

LBM

Decision No. 23979.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
UNION TERMINAL WAREHOUSE, )  
a corporation, for permission to buy )  
and of Pacific Motor Transport Com- )  
pany, a corporation, to sell ware- ) Application No. 17595  
house business in the City of Los )  
Angeles, and of Union Terminal Ware- )  
house to issue and sell stock. )

Frank Karr, for applicants.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make its order authorizing Pacific Motor Transport Company to sell certain warehouse properties to Union Terminal Warehouse, and authorizing Union Terminal Warehouse to issue \$18,500.00 of its common capital stock.

Information on file with the Commission shows that Pacific Motor Transport Company is engaged in the transportation of property by express in the States of Oregon and California, and by motor truck in California, and, in addition, in the public utility warehouse business in Los Angeles in premises leased from Los Angeles Union Terminal Company, Los Angeles Public Market Company and other persons. It acquired such warehouse business, together with certain warehouse equipment and fixtures and auto truck properties and operative rights permitting operations between Los Angeles and

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the harbor district, from Union Terminal Warehouse Company under authority granted by the Commission by Decision No. 23564, dated April 6, 1931 on Application No. 17236.

Upon making the acquisition of the properties of Union Terminal Warehouse Company, referred to above, Pacific Motor Transport Company reported that it desired to retain for itself the auto truck operative rights and properties, but that it intended to transfer the warehouse business to a new corporation which it proposed to organize. It, therefore, has caused the incorporation of Union Terminal Warehouse, one of the applicants herein, for the express purpose of transferring to it the warehouse business formerly operated by Union Terminal Warehouse Company. The Articles of Incorporation of the new company show that it was formed on or about June 27, 1931 and that it has an authorized capital stock of \$100,000. divided into 1000 shares of the par value of \$100. each, all common.

The properties to be transferred to Union Terminal Warehouse, under the terms of the contract of sale filed as Exhibit "B", include warehouse equipment, such as trucks, hoists, dollies, etc., furniture and fixtures, alterations and improvements on leased properties and miscellaneous items and intangibles. The agreed transfer price is \$56,759.30. This is derived in the following manner:

ITEM	: Ledger : value : June 30, : 1931	: Depreciation : accrued to : June 30, : 1931	: Depreciated : book value : June 30, : 1931
Organization expense	:\$ 466.76	:\$ -----	:\$ 466.76
Warehouse equipment	:14,214.22	: 11,546.49	: 2,667.73
Furniture & fixtures	:14,350.33	: 10,851.76	: 3,498.57
Alteration and improve- ments on leased property	:12,158.75	: 656.28	: 11,502.47
Auto service equipment	: 2,113.55	: 1,687.27	: 426.28
Total investment.....	:\$43,303.61	:\$ 24,741.80	:\$ 18,561.81
Franchise value	:	:	: 24,936.23
Loss from operations Jan.1, 1931 to June 30,1931	:	:	: 13,261.26
TOTAL TO BE PAID .....			:\$ 56,759.30

The warehouse operative rights involved in this proceeding were established by Union Terminal Warehouse Company by reason of operations prior to and continuously since August 3, 1927, the effective date of Section 50-1/2 of the Public Utilities Act, and were transferred to the present holder, Pacific Motor Transport Company, under authority granted by said Decision No. 23564. It appears to be the policy of the present owner to amortize the same by charges to income, the sum of \$1,312.44 having been written off during the first six months of this year.

The purchaser does not apply for permission to issue stock to finance the total purchase price; it limits its request to the issue of \$18,500.00 of stock which is approximately equal to the reported ledger value, less estimated accrued depreciation, of the physical properties, including a small allowance for organization costs. This request seems reasonable and the order herein, accordingly, will authorize the issue as requested.

The Commission has not undertaken to fix the price which a public utility may pay for the properties; some doubt exists whether it has sufficient authority to fix such a price. It has, however, repeatedly held that if purchasers of public utility properties agree to pay more than appears to it to be reasonable, the excess purchase price should not be capitalized through the issue of securities nor charged to property and equipment accounts, but should be charged to the profit and loss account. In the case of a new organization acquiring properties, the Commission has permitted excess purchase prices to be charged to a suspense account and amortized over a period of years by charges to profit and loss.

In the past the Commission has not permitted the capitalization of operating loss nor the capitalization of operative rights

in excess of the amounts actually paid as the consideration for the grant of such rights plus the actual cost of obtaining them. It therefore seems to us, in considering this matter that if Union Terminal Warehouse acquires the properties referred to in this opinion, and if it pays for such properties more than the \$18,561.31, being the reported ledger cost of the properties and equipment, less accrued depreciation, it should charge such excess, representing operating loss and operating rights, to Account No. 113- "Other debit accounts", as set forth in the Uniform System of Accounts prescribed by the Commission for warehousemen operating in cities having a population of 25,000 or more, and amortize the same by equal annual charges, over a period of five years or less from the effective date hereof, to Account No. 355-A "Miscellaneous debits to profit and loss."

O R D E R

Pacific Motor Transport Company having applied to the Railroad Commission for permission to sell warehouse properties, and Union Terminal Warehouse having applied for permission to issue \$18,500.00 of stock, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the applications should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the stock 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 Pacific Motor Transport Company be, and it hereby is, authorized to sell and transfer to Union Ter-

minal Warehouse, on or before December 31, 1931, the warehouse rights, properties and equipment described in Exhibit "B" filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that Union Terminal Warehouse be, and it hereby is, authorized to acquire and operate the aforesaid warehouse rights, properties and equipment, and to issue on or before December 31, 1931, \$18,500.00 of its common capital stock to pay in whole or in part for said warehouse rights, properties and equipment.

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

1. Pacific Motor Transport Company forthwith shall withdraw its schedules of rates and charges covering the warehouse service now performed by it in connection with the operations now transferred to Union Terminal Warehouse, and Union Terminal Warehouse, at the same time, shall adopt as its own such schedules of rates and charges and all effective supplements thereto.
2. The consideration which may be paid by Union Terminal Warehouse for the aforesaid properties shall never be urged before this Commission as a measure of value of such properties for the purpose of fixing rates or issuing securities.
3. Union Terminal Warehouse in acquiring the properties of Pacific Motor Transport Company under the authority herein granted, may charge to its property and equipment accounts not exceeding \$43,303.61, plus additions and betterments since June 30, 1931, the same to be offset, in part, by a credit of \$24,741.80 to Account 160- "Reserve for accrued depreciation." If it pays

for said properties more than \$18,561.81, the difference between the foregoing figures, plus the cost of additions made since June 30, 1931, it must charge such excess to Account No. 113- "Other debit accounts" and amortize the same by charges to Account No. 335-A "Miscellaneous debits to profit and loss", over a period of five years or less from the effective date of this order.

4. Within sixty days after acquiring the business and properties referred to herein, Union Terminal Warehouse shall file with the Commission a statement indicating the exact day it acquired such properties and commenced operating them; a copy of each deed of conveyance whereby it acquired title; copies of each book entry used to record the transaction on its books of account; and a report as required by our General Order No. 24 relating to the issue of the stock herein authorized.
5. The authority herein granted will become effective twenty (20) days from the date hereof.

DATED at San Francisco, California, this 24th day of August, 1931.

Leon Whitney

M. B. Ham

Frederic G. Stewart

Commissioners.