

Decision No. 21288.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 PICKWICK STAGES SYSTEM,  
 to purchase, and Auto Transit Company  
 to sell, its franchises and assets;  
 Pickwick Stages System to purchase,  
 and Sierra Nevada Stages to sell its  
 franchises and assets; and the ap-  
 plication of Pickwick Stages System  
 to issue one hundred seventy four  
 thousand dollars (\$174,000.00) par  
 value of its common capital stock  
 and to consolidate the franchises of  
 Auto Transit Company and Sierra Nevada  
 Stages with the franchises of Pick-  
 wick Stages System.

ORIGINAL

Application No. 15569

Libby and Sherwin, by George Wasson, Jr.,  
for applicants.

J. E. McCurdy, for Peninsula Rapid Transit  
Company and Pacific Auto Stages,  
protestants.

BY THE COMMISSION:

OPINION

In the above numbered and entitled proceeding, as amended at the hearing had on May 29th before Examiner Fankhauser, the Railroad Commission has been asked to make its order;-

1. Authorizing Auto Transit Company to transfer its franchises, operative rights and assets to Pickwick Stages System; and
2. Authorizing Pickwick Stages System to issue \$38,200.00 of stock in payment for the franchises, operative rights and assets of Auto Transit Company; and

3. Authorizing Pickwick Stages System to consolidate the operative rights to be acquired with its present rights; and

4. Declaring that Auto Transit Company , upon transferring its operative rights, is no longer subject to the jurisdiction of the Commission.

The application shows that Auto Transit Company and Pickwick Stages System are corporations organized under the laws of the State of California and engaged in the operation of automobile stages for the transportation of passengers, baggage and express. Both corporations are controlled through stock ownership by The Pickwick Corporation.

The operative rights of Auto Transit Company permit consolidated and unified operations for the transportation of passengers and newspapers between San Francisco and Monterey via Santa Cruz, Watsonville and Castroville, with a line branching off from Watsonville with Hollister as a terminus and another line branching off at Castroville with Salinas as a terminus. This consolidated right carries an unrestricted privilege to handle all local intermediate business from Santa Cruz east to Hollister, south to Salinas via Castroville and south to Monterey via Castroville, but does have certain restrictions laid down as to local intermediate service to and from points between San Francisco and Santa Cruz. Authorization is held for the transportation of express between Watsonville and Hollister and intermediate points. Two other branches of this consolidated right were acquired from the Union Traction Company permitting the transportation of passengers between Santa Cruz and Capitola and intermediate points and between Santa Cruz and Twin Lakes and intermediate points.

In addition to this consolidated right the company has an independent right for the transportation of passengers, baggage and express between Salinas and Monterey.

The operations of Auto Transit Company, hereinabove referred to, are conducted under certificates granted by this Commission as follows:-

I. DECISION NO. 5900, DATED NOVEMBER 4, 1918,  
ON APPLICATION NO. 3889.

Decision No. 5900 permits the operation by Auto Transit Company of an automobile stage line as a common carrier of passengers between San Francisco and Santa Cruz and intermediate points, provided, however, that no local business be handled between Menlo Park and Camp Fremont and San Francisco, unless there be vacant seats in the automobiles of the company not required by through passengers between Santa Cruz and San Francisco.

II. DECISION NO. 13813, DATED JULY 18, 1924,  
ON APPLICATION NO. 9907.

Decision No. 13813 authorizes Auto Transit Company to acquire from O. A. Moon and C. L. Simonds the right theretofore acquired by them under Decision No. 10137, dated February 27, 1922, on Application No. 7590, permitting the transportation of passengers between Santa Cruz and Salinas, via Watsonville, and between Castroville and Monterey, and to acquire from J. S. Nickols the right theretofore acquired by him under Decision No. 13502, dated May 1, 1924 on Application No. 10014, permitting the transportation of passengers and express packages between Watsonville and Hollister via Aromas, Chittenden and San Juan.

III. DECISION NO. 15201, DATED JULY 22, 1925,  
ON APPLICATION NO. 10483.

Decision No. 15201 grants Auto Transit Company a certificate for the consolidation

"and unification of the operative rights of Auto Transit Company, a corporation, and the operation, as one unified system, of through service for the transportation of passengers between all the termini and intermediate points served by and along the present several routes, which routes are as follows;-

1. Between San Francisco and Santa Cruz and intermediate points, via Sunnyvale and Saratoga, subject to the limitation that no local business shall be handled by applicant between Menlo Park and San Francisco unless there are vacant seats in its automobiles, which seats are not required by through passengers between Santa Cruz and San Francisco, and that no local runs or service are, or is, hereby authorized or may be established between Menlo Park and San Francisco; operated pursuant to authority granted by this Commission's Decision No. 5900, on Application No. 3669, dated November 4, 1918.
2. Between Santa Cruz and Salinas via Watsonville, serving as intermediate points, Soquel, Aptos, Freedom, Watsonville, Moss and Castroville, and in connection therewith, between Castroville and Monterey, serving as intermediate points, Neponset, Marina, Gigling and Del Monte; operated pursuant to authority granted by this Commission's Decision No. 13813, on Application No. 9907, dated July 18, 1924.
3. Between Watsonville and Hollister, via Aromas, Chittenden and San Juan; operated pursuant to authority granted by this Commission's Decision No. 13813 on Application No. 9907, dated July 18, 1924."

This decision also grants the company the right to carry newspapers over all lines authorized to be consolidated, but denied the request to consolidate or extend the operative rights for the transportation of express.

IV. DECISION NO. 16609, DATED MAY 3, 1926,  
ON APPLICATION NO. 11726.

Decision No. 16609, grants Auto Transit Company a certificate for the operation of an automobile stage service as a common carrier of passengers, not as a new and separate right, but as an extension to the service authorized between San Francisco and Santa

Cruz, between

1. San Francisco and Los Gatos and the intermediate points of Menlo Park, Cupertino and Saratoga.
2. Lexington, Alma, Holy City, Summit, Glenwood, Sand Hill, Vine Hill Road, Felton Road and Santa Cruz, provided that passengers so transported shall be destined to or originate at points on the line of applicant south or east of Santa Cruz, or originate at or be destined to points north of but not including Los Gatos.

No authority was conveyed for the transportation of passengers between Los Gatos and Santa Cruz, except as set forth above, nor for the transportation of any local business between San Francisco and Cupertino, except that passengers originating at points south of Cupertino may be discharged at any point north of Cupertino to and including San Francisco, and that passengers originating between San Francisco and Cupertino may be received and transported on the company's line south of Cupertino.

V. DECISION NO. 16764, DATED MAY 25, 1926, ON APPLICATION NO. 12843.

Decision No. 16764 permits Auto Transit Company to acquire from the co-partnership of G.R.Carpenter and E. E. Littlefield an operative right for the transportation of passengers, baggage and express between Salinas and Monterey and intermediate points.

This right originally was established by E. R. Gorham by operation prior to May 1, 1917. With the approval of the Commission in Decision No. 6916, dated December 9, 1919, it was transferred to F. M. Littlefield and thereafter, pursuant to Decision No. 13185, dated February 20, 1924 transferred to the co-partnership of G.R.Carpenter and E. E. Littlefield.

In authorizing the transfer of the right to Auto Transit Company, the Commission granted no authority for the linking up or the consolidation of such right with the other operative rights of Auto Transit Company.

VI. DECISION NO. 17749, DATED DECEMBER 11,  
1926, ON APPLICATION NO. 13318.

Pursuant to authority granted in Decision No. 17749, Auto Transit Company acquired from Union Traction Company the right to operate a bus service between Santa Cruz and Capitola and Santa Cruz and Twin Lakes and intermediate points, as an extension of, and in conjunction with, and as a part of the operative rights of Auto Transit Company between San Francisco and Santa Cruz and other points.

This right was originally granted Union Traction Company by Decision No. 13905, dated August 9, 1924, on Application No. 9875, and permitted service between the points named over the following routes;-

Commencing at the intersection of Water Street, Front Street and Pacific Avenue in the City of Santa Cruz, thence along Water Street to its intersection with Soquel Avenue, thence along Soquel Avenue to Lower Soquel Road, thence along lower Soquel Road to Seventeenth Avenue, thence along Seventeenth Avenue to County Road, thence along County Road to Cliff Drive, thence along Cliff Drive to 26th Avenue, thence along 26th Avenue to County Road and along said County Road to Capitola.

Commencing at the intersection of Pacific and Soquel Avenues in the City of Santa Cruz, thence along Soquel Avenue to Seabright Avenue, thence along Seabright Avenue to Cliff Drive, thence along Cliff Drive and County Road to Twin Lakes Station, thence via Central Avenue and across the Lagoon to Lakeview Avenue, thence on Lakeview Avenue to Division Street, thence on Division Street to Brighton Avenue, thence on Brighton Avenue to Prospect Street, thence on Prospect Street to Lakeview Avenue and return via Lakeview Avenue.

Upon acquiring the rights of Auto Transit Company, the purchaser, Pickwick Stages System, proposes with the approval of the Commission, to consolidate the independent Salinas-Monterey right acquired by Auto Transit Company from G. R. Carpenter and E. E. Littlefield, with the other rights of Auto Transit Company, and to consolidate such consolidated right with the right it acquired by Decision No. 14464, dated January 17, 1925, on Application No. 8067, permitting the operation of an automotive stage service for the transportation of passengers and express between Los Angeles

and San Francisco and points as hereinafter set forth and other intermediate points not otherwise excepted as follows:-

Via the Conejo Pass;

Los Angeles, Encino Acres, Calabasas, Triunfo, Camarillo, Oxnard, El Rio, Ventura, Rincon, Carpinteria and Santa Barbara;

Via the Santa Susana Pass;

Los Angeles, Encino Acres, Marion, Zelzah, Chatsworth, Santa Susana, Simi, Moorpark, Somis, Camarillo, Oxnard, Somis Jct., Saticoy, Saticoy Jct., Santa Paula, Ventura, Rincon, Carpinteria and Santa Barbara;

Via Santa Paula Route;

San Fernando, Newhall, Saugas, Castaic, Piru, Fillmore, Santa Paula, Saticoy Jct., Saticoy, El Rio, Oxnard, Ventura, Rincon, Carpinteria and Santa Barbara;

and between each and all points named in one route and those on the other routes hereinabove mentioned, and Naples, Capitan, Caviota, Los Cruces, Buelton, Santa Rita, Lompoc, Solvang, Los Olivos, Santa Ynez, Los Alamos, Harris, Bicknell, Orcutt, Santa Maria, Nipomo, Arroyo Grande, Fismo, Ontario Hot Springs, San Luis Obispo, Santa Margarita, Atascadero, Templeton, Paso Robles, San Miguel, Bradley, San Ardo, San Lucas, King City, Greenfield, Soledad, Gonzales, Chular, Salinas, San Juan Seed Farm, Hollister, Sargent, Bloomfield, Gilroy, Bay Road, Rucker, San Martin, Watsonville Road, Morgan Hill, Madrone, Perry, So. Coyote, Coyote, Pomar, Edenvale, San Jose and San Francisco?

The Commission in Decision No. 14464 found that "public convenience and necessity does not require the operation by applicant of automotive stage service between Los Angeles and a connection with the highway west of Camarillo via Palisades, Inceville, El Vernado and Yerba Buena, nor local service other than on through cars between Los Angeles and Saugas and intermediate points, nor the operation by applicant of automotive stage service between Harris and a point to a connection with the Buelton-Lompoc Highway, nor the operation of automotive stage service between Salinas and Mon-

terey and intermediate points, nor the operation of stage service for the transportation of passengers between San Francisco, San Jose, and intermediate points, nor for the transportation of passengers originating at or destined to points intermediate to San Francisco and San Jose, when such passengers originate at or are destined to points San Jose to King City and intermediate points, inclusive.

Nor does public convenience and necessity require the operation of automotive stage service between San Francisco and a point on the California-Oregon line north of Cole in conjunction with and as a part of applicant's San Francisco-Los Angeles service nor in any manner greater or different than the operation as authorized under Decision No. 7209."

The authority granted in Decision No. 14464 is subject to the condition, among others, that express matter should be confined to packages not in excess of 75 pounds in weight, all packages over 40 pounds and up to 75 pounds in weight to be accepted at option of the carrier, providing space is available.

In now making the request to acquire the operative rights of Auto Transit Company and to consolidate such rights with the San Francisco-Los Angeles right, Pickwick Stages System reports that by such action duplication now existing between San Francisco and Sunnyvale and Santa Cruz and Hollister would be eliminated, that overhead costs would be reduced and that better public service could be given.

J. E. McCurdy, representing Peninsula Rapid Transit Company and Pacific Auto Stages, raised some question concerning the service given by Auto Transit Company between San Francisco and Menlo Park under the order in Decision No. 16609, dated May 3, 1926, in



Application No. 11726. However, following the hearing held in this matter, Pickwick Stages System filed with the Commission a stipulation waiving any and all rights to carry and transport local passengers between San Francisco and Menlo Park, both points inclusive, in the event it is authorized to acquire the rights of Auto Transit Company, and stating that if it is permitted to acquire such right it will file an application supplemental to Application No. 11726 requesting a modification of Decision No. 16609 so as to eliminate Menlo Park.

It appears to us that the public interests will be served by the transfer of the operative rights of Auto Transit Company to Pickwick Stages System and the consolidation of such rights with those of Pickwick Stages System, as herein proposed. It will be observed, however, that under the present operations of Auto Transit Company, passengers enjoy through service between San Francisco, Santa Cruz and other points not along the present lines of Pickwick Stages System. The authority herein granted is not to be construed as permitting Pickwick Stages System to give any lesser service than that now being given by Auto Transit Company, except as the Commission may hereafter permit.

With this understanding we will grant the request. In so authorizing the transfer of the operative rights we wish to place Pickwick Stages System 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.

Coming now to the request of Pickwick Stages System to issue stock, it appears that under the arrangements made between the two companies, Pickwick Stages System will acquire all the assets of Auto Transit Company and in payment assume the outstanding liabilities, issue to Auto Transit Company \$38,200.00 of stock and make a cash payment of \$39.78. In support of the proposed stock issue, applicants have filed with their application a financial statement showing assets and liabilities of Auto Transit Company as of February 28, 1929, as follows:-

ASSETS:

Plant and equipment . . . . .	\$98,625.87	
Less-Reserve for depreciation . . .	<u>49,242.97</u>	\$49,382.90
Accounts receivable . . . . .		237.08
Materials and supplies . . . . .		869.19
Prepayments . . . . .		198.12
Total assets.....		<u>\$50,687.29</u>

LIABILITIES:

Notes payable . . . . .		\$ 6,888.47
Accounts payable . . . . .		1,144.61
Accruals . . . . .		271.20
Due The Pickwick Corporation . . . . .		1,504.67
Ticket accounts . . . . .		1,337.07
Other liabilities . . . . .		1,301.49
Total liabilities.....		<u>\$12,447.51</u>
Balance-Net worth . . . . .		38,239.78
Total.....		<u>\$50,687.29</u>

The proposed stock issue and cash payment equal the reported net worth. In arriving at the figure of \$38,239.78 it does not appear that applicants have written up the value of the assets on the books of account. The application shows that the plant and equipment accounts include the cost of the properties less depreciation computed at the rate of twenty percent per annum on the rolling stock, as shown in detail in Exhibit "B" attached to the petition. The record shows that nothing is included for going concern, franchise value or like items.

It occurs to us that the issue of \$38,200.00 in acquiring the properties of Auto Transit Company, under the terms described in this proceeding, is not unreasonable and the order herein, accordingly, will so provide.

ORDER

Application having been made to the Railroad Commission for an order authorizing the transfer of properties, the consolidation of operative rights and the issue of stock, as set forth in the foregoing opinion, a public hearing having been held, and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the issue of \$38,200.00 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) Auto Transit Company may transfer to Pickwick Stages System, on or before August 31, 1929, subject to outstanding liabilities of \$12,447.51, all of its properties and assets and the operative rights, described in the foregoing opinion, which were granted it by the Commission by its orders in the following decisions:-

Decision No. 5900, dated November 4, 1918,  
Decision No. 13813, dated July 18, 1924,  
Decision No. 15201, dated July 28, 1925,  
Decision No. 16609, dated May 3, 1926,  
Decision No. 16764, dated May 25, 1926,  
Decision No. 17749, dated December 11, 1926.

(2) Pickwick Stages System may acquire such properties, assets and operative rights, subject to outstanding liabilities of \$12,447.51 and in part payment may assume such liabilities and may

issue on or before August 31, 1929, not exceeding \$38,200.00 of common capital stock.

(3) Pickwick Stages System, upon acquiring said operative rights from Auto Transit Company may consolidate the operating rights between Salinas and Monterey acquired from G. R. Carpenter and E. E. Littlefield with the operating rights of Auto Transit Company, as described herein, and consolidate said consolidated rights with its operative right permitting the transportation of passengers and express between Los Angeles and San Francisco heretofore granted it by Decision No. 14464, dated January 17, 1925, provided that no lesser service be given by Pickwick Stages System than that authorized by the Commission and now being given by Auto Transit Company, unless hereafter permitted by the Commission.

(4) The authority herein granted will become effective when Auto Transit Company and its successor in interest, Pickwick Stages System, have filed a formal application for permission to abandon the service between Menlo Park and San Francisco and vice versa.

(5) Upon transferring its operative rights, properties and assets, as herein authorized, Auto Transit Company may withdraw from and cease furnishing public utility and common carrier business under the jurisdiction of this Commission.

(6) The application insofar as it involves the transfer of the operative rights, properties and assets of Sierra Nevada Stages, the consolidation of such operative rights with those of Pickwick Stages System, and the issue by Pickwick Stages System of \$135,800.00 of stock in payment, is dismissed without prejudice.

(7) The authority herein granted is subject to the following conditions:-

- (a) The consideration to be paid for the properties 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) Auto Transit Company shall unite immediately with Pickwick Stages System in common supplement to the tariffs on file with the Commission; Auto Transit Company on the one hand withdrawing and Pickwick Stages System on the other hand, accepting and establishing such tariffs and all effective supplements thereto.
- (c) Auto Transit Company shall withdraw immediately time schedules filed in its name with the Railroad Commission, and Pickwick Stages System shall file, in duplicate, in its own name, time schedules covering service heretofore given by Auto Transit Company, which time schedules shall be identical with those now on file in the name of Auto Transit Company, or time schedules satisfactory to the Commission.
- (d) The rights and privileges herein authorized to be transferred may not hereafter be sold, leased, transferred nor assigned, nor service thereunder discontinued, decreased or changed, by Pickwick Stages System, unless written consent of the Railroad Commission has first been secured.
- (e) No vehicle may be operated by Pickwick Stages System under the authority herein granted unless such vehicle is owned by said applicant or is leased by it under a con-

tract or agreement on a basis satisfactory to the Railroad Commission.

(f) Pickwick Stages System shall keep such record of the issue of the stock herein authorized as will enable it to file, within thirty 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.

(g) Within sixty days after the transfer of its operative rights, properties and assets, Auto Transit Company shall file with the Commission a financial report prepared on the annual report forms prescribed by this Commission covering the period from January 1, 1929 to the date of the transfer.

DATED at San Francisco, California, this 27th day of June, 1929.

Thos. D. Lott  
C. S. Seamy  
Ernest Cant  
Leon Whitney  
M. J. Linn

Commissioners.