

LEM

Decision No. 20351 .

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC ELECTRIC RAILWAY COMPANY,)
a corporation, for permission to pur-)
chase all the outstanding and issued)
capital stock of Pacific Coast Motor)
Coach Company, a corporation.)

ORIGINAL

Application No. 15132

Frank Karr, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Pacific Electric Railway Company asks permission to purchase for \$45,000.00 all of the outstanding stock of the Pacific Coast Motor Coach Company, such purchase to be made pursuant to the terms and conditions of the agreement attached to the petition herein and marked "Exhibit A."

Under the terms of the agreement the Pacific Electric Railway Company is not required to pay any part of the purchase price until the Pacific Coast Motor Coach Company has paid all of its outstanding indebtedness. It is acquiring all of the assets of the Pacific Coast Motor Coach Company except that such company is permitted to sell certain stage equipment, described as follows:-

One Reo type speed wagon, License No. P. S. 28242; Engine No. 7422
One Morland Motor Bus, License P. S. 28243; Engine No. 16526
One White Stage, License No. P. S. 28240; Engine No. G.N. 8497.
One White Commercial Bus, License No. P. S. 28241; Engine No. G.N. 8677

It is our understanding that if these assets are sold the moneys realized from the sale thereof will belong to the present stock-

holders of the Pacific Coast Motor Coach Company and not to the Pacific Electric Railway Company.

Inasmuch as this proceeding does not involve the transfer of any properties owned by Pacific Coast Motor Coach Company, no part of the \$45,000.00 may, by the purchaser, be charged to road and equipment accounts. While we are willing to grant this application such action should not be construed as an admission by the Commission that any part of the \$45,000.00 may in the future be capitalized through the issue of securities or charged to road and equipment accounts in the event of the transfer of the assets of the Pacific Coast Motor Coach Company. Neither of these matters is before the Commission in this proceeding.

The Pacific Electric Railway Company is hereby placed upon notice that "operative rights" do not constitute a class of property which should be capitalized or used as an element of value in determining reasonable rates. Aside from their purely permissive aspect, they extend to the holder a full or partial monopoly of a class of business over a particular route. This monopoly feature may be changed or destroyed at any time by the state which is not in any respect limited to the number of rights which may be given.

ORDER

Pacific Electric Railway Company having asked permission to purchase the outstanding stock of the Pacific Coast Motor Coach Company, the Commission having considered the request of such company and being of the opinion that this is a matter in which a public hearing is not necessary and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED that the Pacific Electric Railway Company be, and it is hereby, authorized to purchase on or before December 15, 1928, all of the outstanding stock of the Pacific Coast Motor Coach Company in accordance with the terms of the agreement attached to the petition in this proceeding and marked "Exhibit A", provided that the authority herein granted to acquire such stock is subject to the limitations set forth in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted will become effective when Pacific Electric Railway Company has filed with the Commission a written acceptance of such authority.

DATED at San Francisco, California, this 20th day of October, 1928.

Leon C. Dwyer

Chas. J. ...

Thos. J. ...

Commissioners.