

Decision No. 39324

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SHORELINE TRANSIT, INC., a California corporation, for certificate of public convenience and necessity to operate local passenger stage service, as a common carrier, between Santa Monica and Malibu Beach and between Santa Monica and Topanga Postoffice, all in the County of Los Angeles, State of California; and for authority to issue and sell capital stock.

Application  
No. 27558

ORIGINAL

C. Robert Hoyne, for applicant.

O P I N I O N

Shoreline Transit, Inc., a California corporation, requests authority to establish and operate a service as a common carrier of persons, and baggage or express incidental to the transportation of passengers, between the City of Santa Monica, on the one hand, and Malibu and Topanga, on the other hand. Applicant also requests authority to sell and issue shares of its capital stock as hereinafter set forth.

Public hearing was held at Los Angeles on August 2, 1946, at which time the matter was duly submitted and it is now ready for decision.

Two bus lines are proposed from downtown Santa Monica westerly along U. S. Highway 101-A; one to Malibu, a distance of approximately 13 miles, and the other to Topanga, via said highway and Topanga Canyon Road, a distance of approximately 11 miles. The Malibu line will have four 10-cent fare zones varying in length from 2.6 miles to 3.9 miles, the rates of

fare being approximately three cents per mile. The Topanga line will have two 10-cent fare zones, and one 20-cent fare zone due to the topographical nature of a portion of this route. One-way fares of 35 cents are proposed.

Eight daily round-trip schedules will be operated to Malibu between approximately 6:00 a.m. and 6:00 p.m. and three schedules to Topanga between 7:00 a.m. and 5:30 p.m. Additional schedules will be provided if required. Schedules will be coordinated as much as possible with those of other carriers serving Santa Monica and Los Angeles.

Applicant has available for immediate use three re-conditioned 26-passenger Model CY Mack trucks, two of which will be used regularly and one will be maintained as a standby.

Applicant also proposes to transport baggage or express on passenger-carrying vehicles only, and incidental to the transportation of persons. Hand baggage, up to 25 pounds, will be carried free and no excess baggage will be accepted. Express shipments will be limited to packages weighing 25 pounds or less.

The record shows that one state-wide carrier now operates along that portion of U. S. Highway 101-A proposed to be served by applicant and that said carrier is not performing a strictly local service between Santa Monica and Malibu. Said carrier has waived protest to this application. The City of Santa Monica operates one of its municipal bus lines along a portion of applicant's proposed route but, nevertheless, favors granting of the application.

Residents, businessmen, and civic leaders testified that a service, as proposed by applicant, is necessary and would be used by a substantial part of the public residing along the proposed routes. The service is also needed by employees of business establishments situated along said routes, and by domestics. The area to be served is recreational and residential in character and is steadily increasing in population. Several thousand persons have residences at Topanga and along the proposed route to Malibu. Many of these residents need the proposed transportation service which would also become available for hundreds of daily visitors to this beach area. The testimony also discloses that there is no adequate local transportation service along the proposed route and that applicant is ready, able and willing to establish such service.

In order to finance its initial requirements, applicant proposes to issue and sell \$30,000 par value of its common capital stock, at par for cash, to C. Robert Hoyme, its president, and his associates. The estimated expenditures are reported as follows:

|  |                 |
|--|-----------------|
| Purchase and recondition three 26-passenger Model CY Mack busses | \$17,000        |
| New tires and tubes, approximately                               | 1,000           |
| Extra parts, approximately                                       | 300             |
| Four new fare boxes  | 1,200           |
| Office furniture & fixtures                                      | 500             |
| Printing tickets, schedules, etc.                                | 1,000           |
| Uniforms for drivers (4)   | 225             |
| Advertising  | 2,500           |
| Legal fees and organization expenses                             | 1,500           |
| Prepaid insurance premiums, licenses & permits                   | 3,075           |
| Contingent fund  | 1,200           |
| Total  | <u>\$30,000</u> |

It will be noted that applicant includes in its estimated expenditures the total sum of \$7,775 for such items as cost of printing tickets and schedules, stationery, office supplies, advertising, prepaid expenses and a contingent fund to cover anticipated losses during the first ninety days' operations. The testimony given at the hearing in support of the request to use stock proceeds for such purposes indicated that it is applicant's intention to engage in an extensive advertising program involving a wide-spread distribution of time schedules and a substantial use of newspaper space. As to the prepaid expenses, the record shows that the company has been or will be called upon to pay \$700 for licenses and cash deposits and to prepay twenty per cent of its annual insurance premiums which are estimated at a total amount of \$3,793. In connection with the proposed contingent fund it is estimated, by applicant's witness, that operating expenses will aggregate \$82.30 a day and that 357 passengers will have to be carried daily to meet operating costs.

There is no doubt but that applicant has need for working capital in inaugurating and conducting its operations. However, the record is not entirely persuasive as to the need of the company for this purpose in the amount requested. The order herein, accordingly, will authorize applicant to issue and sell \$27,500 of stock to pay organization expenses, acquire properties, and provide working capital.

Upon careful consideration of the full record in this proceeding, we find that public convenience and necessity

require the establishment and operation of a passenger stage service as proposed by applicant and, therefore, the application will be granted.

Shoreline Transit, 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 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.

O R D E R

Public hearing having been held in the above-entitled proceeding, the matter having been duly submitted, and the Commission being fully advised,

IT IS ORDERED as follows:

(1) That a certificate of public convenience and necessity be, and it hereby is, granted to Shoreline Transit, Inc., a California corporation, authorizing the establishment and operation of service as a "passenger stage corporation", as defined in Section 24 of the Public Utilities Act, for the transportation of passengers and their baggage and express, between Santa Monica, on the one hand, and Malibu and Topanga, on the other

hand, and intermediate points, subject to the following condition:

- (a) The transportation of express shall be incidental to the transportation of passengers and shall be limited to a weight of 25 pounds a shipment, on passenger-carrying vehicles.

(2) That in providing service pursuant to the certificate herein granted, the following service regulations shall be complied with:

- (a) Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed thirty (30) days from the effective date hereof.
- (b) Applicant shall, within sixty (60) days from the effective date hereof and upon not less than one (1) day's notice to the Commission and the public, establish the service herein authorized and comply with the provisions of General Orders Nos. 79 and 80, and Part IV of General Order No. 93-A, by filing, in triplicate, and concurrently making effective, tariffs and time schedules satisfactory to the Commission.
- (c) Subject to the authority of this Commission to change or modify such at any time, Shoreline Transit, Inc. shall conduct said passenger stage operation over and along the following described route:

Beginning at Malibu Inn at Malibu, thence easterly along U. S. Highway 101-A and Palisades Beach Road to Ocean Avenue in Santa Monica, thence westerly along Ocean Avenue to Santa Monica Boulevard, thence along Santa Monica Boulevard, Fifth Street, Broadway to its intersection with Ocean Avenue. Also, beginning at the intersection of U. S. Highway 101-A and Topanga Canyon Boulevard, thence along Topanga Canyon Boulevard to the Topanga post office.

Applicant is authorized to turn its motor vehicles at termini and intermediate points, in either direction, at intersections of streets or by operating around a block contiguous to such intersection, or in accordance with local traffic rules.

(3) That Shoreline Transit, Inc. be, and it hereby is, authorized to issue and sell, on or before March 31, 1947, at par for cash, not exceeding \$27,500 par value of its common capital stock for the purpose of obtaining funds to pay organization expenses and to acquire properties as set forth in the foregoing opinion, and to provide working capital, it being the opinion of the Commission that the money, property, or labor to be procured or paid for through such issue is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

(4) That the request to issue \$2,500 par value of stock be, and it hereby is, denied without prejudice.

(5) That Shoreline Transit, Inc. shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the 25th day of each month, a verified report as required by the Commission's General Order No. 24-~~7~~, which order, in so far as applicable, is made a part of this order.

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

Dated at San Francisco, California, this 13th day of August, 1946.

Harold T. Kula  
Justice F. O'Connell  
Francis O'Connell  
John A. Howell  
A. E. Anderson  
COMMISSIONERS