

ORIGINAL

Decision No. 57937

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
FIELDS FREIGHT, INC., a corporation,
to transfer, and SHORELINE EXPRESS,
a corporation, to purchase a
certificate of public convenience
and necessity, and to issue stock.

Application No. 40705

O P I N I O N

This is an application for an order of the Commission (1) authorizing Fields Freight, Inc., a corporation, to sell and transfer its certificate of public convenience and necessity to Shoreline Express, a corporation, and (2) authorizing Shoreline Express, a corporation, to issue and sell 2,500 shares of its stock at the aggregate par value of \$25,000.

By Decision No. 51354, dated April 19, 1955, the Commission granted a certificate of public convenience and necessity to Fields Freight, Inc., a corporation, authorizing it to establish and operate a service as a highway common carrier for the transportation of general commodities, with certain exceptions, between Los Angeles and Goleta serving various intermediate and off route points. Because of its impaired financial condition, Fields Freight, Inc., reports it has found it necessary to discontinue operations and that it made arrangements to sell its certificate of public convenience and necessity for \$17,000 to Shoreline Express, a new corporation which was organized on or about December 12, 1958.

Shoreline Express, a corporation, desires authority to issue \$25,000 par value of its stock for the purpose of obtaining funds to finance the \$17,000 purchase price for the certificate of public convenience and necessity to be acquired from Fields Freight, Inc., a corporation, and to provide \$8,000 of working capital.

Under the law, the Commission is empowered to authorize the capitalization of operative rights only up to the amount (exclusive of any tax or annual charge) actually paid to the state or a political subdivision thereof as the consideration for the grant of such right. (Section 820 of the Public Utilities Code.) The amount, if any, originally paid to the state or political subdivision thereof is not of record in this proceeding and therefore it appears that we have no basis upon which we can predicate an order for the issue of stock in the amount requested in payment for the operative right. Moreover, it has not been our practice to authorize the issue of stock in payment for goodwill. Elimination of the intangible items from the requested amount of stock, leaves a balance of \$8,000 which, in our opinion, represents the maximum amount of stock we can authorize upon the basis of the information now before us. 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 operative right herein authorized to be transferred.

O R D E R

The Commission has considered the above-entitled matter and is of the opinion and so finds that the proposed transfer, as herein provided, will not be adverse to the public interest, that the money, property or labor to be procured or paid for by the issue of the \$8,000 of stock herein authorized is reasonably required by Shoreline Express, a 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. Fields Freight, Inc., a corporation, may sell and transfer to Shoreline Express, a corporation, its highway common carrier operative right as set forth in this application.
2. Shoreline Express, a corporation, may purchase and acquire the highway common carrier operative right as set forth in this application, and may issue and sell \$8,000 par value of its common stock, at par for cash, and expend the proceeds for working capital.
3. Effective concurrently with the consummation of the transfer authorized by this order, Shoreline Express, a corporation, is substituted as a party to the authorized through routes and joint rates then in effect by Fields Freight, Inc., a corporation.

4. 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 Fields Freight, Inc., a corporation, has withdrawn or canceled and Shoreline Express, 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.

5. Within 30 days after issuing the shares of stock herein authorized, Shoreline Express, a corporation shall file with the Commission a report showing the number of shares issued, to whom it issued them, the proceeds derived therefrom, and the purpose for which it expended such proceeds.

6. The request to issue \$17,000 par value of stock is denied.

7. This order will become effective 20 days after the date hereof.

Dated at Los Angeles, California, this 27th day of January, 1959.

[Signature]
President
[Signature]
[Signature]
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Commissioners