

ORIGINAL

Decision No. 23047

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 VALLEY MOTOR LINES, INC. for authority
 to purchase and acquire the right of
 GEORGE G. HARM and HAROLD B. FRASHER
 to operate an auto truck line for the
 transportation of property and as a
 common carrier, for compensation, over
 the public highways between Madera,
 Madera County, and Fresno, Fresno County,
 California, and intermediate points,
 together with certain operative property
 and assets; and of George G. Harm and
 Harold B. Frasher to sell and transfer
 said property to said Valley Motor Lines,
 Inc.

Application
No. 16967

BY THE COMMISSION -

OPINION and ORDER

George Harm and Harold Frasher have petitioned the Railroad Commission for an order approving the sale and transfer by them to Valley Motor Lines, Inc. of operating rights for an automotive service for the transportation of property between Madera and Fresno, and Valley Motor Lines, Inc. has petitioned for authority to purchase and acquire said operating rights and to hereafter operate thereunder, the sale and transfer to be in accordance with an agreement, the terms of which are set forth in the application.

The consideration to be paid for the property herein proposed to be transferred is given as \$8988.40. Of this sum \$4988.40 is declared to be the depreciated value of equipment, consisting of a G.M.C. truck and body and a Reliance trailer, and \$4000. is declared to be the value of intangibles.

The operating rights herein proposed to be transferred were established by L. Ireland through operation prior to May 1, 1917, and the proper filing with the Railroad Commission of tariffs and time schedules showing service for the transportation of freight between Fresno and Madera and intermediate points. The rights were transferred

to Harm and Frasher by Railroad Commission Decision No.19962, dated June 29, 1928, and issued on Application No.14826.

The \$4000. claimed as the value of intangibles is said to be the cost of the Madera Truck Line to Harm and Frasher when they acquired it from L. Ireland under authority granted by said Decision No.19962. We do not believe that the \$4000. in its entirety should be charged to plant and equipment accounts. It is our position that we can recognize as proper capital charges in connection with the acquisition of operative rights, only the amounts actually expended by original grantees in acquiring them and not purchase prices in subsequent transfers. Here, no showing is made of such amounts and we believe that of the total purchase price of \$8,988.40, the purchaser may charge to plant and equipment only \$4,988.40. The remainder of the purchase price, \$4000. may be charged to Account 109, "Other debit accounts," and amortized by annual charges to Account 315, "Miscellaneous charges to income" over a period of four years, or charged in its entirety forthwith to Account 315.

We are of the opinion that this is a matter in which a public hearing is not necessary and that the application should be granted subject to the conditions of this order.

Valley Motor Lines, Inc. is hereby placed 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.

IT IS HEREBY ORDERED that the above entitled application be, and the same is hereby granted, 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 Harm and Frasher shall immediately unite with applicant Valley Motor Lines, Inc. in common supplement to the tariffs on file with the Commission covering service given under certificate herein authorized to be transferred, applicants Harm and Frasher on the one hand withdrawing, and applicant Valley Motor Lines, Inc. on the other hand accepting and establishing such tariffs and all effective supplements thereto.

3- Applicants Harm and Frasher shall immediately withdraw time schedules filed in their names with the Railroad Commission, and applicant Valley Motor Lines, Inc. shall immediately file, in duplicate, in its own name time schedules covering service heretofore given by applicants Harm and Frasher, which time schedules shall be identical with the time schedules now on file with the Railroad Commission in the name of applicants Harm and Frasher, 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 Valley Motor Lines, Inc. unless such vehicle is owned by said applicant or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

6- That the order herein shall not be construed as authorizing Valley Motor Lines, Inc. to consolidate, link up or join the operating rights herein transferred with other rights owned by it.

Dated at San Francisco, California, this 5th day of November
1930.

O. S. Lawrence
Edward J. [unclear]
Leon [unclear]

W. H. [unclear]
-3- COMMISSIONERS.