

Decision No. 18866

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

CALIFORNIA TRUCK COMPANY,)

a corporation, to transfer its)
operating rights from and to)
Los Angeles Harbor and its terminal)
and to sell three motor trucks and)
three trailers to California Truck)
Company, Inc. and California Truck)
Company, Inc. to acquire operative)
rights, trucks and trailers.)

ORIGINAL

Application No. 13966.

Howard Robertson, for applicants.

BY THE COMMISSION:

OPINION AND ORDER

In the above entitled matter the Railroad Commission is asked to make an order authorizing California Truck Company, a corporation, to transfer operative rights and properties to California Truck Company, Inc., a corporation.

California Truck Company was organized in 1884 and is engaged in the local drayage business in the City of Los Angeles and in the transportation business between the City of Los Angeles and its harbor, the major part of its operations being of a local nature. It appears that the corporation has decided to separate its two classes of operations and for that reason has caused the organization, on or about April 29, 1927, of California Truck Company, Inc., the other applicant herein, for the purpose of having it take over and operate the transportation business. To this end it proposes to transfer to the new corporation its operative right and certain rolling equipment consisting of three

5-ton, 6-wheel White Motor trucks, of a reported value of \$3,000.00 each, and three 5-ton, 4-wheel trailers of a reported value of \$750. each.

The consideration for the transfer of the properties will be 9,997 shares (\$9,997.00) of the common capital stock of California Truck Company, Inc. The company has a total authorized capital stock of \$10,000. divided into 10,000 shares of the par value of \$1.00 each, all common, and it proposes to sell to its incorporators at par the three shares not delivered in payment for the property.

The purchaser is hereby placed upon notice that "Operative Rights" do not constitute a class of property which should be capitalized or used as an element of value in determining reasonable rates. 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 to the number of rights which may be given. The Commission at the early stages of the development of this kind of transportation should be extremely careful not to lend encouragement to the idea that these rights possess a substantial element of value, either for rate fixing or capitalization.

The Commission is of the opinion that this is a matter in which a public hearing is not necessary and that it should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the stock 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, therefore,

IT IS HEREBY ORDERED that California Truck Company, a corporation, be, and it hereby is, authorized to transfer to California Truck Company, Inc., a corporation, the operative rights and properties referred to herein, and California Truck Company, Inc. be, and it hereby is, authorized to acquire such rights and properties.

IT IS HEREBY FURTHER ORDERED that California Truck Company, Inc. be, and it hereby is, authorized to issue 10,000 shares of common capi-

tal stock of the aggregate par value of \$10,000.00 and to deliver 9,997 shares thereof in full payment for the operative rights and properties herein authorized to be transferred, and to sell three shares at par for cash and to use the proceeds for working capital.

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

1. California Truck Company, Inc. shall keep such record of the issue of the stock herein authorized as will enable it to file on or before 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.
2. The consideration to be paid for the properties herein authorized to be transferred shall never be urged before this Commission or any other public body as a measure of value of such property for any purpose other than the transfer herein authorized.
3. California Truck Company shall unite immediately with California Truck Company, Inc. in common supplement to the tariffs on file with the Commission, California Truck Company on the one hand withdrawing and California Truck Company, Inc. on the other hand accepting and establishing such tariffs and all effective supplements thereto.
4. California Truck Company shall immediately withdraw the time schedules filed in its name with the Railroad Commission and California Truck Company, Inc. shall immediately file in duplicate in its own name time schedules covering the service heretofore given by California Truck Company, which time schedules shall be identical with the time schedules now on file with the Railroad Commission in the name of California Truck Company, or time schedules satis-

factory to the Railroad Commission.

5. The rights and privileges herein authorized to be transferred may not be sold, leased, transferred or assigned or service thereunder discontinued unless the written consent of the Railroad Commission to such sale, lease, transfer, assignment or discontinuance has been secured.
6. No vehicle may be operated by California Truck Company, Inc. unless such vehicle is owned by said company or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.
7. The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 4th day of October, 1927.

Ernesto
Cheney
Leon Whitell
Thos. Barrett
M. J. Linn
Commissioners.