

Decision No. 10443

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the application of)
PACIFIC AUTO STAGES, a corporation,)
to issue stock; and the application)
of FLOYD W. HANCHETT and NICHOLAS)
LOCICERO, operating and doing business) Application No. 7718
under the firm name and style of)
PACIFIC AUTO STAGE COMPANY, and)
PACIFIC AUTO STAGE COMPANY to trans-)
fer property.)

Devlin and Brookman, by Frank R. Devlin,
for Applicants.

BY THE COMMISSION:

O-P-I-N-I-O-N.

Floyd W. Hanchett and Nicholas Locicero and Pacific Auto Stages, a corporation, herein apply for an order of the Railroad Commission authorizing the transfer of the operative rights heretofore individually held by applicants, Hanchett and Locicero, to Pacific Auto Stages, a corporation. Applicant, Pacific Auto Stages, a corporation, herein applies for an order authorizing the issuance of one thousand shares of its capital stock of the aggregate par value of \$100,000 said stock to be issued in exchange for the rights, franchises, property and interests of applicants, Hanchett and Locicero, in stage lines heretofore operated by such applicants between San Francisco and San Jose.

A public hearing on this application was conducted by Examiner Handford at San Francisco on April 21, 1922, the matter was duly submitted and is now ready for decision.

The operative rights for the conduct of the stage lines operated by applicants, Hanchett and Locicero, are those existing by reason of operation in good faith prior to May 1, 1917, which was the date recognized by the Legislature in Chapter 213, Statutes of 1917, as that upon which operators in good faith were not required to secure a certificate of public convenience and necessity from the Railroad Commission nor permits from the governing bodies of the political subdivisions through which a route passed. While possessing individual operative rights, applicants, Hanchett and Locicero, have arranged their schedules and divided the business over the route between San Francisco and San Jose so that each have protected certain schedules rendering, in fact, practically a uniform operation as a result of the combined services under their individual operative rights. It is now proposed to transfer these rights to a corporation in the belief that the business can be thereby conducted in a more economical and efficient manner and the proposed transfer and future operation by the applicant corporation appears to be in the interest of the public and one that should be authorized.

We will now consider the request of Pacific Auto Stages to issue stock.

Testimony herein shows that each of the applicants, F. W. Hanchett and Nicholas Locicero, is the owner of separate operative rights and properties. They conduct their business jointly under the firm name and style of Pacific Auto Stage Company. It appears that each operator collects the revenues and pays the expenses arising from the operation of his own cars but that certain expenses, such as ticket agents' salaries, rentals, etc. are divided equally.

The articles of incorporation of Pacific Auto Stages show that it was organized on or about March 7, 1922, with an authorized

capital stock of \$150,000 divided into 1500 shares of the par value of \$100 each. The company now asks permission to issue \$100,000 of stock. It intends to deliver \$94,000 of stock to F. W. Hanchett and Nicholas Locicero in payment for their automobile properties and business, subject to existing indebtedness. It proposes to deliver \$6,000 of stock to F. W. Hanchett, Nicholas Locicero and Carl K. Sorensen in payment for properties owned jointly by them at the San Jose terminal and consisting of a store and business established for the convenience of patrons of Pacific Auto Stage Company. This business, as shown by testimony herein, represents a cash investment of \$6,000.

The properties which the corporation intends to acquire from F. W. Hanchett, Nicholas Locicero and Carl K. Sorensen are shown, in Exhibit "B" attached to the petition, to consist of the following:

Twenty-five automobiles valued at	\$81,150.00
Supplies, Machinery, tools, etc.....	10,712.85
Prepaid taxes, licenses, etc.,.....	3,150.00
Store and business at San Jose.....	<u>6,000.00</u>
Total	\$101,012.85

Applicants have not attempted to place any cash value on operating rights, going concern or leases.

F. W. Hanchett testified that the values of the automobiles are estimates of the present cost of replacing the properties. His testimony, and that of Nicholas Locicero, shows that both parties are satisfied with the values given to their respective automobiles. It appears that \$60,000 of stock will be delivered to F. W. Hanchett, \$38,000 to Nicholas Locicero and \$2,000 to Carl Sorensen.

The application shows that there is indebtedness aggregat-

ing \$2,025 outstanding against the automobiles owned by Nicholas Locicero. The payment of this indebtedness which appears to be the only indebtedness against the equipment, will be assumed by Pacific Auto Stages.

F. W. Hanchett and Nicholas Locicero have filed a statement showing the revenues and expenses of their automobile business for the year ending December 31, 1921, as follows:-

Gross Revenues:	
From passenger business	\$150,270.00
From other sources.....	480.00
Total revenues	<u>\$150,750.00</u>

Disbursements:	
Wages	46,159.00
Gasoline and Oil.....	20,117.00
Tires and tubes	31,438.00
Parts and accessories	10,663.00
Rents	6,850.00
Insurance, taxes, etc.,.....	9,630.00
Depreciation	12,824.00
Office Expenses, etc.,.....	2,425.00
Total disbursements	<u>\$140,106.00</u>

Net profit for year\$ 10,644.00

O-R-D-E-R .

Application having been made to the Railroad Commission for permission to transfer properties and operative rights and to issue stock, a public hearing having been held, and the Commission being duly advised and of the opinion that the transfers herein requested should be granted and that the money, property or labor to be procured or paid for through the issue of stock is reasonably required by Pacific Auto Stages.

IT IS HEREBY ORDERED, that F. W. HANCHETT and NICHOLAS LOCICERO be, and they are hereby, authorized to transfer, and PACIFIC AUTO STAGES be, and it is hereby authorized to acquire the properties described in Exhibit "B" attached to the applica-

tion herein.

IT IS HEREBY FURTHER ORDERED that PACIFIC AUTO STAGES be, and it is hereby, authorized to assume the payment of indebtedness of \$2,025.00 referred to in the preceding opinion and to issue at par \$100,000 of stock in payment for the properties it is herein authorized to acquire.

The authority herein granted is subject to the following conditions:

1. The price at which the properties are herein authorized to be transferred shall not be binding upon this Commission or any court or public body as a measure of value for rate fixing or for any purpose other than the transfer herein authorized.
2. Pacific Auto Stages shall keep such record of the issue and delivery 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, in so far as applicable, is made a part of this order.
3. The authority herein granted to transfer properties and operative rights and to issue stock will apply only to such transfer and issue as may be made on or before October 31, 1922.

4. Applicants, Hanchett and Locicero, will be required to immediately cancel all tariffs and time schedules as now filed with the Railroad Commission and applicant, Pacific Auto Stages, a corporation, will be required to immediately file tariffs and time schedules in accordance with the General Order No. 51 and other regulations of the Railroad Commission or to adopt as its own the tariffs and schedules as heretofore filed with the Railroad Commission by applicants, Hanchett and Locicero, all rates to be in either instance in accordance with those as heretofore filed by said applicants, Hanchett and Locicero.
5. The rights and privileges, transfer of which are hereby authorized, may not again be transferred, assigned, sold, leased, hypothecated or service thereunder discontinued unless such transfer, assignment, sale, lease, hypothecation or discontinuance of service has first received the written approval of the Railroad Commission.
6. No vehicle may be operated by applicant, Pacific Auto Stages, a corporation, under the authority conferred by this transfer unless such

vehicle is owned by said applicant or
is leased by such applicant under terms
and conditions satisfactory to the Rail-
road Commission.

Dated at San Francisco, California, this 12th day of
May, 1922.

H. B. Brundage

David M. Martin

J. F. Brundage
Commissioners.