

CORRECTION

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Decision No. 32685

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of COAST LINE EXPRESS, a corporation, for authority to issue stock, and of E. L. McCONNEL, doing business as Coast Line Express, to transfer his express operative rights and business to COAST LINE EXPRESS, a corporation.

Application No. 23150

Douglas Brookman, for applicant

BY THE COMMISSION:

OPINION AND ORDER

This is an application to the Railroad Commission for an order authorizing E. L. McConnell to transfer to Coast Line Express, a corporation, all of the assets and business owned and operated by him under the firm name and style of Coast Line Express, and authorizing Coast Line Express, a corporation, to issue fifteen (15) shares of its capital stock of the aggregate par value of One Thousand Five Hundred (\$1,500) Dollars in exchange for such assets and business.

It is reported in the application that E. L. McConnell is now, and for some time has been, engaged in business as an express carrier for the transportation of property, generally speaking, between points in central and southern California. A more complete description of said points is contained in his Local Express Tariffs Nos. 1 and 2, C.R.C. Nos. 1 and 2, on file with the Commission. As of October 31, 1939, he reports the assets and lia-

liabilities of the express business as follows:

ASSETS

Intangible Assets	\$2,402.90
Cash	310.11
Suspense	168.41
Materials and Supplies	254.14
Accounts Receivable	734.56
Total	<u>\$3,870.12</u>

LIABILITIES

Accounts Payable	\$ 76.50
Express Privileges Payable	1,912.25
Proprietor's Account	1,416.24
Surplus	465.13
Total	<u>\$3,870.12</u>

The amount set up for intangible assets represents legal and other expenses incurred in proceedings before the Commission relating to applicant's operating rights.

For the ten months ending October 31, 1939, E. L. McConnel, doing business as Coast Line Express, reports express revenues of \$39,747.04 and expenses of \$39,156.34. His net profit for the ten months was \$590.70.

Applicant McConnel now reports that it is his desire to incorporate the express business he has been conducting under the name of Coast Line Express, and that for this purpose he has caused to be incorporated Coast Line Express, a corporation, the other applicant in the proceeding. It is the intention of the corporation to acquire the entire express business of Mr. McConnel, and, in payment, to issue One Thousand Five Hundred (\$1,500) Dollars par value of its common capital stock, and to assume the payment of the liabilities outstanding against the business.

The Commission has considered this matter and is of the opinion that a public hearing is not necessary and that the requests of applicants should be granted as herein provided. In making the order herein, however, the Commission is not defining or altering or enlarging the operating rights of Mr. McConnell, but is authorizing him to transfer only such rights as he may have. Further the Commission wishes to place Coast Line Express, a corporation, 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.

IT IS HEREBY ORDERED that E. L. McConnell, doing business under the firm name and style of Coast Line Express, be and he hereby is authorized to transfer to Coast Line Express, a corporation, on or before February 29, 1940, all of his express assets, operating rights, and business owned and operated by him under the name of Coast Line Express, and Coast Line Express, a corporation, be and it hereby is authorized to issue, on or before February 29, 1940, in payment therefor, not exceeding fifteen (15) shares of its common capital stock of the aggregate par value of One Thousand Five Hundred (\$1,500) Dollars, it being the opinion of the Commission that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authority herein granted is subject to the following conditions:

1. The consideration to be paid for the property 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.

2. E. L. McConnell and Coast Line Express within twenty (20) days after the effective date of this order, shall join in a common supplement, to be filed in triplicate, to the tariffs now on file with the Commission covering service given by E. L. McConnell, said E. L. McConnell on the one hand withdrawing and Coast Line Express on the other hand adopting and establishing as its own, said tariffs and all effective supplements thereto.

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. The authority herein granted shall lapse and be void if the parties hereto 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.

5. Coast Line Express shall file with the Commission a report of the stock issued under the authority herein granted as required by the Commission's General Order No. 24-A.

6. This order shall become effective upon the date
hereof.

Dated at San Francisco, California, this 27th day of
December, 1939.

Robert W. Johnson
Walter C. Baker
Ray & Wiley
H. B. Hall

COMMISSIONERS.