

Decision No. 32015

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of OREGON-NEVADA-CALIFORNIA FAST FREIGHT, INC., a corporation, to sell, issue, and transfer 2000 shares of the capital stock of said company in exchange for assets, franchises and operating permits of J. A. GRITSCH doing business as OREGON-CALIFORNIA FAST FREIGHT; J. A. GRITSCH doing business as NEVADA-CALIFORNIA FAST FREIGHT; FRANK M. GRITSCH, doing business as MEDFORD-KLAMATH TRUCK LINE; FRANK M. GRITSCH, doing business as SACRAMENTO-MEDFORD TRUCK LINES; ERNEST A. GRITSCH, doing business as CEICO-RED BLUFF FREIGHT LINE; and NEVADA CALIFORNIA FAST FREIGHT OF NEVADA, LTD., a corporation, and of said latter named individuals and companies to transfer all of their said assets, including certificate of public convenience and necessity held by J. A. GRITSCH and ERNEST A. GRITSCH pursuant to the authority of this Commission, to OREGON-NEVADA-CALIFORNIA FAST FREIGHT, INC.

ORIGINAL

Application No. 22668

Ware and Berol, by Edward M. Berol, for applicants.

W. G. Stone, for Sacramento Chamber of Commerce, interested party.

BY THE COMMISSION:

O P I N I O N

Oregon-Nevada-California Fast Freight, Inc. asks permission to issue 2,000 shares of common stock of the par value of \$100 each for the purpose of acquiring the properties hereinafter mentioned.

Oregon-Nevada-California Fast Freight, Inc. is a corporation organized under the laws of California. It has an authorized stock issue of \$400,000 divided into 4,000 shares of the par value of \$100 per share. The principal office of the corporation for

the transaction of the business of the corporation will be located in the City and County of San Francisco, California.

The Commission by Decision No. 27293, dated August 27, 1934, in Application No. 19044, granted to J. A. Gritsch a certificate of public convenience and necessity to conduct an auto truck service for transportation of property between San Francisco, Oakland, Berkeley, Alameda, Emeryville and San Leandro on one hand, and Red Bluff and Dunsmuir, including Red Bluff but excluding Dunsmuir, and all intermediate points over and along the following route:- "Via Carquinez Bridge, Highway No. 99-W, via Dixon and Corning, and Highway No. 99, between termini and all intermediate points". Said decision, however, does not grant to J. A. Gritsch any authority for the conduct of a transportation business "between San Francisco, Oakland, Berkeley, Alameda, Emeryville and San Leandro, said points being only points of origin or destination for shipments to and from points, Red Bluff to Dunsmuir as restricted".

By Decision No. 29335, dated December 7, 1936, in Application No. 19044, the Commission granted to J. A. Gritsch, operating under the fictitious name and style of Oregon-California Fast Freight, permission to operate his trucks across the San Francisco-Oakland Bay Bridge, as an alternate route, and in addition, to the use of the ferries of Southern Pacific and Golden Gate Ferries, Ltd.

By Decision No. 31654, dated January 16, 1939, in Application No. 22488, the Commission authorized A. W. Hayes to transfer to J. A. Gritsch, doing business under the firm name and style of Oregon-California Fast Freight, the operative right granted by Decision No. 30089, dated September 7, 1937, as amended by Decision No. 30361, dated November 29, 1937, in Application No. 20413. By these decisions the Commission authorized A. W. Hayes to conduct an auto truck service as a highway common carrier for the transportation only of live and

dressed poultry from Corning, Orland, Willows, Maxwell and Williams on the one hand, and Oakland and San Francisco on the other hand.

By Decision No. 29977, dated July 27, 1937, in Application No. 21346, the Commission authorized Walter J. Johnson to transfer the certificate of public convenience and necessity granted by Decision No. 29215, dated August 26, 1936, in Application No. 20816, to Ernest A. Gritsch. This certificate of public convenience and necessity authorizes the holder thereof to conduct an automotive transportation business as a highway common carrier of property between Chico and Red Bluff and the intermediate points of Nord, Cana, Vina, Los Molinos, Tehama, Gerber and Proberta.

The record shows that some of the vendors hold permits from the Interstate Commerce Commission, from the Public Utilities Commissioner of Oregon and the Public Service Commission of Nevada. These permits authorize the holders thereof to engage in intrastate and interstate transportation business. This Commission has, of course, no authority to authorize the transfer of the permits granted by other public authorities. The order herein will authorize the transfer of the certificates of public convenience and necessity granted by the above mentioned decisions. If applicant, Oregon-Nevada-California Fast Freight, Inc. acquires said certificates and the permits granted by the other public authorities mentioned, it can, generally speaking, conduct a transportation business between San Francisco, California, and Medford and Klamath Falls, Oregon; between San Francisco, California, and Reno, Nevada; between Reno and Elko, Nevada; between Sacramento, California, and Medford, Oregon; between Medford, Oregon, and Klamath Falls, Oregon; and in California between the cities indicated. This general statement does not enlarge, or limit, or modify the specific permits now held by any of applicants. Reference is here made to such permits for a defini-

tion of their respective operative rights.

In Exhibit No. 1 filed in this proceeding, the assets and liabilities of the several applicants as of December 31, 1938, are reported as follows:-

A S S E T S

Cash		\$10,227.21
Accounts receivable		28,007.08
Materials and supplies		2,746.20
Carrier operating property-depreciated cost		103,891.08
Original cost	\$266,255.84	
Less: Reserve for depreciation	<u>162,364.76</u>	
Franchises and freight runs		166,429.83
Investments		100.00
Prepayments		16,876.32
Organization expenses		150.00
Total assets		<u>\$328,427.72</u>

L I A B I L I T I E S

Current liabilities	\$ 40,874.99
Accounts payable to connecting companies	2,282.10
Equipment obligations	46,240.84
Other long term obligations	5,398.98
Reserve for taxes, insurance and miscellaneous	5,888.99
Capital and surplus	227,741.82
Total liabilities.....	<u>\$328,427.72</u>

The testimony shows that the amount (\$166,429.83) reported for franchises and freight runs is an arbitrary sum. The amount actually expended in acquiring the franchises and freight runs is reported at \$36,962.43.

The agreement of sale filed as Exhibit B in this proceeding provides that the Oregon-Nevada-California Fast Freight, Inc. will assume all the liabilities of the several vendors.

Exhibit No. 2, which shows the operating revenues and operating expenses of the several applicants, and also such revenues and expenses consolidated, indicates total operating revenues for 1938 of \$482,798.52; other income of \$3,844.53 and net profit from operations of \$35,818.83.

Upon reviewing the testimony we find that the cost of the properties which Oregon-Nevada-California Fast Freight, Inc. proposes to

acquire, less accrued depreciation and indebtedness, is \$104,163.41. The order herein will authorize the company to issue \$104,000 of stock and assume the payment of the indebtedness of the vendors. The agreement of sale provides that 75% of the stock will be issued to J. A. Gritsch and 25% to Frank M. Gritsch.

In entering its order the Commission wishes to place applicants upon notice that operating rights granted by this Commission 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 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.

ORDER

Application having been made for an order authorizing J. A. Gritsch, doing business as Oregon-California Fast Freight, and Ernest A. Gritsch, doing business as Chico-Red Bluff Stage Line, to transfer the certificates of public convenience and necessity, referred to in the foregoing opinion, to the Oregon-Nevada-California Fast Freight, Inc., and for an order authorizing said Oregon-Nevada-California Fast Freight, Inc. to issue \$200,000 of its common capital stock, a public hearing having been held before Examiner Fankhauser, the Commission having considered the evidence submitted at such hearing, and it being of the opinion that the Oregon-Nevada-California Fast Freight, Inc. should be authorized to issue not exceeding \$104,000 of its common capital stock in payment for the properties referred to in the foregoing opinion, and assume the indebtedness of the vendors; that the issue of such stock is reasonably required by Oregon-Nevada-California Fast Freight, Inc., for the purpose herein authorized, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to

operating expenses or to income, and that this application should be granted, subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED that J. A. Gritsch, doing business as Oregon-California Fast Freight be, and he is hereby, authorized to transfer, after the effective date^{here}/of and prior to December 1, 1939, to the Oregon-Nevada-California Fast Freight, Inc., the certificate of public convenience and necessity granted by the Commission by Decision No. 27293, dated August 27, 1934, in Application No. 19044, as amended by Decision No. 29355, dated December 7, 1936, in Application No. 19044; and the certificate of public convenience and necessity acquired by him under the authority granted by Decision No. 31654, dated January 16, 1939, in Application No. 22488, together with such other properties which he has agreed to sell to said Oregon-Nevada-California Fast Freight, Inc., under the terms of the agreement filed in this proceeding as Exhibit B.

IT IS HEREBY FURTHER ORDERED that Ernest A. Gritsch be, and he is hereby, authorized to transfer, after the effective date hereof and prior to December 1, 1939, to the Oregon-Nevada-California Fast Freight, Inc. the certificate of public convenience and necessity which he acquired under the authority granted by Decision No. 29977, dated July 27, 1937, in Application No. 21346, together with such other properties which he has agreed to sell to said Oregon-Nevada-California Fast Freight, Inc., under the terms of the agreement filed in this proceeding as Exhibit B.

IT IS HEREBY FURTHER ORDERED that Oregon-Nevada-California Fast Freight, Inc. be, and it is hereby, authorized to issue on or before December 1, 1939, in payment for the aforesaid properties, and the other properties referred to in said Exhibit B, not exceeding \$104,000 par value of its common capital stock and assume the liabilities of the several vendors mentioned in said Exhibit B.

IT IS HEREBY FURTHER ORDERED that this application, insofar as it relates to the issue of \$96,000 of common capital stock be, and the same is hereby dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the following conditions:-

1. The consideration being paid by Oregon-Nevada-California Fast Freight, Inc. for the aforesaid properties shall not be urged before this Commission, or any other regulatory body, as fixing the value of said properties for any purpose other than the transfer herein authorized.

2. Applicants J. A. Gritsch, Ernest A. Gritsch and Oregon-Nevada-California Fast Freight, Inc. shall, at least twenty(20) days prior to the beginning of operations by said Oregon-Nevada-California Fast Freight, Inc., join in common supplement to the tariffs on file with this Commission covering service given by said J. A. Gritsch and said Ernest A. Gritsch, said J. A. Gritsch and said Ernest A. Gritsch withdrawing and applicant Oregon-Nevada-California Fast Freight, Inc. accepting and establishing as its own, such tariffs and all effective supplements thereto.

3. Applicant Oregon-Nevada-California Fast Freight, Inc. shall at least twenty(20) days prior to beginning operations, file in duplicate in its own name, time schedules covering service heretofore given by applicant J. A. Gritsch and by applicant Ernest A. Gritsch, which time schedules shall be identical with the time schedules now on file with the Railroad Commission in the name of said J. A. Gritsch and said Ernest A. Gritsch, or time schedules satisfactory to the Railroad Commission.

4. The rights and privileges herein to be transferred may not be sold, leased, transferred or assigned, or service thereunder discon-

tinued unless the written consent of the Railroad Commission to said sale, lease, transfer, assignment or discontinuance has first been obtained.

5. No vehicle may be operated by applicant Oregon-Nevada-California Fast Freight, Inc. 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. Prior to the commencement of ^{the} operation of the transportation service and the continuance thereafter, applicant Oregon-Nevada-California Fast Freight, Inc. shall comply with all the provisions of the Commission's General Order No. 91.

7. The authority herein granted to transfer the certificates of public convenience and necessity mentioned in this order and the issue of stock authorized by this order, shall lapse and be void if the parties shall not have complied with all the conditions within the periods of time fixed herein, unless for good cause shown the time shall be extended by further order of the Commission.

8. IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective within fifteen(15) days after the date hereof, and that within sixty(60) days after acquiring the aforesaid properties, and the issue of the stock herein authorized, Oregon-Nevada-California Fast Freight, Inc. shall file with the Railroad Commission a report showing the amount of stock it issued in payment for the aforesaid properties and the name or names of the persons to whom such stock was issued.

DATED at San Francisco, California, this 23rd day of May, 1939.

Paul J. Quinn
Frank J. Quinn
W. L. Carey
H. P. Miller
Justus J. Casner
8- COMMISSIONERS.