

ORIGINALDecision No. 50908

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
PACIFIC FREIGHT LINES and PACIFIC)	
FREIGHT LINES EXPRESS to sell and)	
PACIFIC MOTOR TRUCKING COMPANY to)	Application No. 35802
purchase all franchises, permits,)	(Amended)
operative rights, vehicles and)	
certain miscellaneous properties.)	

R. E. Wedekind and William E. Meinhold, for Pacific Motor Trucking Company, applicant

Wallace R. Downey, for Pacific Freight Lines and Pacific Motor Trucking Company, applicants

Frederick G. Pfrommer, for Santa Fe Transportation Company, applicant

Glanz & Russell, by Arthur Glanz, for California Cartage Company, Inc., San Diego Forwarding Company, West Coast Fast Freight, Inc., Western Truck Lines, Ltd., Cantlay & Tanzola, Inc., protestants

✓ Jackson W. Kendall, for Bekins Van Lines, Inc., Lyons Van Lines, Inc., Calmay Van Lines, Inc., James Van Lines, protestants

Frank Loughran, for System Tank Lines, Inc., West Coast Fast Freight, Inc., protestants

A. D. Carleton, for Standard Oil Company of California, interested party

Philip J. Ryan, for Union Oil Co., of California, interested party

H. J. Bischoff, for Southern California Freight Lines, interested party

O P I N I O N

The Commission is requested to authorize Pacific Freight Lines and Pacific Freight Lines Express to sell all their operative rights for the transportation of property over the highways in the State of California, and certain tangible properties, to Pacific Motor Trucking Company.

Pacific Motor Trucking Company and Santa Fe Transportation Company, by an amendment to this application requests the Commission to authorize Pacific Motor Trucking Company, if the above transfer be approved, to sell certain of such operative rights and tangible

properties to Santa Fe Transportation Company.

Public hearings were held on December 2 and 3, 1954, at Los Angeles and San Francisco respectively, before Commissioner Ray E. Untereiner and Examiner Carl Silverhart.

Pacific Freight Lines is a highway common carrier as defined in Section 213 of the Public Utilities Code and a petroleum irregular route carrier as defined in Section 214 of the Public Utilities Code. It operates generally between many points in central and southern California from Woodland, Sacramento and Roseville in the north to San Diego and the Mexican Border on the south. Pacific Freight Lines Express is an express corporation as defined in Section 219 of the Public Utilities Code and operates over portions of the lines of Pacific Freight Lines. Pacific Motor Trucking Company is a highway common carrier as defined in Section 213 of the Public Utilities Code; is a wholly owned subsidiary of Southern Pacific Company, and operates in California from the Oregon border to the Mexican border and to a large extent parallels Southern Pacific Company's line of railroad. Some of Pacific Motor Trucking Company's operative rights are subject to various conditions such as a restriction which requires the transportation of less-than-carload freight at the rate and on the billing of Southern Pacific Company, a restriction which requires that certain shipments receive in addition to movement by truck, an immediately prior or subsequent movement by rail, and a restriction which prohibits combinations of operative rights for through service as to certain points.

A copy of the contract of sale between Pacific Motor Trucking Company and Pacific Freight Lines and Pacific Freight Lines Express is marked Exhibit 7 and provides that the proposed purchase price for the operative rights is \$500,000. The amount to be paid for the tangible properties is to be the appraised fair market value

as of the date of take over. Certain terminals of Pacific Freight Lines are to be leased by Pacific Motor Trucking Company for a period of three years from date of take over at an annual rental based on 8 per cent of the appraised value of such terminals. According to the record the parties have agreed that the maximum fair market value of the real estate is \$2,434,970 and that of other physical properties is \$3,165,743.

The balance sheet of Pacific Freight Lines Express as of September 30, 1954, shows total assets of \$80,947, current liabilities of \$920,920 and an accumulated deficit of \$855,048. Pacific Freight Lines' balance sheet as of September 30, 1954 shows assets of \$4,465,486, current liabilities of \$878,682, long-term obligations of \$947,194 and an unappropriated surplus of \$1,710,476. A consolidated summary of income accounts for the nine months ended September 10, 1954, shows gross operating revenues of \$7,958,114, a net loss of \$263,236 prior to income taxes and a net loss of \$258,430 after provision for income taxes. During such period approximately 81 per cent of the shipments transported by Pacific Freight Lines moved intrastate and approximately 67 per cent of its revenue was derived therefrom.

The vice-president of Pacific Freight Lines testified as to the reasons why it entered into the proposed transfer. The witness stated that Pacific Freight Lines is a close corporation; that the principal stockholders are elderly and suffer various physical infirmities, and have been and are unable to properly participate in management; that the children of one of the principal stockholders have other interests; that the company has been unable to pay dividends and that there is no market for its stock. The witness further stated that if Pacific Freight Lines cannot consummate the proposed sale it will be unable to continue to suffer losses and will be compelled to close its business, discontinue service and liquidate its properties.

Pacific Motor Trucking Company's balance sheet as of September 30, 1954 is summarized as follows:

ASSETS

Current	\$2,238,652
Tangible property	3,071,667
Intangible property	129,680
Investment and Advances	410
Special funds	383
Deferred debits	119,299
Miscellaneous debit items	522
Total	<u>\$5,560,613</u>

LIABILITIES

Current	\$1,398,934
Deferred Credits	23,727
Reserves	32,112
Capital stock	2,871,050
Earned surplus	1,234,790
Total	<u>\$5,560,613</u>

For the nine-month period ending September 30, 1954 Pacific Motor Trucking Company received \$9,476,489 gross operating revenue, \$1,108,291 net operating income before income taxes, and \$535,882 net income after provision for income taxes.

The president of Pacific Motor Trucking Company testified that his company's purpose in proposing to purchase the certificates and properties of Pacific Freight Lines is to remove restrictions that exist and to close gaps in Pacific Motor Trucking Company's existing operative rights. The witness stated that it is proposed "to offer shippers a complete, rounded-out surface transportation service either by rail car, trailer-on-flatcar or all-motor, as the shipper may demand and need, and as economics and efficiencies of a surface transportation system may dictate."

The general manager of Pacific Motor Trucking Company testified as to its equipment, the number of its personnel, and the nature of its operations. According to his testimony, if the proposed transfer is approved, Pacific Motor Trucking Company will

provide an all-motor carrier service directly for the public, as presently offered by Pacific Freight Lines, including its motor carrier connections under through joint rates and interchange of equipment. Pacific Motor Trucking Company will continue to provide substitute line-haul and pickup and delivery services for Southern Pacific Company and its affiliated rail carriers, in addition to expanding such substitute service where it cannot now be done under restrictions contained in its present operative rights or lack of such rights. The witness further testified that the consolidation of the Pacific Freight Lines' operations with that of Pacific Motor Trucking Company would provide economies through elimination of duplicate routes and services, lesser number of employees and fewer units of equipment. It was asserted that after acquisition by Pacific Motor Trucking Company, the operations formerly conducted by Pacific Freight Lines at an estimated annual loss of \$372,231 would be conducted at a profit of \$461,263.84 or at a net annual savings of \$833,494.84.

The protestants did not offer any testimony or call any witnesses on their behalf.

The record indicates that Pacific Motor Trucking Company has available the requisite financial resources and possesses adequate ability to conduct the operations here involved.

The Commission is of the opinion that it would be undesirable to permit the extensive service presently rendered by Pacific Freight Lines to be withdrawn from the public.

Under the circumstances here disclosed we find that the public interest will not be adversely affected by approval of the transfer with which we are here concerned.

Santa Fe Transportation Company is a highway common carrier as defined in Section 213 of the Public Utilities Code, is a wholly owned subsidiary of The Atchison, Topeka and Santa Fe Railway Company

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and operates in California generally between all points located on the rail lines of such railway.

A copy of the contract of sale, dated November 29, 1954, between Pacific Motor Trucking Company and the Santa Fe Transportation Company is marked Exhibit 10, and provides that the former is to sell to the latter those of the Pacific Freight Lines' operative rights which authorize service to and from various points on the rail lines of The Atchison, Topeka and Santa Fe Railway Company but which are not on the rail lines of Southern Pacific Company or its affiliated or subsidiary railroads. The purchase price for such rights is \$62,755. The purchase price of certain equipment, materials and supplies is to be its fair appraised value at the time of transfer, the estimated present value being \$221,000. The record indicates that Santa Fe Transportation Company possesses the requisite financial resources and ability to take over, conduct and maintain such portion of the service presently rendered by Pacific Freight Lines. The record discloses, and we find, that the approval of such contract and the transfer therein provided will not be adverse to the public interest.

According to the president of Pacific Motor Trucking Company, negotiations which are under way with Union Pacific Railroad looking toward an agreement similar to that entered into with Santa Fe Transportation Company have not been completed. It should be noted that in the event such negotiations are not consummated and approved by the Commission Pacific Motor Trucking Company is in nowise relieved of its obligation to render service pursuant to the operating rights it shall acquire pursuant to the terms of the ensuing order.

By amendment filed herein December 17, 1954 the Commission is requested to authorize Pacific Motor Trucking Company to immediately take over, under a lease arrangement, the operations presently being conducted by Pacific Freight Lines and Pacific Freight Lines Express.

According to such amendment, there has been filed or there is about to be filed, with the Interstate Commerce Commission, an application for approval of the temporary operation, pursuant to said lease arrangement, of the operative rights and properties hereinbefore referred to in Exhibit 7.

The proposed lease, dated December 14, 1954, is for a term of 180 days, and such extension thereof as may be authorized by the appropriate regulatory bodies, which term shall terminate either upon expiration of the authorized term or on such earlier date as the sale and purchase is either consummated by regulatory approval or prohibited by regulatory disapproval. The lease provides, among other things, that lessee shall deposit with the lessors the sum of \$400,000 as an advance of the rentals to be paid as therein set forth.

It is alleged that the only means by which continued operations of Pacific Freight Lines and Pacific Freight Lines Express may be assured is the approval of temporary operations; that under the proposed lease lessors would receive advance rentals in a sum sufficient to liquidate their current liabilities; that if such lease is authorized many of the factors contributing to the major deficits being incurred by Pacific Freight Lines and Pacific Freight Lines Express will be eliminated and as a result of the improved operating practices which Pacific Motor Trucking Company will institute, the operations which it will perform will become profitable before the expiration of the period of temporary operation.

Upon consideration of the allegations set forth in the second amendment to the application the Commission finds that the public interest will not be adversely affected by approval of such lease.

O R D E R

Public hearings having been held and based upon the evidence therein adduced,

IT IS ORDERED:

(1) That Pacific Freight Lines and Pacific Freight Lines Express are authorized to lease to Pacific Motor Trucking Company on or before May 1, 1955, the operative rights and property referred to in the lease, a copy of which is attached to the second amendment to the application as Exhibit "B", and in the manner and for the consideration provided in such lease; that within thirty days after the execution of such lease, Pacific Motor Trucking Company shall file in triplicate and concurrently make effective, and on not less than five days' notice to the Commission and the public, appropriate tariffs satisfactory to the Commission.

(2) That Pacific Freight Lines and Pacific Freight Lines Express, after the effective date hereof and on or before January 1, 1957, may sell and transfer to Pacific Motor Trucking Company, and the latter may acquire and purchase, the operative rights (except highway radial common carrier permit, highway contract permit and city carrier permit) and property referred to in the purchase agreement, a copy of which is marked Exhibit 7 in this proceeding, and in the manner and for the consideration provided in such agreement.

(3) That Pacific Motor Trucking Company within twenty days after the transfer hereinabove referred to in paragraph 2 shall have been effected, shall sell and transfer to Santa Fe Transportation Company the operative rights and property referred to in the purchase agreement, a copy of which is marked Exhibit 10 in this proceeding, and in the manner and for the consideration provided in such agreement.

(4) That, within thirty days after completion of the transfers herein authorized, Pacific Motor Trucking Company and Santa Fe Transportation Company, respectively, shall so notify the Commission in writing and within said period shall file with it true copies of

the instruments executed to effect the transfers.

(5) That within thirty days after completion of such transfers, purchasers applicant shall file in triplicate and concurrently make effective, and on not less than five days' notice to the Commission and the public, appropriate tariffs reflecting the effects of such transfers.

(6) That within ninety days after completion of said transfers Pacific Motor Trucking Company and Santa Fe Transportation Company shall file applications with this Commission delineating duplicating or paralleling rights, if any, they may possess as a result of such transfers and requesting that all their operative rights heretofore and herein acquired be restated.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 28th day of DECEMBER, 1954.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

Commissioner Verno Scoggins, being necessarily absent, did not participate in the disposition of this proceeding.