

Decision No. 32198

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
READER TRUCK LINES,
a corporation, to purchase the operative rights of A.R. Reader and Phil Reader, a co-partnership doing business as Reader Transportation Service, and for authority to issue shares, and application of A. R. Reader and Phil Reader, a co-partnership doing business as Reader Transportation Service, to sell to Reader Truck Lines, an automobile freight line operated between Los Angeles Harbor, California, and Los Angeles, California.

ORIGINAL

Application No. 23327

BY THE COMMISSION:

O P I N I O N

This is an application for an order authorizing A. R. Reader and Phil Reader to transfer auto truck operating rights and properties to Reader Truck Lines, a corporation, and authorizing Reader Truck Lines, a corporation, to issue 500 shares of its common stock without par value.

A. R. Reader and Phil Reader, co-partners doing business under the firm name and style of Reader Transportation Service, report that they are engaged, as common carriers, in operating auto trucks for the transportation of freight between Los Angeles Harbor, on the one hand, and the City of Los Angeles, on the other, and, in addition, as local draymen in Los Angeles and as carriers of interstate commerce. They report, further, that approximately twenty-five per cent of their revenues are derived from their intrastate certificated operations and seventy-five per cent. from the other operations.

As of December 31, 1939, the assets and liabilities of the co-partnership are reported as follows:-

ASSETS

| | |
|------------------------|---------------------|
| Tangible property | \$ 28,142.88 |
| Intangible property | 250.00 |
| Cash and deposits | 1,918.53 |
| Accounts receivable | 6,122.41 |
| Materials and supplies | 585.21 |
| Prepaid expenses | <u>1,774.86</u> |
| Total | <u>\$ 38,793.89</u> |

LIABILITIES

| | |
|--------------------------|--------------------|
| Notes payable | \$ 460.47 |
| Equipment obligations | 886.61 |
| Accounts payable | 5,361.06 |
| Taxes accrued | 220.12 |
| Reserve for depreciation | 20,850.57 |
| Suspense | 42.91 |
| Partnership capital | <u>10,952.15</u> |
| Total | <u>\$38,793.89</u> |

It appears that the operating rights, represented by a certificate of public convenience and necessity from this Commission, were obtained by A.R.Reader and Phil Reader by purchase from California Truck Company, Inc. for \$250.00, under authority granted by Decision No. 30914, dated May 31, 1938, in Application No. 21954.

Applicants report that they have considered it advisable to form a corporation and to transfer to it all of the assets and liabilities of the co-partnership in exchange for 500 shares of common stock without par value. To that end they have caused the incorporation, on or about January 2, 1940, of Reader Truck Lines, one of the applicants herein.

The new corporation has an authorized capital stock of 2500 shares, all of one class and without par value. After considering the present request of the corporation to issue at this time 500 shares, the Commission is of the opinion that such issue is not unreasonable, that the money, property or labor to be procured or paid for through the issue of stock is reasonably required by Reader Truck Lines for the purposes specified herein, that the expenditures for such purpose are not, in whole

or in part, reasonably chargeable to operating expenses or to income, and that an order should be entered granting the requests of applicants.

In making the order, however, the Commission wishes to place Reader Truck Lines upon notice that certificates of public convenience and necessity granting 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.

ORDER

Application having been made to the Railroad Commission for an order authorizing the transfer of operating rights and properties and the issue of stock, and the Commission having considered the matter and, being of the opinion that a public hearing is not necessary,

IT IS HEREBY ORDERED that A. R. Reader and Phil Reader, co-partners doing business under the firm name and style of Reader Transportation Service, be, and they hereby are, authorized to transfer to Reader Truck Lines, a corporation, the operating right acquired by them pursuant to authority granted by Decision No. 30914, dated May 31, 1936, in Application No. 21954, and their properties referred to herein subject to outstanding liabilities, and Reader Truck Lines, a corporation, be, and it hereby is, authorized to issue, in payment for said properties, on or before June 30, 1940, not exceeding 500 shares of its no par value common capital stock.

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. Applicants herein, 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 under the certificate herein authorized to be transferred, A. R. Reader and Phil Reader on the one hand withdrawing and Reader Truck Lines on the other hand adopting and establishing as its own, said tariffs and all effective supplements thereto.

3. Reader Truck Line shall file, in duplicate, within twenty (20) days after the effective date of this order, time schedules covering its service under the certificate herein authorized to be transferred to it, such time schedules to be identical with those heretofore filed by A. R. Reader and Phil Reader, or time schedules satisfactory to the Commission, and A. R. Reader and Phil Reader shall, at the same time, withdraw all time schedules filed in their names.

4. 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.

5. No vehicle may be operated by Reader Truck Lines 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.

6. 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.

7. Reader Truck Lines 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.

8. Reader Truck Lines shall, prior to the commencement of service authorized herein and continuously thereafter, comply with all the provisions of the Commission's General Order No. 91.

9. The effective date of this order shall be twenty(20) days from the date hereof.

DATED at San Francisco, California, this 19th day of March, 1940.

Ray & Carey
George W. Miller
Ray D. Vassenger
A. H. Smith
Justin J. Casanova
COMMISSIONERS.