

Decision No. 31112

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of FLOYD )  
B. PEARSON, doing business under the name )  
and style of Palo Alto Transit, to sell, )  
and FRANK J. KNAPP and JOHN P. DEMETER, )  
doing business under the name and style )  
of Palo Alto City Lines, to purchase, )  
automobile passenger operative right now )  
being conducted in the city of Palo Alto )  
and between Palo Alto, North Palo Alto, )  
United States Veterans' Hospital and in- )  
termediate points. )

ORIGINAL

Application  
No. 23973

BY THE COMMISSION:

O P I N I O N

Floyd B. Pearson, doing business as Palo Alto Transit, has petitioned the Railroad Commission for an order approving the sale and transfer by him to Frank J. Knapp and John P. Demeter, of an operative right for the transportation of passengers between certain points in the vicinity of Palo Alto. Frank J. Knapp and John P. Demeter have petitioned for authority to purchase and acquire said operative right and hereafter to operate thereunder. The sale and transfer is to be made in accordance with an agreement, a copy of which, marked Exhibit "A," is attached to the application herein and made a part thereof.

The consideration to be paid for the property herein proposed to be transferred is given as \$18,000, of which sum \$17,000 is declared by applicants to be the value of the equipment and \$1,000 is declared by applicants to be the value of the operative right.

The operative right herein proposed to be transferred was created by Decision No. 30005, dated August 9, 1937, on Application No. 21349.

This does not appear to be a matter in which a public hearing is necessary. The application will be granted.

Frank J. Knapp and John P. Demeter are 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 Floyd B. Pearson is hereby authorized to transfer to Frank J. Knapp and John P. Demeter, and Frank J. Knapp and John P. Demeter are hereby authorized to acquire the operative right referred to in the foregoing opinion, in accordance with the terms of the agreement marked Exhibit "A" attached to the application herein, and hereafter to 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 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. 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.

3. Applicant Floyd B. Pearson 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 applicants Frank J. Knapp and John P. Demeter in common supplement to the tariffs on file with the Commission covering the service given under the operative right herein authorized to be transferred, applicant Floyd B. Pearson withdrawing, and applicants Frank J. Knapp and John P. Demeter accepting and establishing such tariffs and all effective supplements thereto.

4. Applicant Floyd B. Pearson 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 his name with the Railroad Commission and applicants Frank J. Knapp and John P. Demeter 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 triplicate, in their own name, time schedules covering service heretofore given by applicant Floyd B. Pearson 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 applicants Frank J. Knapp and John P. Demeter unless such vehicle is owned by said applicants or is leased by them under a contract or agreement on a basis satisfactory to the Railroad Commission.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 4<sup>th</sup> day of

March, 1941.

[Signature]  
[Signature]  
[Signature]  
Justice F. Caswell  
Francis K. Havens  
 COMMISSIONERS