

Decision No. 20824

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 UNITED MOTOR TRANSPORT LINES, INC., )  
 for authority to issue and sell )  
 nine hundred and thirty-three (933) )  
 shares of its capital stock, and to )  
 purchase and acquire the rights of )  
 OSCAR SCHNEIDER, WALTER SCHNEIDER )  
 and FRANK SCHNEIDER, doing business )  
 under the firm name and style of )  
 Schneider Bros., to operate an )  
 auto-truck line for the transporta- )  
 tion of property, for compensation, )  
 between Sacramento and Auburn, )  
 California, and intermediate points, )  
 and between Sacramento and Wheatland, )  
 California, and intermediate points, )  
 together with certain operative pro- )  
 perty and assets; and of said Oscar )  
 Schneider, Walter Schneider and )  
 Frank Schneider to sell and transfer )  
 the said property to United Motor )  
 Transport Lines, Inc. )

ORIGINAL

Application No. 15341.

Sanborn & Roehl and DeLancey C. Smith,  
by H. E. Sanborn, for applicant.

BY THE COMMISSION:

O P I N I O N

In the above entitled proceeding the Railroad  
 Commission is asked to make its order authorizing Oscar Schneider,  
 Walter Schneider and Frank Schneider, co-partners doing business  
 under the firm name and style of Schneider Bros., to sell and trans-  
 fer to United Motor Transport Lines, Inc. certain operative rights  
 property, assets and business, and authorizing United Motor  
 Transport Lines, Inc. to purchase and acquire such operative rights,

property, assets and business and to issue 933 shares of its capital stock of the aggregate par value of \$93,300.00, and to sell \$300.00 of such stock to its directors for cash and to deliver \$93,000.00 in payment for the operative rights, property, assets and business.

The application shows that Oscar Schneider, Walter Schneider and Frank Schneider, doing business under the firm name and style of Schneider Bros., are engaged in the business of operating auto truck lines as common carriers of freight between Sacramento and other points as hereinafter set forth. It appears that originally Schneider Bros. pursuant to authority granted by Decision No. 11745, dated March 3, 1923, in Application No. 8747, acquired from Louis Sposito the operative right permitting the transportation of freight between Sacramento and Auburn and intermediate points via Roseville, Rocklin, Loomis, Penryn and Newcastle. Thereafter, on January 23, 1925, in Application No. 10774, the Commission was asked to authorize one A. L. Phillips to transfer to Schneider Bros. an operative right permitting the transportation of freight between Sacramento and Wheatland. This application, however, was signed by the three individuals named above and also by A. L. Schneider. Decision No. 14548, dated February 9, 1925, granted the request. Following this latter decision, the Commission was asked in Application No. 11363, filed on July 2, 1925, to authorize the consolidation of the operative rights referred to in Decisions Nos. 11745 and 14548.

On April 5, 1926, the Commission granted Application No. 11363, by its Decision No. 16407. That decision permitted Oscar Schneider, Walter Schneider and Frank Schneider, co-partners doing business under the firm name and style of Schneider Bros., to operate an automobile truck line as a common carrier of property,

for compensation, between Sacramento and Auburn and intermediate points, via Roseville, Rocklin, Loomis, Penryn and Newcastle, and between Sacramento and Wheatland and intermediate points, except Lincoln, via Roseville and Sheridan, and to consolidate and unify such operations to enable them to render through service between all the termini and intermediate points, except Lincoln.

It is now proposed to transfer the rights granted by said Decision No. 16407, to United Motor Transport Lines, Inc. It will be observed, however, that one of the earlier applications, No. 10774, was signed by A. L. Schneider in addition to the three members of the co-partnership and in order to remove any doubt of the ownership of the operative rights proposed to be transferred to the corporation, A. L. Schneider testified in this present proceeding that he was not a member of the firm of Schneider Bros., and had signed Application No. 10774, through inadvertence, and that he would transfer and assign to United Motor Transport Lines, Inc. any interest he might have in the operative rights.

In addition to the operative rights it is proposed to transfer to the corporation, subject to outstanding liabilities, all of the property and assets of the co-partnership consisting of ten freight trucks, six trailers, three service cars, a lot and garage at Wheatland, four lots, a house, a garage and a machine shop at North Sacramento, a one-sixth interest in the Union Auto Freight Depot, Inc. at 401 S Street, Sacramento, and machinery and tools, furniture and fixtures, cash and accounts receivable.

The assets and liabilities to be transferred are reported, as of November 30, 1928, as follows:-

ASSETS:

Fixed Assets:		
Land . . . . .	\$3,122.81	
Buildings . . . . .	11,267.97	
Share of Union Auto Freight Depot	4,000.00	
Machinery and tools . . . . .	3,065.00	
Furniture and fixtures . . . . .	<u>1,698.14</u>	\$23,153.92
Equipment:		
Revenue freight cars . . . . .	65,477.23	
Service cars . . . . .	<u>1,685.05</u>	67,162.28
Current assets:		
Cash . . . . .	470.35	
Accounts receivable . . . . .	4,890.47	
Materials and supplies . . . . .	<u>713.99</u>	6,074.81
Prepayments and other debit items . . . . .		7,227.51
Total Assets . . . . .		<u>\$103,618.52</u>

LIABILITIES AND NET WORTH:

Notes payable . . . . .	\$11,960.01	
Accounts payable . . . . .	2,321.43	
Accruals . . . . .	<u>1,043.30</u>	\$15,324.74
Reserves for depreciation:		
Furniture and fixtures . . . . .	678.14	
Revenue freight cars . . . . .	8,465.23	
Service cars . . . . .	<u>1,310.05</u>	10,453.42
Net worth:		
Proprietorship . . . . .	65,469.23	
Profit for eleven months ending November 30, 1928 . . . . .	<u>12,371.13</u>	77,840.36
Total Liabilities and Net Worth . . . . .		<u>\$103,618.52</u>

The testimony herein indicates that in the foregoing balance sheet the fixed assets and equipment are reported at their actual cost to the co-partnership. It is estimated that the present value of the revenue freight cars is \$57,012.00, of the service cars \$375.00 and of the furniture and fixtures, \$1,020.00. The differences between the actual cost figures and the estimates of present values are set as depreciation and aggregate \$10,453.42, as shown in the balance sheet. It appears in this connection,

that some units of equipment were purchased a number of years ago, and in some cases had been fully depreciated on the books of the co-partnership. It is alleged, however, that due to replacements, repairs and maintenance the equipment has been kept in good operating condition so that now its present value is as stated, regardless of the date of manufacture and of acquisition.

United Motor Transport Lines, Inc., a corporation recently organized by Schneider Bros., desires to acquire the properties referred to and to issue in payment 930 shares of its common capital stock of the aggregate par value of \$93,000.00. The proposed stock issue, it will be observed, is approximately equal to the total assets of \$103,618.52 less the depreciation of \$10,453.42. The application shows, however, that the transfer of the properties will be made subject to the outstanding liabilities and it seems to us that the assumption of such liabilities by the corporation constitutes a part of the purchase price and should be considered in arriving at the amount of stock to be issued. Further, we believe that an additional deduction should be made for depreciation, and accordingly, after taking into consideration the assets and liabilities, the earnings of the business, and other factors surrounding the proposed transaction as indicated in the record herein, we will authorize the transfer of the properties and the issue in payment of \$70,000.00 of stock.

In authorizing the transfer of operative rights, the Commission wishes to place the purchaser 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 the 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 sale and transfer of properties and the issue of \$93,300.00 of stock, as set forth in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the transfer should be authorized, as herein provided, and that the issue of \$70,000.00 of stock should be authorized and that the money, property or labor to be procured or paid for through such issue is reasonably required for the purposes specified herein, which purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED AS FOLLOWS:

- (1) Oscar Schneider, Walter Schneider and Frank Schneider, co-partners doing business under the firm name and style of Schneider Bros. and A. L. Schneider, be, and they hereby are, authorized to sell and transfer the operative rights, property, assets and

business, referred to in the foregoing opinion, subject to outstanding liabilities, to United Motor Transport Lines, Inc.

- (2) United Motor Transport Lines, Inc. be, and it hereby is, authorized to purchase and acquire such operative rights, property, assets and business, subject to outstanding liabilities, and to issue in part payment not exceeding \$70,000.00 of its common capital stock.
- (3) United Motor Transport Lines, Inc. be, and it hereby is, authorized to issue and sell at par for cash \$300.00 of its common capital stock to its directors and to use the proceeds for working capital.
- (4) The application insofar as it involves the issue of the remaining \$23,000.00 of stock be, and it hereby is, denied without prejudice.
- (5) The authority herein granted is subject to the following conditions:-
  - (a) The consideration to be paid for the properties 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.
  - (b) Applicants, Schneider Bros., shall unite immediately with applicant, United Motor Transport Lines, Inc., in common supplement to the tariffs on file with the Commission, applicants,

Schneider Bros. on the one hand withdrawing, and applicant, United Motor Transport Lines, Inc. on the other hand accepting and establishing such tariffs and all effective supplements thereto.

- (c) Applicants, Schneider Bros., shall withdraw immediately time schedules filed in their name with the Railroad Commission, and applicant, United Motor Transport Lines, Inc. shall file, in duplicate, in its own name, time schedules covering service heretofore given by applicants, Schneider Bros., which time schedules shall be identical with those now on file in the name of applicants, Schneider Bros., or time schedules satisfactory to the Commission.
- (d) The rights and privileges herein authorized to be transferred may not hereafter be sold, leased, transferred nor assigned, nor service thereunder discontinued by United Motor Transport Lines, Inc., unless the written consent of the Railroad Commission has first been secured.
- (e) No vehicle may be operated by applicant, United Motor Transport Lines, Inc. under the authority herein granted, unless such vehicle is owned by said applicant or is leased by it under a contract or agreement as a basis satisfactory to the Railroad Commission.
- (f) No authority is herein granted to United Motor Transport Lines, Inc. to enlarge the operative



rights it is herein authorized to acquire nor to remove any restriction therefrom.

(g) United Motor Transport Lines, Inc. shall keep such record of the issue of the stock herein authorized as will enable it to file, within thirty (30) days thereafter, 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.

(h) The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 4th  
day of March, 1929.

Thos B. Lovett  
C. Seaver  
Frederick C. ...  
Leon ...  
M. J. ...  
Commissioners.