

Decision No. 23285.

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.

ORIGINAL

Application No. 16490

BY THE COMMISSION:

SUPPLEMENTAL OPINION

By Decision No. 22469, dated May 23, 1930, the Com-
 mission authorized Pacific Greyhound Lines, Inc., among other things,
 to issue 50,000 shares of its no par value capital stock. The
 authority granted by said decision was subject, among others, to the
 following condition:

"Pacific Greyhound Lines, Inc., in recording on its
 books of account the purchase of the properties of the sell-
 ing companies, shall charge the amounts representing invest-
 ment 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, is 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."

By its order of August 29, 1930, the Commission extended the time within which the Pacific Greyhound Lines, Inc. was to file a statement containing an analysis of the intangible items appearing on the books of the selling companies to October 31, 1930.

On October 22, 1930, Pacific Greyhound Lines, Inc. et al, filed a balance sheet as of June 1, 1930 and a statement of intangibles as of May 31, 1930. The balance sheet gives effect to the purchase of the properties of California Transit Company, Pickwick Stages System, Pacific Auto Stages, Peninsula Rapid Transit Company, Southern Pacific Motor Transport Company, Oregon Stages, Inc., Transit Investment Company, Calistoga and Clear Lake Stage Company, Golden Gate Stages, Kern County Transportation Company, Pacific Stages, Inc., Boyd Stage Line, Pacific Coast Motor Coach Company and Coast Auto Lines.

The assets and liabilities of Pacific Greyhound Lines, Inc., as of June 1, 1930, giving effect to the purchase of the assets and operating rights and assumption of liabilities of the companies mentioned, are reported as follows:

<u>A S S E T S</u>	
Plant and equipment	\$5,929,382.20
Intangibles	\$1,904,830.02
Fixed assets.....	\$7,135,278.63
LESS depreciation reserve.....	<u>3,110,726.45</u>
Net fixed assets.....	<u>4,024,552.18</u>
Securities of other companies	56,544.76
Investment in Oregon Stages, Inc	475,983.22
Cash	495,107.67
Notes receivable	12,730.59
Accounts receivable	665,084.18
Affiliated company-California Parlor Car Tours Company	18,667.96
Agency, interline, general trade, etc. less reserve for doubtful accounts	<u>646,416.22</u>
Materials and supplies, less reserve for obsolescence	229,966.01
Special funds	22,829.24
Prepayments	69,193.29
Patent rights pending	2,923.03
Pacific Greyhound Lines, Inc. organization expense	407.10
Discount and expense on funded debt	<u>11,915.50</u>
Total assets	<u>\$7,972,066.79</u>

LIABILITIES

Capital stock-Common:	
Authorized 200,000 shares without par value	
Issued and outstanding 50,009 shares, total issue subject to pending order of C.R.C.	
Funded debt-equipment trust certificates due serially	\$565,000.00
Real estate mortgages payable	166,567.59
Notes payable	360,432.46
Interest accrued	7,436.03
Accrued liabilities-payrolls, taxes, etc.	180,730.53
Accounts payable	2,213,632.67
Affiliated companies:	
Pacific Greyhound Corporation.....	\$1,133,668.88
Union Auto Transportation Company	15,953.71
	<u>1,149,622.59</u>
Others	1,064,010.08
Reserve for employees' casualties	38,664.57
Deposits under leases, etc.	3,091.90
Net worth of operating companies merged.....	<u>4,436,511.04</u>
 Total liabilities.....	 <u>\$7,972,066.79</u>

There was filed with the Commission, as stated, a statement showing in some detail the items that make up the intangible capital of \$1,904,830.02. This amount is segregated to the different companies, as follows:

California Transit Company.....	\$ 832,958.09
Pickwick Stages System	622,939.06
Peninsula Rapid Transit Company...	17,000.00
Oregon Stages, Inc	329,468.89
Southern Pacific Motor Transport Co.	22,921.45
Sub-total.....	<u>\$1,825,287.49</u>
Discount on stock-California Transit Company.....	79,542.53
Total.....	<u>\$1,904,830.02</u>

Applicant Pacific Greyhound Lines, Inc., reports that because of the inadequate records of its predecessors, it is practically impossible to prepare a complete detailed analysis of the intangible capital item of \$1,904,830.02.

Section 52 (b) of the Public Utilities Act provides that:

"The Commission shall have no power to authorize the capitalization of the right to be a corporation, or to authorize the capitalization of any franchise or permit whatsoever, or the right to own, operate or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to

the state or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right."

The Commission by various decisions has placed applicant's predecessors 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 in no respect limited to the number of rights which may be given.

We do not believe that it is incumbent upon the Commission to make an analysis of applicant's records, or of the records of its predecessors, to determine how much of the \$1,904,830.02 represents payments by the original grantees for franchises or certificates of public convenience and necessity. We have considered the information submitted by applicant and have reviewed the Commission's decisions and find that of the \$1,904,830.02 reported as intangible capital, the sum of \$84,018.58 is properly chargeable to intangible capital account No. 200. The remainder, \$1,820,821.44 should be charged off.

The Commission has heretofore authorized applicant to issue 50,009 shares of its no par value common capital stock. As a result of the above adjustment in applicant's balance sheet as of June 1, 1930, its net worth as of that date was \$2,615,689.60. Against this net worth applicant should be permitted to issue 54,619 additional shares of stock.

Except for the adjustment in intangible capital, applicant's balance sheet as of June 1, 1930 is in satisfactory form.

FIRST SUPPLEMENTAL ORDER

The Commission having further considered the request of Pacific Greyhound Lines, Inc. to issue stock, and it being of the opinion that said applicant should be permitted to issue 54,619 shares of stock in addition to the 50,009 shares authorized by Decision No. 22469, dated May 23, 1930, that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose herein stated, and that such purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED, that Pacific Greyhound Lines, Inc., be, and it is hereby, authorized to issue on or before February 1, 1931, 54,619 shares of common no par value stock.

IT IS HEREBY FURTHER ORDERED, that the 54,619 shares of stock herein authorized to be issued, and the 50,000 shares, the issue of which is authorized by Decision No. 22469, dated May 23, 1930, be issued and sold on a basis of twenty-five dollars per share and the proceeds obtained from the sale of said stock be used to pay for, or said stock on said basis, be delivered to pay for, in part, for the properties, the transfer of which is authorized by the order in said decision No. 22469, dated May 23, 1930.

IT IS HEREBY FURTHER ORDERED, that Pacific Greyhound Lines, Inc., shall, on or before February 1, 1931, adjust its balance sheet accounts, as indicated in the foregoing opinion. Said balance sheet as of June 1, 1930, after said adjustment, is satisfactory.

IT IS HEREBY FURTHER ORDERED, that Pacific Greyhound Lines, Inc., shall keep such record of the stock herein authorized to be issued, 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.

IT IS HEREBY FURTHER ORDERED, that this application, insofar as it involves the issue of 5372 shares of stock be, and the same is hereby dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted to issue stock will become effective as of the date hereof. For all other purposes this order shall become effective ten days after the date hereof.

IT IS HEREBY FURTHER ORDERED, that the order in Decision No. 22469, dated May 23, 1930, shall remain in full force and effect, except as modified by this First Supplemental Order.

DATED at San Francisco, California, this 13th day of

January, 1931.

Cl. Seaver
Leon White
M. A. Linn
W. B. Linn

Commissioners.