

LBM

Decision No. 29670

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
W. H. CROWE, J. W. CROWE and H.J.CROWE, )  
doing business as SANTA CRUZ MOTOR EX- )  
PRESS, Seller, and SANTA CRUZ MOTOR )  
EXPRESS, INC., a corporation, Buyer, )  
for an order of the Commission author- )  
izing the sale and transfer of the )  
operative properties and rights of the )  
former to the latter, and for an order )  
authorizing the latter to issue its )  
capital stock in payment therefor. )

Application No. 20960

Reginald L. Vaughan, for applicant.

BY THE COMMISSION:

OPINION AND ORDER

ORIGINAL

This is an application for an order authorizing W. H. Crowe, J. W. Crowe and H. J. Crowe, co-partners doing business under the firm name and style of Santa Cruz Motor Express, to transfer automotive operating rights and properties to Santa Cruz Motor Express, Inc. and authorizing Santa Cruz Motor Express, Inc. in consideration therefor, to issue 3 shares of stock of the aggregate par value of \$300.

The operating rights proposed to be transferred are defined in the certificate of public convenience and necessity granted to the co-partners by the Commission by Decision No. 25480, dated December 27, 1932, in Application No. 18028 and in general permit the transportation of certain produce and commodities by auto trucks between San Francisco and Santa Cruz. The physical properties included in the proposed transaction consist of six trucks and tractors and two semi-trailers. The cost of the equipment and other assets, and the amount of the outstanding liabilities, are reported in a balance sheet as of December 1, 1936, filed as Exhibit "C" as follows:-

ASSETS

Truck equipment . . . . .	\$5,868.19	
Trailer and body equipment . . . . .	1,903.43	
Total . . . . .	<u>\$7,771.62</u>	
Less; Depreciation . . . . .	2,771.96	\$4,999.66
Cash . . . . .		10.17
Accounts receivable . . . . .		1,213.32
Cost of franchise . . . . .		3,527.25
Total . . . . .		<u>\$9,750.40</u>

LIABILITIES

Accounts payable . . . . .	\$1,172.85	
Notes payable . . . . .	1,767.52	
Contracts payable . . . . .	<u>3,375.25</u>	\$6,315.62
Surplus . . . . .		3,434.78
Total . . . . .		<u>\$9,750.40</u>

For 1935 the Santa Cruz Motor Express reported operating revenues of \$19,652.26.

It appears that the co-partners desire to place their public utility operations and properties in the hands of a corporate organization and to that end have caused the incorporation of Santa Cruz Motor Express, Inc. which will receive and henceforth conduct the auto truck business of the present owners. The new corporation was formed on or about December 17, 1936 with an authorized capital stock of \$25,000. divided into 250 shares of the par value of \$100. each, all common.

The corporation desires, and asks permission, to issue only 3 shares of its authorized capital stock in consideration for the transfer of the operating rights and properties and to distribute one share thereof to each of the present co-partners. The Commission has given consideration to this request, and to the request to transfer the rights and properties, and is of the opinion that a public hearing is not necessary in the matter and that an order should be made, as herein provided, approving the proposed transactions. In making the order the Commission wishes to put Santa Cruz Motor Express, Inc. 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 in the number of rights which may be given. The Commission is further of the opinion that the money, property or labor to be procured or paid for through the issue of the 3 shares of stock (\$300. par value) 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, therefore,

IT IS HEREBY ORDERED that W. H. Crowe, J. W. Crowe and H. J. Crowe, co-partners, be, and they hereby are, authorized to sell and transfer to Santa Cruz Motor Express, Inc. the certificate of public convenience and necessity heretofore granted by the Commission by Decision No. 25480, dated December 27, 1932, in Application No. 18028, and the equipment and other property referred to in Exhibit "C" attached to the application herein, subject to outstanding liabilities of not exceeding \$6,315.62.

IT IS HEREBY FURTHER ORDERED that Santa Cruz Motor Express, Inc. be, and it hereby is, authorized in acquiring said equipment and certificate to issue not exceeding \$300.00 par value of its common capital stock and to assume the payment of not exceeding \$6,315.62 of indebtedness.

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

1. W. H. Crowe, J. W. Crowe and H.J.Crowe, co-partners, and Santa Cruz Motor Express, Inc., a corporation, applicants herein, shall join in common supplement to be filed in triplicate to the tariffs on file with the Commission in the names of the co-partners, said co-partners on the one hand withdrawing from such tariffs and said corporation on the other hand adopting and establishing as its own such tariffs and all effective supplements thereto.

2. Santa Cruz Motor Express, Inc. shall file, in duplicate, time schedules covering its service under the operating rights herein authorized to be transferred to it, such time schedules to be identical with those heretofore filed by said co-partners, or time schedules satisfactory to the Commission.
3. The rights and privileges herein authorized to be transferred may not hereafter be sold, transferred, leased nor assigned, nor service thereunder discontinued, unless the written consent of the Railroad Commission has first been secured.
4. No vehicle may be operated by Santa Cruz Motor Express, Inc. under the authority herein granted, unless such vehicle is owned by it or is leased by it under a contract or agreement on a basis satisfactory to the Commission.
5. Santa Cruz Motor Express, Inc. 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 such as is required by the Railroad Commission's General Order No. 24-A, which order insofar as applicable, is made a part of this order.
6. The Commission in any subsequent proceeding or proceedings is not bound to recognize the consideration paid by Santa Cruz Motor Express, Inc. for its properties, for the purpose of determining any issues raised in such subsequent proceeding or proceedings.

DATED at San Francisco, California, this 15<sup>th</sup> day of  
January, 1937

William H. White  
Leon Whitely  
Ray K. Rice  
Commissioners.