

Decision No. 38181

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of GUY C. LYONS and LAWRENCE P. GOLTRA, a co-partnership, doing business as HIGHLAND TRANSPORTATION COMPANY (of Compton), for permission to sell property and transfer operative rights and SOUTHERN CITIES TRANSIT, INC., a California Corporation, to acquire said property and operative rights for the transportation of passengers between Compton, Hynes and Downey, California, and for authority for Southern Cities Transit, Inc., a corporation, to issue securities.

ORIGINAL

Application
No. 26819

BY THE COMMISSION:

O P I N I O N

Guy C. Lyons and Lawrence P. Goltra, a co-partnership doing business as Highland Transportation Company, ask permission to transfer their operative rights, passenger stage business and properties used to conduct said business to Southern Cities Transit, Inc., a corporation recently organized under the laws of California. The latter asks permission to issue \$45,000 par value (450 shares) of its capital stock and a note for the principal sum of \$87,500 for the purposes hereinafter stated and to execute a deed of trust and a mortgage of chattels to secure the payment of the note.

A copy of the agreement of sale and purchase is on file in this application.

Guy C. Lyons and Lawrence P. Goltra, co-partners, hereafter sometimes referred to as Sellers, and doing business as Highland Transportation Company are engaged in the business of transporting passengers between Compton, Hynes and Downey and intermediate points. The business is conducted under the authority granted by the following decisions:

Decision No. 20921, dated March 29, 1929, in Application No. 15492;
 Decision No. 24103, dated October 5, 1931, in Application No. 17695;
 Decision No. 29341, dated December 7, 1936, in Application No. 20884;
 Decision No. 29624, dated March 29, 1937, in Application No. 20884;
 Decision No. 33561, dated October 1, 1940, in Application No. 23668;
 Decision No. 33935, dated February 25, 1941, in Application No. 23890;
 Decision No. 35591, dated July 14, 1942, in Application No. 25089;
 Decision No. 37485, dated November 21, 1944, in Application No. 26354.

For the past four years Sellers have reported revenues and expenses as follows:

<u>Item</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
Operating revenue	\$30,025.90	\$51,236.90	\$86,955.55	\$116,030.35
Operating expenses	<u>26,607.70</u>	<u>33,935.03</u>	<u>50,638.03</u>	<u>67,297.45</u>
Net operating revenues	<u>3,418.20</u>	<u>17,301.87</u>	<u>36,317.52</u>	<u>48,732.90</u>
Nonoperating income	350.06	225.67	1,382.31	528.09
Nonoperating expenses	<u>204.95</u>	<u>109.74</u>	<u>- -</u>	<u>- -</u>
Profit for Year	\$ 3,563.31	\$17,417.80	\$37,699.83	\$ 49,260.99

The expenses do not include Federal income taxes. The following statement shows the cost of the properties which Sellers have agreed to sell as recorded on their books and the appraised value of such properties submitted by Southern Cities Transit, Inc.

Item	Book Figure		Appraised Value
	Cash	Accrued Depreciation	
Land	\$ 408.15	\$ - -	\$ 5,000.00
Buildings	5,856.70	803.83	22,500.00
Buses	42,814.48	16,817.91	41,972.30
Auto Spare Parts			3,973.40
Tires and tubes			926.46
Shop and other equipment	2,400.23	797.77	4,393.50
Materials and Supplies			404.34
Operative rights	- -	- -	250.00
Going concern value	- -	- -	45,580.00
Total	\$51,479.56	\$18,419.51	\$125,000.00

The appraised value submitted by Purchaser represents its estimated current replacement cost of the properties..

The bus equipment consists of nine units. The cost of such buses less accrued depreciation is reported at \$25,996.57. A Commission engineer has appraised the buses at \$38,200 as compared with Purchaser's appraisal of \$41,972.30.

Southern Cities Transit, Inc., organized by Crown Body and Coach Corporation or by persons who are officers of that corporation, has agreed to pay for said properties \$125,000. Of this sum it proposes to pay \$37,500 in cash and issue to Sellers for the balance its four per cent note for the sum of \$87,500 payable as follows:

On January 2, 1947	\$37,500.00
On January 2, 1948	25,000.00
On January 2, 1949	<u>25,000.00</u>
Total	\$87,500.00

The interest is payable quarterly on the second day of January, April, July and October of each year. The balance due on the principal may be paid on any interest payment date. The payment of the note is to be secured by a deed of trust which will be a lien on the real property and by mortgage of chattels which

will be a lien on the bus equipment which is being sold.

Southern Cities Transit, Inc., asks permission to issue 450 shares of its capital stock at their par value of \$100 per share. This stock will be purchased by the Crown Body and Coach Corporation. Of the proceeds \$37,500 will be used to pay in part for the properties of Sellers and \$7,500 will be used for working capital.

We are advised that Southern Cities Transit, Inc., is ready and able to pay for the properties in cash and that the note issue is requested by the Sellers. If it acquires said properties and pays therefor \$125,000, said \$125,000 shall be charged to the following accounts:

Acct. 1201	Land and land rights.	\$ 5,000.00
Acct. 1211	Structures	5,052.87
Acct. 1221	Revenue equipment	38,200.00
Acct. 1241	Shop and garage equipment.	9,697.70
Acct. 1511	Franchises	250.00
Acct. 1550	Other Intangible Property	<u>66,799.43</u>
	Total	\$125,000.00

The amounts included in accounts 1201 to 1511 should be disposed of in the manner provided in the system of accounts. The \$66,799.43 included in account 1550 should be written off as payments are made on the note, and, in any event, on or before January 2, 1949. The note should be paid out of net income or from contributions by Crown Body and Coach Corporation. Any money made available by Crown Body and Coach Corporation to Southern Cities Transit, Inc., for the purpose of paying such note shall not be recorded on the books of the latter as an account payable or as any other form of indebtedness.

The order herein will authorize Southern Cities Transit, Inc., to issue at par 450 shares (\$45,000 par value) of

its capital stock, and use \$37,500 of the proceeds to make a down payment on the purchase price of said properties, and use \$7,500 for working capital. The Commission finds that the issue of such stock is reasonably necessary for the purposes stated in the following order, and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. It further finds that the issue of the note and the execution of the deed of trust and mortgage of chattels are necessary to enable Southern Cities Transit, Inc., to acquire said properties.

Southern Cities Transit, Inc., is placed upon notice that operative rights as such do not constitute a class of property which may be capitalized or used as an element of value in rate fixing for any amount of money in excess of that originally paid to the State as the consideration for the grant of such rights. 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.

Q R D E R

Application having been made as above-entitled and the Commission being of the opinion that the transfer of said properties to Southern Cities Transit, Inc., is in the public interest, that a hearing is not necessary on this application, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Guy C. Lyons and Lawrence P. Goltra, co-partners, doing business as Highland Transportation Company, may, after the effective date hereof and on or before October 1, 1945, sell to Southern Cities Transit, Inc., their operative rights and properties to which reference is made in the foregoing opinion and which are described more particularly in the purchase agreement dated June 1, 1945, on file in this proceeding.

2. Southern Cities Transit, Inc., may, after the effective date hereof and on or before October 1, 1945, issue and sell for not less than their par value not exceeding 450 shares (\$45,000 par value) of its capital stock, and use \$37,500 of the proceeds to pay in part for said properties. The remainder of the proceeds, to wit, \$7,500, shall be used to maintain its service.

3. Southern Cities Transit, Inc., may, after the effective date hereof and on or before October 1, 1945, issue to Guy C. Lyons and Lawrence P. Goltra, co-partners, doing business as Highland Transportation Company, in part payment for said properties, its promissory note in the sum of \$37,500 and secure the payment of said note by the execution of a deed of trust and mortgage of chattels, said note, said deed of trust, and said mortgage of chattels to be in, or substantially in, the same form as the note. the deed of trust, and the mortgage of chattels on file in this application.

4. If Southern Cities Transit, Inc., acquires said operative rights and properties and pays therefor more than \$58,200.57, it must charge the amount paid in excess of said

\$58,200.57 to Account 1550--Other Intangible Property--and amortize the same on or before January 2, 1949, by charges to Account 7500--Other Deductions--or Account 2946--Other Debits to Surplus--as such accounts are defined in the uniform system of accounts prescribed by the Commission for Class I Motor Carriers of Passengers.

5. Applicants shall comply with the provisions of General Order No. 79 and Part IV of General Order No. 93-A by filing, in triplicate, and concurrently making effective, appropriate tariffs and time tables within sixty (60) days from the effective date hereof and on not less than one (1) day's notice to the Commission and the public.

6. The authority herein granted will become effective when Southern Cities Transit, Inc., has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Eighty-eight (\$88.00) Dollars.

7. Southern Cities Transit, Inc., shall file with the Commission a report, or reports, required by the Commission's General Order No. 24-A, which order in so far as applicable, is made a part of this order, and a copy of the deed of trust, mortgage of chattels, and note executed under the authority herein granted.

8. The action taken herein shall not be construed to be a finding of value for any purpose other than the proceeding herein involved.

Dated at San Francisco, California, this 28th day
of August, 1945.

David Rudman

Justin J. Wagner

Richard H. ...

James J. ...
Commissioners

