

Decision No. 38045

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the  
LOS ANGELES TRANSIT LINES

for an order or orders authorizing the  
issuance of conditional sale contracts  
and the execution and delivery of a  
financing agreement for the acquisition  
of equipment.

Application  
No. 26768

**ORIGINAL**

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MAX EDDY UTT, for applicant.

K. CHARLES BEAN, General Manager and Chief  
Engineer of the Department of Public  
Utilities and Transportation; STANLEY M.  
LANEAM, Assistant Chief Engineer for said  
Department; and WIXON STEVENS, Deputy City  
Attorney of Los Angeles, interested parties.

BY THE COMMISSION:

O P I N I O N

In this application, Los Angeles Transit Lines asks permission to execute a financing agreement providing for the financing of deferred balances due on conditional sale contracts in the aggregate amount of not exceeding \$5,000,000 and execute conditional sale contracts for the purpose hereinafter stated. A copy of the financing agreement and a copy of a conditional sale contract are on file in this application as Exhibit "B".

Applicant is now, and for many years last past has been, rendering a public utility street railway and motor coach passenger transportation service in and about the City of Los Angeles and various incorporated and unincorporated areas contiguous and adjacent thereto.

As of April 30, 1945, applicant reports its assets and liabilities as follows:

<u>ASSETS</u>		
Road and Equipment		\$49,996,969.84
Current Assets		5,297,602.11
Cash	\$ 1,857,884.02	
U. S. Treasury Notes	2,435,000.00	
Accounts Receivable	110,340.10	
Material and Supplies	803,189.24	
Other Current Assets	91,188.75	
Unadjusted Debits		<u>178,504.92</u>
Total Assets		<u>\$55,473,076.87</u>
<u>LIABILITIES AND CORPORATE SURPLUS</u>		
Capital Stock, Common - \$10 par value		\$10,954,400.00
Funded Debt		<u>8,500,000.00</u>
		\$19,454,400.00
Current Liabilities		\$ 919,204.32
Audited Accounts & Wages Payable	\$ 868,859.09	
Accrued Interest	50,345.23	
Unadjusted Credits		\$30,004,604.68
Tax Liability	\$ 3,210,349.26	
Accrued Depreciation	26,275,067.80	
Premium on Funded Debt	133,828.23	
Reserve for Injuries and Damages	290,000.00	
Unredeemed Fare Tokens	95,359.39	
Corporate Surplus		\$ 5,094,867.87
Funded Debt retired through Surplus	\$18,380,000.00	
Sinking Fund Reserves	105,000.00	
Total Appropriated Surplus	18,485,000.00	
Profit and Loss Balance	(13,390,132.13)	
Total Liabilities and Corporate Surplus		<u>\$55,473,076.87</u>

The funded debt of applicant consists of \$5,350,000 of first mortgage 3-7/8 per cent serial bonds dated March 1, 1945, and due serially from September 1, 1950, to March 1, 1958, and \$3,150,000 of 3 per cent installment notes due semi-annually from September 1, 1945, to March 1, 1950.

Bank of America National Trust and Savings Association and the Security-First National Bank of Los Angeles have agreed to loan applicant, on or before December 31, 1946, \$5,000,000 to enable it to pay 80 per cent of the cost of new and unused motor coaches, street cars and trackless trolleys, or any of them, needed by applicant to modernize and improve its service. The principal of the loan is payable in equal or nearly equal monthly installments over a five-year period, with interest thereon at the rate of 2.18 per cent per annum, payable monthly on the deferred balances remaining from time to time unpaid. The title to the equipment purchased by applicant through the use of the credit extended to it by the banks will vest in the banks until all amounts due under the conditional sale contracts have been paid.

The Commission by Decision No. 33984, dated March 11, 1941, in Applications Nos. 23902 and 19179, approved applicant's program to substitute motor coach service for rail service on rail lines "K", "A", "10" and "2". The substitution has been accomplished on lines "K" and "2". Because of the restrictions incident to the present war, it has been impossible for applicant to substitute motor coach service for rail service on lines "A" and "10". Testimony shows that this will be done as soon as conditions warrant and federal restrictions have been removed. Applicant now has pending before the Commission its fifty-fourth

Supplemental Application in Application No. 19179 and Application No. 26467, wherein it requests permission to substitute motor coach for rail service on rail lines "W", "9" and "O", and make certain other changes. No hearing has yet been held on said applications.

Applicant has on file with GMC Truck and Coach Division of General Motors Corporation, purchase orders covering 200 Model TDH 45-passenger transit type coaches with 6-cylinder Diesel engines. An order for 69 of said coaches is dated July 5, 1944. Another order for 23 of said coaches is dated July 5, 1944, and another order for 108 of said coaches is dated January 25, 1945. The 69 coaches which are being delivered now will be used by applicant on coach lines operated by it to replace a like number of coaches to be retired from service because of age, operating conditions and obsolescence. Applicant is advised that delivery of the 23 coaches will commence on or about November 1, 1945. They will be assigned to the Los Angeles Motor Coach Line operations and will replace a like number of coaches used in that service. The manufacturer has advised applicant that it may expect delivery of the 108 coaches during the latter part of 1945 or during the early part of 1946. Sixty-two of these coaches will be used to make the substitution of motor coach service on the present rail "A" line, and 46 will be used to augment the service on several of the heavier patronized coach lines of applicant.

The aggregate cost of the coaches, including taxes and delivery charges, is estimated at \$2,820,815.36, or at an average cost per coach of about \$17,104. Of the purchase price, applicant will pay 20 per cent, or \$576,163.07 in cash withdrawn from

its treasury, and will pay the remainder, about \$2,304,652.29, from bank loans obtained under the terms of said financing agreement. The moneys obtained from the banks will be represented by conditional sale contracts in form substantially the same as that on file in this application as Exhibit "B".

The City of Los Angeles entered no objection to the granting of this application, provided the purchase of said equipment is not advanced as an argument in favor of the abandonment of any rail service. We are not in this decision passing on any abandonment of rail service nor are we authorizing applicant to execute conditional sale contracts in the amount of \$5,000,000. The order herein will authorize applicant to execute said financing agreement and further authorize applicant to execute conditional sale contracts only to the face amount necessary to acquire or obtain possession of the 210 motor coaches mentioned herein. If and when applicant desires to execute additional conditional sale contracts, it should file an appropriate supplemental application.

#### O R D E R

A public hearing having been held in the above-entitled application by Examiner Fankhauser, and the Commission being of the opinion that the money or property to be procured by Los Angeles Transit Lines through the execution of the conditional sale contracts herein authorized is reasonably required for the purposes specified in this order, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses

or to income, and that this application should be granted subject to the provisions of this order; therefore,

IT IS HEREBY ORDERED as follows:

1. Los Angeles Transit Lines may, after the effective date hereof and on or before December 31, 1946, execute a financing agreement substantially in the same form as the financing agreement filed in this application as Exhibit "B", provided said Los Angeles Transit Lines may draw upon the credit extended to it by said financing agreement only to the extent that the Commission, by this and supplemental orders, authorizes Los Angeles Transit Lines to execute conditional sale contracts.
2. Los Angeles Transit Lines may, after the effective date hereof and on or before December 31, 1946, execute conditional sale contracts substantially in the same form as that filed in this application as Exhibit "B", for the purpose of acquiring or obtaining possession of the 200 motor coaches to which reference is made in the foregoing opinion, the aggregate face amount of said contracts including cash and deferred payments not to exceed \$2,820,815.36.
3. The authority herein granted will become effective when Los Angeles Transit Lines has paid the fee prescribed by Section 57 of the Public Utilities Act.
4. Los Angeles Transit Lines shall within thirty (30) days after the execution of said financing agreement or any conditional sale contracts herein authorized, file with the Commission a true and complete copy of said financing agreement and of every conditional sale contract executed.

Dated at San Francisco, California, this 26<sup>th</sup> day  
of June, 1945.

Richard Anderson  
James F. Agnew  
Richard L. ...  
James Powell  
Commissioners

RAILROAD COMMISSION  
STATE OF CALIFORNIA  
PAID  
JUN 2 1945  
BY [Signature]  
SECRETARY