

ORIGINAL

Decision No. 57446

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CONSOLIDATED FREIGHTWAYS,)
 INC., a Washington corporation, and LAMB :
 TRANSPORTATION COMPANY, a California)
 corporation, for an order authorizing :
 them to enter into a Credit Agreement)
 with BANK OF AMERICA NATIONAL TRUST :
 AND SAVINGS ASSOCIATION and to enter)
 into one or more funding agreements :
 and incur indebtedness as provided)
 in said Credit Agreement. :
 -----)

Application No. 40424

O P I N I O N

Consolidated Freightways, Inc., and Lamb Transportation Company have filed this application for authorization to enter into an agreement with Bank of America National Trust and Savings Association providing for a line of credit up to \$27,500,000.

Consolidated Freightways, Inc., is a Washington corporation which is engaged in business as a highway common carrier of commodities in interstate and intrastate commerce and in foreign commerce, its operations, including those of its subsidiaries, extending from the West Coast to points in the East and Middle West, and to points in Canada. In California it operates as a common carrier and a petroleum irregular route carrier under rights acquired pursuant to authorization by the Commission and, in addition, it has acquired all the stock of Lamb Transportation Company, a highway common carrier and petroleum irregular route carrier. A summary statement of the carrier revenues and the total net income of Consolidated Freightways, Inc., for the last two years is as follows:

	<u>California Revenue</u>	<u>Other Revenues</u>	<u>Total Revenues</u>	<u>Net Income</u>
1956	\$5,951,156	\$43,548,716	\$49,499,872	\$1,335,844
1957	6,156,271	50,415,013	56,571,284	2,502,540

Lamb Transportation Company is a much smaller operator. In 1957 it reported operating revenues in the amount of \$1,325,433 (substantially all from California operations) and net income of \$23,963.

A condensed statement of the assets, liabilities and net worth of Consolidated Freightways, Inc., and its subsidiaries, as of July 12, 1958, is as follows:

<u>Assets</u>			
Property, plant and equipment -			
Total amount		\$55,773,769	
Less - reserves		<u>22,452,996</u>	
Net book value			\$33,320,773
Franchises, permits and goodwill			1,856,972
Other investments			2,195,836
Current accounts -			
Current assets		20,510,963	
Current liabilities		<u>19,128,270</u>	
Net current assets			1,382,693
Deferred debits			<u>2,088,745</u>
	Total		<u>\$40,845,019</u>
<u>Liabilities and Net Worth</u>			
Long-term debt			\$19,801,483
Deferred credits			685,006
Stockholders' equity			<u>20,358,530</u>
	Total		<u>\$40,845,019</u>

In order to augment the working capital and to pay for equipment Consolidated Freightways, Inc., has entered, or proposes to enter, into an agreement with Bank of America National Trust and Savings Association whereby the bank will make loans to the carrier and its wholly-owned subsidiaries in an aggregate principal amount at any one time outstanding not exceeding the aggregate borrowing

base, as that term is defined in the agreement, or \$27,500,000, whichever is lower. The borrowing base means an amount equal to 90% of the net value of equipment, that is, the acquisition cost less the aggregate amortization accrued against it. A subsidiary may become a party to the agreement and be eligible for loans by executing and delivering a counterpart.

It appears that the agreement will remain in effect so long as a borrower meets the terms thereof, unless terminated by the parties, or any of them, as provided in the agreement. The loans to be made will not be represented by notes or other evidences of indebtedness but will be carried by the bank as debit balances subject to settlement from time to time, the total amount of the debit balances not to exceed the borrowing base, which, of course, will be reduced by the monthly amortization. The borrowers agree to pay interest at the rate of one-half of one per cent above the bank's prime interest rate for 90-day commercial notes.

The agreement contains provisions relating to inspection, maintenance, insurance, payment of dividends and other matters designed to protect the loan.

We have reviewed this matter and are of the opinion that the agreement constitutes an evidence of indebtedness coming within the scope of the Public Utilities Code and, as such, requiring the Commission's authorization and the payment of the fee upon such authorization. It appears that the operations have been increasing rapidly, that additional working capital is required and that the carriers have been required to expand their operative equipment. If the bank is willing to advance funds under the terms of the agreement, we see no reason for withholding our approval.

O R D E R

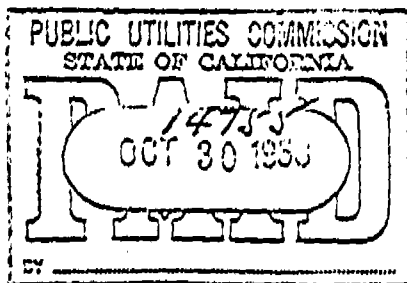
The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the execution of the evidence of indebtedness herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Consolidated Freightways, Inc., and Lamb Transportation Company may enter into a credit agreement with Bank of America National Trust and Savings Association in substantially the same form as that filed as Exhibit B and, under and pursuant to the terms of said agreement, may incur indebtedness in the aggregate principal amount of not exceeding \$27,500,000 for the purposes set forth in this application.

2. The authorization herein granted will become effective when applicants have paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$9,875.

Dated at San Francisco, California, this 15th day of October, 1958.



E. J. Fox
President
W. E. Mitchell
James W. Breen
Walter G. ...
Theodore ...
Commissioners