

ORIGINAL

Decision No. 58118

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of PENINSULA MOTOR EXPRESS, a
California corporation, for
authority to execute a promissory
note and mortgage of chattels.

Application No. 40852

Marvin Handler, for applicant;
John F. Donovan, for the staff
of the Commission.

O P I N I O N

Peninsula Motor Express has filed this application for authorization to execute a mortgage of chattels and to issue a note in the principal amount of \$31,000 for the purpose of paying outstanding indebtedness.

The application was filed on February 17, 1959, and a public hearing was held before Examiner Carl Silverhart in San Francisco on March 10, 1959, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant is a California corporation organized in 1946. Presently it has 1,786 shares of common stock outstanding, of the aggregate par value of \$44,650, substantially all of which are owned or controlled by John A. Pifer who acquired them in 1955. The carrier is engaged in business as a highway common carrier of general commodities between points in the San Francisco Territory and of specific commodities between San Francisco and Fresno, on

the one hand, and points on Highways 33 and 99 and certain off-route points located between Sacramento and Bakersfield, on the other hand. Its financial reports for the last four years show its results of operations as follows:

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
Revenues	\$473,925	\$505,468	\$551,595	\$784,466
Expenses -				
Maintenance	30,108	24,033	29,570	47,671
Transportation	243,736	258,013	294,449	430,450
Terminal	72,530	49,488	44,550	52,384
Traffic	8,904	13,683	15,350	13,620
Insurance	22,523	24,550	24,350	37,136
Administrative	68,551	73,599	74,269	99,464
Taxes	38,377	36,145	40,521	47,840
Total	<u>484,729</u>	<u>479,511</u>	<u>523,059</u>	<u>728,565</u>
Net before depreciation	<u>(10,804)</u>	25,957	28,536	55,901
Depreciation	<u>23,029</u>	<u>23,763</u>	<u>25,960</u>	<u>32,585</u>
Net income	<u>\$ (33,833)</u>	<u>\$ 2,194</u>	<u>\$ 2,576</u>	<u>\$ 23,316</u>

A statement of the company's assets, liabilities and capital as of December 31, 1958, is as follows:

Assets

Net tangible capital	\$182,466.50
Intangible capital	<u>73,061.36</u>
Total assets	<u>\$255,527.86</u>

Liabilities

Current liabilities	\$199,473.98
Less: Current assets	<u>96,251.32</u>
Net current liabilities	\$103,222.66
Advances payable	86,074.84
Equipment obligations	81,321.71
Deferred credits	<u>4,749.07</u>
Total liabilities	<u>\$275,368.28</u>

Capital

Common stock and deficit	<u>\$ (19,840.42)</u>
Total	<u>\$255,527.86</u>

The earnings statement shows substantial improvement in the company's results of operations since 1955, which improvement, according to the testimony, is attributable to the extension of its operations to the San Joaquin Valley in 1957, to economies in operations and to changes in operating methods.

It is true that the balance sheet indicates an adverse position at this time with a large volume of current liabilities in the financial structure. However, the record shows that Mr. Pifer, since assuming management, has effected a substantial improvement. Among other things, he has reduced an unpaid obligation to the government for withholding taxes from \$29,000 to \$3,000 under a plan approved by the government; he has liquidated all unremitted C.O.D.'s, interline carrier liabilities and unpaid wages owing as of December 31, 1955; and he has placed the company on what might be termed a current basis whereby it is meeting its obligations for materials, supplies, and services within 90 days from the date such obligations were incurred. According to the testimony, Mr. Pifer has invested in the company \$93,000 in cash, and has turned over to it equipment having a value of \$20,000.

As to the outstanding liabilities, testimony indicates that the creditors have agreed to a deferral of the payment of liabilities due them for a period of years in order to allow Mr. Pifer to work out a plan for repayment, and that a number of these creditors currently are dealing with the company and extending credit to it, and that they are being paid for current services and supplies within the 90-day period. It is asserted, however, that the corporation, except for equipment purchase contracts, is

not financed, directly or indirectly, by any material or equipment vendor.

However, a secured obligation of \$18,000 to Pacific National Bank of San Francisco is now past due and the company has made arrangements to refinance this unpaid balance and to increase the total borrowing to \$31,000 in order to obtain funds to satisfy the remaining \$3,000 due the government for withholding taxes, plus interest and penalties, and to pay other liabilities and increase the current working capital.

The new borrowing will be represented by a note payable in 23 monthly installments of \$1,100 each and a final payment of \$5,700 on February 27, 1961, with interest at the rate of six per cent per annum. It will be secured by a mortgage of chattels covering the carrier's equipment.

Upon consideration of the evidence in this proceeding and of the particular circumstances disclosed by the record, we are of the opinion that an order should be entered granting applicant's requests.

ORDER

A public hearing having been held in the above-entitled matter and the Commission being of the opinion 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 note herein authorized is reasonably required for the purposes specified herein, and that, except as otherwise permitted herein, such purposes are not,

in whole or in part, reasonably chargeable to operating expenses or to income; NOW THEREFORE,

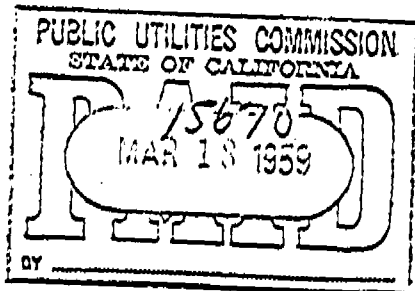
IT IS HEREBY ORDERED as follows:

1. Peninsula Motor Express may issue a note in the principal amount of not to exceed \$31,000 for the purpose of refinancing outstanding indebtedness and of providing working capital and may execute a mortgage of chattels, which note and mortgage of chattels shall be in, or substantially in, the same form as those filed in this proceeding as Exhibit A and Exhibit B, respectively.
2. Peninsula Motor Express shall file with the Commission a monthly report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
3. The authority herein granted will become effective when Peninsula Motor Express 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 17th day of March, 1959.

E. Lynn Fox
President

Walter J. Pool
Commissioners



Theodore E. Jenner
Commissioner..Everett C. McKeage, being
necessarily absent, did not participate
in the disposition of this proceeding.