

ORIGINAL

Decision No. 54957

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of J. R. BRITTON, doing business as LONG BEACH LIMOUSINE SERVICE, for authority to sell his certificate of public convenience and necessity to AIRPORT SERVICE, INCORPORATED, and for authorization of AIRPORT SERVICE, INCORPORATED, to issue its securities

Application No. 38921

O P I N I O N

J. R. Britton, applicant herein, is engaged in operating a transportation service as a carrier of passengers, baggage and express generally between Pasadena and other points and various airports under a certificate of public convenience and necessity acquired by him under authorization granted by Decision No. 52355, dated December 12, 1955, in Application No. 37316, as amended by Decision No. 54492, dated February 5, 1957, in Application No. 38660. In the application now before us he reports that he desires to transfer his operative rights and equipment to Airport Service, Incorporated, a corporation he has organized to take over such rights and equipment and to conduct the operations, and he seeks the Commission's approval of the transaction.

Decision No. 52355 revoked prior operative rights which dated back several years. Applicant Britton has reported his operating revenues and his net income, before allowance for officers' salaries and personal income taxes, for the last three years as follows:

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Operating revenues	\$86,619	\$106,263	\$227,086
Net income	14,008	14,832	28,753

The corporation joins in the application and seeks authorization to issue \$50,000 par value of its common stock in payment for the operative rights and equipment.

A statement of applicant Britton's net assets, prepared from data filed in Exhibit 1, as of December 31, 1956, is as follows:

Net current and prepaid assets	\$ 947
Equipment - less contracts payable	19,162
Franchises at cost	<u>1,891</u>
Total net worth	<u>\$22,000</u>

In connection with the request of the corporation to issue \$50,000 par value of stock, the Commission is advised that the reported net worth of \$22,000 does not give any consideration to goodwill or to value of the franchises, other than their costs, or to the actual present value of the tangible equipment which originally cost \$54,762 but is carried on the books at a depreciated value of \$28,745.

However, under the provisions of Section 820 of the Public Utilities Code, we have no authorization to permit the capitalization of operative rights in excess of the amount actually paid to the state or to a political subdivision thereof as the consideration of the grant of such operative rights. Further, we are of the opinion that the issue of stock in payment for goodwill is not one of the purposes contemplated by Section 817 of the Public Utilities Code. Moreover, no information has been submitted to the Commission with respect to the

claimed values for the tangible properties and it does not appear that there is sufficient information now before us upon which we can base an order authorizing the issue of \$50,000 of stock.

We find that the transfer of the operations and properties to the new corporation will not be adverse to the public interest, but upon a full review of this proceeding we are of the opinion that the maximum amount of stock we can authorize is \$22,000 par value. The order herein will so provide.

Applicants are hereby placed on 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 as to the number of rights which may be given.

The action taken herein shall not be construed to be a finding of the value of the rights and equipment herein authorized to be transferred.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or

paid for by the issue of \$22,000 par value of stock herein authorized is reasonably required by applicant corporation for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. J. R. Britton may transfer his operative rights and equipment on or before December 31, 1957 to Airport Service, Incorporated.
2. Airport Service, Incorporated, in payment therefor may assume the payment of outstanding liabilities and may issue not exceeding \$22,000 par value of its common stock on or before December 31, 1957.
3. The application of Airport Service, Incorporated, so far as it involves the issue of an additional \$28,000 par value of stock is denied.
4. On not less than five days' notice to the Commission and to the public, effective concurrently with the consummation of such transfer, applicants shall supplement or reissue the tariffs on file with the Commission naming rates, rules and regulations governing the common carrier operations here involved to show that J. R. Britton has withdrawn or canceled and Airport Service, Incorporated, has adopted or established, as its own, said rates, rules and regulations. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the construction

and filing of tariffs set forth in the Commission's General Order No. 79.

5. Airport Service, Incorporated, shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

6. The authorization herein granted will become effective 20 days after the date hereof.

Dated at San Francisco, California, this 14th day of May, 1957.

E. J. ...
President
...
T. H. ...
S. ...
Commissioners