

Decision No. 21666

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
MT. LASSEN MOTOR TRANSIT, INC., )  
for authority to issue and sell )  
seventy thousand(70,000) shares of )  
its capital stock and to purchase )  
(a) the operating rights, equipment )  
and all other assets of Sam Aronson )  
and P. A. Taylor, co-partners, used )  
in the transportation of passengers, )  
baggage and property for compensa- )  
tion by automobile between all points, )  
and (b) certain real and personal )  
property of said co-partners used in )  
the operation of a garage business at )  
Susanville, California; and of Sam )  
Aronson and P.A.Taylor, co-partners, )  
to sell and transfer the said property )  
to MT. LASSEN MOTOR TRANSIT, INC. )

ORIGINAL

Application No. 21666

BY THE COMMISSION:

O P I N I O N

This is an application for an order of the Railroad Commission authorizing Sam Aronson and P. A. Taylor to sell and transfer to Mt. Lassen Motor Transit, Inc. operative rights, properties and assets, and authorizing Mt. Lassen Motor Transit, Inc. to issue \$70,000.00 par value of its common capital stock.

It appears that Sam Aronson and P. A. Taylor are co-partners engaged in the operation of an automobile and truck sales agency and motor vehicle repair and tire shop and garage in Susanville and also in the operation of automobile stage lines for the transportation of passengers, baggage and property for compensation between

1. Red Bluff, California and Reno, Nevada, via Westwood, Susanville and California-Nevada State Line near Purdy, California;
2. Mineral and Lassen Volcanic National Park loop service embracing Viola and Lake Manzanita, thence southerly to Mineral, California;
3. Chester and Drakesbad via Lees Camp, California;
4. Chester and Juniper Lake via Camerons;

5. Westwood and Keddie via Chester and Canyon Dam, California, or via east side of Lake Almanor and Canyon Dam, thence southerly via Greenville and Indian Falls, California ;
6. Westwood and Halls Flat, and between Susanville and Halls Flat and/or from Westwood via Facht and McCoy Flat Reservoir, and laterally for a distance of fifteen miles on either side of said routes.

The operative rights permitting such operations were acquired by Sam Aronson and P. A. Taylor from Mt. Lassen Transit Company pursuant to authority granted by the Commission by Decision No. 30702, dated March 14, 1938, in Application No. 21810.

The present application shows that arrangements have been made for the transfer by the co-partners of their operative rights, properties and assets to a new corporation, Mt. Lassen Motor Transit, Inc., which they have caused to be organized, and the issue by the new corporation of \$45,000.00 of its common capital stock in payment therefor and of \$25,000.00 of stock for working capital. In this connection the application shows the assets and liabilities to be transferred as of April 1, 1938, as follows:-

ASSETS

Land and building	\$25,450.00	
Tools and equipment	2,886.50	
Tire shop equipment	2,052.78	
Furniture and fixtures	235.00	
Revenue passenger cars	11,000.00	
Intangible capital	2,350.00	
Cash in bank	700.00	
Total assets		\$ 44,674.28

LIABILITIES

Notes payable .	\$ 5,529.51	
Contracts payable	1,500.00	
Total liabilities		7,029.51
Proprietorship		<u>\$ 37,644.77</u>

The revenue freight cars to be transferred consist of four 1929 White buses and two 1935 White buses reported to have cost originally \$29,800.00 and to have a present value of \$11,000.00, the amount

included in the foregoing statement. The land and buildings, reported to have an estimated present value of \$25,450.00, include properties in Susanville consisting of thirteen lots, four garage buildings and five dwelling houses. The outstanding indebtedness is comprised of two mortgage notes on a portion of the real properties and a conditional sales contract for the tire shop equipment as follows:-

Name of Payee	Rate of Interest	Monthly Payment	Amount Unpaid
Bank of America, Susanville Branch	5%	\$ 59.24	\$ 2,092.03
Bank of America, Susanville Branch	6%	75.00	3,437.48
Gurley-Lord Tire Co.	6%	125.00	1,500.00
Totals .....		<u>\$259.24</u>	<u>\$ 7,029.51</u>

It will be noted that the amount of stock proposed to be issued in payment for properties, that is, \$45,000.00 par value, is substantially equivalent to the reported investment in or estimated present value of such properties, whereas the net worth, after deducting the outstanding liabilities, as of April 1, 1958, was \$37,644.77.

In our opinion the stock to be issued in payment for the properties of the co-partnership should not exceed, in total par value, the net proprietors' investment in the business and properties, as indicated in the financial statement filed in this proceeding in support of the applicants' requests, and therefore we will authorize at this time the issue of \$37,644.00 of stock for this purpose. We will have no objection to the issue in the future of additional stock to pay the indebtedness of \$7,029.51 or to reimburse the treasury because of surplus earnings used to pay such indebtedness. This, however, is a matter which is not now before us in this proceeding.

In making this order the Commission wishes to place Mt. Lassen Motor Transit, Inc. 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 to the number of rights which may be given.

#### ORDER

Application having been made to the Railroad Commission for an order authorizing the transfer of operative rights, properties and assets and the issue of \$70,000.00 of stock, and the Commission having considered the application and being of the opinion that this is not a matter in which a public hearing is necessary, that the transfer should be authorized, as herein provided, that the money, property or labor to be procured or paid for through the issue of \$62,644.00 par value of stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that the request to issue the remaining \$7,356.00 of stock should be denied without prejudice,

IT IS HEREBY ORDERED that Sam Ironson and P.A. Taylor be, and they hereby are, authorized to sell and transfer to Mt. Lassen Motor Transit, Inc. on and after the date hereof and prior to June 30, 1938, the operative rights, properties and assets referred to herein, and Mt. Lassen Motor Transit, Inc. be, and it hereby is, authorized in payment therefor to issue on or after the date hereof and prior to June 30, 1938 not exceeding \$37,644.00 par value of its common stock and to assume the payment of the outstanding mortgage notes and contracts, not exceeding \$7,029.51, referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that Mt. Lassen Motor Transit, Inc. be, and it hereby is, authorized to issue and sell on or after the date hereof and prior to March 31, 1939, at not less than par,

\$25,000.00 of its capital stock and to use the proceeds for working capital.

The authority herein granted is subject to the following conditions:-

1. Sam Aronson and P. A. Taylor, co-partners, and Mt. Lassen Motor Transit, Inc., a corporation, applicants herein, shall join in common supplement to be filed in triplicate to the tariffs on file with the Commission in the names of the co-partners, said co-partners on the one hand withdrawing from such tariffs and said corporation on the other hand adopting and establishing as its own such tariffs and all effective supplements thereto.

2. Sam Aronson and P. A. Taylor shall within twenty(20) days after the effective date of this order, withdraw all time schedules filed in their names with the Railroad Commission and Mt. Lassen Motor Transit, Inc. shall file in duplicate, time schedules covering its service under the operating rights herein authorized to be transferred to it, such time schedules to be identical with those heretofore filed by said co-partners, 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 has first been secured.

4. No vehicle may be operated by Mt. Lassen Motor Transit, Inc. under the authority herein granted, unless such vehicle is owned by it or is leased by it under a contract or agreement on a basis satisfactory to the Commission.

5. Mt. Lassen Motor Transit, 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-A, which order insofar as applicable, is made a part of this order.

6. The authority herein granted to sell and transfer the rights and/or property shall lapse and be void if the parties hereto shall not have complied with all the conditions within the periods of time fixed herein unless, for good cause shown, the time shall be extended by further order of the Commission.

7. Mt. Lassen Motor Transit, Inc. shall, prior to the commencement of service authorized and continuously thereafter, comply with all of the provisions of the Commission's General Order No. 91.

IT IS HEREBY FURTHER ORDERED that the application insofar as it involves the issue of the remaining \$7,356.00 of stock be, and it is, hereby denied without prejudice.

IT IS HEREBY FURTHER ORDERED that the authority herein granted, except as otherwise specified, will become effective fifteen(15) days from the date hereof.

DATED at San Francisco, California, this 2nd day of May, 1938.

Walter H. Hays  
Leon A. Whittell  
Frank R. Whittell  
Rafael Whittell  
W. C. Hays  
Commissioners.