

ORIGINAL

Decision No. 59237

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SANDERCOCK TRANSFER CO., a corporation, IVO S. KEYSER, HAROLD M. KEYSER, and GERALD W. KEYSER, a partnership doing business as SANDERCOCK TRUCKING COMPANY, and KEYSER BROS. TRUCKING CO., a corporation, (a) to transfer operating rights and property, (b) to issue evidences of indebtedness, and (c) to issue stock.

Application No. 41457
(and First Amendment)

O P I N I O N

This is an application for an order of the Commission authorizing Keyser Bros. Trucking Co., a corporation, to issue stock and to incur indebtedness for the purpose of acquiring operative rights and properties of Sandercock Transfer Co., a corporation, and of Ivo S. Keyser, Harold M. Keyser and Gerald W. Keyser, partners doing business as Sandercock Trucking Company.

It appears that Keyser Bros. Trucking Co. was organized by Ivo S. Keyser, Harold M. Keyser and Gerald W. Keyser for the purpose of taking over transportation operations now being conducted by these individuals as a partnership. The rights permitting these operations are represented by certificates of public convenience and necessity which were granted to Sandercock Transfer Co., a corporation, by Decision No. 42623, dated March 10, 1949, and Decision No. 44523, dated July 11, 1950, but which are leased to the partners by said Sandercock

Transfer Co. under authorization granted by Decision No. 48755, dated June 24, 1953, as amended, for a period ending on November 30, 1959.

In consummating this transfer, Keyser Bros. Trucking Co. has agreed to pay \$113,200 to Sandercock Transfer Co., a corporation, for said certificates of public convenience and necessity, for real property, automotive equipment and miscellaneous property, the sum of \$100 of the purchase price being allocated to the operative rights, and it proposes to issue \$24,000 par value of common stock to the three partners in exchange for their assets, subject to outstanding liabilities, which assets have a reported net book value, as of June 30, 1959, of \$62,648.

The agreed consideration of \$113,200 is payable as follows:

- \$30,000 - on consummation of the transfer,
- 20,000 - one year thereafter,
- 3,000 - a year for three years thereafter, then
- 6,000 - a year until fully paid.

The amount shall bear no interest, but shall be represented by a note in the face amount of \$113,200 in, or substantially in, the same form as that filed as Schedule C of Exhibit C.

A pro forma statement as of June 30, 1959, reflecting the transfer of the properties, the issue of securities and the repayment of the first \$30,000 due on the purchase price, is as follows:

Assets

Property and equipment -		
Operative property, less reserve	\$109,511	
Land and building	40,000	
Shop equipment	1,500	
Office equipment and rights	500	
Total property and equipment		\$151,511
Current assets -		
Cash and deposits	7,892	
Accounts receivable	36,944	
Prepayments and other assets	3,787	
Materials and supplies	1,750	
Subtotal	50,373	
Less current liabilities and reserve	3,907	
Net current assets		<u>46,466</u>
Total		<u>\$197,977</u>

Liabilities and Capital

Equipment obligation	\$ 32,129
Real property obligation	20,000
Unsecured obligations	83,200
Common stock and paid-in surplus	<u>62,648</u>
Total	<u>\$197,977</u>

In order to finance the initial payment of \$30,000 and the payment of the \$20,000 due one year later, Keyser Bros. Trucking Co. has made, or is making, arrangements to borrow \$50,000 from Security-First National Bank of Los Angeles. The initial borrowing will be represented by a note for \$20,000 which will be secured by a deed of trust and which will be repaid at the rate of \$228 a month, including interest at the rate of 6-1/2 per cent per annum on the unpaid principal. The second borrowing will be represented by a note for \$10,000 which will be secured by a chattel mortgage on the equipment and which will be repaid in 36 monthly installments of \$308, including interest at the rate of 6 per cent per annum on the unpaid principal. The third borrowing, if undertaken, will be made one year later,

will be secured by a chattel mortgage and will be represented by a note payable in 36 monthly installments of \$308, including interest at the rate of 6 per cent per annum on the unpaid principal.

Financial reports filed with the Commission show, for the partnership operations, gross revenues of \$346,825 and net income of \$19,224 in 1958. It is reported that presently the partners pay \$1,200 as monthly rental of the operative rights and equipment they propose to purchase from Sandercock Trucking Company as compared with monthly requirements to service the proposed loans of \$536 during the first twelve months' period and of \$844 during the second.

From a review of the application, it appears that the revenues from the operations should be ample to service the proposed borrowings and that there will be no change in the management or operations as the result of the transfers and no change in the rates to be charged the public. We are of the opinion, and so find, that the proposed borrowings will not interfere with the ability of the new corporation to render public service, that the transfers, as proposed, 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 stock and notes 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.

Keyser Bros. Trucking Co. is 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 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 and that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Sandercock Transfer Co., a corporation, may transfer to Keyser Bros. Trucking Co., a corporation, the certificates of public convenience and necessity granted to it by Decision No. 42623, dated March 10, 1949, and Decision No. 44523, dated July 11, 1950, and the automotive equipment and other properties referred to in this proceeding, such transfer to be made under and in accordance with the terms set forth in the agreement filed in this proceeding as Exhibit C.

2. Ivo S. Keyser, Harold M. Keyser and Gerald W. Keyser, partners doing business as Sandercock Trucking Company, may transfer to Keyser Bros. Trucking Co., a corporation, their operative rights, equipment and other assets as set forth in this application.

3. Keyser Bros. Trucking Co., for the purpose of acquiring the operative rights and properties herein authorized to be transferred and of paying indebtedness, may -

- a. Issue not to exceed \$24,000 par value of its common stock,
- b. Issue a note in the principal amount of not to exceed \$113,200, such note to be in, or substantially in, the same form as that filed as Schedule C of Exhibit C,
- c. Execute a deed of trust and a mortgage, or mortgages, of chattels in, or substantially in, the same form as those filed as Exhibits Q and R, respectively, and
- d. Issue promissory notes in the aggregate principal amount of not to exceed \$50,000, in the amounts and under the terms set forth in this application.

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 operations here involved to show that Ivo S. Keyser, Harold M. Keyser and Gerald W. Keyser, partners doing business as Sandercock Trucking Company, have withdrawn or canceled and Keyser Bros. Trucking Co., 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. Keyser Bros. Trucking Co. 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.

6. The authority herein granted will become effective when Keyser Bros. Trucking Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$164.

Dated at San Francisco, California,
this 10th day of November, 1959.

Keyser Bros. Trucking Co.
President

W. H. [unclear]
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Commissioners

