

Decision No. 39407

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
A. J. (BERT) CHAPIN to sell and NORTH)
SACRAMENTO TRANSIT LINES, a California)
Corporation, to acquire property and)
operative rights for the transportation)
of passengers, baggage and express in)
Sacramento, McClellan Field, Rio Linda,)
American River Hydroelectric Damsite,)
and intermediate points.)
-----:)

ORIGINAL

Application
No. 27561

O P I N I O N

In this application, A. J. (Bert) Chapin asks permission to transfer operative rights acquired under the authority of Commission decisions⁽¹⁾ and passenger stage properties to North Sacramento Transit Lines, a California corporation. As the consideration for said properties, North Sacramento Transit Lines asks permission to issue \$70,000 par value of common stock and assume the payment of certain indebtedness.

A. J. (Bert) Chapin has been since September 16, 1942, and is now engaged in the passenger transportation business between Sacramento, North Sacramento, McClellan Field, Rio Linda, and the American River Hydroelectric Damsite. The decisions herein referred to define his operative rights and this order should not be construed as modifying the same in any respect.

(1) Decision No. 35778, dated September 15, 1942
Decision No. 36091, dated January 5, 1943
Decision No. 36094, dated January 5, 1943
Decision No. 36628, dated September 28, 1943
Decision No. 36637, dated October 5, 1943
Decision No. 36720, dated November 23, 1943
Decision No. 36727, dated November 23, 1943
Decision No. 38545, dated December 21, 1945

For 1942, 1943, 1944 and 1945 he reports his operating revenues, operating expenses and net carrier operating income as follows:

<u>Year</u>	<u>Gross Revenue</u>	<u>Operating Expenses Including Depreciation and Taxes</u>	<u>Net Carrier Operating Income</u>
1942	\$ 43,891.59	\$ 37,947.28	\$ 5,944.31
1943	197,129.85	191,577.41	5,552.44
1944	260,137.70	250,040.17	10,097.53
1945	331,217.10	316,935.18	14,281.92

North Sacramento Transit Lines submits as of March 31, 1946, a pro forma balance sheet as follows:

Assets

Cash on hand	\$ 3,917.76
Working funds	360.06
Receivables from Asso. Cos.	8,589.36
Accounts Rec.	587.59
Material & Supplies	94.86
Operating property	126,055.72
Prepayments	15,057.32
Gas inventory	100.00
Oil, tires and parts	<u>21,885.64</u>
Total Assets	<u>\$176,648.41</u>

Liabilities

Notes payable	\$ 80,427.19
Accounts payable	16,829.90
Taxes accrued	6,330.36
Capital account	<u>73,060.96</u>
Total Liabilities	<u>\$176,648.41</u>

The \$126,055.72 reported under operating property consists of the following items:

Passenger stage equipment	\$107,416.90
Service cars & equipment	1,462.33
Shop and garage equipment	11,669.33
Furniture and office equipment	3,648.27
Miscellaneous equipment	3,614.45
Improvement to leased property	<u>4,437.36</u>
Sub-total	132,248.64
Less reserve for depreciation	6,192.92
Net	<u>\$126,055.72</u>

Applicants report that the \$107,416.90 is the O.P.A. price of the passenger stage equipment and the present reasonable market value thereof. The original cost of the stage equipment is in Exhibit C reported at \$138,188.29, and the original cost less depreciation at \$84,394.98. For the purpose of determining the amount of stock which North Sacramento Transit Lines should be authorized to issue, we believe that the \$84,394.98 should be substituted for the \$107,416.90 in the above balance sheet. This has the effect of reducing the capital account in the balance sheet from \$73,060.96 to \$50,039.04, and the total assets and total liabilities from \$176,648.41 to \$153,626.49.

By Decision No. 35778, dated September 15, 1942, as amended by Decision No. 36973, dated April 4, 1944, the Commission authorized W. H. Pimentel to sell his North Sacramento Stage Line and his Fair Oaks Stage Line properties to A. J. (Bert) Chapin, who agreed to pay for the same \$71,500. Of this sum there remained unpaid on March 31, 1946, the sum of \$29,412. The balance due is payable in annual installments of not exceeding \$5,400. Applicants' petition shows that W. H. Pimentel has agreed to the assignment of all of A. J. (Bert) Chapin's right in the sale contract to North Sacramento Transit Lines. It will assume the payment of the \$29,412 and all other liabilities of A. J. (Bert) Chapin arising from the operation of the passenger stage business mentioned in this application.

North Sacramento Transit Lines filed its Articles of Incorporation with the Secretary of State on August 24, 1945. Its authorized capital stock consists of 5,000 shares, each share having a par value of \$100.

Upon considering the record in this application, we believe that North Sacramento Transit Lines should be authorized to issue \$50,000 par value of its stock in part payment for the properties

it will acquire from A. J. (Bert) Chapin. All of the stock will be issued to him. As a further consideration for the properties, North Sacramento Transit Lines may assume the payment of A. J. (Bert) Chapin's indebtedness incident to the acquisition and operation of the properties acquired from him.

Applicants' petition shows that the North Sacramento Transit Lines, if it acquires said properties, will operate the same under the rates, rules and regulations which A. J. (Bert) Chapin now has on file with the Commission.

The action taken herein shall not be construed to be a finding of value of said properties for any purpose other than the proceeding herein involved. North Sacramento Transit Lines 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

The Commission having considered applicants' requests and being of the opinion that this is not a matter on which a hearing is necessary; that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by North Sacramento Transit Lines for the purpose herein stated; and that the expenditures for said purpose 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. A. J. (Bert) Chapin may, after the effective date hereof and on or before December 31, 1946, sell to North Sacramento Transit Lines the operative rights to which reference is made in the foregoing opinion and the transportation properties and business described in this application. North Sacramento Transit Lines may acquire and operate said operative rights and properties.

2. In payment for said operative rights, properties and business, North Sacramento Transit Lines may issue, after the effective date hereof and on or before December 31, 1946, not exceeding \$50,000 par value of its capital stock and assume the payment of the indebtedness to which reference is made in this application.

3. Applicant shall comply with the provisions of the Commission's 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 within sixty (60) days from the effective date hereof and on not less than five (5) days' notice to the Commission and the public.

4. North Sacramento Transit Lines shall within thirty (30) days after the acquisition of said operative rights, properties and business, file with the Railroad Commission the following:

a. A copy of the deed and a copy of the bill of sale under which it holds title to said operative rights, properties and business.

b. A statement showing the number of shares of stock issued and to whom issued.

c. A statement showing in detail the amount of indebtedness assumed and to whom the same is payable.

5. The authority herein granted is effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 10th day of September, 1946.

Harold P. Hills
James J. Cassen
Francis P. ...
W. H. ...
A. J. ...
Commissioners