

ORIGINAL

Decision No. 7111.

BEFORE THE RAILROAD COMMISSION OF  
THE STATE OF CALIFORNIA

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In the Matter of the Application of )  
WESTERN MOTOR TRANSPORT COMPANY, )  
a corporation, for authority to sell )  
and issue 3150 shares of its capital )  
stock; and )  
In the Matter of the Application of )  
WESTERN MOTOR TRANSPORT COMPANY, )  
a corporation, to purchase the fran- )  
chises, rights, equipment and property )  
of the auto stage line owned and ope- )  
rated by W.A. Gentry, for the transpor- )  
tation of passengers, for hire, between )  
Vallejo and Sacramento and between Napa )  
and Sacramento Junction. )

Application  
Number  
5144.

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Sanborn & Roehl, by A.B. Roehl, for applicants.

BY THE COMMISSION:

O P I N I O N.

WESTERN MOTOR TRANSPORT COMPANY asks authority to purchase operative rights and automobile equipment from W.A. Gentry, who is engaged in transporting passengers by automobile stages between Vallejo and Sacramento, and between Napa and Sacramento Junction; and to issue 3,150 shares (\$315,000 par value) of the stock for the purposes herein-after indicated. W.A. Gentry joins in the application in so far as it applies to the sale of his property.

A public hearing was held in this matter in San Francisco before Examiner Westover.

Western Motor Transport Company was organized on or about August 16, 1919, with an authorized stock issue of \$500,000. divided

into 5,000 shares of the par value of \$100.00 each. Stock in the amount of \$40,500 has been issued and is outstanding. The company now asks permission to issue additional stock in the amount of \$315,000.00. It proposes to issue \$15,000.00 of the stock to Aven J. Hanford, its president, as compensation for services in promoting, organizing and developing its business, and sell \$300,000 (3,000 shares) at \$75.00 per share, and use the proceeds for the following purposes:

To acquire property and rights from W.A.Gentry,...	\$ 20,000
To acquire 25 additional stages,.....	150,000
To acquire additional shop equipment,.....	20,000
To use in developing and extending its business,..	35,000
Total,.....	<u>\$225,000</u>

In regard to the issue of \$15,000 of stock to Aven J. Hanford, the only testimony offered was to the effect that Mr. Hanford had originated the enterprise, had made a number of trips to the central and southern portions of the state investigating the stage business in general, but had kept no record of the time devoted to the work nor the expenses incurred by him in connection therewith. The record shows that the work referred to was performed during a period of from 12 to 15 months prior to the hearing in December, 1919. During this period, Aven J. Hanford, O.H. Klatt and F.D. Everman organized Oakland-Vallejo Transit Company, a co-partnership, which acquired automobiles and established and operated an auto stage business between Rodeo and Oakland. In Decision No. 6848, dated November 15, 1919, the Railroad Commission authorized Oakland-Vallejo Transit Company to sell its properties and business to Western Motor Transport Company in exchange for \$40,000 of stock. The matter of organization and other expenses of the partnership were considered in Decision No. 6848, to which reference is hereby made, and we do not believe that the evidence before the Commission warrants the issue of any additional stock for purposes other than the acquisition of actual properties, and therefore, that portion of this application relating to the issue of stock for promotion services will be denied.

In Decision No. 6837, dated November 17, 1919, the Commission authorized Baughman & Lycke to transfer to W.A. Gentry certain operative rights. The record shows that at a cost of \$15,000, W.A. Gentry purchased from Baughman & Lycke 3 automobile stages and equipment. Since then, W.A. Gentry has acquired an additional automobile stage and equipment worth approximately \$5,000. The Western Motor Transport Company intends to acquire W.A. Gentry's automobile stages and equipment at an agreed cost of \$20,000 in cash.

Western Motor Transport Company asks permission to issue stock to purchase 25 new automobile stages at an estimated cost of \$150,000. The stages will have a seating capacity of 18 passengers. The company proposes to put 6 of them on the run between Vallejo and Sacramento, 11 between Oakland and Richmond and 8 between Oakland and Rodeo. Between the latter two points, the company is now operating 5 stages. To show the need for additional automobile stages to take care of present traffic, or that to be expected in the near future, Western Motor Transport Company has submitted since the hearing an exhibit showing that since June, 1919, the company's predecessor in interest, Oakland-Vallejo Transit Company, carried between Oakland and Rodeo 8,857 passengers, of which 1,280 were carried in hired conveyances, and that during November, 1919, 1,360 passengers out of a total of 9,613 were carried in hired conveyances. The record shows that the number of passengers carried during these months is fairly typical and indicates that about 15 per cent of the passengers were carried in hired conveyances. From December 15 to December 22, 1919, according to the testimony, 794 passengers applied for transportation between Oakland and Richmond, of whom about 30 per cent could not be accommodated. On the Gentry lines, for the month ending December 17, 1919, 9 per cent of the applicants (total applicants 1,303) were refused accommodation because of lack of equipment. Unless all applicants for transportation are taken care of, it cannot be said that the public is being properly served. We are satisfied that the Western Motor Transport Company should acquire additional equipment, but it by

no means follows that it is necessary for it at this time to purchase 25 additional stages.

The officers of the company believe that they can greatly stimulate stage travel by improving the service between Oakland and Sacramento so as to include two round-trips daily and by modifying the time schedule so as to better serve the public. To give this improved service, provide for heavy travel week-ends and holidays and for part of the equipment being idle at times while under repair, we consider that 15 additional stages will be ample at this time. The matter of purchasing additional equipment, if and when needed, can be covered by a supplemental order or orders herein to the extent that the issue of stock is asked for in this application.

The estimate of the cost of shop facilities and equipment including oil and gasoline storage and pumping facilities, appears to be reasonable.

As to the \$35,000 of additional capital to be used in developing and extending the business, the company proposed at the hearing that sales of stock for this purpose should only be authorized as needed through supplemental orders to be issued by the Commission.

Western Motor Transport Company asks permission to sell its stock at \$75.00 per share. The testimony herein, however shows that Oakland-Vallejo Transit Company, whose properties have been acquired by Western Motor Transport Company, earned 8 per cent on a \$100,000 valuation, though its investment was considerably less. We are in no way passing upon the value of the stock, but are of the opinion that the testimony herein does not warrant this Commission to permit Western Motor Transport Company to sell its stock at a figure as low as \$75.00 per share. In this connection, attention may properly be called to Decision No. 2385, dated May 12, 1915 (Vol. 6, Opinions and Orders of the Railroad Commission, p. 928-9), which decision was written by President Edgerton, in which he uses this

language:

"It would be extremely unfortunate if the idea should become lodged in the public mind that Commission authorization to issue stock entails a recognition or belief on the part of the Commission that such stock is necessarily a good investment. The Public Utilities Act does not contemplate that the Commission shall exercise any such function. It does contemplate that the Commission shall, in the exercise of its duties, see that the utility receives an adequate return for the stock which it issues, \* \* \* \* \*

"It has been the aim of the Commission, as far as could reasonably be done, to safeguard the issues of stocks and bonds. It has never pretended to say that stocks and bonds which it authorized were necessarily good stocks and bonds for an intending investor to buy. On the contrary, it has specifically and repeatedly stated that stocks and bonds issued upon Commission authorization must take their place in the financial world with stocks and bonds heretofore or hereafter issued, and were, therefore, liable to the same economic laws to which all investment is necessarily subject. There is no guarantee by the State. \* \* \*"

"Every stock and every bond issued with the authorization of this Commission should, by the investing public, be subjected to the same scrutiny and to the same test as any other stock or bond which might be available on the market for public purchase."

"My comments upon this subject are not intended to refer to any particular corporation."

O R D E R.

WESTERN MOTOR TRANSPORT COMPANY and W.A. GENTRY having applied for authority to transfer property, to operate an auto stage line for the transportation of passengers and to issue stock, as more fully described hereinabove, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock as is herein authorized is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that the application for the transfer of the property and operative rights of W.A. Gentry to Western Motor Transport Company be, and it is hereby, authorized, subject to the

following conditions:

- 1.--- W.A. Gentry shall immediately cancel all his tariffs and schedules now on file with the Railroad Commission, such cancellation to be in accordance with the provisions of General Order No. 51 and other regulations of the Commission.
- 2.--- Western Motor Transport Company, a corporation, shall file in its own name tariffs and time schedules, or to adopt as its own the tariffs and time schedules heretofore filed by said W.A. Gentry, all rates and fares to be the same as those heretofore filed with this Commission by said W.A. Gentry.
- 3.--- The rights and privileges, the transfer of which are hereby authorized, may not hereafter be assigned or transferred unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.
- 4.--- No vehicle may be operated by Western Motor Transport Company, a corporation, unless such vehicle is owned by said Western Motor Transport Company, or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

IT IS HEREBY FURTHER ORDERED that WESTERN MOTOR TRANSPORT COMPANY be, and it is hereby, authorized to issue and sell \$153,000.00 par value of its common capital stock, subject to the following conditions:

- A.--- Stock herein authorized shall be sold by Western Motor Transport Company for cash at not less than 85 per cent of its par value net to the company.
- B.--- The proceeds realized from the sale of the stock herein authorized shall be used for the following purposes:

To acquire from W.A. Gentry the property described in the petition,.....	\$20,000
To acquire additional shop equipment described in the petition,.....	20,000
To acquire 15 additional stages to be constructed along the lines set forth in the petition and testimony herein,.....	90,000

C.--- Western Motor Transport Company shall keep such record of the issue and sale of stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

D.--- The authority herein granted shall apply only to such stock as may have been issued on or before six months from the date hereof.

IT IS HEREBY FURTHER ORDERED that, that portion of the application requesting authority to issue 150 shares of capital stock for compensation for services rendered in connection with the promotion and organization of Western Motor Transport Company be, and it is hereby, denied.

Dated at San Francisco, California, this 17<sup>th</sup> day of February, 1920.

H. A. Loveland

H. A. Brundage

Dwight Martin  
Commissioners.