

ORIGINAL

Decision No. 6034S

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ALBERT LIPPS doing business as)
Douglas Bus Lines, and DOUGLAS)
BUS LINES, INC., for authority)
to transfer operating rights,)
equipment and other assets, and)
for authority to issue stock.)

Application No. 42285
and
First Amendment

O P I N I O N

In this application, which was filed on May 20, 1960, and in a first amendment, which was filed on June 13, 1960, the Commission is asked to make an order authorizing Albert Lipps, doing business as Douglas Bus Lines, to transfer operative rights and equipment to Douglas Bus Lines, Inc., in exchange for 45 shares of the corporation's no par value common stock at a stated value of \$1,000 a share, or a total stated value of \$45,000.

Albert Lipps, doing business as Douglas Bus Lines, is the owner of a certificate of public convenience and necessity granted by Decision No. 59396, dated December 15, 1959, in Application No. 41599, which was in lieu of previous operating authority. As the operator under this certificate, Albert Lipps transports employees of the Douglas Aircraft Plant between its location in Long Beach and points in the Counties of Orange and Los Angeles. In his annual reports to the Commission, he has shown the following:

	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Proprietor's Withdrawals</u>
1954	\$35,409	\$11,072	\$10,046
1955	43,381	15,033	14,409
1956	40,538	10,760	14,589
1957	38,412	8,550	3,959
1958	49,013	14,149	17,239
1959	57,829	20,073	14,643

The balance sheet of applicant Lipps, as of April 30, 1960, is reported in Exhibit E as follows:

<u>Assets</u>		
Cash		\$ 4,117.65
13 coaches	\$39,090.75	
Less depreciation	<u>23,996.83</u>	15,093.92
Parts		50.00
Shop equipment		600.00
Gasoline and oil		300.80
Franchises		<u>100.00</u>
 Total		 <u>\$20,262.37</u>
<u>Liabilities and Net Worth</u>		
Accounts payable		\$ 120.71
Wages payable		605.00
Net worth		<u>19,236.66</u>
 Total		 <u>\$20,262.37</u>

It appears that Albert Lipps is desirous of changing the form of his organization from that of an individual proprietorship to that of a corporation and that he proposes to transfer his certificate and his other assets to Douglas Bus Lines, Inc., in exchange for shares of capital stock. He reports, however, that the present-day market values of the coaches which will be transferred are in excess of the depreciated book values as shown on his books and that he has had an appraisal made which developed estimated market values in the total amount of \$40,000. It is requested that the new corporation be authorized to place the appraisal figures on its books.

The application shows that the new corporation will adopt the rates and timetables presently in effect and that there will be no change in the management or service as the result of the transfer. We have considered this matter and we find and conclude (1) that the proposed transfer will not be adverse to the public interest, (2) that no justification has been shown for writing up the book accounts to reflect appraisal figures upon the transfer as proposed, and (3) that the new corporation should take over into its accounts the book figures of Albert Lipps as of the date of transfer and should be authorized to issue its stock upon the basis of the recorded net worth. We will enter our order in accordance with these findings. It is our opinion that the money, property or labor to be procured or paid for by the issue of not to exceed 20 shares of stock 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 issuing our order, we place applicants 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 authorization herein granted shall not be construed to be a finding of the value of the operative 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 and that the application should be granted only to the extent herein authorized, therefore,

IT IS HEREBY ORDERED as follows:

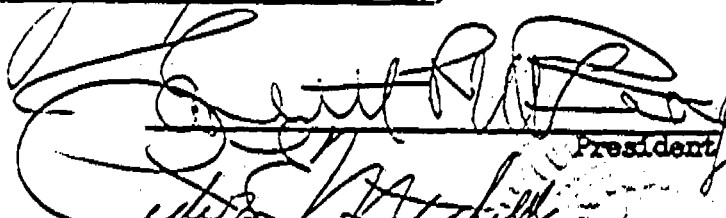
1. Albert Lipps, doing business as Douglas Bus Lines, on or after the effective date hereof and on or before December 31, 1960, may transfer his operative rights and equipment to Douglas Bus Lines, Inc.
2. Douglas Bus Lines, Inc., in acquiring the operative rights and equipment under the authorization herein granted, shall record on its books the balances appearing in the asset and liability accounts of Albert Lipps, as of the date of transfer. Douglas Bus Lines, Inc., may issue not to exceed 20 shares of its no par value common stock, at a stated value of not to exceed \$1,000 each, in payment for said operative rights and equipment.
3. The requests to issue the remaining 25 shares covered by the application and to restate the equipment accounts are denied.

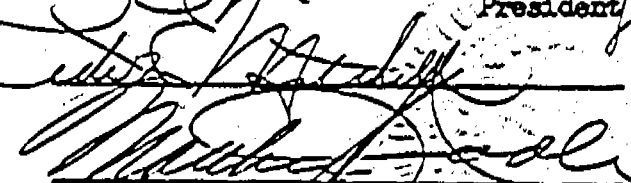
4. On not less than five days' notice to the Commission and to the public, effective concurrently with the consummation of such transfer, applicants shall supplement or reissue the tariffs and timetables on file with the Commission naming rates, rules, regulations and schedules governing the common carrier operations here involved to show that Albert Lipps, doing business as Douglas Bus Lines has withdrawn or canceled and Douglas Bus Lines, Inc., a corporation, has adopted or established, as its own, said rates, rules, regulations and schedules. 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.

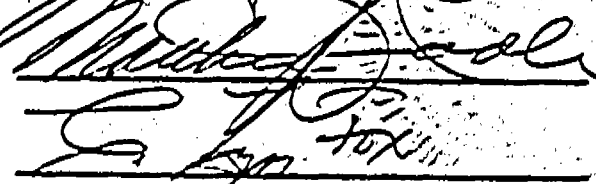
5. Douglas Bus Lines, Inc., shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

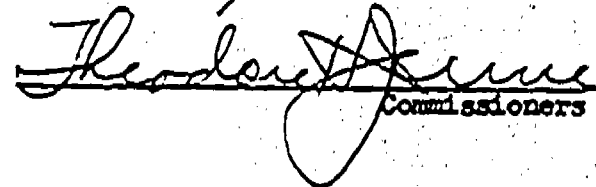
6. The authority herein granted shall become effective 20 days after the date hereof.

Dated at San Francisco, California,
this 5th day of July, 1960.



President






Commissioners