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Decision No. 8511.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of )  
GOLDEN GATE FERRY COMPANY, )  
a corporation, for an order autho- )  
rizing it to issue its capital stock )  
and for a certificate of public con- )  
venience and necessity. )

Application No. 6316.

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D.D. Sales for applicant.

LOVELAND, Commissioner.

O P I N I O N.

GOLDEN GATE FERRY COMPANY asks permission to issue \$1,000,000.00 of common stock to enable it to establish an automobile ferry service between San Francisco and Sausalito, Marin County.

Applicant corporation was organized in November, 1920, with an authorized stock issue of \$1,000,000.00 divided into 10,000 shares of \$100. each. It proposes to engage in the business of operating a line of ferry boats between the City of Sausalito, Marin County, and the City and County of San Francisco. The San Francisco terminal will be at the foot of Laguna Street; the Sausalito terminal about 1,100 feet south of the present Northwestern Pacific terminal. The distance between the terminals is reported to be a fraction over four and one quarter miles.

W.E. Kearney has assigned to applicant options to purchase and lease terminal properties in San Francisco. A stock purchaser should be familiar with these leases and the obligations they impose on the company.

There is filed in this proceeding and marked as Exhibit "F" an offer by Sausalito Land and Ferry Company in which the company is willing to lease Lots 59, 60, 61, 62, 63, 64, 65, 67 and 68 in Block "B", Section Map C, Sausalito Water Front, at a monthly rental of \$225.00 per month, subject to increase at the expiration of five year intervals.

W.E. Kearney has assigned to applicant a lease, Exhibit "B", between himself and Kearney Investment Company, wherein he has agreed to pay a monthly rental of \$1,250.00 or an annual rental of \$15,000.00 for the following properties:-

"Parcel One. Commencing at the point of intersection of the easterly line of Laguna Street extending northerly with the southerly line of Lewis Street, and running thence westerly along the southerly line of Lewis Street one hundred and seventy-one (171) feet three (3) inches, thence at right angles southerly three hundred and nine (309) feet four and one-half ( $4\frac{1}{2}$ ) inches; thence at right angles easterly one hundred and seventy-one (171) feet three (3) inches, and thence at right angles northerly three hundred and nine (309) feet four and one-half inches to the point of commencement.

"Parcel two. On the south by Sage Street, now Lewis Street, on the east by West Seventh Street, now Laguna Street, on the north by Purdy Street, and on the west by West Eighth Street, now Buchanan Street; Block 326, as numbered on aforesaid map.

"Parcel Three. On the south by Purdy Street, on the east by West Seventh Street, now Laguna Street, on the north by Alcatraz Street, and on the west by West Eighth Street, now Buchanan Street; Block 327, as numbered on aforesaid map.

"Parcel Four. On the south by Alcatraz Street, on the east by West Seventh Street, now Laguna Street, on the north by Lobos Street and on the west by West Eighth Street, now Buchanan Street; Block 328, as numbered on aforesaid map."

The purchase price of the properties has been fixed at \$250,000.00. All of the land is submerged; one block being outside and the other inside the bulkhead line.

W.E. Kearney has also assigned to applicant a lease and purchase agreement, Exhibit "C", between himself and George E. Bates, wherein he agrees to pay a monthly rental of \$400.00 or an annual rental of \$4,800.00 for the following property:

"COMMENCING at a point formed by the intersection of the northerly line of Jefferson Street with the center line of Laguna Street (produced northerly) and running thence westerly along the said line of Jefferson Street 223 feet 5 $\frac{1}{4}$  inches; thence at a right angle northerly 618 feet 9 inches to the southerly line of Lewis Street; thence easterly along said line of Lewis Street 223 feet 5 $\frac{1}{4}$  inches to the center line of Laguna Street (produced northerly), and thence southerly along said center line of Laguna Street produced 618 feet 9 inches to the point of commencement; being part of Western Addition Blocks Nos. 252 and 253, and the westerly one-half of Laguna Street produced northerly."

The purchase price of this property is fixed at \$80,000.00.

W.H. Kearney has also assigned to applicant a lease and option to purchase, Exhibit "D", between himself and Sierra and San Francisco Power Company wherein he has agreed to pay a monthly rental of \$200.00 or an annual rental of \$2,400.00 for the easterly one half of Western Addition, Block No. 455, formerly known as Western Addition, Block No. 251. At any time during the term of the lease W.H. Kearney or his assigns have the right to purchase all of the right, title and interest of the Sierra and San Francisco Power Company in the properties at a cost of \$40,000.00.

The annual rental for the two terminal properties is reported at \$24,900.00. The company has an option to purchase the San Francisco terminal properties at a cost of \$370,000.00. The purchase of these properties is in no way involved in this application.

In Exhibit "I" prepared by H.J. Brunnier, designing and consulting structural engineer, the cost of ferry slips, dredging, aprons and appurtenances is placed at \$141,000.00. His estimate is made up of the following items:

Ferry slips, aprons and appurtenances for both sides of the Bay, . . . . .	\$116,000.00
Two office buildings, one on each side of the Bay, . . . . .	5,000.00
Two scales, one on each side of the Bay, . . . . .	5,000.00
Dredging, . . . . .	<u>15,000.00</u>
Total, . . . . .	<u>\$141,000.00</u>

H.J. Brunner is of the opinion that on account of the San Francisco landing being in a protected cove, the ferry slip need not be more than 150 feet long. On the Sausalito side he suggests the construction of a 200 foot slip. All of the work is to be in accordance with the best modern engineering practice.

According to the record, applicant intends to acquire or construct a boat or boats that will have a sufficient speed to make the trip in 18 minutes. In its petition, applicant reports that it intends to construct or acquire two wooden hull side wheel automobile ferry boats, each having a carrying capacity of 80 automobiles of standard size, the estimated cost of which is reported at \$650,000.00. The testimony in this proceeding shows that applicant's management has not approved any particular type of boat. David W. Dickie, marine engineer and naval architect, a witness called by applicant, advises the construction of a vessel about 195 feet between propellers, which would be about 205 feet long, equipped with Diesel electric drive. Such a boat in his opinion will have a carrying capacity of 90 automobiles.

Applicant has agreed to file with the Commission for approval, as soon as prepared, its completed plans and specifications for its boat or boats.

The estimated cost of ferry slips and appurtenances, particularly the estimated cost of the boats, is subject to change and revision. The final estimated cost should be submitted to the Commission as soon as completed.

Applicant estimates its operating expenses at \$262,500.00 per annum. The expenses are obviously dependent to a large extent upon the nature of the boats which applicant will put in operation and upon other conditions not definitely known at this time.

Applicant in its prospectus attached to this petition, estimates its operating revenues during the first year of its operation at \$476,382.00. This estimate is based upon assumptions which, in my opinion, are unwarranted. Applicant reports that during 1918 86,739 automobiles and trucks and 215,618 automobile passengers were carried between San Francisco and Marin County. In 1919, the number of automobiles and trucks carried are reported at 128,345 and the number of automobile passengers at 307,000, representing an increase of 45 per cent over 1918. For 1920, it is estimated that the traffic will increase 40 per cent over 1919 and that during 1921 the increase will amount to 30 per cent over 1920. In 1920, the number of automobiles and trucks is estimated at 176,000 and the number of automobile passengers at 430,000, while for 1921, the number of automobiles and trucks carried is estimated at 228,000 and the number of automobile passengers at 559,000. Applicant not only assumes an almost continuous increase in traffic, but that it will secure all the automobile and truck traffic between San Francisco and Marin County. There is no ground for such assumption, for there is nothing in the record to show that the Northwestern Pacific intends to withdraw from service its automobile boats. To what extent applicant can attract traffic away from the Northwestern Pacific depends largely upon the class of service applicant will install and maintain.

Applicant asks the Commission for a certificate declaring that public convenience and necessity require the exercise of the right or privilege to establish and maintain its proposed service between the foot of Laguna Street, San Francisco, and Sausalito, -a distance of about  $4\frac{1}{2}$  miles. Under the Public Utilities Act, ferry

companies can begin operation without first having secured such an order from this Commission. That portion of the application will therefore be dismissed. In this connection, attention should be called to the fact that the Commission cannot protect the investors in this ferry company against future competition, no more than it now can protect the Northwestern Pacific against the competition of applicant corporation. A first-class service is the investor's only protection. It appears from the evidence that some time ago other parties contemplated the establishment of a ferry service across the Golden Gate. The operation of a ferry across the Golden Gate requires the consent of the War Department, for the reason that both terminals, -one in the vicinity of Fort Point, the other in the vicinity of Lime Point,- would be within military reservations. While applicant's president testified that permits to operate across the Golden Gate could not be secured, no records indicating a refusal to grant the necessary permits were introduced.

Applicant asks permission to sell its stock on a basis to net the company \$85.00 per share. It further asks permission to use 2½ per cent of the proceeds to pay expenses of incorporation, organization and fees of engineers and attorneys. Applicant has not entered into an agreement for the sale of its stock and intends to sell its stock by popular subscription. The stock is not being underwritten but the sale thereof will be directly under the management of applicant's officers. It is expected that the stock will be sold by applicant at the least possible expense and I certainly do not look with favor upon the officers of the corporation making any profit through the sale of the corporation's securities. They should receive a reasonable compensation for their services rendered and such compensation should not be dependent upon their success of selling securities.

Applicant has expressed a willingness to print on each stock subscription the fact that 15 per cent of the amount paid by subscribers must be used to pay commission and 2½ per cent to pay expenses of incorporation and organization, engineering and attorney

fees. This Commission is interested in seeing the service proposed by applicant established, but it is not willing that 17½ per cent of the proceeds be expended for commissions and various fees, unless there is an affirmative showing made that such payment is necessary. The interest of the Commission, as does that of applicant, extends not only to the sale of applicant's stock but also to the establishment of the ferry service contemplated. The fact that the Commission may authorize the sale of stock at \$85.00 per share net to the company does not warrant the payment of a 15 per cent commission.

Applicant intends to sell its stock for cash when possible. When cash sales can not be made, applicant plans to sell its stock upon the following terms:-- Twenty-five per cent cash, twenty-five per cent within ninety days of sale and fifty per cent within six months from date of sale. All deferred payments are to be evidenced by negotiable promissory notes. The Commission will not permit the company to accept notes for the balance due on stock subscriptions. No stock shall be delivered until fully paid. If the subscriber is unable to make full cash payment, the subscription agreement will show the balance due and there is no necessity to make him give a note for the balance due.

Any prospectus which may be issued by applicant, as well as the stock subscription agreements, shall recite that the order of the Railroad Commission authorizing the issue of the stock is permissive only and does not constitute a recommendation or endorsement by the Railroad Commission of said stock.

No proceeds from the sale of stock, except amounts necessary to pay bona fide and reasonable organization expenses, attorney and engineering fees and commissions, shall be expended, except as hereafter authorized. The amount expended for payment of organization expenses, attorney and engineering fees and commissions shall represent the actual bona fide expenses for these purposes and in no event

be in excess of 17½ per cent on the par value of stock sold. All other proceeds shall be deposited in a special fund in some bank or banks and expended only for such purposes as the Railroad Commission may hereafter authorize.

I herewith submit the following form of Order.

C R D E R

GOLDEN GATE FERRY COMPANY having applied to the Railroad Commission for permission to issue \$1,000,000.00 of stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor is reasonably required for the purposes indicated in the foregoing opinion and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that GOLDEN GATE FERRY COMPANY be, and it is hereby, authorized to issue \$1,000,000.00 par value of its common capital stock.

The authority herein granted is subject to the following conditions:

- 1.---The stock herein authorized to be issued shall be sold by applicant, for cash, at not less than par. No stock or stock certificates shall be issued or delivered until fully paid in cash by the subscriber therefor.
- 2.---Of the proceeds from the sale of stock herein authorized, 17½ per cent, if necessary, may be used to pay bona fide and reasonable organization and incorporation expenses, attorney fees, engineering fees and brokerage fees. The remainder of the proceeds and such portion of the 17½ per cent not necessary for the purposes mentioned, shall be deposited in a bank or banks and expended only for such purposes as the Railroad Commission may hereafter authorize.



- 3.--- Applicant shall file with the Commission the name and post-office address of each stock subscriber, with the amount of stock subscribed and payments made by each subscriber.
- 4.--- Applicant shall file with the Commission a copy of its prospectus, a copy of its stock subscription agreement and a copy of each and every agreement under the terms of which an individual or individuals are employed to act as agents or salesmen for applicant in selling the stock herein authorized.
- 5.--- On each stock subscription agreement and in any prospectus issued and distributed by applicant, shall appear this language:--
- "While the Railroad Commission has authorized the issue and sale of this stock, its order is permissive only and does not constitute a recommendation or endorsement of the stock."
- 6.--- Prior to the asking of bids from contractors, or the beginning of construction, applicant shall file with the Commission its final plans and specifications of its proposed ferry boats, slips, terminals and appurtenances.
- 7.--- Golden Gate Ferry Company shall keep such record of the issue and sale 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.
- 8.--- The authority herein granted will apply only to such stock as may be issued, sold or delivered on or before September 30, 1921.

IT IS HEREBY FURTHER ORDERED, that this application, in so far as it relates to a certificate of public convenience and necessity, be dismissed without prejudice.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 3<sup>d</sup> day  
of ~~December, 1920~~ January, 1921

J. H. [Signature]  
Frank [Signature]  
H. C. [Signature]

Commissioners.