

ORIGINAL

53464

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 ROCKY MOUNTAIN SERVICE, INC., a Utah
 Corporation, to acquire the capital
 stock of Las Vegas-Needles-Phoenix
 Truck Line, Inc., a Nevada Corporation,
 and
 In the Matter of the Application of
 ROCKY MOUNTAIN SERVICE, INC. to dis-
 solve the Las Vegas-Needles-Phoenix
 Truck Line, Inc.

Application No. 38204

O P I N I O N

In this application, authorization is requested for the acquisition by Rocky Mountain Service, Inc., of the outstanding stock and properties of Las Vegas-Needles-Phoenix Truck Line, Inc. In this decision, the former corporation will be referred to as "Rocky Mountain" and the latter corporation as "Las Vegas".

Las Vegas is a Nevada corporation engaged in interstate commerce and also in intrastate commerce for the transportation of general commodities under a certificate of public convenience and necessity acquired pursuant to Decision No. 46834, dated March 11, 1952.^{1/} It has 40,000 shares of stock outstanding, of which 20,000 are held by Joe West and Ruth West and the remaining 20,000 are being acquired by them from Lee Spears, the present owner, under a conditional sales contract.

The present application shows that Joe West and Ruth West have agreed to sell all the shares of Las Vegas to Rocky Mountain

^{1/} For 1955, Las Vegas reported freight revenues of \$278,369 and net loss of \$11,918.

for the basic price of \$142,000, the amount being subject to adjustment for changes in the book value of the stock. Rocky Mountain, upon acquiring the shares, proposes to cause the dissolution of Las Vegas and the distribution of the assets to it as the sole shareholder.

Rocky Mountain, a Utah corporation, is an interstate common carrier, certificated by the Interstate Commerce Commission to transport general commodities between Utah and California. (2) It now desires to expand its operations through the acquisition of Las Vegas in order to equalize the movement of traffic and to realize a savings in expenses. It appears that it has a predominant southbound movement of traffic into Los Angeles, whereas Las Vegas' traffic is heavier in the opposite direction, and that the unification of the two operations would eliminate the movement of empty vehicles, resulting in lower operating costs.

According to Exhibit C, the book value of Las Vegas' stock as of April 30, 1956 was \$38,110, an amount substantially less than the proposed purchase price. However, Rocky Mountain estimates that under the unified operations, it would be able to effect administrative and other economies aggregating \$22,970 annually, including \$4,800 in operating expenses by the curtailment of empty vehicle movement. Rocky Mountain's financial statement shows a balanced financial structure, with long-term obligations of \$110,668 and common stock equity capital of \$236,971, and a favorable cash position represented by current assets of \$242,980, as compared with current liabilities of \$196,200.

(2)

For 1955, Rocky Mountain reported freight revenues of \$1,046,220 and net income of \$20,639.

The Uniform System of Accounts prescribed for Class I Motor Carriers of Property provides that when any motor carrier system is purchased or otherwise acquired, the book cost of the elements that are includible in the property accounts and the accruals of depreciation with respect to such property shall be entered in those accounts on the books of the transferee at the amounts reflected on the books of the transferor on the date the transfer is consummated and any undistributed portion of the cost of acquisition not includible in such property or reserve accounts, shall be included in Account 1550 - Other Intangible Property. The record shows that the Interstate Commerce Commission has approved the consolidation of Rocky Mountain and Las Vegas, provided that Rocky Mountain amortize over a maximum period of five years the amount assigned to said Account 1550.

Upon reviewing the application, we are of the opinion and so find that the proposed transfer will not be adverse to the public interest and we are entering our order authorizing Las Vegas to transfer its rights and equipment.

In making our order herein we place applicants on 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 operative rights and properties herein authorized to be transferred. No authorization from this Commission is required for the acquisition of the Las Vegas stock by Rocky Mountain.

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 and that the application should be granted,

IT IS HEREBY ORDERED as follows:

1. Las Vegas-Needles-Phoenix Truck Line, Inc., may transfer its operative rights and equipment to Rocky Mountain Service, Inc., in accordance with the terms set forth in this application.

2. On not less than five days' notice to the Commission and to the public, effective concurrently with the consummation of such transfer, 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 Las Vegas-Needles-Phoenix Truck Line, Inc., has withdrawn or canceled and Rocky Mountain Service, Inc., 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 construction and filing of tariffs set forth in the Commission's General Order No. 80.

3. The authority herein granted will become effective on the date hereof. Unless exercised, such authority will expire on December 31, 1956.

Dated at San Francisco, California, this 30th day of July, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners