

Decision No. 22290**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 VALLEY MOTOR LINES, INC., for authority
 to issue and sell 540 shares of its
 capital stock, and to purchase and acquire
 the rights of GEORGE G. HARM and HAROLD B.
 FRASHER, doing business under the firm
 name and style of Valley Motor Lines, to
 operate an Auto-Truck Line for the trans-
 portation of property, for compensation,
 and as a common carrier, between San
 Francisco and Fresno, California, together
 with certain operative property and assets;
 and of said GEORGE G. HARM and HAROLD B.
 FRASHER to sell and transfer the said
 property to Valley Motor Lines, Inc.

Application No. 16327

Sanborn, Roehl, Smith and Brookman,
 by Arthur Roehl, for applicants.

BY THE COMMISSION:

OPINION

In this application the Railroad Commission is asked to make its order authorizing George G. Harm and Harold B. Frasher to transfer their assets, property and business to Valley Motor Lines, Inc. and authorizing Valley Motor Lines, Inc. to issue 540 shares of its common capital stock of the aggregate par value of \$54,000.00.

The application shows that George G. Harm and Harold B. Frasher are engaged in the business of operating an automotive truck line as a common carrier of property for compensation over the public highways between San Francisco and Fresno, via the Altamont and/or Pacheco Pass route under and pursuant to the permission granted by the Commission in Decision No. 20787, dated February 18, 1929. The authority under which the co-partners are operating does not permit the transportation of any properties

locally between any points intermediate between San Francisco and Fresno nor the transportation of any property between the termini of Fresno and San Francisco, and any intermediate points on either route herein authorized.

It appears that George G. Harm and Harold B. Frasher are engaged in other business, and that they are desirous of placing their common carrier operations under the ownership of a corporation. For this reason, they have caused to be organized, on or about January 11, 1930, the Valley Motor Lines, Inc. for the express purpose of receiving their common carrier properties and business and thereafter operating them.

In addition to the certificate of public convenience and necessity granted by Decision No. 20727, referred to above, the co-partners propose to transfer to the corporation twelve trucks, six trailers and one service car, together with miscellaneous equipment and current assets. They have filed with the application a balance sheet showing assets and liabilities, as of January 1, 1930, as follows:

ASSETS

Fixed Assets:

Furniture and fixtures.....	\$ 6,629.97	
Leasehold improvements.....	995.31	\$ 7,625.28

Equipment:

Revenue-Freight cars and trailers.....	60,347.43	
Service car.....	715.00	61,062.43

Current Assets:

Cash.....	500.00	
Accounts receivable.....	13,784.50	
Materials and supplies.....	5,604.94	19,889.44

Prepayments on A/C cost of securing certificate.....		150.00
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Total Assets.....		<u>\$88,727.15</u>
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LIABILITIES

Contracts for equipment.....	\$43,305.26	
Accruals.....	853.99	
Accounts payable.....	4,729.68	\$48,888.93
Reserve for depreciation.....		4,805.27

NET WORTH-PARTNERSHIP.....		35,032.95
Total Liabilities and Net Worth.....		<u>\$88,727.15</u>

It appears that in addition to the cost of the equipment as set forth in the preceding balance sheet, applicants have expended \$2,400.00 for accessories. Further, it is reported that since the date of the balance sheet outstanding contracts payable have been reduced by the sum of \$10,000.00. Nothing is included for operative rights. From a review of the testimony, together with financial statements submitted, it appears to us that the issue by the new corporation of \$48,800.00 of stock is not unreasonable. In authorizing the transfer of the certificate of public convenience, however, we wish to place the applicants 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 this 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 in the number of rights which may be given.

An order accordingly will be entered.

ORDER

Application having been made to the Railroad Commission for an order authorizing the transfer of properties and the issue 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 stock as herein authorized is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that George G. Harm and Harold B. Frasher be, and they are hereby, authorized to sell and transfer to Valley Motor Lines, Inc. the operative rights, properties, assets and

business referred to in the foregoing opinion, such properties to be transferred free and clear of all indebtedness, except the sum of not exceeding \$39,000.00, the payment of which said Valley Motor Lines, Inc. is hereby authorized to assume.

IT IS HEREBY FURTHER ORDERED that Valley Motor Lines, Inc. be, and it hereby is, authorized to purchase and acquire the operative rights, property, assets and business of George G. Harm and Harold B. Frasher, to which reference has been made, and to issue \$48,800.00 of its common capital stock and to deliver \$48,500.00 thereof in part payment for the properties herein authorized to be transferred, and to sell \$300.00 thereof at par for cash to its incorporators for the purpose of paying organization expenses and providing working capital.

The authority herein granted is subject to the following conditions:

(1) George G. Harm and Harold B. Frasher shall unite immediately with Valley Motor Lines, Inc. in common supplement to the tariff on file with the Commission covering operations under the operative right herein authorized to be transferred, George G. Harm and Harold B. Frasher on the one hand withdrawing, and Valley Motor Lines, Inc. on the other accepting and establishing such tariff and all effective supplements thereto.

(2) George G. Harm and Harold B. Frasher shall withdraw immediately time schedules filed in its name with the Railroad Commission covering its service under the operative right herein authorized to be transferred, and Valley Motor Lines, Inc. shall file, in duplicate, in its own name, time schedules covering such service, which time schedules shall be identical with those now on file in the name of George G. Harm and Harold B. Frasher, or time schedules satisfactory to the Commission.

(3) The rights and privileges herein authorized to be transferred may not hereafter be sold, leased, transferred or assigned, or service thereunder discontinued, decreased or changed, unless written

consent of the Railroad Commission is first secured.

(4) No vehicle may be operated by Valley Motor Lines, Inc. under the authority herein granted 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.

(5) Valley Motor Lines, Inc. shall keep such record of the issue of the stock herein authorized as will enable it to file within thirty 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.

(6) The authority herein granted will become effective upon the date hereof.

IT IS HEREBY FURTHER ORDERED that the application, insofar as it involves the issue of \$5,200.00 of stock, be, and it hereby is, denied without prejudice.

DATED at San Francisco, California, this 3rd day of April, 1930.

C. Searcy

Leon A. Kelly

Thos. D. Lewis

M. J. Carr

Commissioners.