

Decision No. 26338

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
B. P. McConnaha,
doing business as Humboldt Motor
Stages, to transfer to, and of the
Humboldt Motor Stages, Inc., a cor-
poration, to acquire the automobile
stage line of said B. P. McConnaha,
as referred to in Decisions Nos.
24786 and 25785, of said Railroad
Commission and to issue stock in
said corporation to said B. P. McCon-
naha therefor.

ORIGINAL

Application No. 19036.

Nelson & Ricks, for applicants.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing B. P. McConnaha to transfer auto stage operative rights and properties to Humboldt Motor Stages, Inc., and authorizing Humboldt Motor Stages, Inc. to issue \$10,000.00 of its common capital stock.

It appears that B. P. McConnaha, doing business under the firm name and style of Humboldt Motor Stages is engaged in operating an automobile stage service for the transportation of passengers, baggage and express between various points in Humboldt and Trinity Counties, and that Humboldt Motor Stages, Inc. is a corporation organized under the laws of the State of California, on or about June 3, 1933, for the purpose of acquiring the operating rights and properties under and by which the business is being conducted.

The operating rights to be transferred to Humboldt Motor Stages, Inc. are those referred to by the Commission in Decision No. 24786, dated May 23, 1932, in Application No. 17991, and in Decision No. 25785, dated April 3, 1933, in Application No. 18536, and permit operations between Eureka and Scotia via Fortuna; between Elk River Junction and Falk; between Eureka and Freshwater Camp; between Eureka and Trinidad via Crannell; between Eureka and Burnt Ranch via Blue Lake, Korbel and Willow Creek; between Orick and Orleans via Martin's Ferry and Weitchpec; between Willow Creek and Weitchpec via Hoopa; and between Orleans and Happy Camp via Somes Bar. The physical properties include eleven passenger stages and one express truck as set forth in Exhibits "C" and "D".

In the application it is set forth that the property to be transferred is of the reasonable value of \$12,000.00, with no allowance placed upon the operating rights. In Exhibit "D", which contains a balance sheet of B. P. McConnaha as of May 31, 1933, the properties and other assets, after deducting estimated accrued depreciation, are reported at \$8,567.61 and the outstanding liabilities at \$5,976.27, leaving a net worth of \$2,591.34. In this connection, however, the Commission is advised that in addition, B. P. McConnaha has expended approximately \$3,000.00 in making improvements to the properties, that he has paid the outstanding indebtedness at the rate of \$360.00 a month since the date of the balance sheet, and that he has incurred indebtedness of \$500.00 in the organization of the corporation and the preparation and presentation of this application.

It appears to the Commission, in considering this matter, that it should authorize the issue of stock only in an amount approximately equal to the reported net worth plus the additional sums referred to in the preceding paragraph, and the order herein, accordingly, will permit the issue by Humboldt Motor Stages, Inc. of not

exceeding \$7,500.00 of stock in paying for the rights and properties of B. P. McConnaha.

In making its order approving the issue and the transfer of properties the Commission wishes to place applicants 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 in the number of rights which may be given.

ORDER

Application having been made to the Railroad Commission for an order authorizing B. P. McConnaha to transfer auto stage operating rights and properties to Humboldt Motor Stages, Inc., and authorizing Humboldt Motor Stages, Inc. to issue \$10,000.00 of stock, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted only as herein provided, that the money, property or labor to be procured or paid for through the issue of \$7,500.00 of stock is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income, and that the application insofar as it involves the issue of the remaining \$2,500.00 of stock should be dismissed without prejudice;

IT IS HEREBY ORDERED, that B. P. McConnaha, doing business under the firm name and style of Humboldt Motor Stages be, and he hereby is, authorized to transfer to Humboldt Motor Stages, Inc. the operating rights and properties referred to in the foregoing opinion and in this application.

IT IS HEREBY FURTHER ORDERED, that Humboldt Motor Stages, Inc. be, and it hereby is, authorized to issue not exceeding \$7,500.00 par value of its common capital stock in paying for the operating rights and properties which B. P. McConnaha is herein authorized to transfer to it.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted is subject to the following conditions:-

1. B. P. McConnaha and Humboldt Motor Stages, Inc. shall unite immediately in common supplement, to be filed in triplicate, to the tariffs on file with the Railroad Commission covering operations under the rights herein authorized to be transferred, B. P. McConnaha on the one hand withdrawing, and Humboldt Motor Stages, Inc. on the other hand, accepting and establishing as its own such tariffs and all effective supplements thereto.
2. B. P. McConnaha shall withdraw time schedules filed in his name with the Railroad Commission covering his service under the operating rights herein authorized to be transferred, and Humboldt Motor Stages, Inc. shall file, in duplicate, in its own name time schedules covering such service, which schedules shall be identical with the time schedules now on file with the Commission, or time schedules satisfactory to the Commission.

3. The rights and privileges herein authorized to be transferred may not hereafter be sold, transferred, leased nor assigned, nor service thereunder discontinued, unless the written consent of the Railroad Commission to such sale, transfer, lease or assignment has first been secured.
4. No vehicle may be operated by Humboldt Motor Stages, Inc. under the authority granted herein, unless such vehicle is owned by Humboldt Motor Stages, Inc. or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.
5. Humboldt Motor Stages, Inc. shall keep such record of the issue of the stock herein authorized as will enable it to file, within thirty(30) days thereafter, a verified report such as is required by the Railroad Commission's General Order No. 24, which order insofar as is applicable, is made a part of this order.
6. The authority herein granted will become effective fifteen (15) days after the date hereof.

IT IS HEREBY FURTHER ORDERED, that the application insofar as it involves the issue of the remaining \$2,500.00 of stock be, and it hereby is, dismissed without prejudice.

DATED at San Francisco, California, this 18th day of September, 1933.

W. J. Linn
W. B. Harris

Commissioners.