

ORIGINALDecision No. 51067

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of E. J. Jacklin, J. C.)
 Brundage, B. W. Rice, Jr. and F. H.)
 Winter, copartners doing business)
 as ISLAND TRANSPORTATION CO., to sell)
 and ISLAND TRANSPORTATION CO., a) Application No. 35758
 corporation, to purchase intrastate)
 operative rights of the seller; and,)
 application of ISLAND TRANSPORTATION)
 CO., a corporation, to issue stock.)

O P I N I O N

By Decision No. 48700, dated June 9, 1953, on Application No. 34289, E. J. Jacklin, J. C. Brundage, B. W. Rice, Jr., and F. H. Winter, partners doing business as Island Transportation Co., were authorized to establish a service as a common carrier for the transportation of persons and hand baggage by vessel between Newport Beach and Avalon, Catalina Island.

By the original application herein the above-named partners sought authority to sell and transfer their business and assets, including said operating right, a vessel known as the "Island Lady," and some "U-Drive" boats, to a California corporation recently organized by the partners for the purpose of continuing the business under the corporate form.

On December 30, 1954, an amendment to the application was filed. In this amendment it is alleged that the partnership was dissolved effective October 30, 1954, and that at that time a new partnership consisting of J. C. Brundage, B. W. Rice, Jr., and F. H. Winter was formed; that said partners own the

certificate issued to the former partnership and the physical assets except the "U-Drive" boats which have been acquired by E. J. Jacklin; that said E. J. Jacklin has assumed the indebtedness thereon in the sum of \$6,837.88 shown on Exhibit "A" on the original application under "contracts payable"; and that the new partnership had no liabilities on December 6, 1954.

By the application as amended, authority is sought by J. C. Brundage, B. W. Rice, Jr. and F. H. Winter, referred to herein as sellers, to sell and transfer their business and assets, including said operating right and the "Island Lady," to a California corporation recently organized by them for the purpose of continuing said business under the corporate form. The said corporation was incorporated on May 7, 1954, under the name of Island Transportation Co., and has an authorized capital of \$200,000 consisting of 20,000 shares of the par value of \$10.00 each.

The sellers' financial condition as of October 31, 1954 (Exhibit "A" on the Amendment to the Application) was as follows:

<u>Assets</u>		
Current (cash and prepaid expenses)		\$6,477.50
Fixed (boat less depreciation)		21,888.41
Total Assets		\$28,366.11
<u>Liabilities</u>		
None		
<u>Net Worth</u>		
J. C. Brundage, capital	\$14,522.67	
B. W. Rice, Jr., capital	14,358.48	
F. H. Winter, capital	<u>2,746.72</u>	
		\$31,627.87
<u>Loss</u>		(3,261.76)
<u>Total liabilities and net worth</u>		28,366.11

(Red Figure)

It is proposed to transfer said business and assets, and the said operating rights valued at \$420.00, to the corporation in exchange for 3,205 shares of its capital stock to be

issued to said partners in proportion to their partnership interests as follows (Exhibit "C" on the Amendment to the Application): J. C. Brundage, 1466 shares; B. W. Rice, Jr., 1450 shares; and F. H. Winter, 289 shares.

The proposed transfer is not adverse to the public interest and it is our conclusion that the authority sought, including the stock issue, should be granted. A public hearing is not necessary. Such authority shall not be construed to be a finding of value of the property herein authorized to be transferred.

Island Transportation Co., a corporation, 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. This monopoly feature may be changed or destroyed at any time by the state, which is not, in any respect, limited as to the number of rights which may be given.

O R D E R

The Commission has considered the above-entitled matter and is of the opinion that a public hearing is not necessary, that the application should be granted as herein provided, that the money, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required by the corporation for the purposes

specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS ORDERED:

(1) That J. C. Brundage, B. W. Rice, Jr., and F. H. Winter, partners doing business as Island Transportation Co., be, and they hereby are, authorized to sell and transfer to Island Transportation Co., a corporation, the certificate of public convenience and necessity and other assets of the partnership referred to above, and said Island Transportation Co., a corporation, is hereby authorized to purchase and acquire said certificate and property and to issue 3205 shares of its capital stock in payment therefor.

(2) That the described property shall be transferred and the said stock shall be issued within 30 days from the effective date of this order.

(3) That within thirty days after the consummation of the transfer herein authorized Island Transportation Co., a corporation, shall notify this Commission in writing of that fact.

(4) That within sixty days after the effective date hereof, and on not less than five days' notice to the Commission and to the public, applicants shall supplement or reissue the tariffs and timetables on file with the Commission naming rates, rules, regulations and schedules governing the common carrier operations here involved to show that the sellers have withdrawn or cancelled and Island Transportation Co., a corporation, has adopted or established as its own said rates, rules, regulations and schedules.

(5) That within thirty days after the issue of said stock Island Transportation Co., a corporation, shall file with the Commission a report as required by the Commission's General Order No. 24-A which order, in so far as applicable, is made a part of this order.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California,
this 1st day of February, 1955.

John E. Whitcomb
President

Justin J. Caswell
Ralph Winters
Matthew J. Haskin

Commissioners