

ORIGINAL

Decision No. 61208

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of COLMA DRAYAGE, INC., a
California corporation, to sell
and transfer, and COLMA LEASING
CORP., a California corporation,
to purchase and acquire certain
motor vehicle equipment.

Application No. 42691

George and Dillon, by Marquam C. George,
for applicant; Sidney J. Webb, for
the Commission staff.

O P I N I O N

This is an application for an order of the Commission authorizing Colma Drayage, Inc., a California corporation, to sell and transfer its revenue equipment to Colma Leasing Corp., a California corporation, and to enter into a lease agreement.

The application was filed on September 23, 1960. A public hearing was held before Examiner Coleman in San Francisco on November 30, 1960, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Colma Drayage, Inc., is engaged in the transportation of general commodities, with limited exceptions, as a highway common carrier in the San Francisco Bay Area and between San Francisco and certain points in central California. The record

shows that Colma Leasing Corp. was organized on May 20, 1959, for the sole purpose of acquiring and leasing equipment to Colma Drayage, Inc., and to others, and that it is not now engaged, nor does it intend to engage, in transportation activities. The entire capital stock of Colma Drayage, Inc., is owned by Glen D. Nolan and Beatrice L. Nolan, his wife, who also own 75% of the stock of Colma Leasing Corp. The remaining 25% of the stock of Colma Leasing Corp. is held by Richard T. Dwyer and Dorothy Dwyer, his wife.

Colma Drayage, Inc., now desires to sell and lease back its revenue equipment and, accordingly, has made arrangements to enter into a conditional sales contract with Colma Leasing Corp. for the sale to that corporation of all its revenue equipment for the purchase price of \$49,850, with a \$7,500 cash down payment and with the balance of \$42,350, plus interest in the sum of \$2,117.50, a total of \$44,467.50, being payable in 23 monthly installments of \$1,852.50 and one installment of \$1,860. Coincident with the execution of the conditional sales contract, the two corporations have arranged for a lease agreement whereby Colma Leasing Corp. will lease back the equipment to the carrier for a period of one year at a monthly rental of \$2,511.63. The record shows that the sale price and the rental are based on estimates by outside parties of the fair market value of the equipment.

The revenue equipment proposed to be sold and leased back is reported to have cost \$113,933.74 and to have an estimated book value, after deducting the accrued depreciation reserve, of \$20,757.36, some of the units being fully depreciated and others being depreciated to approximately the salvage value.

The testimony taken at the hearing clearly shows that as the result of the sale and lease back the carrier corporation will realize tax savings, it will reduce its cash outlays and thereby expand its working cash position, and it will be relieved of the responsibility of replacing the present equipment, some of which is ten years old. Upon the basis of the information before us, we find and conclude that the proposed transactions will not impair the ability of the carrier to serve the public and will not be adverse to the public interest.

Under the circumstances, as disclosed in this particular proceeding, we will enter our order granting the carrier's requests. Our order, however, shall not be construed to be a finding of the value of the equipment referred to herein nor a finding of the reasonableness of the terms and conditions of the conditional sales contract or lease agreement. We reserve the right, if called upon to fix rates, to review these matters anew and, with respect to the equipment, to determine at any time the amounts to be included in the rate base or in the operating expenses.

ORDER

A public hearing having been held in the above-entitled matter and the Commission being fully advised and being of the opinion that the application should be granted,

IT IS HEREBY ORDERED as follows:

1. Colma Drayage, Inc., may sell and transfer its revenue equipment to Colma Leasing Corp., and may execute and enter into a conditional sales contract in, or substantially in, the same form as that attached to the application as Exhibit B.

2. The revenue equipment to be transferred shall not be relieved of its devotion to public use and its status as public utility revenue equipment shall remain the same as though the transfer herein authorized had not taken place.

3. Colma Drayage, Inc., may execute and enter into a vehicle lease agreement with Colma Leasing Corp. in, or substantially in, the same form as that attached to the application as Exhibit C.

4. This order shall become effective on the date hereof.

Dated at San Francisco, California, this 25th day of December, 1960.

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners