

LBM

Decision No. 21059.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
THE GRAY LINE MOTOR TOURS, INCORPORATED,)
to sell, and Gray Line Motor Tours Co.,)
to purchase franchises, certificates,)
operative rights, equipment, etc., and) Application No. 15546
of Gray Line Motor Tours Co. to issue)
capital stock.)

Jerome Politzer and Richard T. Eddy,
for applicants.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing The Gray Line Motor Tours, Incorporated, hereinafter referred to as the "old company", to transfer its operative rights, franchise, certificates, properties and equipment to Gray Line Motor Tours Co., a corporation, hereinafter referred to as the "new company", and authorizing the new company to issue 13,000 shares of its capital stock of the aggregate par value of \$13,000.00.

The application shows that the old company was organized under the laws of the State of California on or about May 17, 1926 and that it is engaged in the business of operating an automobile sight-seeing business between points in Southern California, all trips beginning and ending in Los Angeles. The company is operating seven tours which are described in its Local Passenger Tariff No. 4, issued June 13, 1928, effective June 18, 1928, as follows:-

Tour #1 PASADENA \$2.00

Leaving Los Angeles via North Main Street to Mission Road, thence, Huntington Drive through South Pasadena and San Marino and then into Pasadena by Oak Knoll Section, Colorado Street to Brookside Park to Arroyo Terrace, thence, Orange Grove Avenue through Busch's Gardens and returning to Los Angeles by Pasadena Avenue and North Broadway.

Tour #2. HOLLYWOOD & BEVERLY HILLS \$2.00

Leaving West Sixth Street, entering Beverly Hills, then through Sherman and Hollywood back to Los Angeles.

Tour #3. CITY HOLLYWOOD, BEVERLY HILLS & BEACHES \$2.50

Leaving Los Angeles by East Seventh Street and Wilshire Blvd. through the residential section into Hollywood, thence through Sherman, Beverly Hills, Sawtelle, Santa Monica, Ocean Park, Venice, Culver City and return to Los Angeles.

Tour #4. MISSION-LONG BEACH & HARBOR TOUR \$5.

Leaving Los Angeles by way of Huntington Drive, Through Alhambra to San Gabriel Mission, then through El Monte to The Gay's Lion Farm. South on Lexington Road to Downey, Through Hynes, entering Long Beach on Cherry Avenue- west on Ocean Avenue to Municipal Pier, where passengers will be put aboard a motor launch operated by the H-10 Water Taxi and taken for a boat tour of the harbor district; completing boat tour at Fifth Street Landing, San Pedro. Passengers aboard the Parlor Car at Fifth Street Landing and tour west through San Pedro on Ninth Street, driving through Palos Verdes Estates on Paseo Del Mar Boulevard, through Redondo, Inglewood, returning to Los Angeles.

Tour #5. ORANGE EMPIRE RIVERSIDE \$6.00

Leaving Los Angeles by way of Whittier Boulevard to Fullerton, East through Fullerton to Placentia, Santa Ana Canyon, Corona and into Riverside, returning through Riverside by way of Valley Boulevard, Euclid Avenue and Foothill Boulevard, through Arcadia and San Gabriel into Los Angeles.

Tour #6. TWO DAY SAN DIEGO & TIA JUANA \$12.00

Leaving Los Angeles by way of Avalon Boulevard, Redondo-Riverside Boulevard, Long Beach Blvd. to Long Beach, thence Coast Highway through Seal Beach, Huntington Beach, Newport, Balboa, Laguna, Serra, San Clemente, Oceanside, Carlsbad, Cardiff, Del Mar, La Jolla, San Diego to International Border, returning through Coronado to San Diego, visiting all points of interest in and around San Diego and returning by Coast Highway as far as Serra, thence, through San Juan Capistrano, Tustin, Santa Ana, Buena Park, Norwalk, Santa Fe Springs, returning to the City of Los Angeles.

Tour #8 SANTA BARBARA -One or two days \$12.

Leaving Los Angeles through Hollywood, Girard by way of Ventura Boulevard, Ventura, into Santa Barbara, returning by way of Saugus and San Fernando into Los Angeles.

Tour #9.

TRIANGLE-RIVERSIDE, SAN DIEGO. . . \$18.00

day tour.

and back to Los Angeles. Two or three

Leaving Los Angeles by way of Avalon Boulevard, Redondo-Riverside Boulevard, Long Beach Boulevard to Long Beach, thence, Coast Highway through Seal Beach, Huntington Beach, Newport, Balboa, Laguna, Serra, San Clemente, Oceanside, Carlsbad, Cardiff, Del Mar, La Jolla, San Diego, to International Border, returning through Coronado to San Diego visiting all points of interest in and around San Diego, leaving San Diego returning by way of Inland Route through Escondido, Bonsall, Fall Brook, Temecula, Marietta, Elsinore, Perris through Riverside by way of Valley Boulevard, Euclid Avenue, and Foothill Boulevard, through Arcadia and San Gabriel into Los Angeles.

With the exception of Tour No. 4, above, known as the Mission-Long Beach & Harbor Tour, these tours were operated by the old company prior to January 1, 1927 and came under the jurisdiction of the Railroad Commission on July 29, 1927, the effective date of Chapter 42 of the Statutes of 1927, and as provided in Section 50-1/4 of the Public Utilities Act. The operative rights covering these tours were established by filing of the rates, fares, charges and classifications in compliance with the provisions of the Commission's General Order No. 76. This order is as follows:-

"General Order No. 76.

RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Approved July 5, 1927. Effective August 1, 1927.

To All Automotive Carriers Operating Sight-seeing Lines:

Each automotive carrier who, on January 1, 1927, was operating, or during the calendar year 1926 had operated a seasonal service of not less than three consecutive months' duration, sight-seeing busses on a continuous sight-seeing trip with one terminus only, is hereby directed to file with the Railroad Commission of the State of California on or before August 1, 1927, its, or his, schedules of rates, fares, charges and classifications charged and collected by it, or him, in such service, and the time schedules and the routes over which such service is, or was, operated.

Each such automotive carrier is hereby further directed to file with this Commission on or before August 1, 1927, a statement, under oath, outlining in detail the extent, scope

and nature of its, or his, sight-seeing bus operations as conducted on July 1, 1927, January 1, 1927, and during the calendar year 1926.

Approved and dated at San Francisco, California, this fifth day of July, 1927.

RAILROAD COMMISSION OF THE STATE
OF CALIFORNIA,
H.G.Mathewson, Secretary."

The operative rights covering Tour No. 4- the Mission-Long Beach & Harbor Tour- were granted by the Commission by Decision No. 19825, dated May 29, 1928, in Application No. 14588.

The physical assets to be transferred consist of all the assets of the old company including fourteen busses, the original cost of which, according to the record, was \$112,660.44, and the original cost less depreciation, \$50,777.36. The balance sheet of the old company, as of March 31, 1929, is shown in the Amended Exhibit "E", as follows:-

ASSETS:

Cash		\$2,391.59
Accounts receivable		4,635.40
Equipment:-		
Account value	\$112,660.44	
Depreciation	<u>61,883.08</u>	50,777.36
Club membership		350.00
Deferred charges		2,382.66
Advances and suspense		159.00
Goodwill		<u>3,763.90</u>
	Total assets.....	<u>\$64,459.91</u>

LIABILITIES:

Notes payable		\$35,515.00
Overdraft		50.74
Accounts payable		11,689.19
Capital:		
Capital stock.....	\$ 600.00	
Surplus-		
Contributed	\$25,632.60	
Deficit	<u>9,027.62</u> <u>16,604.98</u>	<u>17,204.98</u>
	Total liabilities.....	<u>\$64,459.91</u>

The item of \$3,763.90 among the assets, designated "good will", represents, according to the testimony, actual expenditures made by the old company in securing contracts, hotel and other privileges and in building up the business.

It appears that the transfer of the operative rights and properties of the old company will be made subject to outstanding liabilities. The notes payable of \$35,515.00 are set forth in detail in Amended Exhibit "C" as follows:-

<u>PAYEE</u>	<u>DATE</u>	<u>DUE</u>	<u>INTEREST</u>	<u>AMOUNT</u>
E.B. & M.D. Brown	7/25/28	7/23/31	6%	\$20,400.00
B.M. & D.L. Wooley	7/23/28	7/23/31	6%	2,525.00
E. Musselman	9/24/28	9/24/29	9%	6,000.00
Pierce Arrow Pacific Sales Co.	12/31/28	7/30/29	6%	2,590.00
California Motor Coach Co.	2/27/29	3/31/29	6%	<u>4,000.00</u>
TOTAL.....				<u>\$35,515.00</u>

The tabulation shows that two of the notes, aggregating \$22,925.00, in favor of E. B. & M. D. Brown and B.M. & D.L. Wooley, are payable three years after the dates of issue. The Commission did not authorize the issue of these notes, and in our opinion, because of the provisions of Section 52-b of the Public Utilities Act, such notes are void, and the indebtedness represented thereby is for all intents and purposes to be considered as open account indebtedness only.

The order herein will authorize the transfer of the properties of the old company, subject to outstanding indebtedness. It will also, however, permit the new company to issue its six percent notes payable in the aggregate amount of \$22,925.00 in lieu of the two notes, herein referred to, which the old company attempted to issue without an order from the Commission.

The new company heretofore, under authority granted by the Commissioner of Corporations on September 5, 1928, issued 100 shares of its capital stock of the aggregate par value of \$100., and acquired the outstanding stock of the old company. It now proposes to issue an additional \$12,900.00 of stock in acquiring the properties of the old company, so that it will commence its operations with \$13,000.00 of stock issued and outstanding against the properties now owned by the old company. These properties, it appears from the balance sheet of March 31, 1928, have a net worth of \$17,204.98, and it therefore appears to us that they are ample to support a stock issue of \$13,000.00.

In making this application the new company requests the Commission to ratify and confirm the issuance of the \$100. of stock now outstanding pursuant to the order of the Commissioner of Corporations. We do not believe we can take such an action, and accordingly, will authorize the new company at this time to issue \$13,000.00 of stock. If the par value of the stock issued is less than the assets acquired, after deducting depreciation and liabilities, the difference should be credited by the new company, in setting up the transactions on its books, to Account 152- Premium on Capital Stock.

In authorizing the new company to acquire the operative rights of the old company, we wish to place it 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 in the number of rights which may be given.

O R D E R

Application having been made to the Railroad Commission for an order permitting the transfer of properties and the issue of stock, a public hearing having been held before Examiner Farkhauser, and the Railroad 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 such issue is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED, that The Gray Line Motor Tours, Incorporated, be, and it hereby is, authorized to transfer on or before August 15, 1929, all of its operative rights, properties and assets, subject to outstanding liabilities, to Gray Line Motor Tours Co., and Gray Line Motor Tours Co. be, and it hereby is, authorized to acquire such rights, properties and assets, subject to outstanding liabilities, which Gray Line Motor Tours Co. may assume, and to issue in part payment for said properties not exceeding \$13,000.00 of its common capital stock.

IT IS HEREBY FURTHER ORDERED, that Gray Line Motor Tours Co. be, and it hereby is, authorized to issue on or before August 15, 1929 its six percent promissory notes, in the aggregate amount of \$22,925.00, payable on or before July 23, 1931, to E. B. & M. D. Brown, and B. M. & D. L. Wooley to refund outstanding indebtedness to be assumed by it in connection with the acquisition of the properties of the old company.

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

(1) The consideration to be paid for the properties herein authorized to be transferred shall never be urged before this Commis-

sion 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.

(2) The Gray Line Motor Tours, Incorporated, shall unite immediately with Gray Line Motor Tours Co. in common supplement to the tariffs on file with the Commission, The Gray Line Motor Tours, Incorporated, on the one hand withdrawing, and Gray Line Motor Tours Co. on the other hand accepting and establishing such tariffs and all effective supplements thereto.

(3) The Gray Line Motor Tours, Incorporated, shall withdraw immediately time schedules filed in its name with the Railroad Commission, and Gray Line Motor Tours Co. shall file, in duplicate, in its own name, time schedules covering service heretofore given by The Gray Line Motor Tours, Incorporated, which time schedules shall be identical with those now on file in the name of The Gray Line Motor Tours, Incorporated, or time schedules satisfactory to the Commission.

(4) The rights and privileges herein authorized to be transferred may not hereafter be sold, leased, transferred or assigned, nor service thereunder discontinued by Gray Line Motor Tours Co. unless written consent of the Railroad Commission has first been secured.

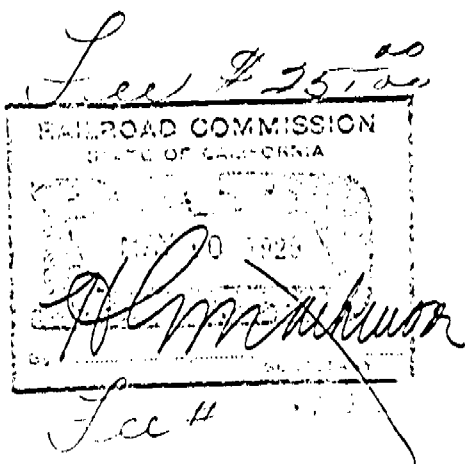
(5) No vehicle may be operated by Gray Line Motor Tours Co. under the authority herein granted unless such vehicle is owned by said applicant or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

(6) No authority is herein granted to Gray Line Motor Tours Co. to enlarge the operative rights it is herein authorized to acquire nor to remove any restriction therefrom.

(7) Gray Line Motor Tours Co. shall keep such record of the issue of the stock and notes herein authorized as will enable it to file, within 30 days thereafter, 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.

(8) The authority herein granted shall become effective when Gray Line Motor Tours Co. has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars.

DATED at San Francisco, California, this 9th day of May, 1929.



David L. Smith
W. J. ...
...
Leon ...

Commissioners.