

Decision No. 26312.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
(a) JOE FERRANT to sell and AIRDROME
TRANSPORT, LTD., to purchase the op-
erative rights, equipment and all
other assets used in the transporta-
tion of passengers and their baggage
by automobile between San Francisco
and Oakland and East Bay airports,
between San Francisco and Mills Field
and between Los Angeles and outlying
airports, California, and (b) Air-
drome Transport, Ltd., to issue five
hundred shares preferred stock and
two thousand shares common stock for
the purposes hereinafter stated.

ORIGINAL

Application No. 19372

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing Joe Ferrant to transfer operating rights, auto stage equipment and other assets to Airdrome Transport, Ltd. and authorizing Airdrome Transport, Ltd. to issue \$20,000.00 of common stock and \$5,000.00 of preferred stock in financing the cost thereof, and in addition, to issue all or any part of its remaining unissued common stock.

The application recites that Joe Ferrant is at the present time, and has been for four years last past, engaged continuously in the operation of automobile lines for the transportation of passengers and their baggage between San Francisco and Oakland on the one hand and East Bay airports on the other hand; between San Francisco and Mills Field, San Mateo County; and between Los Angeles and

outlying airports, under certificates of public convenience and necessity granted by the Commission as follows:-

Decision No. 22534, dated June 13, 1930, in Application 16540
 Decision No. 25478, dated Dec. 23, 1932, in Application 18601
 Decision No. 26102, dated June 26, 1933, in Application 18951

The growth and extent of the business is indicated by the annual reports filed with the Commission for the last four years which show the revenues and expenses as follows:-

Year	Operating Revenues	Operating Expenses	Net Loss	Net Profit
1930	\$11,958.30	\$11,408.69	\$-----	\$ 549.61
1931	17,718.36	19,123.27	1,404.91	-
1932	31,773.19	34,128.31	2,355.12	-
1933	36,275.98	36,002.03	-	273.95

The balance sheet of the business as of March 1, 1934 is shown in Exhibit "B" attached to the application herein as follows:-

<u>A S S E T S</u>	
<u>CURRENT ASSETS:</u>	
Cash	\$ 40.93
Accounts Receivable	<u>1,213.45</u> \$ 1,254.38
<u>EQUIPMENT:</u>	
Thirteen automobiles	13,965.24
Machinery and Tools	914.00
Furniture and Fixtures	504.00
Sub-total	<u>15,383.24</u>
LESS depreciation	<u>3,808.17</u> 11,575.07
Cost of obtaining and protecting franchise	2,500.00
Maintaining franchise	2,500.00
Incorporating expense	<u>500.00</u>
TOTAL	<u>\$18,329.45</u>
<u>L I A B I L I T I E S</u>	
Accounts payable	\$3,678.57
Contracts payable	<u>1,784.90</u> \$ 5,463.47
Balance	<u>12,865.98</u>
TOTAL	<u>\$18,329.45</u>

It appears from the application that Joe Ferrant, believing the business can be conducted better by a corporate organization, has caused the organization of Airdrome Transport, Ltd. and has made arrangements to transfer to it his certificate of

public convenience and necessity, equipment and other assets.

The Articles of Incorporation of Airdrome Transport, Ltd. show that it was organized under the laws of the State of California, on or about March 7, 1934, with an authorized capital stock of \$50,000.00, divided into 5,000 shares of the par value of \$10.00 each, of which 4,500 shares are common and 500 are preferred. The preferred shares bear cumulative dividends at the rate of seven percent per annum and are callable at \$10.50 each.

The application shows that the corporation in payment for the properties of Joe Ferrant proposes to issue \$20,000.00 of common stock and to assume the payment of liabilities not exceeding \$6,000.00. In addition, it proposes to issue \$5,000.00 of preferred stock, at 90, to liquidate in part such liabilities. Further, as part consideration for the transfer of the properties, it proposes to grant to Joe Ferrant, for one year, the right to purchase the unissued common stock at eighty percent of par value. The corporation requests in this application permission to perform these acts.

However, it does not appear to us that the assets and the business are sufficient to support a \$25,000.00 stock issue. The balance sheet as of March 1, 1934 shows total assets of \$18,329.43, after deducting estimated depreciation, and of \$22,137.62 before deducting depreciation. The order herein will authorize the issue of not exceeding \$15,000.00 of common stock and \$5,000.00 of preferred stock.

As to the request of the corporation to issue additional common stock to Joe Ferrant, no showing is made as to the necessity for such issue and this portion of the application will be dismissed.

In making the order herein we wish to place the new company upon notice that operating rights themselves 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 Joe Ferrant to transfer autostage operating rights and properties to Airdrome Transport, Ltd., and authorizing Airdrome Transport, Ltd. to issue 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 \$15,000.00 of common stock and \$5,000.00 of preferred stock is reasonably required for the purposes specified herein, which purposes are not in whole or in part reasonably chargeable to operating expense or to income, and that the request to issue additional common stock should be dismissed without prejudice;

IT IS HEREBY ORDERED, that Joe Ferrant be, and he hereby is, authorized to transfer to Airdrome Transport, Ltd. the operating rights and autostage equipment and assets, referred to in the foregoing opinion and in this application, subject to indebtedness of not exceeding \$6,000.00.

IT IS HEREBY FURTHER ORDERED, that Airdrome Transport, Ltd. be, and it hereby is, authorized to issue, on or before June 30, 1934, not exceeding \$15,000.00 par value of its common capital stock in part payment for the properties and operating rights referred to herein and assume indebtedness of not exceeding \$6,000.00.

IT IS HEREBY FURTHER ORDERED, that Airdrome Transport, Ltd. be, and it hereby is, authorized to issue on or before June 30, 1934, at not less than ninety percent of par value, \$5,000.00 of preferred stock and to use the proceeds to pay in part the aforesaid indebtedness.

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

1. Joe Ferrant and Airdrome Transport, Ltd. 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, Joe Ferrant on the one hand withdrawing, and Airdrome Transport, Ltd. on the other hand, accepting and establishing as its own such tariffs and all effective supplements thereto.
2. Joe Ferrant shall withdraw time schedules filed in his name with the Railroad Commission covering its service under the operating rights herein authorized to be transferred, and Airdrome Transport, Ltd. 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 Airdrome Transport, Ltd. under the authority granted herein, unless such vehicle is owned by it or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.
5. Airdrome Transport, Ltd. 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 applicable, is made a part of this order.
6. The authority herein granted will become effective twenty (20) days from the date hereof.

IT IS HEREBY FURTHER ORDERED, that the application insofar as it involves the request to issue common stock in addition to the \$15,000.00 herein authorized, be, and it hereby is, dismissed without prejudice.

DATED at San Francisco, California, this 2^d day of April, 1934.

C. C. [Signature]
Leon [Signature]
M. J. [Signature]
M. B. [Signature]
[Signature]
Commissioners