

ORIGINAL

Decision No. 59903

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of COAST LINE TRUCK SERVICE, INC.,
and LAWSON-TAYLOR LINES, INC.,
for the former to sell operative
rights to the latter.

Application No. 41913
First Amendment
Second Amendment

O P I N I O N

In this application filed on February 4, 1960, as amended on February 16, 1960 and April 4, 1960, the Commission is asked to issue its order (1) authorizing Coast Line Truck Service, Inc., to sell and transfer to Lawson-Taylor Lines, Inc., a portion of its highway common carrier operative rights and (2) authorizing Lawson-Taylor Lines, Inc., to issue shares of its common stock and a promissory note.

Coast Line Truck Service, Inc., operates as a highway common carrier generally between the San Francisco territory, Los Angeles territory and certain designated intermediate points pursuant to authority granted by this Commission in Decision No. 50158, dated June 18, 1954, as amended by Decision No. 52057, dated October 11, 1955, in Application No. 35125, Decision No. 50500, dated August 31, 1954, in Application No. 35656, and Decision No. 53876, dated October 9, 1956, in Application No. 36136.

Lawson-Taylor Lines, Inc., is a newly formed corporation having neither assets nor liabilities. It proposes to conduct operations as a permitted and certificated carrier. To accomplish its objective of operating as a certificated carrier the corporation desires to purchase a portion of a certificate originally acquired by Coast Line Truck Service, Inc., by Decision No. 53876, dated October 9, 1956, in Application No. 36136. The operative rights thus to be acquired are described in detail in Exhibit 1 to Exhibit A of the application and consist in general of a right to haul general commodities, with certain exceptions, between San Francisco territory, Morgan Hill, Madrone, San Martin and Gilroy, all on the one hand, and Los Angeles territory, on the other.

The application shows that the consideration to be paid to Coast Line Truck Service, Inc., for the portion of the certificate to be transferred is \$40,000, of which \$1,000 is attributable to the actual cost of securing the certificate, while the remaining portion of \$39,000 is attributable to the goodwill and business to be secured by Lawson-Taylor Lines, Inc. Of the purchase price, \$15,000 will be paid in cash to be obtained through the issuance of a \$7,500 five per cent note to each of the two proposed shareholders of Lawson-Taylor Lines, Inc., payable one year after date, which does not require authorization by this Commission. The balance of \$25,000 will be represented by a five per cent promissory note payable in 25 monthly installments of \$1,068.26 each. In addition, Lawson-Taylor Lines, Inc., proposes to issue and sell 3,500 shares of its \$10 par value capital stock for an aggregate consideration of \$35,000 cash, which it will use for working capital.

After consideration the Commission is of the opinion, and so finds, that the proposed transfer will not be adverse to the public interest, that there will be no change in the rates to be charged to the public as a result of the transfer, that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; that the issuance of the \$25,000 note providing for deferred payments is reasonably required by Lawson-Taylor Lines, Inc., for the purpose of consummating said purchase, and that we are warranted in entering an order approving the requests of the applicants.

While we have found that the transfer of operative rights is not adverse to the public interest, we desire to take this opportunity to place the parties, herein, and all other holders of operative rights upon notice that this Commission views with disfavor any action which may constitute or which may appear to constitute the trafficking in such rights. Operative rights constitute privileges granted by the state and are to be considered in that light. An excessive price paid for such operative rights, in our opinion, is contrary to the public interest and violative of the spirit of Section 820 of the Public Utilities Code. These rights having been granted by the state, it is incumbent upon public authority to be vigilant to prevent the trafficking in such rights or other action concerning such rights which may be contrary to the public interest.

The action taken herein shall not be construed to be a finding of the cost or value of the operative rights herein proposed to be transferred, nor as authorization to capitalize them in excess of the amount allowed by law. 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.

O R D E R

The Commission having considered the above-entitled matter, as amended, 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. Coast Line Truck Service, Inc., may sell and transfer to Lawson-Taylor Lines, Inc., which latter corporation may purchase and acquire, the portion of the operative rights created by Decision No. 53876, dated October 9, 1956, in Application No. 36136, as defined in Exhibit 1 to Exhibit A of this application.

2. Lawson-Taylor Lines, Inc., on and after the effective date hereof and on or before June 30, 1960, may issue a promissory note in the principal amount of not to exceed \$25,000 for the purpose set forth in this application, as amended, such note to be in, or substantially in, the same form as that attached to the application as a portion of Exhibit 2 to Exhibit A.

3. Lawson-Taylor Lines, Inc., on and after the effective date hereof and on or before June 30, 1960, may issue and sell, at par for cash, not to exceed 3,500 shares of its \$10 par value capital stock for the purpose of providing working capital.

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 Coast Line Truck Service, Inc., has withdrawn or canceled and Lawson-Taylor Lines, Inc., 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. Lawson-Taylor Lines, Inc., 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. This order shall become effective when Lawson-Taylor Lines, Inc., has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

Dated at San Francisco, California,
this 12th day of April, 1960.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

