

truck line for the transportation of freight; for compensation as a common carrier between Los Angeles and Oxnard and intermediate points in California. The transportation business is being conducted under authority granted by the following decisions;—

- Decision No. 5631, dated July 26, 1918, in Application No. 3786;
- Decision No. 5962, dated November 30, 1918, in Application No. 3786;
- Decision No. 7146, dated April 9, 1920, in Application No. 4448;
- Decision No. 21484, dated August 23, 1929, in Application No. 15300; and
- Decision No. 21499, dated August 30, 1929, in Application No. 15300.

In their 1929 annual report, Harry E. Fleischer and Wm. O. Fleischer, who have been conducting their transportation business under the name of Los Angeles and Oxnard Daily Express and who have filed an annual report under that name, show the cost of their plant and equipment at \$34,109.18 and a reserve for accrued depreciation of \$26,779.53, leaving a net value of \$7,329.65. Sanderson and Porter, consulting engineers, estimated the replacement cost new of the properties of Los Angeles and Oxnard Daily Express at \$40,849.00 and the replacement cost new less depreciation at \$16,664.00, which amounts are segregated as follows:—

ITEM	REPLACEMENT COST NEW	REPLACEMENT COST LESS DEPRECIATION
Land	\$ 2,750.00	\$ 2,750.00
Buildings	6,711.00	5,033.00
Office furniture and fixtures	967.00	632.00
Equipment	1,057.00	780.00
Trucks and trailers	29,364.00	7,469.00
Total	\$ 40,849.00	\$ 16,664.00

These figures do not include any expenditures for acquiring operating rights.

The operating revenues of Los Angeles and Oxnard Daily Express for the year 1929 are reported by it in its 1929 annual report at \$45,320.48 and the operating expenses at \$43,395.88, leaving net operating revenues of \$1,924.60. Barrow, Wade and Guthrie, Certified Public Accountants, in a statement submitted subsequent to the hearing, report the operating revenue at \$54,230.95 and the net operating revenue at \$11,212.22. They include in the operating revenue \$9,167.34 which they report under the caption of contract freighting. There is nothing in the record from which one can definitely determine whether the contract freighting business of Harry E. Fleischer and Wm. O. Fleischer is being transferred to Pacific Freight Lines Company.

Pacific Freight Lines Company asks authority, as said, to issue four hundred shares of its common stock of no par value to said Harry E. Fleischer and Wm. O. Fleischer in payment for their properties which they have agreed to sell. In addition to requesting permission to issue four hundred shares of stock, Pacific Freight Lines Company asks authority to issue fifty shares of stock at \$100.00 per share to obtain funds with which to pay the costs incurred in acquiring the properties to which reference has been made. The record shows that to date, expenses incurred in connection with such acquisition have amounted to \$3,750.00. We have considered the testimony submitted in this proceeding and believe that Pacific Freight Lines Company should be permitted to issue two hundred and five shares of stock for the purposes stated in the order.

In authorizing the transfer of the operative rights, we wish 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 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.

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 Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by Pacific Freight Lines Company for the purposes herein specified, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted to the extent indicated in this order, therefore,

IT IS HEREBY ORDERED as follows:-

(1) Harry E. Fleischer and Wm. O. Fleischer be, and they are hereby, authorized to sell and transfer, on or before October 1, 1930, to Pacific Freight Lines Company the operative rights, properties, assets and business referred to in the foregoing opinion and more particularly described in Exhibits "B" and "C" filed in this proceeding, such properties to be transferred free and clear of all indebtedness.

(2) Pacific Freight Lines Company be, and it is hereby, authorized to purchase and acquire the aforesaid properties and to issue on or before October 1, 1930, in payment therefor not exceeding one hundred and sixty-seven shares of its common capital stock of no par value and in addition to issue and sell on or before October 1, 1930, for cash at \$100.00 per share, thirty-eight shares of its capital stock and

use the proceeds to pay expenses incident to the acquisition of the aforesaid properties.

(3) This application, insofar as it involves the issue of two hundred and forty-five shares of stock, be, and the same is hereby, denied.

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

- (a) Harry E. Fleischer and Wm. O. Fleischer shall unite immediately with Pacific Freight Lines Company in common supplement to the tariffs on file with the Commission covering operations under the operative rights herein authorized to be transferred, said Harry E. Fleischer and Wm. O. Fleischer on the one hand withdrawing and said Pacific Freight Lines Company on the other hand accepting and establishing such tariffs and all effective supplements thereto.
- (b) Harry E. Fleischer and Wm. O. Fleischer shall withdraw immediately time schedules filed in their name with the Railroad Commission covering their services under the operative rights herein authorized to be transferred, and Pacific Freight Lines Company shall file, in duplicate, in its own name time schedules covering such services, which time schedules shall be identical with those now on file in the name of Harry E. Fleischer and Wm. O. Fleischer, or time schedules satisfactory to the Commission.

- (c) 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.
- (d) No vehicle may be operated by Pacific Freight Lines Company 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.
- (e) Pacific Freight Lines Company 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.
- (f) The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 9th day of July, 1930.

Ernest B. Smith
Leon A. White
W. D. Smith

Commissioners.