

ORIGINAL

Decision No. 48905

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SECURITY TRUCK LINE, a corporation,	:	
for authorization to sell and transfer)	
highway common carrier operating rights	:	
and properties and of CONSOLIDATED)	Application
TERMINALS, INC., a corporation, to	:	No. 34567
acquire said operating rights and)	
properties, issue stock, assume indebt-	:	
edness, and encumber public utility)	
property.	:	
-----)	

O P I N I O N

This is an application for an order authorizing Security Truck Line to sell and transfer highway common carrier operative rights and properties to Consolidated Terminals, Inc., and authorizing said Consolidated Terminals, Inc. to issue 14,320 shares of its common stock of the aggregate par value of \$143,200 and to assume the payment of outstanding indebtedness.

Security Truck Line is a California corporation engaged in business as a highway common carrier of general freight between San Francisco and Hollister and vicinity under certificates of public convenience and necessity acquired by it pursuant to Decision No. 39991, dated February 25, 1947, in Application No. 28207, and as a petroleum irregular route carrier under a certificate of public convenience and necessity granted by Decision No. 44356, dated June 20, 1950, in Application No. 31166. In addition it is engaged in business as a private warehouseman and as a service station operator. It is a party to through routes with various carriers between the Los Angeles territory and points in the vicinity of San Jose and Hollister.

The 1952 annual report of Security Truck Line shows its carrier operating revenues in the amount of \$834,163 and its revenues from its warehouse, service station and other noncarrier operations in the amount of \$201,639, with net income of \$19,998 from all sources. The company now reports that it desires to separate its real estate holdings and service station and other business from its motor carrier business and to that end has caused the organization of Consolidated Terminals, Inc. to take over the highway carrier and related activities at their net book value of \$143,236.97. The new corporation, in carrying out the transaction, will assume the payment of certain indebtedness and will issue its shares of stock of the aggregate par value of \$143,200. A pro forma balance sheet as of April 30, 1953, giving effect to the transfer of the properties and the issue of the shares of stock is set forth in Exhibit D, as follows:

<u>Assets</u>		
Current assets -		
Cash and deposits	\$ 10,792.25	
Accounts receivable	61,881.37	
Other current assets	68,266.05	
Total current assets		\$140,939.67
Tangible property -		
Carrier operating property	386,265.70	
Noncarrier property	34,027.13	
	420,292.83	
Less-depreciation reserves	277,676.77	
Net tangible property		142,616.06
Intangible property		12,224.81
Other investments		12,000.00
Total		<u>\$307,780.54</u>
<u>Liabilities and Capital</u>		
Accounts payable		\$ 84,117.70
Equipment obligations		60,252.85
Reserves		20,173.02
Common stock		143,200.00
Paid in surplus		36.97
Total		<u>\$307,780.54</u>

The equipment obligations to be assumed include two promissory notes in favor of American Trust Company, one in the principal amount of \$40,764.85 payable in equal monthly installments of \$3,307.30, with interest at the rate of 5% per annum, and the other in the principal amount of \$19,488 payable in one installment of \$6,090 on November 20, 1953, and in monthly installments of \$609 thereafter until paid, together with interest at the rate of 5% per annum, both notes being secured by a mortgage of equipment.

The statements attached to the application show that Security Truck Line upon the conclusion of the transaction will hold the shares of stock of Consolidated Terminals, Inc. From a review of this matter it appears that the transfer will result in no change in the service and we are of the opinion that the proposed transaction will not be adverse to the public interest and should be authorized. 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.

The action taken herein shall not be construed to be a finding of the value of the rights and properties herein authorized to be transferred.

ORDER

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 shares of stock herein authorized is reasonably required by Consolidated Terminals, Inc. for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Security Truck Line may transfer to Consolidated Terminals, Inc. the operative rights and properties referred to in this proceeding, such transfer to be made in accordance with the terms of the agreement of sale filed as Exhibit 2, and Consolidated Terminals, Inc. may acquire said operative rights and properties and be substituted for Security Truck Line as a party to through routes between the Los Angeles territory and points in the vicinity of San Jose and Hollister.
2. Consolidated Terminals, Inc., in acquiring said operative rights and properties, may assume the payment of long-term debt of not exceeding \$60,252.85, represented by the outstanding notes and mortgages, and may issue not exceeding \$143,200 par value of its common stock.
3. Within 60 days after the effective date hereof and on not less than five days' notice to the Commission and to the public, Consolidated Terminals, Inc. shall file, in triplicate, and concurrently make effective, appropriate tariffs and time tables.

4. Consolidated Terminals, Inc. 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 20 days after the date hereof.

Dated at San Francisco, California, this 4th day of August, 1953.

R. Z. [Signature]

President

Justus J. [Signature]

[Signature]

[Signature]

Commissioners