

Decision No. 19414

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MOTOR FREIGHT TERMINAL COMPANY,)
 a corporation, to buy, and Bakers-)
 field and Los Angeles Fast Freight)
 Company, a corporation, Los Angeles)
 and West Side Transportation.)
 Company, a corporation, and)
 Los Angeles and Santa Barbara)
 Motor Express Co., Inc., a corpora-)
 tion, to sell automobile freight)
 lines operating between)
 Los Angeles and other points, and)
 also for authority to issue stock.)

Application No. 14421.

George Clark, for applicants.

BY THE COMMISSION:

OPINION

In the above proceeding the Railroad Commission is asked to authorize the transfer to Motor Freight Terminal Company of the operative rights and properties of Bakersfield and Los Angeles Fast Freight Company, Los Angeles and West Side Transportation Company and Los Angeles and Santa Barbara Motor Express Co., Inc., and the issue by Motor Freight Terminal Company of \$360,000.00 of stock in payment for such rights and properties.

Motor Freight Terminal Company is the owner of terminal property in Los Angeles consisting of 44,000 square feet of ground and a two story Class "A" concrete building. The other three

companies involved in this application are engaged in operating automobile freight lines, Bakersfield and Los Angeles East Freight Company operating between Los Angeles and Bakersfield and intermediate points, Los Angeles and West Side Transportation Company between Los Angeles and Taft and Intermediate points, and Los Angeles and Santa Barbara Motor Express Co., Inc., between Los Angeles and San Luis Obispo, and intermediate points, all as hereinafter set forth.

It appears that in general the four corporations are controlled by the same interests, who have decided to consolidate the ownership and operation of the four businesses under one corporation, it being thought that the transaction will simplify and facilitate the operations and result in substantial economies. For these reasons arrangements have been made to transfer the properties of the three transportation companies to Motor Freight Terminal Company.

The application shows that Motor Freight Terminal Company was organized on or about May 14, 1925, with an authorized capital stock of \$500,000.00, divided into 5,000 shares of the par value of \$100.00 each, all common. At present \$10,000.00 of stock is outstanding and the company proposes to issue, in addition, \$360,000.00 of stock in payment for the operative rights and properties of the transportation companies, subject to outstanding liabilities.

The operative rights to be transferred were acquired by the present operators under authority granted by the Commission as

follows:

I. BAKERSFIELD AND LOS ANGELES FAST FREIGHT COMPANY.

1. Under Decision 7786, dated June 24, 1920, in Application 5823, the company acquired a certificate permitting the operation of an automobile truck line as a common carrier of freight between Bakersfield and Los Angeles, serving as intermediate points the communities between Saugus and Bakersfield, no authority being given for the transportation of freight locally in the territory between Los Angeles and Saugus, including Saugus.
2. Under Decision 10884, dated August 19, 1922, in Application 8057, it acquired a certificate for the transportation of freight in loads of truck capacity, upon tender by one or more shippers, aggregating not less than five tons, from any point within the distance of fifteen miles from the state highway (Ridge Route) between Castaic and Rose Station.
3. Under Decision 14171, dated October 11, 1924, in Application 10536, it acquired a certificate to transport cotton only, between Arvin, Weedpatch, Magunden, Shafter, Wasco and Bakersfield in connection with and as part of its existing transportation service between Los Angeles and Bakersfield.
4. Under Decision 17098, dated July 12, 1926, in Application 11244, it acquired a certificate for the operation of an automobile truck line as a common carrier of freight between Los Angeles and Wasco and between Bakersfield and Wasco, as supplemental and in addition to its freight operating right between Los Angeles and Bakersfield.

II. LOS ANGELES AND WEST SIDE TRANSPORTATION COMPANY.

1. Under Decision 13239, dated March 4, 1924, in Application 9701, the company acquired a certificate permitting the operation of an automobile truck service as a common carrier of freight between Los Angeles and Taft, Maricopa, Fellows, McKittrick and points in the Westside Oil Fields, with the provision, however, that no freight be carried locally in the territory between Los Angeles and Taft and Maricopa, the authority being granted for the carriage of through shipments between Los Angeles and the communities located in the Westside Oil Fields. It also acquired the right temporarily to reroute and divert its trucks branching off the Ridge Route, about twelve miles beyond Grape Vine Station, over the dirt road commonly known as Maricopa Flat Road, service to be resumed over the regular route upon the revocation by the Board of Supervisors of Kern County of an ordinance, prohibiting the use of the regular route via Panama by trucks of a gross weight in excess of 10,000 pounds. It also acquired the right to operate between the junction of the Ridge Route and the Maricopa Flat Road north of Grape Vine Station and a point ten miles west on the Maricopa Flat Road for the purpose of serving the Wheeler Ridge Oil District.
2. Under Decision 14143, dated October 7, 1924, in Application 9891, it acquired authority for an alternate routing as follows:-

From Greenfield corner north to Bakersfield, thence west from Bakersfield via Rosedale and Bowerbank to Buttonwillow, thence south to the Elk Hills Oil Fields, and west and southwest to McKittrick; also on the

Maricopa Flat Road between Maricopa and the state highway at its junction with the Maricopa Flat Road."

This decision set forth that this routing was an alternative or optional one only intended to economize time in delivering shipments to consignees and not for the purpose of including any additional service than that heretofore granted.

III. LOS ANGELES AND SANTA BARBARA MOTOR EXPRESS CO., INC.

1. Under Decision 12226, dated June 19, 1923, in Application 9036, this company acquired a certificate of public convenience and necessity permitting the operation of an automobile truck line as a common carrier of freight and express between Los Angeles and Santa Barbara via Saugus, Santa Paula, Ventura and intermediate points.
2. Under Decision 15665, dated November 21, 1925, in Application 10748, it acquired a certificate permitting an extension of its service between Santa Barbara and San Luis Obispo, serving as intermediate points Goleta, Capitan, Caviota, Los Cruces, Buellton, Los Alamos, Orcutt, Santa Maria, Guadalupe, Nipomo, Arroyo Grande and Pismo Beach, for the transportation of freight originating in Santa Barbara or points south thereof on the company's service between Los Angeles and Santa Barbara and destined to points north of Santa Barbara, and for freight originating at points to be served by the company between San Luis Obispo and Santa Barbara and destined to Santa Barbara and points south thereof, and of no other service, it being provided, however, that the company might transport, in quantities

of ten tons or more, freight picked up within the radius of ten miles on either side of the route traversed by the company and that no freight might be transported locally between Santa Barbara and San Luis Obispo, except between Buellton and Orcutt, over and along the state highway between Santa Barbara and San Luis Obispo. On December 17, 1927, an order was made reopening Application 10748 for further hearing on December 29, 1927, and it now is under submission.

3. Under Decision 16992, dated June 25, 1926, in Application 12919, it acquired a certificate permitting the operation of an automobile truck line as a common carrier of freight between Los Angeles, Saticoy and Santa Paula.

Motor Freight Terminal Company does not ask permission, upon acquiring the various operative rights referred to above, to consolidate them or to enlarge any of the rights now possessed by the three transportation companies; it merely seeks to bring them under one ownership.

The physical properties to be transferred include, according to Exhibit one, ninetyseven trucks and trailers, furniture, fixtures, shop and other equipment and terminal sites. In addition the current assets will be taken over by the purchasing corporation and liabilities, amounting, on December 31, 1927, to \$210,152.53, will be assumed by it. As part payment for the properties the Motor Freight Terminal Company asks permission to issue \$360,000.00 of common stock.

Exhibit one indicates a combined net worth for the applicants of \$215,495.00. In determining this amount it appears that the assets have been considered at the original costs to the several corporations and that there has been deducted from these costs depreciation at the rate of twenty-five percent per annum on automobiles

and at twenty percent on other properties. In determining the net worth, consideration was given to the properties of Motor Freight Terminal Company as well as to the properties of the other three companies. The Motor Freight Terminal Company has \$10,000.00 of stock outstanding which should be deducted from the \$215,495.00. Deducting the \$10,000.00 from the \$215,495.00 leaves a balance of \$205,495.00.

It was urged at the hearing that the books of the companies did not reflect any development costs. However, no definite figures were submitted to show what such costs actually were. Evidence was also submitted to show the increase in the value of the real property owned by some of applicants. Particular attention was called to the increase in land value of the Los Angeles terminal properties owned by Motor Freight Terminal Company and the terminal properties at San Luis Obispo owned by the Los Angeles and Santa Barbara Motor Express Co., Inc. The terminal properties in Los Angeles are not being transferred and therefore we feel that no consideration should be given in this proceeding to the reported increase in value. The increase in the value of land of other terminals which are being transferred has been considered by us. We feel that applicants have not justified the issue of \$360,000.00 of stock. The order herein will permit the Motor Freight Terminal Company to issue not exceeding \$220,000.00 of stock in part payment for the properties of three transportation companies mentioned herein. The \$220,000.00 of stock may be distributed amongst the selling corporations in such amounts as may be determined by applicants.

It should be noted that the Commission has taken the position 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 an order authorizing the transfer of operative rights and properties and the issue of \$360,000.00 of 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 money, property or labor to be procured or paid for through the issue of \$220,000.00 of stock is reasonably required for the purpose specified herein, and that the expenditure for such purpose is not, in whole or in part, reasonably chargeable to operating expense or to income, and that this application insofar as it involves the issue of \$140,000.00 of stock should be denied without prejudice,

IT IS HEREBY ORDERED that Bakersfield and Los Angeles Fast Freight Company; Los Angeles and West Side Transportation Company and Los Angeles and Santa Barbara Motor Express Co., Inc. be, and they hereby are, authorized to transfer to Motor Freight Terminal Company the operative rights and properties, referred to

in this application and in the foregoing opinion, subject to outstanding indebtedness of approximately \$210,000.00, and Motor Freight Terminal Company be, and it hereby is, authorized to issue on or before June 30, 1928, not exceeding \$220,000.00 of stock in part payment for such operative rights and properties.

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

1. No authority is hereby granted Motor Freight Terminal Company to consolidate or unify the operative rights herein authorized to be transferred or to expand them in any way.
2. 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.
3. Applicants, Bakersfield and Los Angeles Fast Freight Company, Los Angeles and West Side Transportation Company and Los Angeles and Santa Barbara Motor Express Co., Inc. shall immediately unite with applicant, Motor Freight Terminal Company, in common supplement to the tariffs on file with the Commission, applicants, Bakersfield and Los Angeles Fast Freight Company, Los Angeles and West Side Transportation Company and Los Angeles and Santa Barbara Motor Express Co., Inc. on the one hand withdrawing, and applicant, Motor Freight Terminal Company, on the other hand accepting and establishing such tariffs and all effective supplements thereto.

4. Applicants, Bakersfield and Los Angeles Fast Freight Company, Los Angeles and West Side Transportation Company and Los Angeles and Santa Barbara Motor Express Co., Inc. shall immediately withdraw time schedules filed in their names with the Railroad Commission and applicant, Motor Freight Terminal Company shall immediately file, in duplicate, in its own name, time schedules covering service heretofore given by applicants, Bakersfield and Los Angeles Fast Freight Company, Los Angeles and West Side Transportation Company and Los Angeles and Santa Barbara Motor Express Co., Inc. which time schedules shall be identical with the time schedules now on file with the Railroad Commission in the names of applicants, Bakersfield and Los Angeles Fast Freight Company, Los Angeles and West Side Transportation Company and Los Angeles and Santa Barbara Motor Express Co., Inc., or time schedules satisfactory to the Railroad Commission.
5. The rights and privileges herein authorized to be transferred 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.
6. No vehicle may be operated by applicant, Motor Freight Terminal 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.

7. Motor Freight Terminal Company shall keep such record of the issue of the stock herein authorized as will enable it to file within thirty (30) days after such issue 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.
8. The authority herein granted shall become effective upon the date hereof.
9. Bakersfield and Los Angeles Fast Freight Company, Los Angeles and West Side Transportation Company and Los Angeles and Santa Barbara Motor Express Co., Inc. shall file with the Commission within thirty (30) days after the transfer of their operative rights and properties financial reports, prepared on the annual report forms prescribed by this Commission, showing their operations from January 1, 1928 down to the date of transfer.

IT IS HEREBY FURTHER ORDERED that the application insofar as it involves the issue by Motor Freight Terminal Company of \$140,000.00 of stock be, and it hereby is, denied without prejudice.

DATED at San Francisco, California, this 28th
day of February, 1928.

Leon Whiteley
C. J. ...
E. J. ...

Commissioners.