

ORIGINAL

Decision No. 49725

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of J. A. NEVIS TRUCKING, INC.,	:	Application
for Authority to Issue Promissory)	No. 33369
Notes and Execute Deed of Trust	:	(Second Supplemental)
and Mortgage.)	
-----	:	

Willard S. Johnson, for applicant.

FIRST SUPPLEMENTAL OPINION

On February 3, 1954, J. A. Nevis Trucking, Inc. filed its second supplemental application in this proceeding for an order of the Commission authorizing it to issue a note in the principal amount of \$20,906.11, for the purpose of refinancing open account indebtedness, and authorizing it to execute a mortgage on its Pittsburg terminal property.

A public hearing on the supplemental application was held before Examiner Coleman in San Francisco on February 23, 1954, at which time applicant's request was taken under submission. No protest has been filed in this matter.

Applicant is a California corporation engaged in business as a highway common carrier of property. The record shows that a substantial portion of its business consists of the transportation of steel and steel products, that during 1952 its operations were curtailed materially by a strike in the steel business of about two months' duration and that as a result it suffered losses in net revenues of approximately \$25,000. The record further shows that

these unsettled operating conditions, together with the withdrawal of approximately \$177,000 to finance the purchase and construction of terminals, created an unfavorable relationship between applicant's current assets and liabilities and caused it to defer payment of some of its operating expenses. In Exhibit C, applicant reports the following condition as of December 31, 1953:

Current assets -		
Cash on hand and in banks	\$ 3,305.80	
Accounts receivable	131,568.42	
Insurance deposits	15,376.50	
Inventories	54,487.96	
Prepaid expenses	<u>27,899.96</u>	
Total current assets		\$232,638.64
Current liabilities -		
Notes payable	\$ 23,220.51	
Accounts payable	250,852.10	
Accrued taxes and wages	30,431.08	
Other current liabilities	<u>33,949.58</u>	
Total current liabilities		\$338,453.27

In addition, applicant reports equipment obligations of \$390,305 and mortgages of \$102,730 on its Pittsburg and Montebello terminals. The encumbrances on the Pittsburg property consist of a first deed of trust in favor of Cameron, Inc. in the amount of \$46,993 and a second mortgage in favor of Federal Engineering Corporation in the amount of \$41,208.

Among the current liabilities is one for \$20,906.11 owing to Federal Engineering Corporation representing the purchase in April and May, 1953, of petroleum products used by it in its highway common carrier operations. It appears that the creditor is insisting on the issue of a note to take up its present open account, said note to be secured by a mortgage on the Pittsburg properties as an addition to the present lien held by Federal Engineering Corporation. The proposed note will be payable in monthly installments of \$500 or more with interest at the rate of 4% per annum.

The note issue is designed to finance past operating costs. However, it clearly appears that applicant has taken, and is taking, steps with some success to increase its business, to effect operating economies and to bring about a liquidation of its liabilities. According to exhibits filed at the hearing it has reduced its secured obligations on its Pittsburg property by the sum of \$35,500 since the middle of 1952; it has curtailed its accounts payable by the sum of \$30,000; and it has realized an improvement in its current position of almost \$20,000. During 1953, it has developed net income after all charges of \$23,968 as compared with net losses of \$24,186 in 1952 and it has decreased its operating ratio from 99.6% to 97.2%.

At present, applicant is undertaking to dispose of its terminal sites, under arrangements providing for its continued occupancy on a long-term basis, which will relieve it of monthly principal payments of approximately \$14,000 and, if its program is successful, will make substantial cash sums available to it. In addition, it has rearranged its schedules so as to utilize its equipment more fully and to reduce its labor costs; it has decreased its general and administrative expenses by approximately \$1,000 a month; and it is actively pursuing a program of solicitation of business to improve its load factor. It reports that the holders of the mortgage notes on the Pittsburg terminal have agreed to a four months' moratorium on the principal payments.

Applicant's 1953 financial statement shows that in arriving at its reported net income of \$23,968 it included in operating expenses the sum of \$106,387 for depreciation, the two figures aggregating \$130,355 which represents internally generated funds

available during the year for corporate purposes. Similar operating results, if experienced in 1954, together with the realization of the recently enacted economies for a twelve months' period, should place applicant in a position where it should be able to establish its affairs on a current basis during the coming year.

Although the matter now presented to us is somewhat unusual we are of the opinion, from the showing made in this particular proceeding, that the money, property or labor to be procured or paid for by the issue of the note is reasonably required by applicant for the purpose set forth herein and that an order should be entered granting applicant the relief it requests.

SECOND SUPPLEMENTAL ORDER

J. A. Nevis Trucking, Inc. having applied to the Commission for authorization to issue a note and to execute a mortgage, a public hearing having been held and the Commission having considered the evidence submitted,

IT IS HEREBY ORDERED as follows:

1. J. A. Nevis Trucking, Inc., on and after the effective date hereof and on or before May 31, 1954, may issue a note in the principal amount of not exceeding \$20,906.11 for the purpose set forth in the second supplemental application in this proceeding and may execute a mortgage to secure its payment, which note and mortgage shall be in, or substantially in, the same form as those filed with said second supplemental application.
2. J. A. Nevis Trucking, Inc. 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.

3. The authority herein granted will become effective when J. A. Nevis Trucking, Inc. has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.00.

Dated at San Francisco, California, this 2nd day of March, 1954.

R. F. [Signature]
President

Justus J. [Signature]

[Signature]

[Signature]
Commissioners

