

Decision No. 22469.

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 PACIFIC GREYHOUND LINES, INC., )  
 a corporation, to purchase and acquire )  
 operative rights and property of and )  
 from (1) Pickwick Stages System, a )  
 corporation, (2) California Transit )  
 Co., a corporation, (3) Southern Pac- )  
 ific Motor Transport Company, a cor- )  
 poration, (4) Oregon Stages, Inc., a )  
 corporation, (5) Pacific Auto Stages, )  
 a corporation, and (6) Transit Invest- )  
 ment Company, a corporation, and for )  
 authority to issue capital stock on )  
 account thereof. )

Application No. 16490

Earl A. Bagby, for applicants.  
 Sanborn, Roehl, Smith and Brookman,  
 by Douglas Brookman, for  
 Beverly Gibson, intervenor.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to make its order as follows:-

- (1) Authorizing and approving the issuance of nine shares of the capital stock of Pacific Greyhound Lines, Inc., to its nine directors;
- (2) Authorizing and approving the transfer of the properties and assets of Pickwick Stages System, California Transit Co., Southern Pacific Motor Transport Company, Oregon Stages, Inc., Pacific Auto Stages and Transit Investment Company, hereinafter sometimes referred to as the "sellers", to Pacific Greyhound Lines, Inc., hereinafter sometimes referred to as the "purchaser."

(3) Authorizing and approving the issuance by Pacific Greyhound Lines, Inc. of 110,000 shares of its no par value common stock in part payment for the properties and assets of the sellers, and the allotment and distribution thereof to the various respective sellers; and

(4) Authorizing and approving the substitution of Pacific Greyhound Lines, Inc. as the party in interest in all proceedings and matters now pending or prior to decision herein commenced before the Commission for, or on behalf of, or in the name of, any of the selling corporations.

Pacific Greyhound Lines, Inc. is a corporation organized under the laws of the State of California on or about March 31, 1930, with an authorized capital stock of 200,000 shares, all common, without nominal or par value. The application shows that nine shares of stock have been subscribed at \$100.00 a share by the nine incorporators named in the company's Articles of Incorporation as directors, who are T. B. Wilson, C. E. Wickman, C. F. Wren, C. R. Harding, Earl A. Bagby, Warren E. Libby, Merle H. Lewis, William E. Travis and Frank W. Webster.

It appears that the corporation was organized for the express purpose of engaging in business as a passenger stage corporation in California, and elsewhere, and that it has to that end made arrangements to acquire the operative rights, properties and assets of Pickwick Stages System, California Transit Co., Southern Pacific Motor Transport Company, Oregon Stages, Inc., Pacific Auto Stages and Transit Investment Company. The record shows, in this connection, that the transaction here proposed is merely in the nature of a financial reorganization in that the entire issued and outstanding capital stock, excepting directors' shares, of each of the selling companies whose rights and properties are to be acquired by Pacific Greyhound Lines, Inc., is held by Pacific Greyhound Corporation, formerly Pacific

Transportation Securities, Inc., which desires to consolidate the business of the present several corporations under one ownership and management. It might be added at this point that, according to the record, the outstanding common stock of Pacific Greyhound Corporation is held in equal shares by Greyhound Corporation, of Chicago, Pickwick Corporation, of Los Angeles, and the Southern Pacific interests.

To effect the proposed consolidation, the purchaser proposes to acquire all the rights, properties and assets of the selling corporations, to assume all their outstanding liabilities and to issue to them 110,000 shares of its capital stock, such shares to be divided among the selling companies in accordance with the ratio that the 1929 gross receipts of each bears to the total gross receipts of the sellers for 1929, as follows:-

To California Transit Co.....	32,522	shares
To Pickwick Stages System .....	50,321	"
To Pacific Auto Stages .....	2,736	"
To Oregon Stages, Inc .....	23,565	"
To Transit Investment Company.....	530	"
To Southern Pacific Motor Transport Company.....	<u>326</u>	"
Total.....	<u>110,000</u>	shares

In making the application, the companies have filed as Exhibit "A" statements showing the assets and liabilities of the sellers as of January 31, 1930, and the revenues and expenses for the calendar year 1929. The gross operating revenues, for 1929, of all the companies to be absorbed by Pacific Greyhound Lines, Inc. are reported at \$9,433,983.16, the operating expenses at \$8,448,855.95, and the net operating revenues at \$985,127.21. After making allowances for nonoperating revenues and expenses, and miscellaneous adjustments, a total net profit for 1929 of \$949,194.23 is reported.

The consolidated assets and liabilities of the various companies are reported as follows:-

<u>ASSETS</u>		
<u>INVESTMENTS:</u>		
Plant and equipment . . . . .	\$9,143,360.70	
Depreciation . . . . .	3,499,849.58	
Net value . . . . .	<u>5,643,511.12</u>	
Investments in affiliated companies . . . . .	1,457,176.94	
Other investments . . . . .	<u>59,544.76</u>	
Total investments.....		\$7,160,232.82
<u>CURRENT ASSETS:</u>		
Cash . . . . .	\$686,725.36	
Accounts receivable . . . . .	1,033,683.63	
Materials and supplies . . . . .	<u>333,299.72</u>	
Total current assets.....		2,053,608.71
<u>DEFERRED ASSETS:</u>		
Working fund advances . . . . .	9,115.58	
Prepayments . . . . .	34,484.02	
Items in course of adjustment . . . . .	<u>263,491.27</u>	
Total deferred assets.....		<u>307,090.87</u>
TOTAL ASSETS.....		<u>\$9,520,932.40</u>
<u>LIABILITIES AND NET WORTH</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable . . . . .		\$1,810,929.96
<u>LONG TERM DEBT:</u>		
Notes payable . . . . .	808,821.55	
Non-negotiable debt to affiliated companies . . . . .	<u>2,224,556.50</u>	
Total long term debt .....		3,033,378.05
<u>UNADJUSTED CREDITS:</u>		
Insurance reserves, etc . . . . .	26,356.61	
Tax liability accrual . . . . .	134.35	
Miscellaneous items unadjusted . . . . .	<u>142,864.75</u>	
Total unadjusted credits . . . . .		<u>169,355.71</u>
TOTAL LIABILITIES.....		<u>\$5,013,663.72</u>
<u>NET WORTH:</u>		
Net value of assets and liabilities to be transferred to Pacific Greyhound Lines, Inc.....		<u>4,507,268.68</u>
TOTAL LIABILITIES AND NET WORTH.....		<u>\$9,520,932.40</u>

The matter of consolidating the operations of the several companies controlled through stock ownership by Pacific Greyhound Corporation has been called to the Commission's attention in former proceedings. Certain preliminary steps leading up to the consolidation have been approved. The record in this proceeding and the Com-

mission's experience in matters of this nature indicate that public convenience and necessity will be served by the transfers herein proposed and the subsequent operation of the various lines under one common ownership and management. Following the transfer of the properties, it is the intention of the purchaser, according to the testimony of E. A. Bagby, its vice president and general counsel, to file forthwith an application for permission to consolidate the many separate rights it will acquire into one unified right. No request is here made for such permission, it being the purchaser's intention to take over the present rights of the sellers as they now exist, without enlargement, diminution or modification.

It appears that two of the companies, designated as applicants herein, namely, Oregon Stages, Inc. and Transit Investment Company, are not engaged in the public utility or common carrier business in this state and it seems to us that we have no authority to authorize the transfer of their properties. The order herein, accordingly, will authorize the transfer of the rights, properties and assets of Pickwick Stages System, California Transit Co., Southern Pacific Motor Transport Company and Pacific Auto Stages. Because the purchaser hereafter will file an application for a consolidation of the operative rights it will acquire through these transfers, at which time a review and determination by this Commission of its operative rights will be made, it does not seem necessary at this time in this decision to enumerate specifically all the certificates which will be transferred to the new corporation. The order therefore will permit the several companies to transfer all of their rights, whatever they may be.

It appears that there are included in the reported investment in plant and equipment substantial sums for intangible capital, which, it may be, should not be charged by the purchaser to its fixed capital accounts. Applicants have agreed to file with the Commission an analysis of the intangible items appearing on their books of account

and until this is received, we are not in a position to determine what amounts are properly chargeable to plant and equipment. Pending the receipt of such information, we will authorize the purchaser to issue at this time 50,000 shares of stock, leaving the remainder of the stock applied for to be the subject of supplemental orders in this matter. The Commission is not concerned with the distribution to be made of the stock issued under the authority granted in the following order or issued under the authority granted in a supplemental order or orders.

No one appeared at the hearing to protest the granting of the application. A petition for leave to intervene was filed by Beverly Gibson, who alleges that he is the owner of a certificate of public convenience and necessity to transport passengers and their baggage, and property, between Sacramento and Winters and intermediate points and that on August 27, 1927 he and Pickwick Stages System, one of the applicants herein, entered into an agreement for the transfer of said certificate, together with certain equipment, by Gibson to Pickwick Stages System for the sum of \$40,000.00. He alleges further that, due to delay for which Pickwick Stages System is responsible, application has not been made to the Commission for authority to transfer the right. He alleges still further that the financial statement filed in this matter by Pickwick Stages System in Exhibit "B" is incorrect and erroneous in that it does not appear that any liability or obligation is included on the part of Pickwick Stages System, either existing or contingent, to Gibson on account of the agreement between the two.

In reply to the petition for intervention, Mr. Bagby, counsel for applicants, stated that it was the intention of Pacific Greyhound Lines, Inc. to assume all liabilities of the selling companies, whether existing or contingent, and all liabilities and obligations of the selling companies that may develop in the future. Mr. Bagby stipulated that any claim that Mr. Beverly Gibson may have against the Pickwick Stages System will not be affected in any manner by any decision that

may be rendered in the present proceeding\*\*\*\*\* and that such decision will not be used in derogation of any rights that said Beverly Gibson may have against Pickwick Stages System.

In view of the statements made, and the stipulation offered by Mr. Bagby, it appears to us that the petition for intervention should be denied.

In connection with the acquisition of the various operative rights referred to herein, the purchaser, Pacific Greyhound Lines, Inc., 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

Application having been made to the Railroad Commission for an order authorizing the transfer of operative rights, properties and assets, and the issue of stock, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the issue by Pacific Greyhound Lines, Inc. of 50,009 shares of stock should be authorized at this time for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED as follows:-

(1) Pacific Greyhound Lines, Inc. be, and it hereby is, authorized to issue and sell, at \$100.00 a share, nine shares of its common capital stock without nominal or par value, to its nine directors, and to use the proceeds to pay organization expenses.

(2) Pickwick Stages System, California Transit Co., Southern Pacific Motor Transport Company and Pacific Auto Stages be, and they hereby are, authorized to transfer all their operative rights, properties and assets, described in Exhibits "B", "C", "D" and "F", subject to outstanding liabilities and obligations, to Pacific Greyhound Lines, Inc.

(3) Pacific Greyhound Lines, Inc. be, and it hereby is, authorized to issue at this time not exceeding 50,000 shares of its common capital stock without nominal or par value in payment in part for the operative rights, properties and assets, subject to outstanding liabilities and obligations, of Pickwick Stages System, California Transit Co., Southern Pacific Motor Transport Company, Pacific Auto Stages, Oregon Stages, Inc. and Transit Investment Company, described in Exhibits "B", "C", "D", "E", "F" and "G", and to assume the payment of such liabilities and obligations.

(4) Pacific Greyhound Lines, Inc. be, and it hereby is, substituted as party applicant in all matters now pending before the Railroad Commission in which any of the applicants herein, or any of the corporations whose property has been acquired by Pickwick Stages System, now appear as party applicant.

(5) The petition for intervention filed by Beverly Gibson be, and it hereby is, denied.

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

- a. Applicant corporations shall make such tariff and time schedule filings as are required by the Commission's general orders.



- b. The rights and privileges herein authorized to be transferred may not hereafter be sold, leased, assigned, transferred nor service thereunder enlarged or discontinued, unless the written consent of the Railroad Commission is first obtained.
- c. No vehicle may be operated by Pacific Greyhound Lines, Inc. unless such vehicle is owned by said company or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.
- d. The consideration being paid for the aforesaid operative rights, properties and assets shall not be urged before this Commission, or other public body or court having jurisdiction, as fixing the value of said operative rights, properties and assets for any purpose other than the transfer herein authorized.
- e. Pacific Greyhound Lines, Inc. in recording on its books of account the purchase of the properties of the selling companies, shall charge the amounts representing investment in plant and equipment now appearing on the books of the selling companies to Account 109 "Other debit accounts" and shall carry the amounts therein until the distribution thereof, if approved by the Commission. Within ninety days from the effective date of this order, applicants shall file with the Commission a statement containing an analysis of the intangible items appearing on the books of the selling companies and showing the amounts expended by the original grantees of franchises and operative rights in acquiring them. The Commission reserves the right, in making this order, to make such further orders in this matter as it may deem necessary regarding the manner in which the purchaser may set up on its records

the properties and rights it acquires from the selling companies, and the amounts it may charge or credit to its various accounts.

- f. Pacific Greyhound Lines, Inc. shall keep such record of the issue of the stock herein authorized and of 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 the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.
- g. The authority herein granted will become effective five days after the date hereof.
- h. Pickwick Stages System, California Transit Co., Southern Pacific Motor Transport Company and Pacific Auto Stages shall file with the Commission financial reports covering their operations from January 1, 1930 down to the date of transfer of their properties and business, such reports to be filed on the regular annual report forms prescribed and provided by this Commission.

DATED at San Francisco, California, this 23<sup>d</sup> day of May, 1930.

*C. L. ...*  
*Emm ...*

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*M. J. ...*  
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Commissioners.