

LEM

Decision No. 18218.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CALIFORNIA TRANSPORTATION COMPANY
and
CALIFORNIA NAVIGATION AND IMPROVEMENT
COMPANY

to sell their properties to The Calif-
ornia Transportation Company and The
California Transportation Company to
operate vessels, issue \$3,500,000. of
stock and \$650,000. of bonds.

ORIGINAL

Application No. 13636.

W. H. Metson, for applicants.
D. Canny, for State Banking Department.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to
make its order as follows:-

1. Authorizing California Transportation Company and Cali-
fornia Navigation and Improvement Company to transfer their busi-
nesses, properties and assets to The California Transportation
Company, and The California Transportation Company to acquire said
businesses, properties and assets;

2. Declaring that public convenience and necessity require,
and will require, The California Transportation Company, as a
common carrier, to operate, or cause to be operated, vessels be-
tween points exclusively on the inland waters of this state:

3. Authorizing The California Transportation Company to issue
and deliver \$2,500,000. par value of its capital stock to California
Transportation Company and \$1,000,000. par value of its capital
stock to California Navigation and Improvement Company as part con-
sideration for the transfer of said properties and assets of said
corporations:

4. Authorizing The California Transportation Company to execute its first mortgage covering the lands and vessels so to be acquired by it, to secure an authorized issue of \$650,000. of its first mortgage sinking fund six percent gold bonds:

5. Authorizing The California Transportation Company to issue and deliver said \$650,000. of bonds to Anglo London Paris Company at the price and on the terms hereinafter mentioned; and,

6. Approving the agreement with Anglo London Paris Company for the sale of said bonds.

In brief, this application involves the consolidation under the ownership of one corporation, The California Transportation Company, of two businesses and properties now owned by two separate corporations (California Transportation Company and California Navigation and Improvement Company) and the issue by the new corporation of \$3,500,000. of stock in part payment for such properties and of \$650,000. of bonds in part payment for two new steamers.

Both the California Transportation Company and the California Navigation and Improvement Company are now and have been for many years last past operating steamboats. The points between which the California Transportation Company is now operating are set forth in its "Local and Joint Freight Tariff No. 10-E, C.R.C. No. 47, effective July 1, 1922;" in "Local and Joint Freight Tariff No. 9-D, C.R.C. No. 54, effective March 1, 1927;" in "Local Passenger Tariff No. 6-C, C.R.C. No. 54, effective October 10, 1925"; and supplements thereto now on file with the Commission.

The points between which California Navigation and Improvement Company is now operating are set forth in its "Local and Joint Freight Tariff No. 8-D, C.R.C. No. 14, effective March 1, 1927"; and in "Local Passenger Tariff No. 7-A, C.R.C. No. 5, effective June 18, 1925" now on file with the Commission.

In general it may be said that the California Transportation Company is operating vessels between points on the San Joaquin and

Sacramento Rivers and tributaries thereto, and San Francisco, Oakland and Encinal Terminals, Alameda. The California Navigation and Improvement Company on the other hand is operating vessels between points on the San Joaquin River and tributaries thereto and San Francisco, Oakland and Encinal Terminals, Alameda. The Improvement Company also is engaged in a warehouse business at Stockton.

It appears that there is a community of interest between the two corporations; the entire outstanding stock, save directors' qualifying shares, of California Navigation and Improvement Company are being held by or for California Transportation Company. The application indicates, however, that it is now thought desirable to organize a new corporation to take over and operate the two businesses and properties as one entity and to that end there has been formed The California Transportation Company.

The Articles of Incorporation of The California Transportation Company show that it was incorporated on or about March 30, 1927, with an authorized capital stock of \$5,000,000., divided into 50,000 shares of the par value of \$100. each, all common, of which the corporation now proposes to issue 35,000 shares of the total par value of \$3,500,000. in purchasing the properties of the present two companies. These properties include water front and terminal grounds located at Martinez, New Hope Landing, Walnut Grove, Rio Vista, Grand Island, Pittsburg and Stockton; improvements on properties owned in fee and leased, consisting of wharves, docks, terminals and offices and equipment; a shipyard and warehouse at Stockton, and other miscellaneous properties, and the following floating equipment:-

Steamer	"FORT SUTTER"
Steamer	"CAPITAL CITY"
Steamer	"J.D.PETERS"
Steamer	"T.C.WALKER"
Steamer	"REFORM"
Steamer	"ISLETON"
Steamer	"PRIDE OF THE RIVER"
Steamer	"CAPT. WEBER"
Steamer	"AURORA"
Steamer	"LEADER"
Barge	"ONISEO"

In addition, there is now under construction by California Transportation Company, two new steamers to be known as "Delta King" and "Delta Queen".

At the hearing held in this matter, applicants introduced into the record as Exhibit "1" an appraisal prepared by Mr. George A. Armes, president of the General Engineering and Drydock Company, of Alameda, showing the total estimated present value of the floating equipment, including the "Delta King" and "Delta Queen", when fully built and equipped, at \$3,354,250.; and as Exhibit "3" an appraisal prepared by The American Appraisal Company showing the estimated reproduction cost new of the remaining property, exclusive of merchandise and supplies, at \$869,281.43, and the estimated depreciated cost at \$715,544.62.

Upon acquiring the two properties The California Transportation Company proposes to execute a mortgage on the properties to secure the payment of an authorized issue of \$650,000. of first mortgage six percent bonds due March 1, 1939 and to sell such bonds, at 93-1/2 percent of face value and accrued interest to Anglo London Paris Company for the purpose of financing in part the cost of the two steamers, "Delta King" and "Delta Queen" now under construction. The cost of these two vessels, including labor and material only, is estimated from \$750,000. to \$800,000. each. To March 1, 1927 it appears that \$1,307,602.76 had been expended. It is said that the cash funds of the two companies combined will not be sufficient to pay the indebtedness incurred in making such expenditures and to meet the total cost, so that it is necessary to issue the \$650,000 of bonds. In this connection, the balance sheet of California Trans-

portation Company shows outstanding on March first, loans and bills payable of \$852,000. and audited vouchers and wages payable at \$360,636.90.

Representatives of the Commission have not yet completed their examination of the appraisals submitted. It is urged, however, that applicants have need for the cash which will be realized from the sale of the \$650,000. of bonds, to pay indebtedness incurred to construct the "Delta King" and "Delta Queen". They request that a preliminary order be entered authorizing the issue of the bonds and some of the stock,

We believe that such request should be granted. The order herein will authorize The California Transportation Company to issue and sell the \$650,000. of bonds, and issue \$750,000. of stock subject to the provisions of the order. When the Commission's representatives have completed their examination of the appraisals and properties of applicant, consideration will be given to the issue of additional stock by The California Transportation Company to pay for the properties it intends to acquire.

The matter of authorizing The California Transportation Company to execute a mortgage or deed of trust to secure the payment of the \$650,000. of bonds will also be considered in a supplemental order.

Applicants ask this Commission to approve the agreement between them and Anglo London Paris Company covering the sale of the \$650,000. of bonds. We will not at this time approve such agreement in all of its particulars. As stated, we will authorize the issue and sale of the \$650,000. of bonds, according to the terms of the order, and approve the agreement only to the extent it affirmatively appears in the order herein.

The California Transportation Company intends to operate, and asks permission to operate, between all the points set forth in the tariffs of California Transportation Company and California Navigation and Improvement Company now in effect and on file with the Railroad Commission. Such request we believe should be granted. Representatives of the two existing companies have agreed that upon the granting of the certificate prayed for, those companies would surrender and abandon their present operative rights.

No one appeared at the hearing to protest the granting of this application.

ORDER

Application having been made to the Railroad Commission, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that it should at this time issue a preliminary order to the extent indicated herein, and that the issue at this time of \$750,000. of stock and \$650,000. of bonds is reasonably required by applicant and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

THE RAILROAD COMMISSION HEREBY DECLARES that present and future public convenience and necessity require and will require the operation by The California Transportation Company of the vessels as a common carrier, between the points set forth in the tariffs of California Transportation Company, and California Navigation and Improvement Company, to which reference has been made in the foregoing opinion, and at the same rates and charges now made by such companies;

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it hereby is, granted to The California Transportation Company, in accordance with the foregoing declaration.

IT IS HEREBY FURTHER ORDERED that California Transportation Company and California Navigation and Improvement Company be, and they hereby are, authorized to transfer their businesses, properties and assets, subject to outstanding debts and ^{liabilities} to The California Transportation Company, and The California Transportation Company be, and it hereby is, authorized to acquire such businesses, properties and assets and to issue in part payment, at this time, not exceeding \$750,000. of its common capital stock.

IT IS HEREBY FURTHER ORDERED that The California Transportation Company be, and it hereby is, authorized to issue and sell, at not less than 93-1/2 percent of face value plus accrued interest, \$650,000. of first mortgage sinking fund six percent gold bonds due March 1, 1939, and to use the proceeds to pay indebtedness incurred in the construction of the steamers "Delta King" and "Delta Queen" and assumed by The California Transportation Company, and to finance in part the cost of constructing said two steamers.

The authority herein granted is subject to the following conditions:-

1. California Transportation Company and California Navigation and Improvement Company shall cancel immediately all time schedules, tariffs and classifications now on file with the Railroad Commission in their names, and The California Transportation Company shall file in its own name time schedules, tariffs and classifications.

2. The California Transportation Company shall file with the Commission for approval a copy of the entries by which it records on its books of account the purchase of the properties of California Transportation Company and California Navigation and Improvement Company.

3. The California Transportation Company shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or about the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted to issue bonds will become effective when applicant, The California Transportation Company, has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$650., and when the Commission by supplemental order in this proceeding has authorized the execution of a mortgage or deed of trust to secure the payment of said bonds. In other respects the authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 11th day of April, 1927.

Frank J. ...

C. Seamy
Leon ...
Thos. ...

Commissioners

Fee \$650⁰⁰/₁₀₀

RAILROAD COMMISSION
STATE OF CALIFORNIA
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File # 24527