

ORIGINAL

Decision No. 48452

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 LANDIER TRANSIT CO. INC., a California)
 corporation, for permission to sell and)
 assign certain operative rights and)
 property and to withdraw from the)
 rendering of service in the Cities of)
 Los Angeles, Compton, Huntington Park,)
 and adjacent County areas, and of)
 ATKINSON TRANSPORTATION CO., a)
 California corporation, for permission)
 to exercise said operating rights, and)
 for an order authorizing the issuance)
 of certain securities, and of SOUTE)
 LOS ANGELES TRANSPORTATION CO., a)
 California corporation, for authority)
 to guarantee certain obligations in)
 favor of LANDIER TRANSIT CO. INC.)

Application No. 33827

Frank P. Doherty and Peter Johnson, for applicant
 Landier Transit Co. Inc.
 Spencer and Harris, by Vernon P. Spencer, for
 applicant Atkinson Transportation Co.
Theodore Stein, for the Commission staff.

O P I N I O N

Landier Transit Co. Inc., a corporation, now operates a passenger stage service in the vicinity of Watts, Compton, and Huntington Park in Los Angeles County, pursuant to certificates of public convenience and necessity granted by this Commission. By this application it seeks authority to sell and transfer all of its operating rights, except those which authorize service to the Santa Anita and Hollywood Park race tracks, and its operating equipment to Atkinson Transportation Co., recently incorporated under the laws of this State for the principal purpose of acquiring said rights and property. The latter company has joined in this application.

A public hearing was held at Los Angeles before Examiner Chiesa. Oral and documentary evidence having been adduced, the matter was submitted for decision.

The evidence of record shows that the contract of sale provides for the transfer of all the operating rights, excepting those pertaining to the race track service, and certain operating equipment for a consideration of \$100,000. The tangible property proposed to be transferred, and the value placed thereon by the parties, is as follows:

Revenue Equipment (21 buses)	\$37,676.00
Coin Boxes	2,291.56
Tokens	991.00
Parts Inventory	1,413.84
175 "Bus Stop" Signs	1,750.00
Miscellaneous Transportation Supplies	<u>150.00</u>
Total	\$44,272.40

The intangible property consists of the operating rights and good will.

Atkinson Transportation Co., the purchaser, proposes to pay \$19,300 in cash, assume and discharge a liability of \$4,200 consisting of outstanding fare tokens, and execute a promissory note payable to the seller, in the sum of \$76,500, with interest at the rate of $4\frac{1}{2}$ per cent per annum, payable five hundred dollars (\$500) or more, including interest, on or before the last day of the first calendar month following the date of note and on or before the same day of each and every one of the next ten calendar months thereafter, and the sum of one thousand dollars (\$1,000) or more, plus interest, on or before the last day of the twelfth calendar month following the date of note and on or before the same day of each and every calendar month thereafter until this note is paid in full.

Atkinson Transportation Co. has no shares outstanding nor has it heretofore transacted any business. Its Articles of

Incorporation, as amended, provide for an authorized capital of \$100,000, consisting of 770 preferred shares and 230 common shares all of the par value of \$100 each. Both classes of shares have equal voting rights except that in the event of default in the payment of $4\frac{1}{2}$ per cent cumulative dividends to the preferred shareholders the latter, as a class, will have the right to elect a majority of the board of directors. Preferred shares are redeemable at par value plus accrued and unpaid dividends, and have preferential rights in the distribution of assets in the event of dissolution.

Funds with which to consummate the proposed transaction will be raised by the sale of 230 preferred and 5 common shares to Frank Atkinson, Minnie Atkinson and Herbert Atkinson, at par for cash and so as to net the full amount of the selling price. The said purchasers of shares will also provide any additional capital the corporation may need as working capital. The Atkinsons have considerable experience in the passenger stage business, being the present owners and managers of the South Los Angeles Transportation Co., a corporation, which operates in the same area served by the Landier Transit Co. Inc.

Upon completion of the proposed sale both companies will be managed and operated by Frank and Herbert Atkinson, who are president, and vice president and general manager, respectively, of each of said companies.

The evidence shows that by reason of said joint management expenses will be materially reduced, particularly equipment maintenance and garage expense, transportation expense and operating taxes. The latter reduction in operating costs will result from proposed improvement and revision of routes and schedules which will result in lower mileage operation without adversely affecting the service to the public. The evidence also indicates that revenues will be

increased by reason of improved management. One important factor will be the use of newer buses. It is significant that the area served by Landier Transit Co. Inc. is one of the best from the standpoint of demand for public transportation, and that the service heretofore provided has not been particularly appealing.

Although Landier Transit Co. Inc. has not recently been operating profitably, the Atkinsons are of the opinion that under their management the business will be compensable, and in support of their position filed an analysis of operations of Landier Transit Co. Inc. for the year 1952 (projected) and estimated results of the operation of the same system by Atkinson Transportation Co. (Exhibit No. 3), which shows an anticipated net annual profit of approximately \$6,800 after all taxes, preferred dividends, and interest on the purchase obligation.

The estimates may be somewhat optimistic, but the evidence clearly indicates that revenues can be increased, expenses reduced, and the service improved. The Atkinsons are experienced and capable operators and they testified that they are willing and able to provide additional financial assistance if necessary to insure a successful venture.

The application was not opposed and, as there is no evidence to indicate that the proposed sale and transfer would be adverse to the public interest, the application will be granted.

The action taken herein shall not be construed to be a finding of value of the property herein authorized to be transferred. A review of the application shows that the agreed purchase price is approximately \$56,000 in excess of the amounts assigned to the tangible property and if Atkinson Transportation Co. proceeds with the acquisition of the property of Landier Transit Co. it shall charge the excess of the purchase price to Account 1550, Other

Intangible Property. We will not in the future, if called upon to do so, recognize said purchase price as a basis for an order fixing rates. In our opinion the tangible property is ample to support the proposed stock issue of \$23,500 par value and we hereby find that such issue is reasonably required for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. In our opinion the issue of the note is reasonably required to enable Atkinson Transportation Co. to complete the purchase of the property.

Atkinson Transportation Co. 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

A public hearing having been held in the above-entitled proceeding, the Commission being fully advised in the premises and being of the opinion that the application should be granted as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

(1) That Landier Transit Co. Inc., a corporation, may sell and transfer, on or before March 31, 1953, to Atkinson Transportation Co., a corporation, the operating rights and property hereinabove described, said sale and transfer to be made upon the

terms and conditions of the agreement of sale filed with this application. Atkinson Transportation Co. is authorized to purchase said operative rights and property and operate a passenger stage service upon the terms and conditions as set forth in the decisions creating the operating rights herein authorized to be transferred.

(2) That the passenger stage operating rights herein authorized to be transferred are all those which this Commission has heretofore authorized to Landier Transit Co. Inc., by grant or transfer and which still remain in full force and effect except those operating rights which authorize passenger stage operations to and from the Santa Anita and Hollywood Park race tracks, which latter rights Landier Transit Co. Inc. shall retain and continue to operate.

(3) That applicant shall file in triplicate, and concurrently make effective, appropriate tariffs and time schedules within sixty (60) days from the effective date hereof on not less than one (1) day's notice to the Commission and the public.

(4) That Atkinson Transportation Co., a corporation, after the effective date hereof and on or before March 31, 1953, may sell and issue, at par for cash, not exceeding 230 shares of its preferred and 5 shares of its common stock, and may issue its promissory note in the amount of \$76,500 for the purposes indicated in this application, said note to be substantially in the same form as that shown in Exhibit No. 3 filed with this application.

(5) That Atkinson Transportation Co. shall file with the Commission monthly reports as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

(6) Within thirty (30) days after the issue of the note herein authorized, applicant shall file with the Commission a copy

thereof, as actually executed, and a statement showing the purposes for which the note was issued.

(7) The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is seventy-seven dollars (\$77).

Dated at San Francisco, California, this 13th day of January, 1953.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner... Justus E. Craomer, being necessarily absent, did not participate in the disposition of this proceeding.

