

Decision No. 56070

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of EDWIN R. ADAMS, an individual doing business as COMMERCIAL DRAYAGE COMPANY, to transfer a certificate of public convenience and necessity and property to COMMERCIAL DRAYAGE COMPANY, a corporation, and to issue stock and assume certain obligations.

Application No. 39612

O P I N I O N

This is an application for an order of the Commission (1) authorizing Edwin R. Adams, an individual doing business as Commercial Drayage Company, to transfer operative rights and assets to Commercial Drayage Company, a corporation, and (2) authorizing said corporation to assume the payment of liabilities and to issue a note in the principal amount of ~~\$22,531.84~~ and \$50,000 par value of capital stock.

Under authorization granted by Decision No. 50869, dated December 14, 1954, in Application No. 34872, applicant Adams acquired a certificate of public convenience and necessity permitting the transportation of general commodities, with certain exceptions, between all points and places in the San Francisco-East Bay Cartage Zone. According to Exhibit D, the operations produced revenues of \$247,154.68 during the first nine months of 1957 and net income of \$15,943.13, after depreciation, interest and other charges.

It now appears that applicant Adams has concluded the operations can be conducted more advantageously by means of a corporate form of organization and that he has made arrangements for the transfer of the operative rights and assets to Commercial Drayage Company, a corporation, which will take over the assets at their book

values, subject to outstanding liabilities, and will issue its securities against the net book values. A statement showing the values thus to be acquired and the liabilities to be assumed is as follows:

Tangible operating property -		
Cost less depreciation reserve	\$94,897.22	
Less - equipment obligations	<u>46,656.45</u>	
Net tangible property		\$48,240.77
Intangible capital		1,511.23
Current accounts -		
Current assets and special deposits	\$43,923.56	
Less - current liabilities	<u>21,143.72</u>	
Net current assets		<u>22,779.84</u>
Total		<u>\$72,531.84</u>

In acquiring these assets, applicant corporation proposes to issue to applicant Adams its common stock in the aggregate par value of \$50,000 and a promissory note in the amount of \$22,531.84 payable thirteen months after its date with interest at the rate of 5% per annum.

It appears that there will be no change in the management or in the rates or service as the result of the transfer and that the same operative properties will be available to the corporation as now are utilized in the present operations. Upon reviewing the verified application, we are of the opinion and so find that the transfer will not be adverse to the public interest and should be authorized. The order herein will so provide.

Applicants are hereby placed 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 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 stock and 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. Edwin R. Adams may transfer to Commercial Drayage Company, a corporation, the operative rights acquired by him pursuant to authorization granted by Decision No. 50869, dated December 14, 1954, and the assets as set forth in this application.

2. Commercial Drayage Company, a corporation, in payment for such rights and assets, may assume the payment of outstanding liabilities and may issue not exceeding \$50,000 par value of its capital stock and a promissory note in the principal amount of \$22,531.84 in, or substantially in, the form of the note filed as Exhibit C.

3. 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 operations here involved to show that Edwin R. Adams has withdrawn or canceled and Commercial Drayage Company, 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 construction and filing of tariffs set forth in the Commission's General Order No. 80.

4. Commercial Drayage Company, 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. This order will become effective when Commercial Drayage Company, 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 14th day
of January, 1958.

[Signature]
President.

[Signature]

[Signature]

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[Signature]
Commissioners

