

Decision No. 23349.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 J. P. PUCKETT
 to sell and Puckett Freight Lines,
 Ltd., to purchase an automobile
 freight line operated between Wil-
 mington and various points, California.)

ORIGINAL

Application No. 17112

Chas. W. Gorham, for applicant.

BY THE COMMISSION:OPINION

In this proceeding the Railroad Commission is asked to make an order authorizing J. P. Puckett to sell and transfer to Puckett Freight Lines, Ltd., a corporation, certain operative rights and equipment, and authorizing Puckett Freight Lines, Ltd. to issue 200 shares of its common capital stock of the aggregate par value of \$20,000.00.

It appears that heretofore under authority granted by the Railroad Commission by its Decision No. 23126, dated November 28, 1930, in Application No. 17016, J. P. Puckett acquired from Wilmington Transfer and Storage Company for \$17,500.00, certain auto stage equipment and operative rights permitting the conducting

*****of an automotive freight service, on demand, for the transportation of oils, acetylene and oxygen gas, vegetable oils, laundry supplies, machinery between (a) Los Angeles Harbor (includes Wilmington, San Pedro, East San Pedro, Terminal and Mormon Islands) to routes 1-8, inclusive, viz:

- (1) districts 1, 2, 3 and 4 in the city of Los Angeles (as set out in Exhibit "A" attached to the application), (2) Long Beach, (3) Compton, Downey, Clearwater, Puente, Pomona, Ontario, and the directly intermediate points thereto, (4) Seal Beach, Sunset Beach, Huntington Beach, Newport Beach, Balboa Beach, Santa Ana, Orange,

" Anaheim, Fullerton and the directly intermediate points, (5) Watts, Glendale, Pasadena, Alhambra, El Monte, Sierra Madre, Monrovia, Azusa, Glendora, Covina, and the directly intermediate points, and (6) Lomita, Torrance, Hawthorne, Hermosa, Redondo, El Segundo, Inglewood, Venice, Ocean Park and directly intermediate points; and machinery, construction steel, cement, sand, rock, lumber, and incidentals to be used on harbor construction work, from points designated in (a) to points designated in (6); all shipments to or from points in routes (3), (4), (5) and (6) shall have a minimum load restriction of 3 tons, except that no restriction is placed on the return of empty containers; that loads for points in routes (3), (4), and (5) shall originate at points designated in (a) and have no return shipments except empty containers; that shipments may move both ways on routes (1), (2) and (6) except that no movement may occur from point to point within a route, or from a point within a route to a point in another route."

Such rights originally were established by the Commission by its Decision No. 18150, dated March 31, 1927, in Application No. 10858.

The application shows that J. P. Puckett desires to sell and transfer, at and for the same price, \$17,500.00, the operative rights and equipment to a new corporation, the Puckett Freight Lines, Ltd.; which he has caused to be organized. Of the proposed consideration, \$16,500.00 is said to represent the value of the equipment and \$1,000.00 the value of the operative rights.

The new corporation was organized on or about January 3, 1931 under the laws of the State of California, with an authorized capital stock of \$20,000.00 divided into 200 shares of the par value of \$100.00 each, all common. It proposes to issue 198 shares, of the par value of \$19,800.00 to J. P. Puckett to provide working capital, and to pay for the rights and certain equipment, including thirteen trucks, six trailers and one coupe, as set forth in the

petition, and two shares of the par value of \$200.00 to its other incorporators and directors.

An examination of the records of J. P. Puckett by a representative of the Commission's Department of Finance and Accounts indicates that the original cost of the rolling equipment was \$50,965.02 and the estimated accrued depreciation is \$35,142.60, leaving a net value of \$15,822.42. Office and garage equipment is reported at \$677.58, the total investment thus aggregating \$16,500.00, exclusive of any allowance for the operative right, the cost to the original holder not being set forth in the application. It appears to us that the issue of \$20,000.00 of stock, as herein proposed, to pay for the properties and to provide the necessary cash working capital, is not unreasonable.

In authorizing the transfer of the properties, 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 in 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, as set forth in the foregoing opinion, and the Railroad Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through such issue is reason-

ably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED, that J. P. Puckett be, and he hereby is, authorized to sell and transfer to Puckett Freight Lines, Ltd., the operative rights and equipment referred to in the foregoing opinion, and Puckett Freight Lines, Ltd. be, and it hereby is, authorized to issue at par, on or before March 31, 1951, \$20,000.00 of its common capital stock and to use approximately \$16,500.00 of such stock, or the proceeds therefrom, to pay for the operative rights and properties to be acquired from J. P. Puckett and to use the remainder of the stock, or the proceeds, amounting to approximately \$3,500.00 to provide working capital.

The authority herein granted is subject to the following conditions:

- (1) 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 purposes other than the transfer herein authorized.
- (2) J. P. Puckett and Puckett Freight Lines, Ltd., shall join immediately in common supplement to the tariffs on file with the Commission, J. P. Puckett on the one hand withdrawing and Puckett Freight Lines, Ltd. on the other hand accepting and establishing such tariffs and all effective supplements thereto.
- (3) J. P. Puckett shall withdraw immediately time schedules filed in his name with the Railroad Commission, and

Puckett Freight Lines, Ltd. shall file, in duplicate, in its own name, time schedules covering service heretofore given by J. P. Puckett, which time schedules shall be identical with those now on file in the name of J. P. Puckett, or time schedules satisfactory to the Commission.

(4) The rights and privileges herein authorized to be transferred may not hereafter be sold, leased, transferred nor assigned, nor service thereunder discontinued by Puckett Freight Lines, Ltd. unless written consent of the Railroad Commission has first been secured.

(5) No vehicle may be operated by Puckett Freight Lines, Ltd. under the authority granted, 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) Puckett Freight Lines, Ltd. shall keep such record of the issue of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month 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.

(7) The authority herein granted will become effective fifteen (15) days after the date hereof.

DATED at San Francisco, California, this 2nd day of February, 1931.

C. J. [Signature]
Leon [Signature]
[Signature]
W. B. [Signature]
Fred G. [Signature]
Commissioners.