

Decision No. 27768

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
GEORGE KARDASHIAN and VARUS KARDASHIAN
to transfer franchise to Sun Transport
Company, a corporation, and to issue
stock of said Sun Transport Company,
a corporation.

Application No. 19672

A. M. Astor, for applicants.

ORIGINAL

BY THE COMMISSION:

OPINION AND ORDER

In this proceeding George Kardashian and Varus Kardashian ask permission to transfer certain auto truck operating rights to Sun Transport Company, a corporation, and Sun Transport Company asks permission to issue 316 shares (\$31,600.00 par value) of its common capital stock.

It appears that George Kardashian and Varus Kardashian, operating under authority granted by Decision No. 23114, dated November 28, 1950, in Application No. 16458, are engaged in the automotive transportation business as a common carrier of milk, cream and dairy products, and for the back haul of dairy supplies and containers, serving dairies and creameries between Los Angeles, Pasadena, Montebello, Alhambra, El Monte, Baldwin Park, Puente and intermediate points. It seems that they, together with Bob Kardashian, have caused the organization of a corporation, Sun Transport Company, applicant herein, and to it have transferred their assets and equipment used in their common carrier operation, and in non common carrier operation, except the operating rights heretofore granted by the Commission.

The application shows that Sun Transport Company was organized on or about January 14, 1933 under the name of Hollywood Disposal Company, which subsequently by amendment dated April 26, 1934, was changed to the present name. The corporation has an authorized capital stock of 500 shares of the par value of \$100. each, all common, and proposes to issue one share at par for cash to Bob Kardashian and 315 shares to George and Varus Kardashian in consideration for the transfer of their business, property and assets.

The properties transferred or to be transferred are reported to include twelve trucks, four trailers and three passenger cars. The original cost of the rolling equipment and the operating rights is stated at \$30,680.25 and the estimated present value, after some rebuilding and betterments, at \$27,300.00. The cost of materials, supplies, tires, tubes, parts and prepayments is reported at \$5,945.26, making a total of \$33,245.26 for the properties. This total includes \$7,000.00 for operative rights. The Commission has held in prior decisions that it would not authorize the issue of stock against operative rights in excess of the amount expended by the original grantee in procuring such rights. Applicants have submitted no data showing that they or their predecessor expended \$7,000.00 or any other sum in securing the operative rights. We therefore believe that the stock issue should be limited to \$24,600.00.

The Commission is of the opinion that this is not a matter in which a public hearing is necessary, that Sun Transport Company should be granted permission to issue \$24,600.00 of stock, and that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. In making an order, accordingly, the Commission wishes to place Sun Transport Company upon

notice that operating 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 George Kardashian and Varus Kardashian be, and they hereby are, authorized to transfer their operating rights, together with their other properties, referred to in this application, to Sun Transport Company, a corporation, and Sun Transport Company, a corporation, be, and it hereby is, authorized to issue not exceeding 245 shares (\$24,500.00 par value) of its common capital stock in payment for the rights, properties and business of George Kardashian and Varus Kardashian, to be transferred to it, and to issue one share (\$100. par value) at par for cash and to use the proceeds for working capital or organization expenses.

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. George Kardashian and Varus Kardashian and Sun Transport Company shall join immediately in common supplement to be filed in triplicate, to the tariffs on file with the Commission, in the name of the transferrers, George Kardashian and Varus Kardashian on the one hand withdrawing and Sun Transport Company on the other hand accepting and establishing such tariffs and all effective supplements thereto.

3. George Kardashian and Varus Kardashian shall withdraw immediately time schedules filed in their names with the Railroad Commission, and Sun Transport Company shall file, in duplicate, in its own name, new time schedules which shall be identical with those now on file in the name of George Kardashian and Varus Kardashian, 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, increased or changed by Sun Transport Company, unless written consent of the Railroad Commission has first been secured.
5. No vehicle may be operated by Sun Transport Company 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. Sun Transport Company shall keep such record of the issue of the stock herein authorized as will enable it to file, within thirty(30) 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.
7. The authority herein granted will become effective fifteen (15) days after the date hereof.

IT IS HEREBY FURTHER ORDERED that this application in so far as it involves the issue of seventy (70) shares of stock be,

and the same is hereby, dismissed without prejudice.

DATED at San Francisco, California, this 25th day of
February, 1935.

Leon Auld

W. J. Lewis

M. B. Lewis

W. H. Lewis

Frank R. Lewis

Commissioners.