

**ORIGINAL**

Decision No. 62318

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SERGIO SARTORI, ELIO SARTORI and RICCARDO TUNZI, co-partners doing business as SALINAS VALLEY FREIGHT LINES to transfer a certificate of Public Convenience and Necessity to SALINAS VALLEY FREIGHT LINES, a corporation, and for SALINAS VALLEY FREIGHT LINES, a corporation, to issue stock.

Application No. 43532  
Filed June 23, 1961

O P I N I O N

This is an application for an order of the Commission authorizing Sergio Sartori, Elio Sartori and Riccardo Tunzi, copartners doing business as Salinas Valley Freight Lines, to transfer highway common carrier operative rights and equipment to Salinas Valley Freight Lines, a corporation, in exchange for \$27,800 par value of common stock.

The copartners are engaged in operating a highway common carrier service for the transportation of property generally between San Francisco and Salinas and intermediate points under certificate of public convenience and necessity granted by Decision No. 60573, dated August 16, 1960, in Application No. 42085. It appears that the copartners have concluded that the operations can be conducted more advantageously by means of a corporate form of organization,

rather than by a copartnership, and continuity assured in case of death of one of the copartners, and that they propose to transfer their operative rights and equipment to Salinas Valley Freight Lines, a new corporation which they have formed to take over such rights and equipment and continue the operations. It is intended that the new corporation will acquire said rights and equipment at their book values; will assume the outstanding liabilities; and will issue shares of stock in an amount of \$27,800, which is approximately equal to the reported net worth of the copartnership as of March 31, 1961.

The application shows that there will be no change in the rates or service as the result of the transfer and that the same operative properties and management will be available to the new corporation as now are utilized in the operations. It appears, however, that in arriving at the reported net worth there has been included in the assets an item of \$4,392 designated as good will and, as to this item, we have not been furnished sufficient information to warrant acceptance of it as a proper base for an order authorizing the issue of stock. Moreover, it has not been our practice to permit the capitalization of good will through the issue of capital stock and the elimination of this item from the net book value would leave a balance of \$23,400 which, in our opinion, would represent the maximum amount of stock we can authorize on the basis of the information now before us. The order herein will so provide.

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.

The action taken herein shall not be construed to be a finding of the value of the rights and properties herein authorized to be transferred.

O R D E R

The Commission has considered the above-entitled matter and is of the opinion, and so finds and concludes, 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 not to exceed \$23,400 of common stock is reasonably required by applicant corporation for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS ORDERED as follows:

1. Sergio Sartori, Elio Sartori and Riccardo Tunzi, copartners, may transfer to Salinas Valley Freight Lines, a corporation, the certificate of public convenience and necessity granted by Decision No. 60573, dated August 16, 1960, in Application No. 42085, and the equipment, as set forth in this application.

2. Salinas Valley Freight Lines, a corporation, in payment for such rights and equipment, may issue not to exceed \$23,400 par value of its common stock and may assume the payment of outstanding indebtedness.

3. The issue of the remaining \$4,400 of stock covered by this application is denied.

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 Sergio Sartori, Elio Sartori and Riccardo Tunzi, copartners doing business as Salinas Valley Freight Lines, have withdrawn or canceled and Salinas Valley Freight Lines, 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. Salinas Valley Freight Lines, 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.

6. This order shall become effective 20 days after the date hereof.

Dated at San Francisco, California,  
this 25<sup>th</sup> day of July, 1961.

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