

ORIGINAL

Decision No. 38569

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )

JOE FERRANT, an individual conduct- )  
ing an unincorporated "passenger )  
stage corporation" business under )  
the name and style of AIRDROME )  
TRANSPORT, and )

AIRDROME TRANSPORT, INC., a Cali- )  
fornia corporation, )

For an Order authorizing (a) Joe )  
Ferrant to sell and Airdrome Trans- )  
port, Inc. to acquire said busi- )  
ness and certain assets thereof, )  
(b) Airdrome Transport, Inc. to )  
issue 10,753 shares of its stock )  
and to assume liabilities in pay- )  
ment for said business and assets, )  
and (c) Joe Ferrant to cease carry- )  
ing on, and Airdrome Transport, Inc. )  
to enter and engage in, "passenger )  
stage corporation" business in the )  
territory involved. )

Application  
No. 27103

O'MELVENY & MYERS by L. M. WRIGHT, for applicants.

BY THE COMMISSION:

OPINION AND ORDER

This is an application for an order authorizing Joe Ferrant to sell operative rights and properties to Airdrome Transport, Inc., and authorizing the latter to issue \$107,530 par value of its capital stock and to assume the payment of liabilities.

Joe Ferrant, doing business under the firm name and style of Airdrome Transport, hereinafter at times referred to as applicant, is engaged in the business of transporting airline passengers and their baggage between ticket offices and certain hotels in the City of Los Angeles and certain airports. His operating revenues and expenses have been reported as follows:

	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Operating Revenue</u>
1940	\$ 69,442	\$ 61,228	\$ 8,214
1941	89,935	86,547	3,387
1942	124,456	106,117	18,339
1943	173,703	139,011	34,692
1944	261,343	226,811	34,532
1945-to Sept.30	281,234	248,853	32,381

Applicant reports that the prospects of increased public demands occasioned by increased air travel from and to airports in Los Angeles and vicinity require an expanded and permanent organization of the business now conducted by him as an individual. He therefore proposes to transfer his business and properties to a new corporation, Airdrome Transport, Inc., in exchange for stock and the assumption of liabilities by the corporation.

The properties to be transferred to the corporation include a certificate of public convenience and necessity granted by Decision No. 37375, as amended by Decision No. 38238, sixteen Cadillac limousines, ten buses, furniture and fixtures, shop and garage equipment, repair parts and supplies, together with cash on hand and other current assets.

The testimony shows that the airlines regard applicant's transportation service as an extension of their air service and are interested in the type of equipment used by him or his successor. While applicant's equipment is in good operating condition, tentative orders have been placed for two new Ford transit

buses, twenty Flxible buses, and twenty-nine passenger Cadillac limousines. Upon the receipt of this new equipment most of the buses and Cadillacs now used by Joe Ferrant will be sold. Testimony regarding the value of the ten buses was submitted by R. B. Davidson, general sales-manager for Crown Body and Coach Corporation. E. L. Roscoe, manager of Hillcrest Motor Company, submitted evidence on the value of the sixteen limousines. Mr. C. H. Jacobsen, senior transportation engineer on the Commission's staff, submitted an appraisal of the buses and limousines. He assigned to such equipment what he regarded as a reasonable value, disregarding ceiling prices and the present market value for the equipment. Both Mr. Davidson and Mr. Roscoe testified that the equipment could today be sold at higher prices than their appraisal. The latter, however, was not certain how much he would allow for the limousines as a trade-in value. The following statement is a summary of the original cost and the appraisal of the equipment.

<u>Type of Equipment</u>	<u>Cost</u>	<u>Remaining Service Value</u>	<u>Appraisal by Applicant</u>	<u>Appraisal by Jacobsen</u>
Buses	\$70,527.01	\$48,043.99	\$52,348.00	\$48,600.00
Limousines	43,681.34	6,079.29	45,298.00	34,100.00

No value has been assigned to the operative rights.

A pro forma balance sheet giving effect to the appraisals submitted by applicant and the proposed stock issue of the new corporation as of October 1, 1945, shows the following:

Assets

Cash on hand and in bank	\$ 7,560.88
Accounts receivable	17,405.16
Automobiles and motor coaches	97,646.00
Furniture and fixtures	3,751.58
Shop and garage equipment	1,072.18
Repair parts and supplies	6,942.24
Prepayments	5,886.05
Incorporation expense	416.85
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Total assets	<u>\$140,680.94</u>

Liabilities

Accounts payable	\$ 5,334.45
Accrued taxes	8,800.42
Equipment obligations	19,009.80
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Total liabilities	\$ 33,144.67
Capital stock-par value	107,530.00
Capital surplus	6.27
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Total	<u>\$140,680.94</u>

The Airdrome Transport, Inc. has an authorized stock issue of 50,000 shares, having a par value of \$10 each. As said, it asks permission to issue \$107,530 par value of its stock and to assume the payment of applicant's outstanding liabilities. For the purpose of this proceeding and the issue of stock, we will recognize a value of \$52,348 for the buses and a value of \$34,100 for the limousines or a total of \$86,448. The record shows that the accounts receivable represent for the most part balances due from airlines and cab companies and that all are collectible. The equipment obligations represent contracts with Crown Body & Coach Corporation for the purchase of buses, and are payable in one year or less after their date of execution. We find that the corporation should be authorized to issue in part payment for the properties which it will acquire from applicant \$96,330 of stock.

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

Airdrome Transport, Inc. is hereby 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 granting 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.

O R D E R

A public hearing having been held in the above-entitled matter before Examiner Fankhauser, and the Commission having considered the evidence submitted at such hearing, and it being of the opinion that the money, property or labor to be procured or paid for by the issue of \$96,330 par value of capital stock by Airdrome Transport, Inc. is reasonably required by said Airdrome Transport, Inc. for the purposes herein stated; that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be denied in so far as it involves the issue of \$11,200 par value of stock, therefore,

IT IS HEREBY ORDERED as follows:

1. Joe Ferrant, after the effective date hereof and on or before February 28, 1946, may sell to Airdrome Transport, Inc., the certificate of public convenience and necessity defined in Decision No. 37375, as amended by Decision No. 36238, and the business and assets now operated by him under the firm name and style of Airdrome Transport, described in the offer and acceptance filed in this proceeding as Exhibit "C".

2. Airdrome Transport, Inc., after the effective date hereof and on or before February 28, 1946, may, in payment for said business and assets, assume the payment of indebtedness of approximately \$33,000 and issue not exceeding \$96,330 par value of its capital stock.

3. This application, in so far as it involves the issue of \$11,200 of stock, is denied.

4. 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 date hereof and on not less than one (1) day's notice to the Commission and the public.

5. Airdrome Transport, Inc., shall file with the Commission a report, or reports, as required by General Order No. 24-A.

6. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 28<sup>th</sup> day of December, 1945.

Harold C. Huber  
Justice F. C. Cresson  
Francis C. ...  
W. H. ...  
Harold P. Hull  
Commissioners