

Decision No. 33203

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of PACIFIC FREIGHT LINES to sell certain of its operative property to PACIFIC FREIGHT LINES EXPRESS and Pacific Freight Lines Express to obtain authority to issue its capital stock to Pacific Freight Lines in consideration of the purchase of the operative property of Pacific Freight Lines, authority for the sale of which is herein sought.

Application No. 23371

ORIGINAL

Wallace K. Downey, for Applicants

BY THE COMMISSION:

O P I N I O N

In this proceeding the Commission is asked to enter its order authorizing Pacific Freight Lines, a corporation, to sell its office furniture and equipment to Pacific Freight Lines Express, a corporation, and to authorize the Pacific Freight Lines Express to issue in payment for said office furniture and equipment 695 shares of its no par value common capital stock at a stated value of \$25 per share.

Pacific Freight Lines is a highway common carrier, conducting extensive operations generally between Los Angeles, on the one hand, and Fresno, Coalinga, San Luis Obispo, San Diego, Calexico, and numerous intermediary points on the other hand.

It is of record that since its organization, Pacific Freight Lines Express has done business on money borrowed and capital advanced by Pacific Freight Lines. It is now proposed to transfer all of the office furniture and equipment of Pacific Freight Lines to Pacific Freight Lines Express. This office furniture and equipment is jointly used by the two corporations. A list of the properties to be transferred, as of the date of the application, is filed in this proceeding as Exhibit C. The original cost of the properties is reported at \$74,687.10 and the present value at \$17,393. The balance sheet of Pacific Freight Lines, as of April 30, 1940, (Exhibit 3) shows the investment in office furniture and equipment at \$74,744.03 and the accrued depreciation on office furniture and equipment at \$59,348.95, leaving a depreciated cost of \$15,395.08. The testimony shows that the cost at which the office furniture and equipment is recorded on the books of Pacific Freight Lines and the recorded, accrued depreciation thereon will be transferred from the books of the Pacific Freight Lines to the books of the Pacific Freight Lines Express. The order herein will authorize the Pacific Freight Lines Express to issue such number of shares of common stock which at \$25 per share will equal the difference between the original cost of the office furniture and equipment transferred to the Pacific Freight Lines Express and the accrued depreciation thereon. If the transfer had been consummated as of April 30, 1940, the Pacific Freight Lines Express could have issued 618 shares of stock.

For the four months ending April 30, 1940, Pacific Freight Lines Express reports operating revenues and operating

expenses as follows:

Operating revenues, after deducting express privileges	\$291,619.24
Operating and maintenance expenses	22,485.95
Operating taxes and license	19,073.99
Operating rents - net	<u>3,418.68</u>
Total expenses	\$291,607.52
Net operating revenues	11.72

While applicant, Pacific Freight Lines Express, will conduct its business primarily over the lines of Pacific Freight Lines and its affiliate, Keystone Express System, it will also do business over the lines of common carriers which are not subsidiaries or affiliates of the Pacific Freight Lines. It is the belief of applicant's representatives that the manner in which Pacific Freight Lines Express intends to conduct its business will enable it and Pacific Freight Lines to retain business which they, or either of them, would otherwise lose to other carriers and to increase their business. Under applicants' plan, the Pacific Freight Lines Express will conduct the terminal work which has heretofore been conducted by the Pacific Freight Lines. It is for this reason that applicants desire to transfer the office furniture and equipment from Pacific Freight Lines to Pacific Freight Lines Express. While a copy of the operating agreement between Pacific Freight Lines and Pacific Freight Lines Express is filed in this proceeding, it is not an issue in this application. If it does become an issue in a subsequent proceeding, the Commission will consider it de novo.

O R D E R

A public hearing having been held in this matter before Examiner Fankhauser, and the Commission having considered the evidence submitted at such hearing, and it being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by Pacific Freight Lines Express for the purpose herein stated; that the expenditures for said 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 Pacific Freight Lines be, and it hereby is, authorized to sell on or before August 1, 1940, to Pacific Freight Lines Express all or substantially all of its office furniture and equipment.

IT IS HEREBY FURTHER ORDERED that Pacific Freight Lines Express be, and it hereby is, authorized to issue on or before August 1, 1940, in payment for said office furniture and equipment, such number of shares of its no par value common capital stock which at a stated value of \$25 per share equals the cost of said furniture and equipment less the accrued depreciation thereon, as recorded on the books of the Pacific Freight Lines, provided, that under the authority herein granted, not more than 695 shares of common stock may be issued.

IT IS HEREBY FURTHER ORDERED that Pacific Freight Lines Express shall file with the Railroad Commission of the State of California within thirty (30) days after the issue of the stock herein authorized, a statement showing, (1) the number of shares

of stock issued in payment for the office furniture and equipment which it acquired from Pacific Freight Lines, (2) the date when it acquired said office furniture and equipment, and (3) the cost at which said office furniture and equipment and the accrued depreciation thereon were recorded on the books of Pacific Freight Lines on the date of the transfer of said office furniture and equipment.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the transfer of said office furniture and equipment, Pacific Freight Lines and Pacific Freight Lines Express shall file with the Railroad Commission a copy of the bill of sale or other instrument executed to transfer said office furniture and equipment.

Dated at San Francisco, California, this 11th day of June, 1940.

Ray A. Rice
Frank D. Deane
Ruth Deane
W. H. Deane
Justus J. Casner
Commissioners.