

Decision No. 32295

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of UNION PACIFIC STAGES OF CALIFORNIA, a California corporation, to transfer upon dissolution, and INTERSTATE TRANSIT LINES, a Nebraska corporation, to acquire an automobile passenger line operated between Long Beach and Los Angeles, California, and the California-Nevada State Line near Wheaton Springs, California.

ORIGINAL

Application No. 22953

BY THE COMMISSION:

O P I N I O N

Union Pacific Stages of California, a corporation, has petitioned the Railroad Commission for an order approving the transfer by it to Interstate Transit Lines, a Nebraska corporation, of operative rights for the automotive transportation as a passenger stage corporation, of passengers and express, in general between Los Angeles and California-Nevada State Line near Wheaton Springs and between Los Angeles and Long Beach, as particularly described in the decisions of the Commission, as hereinafter set forth, creating the operative rights therefor; and Interstate Transit Lines has petitioned for authority to acquire said operative rights and to hereafter operate thereunder.

The transfer is to be in accordance with an agreement, a copy of which, marked Exhibit "B," is attached to the application herein and made a part thereof. The agreement sets forth that Interstate Transit Lines, a Nebraska corporation, is now and always has

been the owner of the entire outstanding capital stock of Union Pacific Stages of California, a California corporation, which latter corporation was created solely for the purpose of conducting intrastate stage line operations in California at a time when such operations could not lawfully be conducted by a foreign corporation; and that whereas it is now lawful for such operations to be conducted by a foreign corporation, the necessity no longer obtains for the existence of a subsidiary domestic corporation; it is desired, therefore, that such operations be conducted by the parent company. It was thereupon agreed that whenever the necessary authority shall have been obtained from the Railroad Commission of California, the California corporation shall transfer and convey unto the Nebraska corporation all of its assets, including operative rights and franchises other than its franchises to be a corporation, whereupon, or as soon thereafter as may be demanded by the California corporation, the Nebraska corporation shall transfer to the California corporation for cancellation all of the outstanding capital stock of the California corporation. Upon the completion of the transfer of the assets of Union Pacific Stages of California, said corporation will be dissolved.

The operative rights proposed to be transferred are those created in Union Pacific Stages of California by Decision No. 24451, dated February 8, 1932, on Application No. 17951; Decision No. 28606, dated March 2, 1936, on Application No. 19448, as amended by Decision No. 28627, dated March 16, 1936; Decision No. 28780, dated May 4, 1936, on Application No. 20507; and Decision No. 28985, dated July 16, 1936, on Application No. 20623.

The Union Pacific Stages of California has filed a report

with the Railroad Commission for the year 1938, in which report it shows, among other things, the following:

Operating revenues		\$209,708.32
Expenses:		
Operation and maintenance	\$128,638.80	
Depreciation	5,034.42	
Operating taxes and licenses	15,183.02	
Operating rents (net)	<u>39,765.31</u>	
Total Expenses		<u>\$188,621.55</u>
Net Operating Revenue		21,086.77
Federal Income Tax		<u>3,784.86</u>
Net Income		\$ 17,301.91

The order herein will authorize Union Pacific Stages of California to transfer its operative rights to Interstate Transit Lines, subject, among others, to the condition that said Interstate Transit Lines keep its accounting and operating records in such form that will enable it to file with the Railroad Commission of the State of California, annual statements of its operating revenues, operating expenses and operating statistics appertaining to its California business. We will, of course, expect Interstate Transit Lines to file with us the reports required by our General Orders and likewise annual reports of its entire operations and of its California operations in the prescribed form.

This is not a matter requiring a public hearing, and we are of the opinion that the authority requested is in the public interest.

Interstate Transit Lines is hereby placed 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.

O R D E R

IT IS ORDERED that Union Pacific Stages of California, a corporation, is hereby authorized to transfer to Interstate Transit Lines, a corporation, and Interstate Transit Lines is hereby authorized to acquire the operative rights referred to in the foregoing opinion, in accordance with the terms of the agreement marked Exhibit "B," attached to the application herein and made a part thereof, and to hereafter operate thereunder, subject to the following conditions:

1. The authority herein granted shall lapse and be void if applicant shall not have complied with all of 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.
2. That Interstate Transit Lines keep its accounting and operating records in such a form that will enable it to file with the Railroad Commission of the State of California, the reports required to be filed by the Commission's General Orders and likewise file annual reports of its entire operations and of its California operations in the form prescribed by the Railroad Commission of the State of California.
3. Applicant Union Pacific Stages of California shall within thirty (30) days after the effective date of the order herein and upon not less than five (5) days' notice to the Commission and the public, unite with applicant Interstate Transit Lines in common supplement to the tariffs on file with the Commission covering the service given under the operative rights herein authorized to be transferred, applicant Union Pacific Stages of California withdrawing, and applicant Interstate Transit Lines accepting and establishing such tariffs and all effective supplements thereto.
4. Applicant Union Pacific Stages of California shall within thirty (30) days after the effective date of the order herein and upon not less than five (5) days' notice to the Commission and the public, withdraw all time schedules filed in its name with the Railroad Commission and applicant Interstate Transit Lines shall within thirty (30) days after the effective date of the

order herein and upon not less than five (5) days' notice to the Commission and the public file in duplicate in its own name time schedules covering service heretofore given by applicant Union Pacific Stages of California which time schedules shall be satisfactory to the Railroad Commission.

5. The rights and privileges herein authorized 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, assignment or discontinuance has first been obtained.
6. No vehicle may be operated by applicant Interstate Transit Lines unless such vehicle is owned by said applicant or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 5th day of September, 1939.

Robert W. Bunker
Frank D. Bunker
Ray H. Brey
H. B. B. B.
Justice J. Casner
COMMISSIONERS