

ORIGINAL

Decision No. 53425

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of E. D. BLAKELY, HELEN I. BLAKELY and HAROLD D. BLAKELY, a copartnership doing business as E. D. BLAKELY & SON, and G-W TANK LINES, for authority for the former to transfer, and the latter to acquire, certain operative rights and equipment, and for the latter to issue stock, a promissory note and a chattel mortgage securing such note.

Application
No. 38046

O P I N I O N

By Application No. 38046 the Commission is requested to authorize E. D. Blakely, Helen I. Blakely and Harold D. Blakely, a copartnership doing business as E. D. Blakely & Son, hereinafter referred to as Blakely, to transfer certain operative rights and equipment to G-W Tank Lines, a corporation, and to authorize the latter to issue \$10,000 par value common stock and a promissory note in the amount of \$15,000, and to execute a mortgage of chattels securing the payment of the note.

The application shows that Blakely holds certificates granted by this Commission as follows:

- (1) By Decision No. 44136, dated May 2, 1950, in Application No. 30799, to transport petroleum products as a highway common carrier between (a) Oakland and Santa Rosa, Sacramento, Stockton, Modesto and Livingston, and (b) between Martinez and Stockton and Modesto, including all intermediate points but subject to the conditions and restrictions of said decision.
- (2) By Decision No. 45610, dated April 24, 1951, in Application No. 30799, to transport petroleum products as a petroleum irregular route carrier between all points and places within the State of California, except the points and places authorized to be served by it as a highway common carrier by Decision No. 44136, subject to other conditions and limitations set forth in the decision.

In its report filed with this Commission for the calendar year 1955, Blakely reports revenue from motor carrier operations of \$1,318.30, and revenues from other operations at \$1,036,198.94.

G-W Tank Lines is a newly formed corporation, incorporated under the laws of the State of California on April 26, 1956, with authorized capital stock of \$75,000, divided into 7,500 shares having a par value of \$10 each. None of this stock has, as yet, been issued. Operations of G-W Tank Lines will be under the control of Charles J. Groskopf and Stewart R. Weider, who presently conduct motor carrier operations as a radial highway common carrier and as a highway contract carrier, as a partnership, operating under the name of Groskopf-Weider Trucking Company.

It appears that Blakely desires to discontinue "for hire" trucking operations and to transfer the operative rights, together with two tank trucks and two tank trailers to G-W Tank Lines for an amount of \$25,000, of which \$23,000 represents the present value of the automotive equipment. In this connection, G-W Tank Lines is placed upon notice that Instruction 182.01-19, subparagraph (f) of the Uniform System of Accounts for Class I Common and Contract Motor Carriers of Property prescribed by this Commission, covering the manner of accounting for acquired property, must be complied with if this transfer is approved. Under this requirement, the book costs of the transferor shall be entered in the accounts of the transferee.

To finance the purchase of Blakely's operative rights and equipment G-W Tank Lines proposes to issue and sell 500 shares of its capital stock, at \$10 per share, to Charles Groskopf, and 500 shares at \$10 per share to Stewart R. Weider. It plans to finance the remainder of the purchase price by borrowing the sum of \$15,000

from Bank of America N.T. & S.A. Such borrowing will be evidenced by a promissory note in the amount of \$15,000 executed by G-W Tank Lines and payable to Bank of America N.T. & S.A. in 24 monthly installments of \$625 each, commencing on the 15th day of the month immediately following the transfer of said operative rights and equipment, plus interest of 7% per annum on the outstanding balance, payable monthly. The promissory note will be secured by a chattel mortgage on the automotive equipment to be transferred.

G-W Tank Lines proposes to secure the working capital that it will require at the outset of its operations by borrowing the sum of \$2,000 from Groskopf-Weider Trucking Company. Said loan will be evidenced by a promissory note which will be payable in less than 12 months.

Exhibit D attached to the application presents a pro forma balance sheet of G-W Tank Lines, after giving effect to the matters sought in this application. A summary statement is as follows:

Assets

Current assets -		
Cash	\$ 2,000.00	
Fixed assets -		
Trucks and trailers	23,000.00	
Intangible assets -		
Rights and permits	<u>2,000.00</u>	
Total		<u>\$27,000.00</u>

Liabilities

Current liabilities -		
Demand note payable	\$ 2,000.00	
Equipment obligation payable	15,000.00	
Capital - 1,000 shares	<u>10,000.00</u>	
Total		<u>\$27,000.00</u>

Upon a review of this matter and upon considering the experience in motor carrier operations of applicant corporation's stockholders, we are of the opinion that the transfer of Blakely's public utility operations to G-W Tank Lines will not be adverse to the public interest. In making our order in this proceeding we 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.

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 shares of stock and the note 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. E. D. Blakely, Helen I. Blakely and Harold D. Blakely, a copartnership doing business as E. D. Blakely & Son, may transfer to G-W Tank Lines, a corporation, the operative authority created by Decision No. 44136, dated May 2, 1950, and by Decision No. 45610, dated April 24, 1951, together with the automotive equipment referred to herein, as provided for in Exhibit A and Exhibit B attached to Application No. 38046. Such transfer shall be made on or before October 1, 1956.

2. G-W Tank Lines, a corporation, in order to obtain funds to purchase the operative rights and equipment referred to in paragraph 1 of this order may (a) issue to Bank of America N.T. & S.A. a note in the amount of \$15,000, secured by a chattel mortgage on the equipment to be purchased, such note and chattel mortgage to be substantially in the form of those presented as Exhibit C attached to Application No. 38046, and (b) issue and sell, at par, not exceeding \$10,000 par value of its capital stock.

3. On not less than five days' notice to the Commission and the public, effective concurrently with the consummation of the transfer herein authorized, applicants shall supplement or reissue the tariffs on file with the Commission naming rates, rules and regulations governing the common carrier operations here involved to show that E. D. Blakely, Helen I. Blakely and Harold D. Blakely, doing business as E. D. Blakely & Son, have withdrawn or canceled, and that G-W Tank Lines, a corporation, has adopted or established as its own, said rates, rules and regulations. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the filing and construction of tariffs set forth in the Commission's General Order No. 80.

4. G-W Tank Lines, a corporation, 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. G-W Tank Lines, a corporation, shall file a copy of the journal entries, within 30 days after the date of such entries, which were used to record the acquisition of the properties herein authorized to be transferred.

6. None of the stock authorized by paragraph 2(b) hereof shall be sold or issued unless and until the corporation first shall have selected an escrow holder and said escrow holder shall have been first approved in writing by the Commission, and when issued all documents evidencing any of said stock shall forthwith be deposited with said escrow holder, to be held as an escrow pending the further written order of the Commission. The receipt of said escrow holder for said documents shall be filed with the Commission, and the owner or persons entitled to said stock shall not consummate a sale or transfer of said stock, or any interest therein, or receive any consideration therefor, until the written consent of the Commission shall have been obtained so to do.

7. The authority herein granted will become effective when G-W Tank Lines, a corporation, has paid the minimum fee

prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

Dated at San Francisco, California, this 16th day of July, 1956.

John E. Russell
President

Justus J. Caldwell
Ray E. Winters

William A. ...
R. Hardy
Commissioners

