A. 34971 MMW

ORIGINAL

Decision No. <u>A9489</u>

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of) R. KARLSON and G. KARLSON, doing : business as KARLSON BROS. TRUCKING) SERVICE, to transfer, and KARLSON : BROS. TRUCKING SERVICE, a corporation,) to acquire and exercise, certain operative right as a highway common) carrier, and to issue stock and assume : obligations.

Application No. 34971

OPINION

R. Karlson and G. Karlson, copartners doing business as Karlson Bros. Trucking Service, are engaged in business as highway common carriers of property generally between San Francisco and points in the Sacramento and San Joaquin valleys, and other points, as set forth in their certificate of public convenience and necessity, and as radial carriers.¹ In this application they report that they desire to carry on their activities under a corporate form of organization and that to this end they have caused the incorporation of Karlson Bros. Trucking Service, a corporation, and they propose, and here seek authorization, to transfer to said corporation their operative rights and equipment. The corporation proposes, and seeks authorization, to assume the outstanding indebtedness of the copartners and to issue \$80,000 par value of common stock.

The properties to be transferred, according to the application, include the certificate of public convenience and necessity granted to R. Karlson and G. Karlson by Decision No. 49192, dated

In Exhibit C filed in this proceeding R. Karlson and G. Karlson report their operating revenues for the first 11 months of 1953 at \$498,858 and their net profit at \$17,695.

October 6, 1953, in Application No. 32276, and 31 trucks and tractors, 43 semi-trailers and 23 full trailers, together with dollies, service cars and other equipment. The following statement shows the cost of the assets to be transferred to the corporation, the liabilities to be assumed, and the resultant capital investment as of November 30, 1953:

<u>Assets</u>

Current assets -Cash and deposits Accounts receivable Prepayments Materials and supplies Total current assets Tangible property, less depreciation reserve Intangible property

Total

Liabilities and Capital

Current liabilities Equipment obligations Total liabilities Capital

\$ 29,053.58 86,240.25 115,293.83 83,845.40

\$ 73,190.56

121,425.19

\$199.139.23

4.523.48

\$25,688.06 37,106.04

8,041.46

Total

\$199,139.23

It appears that the excess of the reported capital over the par value of the stock to be issued will be carried by the corporation on its books as capital or paid-in surplus.

From a review of this application it appears that the transfer will not result in any change in the management of the business or in the service to the public and we are of the opinion, therefore, that the transfer 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 moncy, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required by applicant corporation 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. R. Karlson and G. Karlson, doing business as Karlson Bros. Trucking Service, may transfer to Karlson Bros. Trucking Service, a corporation, the certificate of public convenience and necessity granted to them by Decision No. 49192, dated October 6, 1953, and the equipment to which reference is made in this proceeding.

2. Karlson Bros. Trucking Service, a corporation, in payment for such certificate and equipment, may assume the outstanding indebtedness of R. Karlson and G. Karlson, doing business as Karlson Bros. Trucking Service, and may issue not exceeding \$80,000 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, Karlson Bros. Trucking Service, a corporation, shall file, in triplicate, and concurrently make effective, appropriate tariffs and time tables.

4. Karlson Bros. Trucking Service, a corporation, shall file with the Commission a report, or 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 upon the date hereof.

Dated at San Francisco, California, this $\frac{30^{-1}}{2}$ day of <u>Lecenter</u>, 195<u>3</u>.

Commiss