock; that the money, property or labor to be procured or paid for by the issue of such common stock is reasonably required by applicant and that the expenditures herein authorized are not in whole, or in part, reasonably chargeable to operating expenses or to income; and that this application, insofar as it involves the issue of \$10,000. of stock, should be dismissed without prejudice;

IT IS HEREBY ORDERED that Union Pacific Stage Company, a corporation, may issue and sell on or before October 1, 1927, \$3,000. of its capital stock at not less than par and use the proceeds as working capital.

IT IS HEREBY FURTHER ORDERED that Union Pacific Stage Company, a corporation, shall keep such record of the issue, sale and delivery of the stock herein authorized, and 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 Railroad Commission General Order No. 24, which order, insofar as applicable, is made a part of this Order; and that

The authority herein granted will become effective within twenty days subsequent to the date hereof.

IT IS HEREBY FURTHER ORDERED that this application, insofar as it involves the issue of \$10,000. of stock, be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this 9th day of May, 1927.

[Signature]

[Signature]

Leon White

[Signature]

Commissioners.