A.30980 AA

Decision No. 44269

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of MERCHANTS EXPRESS CORPORATION, a corporation, for authority to purchase and of M. L. MORRIS dba M & W TRUCK LINE to sell highway common carrier certificate and equipment; of MERCHANTS EXPRESS CORPORATION to purchase and of R. E. FORD dba PACIFIC TRANSFER COMPANY, to sell highway common carrier certificate; of MERCHANTS EXPRESS CORPORATION to issue promissory notes; of MERCHANTS EXPRESS CORPORATION for a new highway common carrier certificate comprehending all of the operative rights owned by it after the transactions for which approval is herein requested have been consummated.	Application No. 30980

Douglas Brookman for Merchants Express Corporation and R. E. Ford, Douglas Brookman and Varnum Paul for M. L. Morris, applicants.

Frederick W. Mielke for Delta Lines, Inc., Valley Motor Lines, Inc., Valley Express Co., Sacramento-Corning Freight Lines, Ltd. and Sacramento Auto Truck Company; Frank Loughran for Johnson Truck Lines; Edward M. Berol for Oregon-Nevada-California Fast Freight, Inc.; F. E. Fuhrman and Wm. Meinhold for Southern Pacific Company and Pacific Motor Trucking Company, protestants.

J. H. Anderson for The River Lines, Inc., interested party.

OPINION

This proceeding involves a proposal of Merchants Express Corporation to acquire the highway common carrier operative rights, certain trucking equipment and other property of M. L. Morris, doing business as M. & W. Truck Line, and the highway common carrier operative rights of R. E. Ford, doing business as Pacific Transfer Company. For convenience, these parties will hereinafter be called Merchants, Morris and Ford.

By the application on file herein

(1) Morris seeks authority to sell and Merchants seeks authority to purchase the certificate of public convenience and necessity granted to the former by Decision No. 43080, dated June 28, 1949, in Application No. 27140, together with equipment and other property described in the application;

(2) Ford seeks authority to sell and Merchants seeks authority to purchase the certificate of public convenience and necessity granted to the former by Decision No. 43106, dated July 6, 1949, in Application No. 29308;

(3) Merchants seeks authority to issue two promissory notes to Morris and one promissory note to Ford;

(4) Merchants seeks an in-lieu certificate of public convenience and necessity authorizing a unified operation of service as a highway common carrier embracing all of the existing rights of the parties; and

(5) Merchants seeks authority to publish a tariff on five days' notice containing rates between all points included in the proposed unified operation, as well as authority, where necessary, to depart from the long-and-short-haul provisions of Section 24(a) of the Public Utilities Act.

The principal common carriers of property which provide service in the territories embraced in the Morris and Ford certificates protested the granting of the application. Public hearings were held before Examiner Bradshaw at San Francisco. Evidence was received and the parties were heard in oral argument.

Merchant's present operations as a highway common carrier are conducted pursuant to a certificate of public convenience and necessity granted by Decision No. 41240, dated February 24, 1948, in Application No. 28940. This certificate was issued in place of other certificates previously granted covering various portions of the territory now being served. Generally speaking, the operations embrace the territory extending from Healdsburg and Calistoga on the north, including San Francisco, Oakland and other East Bay cities, and Livermore on the east, to San Jose, on the south, serving with some exceptions all intermediate points.

The certificate under which Morris' operations are conducted authorizes the transportation of general commodities, with certain exceptions, (a) between San Francisco and the East Bay cities on the one hand, and Stockton, Lodi, Sacramento and North Sacramento, on the other other hand; and (b) between Stockton and North Sacramento, serving Lodi and Sacramento as intermediate points.

Ford's highway common carrier operative rights authorize the transportation of general commodities other than household goods and uncrated furniture (a) between Sacramento and Redding and all intermediate points located on U. S. Highways 40, 99-E, 99-W and 99; (b) between Williams and Marysville and all intermediate points located on State Highway 20; and (c) between Marysville and Oroville and all intermediate points located on State Highway 24 and all intermediate points located on an unnumbered highway between Oroville and its intersection with U. S. Highway 99-E, including service to all points within one mile of either side of said highways. No service may be rendered locally between Sacramento and Woodland, including Woodland.

The proposed purchase price for Morris' certificate and operative property is $150,000, $10,000 of which was paid upon the signing of a purchase agreement. The balance is to be paid as follows: $35,000 within ten days after the effective date of the Commission's order authorizing the transaction; $52,500 evidenced by an unsecured promissory note bearing interest at four per cent per annum payable in 12 months; and $52,500 evidenced by another unsecured promissory note bearing interest at four per cent per annum payable in 24 months. It is alleged that the reasonable value of the equipment and physical assets proposed to be transferred is approximately $75,000.

According to a purchase agreement, the proposed consideration for Ford's operative rights is $40,000, of which $10,000 was payable upon execution of the agreement. The balance of $30,000 is to be represented by an unsecured promissory note bearing interest at four per cent per annum, payable in three annual installments due 12, 24 and 36 months after the approval of the sale has become effective.

Morris testified that he has been in the trucking business for 17 years; that on September 1, 1949, he began operations as a highway common carrier under the certificate granted on June 28, 1949; and that a daily overnight service has been operated without interruption. He asserted that the inauguration of operations as a highway common carrier was delayed by reason of the pendency of petitions for rehearing which were denied on August 2, 1949. It appears that since February 6, 1950, Morris has been operating out of Merchants' terminals in San Francisco and Oakland; and that Merchants performs certain pick-up and delivery and other terminal operations under contractual arrangements. Some equipment of Merchants has also been leased to Morris under an instrument, dated February 6, 1950.

Morris disclaimed having had any intention of selling his business at the time his certificate was granted. He asserted that he approached Merchants during December, 1949, with a view to negotiating a sale, because the business had so increased that to provide necessary equipment it would be necessary to obtain additional capital. A sale was considered preferable to the formation of a corporation or partnership or a merger with an existing carrier. The witness has an oral understanding that upon consummation of the proposed transfer he will be employed by Merchants in a supervisory capacity. He also testified that other interests had approached him with the object of purchasing his business. It appears that in the early part of December, 1949, Morris testified in another proceeding that he had more equipment than required to move the traffic being offered. His explanation was that the increase in business began around the first of the month in question.

An exhibit of record sets forth the following data with respect to the traffic handled by Morris from September through December, 1949:

1949	Number of Shipments	Number of Consignors	Total Weight (Pounds)
September	4,956	538	2,232,172
October	5,708	726	2,854,262
November	6,340	837	3,107,362
December	6,506	808	3,117,975

It was testified that the traffic handled during February, 1950, was substantially greater. Figures showing the extent of the increase were not disclosed. This carrier's revenues and expenses during the same four months of 1949, according to another exhibit, were:

1949	Total Revenues	Total Expenses	Net Profit
September	$16,964.80	$18,257.36	($1,292.56)
October	21,454.94	19,931.12	1,523.82
November	24,845.96	22,366.78	2,479.18
December	25,965.86	24,769.14	1,196.72
Total	$89,231.56	$85,324.40	$3,907.16

(________) denotes loss

During the same period, the record indicates, personal withdrawings were made by Morris, as his compensation, of $1,851.99. This amount is not included as operating expenses in the foregoing tabulation.

Morris further testified that the proposed price is the amount which he asked of Merchants and represents the value of his equipment and supplies, plus the operative right and good will. The trucking equipment to be transferred consists of nine trucks, 18 tractors, 15 semi-trailers and two dollies. According to an exhibit of record, the net book value as of December 31, 1949, based upon original cost less depreciation predicated upon a four-year life, which is the method used by Morris, was $56,964.57. The same exhibit indicates that by charging depreciation predicated on a life of four, five or six years, depending upon the type of equipment and the service in which it is engaged--the bases observed by Merchants--the net book value on the same date would be $63,010.28. The depreciated value of 21 of the units is less than $250.

Office, shop, garage and warehouse equipment and supplies comprise the balance of the property involved in the proposed transfer. An exhibit sets forth the book value of this property as $11,632.50, while its estimated value to Merchants is placed at $9,092.50.

Ford testified that he has been in the trucking and warehouse business for 26 years; that operations pursuant to the certificate granted on July 9, 1949, were commenced on August 17, 1949, petitions for rehearing having been denied on August 9, 1949; and that a daily overnight service has been operated without interruption. He declared that shipments are being picked up daily from approximately 75 firms in Sacramento. It was represented that the traffic handled in highway common carrier service during the last four months of 1949 was as follows: September, 792,629 pounds; October, 796,341 pounds; November, 828,050 pounds; and December, 727,055 pounds. An exhibit purports to set forth the revenues and expenses during the same period. A summary of the data submitted follows:

1949	Revenues	Expenses	Net Profit
September	$ 6,696.04	$ 6,546.02	$ 150.02
October	7,277.30	6,928.29	349.01
November	7,520.64	7,001.02	519.62
December	6,869.24	6,666.94	202.30
Total	$28,363.22	$27,142.27	$1,220.95

The foregoing expense figures are to a large extent estimates or allocations of expenses chargeable to highway common carrier as well as other operations.

According to Ford's testimony, he inaugurated the certificated operation with a view to developing an adequate service for consignees in the Sacramento Valley. This witness also stated that with traffic from Sacramento rapidly increasing and joint rates with carriers serving areas south and west of Sacramento not yet having been arranged, he realized that new capital would be required to carry out his undertaking.

It appears that Ford was contacted by certain interests, including Delta Lines, Inc., with a view to acquiring his operative right, and while he had no previous intention of selling it the proposed transfer to Merchants was later agreed upon. Ford intends to continue his other trucking operations and warehouse business. It was asserted that his present equipment will be used therein.

Merchants' president testified that either an overnight or twice-a-day service is maintained in the territory it serves, operations being conducted daily, except Saturdays, Sundays and holidays. The terminal facilities operated at seven of the larger points served, said to represent an investment of approximately $1,000,000, were described. It was stated that the trucking equipment comprises 380 units of various types, the original cost of which was over $1,300,000, and that additional equipment is available as occasion may require under lease arrangements with Merchants' parent company, the Walkup Drayage and Warehouse Company. According to the testimony, Merchants transports from 60,000 to 65,000 shipments a month, serving regularly approximately 4,000 consignors or consignees. It was estimated that regular pick-ups are made for about from 500 to 600 customers in San Francisco and the East Bay cities.

In the event that the sought authority is granted, it is proposed to render an overnight service with early morning deliveries at points now served by Morris and Ford. The operations were characterized as a through one-line service between the Bay area and such points. Merchants' present pick-up and delivery facilities will be used and augmented, if necessary. A large new terminal at Sacramento is contemplated. It was represented that, with the exception of terminal facilities in the new territory, Merchants is equipped to conduct the operation, it now having surplus equipment.

A balance sheet of Merchants as of December 31, 1949, was received in evidence. The figures are summarized in the following tabulation:

Assets

Current assets	$204,303
Fixed assets	613,996
Investments and advances	86,269
Deferred charges	25,214
Total	$929,782

Liabilities

Current liabilities	$123,738
Equipment obligations	367,237
Inter-company advances	168,021
Capital stock	100,000
Donated surplus	25,000
Earned surplus	145,786
Total	$929,782

Data of record disclose that Merchants' operations resulted in a loss during each year from 1946 to 1949, inclusive, the amounts being $3,810 in 1946, $6,327 in 1947, $66,789 in 1948 and $85,000 in 1949. Its president attributed the operating loss during 1949 to (1) the existence of excessive physical assets resulting in abnormal depreciation expense, (2) an alleged delay in obtaining rate relief after increased wages became effective and (3) the effect of a warehouse strike which lasted three months. He contended that depressed conditions in the used truck market dictated the advisability of retaining rather than disposing of the carrier's surplus equipment.

Merchants' president expressed confidence in the ability of the corporation to make the payments involved in the proposed transactions. In his opinion, the carrier's position will be improved through obtaining more efficient use of its physical assets and its ability to render a more complete service to the public. The reason assigned for acquiring Morris' equipment is that most of it consists of tractors, which it is claimed Merchants will need. Operation of warehouses was mentioned as one source of traffic available to Merchants. The rendition of an adequate through service from outlying points along the East Bay and Peninsula, which are rapidly developing industrially, was regarded by the witness as an important means of securing additional traffic. While it was contended that a substantial volume of business could be developed, the witness made no survey of the probable amount thereof.

A number of witnesses testified on behalf of protestants. A brief description of the territories involved in this proceeding, in which service is provided, as indicated by the record, follows:

Delta Lines, Inc., hereinafter called Delta, conducts a highway common carrier operation between the Bay area, on the one hand, and Sacramento and Stockton, on the other hand, serving various intermediate points. Joint rates are maintained to and from points north of Sacramento in connection with Sacramento Corning Freight Line, Valley Motor Lines, Inc., El Dorado Motor Transport Company and Sacramento Auto Truck Company.

Valley Motor Lines, Inc. and Valley Express Co., hereinafter collectively called Valley, operates between San Francisco, points on the East Bay and San Jose, on the one hand, and the Sacramento area, the territory between Stockton and Sacramento and points north of Sacramento as far as Chico, on the other hand. Valley Express Co. also serves points as far north as Redding. It publishes joint rates with Sacramento Corning Freight Lines, which acts as underlying carrier for the Express Company.

Sacramento Corning Freight Lines, hereinafter called Sacramento Corning, operates between Sacramento and Redding and intermediate points on U. S. Highway 99-W north of Woodland. It also operates between Sacramento and Folsom.

Johnson Truck Lines, hereinafter called Johnson, operates as a highway common carrier between San Francisco and East Bay cities on the one hand, and Yuba City, Marysville, Chico, Oroville and points between those communities, on the other hand. It also operates as a radial highway common carrier and highway contract carrier between the Bay area and certain other Sacramento Valley points.

Oregon-Nevada-California Fast Freight, hereinafter called O.N.C., operates as a highway common carrier between San Francisco and the East Bay, on the one hand, and Red Bluff, Redding and points between those communities, on the other hand, as well as between Chico and Red Bluff. An application for a highway common carrier certificate to provide a service between Sacramento and the Red Bluff-Redding area is pending on rehearing in Application No. 29477.

Southern Pacific Company or Pacific Motor Trucking Company, or both, hereinafter collectively called S.P.-P.M.T., serve virtually all points covered by the Morris and Ford operative rights.

The record does not contain a definite showing with respect to the service rendered by protestants. One witness testified that Johnson maintains an overnight service to all of the points it serves, whereas the others do not. His explanation of this assertion was that, while his competitors offer overnight service, they do not in actual practice render such a service on many occasions. O.N.C.'s president declared that his company gives a daily overnight service to the Red Bluff-Redding area. An exhibit was presented describing the method employed by S.P.-P.M.T. in transporting less-carload freight from San Francisco, Oakland and Sacramento to destinations in the Sacramento Valley. The scheduled arrival times (before commencement of deliveries) range from 7:00 a.m. to 11:30 a.m. on the day after departure from point of origin.

According to the record, the trucking equipment of Delta, Sacramento Corning and Johnson consists of 197, 26 and 84 units, respectively, of various types. An exhibit introduced by Delta purports to indicate that its terminal facilities, leased from an affiliated company, represents a book cost, less depreciation but including cost of land, of $212,477.

Balance sheets as of December 31, 1949, were presented by Delta, Sacramento Corning, Valley and Johnson. Inasmuch as income statements covering the year 1949 were also submitted, a detailed review of the balance sheets is unnecessary. The current assets contrasted with the current liabilities appear in the following tabulation:

	Current Assets	Current Liabilities
Delta	$121,041	$127,982
Sacramento Corning	33,273	16,238
Valley Express Co.	343,169	257,221
Valley Motor Lines	121,518	240,383
Johnson	28,545	64,974

A summarization of these carriers' revenues, expenses and net operating income for the year 1949 follows:

	Operating Revenues	Operating Expenses	Net Operating Income
Delta	$1,438,702	$1,388,061	$50,641
Sacramento Corning	173,118	174,904	(1,786)
Valley Express Co.	1,967,995	1,927,758	40,237
Valley Motor Lines	2,094,417	2,029,574	64,843
Johnson	672,937	666,061	6,876

(____) denotes loss

Johnson's revenues include $206,865 derived from permitted carrier operations. The expenses shown cover both permitted carrier and highway common carrier operations, no segregation having been made. The figures for Valley include operations beyond the areas involved in this proceeding. The revenue from traffic between the Bay area and the Morris-Ford territories by Valley was indicated as $676,330. The revenue received by O.N.C. from traffic between Bay points and the Red Bluff-Redding area in 1949, its president testified, was $186,571. It was stated that approximately $55,000 of Delta's revenues was received from joint-rate traffic with carrier operating in the territory served by Ford.

Delta's president referred to a recent traffic-flow study conducted by one of the Commission's transportation engineers. He declared that the study disclosed that shipments handled by permitted carriers between the Bay area and the Stockton and Sacramento areas passing certain weighing stations on August 2, 3, 4, and 5, 1949, in weight blocks of less than 4,000 pounds averaged only about 25 tons per day. According to an exhibit, 66 per cent of Delta's tonnage passing the same weighing stations on August 3 and 4, 1949, consisted of shipments of less than 4,000 pounds. Another exhibit indicates that of the traffic handled by Delta during October, 1948, 60 per cent of the tonnage comprised shipments weighing less than 5,000 pounds. Corresponding figures showing the revenue received, by weight brackets, were not submitted. In the opinion of the witness, these data demonstrate the importance of small-shipment traffic to the existence of common carriers and their ability to remain in operation. He asserted that if any substantial quantity of freight is attracted to the Morris line, regardless of ownership, it will consist of traffic diverted from existing common carriers, there being, in the opinion of the witness, a very limited amount of additional traffic available to common carriers.

Upon taking into consideration the tonnage handled by Valley, Delta and S.P.-P.M.T. in the so-called Morris area, it was estimated that Delta would lose the revenue on approximately 55 per cent of any tonnage diverted from the present common carriers. After studying the effect of volume of traffic upon expenses, computations were made based on Delta's income for 1949 for the purpose of showing the result of revenue losses upon its operating income. A summary of the conclusions reached follows:

	Operating Income
Year 1949	$50,000
Assuming $100,000 reduction in revenue	12,363
" 132,298 " " "	-
" 200,000 " " "	(25,914)
" 300,000 " " "	(64,192)

(____) denotes deficit

According to figures used by Delta's president, if the Morris line's revenue is increased threefold Delta's loss in revenue would be $330,000. On this assumption, if Merchants is successful in doubling Morris' present revenue the reduction in earnings would be $165,000.

An estimate was made of the effect of a decrease in Johnson's revenues. It was assumed that overhead expenses would remain as they are and that direct expenses would continue to reflect the same percentage relationship to revenues as in 1949. As contrasted with an operating income of $6,376 in 1949, the calculations indicate that a decrease of five per cent in revenue would reduce this amount to $2,330, while a ten per cent decrease would result in an operating loss of $11,280. The figures used in the computations include revenues and expenses covering permitted carrier operations, upon which 30 per cent of the revenues are derived.

Applicants contend that the sole question presented for decision is whether the proposed transfers will be contrary to the public interest. Their counsel, in oral argument, asserted that such a finding cannot be made upon the record herein. He declared that the financial condition of Merchants -- referred to as one of the oldest highway common carriers in the State -- fully supports its ability to incur the proposed obligations. The granting of the application, counsel stated, will not only perpetuate but strengthen the operation found to be required at the time Morris was granted a certificate. The efforts of certain others, including one of the protestants, to accomplish the same purpose as Merchants is endeavoring to do was characterized as an admission that the granting of the application will be in the public interest.

Protestants stress the sudden desires of Morris and Ford to dispose of their highway common carrier operations within a brief period after commencing operations. They contend that, upon analysis of the record, it is clear that both Morris and Ford are operating at a loss and are disappointed at the outcome of their operations as highway common carriers. Merchants' operating losses during the last four years -- a period during which its operations were being expanded -- were referred to. The observation was made that the more Merchants expanded its operations the greater its losses became. Protestants' counsel asserted that, under the circumstances, it is inconceivable that a merger of the operations of the three applicants -- termed either deficit or marginal operators -- would result in a profitable operation.

It is contended that Merchants does not need the equipment it desires to acquire from Morris. Counsel questioned the financial ability of Merchants to meet the obligations it is here undertaking in addition to others listed in its balance sheet.

Protestants further contend that the certificates granted to Morris and Ford were issued in accordance with a policy -- declared in Decision No. 42346 in Case No. 4823 -- primarily because they were already in the field. They urge that the Commission should not under these circumstances permit carriers to benefit themselves by disposing of their certificates when they have operated thereunder for very short periods. Protestants also assert that there is no need for a new or additional service, such as Merchants contemplates, and that the granting of the application will be injurious to carriers now in the field.

For the foregoing reasons, protestants contend that to grant the application would be contrary to the public interest. They urge that if, however, the proposed transfers are authorized the Commission should not permit Merchants to establish through service or publish joint rates between points embraced in the Morris and Ford operative rights. It is argued that the Commission has the authority to impose an appropriate restriction to prevent the connecting up of the two rights, citing In re Application of Tunzi (Decision No. 36805, Application No. 25442), 45 C.R.C. 143, and should exercise it in the instant proceeding.

In reply, applicants' counsel cited several other recent proceedings in which transfers were authorized notwithstanding that the transferor or transferee was operating at a loss. He argued that Merchants' losses were due to abnormal conditions and do not indicate an inability to carry out its proposals. The contention that Merchants will be overloading itself with equipment by acquiring that owned by Morris was refuted. According to counsel, the Morris and Ford certificates were granted under the ordinary and established rules of public convenience and necessity, aside from the so-called "liberal policy" of the Commission. The argument that Merchants would take considerable traffic from protestants was characterized as an indictment against protestants' services. It was further argued that the proposed acquisition will be a great benefit by affording an improved competitive direct-line service to the entire Sacramento Valley. Finally, it is urged that a restriction, as suggested by protestants, is not justified, because the question of public convenience and necessity is not involved in this proceeding, citing In re General Transfer Co. - Pacific Freight Lines (Decision No. 42193, Application No. 29657), 48 Cal. P.U.C. 281.

We are convinced that Merchants is in a position to carry out the project it is seeking authority to undertake. Moreover, authorization of the transfers will enable Merchants to provide service between many points where no direct highway common carrier service is in operation.

The evidence and argument presented by protestants have been scrutinized in a most thorough manner. Their request that a restriction be imposed preventing the connecting-up of the two operative rights by the establishment of through service and joint rates, in the event that the proposed transfers are approved, has also received our attention.

Upon the facts presented, the Commission finds that the public interest will not be adversely affected by approval of the transfer of operative rights and properties with which we are here concerned, provided that such approval be subject to a condition that Merchants shall not in the future operate any through service or establish any through or joint rate between points embraced in the Morris and Ford operative rights, unless such service is operated and such rates apply only via Sacramento, Stockton or Lodi. The necessary authority will, therefore, be granted. However, the action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred. Our conclusions herein should not be understood as sanctioning efforts to obtain certificates for purposes of speculation or sale. In this connection, Merchants is admonished to continue in effect the character of service from Sacramento which was contemplated at the time Ford was granted a certificate.

We further find, upon the record in this proceeding, that the money, property or labor to be procured and paid for by Merchants through the issue of promissory notes herein authorized is reasonably required by it for the purposes herein stated. The issue by Merchants of the one note for $52,500 payable in 12 months need not be authorized by the Commission.

As hereinabove mentioned, upon consummating the proposed transfers, Merchants seeks a new consolidated certificate in lieu of that which it now possesses and those to be acquired from Morris and Ford. This, of course, would necessitate revoking and annulling the operative rights now held by Morris and Ford. It is desirable that operative rights of a carrier be evidenced by a single certificate. However, under the terms of the purchase agreements the payments for Morris' certificate will not be completed until two years after the effective date of our order. Similarly, Ford will not receive full payment until three years have elapsed. Under such circumstances, and in view of the restriction which will be imposed against the rendition of through service or the establishment of through or joint rates between points embraced in the Morris and Ford operative rights, we are of the opinion that an in-lieu certificate should not be issued at this time. To this extent the application will be denied.

Merchants also contemplates publishing in a new tariff on five days' notice rates between all points it may be authorized to serve. It is represented that some rates are or will be upon the levels heretofore prescribed by the Commission as minima. Relief from the long-and-short haul provisions of Section 24(a) of the Public Utilities Act is desired in instances where shipments are transported over routes through intermediate points at which higher minimum rates apply. No showing having been made with respect to the proposed rates or the specific cases as to which Section 24(a) relief is desired and the justification therefor, permission to publish new rates on five days' notice or to depart from the requirements of Section 24(a) will not be authorized in this proceeding.

O R D E R

Application as above entitled having been filed, public hearings having been held thereon and based upon the evidence received and the conclusions and findings set forth in the preceding opinion,

IT IS ORDERED:

(1) That M. L. Morris, after the effective date hereof and on or before July 1, 1950, may sell and transfer to Merchants Express Corporation, a corporation, and the latter may acquire and purchase, the certificate of public convenience and necessity granted to M. L. Morris by Decision No. 43080 in Application No. 27140, and the automotive equipment and other property, to which reference is made in this decision. Said sale and transfer shall be subject to the terms and conditions set forth in a purchase agreement, a copy of which appears as Exhibit "A" attached to the application on file herein.

(2) That R. E. Ford, after the effective date hereof and on or before July 1, 1950, may sell and transfer to Merchants Express Corporation, a corporation, and the latter may acquire and purchase, the certificate of public convenience and necessity granted to R. E. Ford by Decision No. 43106 in Application No. 29308. Said sale and transfer shall be subject to the terms and conditions set forth in a purchase agreement, a copy of which appears as Exhibit "C" attached to the application on file herein.

(3) That Merchants Express Corporation, a corporation, be and it is hereby authorized, on or before July 1, 1950, to issue an unsecured promissory note payable to M. L. Morris in the principal sum of $52,500.00, with interest at the rate of four (4)

per cent per annum, for the purpose of acquiring the certificate of public convenience and necessity, automotive and other property, to which reference is made in paragraph (1) of this order, said note to be payable twenty-four (24) months after the effective date of this order.

(4) That Merchants Express Corporation, a corporation, be and it is hereby authorized, on or before July 1, 1950, to issue an unsecured promissory note payable to R. E. Ford in the principal sum of $30,000, with interest at the rate of four (4) per cent per annum, for the purpose of acquiring the certificate of public convenience and necessity, to which reference is made in paragraph (2) of this order, said note to be payable in three (3) equal installments of $10,000 each during the twelfth, twenty-fourth and thirty-sixth month after the effective date of this order.

(5) That the authority herein granted is subject to the following conditions:

(a) Merchants Express Corporation shall not in the future operate any through service or establish any through or joint rates between any point authorized to be served under the certificate of public convenience and necessity to be acquired from M. L. Morris and any point authorized to be served under the certificate of public convenience and necessity to be acquired from R. E. Ford, unless such service is operated and such rates apply only via Sacramento, Stockton or Lodi.

(b) The authority herein granted to issue notes will become effective when Merchants Express Corporation has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is $83.

(c) Within thirty (30) days after the consummation of the transfers herein authorized, or either of them, Merchants Express Corporation, a corporation, shall notify the Commission in writing of that fact and shall within said period file with the Commission a true copy of any bill of sale or other instrument of transfer which may have been executed to effect said transfers or transfer.

(d) Within thirty (30) days after the execution thereof, Merchants Express Corporation, a corporation, shall file with the Commission true copies of promissory notes issued pursuant to the authority herein granted.

(e) Applicants shall comply with the provisions of General Order No. 80 and Part IV of General Order No. 93-A, by filing, in triplicate, and concurrently making effective, appropriate tariffs and time schedules on not less than five (5) days' notice to the Commission and the public.

(6) That in all other respects the application in this proceeding be and it is hereby denied.

Except as herein otherwise expressly provided, the effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 26th day of May, 1950.

R. E. [illegible]
Justus F. Craemer
[illegible] Powell
Harold P. Huls
Kenneth Potter
COMMISSIONERS

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
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$83.00
By R. Lloyd