

Decision No. 31599

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of WILLIAM C. KEMBLE to sell, and FELICIEEN P. LANDIER to purchase, and FELICIEEN P. LANDIER to sell, and LANDIER TRANSIT CO., INC., a corporation, to purchase, an automobile passenger stage line operating between 103 and Graham Avenue, Los Angeles, and 118 and Compton Avenue, Los Angeles County, and automobile passenger service and stage line operating between Central and Manchester Avenues, Los Angeles, and Tweedy Road and Santa Fe Avenue, Los Angeles County, and for Order authorizing issue of shares of stock of LANDIER TRANSIT CO., INC. in consideration for said transfer.

ORIGINAL

Application No. 22406

BY THE COMMISSION:

O P I N I O N

The Commission is asked in this proceeding to authorize William C. Kemble and Felicien P. Landier, co-partners doing business under the firm name and style of Kemble & Landier to transfer their operative rights and other public utility properties to Landier Transit Co., Inc. The Landier Transit Co., Inc. asks permission to issue \$84,000.00 of stock in payment of said properties and for other properties not used for public utility purposes.

The Commission by Decision No. 30362 dated November 29, 1937 in Application No. 21498 authorized the transfer of a certificate of public convenience and necessity to William C. Kemble and Felicien P. Landier, co-partners. The certificate authorized them to operate an automobile passenger bus service over the following streets:-

Beginning at 103rd and Graham Streets, Los Angeles, West to Compton Avenue, South on Compton Avenue to 118th Street, thence east on 118th Street to Wilmington, thence north on Wilmington Avenue to 103rd Street, thence West on 103rd Street to point of beginning.

By Decision No. 30363 dated November 29, 1937 in Application No. 21513 the Commission granted to William C. Kemble and Felicien P.

Landier, co-partners, a certificate of public convenience and necessity to operate an automobile passenger bus service over and along the route hereinafter described, with the right to serve intermediate points between termini of said route and transfer passengers to and from their present route. The route over and along which said service may be rendered, is, in said Decision No. 30363, described as follows:-

1st Terminal:- Central and Manchester, East on Manchester to Hooper Avenue; South on Hooper to 92nd Street; East to Zamora Avenue; South to 99th Street; West to Central Avenue; South to 103rd Street to Alameda Street; North to Tweedy Road; East to Santa Fe Avenue.

2nd Terminal:- Tweedy Road at Santa Fe Avenue, West on Tweedy Road to Alameda Street; South to 103rd Street; West to Central Avenue; North to 99th Street; East to Zamora Avenue; North to 92nd Street; West to Hooper Avenue; North to 87th Street; West to Central Avenue; North to Manchester Avenue to the point of beginning.

In addition to conducting a public utility transportation business over the said routes, the co-partnership is engaged in a local transportation business in Watts and in the operation of school buses. For the first eleven months of this year it reports operating revenues of \$60,520.22. Of this revenue \$47,676.26 is said to represent school bus business, \$10,319.60 Watts local business and \$2,522.36 Manchester line business.

The assets and liabilities which are to be transferred to the Landier Transit Co., Inc. are in Exhibit F, as of November 5, 1938, reported as follows:-

A S S E T S

Cash on hand and in bank		\$ 149.36
Accounts receivable		5,625.92
Stock on hand		1,772.67
Machinery, furniture and fixtures		1,775.00
45 buses, depreciated cost		51,467.86
Real estate and improvements		15,334.00
Franchises		50,000.00
Watts local	\$ 23,000.00	
Manchester Line	7,000.00	
School (31) Handicap, L.A.	15,000.00	
School (9), L.A.	5,000.00	
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Total assets . . . . . \$126,124.81

LIABILITIES

Notes payable	\$3,000.00
Accounts payable	5,743.11
Balance due on equipment contracts	24,052.11
Accrued taxes	133.01
Accrued payroll	1,761.81
Due on real estate	928.00
Due F. P. Landier for advances to company	6,716.17
Net worth	<u>83,790.60</u>
Total liabilities	<u>\$126,124.81</u>

It will be observed that in arriving at a net worth of \$83,790.60 applicants have included \$50,000.00 for franchise value. We do not believe such franchises as are reported in this application should be capitalized through the issue of stock in excess of the amount expended by the original grantees of the franchises to obtain them. No report showing the expenditures by the original grantees has been submitted. The order herein will authorize Landier Transit Co., Inc. to issue at this time \$34,000.00 of stock in part payment for said properties. If applicants will file with the Commission a detailed statement showing the amount expended by the original grantees for franchises which Landier Transit Co., Inc. will acquire, we will give consideration to the issue of additional stock.

The agreement between William C. Kemble and F. P. Landier filed in this proceeding as Exhibit "B" provides that F. P. Landier and his continuing partner, if any, and/or the corporation formed by him, will jointly and severally covenant with William C. Kemble that they and each of them will duly pay and satisfy all debts and liabilities of the partnership and that each of them will at all times effectually indemnify and keep indemnified William C. Kemble, his heirs, executors and administrators. It appears that the Landier Transit Co., Inc. will assume all of the obligations of the partnership.

In making the order herein 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 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.

#### O R D E R

Application having been made for the transfer of the operative rights and properties referred to in the foregoing opinion and the issue of stock, the Commission having considered the request of applicants and it being of the opinion that this is not a matter in which a public hearing is necessary and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED that William C. Kemble and Felicien P. Landier, co-partners, doing business under the firm name and style of Kemble and Landier be, and they are hereby, authorized to transfer to Landier Transit Co., Inc. on or before February 1, 1939 their certificates of public convenience and necessity granted by Decision No. 30362 dated November 29, 1937 in Application No. 21498; and by Decision No. 30363 dated November 29, 1937 in Application No. 21513, and their public utility properties, said transfer to be made pursuant to the terms and conditions of the agreement filed in this proceeding as Exhibit "B", provided-

1. The consideration to be paid for the property herein authorized to be transferred shall never be urged before this Commission or any other rate fixing body as a measure of value of said property for rate fixing or for any purpose other than the transfer herein authorized.

2. Applicants William C. Kemble and Felicien P. Landier, co-partners, and Landier Transit Co., Inc. shall join within twenty(20) days after the effective date of this order in common supplement to the tariffs on file with the Commission covering service given by William C. Kemble and Felicien P. Landier, co-partners, said William C. Kemble and Felicien P. Landier, co-partners, withdrawing and applicant Landier Transit Co., Inc. accepting and establishing as its own such tariffs and all effective supplements thereto.

3. Applicant Landier Transit Co., Inc. shall within twenty(20) days after the effective date of the order herein, file in duplicate in its own name time schedules covering service heretofore given by applicant William C. Kemble and Felicien P. Landier, co-partners, which time schedules shall be identical with the time schedules now on file with the Railroad Commission in the name of said last named applicants, or time schedules satisfactory to the Railroad Commission.

4. The rights and privileges herein authorized to be transferred may not be sold, leased, transferred nor assigned nor service thereunder discontinued unless the written consent of the Railroad Commission to such sale, lease, transfer or assignment or discontinuance has first been obtained.

5. No vehicle may be operated by applicant Landier Transit Co., Inc. unless such vehicle is owned by said applicant or is leased by it under a contract or agreement on a basis satisfactory to the Commission.

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.

IT IS HEREBY FURTHER ORDERED that Landier Transit Co., Inc. be, and it is hereby authorized to issue on or before February 1, 1939, in part payment for the properties referred to in the foregoing opinion, \$34,000.

of its common capital stock, the issue of which stock the Commission hereby finds to be reasonably required by applicant for the purpose of paying in part for such properties and the issue of which is not in whole or in part reasonably chargeable to operating expenses or to income.

IT IS HEREBY FURTHER ORDERED that within thirty(30) days after the acquisition of the aforesaid properties by Landier Transit Co.,Inc. said Landier Transit Co.,Inc. shall file with the Commission a statement showing the amount of stock issued under the authority herein granted and to whom said stock was issued; also a copy of the deed or deeds and bill of sale under which it acquires and holds title to said properties.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 27<sup>th</sup> day of December, 1938.

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COMMISSIONERS.