

Decision No. 29932.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
BRIDGE BUS LINES CORPORATION for  
certificate of public convenience  
and necessity to operate a motor  
coach line service for the transpor-  
tation of passengers, baggage and  
mail, as a common carrier, for com-  
pensation, between the City and County  
of San Francisco, State of California,  
and the County of Marin, State of Cali-  
fornia, and between various intermediate  
points within the said County of Marin.

ORIGINAL

Application No. 20053

Hugh McKevitt, Edgar C. Levey, Carlos R. Freitas, Jerome A.  
Duffy and Marvin E. Lewis, for Bridge Bus Lines  
Corporation.  
E. C. Lucas and T. Finkbohner, for Pacific Greyhound Lines,  
Inc.  
George H. Harlan, for Golden Gate Bridge and Highway District.  
T. C. Nelson, for Marvelous Marin, Inc.  
John J. O'Toole, Dion R. Holm, and Paul L. Beck, for the City  
and County of San Francisco.  
Edwin T. Coman, for the San Rafael Chamber of Commerce.  
Ivores R. Dains, and Henry A. Plattner, representing Wm. M.  
Abbott, for the Market Street Railway Company.  
E. J. Foulds and R. S. Myers, for the Northwestern Pacific  
Railroad Company.  
Harry See, for the Railroad Brotherhoods.  
F. Boeken, for the Municipal Railway of San Francisco.  
Richard M. Lyman, Jr., for Louis Lurie.  
Frederick Thompson, for the Board of Supervisors of Marin  
County.  
Douglass Brookman, for John W. L. Anderson.  
C. J. Simpson, for National Organization of Masters, Mates, and  
Pilots, Local No. 40; Marine Engineers' Beneficial Asso-  
ciation, Local No. 97; Ferry Boatmen's Union of the  
Pacific; and the Amalgamated Association of Railway and  
Motor Coach Employees of America.  
A. F. Gaynor, associated with Harry See, for the Brotherhood  
of Railway Trainmen.  
Lucas E. Kilkenny, Deputy Attorney General, for the State of  
California, and the Board of State Harbor Commissioners.  
W. J. Varley, for the Southern Council of Civic Clubs.  
Erwin C. Easton, for the North Central Improvement Association,  
et al.

WARE, COMMISSIONER:

OPINION

This application was finally submitted to the Commission for a decision on March 22, 1937. Thereupon, and after full consideration of the evidence before it, every member of this Commission recognized that the proposed service was doomed to failure and would prove disastrous to the communities affected. Because of the grave concern of the Commission regarding the inauguration and maintenance of adequate transportation facilities over the Golden Gate Bridge for the benefit of the citizens of the Bay region, this opinion will discuss in detail the history of the instant application and the reasons for a refusal to grant a certificate. An error in judgment committed at this time would prove to be a critical mistake. The record impels the conclusion that the proposed service would prove unprofitable and unsuccessful, and that the allowance of its trial at this time would be inimical to the public interest. Therefore, to grant this unwarranted certificate at this momentous period in the development of the Bay area, Marin County and the entire Redwood Empire, looms before us as a blunder of major proportions.

The above entitled application was filed with the Commission July 8, 1935. In nonconformity with our Rules of Procedure, said application failed to show such essentials as:

1. estimate of capital structure;
2. estimate of operating results;
3. fare structure;
4. time schedules;
5. proposed routes and terminus in San Francisco.

On August 7, 1935, applicant filed an appendix supplemental to applicant's original application setting forth proposed fares, schedules and routes, but this appendix did not include any estimates of capital requirements or of operating results.

Notwithstanding these vulnerable, if not fatal, omissions, hearings began on February 10 and continued on March 31, April 1, June 2, August 18, September 24, October 29, November 17, 18, 19, 20, December 1, 3, 14, 29, 1936, January 14, 27, 29 and 30, 1937. It was not until November 18, 1936, that an exhibit was offered setting forth the estimates of capital requirements and operating results, and not until November 19, 1936, more than sixteen months after the original application was filed, that applicant filed its belated supplemental application herein, setting forth its proposed method of financing. Therein the Commission saw for the first time applicant's showing with respect to the essential elements above, and theretofore omitted by applicant from both allegation and proof.

Testimony was taken on sixteen of the above dates.<sup>(1)</sup> The last trial date was January 30, 1937, and the final brief was filed March 22, 1937. The record consists of 1394 pages of transcript, together with 41 exhibits.

#### Issues

The issues raised by the applicant are twofold: first, whether or not applicant should be granted a certificate of public convenience and necessity to operate an interurban bus line between the City and County of San Francisco on the one hand, and in a general way that portion of Marin County now served by the Northwestern Pacific Railroad Company's interurban lines on the other hand; and, secondly, if such a certificate is granted, should applicant be authorized to issue and sell \$1,500,000 of stock.

#### Present and Proposed Service

The territory proposed to be served by applicant is for the most part, now served by Northwestern Pacific Railroad by a combination of ferry and electric train service. Applicant alleges that it can provide a superior transportation service to that now offered by

---

(1) Testimony was taken at San Francisco before Commissioner Ware, February 10, March 31, April 1, June 2, and November 17, 18, 19, and 20, 1936; and before Examiner Hunter, December 1, 3, 14 and 29, 1936, and January 14, 27, 29 and 30, 1937.

the Railroad Company, at the same rates in effect on the rail line at the time the application was submitted. (2) To accomplish this, applicant proposes to operate over four major routes, all of which follow the same line between the north approach to the Golden Gate Bridge in Marin County and the San Francisco loop terminal via Battery, Bush and Montgomery Streets. In a general way these four routes are between San Francisco on the one hand and the following communities in Marin County on the other hand:

ROUTE A - Larkspur, San Anselmo, Fairfax and San Rafael.

ROUTE B - Sausalito, Mill Valley, Belvedere and Tiburon.

ROUTE C - Lansdale, San Anselmo, Fairfax and Manor.

ROUTE D - San Rafael (Express).

Applicant proposes to purchase 95 busses, each having 40 passenger capacity, and each costing \$10,650.

The proposed bus operation, if the schedules are maintained, provides for a more frequent service than is now offered by the Northwestern Pacific Railroad, as shown in the following tabulation:

Locality	Headway between trains and between motor coaches - in minutes		
	Train & ferry	Motor Coach	
		: Maximum	: Minimum
		: Schedule	: Schedule
<u>Monday to Saturday, Inc:</u>			
<u>Peak Hours:</u>			
Sausalito	30	3	3
Mill Valley	30	3	3
Belvedere	30	30	30
San Anselmo	30	5	5
San Rafael	30	7½	7½
<u>Off Peak:</u>			
Sausalito	60	30	30
Mill Valley	60	30	30
Belvedere	60	60	60
San Anselmo	60	30	30
San Rafael	60	60	60

(2) Effective May 27, 1937, one-way and round trip fares on the Northwestern Pacific Railroad were materially reduced.

(continued)

	:	Headway between trains and between motor coaches - in minutes		
Locality	:	:		
	:	Train &	Motor Coach	
	:	ferry		
	:	:	Maximum	Minimum
	:	:	Schedule	Schedule
<u>Sundays</u>				
<u>Peak Hours:</u>				
Sausalito	30	7 $\frac{1}{2}$	7 $\frac{1}{2}$	
Mill Valley	30	7 $\frac{1}{2}$	7 $\frac{1}{2}$	
Belvedere	30	60	60	
San Anselmo	30	7 $\frac{1}{2}$	7 $\frac{1}{2}$	
San Rafael	30	30	30	
<u>Off Peak:</u>				
Sausalito	60	15	30	
Mill Valley	60	15	30	
Belvedere	60	60	60	
San Anselmo	60	15	30	
San Rafael	60	30	30	

#### Financial Structure of Applicant

Bridge Bus Lines Corporation was organized with an authorized capital stock of \$1,000,000 divided into 100,000 shares of the par value of \$10 each, all common. It intends to increase its authorized stock to \$2,000,000 divided into 200,000 shares of the par value of \$10 each, all common.

Heretofore the company has issued and sold at par for cash \$10,000 of stock under permission granted by the Commissioner of Corporations prior to the time the present application was filed with this Commission. The proceeds from this initial issue were used for preliminary organization expenses.

The company now proposes to issue and sell \$1,500,000 of stock at par for cash and to use \$225,000, 15 per cent of the par value of stock sold, to pay brokerage or commission charges and to use the remaining 85 per cent to pay \$90,000 organization costs, to finance the cost of equipment, and to provide working capital. Specifically, its requirements appear as follows:

Brokerage and commissions	\$225,000
Organization and preliminary expenses	90,000
Motor coaches - 95 at \$10,650	1,011,750
Fare boxes - 95 at \$260	24,700
Service cars	5,000
Machinery, tools, etc.	20,000
Buildings, structures	30,000
Furniture and fixtures	5,000
Materials and supplies	20,000
Working cash	75,000

Total	\$1,506,450
Total par value of stock proposed	1,510,000
Balance for which no showing is made	3,550

#### Preference of the Public

Two studies were conducted for the purpose of obtaining an expression from the public as to its choice of the proposed bus service and that of the Northwestern Pacific Railroad. One was conducted by the applicant and the other by Golden Gate Bridge and Highway District's Engineer, Lester S. Ready.

In making applicant's study, questionnaires were mailed to all parties whose names appeared on the 1934 Great Register of Voters in Marin County, excepting those who resided in districts entirely outside the limits of the area to be served by the proposed operations. The question asked by applicant was, "Which travel method would you prefer after bridge is complete if rates are about the same - - - train and ferries vs bus line over the bridge?"

The study of Mr. Ready was made by passing out questionnaires to each northbound passenger crossing the Bay from San Francisco to Marin County on the line of the Northwestern Pacific Railroad Company during the entire operation of Wednesday, June 17, 1936. The passengers were requested to supply the answers to two questions and deliver the questionnaires to collectors stationed

in Marin County. The questions contained in this questionnaire were:

1. With the future service by either train and ferry or bus service, but not both, which do you favor if the fare and travel-time will be the same by either route?
2. Under the same conditions which would you favor assuming it were possible to save ten minutes by bus service?

The return to applicant's questionnaire was 31.6% from commuters and 68.4% from occasional riders. The return from Mr. Ready's questionnaire was approximately 70% from commuters, 25% from occasional riders and 5% from others.

An analysis of the return to the questionnaires is shown in the following tabulation:

FROM APPLICANT'S EXHIBIT NO 8. PAGE 45

Class of Rider	Preference for				Total
	Train	Bus Over			
	and Ferry	Golden Gate Bridge	None		
Occasional	26.5%	71.2%	2.3%		100%
Commute	32.5	65.1	2.4		100
Total	30.9	66.7	2.4		100

FROM EXHIBIT NO. 7 (L. S. READY'S REPORT)

Class of Rider	Preference for			
	Train and Ferry	Bus over	G. G. Bridge	
	Question 1	Question 2	Question 1	Question 2
Occasional	51%	41%	49%	59%
Commute	60	44	40	56
Other	93	90	7	10
Total	59	45	41	55

This, in brief, outlines the offer of applicant and a somewhat restricted expression of preference for the existing and proposed transportation facilities obtained from a cross-section of the general public (return to applicant's questionnaire), and of the commuting public (return to L. S. Ready's questionnaire).

The Commission is mindful that the welfare of Marin County requires, from and to San Francisco, a rapid, efficient and economical mode of transportation. Improved and expedited transportation will aid in the growth and development of this section of the state. The completion of the Golden Gate Bridge has linked physically together for the first time San Francisco and Marin County and naturally a considerable portion of the public desires to utilize the bridge to the best advantage. The people of Marin County should be accorded the advantages of any avenue of transportation which can be utilized economically to attain this end.

However, realizing the great importance of transportation to Marin County, the Commission must carefully weigh many factors and closely scrutinize the facts before it to determine if the public interest would be best served by the granting or denying of this application. An error committed now will result in visiting great hardship and loss upon both the traveling and investing public.

The major problems here presented are (1) the ability of applicant to profitably operate, (2) the ability of applicant to maintain its proposed schedules, (3) applicant's financial responsibility, (4) protection of the investing public, and (5) the ultimate effect upon the traveling public of Marin County if this application were granted.



### Applicant's Ability to Profitably Operate

The record contains various estimates of the cost of performing the proposed service. These were presented variously by applicant, the Golden Gate Bridge and Highway District, and protestant Northwestern Pacific Railroad Company. The following tabulation shows these estimates.

#### COMPARISON OF ESTIMATES OF RESULTS OF OPERATION

	Ex. 17.	Ex. 7.	Ex. 34.	Ex. 41.
		Ready	Sines	Hopkins
	Hopkins	for G.G.B.	for	for
I t e m	for Appl.	& H'wy Dist.	N.W.P.R.R.	Appl.
(1)	(2)	(3)	(4)	(5)
<u>ESTIMATED OPERATING REVENUE:</u>	\$800,000	\$800,000	\$800,000	\$1,000,000
<u>ESTIMATED OPERATING EXPENSES:</u>				
Bus Operators	\$157,292	\$177,300	\$165,137	-
Fuel for power	80,625(a)	124,740(b)	101,513(c)	-
Garage Labor	32,250	34,650	33,838	-
Tolls	40,000(d)	-	40,000	\$ 50,000
All other trans. expense	40,362	33,439	40,759	377,000
TOTAL EST. OPER. EXP.	\$350,529	\$370,129	\$381,237	\$ 427,000
<u>MAINTENANCE:</u>				
Tires	\$ 29,025	\$ 31,185	\$ 30,454	-
Depreciation (e)	84,165	133,219	206,702	-
All other maintenance	66,000	71,000	69,175	-
TOTAL MAINTENANCE	\$179,190	\$235,404	\$306,331	\$ 217,500
<u>TRAFFIC</u>	\$ 6,200	\$ 5,000	\$ 6,200	\$ 6,200
<u>GENERAL &amp; MISCELLANEOUS:</u>				
Salaries and Expenses of				
General Officers	\$ 25,000	\$ 15,000	\$ -	\$ 25,000
Taxes	44,200	20,100	-	-
All other Gen. & Misc.	93,800	77,700	-	165,000
TOTAL GEN. & MISC.	\$163,000	\$112,800	\$163,000	\$ 190,000
TOTAL OPER. EXPENSE	\$698,919	\$723,333	\$856,768	\$ 850,700
INTEREST	-	120,000	-	-
GRAND TOTAL	\$698,919(a)	\$843,333(b) \$810,993(a)	\$856,768(c)	\$850,700(a)
<u>NET REV. (BEFORE INTEREST)</u>	\$101,081		\$ 56,768*	\$ 149,300
(AFTER INTEREST)		\$ 43,333*(b) \$ 10,993*(a)		

\* Denotes Red Figures

- (a) Gas at 10.0¢ per gal.
- (b) Gas at 13.5¢ per gal.
- (c) Gas at 12.0¢ per gal.
- (d) With a maximum of 160,000 bus trips per year = \$40,000  
(bus and passengers) (Ex. 5)
- (e) Basis used in determining Depreciation on buses:
  - Exs. Nos. 17 and 41 - 10-year life - 5% sinking fund
  - Ex. No. 7 - 10-year life - 4% sinking fund
  - Ex. No. 34 - 7-year - straight line.

That there is conflict in the estimates of the costs of operation may be seen from the above. Applicant has made two estimates, one based upon an estimated revenue of \$800,000 per year and the other based upon an estimated revenue of \$1,000,000 per year. Under the first estimate, applicant obtains a net revenue, before interest of \$101,081 and under the second estimate a net revenue, before interest of \$149,300. Mr. Ready, on a contemplated revenue of \$800,000 per year estimates that applicant will operate at a deficit, after interest, of \$10,993 if applicant is able to purchase gasoline at 19¢ per gallon, and \$43,333 if the price of gasoline is 13½¢ per gallon. In Mr. Ready's estimate, no charge has been made for tolls, which would amount to \$40,000 per year, thus making estimated deficits of \$50,993 and \$83,333, respectively.

It is obvious that applicant has used the most favorable costs in arriving at its estimates. For instance, it has computed the cost of gasoline at 10¢ per gallon, but with rising costs and prices, we do not believe that fuel will be obtained at this price. Likewise, considering the present trend, it is not unlikely that applicant will be confronted with increased labor costs. Depreciation has been computed on a 10 year, 5% sinking fund basis, and we believe that such basis is too low, particularly if consideration is given to obsolescence. Moreover, all of the above estimates were made by assuming that applicant would obtain all of the traffic now moving via the Northwestern Pacific Railroad. This assumption is erroneous, as the record shows that the rail company has no immediate plan to discontinue its interurban service, even though the proposed

service is inaugurated by applicant. (3) But even assuming that eventually the Northwestern Pacific Railroad would be forced to abandon its interurban service, no consideration has been given to the competition of the Pacific Greyhound Lines which for many years exercised and now proposes to exercise operative rights (the legality of which rights are now challenged by applicant) to perform local service between San Francisco and a major portion of that area proposed to be served by applicant and which is now served by the Northwestern Pacific Railroad.

Moreover, effective May 27, 1937, the Northwestern Pacific Railroad substantially reduced many of its one-way and round-trip fares on its suburban lines. These rates were met by the Pacific Greyhound Lines. As applicant proposes to operate in competition with the Northwestern Pacific Railroad, granting the assumption that traffic will be stimulated, a reduction in applicant's operating revenue will likely result if it meets the Northwestern Pacific Railroad fares. A comparison of the fares proposed by applicant and those now in effect via the Northwestern Pacific Railroad between San Francisco and some of the more important Marin County points is shown below:

Between San Francisco and	ONE WAY FARES		ROUND TRIP FARES	
	: Proposed	: Present	: Proposed	: Present
	: by	: by	: by	: by
	: Applicant	: N.W. Pac.	: Applicant	: N.W. Pac.
Waldo	30	20	40	30
Alto	36	25	--	40
Corte Madera	42	35	65	50
Larkspur	48	35	65	50
Kentfield	48	35	65	50
San Anselmo	48	35	65	50
San Rafael	48	35	65	50
Mill Valley	36	25	53	40
Lansdale	48	35	--	50
Fairfax	48	35	65	50

(3) The return to the questionnaire (see page 7) shows that a considerable portion of the traveling public (30.9% to 59%) would still use the service of the Northwestern Pacific Railroad.

On this record it must be concluded that not only has applicant failed to sustain the burden of proof by a convincing showing that it could operate at a profit, but, considering other factors hereinafter discussed, the conclusion is inescapable that the service cannot be performed at a profit.

Applicant's Ability to Maintain  
Proposed Schedules

Computed on the basis of 58% commuter patronage, applicant estimates that the average saving of time to the Marin County commuter with the proposed service would be 15.8 minutes, and to the occasional rider 11.50 minutes, or a weighted average saving in time for both commuter and occasional riders of 13.93 minutes. It is also estimated by applicant that 25% of all riders would be able to eliminate a street car ride in San Francisco.

A comparable study of the probable saving in time was also made by Mr. Ready (Exhibit No. 7 ). His results are shown in the following tabulation:

Comparative Travel-Time Between "Office"  
and "Home"

(In Minutes)

COMMUTE - All Zones in	Via	Via	Time
San Francisco to	N.W.P.R.R.	Bus	Saved
Sausalito	48.5	38.95	9.55
Belvedere	69.5	62.05	7.45
Mill Valley	63.5	50.41	13.09
San Anselmo	68.5	65.43	3.07
Manor	76.5	73.52	2.98
San Rafael - via San Anselmo	81.5	56.98	24.52
" " " detour	68.5	56.98	11.52
All zones in Marin County	64.21	56.38	7.83

Commute and Occasional:

Entire Day - All San Francisco Zones to all Marin County Zones	66.14	59.56	6.58
--	-------	-------	------

The first route proposed was via Van Ness Avenue, but this was not acceptable to the City and County of San Francisco. Following the rejection of this plan applicant then attempted to enter via Columbus Avenue, which was likewise disapproved by the City and County. Applicant then proposed to operate via the Embarcadero, which is under the jurisdiction of the State of California, but was unable to receive the consent of the State officials. Finally, applicant was forced to accept the irregular route via Battery, Bush and Montgomery Streets, through an extremely congested area. Applicant proposes to operate busses during the peak period on a headway of approximately 45 seconds, without the use of terminals, relying entirely upon curb loading in an area which is not conducive to expedited loading and unloading of passengers or to an expedited movement of the vehicles.

The lack of terminals and the congested area through which applicant proposes to operate cast grave doubt on the ability to maintain the proposed schedules. Unless these schedules are maintained the public will not be benefited materially, if at all, in a saving of time.

Applicant's Financial Responsibility

As heretofore stated, applicant now proposes to issue and sell \$1,500,000 of stock at par for cash and to use (\$225,000) 15 per cent of the par value of stock sold to pay brokerage or commission charges and to use the remaining 85 per cent to pay organization costs, to finance the cost of equipment, and to provide working capital. The record indicates that arrangements have been made by applicant whereby Mr. Lyman Grimes, of the firm of Grimes and Swift, will undertake to sell the stock covered by this application.

Mr. Grimes testified that he and his associates would not underwrite the issue but would act as agents for the company, that they are not committed to acquire any stock, and that in the event they were unable to market the entire amount they would be at liberty to close the campaign and to withdraw from the transaction.

Harry E. Speas, Vice President of applicant, testified that the company may decide to place its order for its busses in advance of the receipt of the total proceeds from the sale of the stock, in which case a line of credit would be established with the vendors of said equipment whereby the company could make a down payment of ten per cent of the cost and carry the balance over a period of three years with interest at the rate of six per cent per annum. The record in this connection shows that nothing is included for interest in the

company's estimate of capital costs or of expense of operation. Moreover, no request has been made for authority to execute such evidences of indebtedness.

Under the plan just outlined the title to the equipment would remain in the manufacturer or seller. The applicant would have nothing but the sales contract and would be without title to the buses until all conditions contained in said sales contract were fully performed. The record shows that under existing conditions applicant would not be able to meet its obligation under said sales agreement. In such a disastrous event, we see the likelihood of repossession of said equipment by the seller. Thereupon the stockholders would have nothing to represent their investment but the empty shell of the corporation plus the certificate authorizing the operation with no equipment with which to operate. We are forced to the conclusion from our analysis of the estimated earnings that the creation of such a capital indebtedness would seriously jeopardize any investment in the stock of applicant company.

Applicant's estimate of its capital requirements includes an allowance for organization and preliminary expenses of \$90,000, which amount is segregated by Mr. Hopkins, applicant's engineer, as follows:

Administration (service to Mr. Speas for two and one-half years as organizer) .....	\$25,000
Legal Expenses .....	36,000
Engineering Expenses .....	4,000
Office Supplies and Secretarial Help .....	5,000
Preliminary Expenses .....	<u>20,000</u>
Total---	<u>\$90,000</u>

The \$25,000 item, it appears, is a straight salary allowance for Mr. Speas, such expenses as he may have incurred being in addition thereto and being included in the other

preliminary expenses. There is nothing in the record showing the actual expenses incurred for organization and preliminary costs or other promotion expenses; and there is little, if any, showing as to the reasonableness of the allowances included in the foregoing tabulation.

If the company were successful in selling the \$1,510,000 of stock at par, it would use 78.90% of the proceeds, or \$1,191,450 to acquire busses and equipment, service cars, machinery, tools, buildings, furniture and fixtures, materials and supplies and working capital and would use 21.10% of the proceeds or \$318,550 to pay stock selling, legal fees, organization and preliminary expenses or for purposes not specified. Such an overhead expense is unwarranted and beyond reason.

We cannot on the basis of the record regard this undertaking other than a promotional enterprise in which the organizers do not come forward with any money in hand to finance the enterprise. They have submitted no evidence of either their ability or inclination to supply a substantial portion of the funds needed by applicant. As the matter has been presented to this Commission the proponents intend to secure by sale of stock to outsiders practically all the money necessary to establish the service. Mr. Speas testified that "our hope and purpose is to spread the stock holdings as widely as possible." They propose to use \$90,000 of stock proceeds to compensate themselves and pay legal fees and preliminary expenses, and use \$225,000 of stock proceeds to pay commissions to sell the stock. The project is not financed.

This Commission in numerous instances has denied applications for permission to issue securities when it felt that



an enterprise would prove unprofitable and when from its inception it would be burdened with an unusually large expenditure for organization purposes. This is known to applicant's counsel, one of whom, in cross-examining a witness, asked the following question:

"You know, of course, that the Railroad Commission would not grant a permit to any applicant unless the Railroad Commission through its financial department, was satisfied that the applicant could be properly financed and that the applicant could make money in furnishing the public service, don't you?" (Transcript p. 672).

We have already found herein that the service proposed by applicant will prove unprofitable. It therefore follows that applicant's proposed stock issue cannot be classified as an investment stock. Moreover, a wide distribution thereof is proposed. If this were a case where an individual sought to invest his own money in a competitive enterprise we might view the situation differently. As it is, we do not know who the stockholders will be, whether they will be in a position to meet their financial obligations, or the full extent of their inevitable suffering by reason of their investment in an enterprise which seems foredoomed to failure.

The proposed plan is unsound. The best time to recognize its infirmities is the present. The conclusion is inescapable that applicant has utterly failed to show that it is financially able to inaugurate and maintain the proposed service. It is unquestionably in the interests of the communities affected to have the application denied now, for the way is thereby left wide open for the inauguration of a service, adequately financed, dependable, and enduring, and which the future may demonstrate as being in the public interest.

### Protection of the Investing Public

For the Commission to permit the issuance and widespread distribution of this stock with its approval, would be a betrayal of its trust to the public. The Commission, if this application were granted, would, in effect, place its stamp of approval upon the stock as a reasonably prudent investment. This is not a case where the doctrine of caveat emptor can be invoked, for, under the law, the Commission is charged with the duty of scrutinizing and passing upon stock issues of public utilities. The small investors invest heavily in public utilities' securities with the assurance that their soundness has been passed upon and approved by the Commission. We do not mean by this that the Commission can be charged with guaranteeing to either the utility or the investor success and dividends. All privately operated utilities embark upon a course beset with unforeseen hazards and possible failures. These are the dangers and chances which continually confront the investing public. But we do emphatically mean that the Commission is charged, among its primary duties and functions, to protect the investing public from any promotion upon whose very face appears the likelihood of failure and disaster. The instant proposal appears to us as being one of this kind.

### The Effect Upon the Traveling Public of Marin County

As heretofore stated, interurban transportation from and to Marin County is now provided by the Northwestern Pacific Railroad and Pacific Greyhound Lines. Both of these lines, in so far as this record is concerned, propose to continue operation. For the time being at least, Marin County with three carriers would have a superabundance of transportation, and two of these carriers, Bridge Bus Lines Corporation and Northwestern Pacific Railroad, would be operating at a loss. Were this Commission to grant the certificate as prayed

for, the entire field of transportation of passengers by common carriers between Marin County points and San Francisco would become immediately demoralized; and we fear that the public would experience, at an early date, the deplorable condition where they would enjoy no major service whatsoever, where the Northwestern Pacific Railroad would have retired from the field, and where a multitude of small investors, wholly unable to afford such losses, would find themselves stripped of their investment in the Bridge Bus Lines Corporation by reason of its failure to survive.

A breakdown of the major transportation system in Marin County, whatsoever system this might be, would be a disastrous blow to this section of California, and one from which recovery would be far removed.

The Commission will deny this application. This action is not to be construed as a finding that a bus service over the Golden Gate Bridge is not in the public interest. Indeed it may be that in the not distant future some plan may be presented to the Commission by a financially responsible applicant whereby a rapid, efficient, and enduring transportation service could be inaugurated and maintained. But to grant this application at this time under the circumstances may foreclose for years the realization of any plan for a rapid and efficient service from and to Marin County.

The Commission also admonishes the Northwestern Pacific Railroad Company that the denial of this application does not constitute an approval of its present service. With the development of the district which is now following the opening of the Golden Gate Bridge, we may expect to see substantial developments in the Marin area. Public transportation should show the way for

such developments and the Northwestern Pacific Railroad Company is now placed upon notice that it must do its full public duty in the way of providing satisfactory and adequate transportation to this district. The Commission will watch this situation and will direct its encouragement and succor to that form of common carrier service best calculated to render unto the public the most satisfactory, rapid, and economical transportation.

The following form of Order is recommended:

O R D E R

Public hearings having been held in the above entitled proceeding and the matter being now ready for decision,

IT IS HEREBY ORDERED that said application is hereby denied.

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 9<sup>th</sup>  
day of July, 1937.

William H. Moore  
Leon A. Whidell  
Frank R. Deane  
Raymond H. Jones  
Ray L. Ciley  
Commissioners.