

Pacific Coast Transit Company to issue and sell to Pacific Coast Railway Company or its order, a corporation, at par for cash, \$3,500.00 of its common capital stock for the purpose of financing the transaction.

Pacific Coast Railway Company has joined in the application and asks permission to acquire and hold the \$3,500.00 of stock which Pacific Coast Transit Company proposes to issue.

The application shows that Pacific Coast Transit Company was organized under the laws of the State of California on or about February 4, 1929, with an authorized capital stock of \$25,000.00, divided into 250 shares of the par value of \$100.00 each, all common. It appears that the corporation proposes to engage in a general motor transportation business and at this time, to that end, has made arrangements to purchase from H. Harper, for \$3,500.00, certain operative rights and property used by him in the business of transporting passengers, express, packages and baggage by automotive stage between the City of Santa Maria and the Town of Cuadalupe, and intermediate points.

The operative rights proposed to be transferred were acquired by H. Harper from H. A. Gorham pursuant to authority granted by the Commission by Decision No. 13887, dated August 24, 1924, in Application No. 10338 and permit operation, as indicated above, subject to the condition that no package weighing in excess of ten pounds shall be transported, with the exception of those containing meat, tamales, ice-cream and ice-cream containers. For the last three calendar years H. Harper has reported the revenues and expenses of his operations as follows:-

I T E M	1926	1927	1928
Operating revenues	\$ 2,091.	\$1,757.	\$2,300.
Operating expenses	1,787.	697.	1,015.
Net operating revenues	\$ 304.	\$1,060.	\$1,285.

The personal property to be transferred is one automotive bus, consisting of a Dodge chassis, upon which has been built a bus body for the carrying of passengers and a baggage rack. It is alleged that this equipment was purchased by H. Harper during 1928, at a total cost of \$2,685.00.

As stated, the proposed transfer price and the proposed stock issue to finance such price is \$3,500.00, an amount somewhat in excess of the cost of the physical property to be acquired from H. Harper. The petition shows no need for any cash, except the \$3,500.00 to be paid to H. Harper, nor does it show that any moneys were expended by the original grantee of the operative rights involved in this application.

The Commission is of the opinion, and hereby places the purchaser on 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.

The order herein will authorize the transfer of the operative rights and properties but will provide that Pacific Coast Transit Company may issue not exceeding \$2,700.00 of stock in acquiring them. In the event it pays more it must obtain the excess over \$2,700.00 from some source other than the issue of stock and must charge such excess to a suspense account and amortize

the same by charges to its surplus account, or charge such excess directly to surplus.

O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of operative rights and properties and the issue ^{of} \$3,500.00 of stock, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, and that the transfer should be authorized, and that the issue of \$2,700.00 of stock is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED as follows;-

1. H. Harper may sell, transfer, assign, convey and set over unto Pacific Coast Transit Company, a corporation, and Pacific Coast Transit Company, may purchase and acquire and hold the operative rights and properties referred to in the foregoing opinion.

2. Pacific Coast Transit Company may issue and sell, at par, for cash, not exceeding \$2,700.00 of its common capital stock to pay for the property and rights herein authorized to be transferred.

3. Pacific Coast Railway Company may acquire and hold the \$2,700.00 of stock, or any part thereof, which Pacific Coast Transit Company is herein authorized to issue.

4. The application insofar as it involves the issue of \$800.00 of stock be, and it hereby is, denied without prejudice.

5. The authority herein granted is subject to the following conditions;-

(a) The consideration to be paid for the property herein authorized to be transferred shall never be urged before

this Commission or any other rate fixing body as a measure of value of said property for rate fixing, or any purpose other than the transfer herein authorized.

- (b) Applicant, H. Harper, shall immediately unite with applicant, Pacific Coast Transit Company, in common supplement to the tariffs on file with the Commission, applicant H. Harper on the one hand withdrawing, and applicant Pacific Coast Transit Company on the other hand accepting and establishing such tariffs and all effective supplements thereto.
- (c) Applicant, H. Harper, shall immediately withdraw time schedules filed in his name with the Railroad Commission and applicant, Pacific Coast Transit Company, shall immediately file, in duplicate, in its own name, time schedules covering service heretofore given by applicant, H. Harper, which time schedules shall be identical with the time schedules now on file with the Railroad Commission in the name of applicant, H. Harper, or time schedules satisfactory to the Railroad Commission.
- (d) 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.
- (e) No vehicle may be operated by applicant, Pacific Coast Transit Company, unless such vehicle is owned by said applicant or is leased under a contract or agreement on a basis satisfactory to the Railroad Commission.
- (f) No authority is herein granted to Pacific Coast Transit Company to consolidate the operative rights it herein is authorized to acquire nor to enlarge them in any respect beyond

these rights now held by H. Harper.

(g) Pacific Coast Transit Company shall keep such record of the issue of the stock herein authorized as will enable it to file, within thirty (30) days after such issue, 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.

(h) The authority herein granted shall become effective ten days from the date hereof.

DATED at San Francisco, California, this 6th day of March, 1929.

Frank Powell
Chas. J. ...
Edmund ...
Leon ...
M. J. ...

Commissioners.