

ORIGINAL

Decision No. 48369

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|-------------------------------------|---|-----------------|
| In the Matter of the Application of |) | |
| | : | |
| COAST LINE TRUCK SERVICE, INC., |) | |
| a corporation | : | Application |
| |) | No. 34096 |
| for an Order Authorizing Applicant | : | (and Amendment) |
| to Sell Certain Tractors and |) | |
| Trailers Now Owned by Applicant. | : | |
| ----- |) | |

Lawrence W. L. Cooper, for applicant.

O P I N I O N

Coast Line Truck Service, Inc. in this proceeding seeks authorization to sell 62 tractors and trailers now owned by it and used in its operations.

The original application was filed on February 14, 1953, and an amendment thereto on February 19. A public hearing was held before Examiner Coleman in Watsonville on March 6, 1953, at which time the matter was taken under submission.

Applicant is engaged in business as a highway common carrier generally between Los Angeles and San Francisco and between those points and the Monterey Bay area, and between San Jose and Oakland and San Francisco, using at this time 170 units of equipment in its operations. Its annual report for the year 1951 shows operating revenues for the year of \$1,715,092 and its Exhibit A-2 filed with the present application shows operating revenues for 1952 of \$2,461,461 and other revenues of \$4,308, the increase in business being accounted for primarily by the acquisition of the properties and rights of Clark Bros. Motor Transport Inc. For 1951 applicant

reported a net loss of \$48 and for 1952 a net profit of \$2,842, before provision for income taxes.

In Exhibit A-1, applicant presents its statement of assets and liabilities indicating its financial position as of December 31, 1952. A summary of this statement is as follows:

Assets

| | | |
|---------------------------|-------------------|---------------------|
| Current assets - | | |
| Cash | \$ 3,210.00 | |
| Accounts receivable | 131,300.67 | |
| Inventories | 23,805.75 | |
| Investments and advances | 11,131.60 | |
| Prepaid expenses | <u>71,076.97</u> | |
| Total current assets | | \$240,524.99 |
| Property and equipment - | | |
| Cost | 851,496.93 | |
| Less-depreciation reserve | <u>375,810.21</u> | |
| Remainder | | 475,686.72 |
| Intangible capital | | <u>14,660.58</u> |
| | | |
| | Total | <u>\$730,872.29</u> |

Liabilities and Capital

| | | |
|---------------------------|------------------|---------------------|
| Current liabilities - | | |
| Notes payable | \$ 15,993.42 | |
| Accounts payable | 199,035.35 | |
| Accruals | <u>50,604.14</u> | |
| Total current liabilities | | \$265,632.91 |
| Equipment obligations | | 371,659.15 |
| Due affiliated companies | | 32,136.72 |
| Capital stock | | 48,000.00 |
| Surplus | | <u>13,443.51</u> |
| | | |
| | Total | <u>\$730,872.29</u> |

In addition to the outstanding current liabilities of \$265,632.91 at the close of the year, applicant is faced, according to the testimony, with payments during 1953 of \$94,569 on the principal of its equipment obligations and \$15,000 in interest.

The record shows that applicant's unfavorable cash position was caused in part by increases in operating expenses and by the requirements for repayment of its equipment contracts, that it does not have sufficient funds to meet its obligations and that it

has been unsuccessful in refinancing its indebtedness. It has need for additional working capital and it has concluded that it can best meet such need by selling the 62 units of equipment referred to in this application and thereafter leasing them and continuing their use in its operations. Subject to receiving authorization from the Commission, it has made arrangements to sell the equipment to Transport Equipment Co. Inc. for the total sum of \$371,600 and thereafter to lease them at a rental, based on the estimated remaining life of each unit, in total annual amounts as follows:

| | |
|----------|---------------------|
| 1st year | \$126,825.96 |
| 2nd year | 96,012.18 |
| 3rd year | 70,049.52 |
| 4th year | 70,049.52 |
| 5th year | <u>70,032.92</u> |
| | <u>\$432,971.10</u> |

The book value of the equipment to be sold is reported at \$321,896.48, as of December 31, 1952. In purchasing the property, Transport Equipment Co. Inc. will deliver to applicant \$12,000 par value of its stock and \$100,000 in cash and will assume equipment obligations amounting to \$259,600. The record shows that Transport Equipment Co. Inc. has the resources to enable it to proceed with the transaction.

Upon the conclusion of the sale applicant's current assets, based on its balance sheet of December 31, 1952, will amount to \$278,168.94, including \$53,853.95 in working cash after payment of past due obligations, and its current liabilities to \$227,955.36. It will be relieved of payments of principal and interest on equipment obligations of \$109,569 during 1953 and depreciation charges of \$58,508.77, and the payments it might otherwise be faced with in borrowing funds to increase its working capital. It will have the same number of pieces of equipment available for the performance of its common carrier operations.

Upon a review of the record we are of the opinion that the proposed sale will not be adverse to the public interest and that an order should be entered granting applicant's request. The action taken herein, however, shall not be construed as a finding of the value of the equipment.

O R D E R

A public hearing having been held on this application and the Commission having considered the matter and being of the opinion that the request of applicant should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. Coast Line Truck Service, Inc. may sell the tractors and trailers referred to in this application to Transport Equipment Co. Inc. in accordance with the terms and conditions set forth in this proceeding.

2. Within 30 days after completion of such sale, Coast Line Truck Service, Inc. shall file with the Commission a copy of each journal entry used to record the transaction on its books.

3. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 17th day of March, 1953.

[Signature]
President

[Signature]
[Signature]

[Signature]
[Signature]
Commissioners