

LEM

Decision No . 18958 .

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
FRANK H. WHITE and FRED A. WHITE,)
co-partners, and White Truck and)
Transfer Company, a corporation,) Application No. 14040.
for permission to issue stock and)
transfer operative rights.)

Harrah, Louis and Quillian, by I.C.Louis,
for applicant.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

In the above entitled matter the Railroad Commission is asked to make an order authorizing Frank H. White and Fred A. White to transfer operative rights to White Truck and Transfer Company, a corporation, and authorizing White Truck and Transfer Company to issue 500 shares of its capital stock of the aggregate par value of \$50,000.00.

A public hearing on the application was held before Examiner Fankhauser on September 23, 1927, at which time the application was amended so as to include a request on the part of the corporation for approval of contracts for the purchase of equipment.

The record shows that Frank H. White and Fred A. White, as co-partners, have been engaged in the business, under the firm name and style of White Truck and Transfer Company, of operating an automotive truck service as common carriers of property for compensation between the City of Los Angeles and steamship wharves and docks located at Los Angeles Harbor; namely, at Wilmington and

San Pedro. The operative rights permitting this service were granted by the Railroad Commission by its Decision No. 14404, dated December 27, 1924. (Vol. 25, Opinions and Orders of the Railroad Commission of California, page 679.)

It appears that the co-partners have concluded that the business could be operated better by a corporation and for that reason have caused the organization of White Truck and Transfer Company, a corporation, applicant herein, and propose to transfer to it, the operative rights hereinabove referred to and certain physical property and equipment used in their operations. The corporation proposes to issue 497 shares of its stock, of the par value of \$49,700.00, in payment for the rights and property, subject to outstanding liabilities, and, in addition, to issue three shares to its directors, making a total proposed issue, at this time, of \$50,000. par value.

The property and equipment to be transferred to the corporation include twenty-two trucks and eleven trailers, as set forth in detail in the application; truck and trailer equipment consisting of hand trucks, jacks, tarpaulins, etc., shop equipment, service station equipment and office furniture and fixtures.

Applicants attached to their petition a balance sheet as of December 31, 1925. This balance sheet is of too remote a date to be considered in this proceeding. The Commission has been furnished with a balance sheet as of August 31, 1927. It shows assets and liabilities as follows:-

ASSETS:

<u>Property and equipment (Depreciated value)</u>		
Trucks	\$43,678.63	
Trailers	15,923.88	
Truck and trailer equipment	1,435.57	
Auto	290.03	
Shop equipment	586.03	
Office furniture and fixtures.	1,006.08	
Service station	<u>932.08</u>	63,852.30
Cash		665.56
Notes receivable		2,676.13
Accounts receivable		17,978.72
Inventory		145.02
Prepaid expenses		1,239.66
Franchise and good will		<u>11,539.30</u>
		<u>\$98,096.69</u>

LIABILITIES:

Capital stock		\$50,000.00
Notes payable		6,275.00
Trade acceptance		445.00
Accounts payable		11,365.53
Unpaid balance on trucks and trailers . . .		9,273.22
Accruals:		
Insurance	\$827.21	
Payroll	1,627.17	
Taxes	<u>2,229.51</u>	4,483.89
Undivided profits		1,260.79
Profit and loss account		<u>14,993.26</u>
		<u>\$98,096.69</u>

The assets include no allowances for the cost of obtaining operative rights, organization expenses or other intangible items.

We believe this application should be granted, subject to the conditions appearing in the order following this opinion. In authorizing the transfer the purchaser is hereby placed on 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.

ORDER

Application having been made to the Railroad Commission for authority to transfer operative rights and to issue stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the application

should be granted, as herein provided, and that the issue of the \$50,000.00 of stock is reasonably required for the purposes specified herein, and that the expenditure for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Frank H. White and Fred A. White, co-partners doing business under the firm name and style of White Truck and Transfer Company, be, and they are hereby, authorized to transfer to White Truck and Transfer Company, a corporation, the operative rights acquired by them pursuant to Decision No. 14404, dated December 27, 1924, and referred to in the foregoing opinion,

IT IS HEREBY FURTHER ORDERED that White Truck and Transfer Company, a corporation, be, and it hereby is, authorized to issue 497 shares of its capital stock, of the aggregate par value of \$49,700.00 and assume not exceeding \$31,842.64 of indebtedness in payment for the operative rights and the property and equipment, referred to in the foregoing opinion, to be acquired from Frank H. White and Fred A. White and to issue and sell, at par for cash, three shares of its capital stock, of the aggregate par value of \$300.00, to its directors, and to use the proceeds to acquire property or provide working capital. The company may issue notes or other evidences of indebtedness payable at not more than two years after date of this order to refund all or part of the indebtedness which it is hereby authorized to assume. If any note or evidence of indebtedness is issued for less than two years, the same may be renewed from time to time, provided that the term of the original note or evidence of indebtedness and all renewals thereof shall not exceed two years after the date of this order.

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

1. The consideration to be paid for the property herein authorized to be transferred shall never be urged before this Commission or any other rate fixing body as a measure of value of said property for rate fixing, or any purpose other than the transfer herein authorized.
2. Applicants, Frank H. White and Fred A. White, shall immediately unite with applicant, White Truck and Transfer Company, a corporation, in common supplement to the tariffs on file with the Commission, applicants, Frank H. White and Fred A. White, on the one hand withdrawing, and applicant, White Truck and Transfer Company, on the other hand, accepting and establishing such tariffs and all effective supplements thereto.
3. Applicants, Frank H. White and Fred A. White, shall immediately withdraw time schedules filed in their names with the Railroad Commission and applicant, White Truck and Transfer Company, shall immediately file, in duplicate, in its own name, time schedules covering service heretofore given by applicants, Frank H. White and Fred A. White, which time schedules shall be identical with the time schedules NOW ON file with the Railroad Commission in the name of applicants, Frank H. White and Fred A. White, or time schedules satisfactory to the Railroad Commission.
4. The rights and privileges herein authorized may not be sold, leased, transferred nor assigned, nor service thereunder discontinued, unless the written consent of the Railroad Commission to such sale, lease, transfer, assignment or discontinuance has first been secured.

5. No vehicle may be operated by applicant, White Truck and Transfer Company, unless such vehicle is owned by said applicant or is leased under a contract or agreement on a basis satisfactory to the Railroad Commission.
6. White Truck and Transfer Company shall keep such record of the issue of the stock herein authorized and of the disposition of the proceeds 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.
7. The authority herein granted will become effective when White Truck and Transfer Company has paid the fee prescribed by Section Six of the Auto Stage and Truck Transportation Act, and Section Fifty-seven of the Public Utilities Act, which fee is Thirty-two (\$32.00) Dollars.

DATED at San Francisco, California, this 25th
 day of October, 1927.

Fee \$32⁰⁰/₁₀₀
 RECEIVED OCTOBER 25 1927
 RAILROAD COMMISSION
 STATE OF CALIFORNIA
 H. M. ...
 Fee \$32.00

Edmund ...
Clarence ...
Leon ...
Howard ...
M. J. ...
 Commissioners.