

Decision No. 28896

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
W. A. JUNGE
to sell and the Seaboard Transportation Company, Inc., a corporation,
to purchase auto truck line operated
between Los Angeles and Los Angeles
Harbor District.)
Application No. 19,998

In the Matter of the Application of
SEABOARD TRANSPORTATION COMPANY, INC.,
a corporation, for an order authorizing
issue of its shares of stock, and
sale thereof.)
Application No. 19,999

W. A. Junge, for applicant.

BY THE COMMISSION:

O P I N I O N

W. A. Junge, doing business under the fictitious name of Seaboard Transportation Company, asks permission to transfer to Seaboard Transportation Company, Inc., a corporation, the certificate of public convenience and necessity acquired by him under the Railroad Commission Decision No. 15783 dated December 21, 1925 in Application No. 12292. This operative right now possessed by W. A. Junge was acquired by him from D. E. Schiffman. The certificate is for automotive truck service as a common carrier of property between the City of Los Angeles proper and the steamship wharves and docks located at Los Angeles Harbor, namely, Wilmington and San Pedro (See Decisions No. 13335 and 14404 in Application No. 9495 for original grant.)

In Application No. 19999 Seaboard Transportation Company, Inc. asks permission to issue \$19,110.00 par value of its 5% cumulative preferred stock and \$25,000.00 par value of its common stock, for the purposes hereinafter stated.

It is of record that W. A. Junge proposes to transfer all the properties he owns and uses in his transportation business, to Seaboard Transportation Company, Inc., a corporation.

As of May 31, 1935 he reports in Exhibit No. 1 assets and liabilities as follows:-

A S S E T S

CURRENT ASSETS:

Cash in bank and on hand	\$1,663.56	
Accounts receivable	1,792.88	
Due from Stor Dor Express Co.	4,030.48	
Total current assets		\$ 7,486.92

FIXED ASSETS (LESS DEPRECIATION)

Trucks-Trailers-Cars	\$23,177.87	
Garage equipment	2,735.21	
Office furniture and fixtures	765.79	
Carrying value-fixed assets		26,678.87

DEFERRED AND OTHER ASSETS:

Special deposits	\$ 26.00	
Deferred interest	711.45	
Closed bank	130.18	
Franchise and goodwill	12,000.00	
Organization expense	266.81	
Total deferred assets		13,134.44

Total assets..... \$47,300.23

L I A B I L I T I E S

CURRENT LIABILITIES:

Accounts payable	\$ 2,542.60	
Revenue taxes payable	631.83	
Accrued payroll payable	749.38	
Total current liabilities		\$ 3,923.81

CONTRACT LIABILITIES:

County taxes payable	\$ 75.20	
State taxes payable	3,670.28	
Contracts payable	9,788.38	
Unsecured creditors	19,124.04	
F. O. Bunnell-Chairman Cred. Com.	446.34	
Total contracts payable		33,104.24

Total liabilities..... \$37,028.05

Net worth..... \$10,272.18

Total..... \$47,300.23

The testimony shows that W. A. Junge is indebted to unsecured creditors in the sum of \$19,124.04. These creditors have agreed to accept in payment for their claims \$19,110.00 of the corporation's 5% cumulative preferred stock. There is an understanding between the creditors and W. A. Junge, who will receive the common stock to be issued by the Seaboard Transportation Company, Inc., that so long as any of the preferred stock is outstanding, no dividends will be paid upon the common stock. It is also contemplated that the control of the corporation during such time as any of its preferred stock is outstanding, will be in the hands of F. O. Bunnell, chairman of the creditor's committee.

We have considered the request of applicants and believe that under the facts presented, the Seaboard Transportation Company, Inc., a corporation, should be permitted to issue the preferred stock mentioned herein, but that the issue of common stock should be limited in amount to not more than \$5,000.00. Concurrently with the redemption of the preferred stock, or subsequent thereto, the corporation may from time to time, if it so desires, file with the Commission applications for permission to issue additional common stock to reimburse its treasury because of income used to redeem its outstanding preferred stock.

Seaboard Transportation Company, Inc., a corporation, is hereby put 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.

C R D E R

The Commission having been asked to enter its order, as indicated in the foregoing opinion, a public hearing having been held on these applications before Examiner Fankhauser, and the Commission being of the opinion that the money, property or labor to be procured or paid for by Seaboard Transportation Company, Inc., a corporation, through the issue of \$5,000.00 of common stock and \$19,110.00 of 5% cumulative preferred stock, is reasonably required for the purposes herein stated and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income and that these applications should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. W. A. Junge doing business under the fictitious name of Seaboard Transportation Company may, on or before November 1, 1935, transfer to the Seaboard Transportation Company, Inc., a corporation, the operative right acquired by him under the authority granted in Decision No. 15783 dated December 21, 1925 in Application No. 12292, and may also transfer to said corporation the properties referred to in the balance sheet appearing in the foregoing opinion.
2. Seaboard Transportation Company, Inc., a corporation, may on or before November 1, 1935 issue in payment for the aforesaid properties not exceeding \$5,000.00 par value of its common stock and assume the liabilities referred to in said balance sheet, and after the assumption of such liabilities, issue in payment of indebtedness \$19,110.00 of 5% cumulative preferred stock.
3. The authority herein granted is subject to the following conditions:-

- (a) 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 purpose other than the transfer herein authorized.
- (b) W. A. Yunge and Seaboard Transportation Company, Inc. a corporation, shall join immediately in common supplement to be filed in triplicate, to the tariffs on file with the Commission, in the name of the transferrer, W. A. Yunge on the one hand withdrawing and Seaboard Transportation Company, Inc., a corporation, on the other hand accepting and establishing such tariffs and all effective supplements thereto.
- (c) W. A. Yunge shall withdraw immediately time schedules filed in his name with the Railroad Commission and Seaboard Transportation Company, Inc., a corporation, shall file in duplicate in its own name new time schedules which shall be identical with those now on file in the name of W. A. Yunge or time schedules satisfactory to the Commission.
- (d) 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 Seaboard Transportation Company, Inc., a corporation, unless written consent of the Railroad Commission has first been secured.

- (e) No vehicle may be operated by Seaboard Transportation Company, Inc., a corporation, under the authority herein 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.
- (f) Seaboard Transportation Company, Inc., a corporation, shall within thirty (30) days after the issue of the stock herein authorized, file with the Railroad Commission a report showing the purposes for which the said stock was issued and the names of the person or persons to whom such stock was issued.
- (g) The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 8th day of
July, 1935.

Leon A. White

W. A. Cunn

M. B. Lancia

John R. Egan

Commissioners.