

Decision No. 60881

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of:)

(a) ROYAL TRANSPORTATION CO., INC.
for authority to issue shares of
its common capital stock pursuant
to Section 816-830 of the
California Public Utilities Code.

(b) BERNARD WITT, doing business
as ROYAL TRANSPORTATION CO., a sole
proprietorship, to sell, and ROYAL
TRANSPORTATION CO., INC., a
corporation, to purchase a highway
common carrier certificate for the
transportation of certain property
between points in the Los Angeles
Basin Territory, pursuant to
Section 851-853 of the California
Public Utilities Code.

Application No. 42663

O P I N I O N

This application was filed on September 8, 1960, for an order of the Commission (1) authorizing Bernard Witt, doing business as Royal Transportation Co., to transfer operative rights and equipment to Royal Transportation Co., Inc., a corporation, and (2) authorizing said corporation to issue 200 shares of its common stock without par value.

Applicant Witt is, and has been, engaged in the operation of a radial highway common carrier, a highway contract carrier and a city carrier service and also of a highway common carrier service for certain specific commodities between points and places in the Los Angeles Basin Territory, under a certificate of public convenience and necessity granted by Decision No. 60123, dated May 17, 1960, in Application No. 41888. According to the

pending application, he desires to incorporate his business and has organized Royal Transportation Co., Inc., a corporation, to receive his certificate and operative equipment and other assets, subject to liabilities, and thereafter to continue the operations.

Financial statements filed with the application show applicant Witt's results of operations during the last two and one-half years as follows:

	<u>1958</u>	<u>1959</u>	<u>1960</u> <u>6 Mos.</u>
Revenues	\$164,407	\$241,414	\$168,369
Net income before depreciation and income taxes	43,821	60,669	47,553
Depreciation	19,410	29,214	16,348
Balance	24,411	31,455	31,205

It appears that applicant Witt will transfer his operative equipment at its book value to the new corporation and that the new corporation will assume certain liabilities and issue 200 shares of no par common stock at a total consideration of \$20,000. A pro forma statement giving effect to the transfer and the issue of stock is as follows:

Assets

Cash in bank		\$ 3,562.75
Special deposits		140.20
Accounts receivable-customers		14,884.37
Prepaid expenses		3,546.26
Autos and trucks	\$113,093.77	
Furniture and fixtures	1,948.47	
	<u>115,042.24</u>	
Less: Accumulated depreciation	<u>76,794.74</u>	<u>38,247.50</u>
Total		<u>\$60,381.08</u>

Liabilities and Capital

Current liabilities -		
Loans payable	\$ 4,325.26	
Accounts payable-trade	6,994.45	
Accrued wages payable	2,810.66	
C.O.D.'s unremitted	181.35	
Payroll taxes payable	3,166.87	
Transportation taxes payable	1,057.71	
Contracts payable	<u>17,400.68</u>	
Total current liabilities		\$35,936.98
Long-term debt - contracts payable		4,444.10
Capital -		
Capital stock - subscribed (to be issued when permit granted)		<u>20,000.00</u>
Total		<u>\$60,381.08</u>

It appears that nothing is included in the foregoing statement for the operative rights. The new corporation will adopt the rates of the present operator and will continue the business with the same equipment and personnel as now are utilized, without interruption in the service. Upon reviewing the verified application, we find and conclude that the proposed transfer 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 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. We will enter our order granting the application.

Royal Transportation Co., Inc., a corporation, 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 equipment 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, therefore,

IT IS HEREBY ORDERED as follows:

1. Bernard Witt may transfer his certificate of public convenience and necessity and his other assets, as set forth in this application, to Royal Transportation Co., Inc., a corporation. Said transfer, for accounting purposes, may be recorded as of July 1, 1960.

2. Royal Transportation Co., Inc., a corporation, in payment for said rights and other assets, may issue not to exceed 200 shares of its common capital stock and may assume the payment of outstanding liabilities, as set forth in the application.

3. 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 Bernard Witt has withdrawn or canceled and Royal Transportation Co., Inc., 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.

4. Royal Transportation Co., Inc., a corporation, 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.

5. The authority herein granted shall become effective 20 days after the date hereof. If not exercised, such authorization will expire on January 31, 1961.

Dated at San Francisco, California, this 17th day of OCTOBER, 1960.

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