

Decision No. 48553

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
OSCAR RUDNICK to sell, and ALVIN	:	
CHANLEY and GLENN CHANLEY to purchase)	
the interest of Oscar Rudnick in	:	
Chanley Bros. Trucking Co., an auto-)	
motive freight line for the transporta-	:	
tion of livestock between various points)	Application
and places in California over defined	:	No. 34221
routes, and for permission to execute)	
deeds, notes, chattel mortgages, trust	:	
deeds and other necessary documents)	
to consummate said assignment.	:	
-----)	

O P I N I O N

This is an application for an order authorizing Oscar Rudnick to transfer his partnership interest in the Chanley Bros. Trucking Co. to Alvin Chanley and Glenn Chanley, who are the remaining partners, and authorizing the remaining partners to issue notes and execute mortgages and deeds of trust.

The application shows that the three individuals, as partners doing business as Chanley Bros. Trucking Co., are engaged in the transportation of livestock between various points and along certain routes in California under a certificate of public convenience and necessity granted by the Commission by Decision No. 44837, dated September 26, 1950. Their tangible properties employed in the operations include 43 units of equipment together with cattle racks, furniture and fixtures, shop equipment and a parcel of land and improvements.

In Exhibit D filed in this proceeding applicants have reported their revenues and expenses for the last two years as

follows:

	<u>1951</u>	<u>1952</u>
Revenues -		
Freight revenues	\$381,996	\$501,451
Sales of feed and equipment	<u>37,845</u>	<u>47,661</u>
Total	<u>419,841</u>	<u>549,112</u>
Expenses -		
Operation and maintenance	312,394	410,371
Taxes-other than income	<u>33,372</u>	<u>45,947</u>
Total	<u>345,766</u>	<u>456,318</u>
Net revenues	74,075	92,794
Interest and rents	<u>2,819</u>	<u>26,081</u>
Net income before depreciation and income taxes	<u>\$ 71,256</u>	<u>\$ 66,713</u>

The operation and maintenance expenses include partners' salaries in the amounts of \$11,962 in 1951 and \$14,042 in 1952.

The reported investment of the partnership as reflected by the balance sheet of December 31, 1952, and the liabilities and capital as of that date are shown in the following statement:

Assets

Tangible property -		
Carrier operating property	\$306,246	
Less-depreciation reserve	<u>140,428</u>	
Net tangible property		\$165,818
Current assets -		
Cash and deposits	4,169	
Accounts receivable	63,012	
Material and supplies	13,732	
Other current assets	<u>651</u>	
Total current assets		<u>81,564</u>
Total		<u>\$247,382</u>

Liabilities and Capital

Equipment obligations	\$ 29,875
Current liabilities	<u>99,719</u>
Total liabilities	129,594
Partnership capital	<u>117,788</u>
Total	<u>\$247,382</u>

The partnership capital is segregated as follows:

Oscar Rudnick	\$ 73,295.90
Alvin Chanley	17,015.32
Glenn Chanley	<u>27,476.36</u>
Total	<u>\$117,787.58</u>

Applicants report that Oscar Rudnick now desires to withdraw from the partnership and that he agreed to sell his interest for the sum of \$100,000, of which \$50,000 will be payable upon approval of this application and \$50,000 will be represented by a note payable in monthly installments of \$1,000, or more, with interest at the rate of 6% per annum.

To obtain the funds to make the \$50,000 down payment, to consolidate existing contracts and mortgages of \$33,000 and to provide \$15,000 of working capital, the remaining partners propose to borrow \$98,000 from Bank of America National Trust and Savings Association to be represented by two notes, one for \$18,000 payable to the Bakersfield Branch in monthly installments of \$195.35 with interest at the rate of 5½% per annum, secured by a deed of trust, and the other for \$80,000, payable to the Vernon Branch in monthly installments of \$2,223 with interest at the rate of 7% per annum on deferred balances, secured by a mortgage of chattels. The note to be issued to Oscar Rudnick will be secured by a second deed of trust and a second mortgage of chattels.

The proposed sale price represents a figure agreed upon by the parties. The Commission is advised by applicants that the value of the operative real property and building is in excess of the book figure of \$6,128 at which they are included in the partnership property accounts and that there are additional properties consisting of nonoperative assets, which are not included in

the preceding balance sheet. It appears, upon analysis, that the proposed notes will require principal repayments at the rate of \$3,418.35 a month, or \$41,020.20 annually, and that during 1951 the business produced net income, before provision for depreciation and income taxes, of \$71,256 and during 1952 of \$66,713. In addition, we are informed that the transferees own noncarrier properties and conduct a truck service station business on the premises to be acquired by them which, it is stated, will produce additional revenues.

It is reported that the retirement of Mr. Rudnick will result in no change in the management as he has not been active in the conduct of the business and that no changes in rates for service or in operations are contemplated. Upon a review of this matter it appears that the proposed transfer will not be adverse to the public interest and we will enter an order granting applicants' requests.

The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred. In making this order we wish to place applicants upon notice that operative rights, as such, do not constitute a class of property which may be capitalized or used as an element of value in rate fixing for any amount of money in excess of that originally paid to the state as the consideration for the grant of such rights. 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 as to the number of rights which may be given.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Oscar Rudnick may transfer his partnership interest in the Chanley Bros. Trucking Co. to Alvin Chanley and Glenn Chanley, on or before September 30, 1953.
2. Alvin Chanley and Glenn Chanley, in order to finance the purchase price of said interest, to pay outstanding indebtedness and to provide working capital, all as set forth in this application, may issue three promissory notes, on or before September 30, 1953, in the principal amounts of \$18,000, \$80,000 and \$50,000, and may execute deeds of trust and mortgages of chattels to secure the payment thereof, which notes, deeds of trust and mortgages of chattels shall be in, or substantially in, the same form as those filed in this proceeding as Exhibits C-2 to C-3, inclusive.
3. Within 60 days after the effective date hereof and on not less than one day's notice to the Commission and to the public, Alvin Chanley and Glenn Chanley shall file, in triplicate, and concurrently make effective, appropriate tariffs and time schedules.

4. Alvin Chanley and Glenn Chanley shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted will become effective when Alvin Chanley and Glenn Chanley have paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$148.00.

Dated at San Francisco, California, this 5th day of May, 1953.

R. Z. [Signature]
President

Harold P. Kula

[Signature]
[Signature]

Commissioners

