

ORIGINALDecision No. 3594S

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CITIES TRANSIT, INC. to)
 acquire the Certificates of Public)
 Convenience and Necessity for the) Application No. 35592
 transportation of passengers by bus)
 in the County of Los Angeles from)
 DEAN CARSON, dba HOLBROOK-BENTON LINES.)

Appearances

Phil Jacobsen, for applicants.
David D. Canning, for Los Angeles Transit Lines
 interested party.
Dale Harlan, for Metropolitan Coach Lines,
 interested party.
Louis Edward Hammel, for Transportation Union
 No. 1277, interested party.
Glenn E. Newton of the staff of the Public Utilities
 Commission of the State of California.

O P I N I O N

Applicants in this proceeding are common carriers of passengers by bus in the County of Los Angeles. Southern Cities Transit, Inc. serves Compton, Willowbrook, Lynwood and adjacent communities. Dean Carson, doing business as Holbrook-Benton Lines, serves Whittier, Santa Fe Springs, Norwalk, Artesia, Downey and intermediate areas. By this application authority is sought (a) for consolidation of the two operations through sale of the Holbrook-Benton Lines to Southern Cities Transit, Inc.; (b) for such adjustment of fares and fare zones as necessary to integrate the two services; and (c) for the issuance of a promissory note by Southern Cities Transit, Inc., to Dean Carson to cover the purchase price of the rights and properties to be transferred.

The rights and properties involved herein were acquired by Dean Carson under authority granted by Decision No. 49493 dated January 5, 1954. Dean Carson also is the owner and president of Southern Cities Transit, Inc., having acquired all of that company's stock pursuant to authority granted by Decision No. 50024 dated May 11, 1954. In seeking to consolidate the two operations, he alleges that the results will be the attainment of economies not now available to either operation and that the public will be better served by through routes, by free transfers between routes, and by the elimination of the dual fares which now apply when passengers travel from points on one line to points on the other.

Public hearings of the application were held before Examiner C. S. Abernathy at Los Angeles on November 29 and December 3, 1954. Evidence was submitted by Dean Carson on behalf of himself and on behalf of Southern Cities Transit, Inc., by applicants' supervisor of operations, and by their accountant.

Dean Carson testified that he is confronted with an urgent necessity to effect all economies possible in both of the operations. He said that revenues have been declining throughout 1954 and that losses have been experienced each month in both operations notwithstanding every effort which he has made to overcome the losses by increased efficiencies.¹ He viewed the proposed consolidation as a means of maintaining the solvency of the businesses without the necessity of increasing fares. The consolidation, he said, would permit better usage of equipment and the centralization of operations

¹ It appears that applicants' operations have been hampered by strikes during the past two months.

with a consequent reduction in expenses. Assertedly, no reduction in service to the public will result.

Applicants' supervisor of operations submitted and explained an amended exhibit setting forth the fare zones and fares that would be established in the event the sought consolidation is approved.² He testified that the fare zone in the area now served by the Holbrook-Benton Lines would be increased in size to correspond generally to those of Southern Cities Transit, Inc. The realignment of zones, he said, would result in some fare increases but that in the majority of instances fares would be retained at their present levels or they would be reduced.

Applicants' accountant submitted an exhibit (Exhibit 3) showing that as of May 15, 1954 the assets, liabilities and net worth of Dean Carson's operations as the Holbrook-Benton Lines were as follows:

ASSETS

Current Assets	\$11,040
Tangible Property	22,540
Intangible Assets and Deferred Debits	<u>26,200</u>
Total Assets	\$59,780

LIABILITIES

Current Liabilities	\$13,944
Note Payable to Guy H. Benton	<u>14,700</u>
Total Liabilities	\$28,644

NET WORTH

Total Liabilities and Net Worth	<u>31,136</u>
	\$59,780

2

The amendments contained in the exhibit (Exhibit 2) represented corrections of errors and ambiguities in a proposed tariff attached (Continued on next page.)

The accountant had not developed figures to show the current financial position of the Holbrook-Benton Lines. He indicated, however, that because of depreciation of assets and operating losses since May 15, 1954 the financial position of the Holbrook-Benton Lines is less favorable at the present time than it was in May.

Initially applicants proposed that the assets and liabilities of the Holbrook-Benton Lines be transferred to Southern Cities Transit, Inc. for a consideration in the form of a demand note for \$39,088.48 to be issued to Dean Carson by Southern Cities Transit, Inc. This amount was represented as the book value of the net worth of the Holbrook-Benton Lines as of May 15, 1954. During the course of the hearings, however, it became evident that the net worth figure as set forth in the application was incorrect and also that it should be modified to reflect the changes which have taken place up to the present time.³ Also, it appeared that figures which were represented as setting forth the financial position of Southern Cities Transit, Inc. may have substantially overstated the company's current assets. Question was raised, therefore, whether the company could assume the liability of a demand note of the amount proposed without jeopardizing the stability of its operations.

2 (continued from previous page)

to the application. It appears that this exhibit should also be amended to correct a five-cent overstatement in the fares applicable between zones 2A and 3C, 2D and 3C, 3A and 3E, 3A and 4, and between 3A and 5; to correct a five-cent understatement in the fare between zone 2D and 3B; to correct an error in the description of the western boundary of zone 2C; to reflect an amendment in the western boundary of zone 1; and to set forth fully the restrictions applicable to the Gage Avenue Line west of the Los Angeles River.

3

The figures which were submitted by the accountant in Exhibit 3 were offered as corrections of the corresponding data in the application.

In the circumstances applicants asked that they be given opportunity to reappraise their financial positions and within the ensuing six months period to submit for the Commission's approval a revised sales agreement based upon corrected and up-to-date data. They urged that in the meantime they be permitted to consolidate their operations as proposed at the earliest possible moment. They particularly asserted that without such consolidation there exists grave question whether the solvency of their operations can be maintained. Applicants agreed that pending the Commission's further order in the matter no payment would be made to Dean Carson for any of the properties and rights transferred and that, furthermore, the amount and form of the obligation to Dean Carson to be assumed by Southern Cities Transit, Inc. would be that as determined to be reasonable and proper by the Commission.

Notices of the hearings in this matter were published in the Commission's calendar and were sent by the Commission's secretary to cities and organizations believed to be interested. In addition notices of the hearing were published in newspapers of general circulation in the areas involved and were posted in applicants' buses. No one appeared at the hearings to oppose granting of the application.

The consolidation which is proposed in this proceeding clearly would be in the public interest. It would result in more extensive service at fares which are generally the same or less than those which apply at present. Although some fare increases would follow from realignment of the fare zones in the area which has been served by Dean Carson in his operations as the Holbrook-Benton Lines, it appears that the increases represent only a small proportion of the total fare changes and that on the whole the changes would be reductions. In addition to being provided with more extensive service

the public would be benefited by the economies that would be attained. The reductions in expense would strengthen the operations and would tend to obviate need for fare increases which might be necessary otherwise.

Although the record is deficient with respect to the payment and the terms thereof to be made to Dean Carson for his interests in the Holbrook-Benton Lines, it appears that the consolidation of the two operations reasonably may be authorized pending submission of further figures concerning these matters at a later date. In view of applicants' expressed willingness to submit the additional data, to be bound by the Commission's order with respect thereto, and to refrain from making any settlement between themselves until authorized to do so by the Commission, the transfer to Southern Cities Transit, Inc. of the assets of Dean Carson in his operations as the Holbrook-Benton Lines and the assumption by Southern Cities Transit, Inc. of his liabilities attributable to Holbrook-Benton Lines will be authorized. The authorization will be granted subject to the condition that applicants submit the additional data indicated within six months after the effective date of the order hereinbelow.

One request which has not been mentioned heretofore was made by Southern Cities Transit, Inc. which asked that it be permitted to divert from its established routes for the purpose of transporting pupils attending institutions of learning. However, the company did not submit evidence to show the necessity for such diversions, nor did it designate the conditions under which the

The total amount of the liabilities which Southern Cities Transit, Inc. will be authorized to assume will be limited to approximately that owed by Dean Carson as of May 15, 1954. Adjustment will be made in the notes payable account to reflect payments which have come due since May 15, 1954.

diversions would be made. This request will be denied for lack of justification.

Upon careful consideration of the facts and circumstances of record, the Commission is of the opinion and finds that the consolidation of the operations of Dean Carson, doing business as the Holbrook-Benton Lines, with those of Southern Cities Transit, Inc. has been shown to be in the public interest and that the zone and fare adjustments which would be made with the consolidation of the two operations have been shown to be justified. The consolidation and the zone and fare adjustments will be authorized subject to the conditions which are set forth in the order which follows. In response to applicants' request for authority to make the necessary tariff adjustments on less than statutory notice, applicants will be authorized to establish the revised fares and other tariff changes on five days' notice to the Commission and to the public.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that:

1. Dean Carson, doing business as the Holbrook-Benton Lines, be and he hereby is authorized /
 - a. To transfer to Southern Cities Transit, Inc. the passenger stage operative rights which he acquired pursuant to authority granted by Decision No. 49493 dated January 5, 1954, and the properties and other assets used in his operations as the Holbrook-Benton Lines.
 - b. To cancel his Local Passenger Tariff No. 4, Cal. P.U.C. No. 4 (John W. Chapman, dba Benton Bus Lines, series) and his Local Passenger Tariff No. 8, Cal. P.U.C. No. 8 (Charles B. Holbrook, dba Holbrook Transit Company, series), said cancellations to be made upon not less than five days' notice to the Commission and to the public and to take effect with the transfer of his rights, properties and other assets to Southern Cities Transit, Inc.

2. Southern Cities Transit, Inc. be and it hereby is authorized
 - a. To acquire from Dean Carson the passenger stage operative rights, properties and other assets to which reference is made in paragraph 1 above.
 - b. To consolidate its operative rights with those acquired from Dean Carson.
 - c. To consolidate its lines, routes and operations with those lines, routes and operations which it is authorized to acquire from Dean Carson pursuant to this order.
 - d. To assume current liabilities not exceeding \$15,000 in total amount incurred by Dean Carson in the operation of the Holbrook-Benton Lines.
 - e. To assume the liability of Dean Carson to Guy H. Benton for the balance due on a promissory note issued under the provisions of Decision No. 49493, supra, the liability to be assumed not to exceed \$12,500 in principal amount, payable in monthly instalments of \$300 with interest at the rate of 5 percent per annum.
 - f. To cancel its Local Passenger Tariff 9, Cal. P.U.C. No. 9 and concurrently to establish fares, rules and regulations conforming to those set forth in Exhibit No. 2 of record in this proceeding (adjusted to correct errors noted in Footnote 2 of the preceding opinion) to govern the consolidated passenger stage service to be provided under the authority of this decision. The fares, rules and regulations to be so established shall be made effective with the establishment of the consolidated service on not less than five days' notice to the Commission and to the public.
3. The exercise of the authority hereinabove granted be and it is subject to the following conditions:
 - a. With the acquisition of the operating rights, properties and assets of Dean Carson, doing business as Holbrook-Benton Lines, Southern Cities Transit, Inc. shall assume in full the public utility obligations of Dean Carson in his operations as the Holbrook-Benton Lines.
 - b. Within six months after the effective date of this order Dean Carson and Southern Cities Transit, Inc. shall file in this numbered proceeding a supplemental application with supporting data which shall have for its purpose the determination of the amount

and form of the payment and the authorization of the payment to be made to Dean Carson for his interests in the operative rights, properties and other assets transferred to Southern Cities Transit, Inc. in accordance with the provisions of this decision. Southern Cities Transit, Inc. shall also submit data showing the financial operating results of its consolidated services and estimates of its financial operating results for an ensuing representative period.

- c. Until specifically authorized to do so by further order of the Commission, Southern Cities Transit, Inc. shall make no payment directly or indirectly to Dean Carson to compensate him in whole or in part for the operative rights, properties or other assets acquired from him pursuant to this decision.
- d. The authority which is herein granted to transfer operating rights, properties and other assets of Dean Carson to Southern Cities Transit, Inc., if exercised, shall be exercised in full and not in part.

- 4. Dean Carson and Southern Cities Transit, Inc. shall post in their buses and in their terminals appropriate notices explaining the fare, the fare zone and the service changes to be made pursuant to this order. Such notices shall be posted at least five days prior to the date that said changes become effective.
- 5. Failure by either Dean Carson or Southern Cities Transit, Inc. to comply with any provision of this order without prior authorization of this Commission shall be cause for revocation of the authority herein granted.
- 6. The authority herein granted shall expire six months after the effective date of this order.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 4th day of January, 1955.

John E. Wick
 President
Justice F. Calver
Paul J. Luterer

Commissioners