

Decision No. 42541

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 R. F. MARTIN, doing business as)
 MARTIN TRANSPORTATION COMPANY for)
 authority to transfer operative rights) Application No. 29917
 to conduct passenger stage service,)
 and EVELYN M. KNAPP and JOHN P. DEMETER,)
 doing business as PALO ALTO CITY LINES)
 to acquire same and issue notes.)

Aaron H. Glickman for R. F. Martin, doing business as
 Martin Transportation Company; and Lorenz Costello
 for Evelyn M. Knapp and John P. Demeter, doing
 business as Palo Alto City Lines, applicants.

O P I N I O N

R. F. Martin, doing business as Martin Transportation Company, is providing passenger stage service between San Carlos, Redwood City, Atherton, Menlo Park, Palo Alto, Woodside and Toyon Knolls. In this proceeding the Commission is requested to authorize Martin to sell, and Evelyn M. Knapp and John P. Demeter, doing business as Palo Alto City Lines, to buy Martin's operative rights, (1) two units of passenger stage equipment, fare boxes, stationery, and supplies. A public hearing was held before Examiner Bradshaw at Palo Alto.

The consideration to be paid for the operative rights and property proposed to be transferred, including the rental value for one month of 10 units of equipment and terminal facilities of

(1) The operative rights proposed to be transferred were created by the following decisions: Dec. No. 36595, Ap. No. 25511; Dec. No. 37081, Ap. No. 25826; Dec. No. 38164, Ap. No. 26852; Dec. No. 38190, Ap. No. 26609; Dec. No. 39728, Ap. No. 27839; Dec. No. 39729, Ap. No. 27838; Dec. No. 39732, Ap. No. 27840; Dec. No. 42115, Ap. No. 29702.

(2)
 the seller, is the sum of \$40,000 payable in installments as follows: \$5,000 cash paid December 6, 1948, upon signing of the agreement attached to the application as Exhibit "B"; \$20,000 payable on or before January 15, 1949, and the remainder of \$15,000 to be paid in three equal installments of \$5,000 each, due on June 1, 1949; January 1, 1950, and July 1, 1950. The \$5,000 installments are to be evidenced by promissory notes bearing interest at the rate of 4 per cent per annum. Since two of the notes will mature at periods later than 12 months after their respective dates of issue, the Commission is asked to authorize their issuance.

Applicants Knapp and Demeter are presently providing a passenger stage service between Palo Alto, Stanford University and Menlo Park and intermediate points.

According to the testimony of applicant Martin, his transportation operations have been conducted at a reasonable profit, but he desires to be relieved of operating the business in order to devote his attention to other interests which will require his entire time. An exhibit of record indicates that the revenues received and the operating expenses, including depreciation and operating taxes, incurred during the years 1946 and 1947 and the first 10 months of 1948 were as set forth in the following tabulation:

(2) The purchase price is allocated as follows:

1 - 1940 White 29-passenger bus	\$ 1,500.00
1 - 1947 Martin Coach	9,401.35
11 - Fare boxes	1,200.00
Stationery and supplies	500.00
Rental value (to buyer) of 10 buses for 1 month	650.00
Rental value (to buyer) of seller's terminal for 1 month	125.00
Franchise and Good Will	26,623.65
TOTAL	<u>\$40,000.00</u>

	<u>Year</u> 1946	<u>Year</u> 1947	<u>January 1 to</u> <u>October 31, 1948</u>
Operating Revenues	\$90,101	\$84,195	\$72,758
Operating Expenses, Depreciation and operating taxes	82,947	83,030	69,598
Net operating Revenue	<u>\$7,154</u>	<u>\$1,165</u>	<u>\$3,160</u>

The manager of Palo Alto City Lines testified concerning the negotiations between the applicants which resulted in the filing of the instant application. He stated that if the proposed transfer is approved, the Martin Line will be serviced with six 1947 model and six 1945 model Ford transit coaches. This equipment is said to be comparable to that used by Palo Alto City Lines and, new engines having been installed therein, is in excellent condition.

Their manager asserted that applicants Knapp and Demeter will be able to provide the Martin Line with service of the type afforded by Palo Alto City Lines. He declared that its operation by Knapp and Demeter will be in the public interest in that lower maintenance costs and other operating economies can be realized by (1) the joint use of shop and storage facilities, (2) a reduction in the amount of stand-by equipment required, and (3) reduced office and accounting expense. No estimate, however, has been made of the probable amount by which operating expenses can be reduced. It is planned at the outset to operate the two lines as separate divisions, with a view to effecting a consolidation after the buyers have had sufficient experience with the new operation to develop a practical plan for coordinating the two systems.

Applicant Demeter testified that the buyers are financially able to perform the proposed operations. A balance sheet of the copartnership composed of Knapp and Demeter as of September 30, 1948, lists their assets as \$37,696, consisting of current assets,

\$6,761; prepaid expenses, \$2,460; equipment less reserves for depreciation, \$28,300; and franchise expense, \$175. The liabilities are represented to be current liabilities of \$7,499 and partners' capital accounts of \$30,197. The witness declared that the partners have other assets consisting of a taxi-cab company and income properties in Palo Alto. He stated that they are able to dedicate additional assets to Palo Alto City Lines, if necessary, in carrying out the proposed operation.

The secretary-manager of the Palo Alto Chamber of Commerce testified that, based upon observations over a period of years, Palo Alto City Lines renders good service. He expressed the view that, there being an increasingly closer inter-relationship between the communities involved, it would be desirable to extend the Palo Alto City Lines' operation to Redwood City.

The president and executive vice president of the Redwood City Chamber of Commerce also appeared as witnesses for applicants. They voiced the opinion that the proposed transfer would be beneficial to the public, because it appeared to them from observation that a better service than that rendered by Martin would be maintained.

No protests against the granting of the application have been presented.

After full consideration it is found that the public interest would not be adversely affected by approval of the transfer of operative rights and properties with which we are here concerned. We further find that the money, property or labor to be procured or paid for by the execution of the promissory notes herein authorized is reasonably required by the purchasers for the purpose specified herein. The application will, therefore, be

granted. However, the action taken herein shall not be construed to be a finding of the value of the properties which will be authorized to be transferred.

O R D E R

Application as above entitled having been filed, a public hearing having been held thereon and, based upon the evidence received and the conclusions and findings set forth in the preceding opinion,

IT IS ORDERED:

(1) That R. F. Martin, after the effective date hereof and on or before April 1, 1949, may sell and transfer to Evelyn M. Knapp and John P. Demeter, copartners, the operative rights and properties referred to herein and said Evelyn M. Knapp and John P. Demeter, copartners, may acquire and thereafter operate the same pursuant to the agreement attached to the application herein marked Exhibit "B", and may issue two promissory notes in the total principal amount of \$10,000, under the terms and conditions of said agreement, to finance in part the purchase price of said rights and properties.

(2) That within 30 days after the consummation of the transfer herein authorized Evelyn M. Knapp and John P. Demeter shall notify the Commission in writing of that fact and shall within said period file with the Commission a true copy of any bill of sale or other instrument of transfer which may have been executed to effect said transfer.

(3) That within 30 days after the execution thereof Evelyn M. Knapp and John P. Demeter shall file with the Commission true copies of promissory notes issued pursuant to the authority herein granted.

(4) Applicants shall comply with the provisions of General Orders Nos. 79 and 93-A by filing in triplicate and concurrently making effective appropriate tariffs and time tables within 60 days from the effective date hereof and on not less than five days' notice to the Commission and the public.

(5) That the authority herein granted to issue notes will become effective when Evelyn M. Knapp and John P. Demeter have paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.

Except as herein otherwise expressly provided, this order shall become effective 20 days after the date hereof.

Dated San Francisco, California, this 23rd day of February, 1949.

R. J. [Signature]
Justin J. Craven
[Signature]
Harold F. Kula
[Signature]
Commissioners

