

ORIGINAL

Decision No. 62941

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of HILLS TRANSPORTATION CO., a
corporation, for an Order
Authorizing it to Sell Certain
Operating Property.

Application No. 43962
Filed November 27, 1961
and Amendment
Filed December 1, 1961

O P I N I O N

In this proceeding, the Commission is asked to make an order authorizing Hills Transportation Co., a corporation, to sell to Publishers Motor Transport, an affiliated corporation, all its revenue equipment and service cars at their net book values of \$172,302.40.

Hills Transportation Co. is a California corporation engaged in business as a highway common carrier of general commodities, with certain exceptions, between points in California. As of October 31, 1961, the carrier had capital stock outstanding in the amount of \$357,500.00 and earned surplus of \$218,190.00, with no long-term indebtedness. Its current position was represented by current assets in the amount of \$267,881.00 and current liabilities in the amount of \$236,389.00. For the ten months ended October 31, 1961, it reported operating revenues of \$872,832.00 and net income of \$44,407.00.

Publishers Motor Transport is a California corporation which owns and leases units of equipment. As of October 31, 1961, it had outstanding capital stock of \$9,100.00 and earned surplus of \$210,483.00, with no long-term liabilities. Its current position was represented by current assets of \$199,722.00, as compared with current liabilities of \$16,575.00. It reported equipment rentals during the first ten months of 1961 at \$84,316.00 and net income at \$20,326.00.

The two corporations are controlled by the same interests. In the conduct of the carrier operations, Hills Transportation Co. owns certain units of equipment and leases other units from its affiliated corporation. It now has been decided by those in control of the affairs of the two companies to establish Publishers Motor Transport as a wholly owned subsidiary of Hills Transportation Co. and to place the ownership of all the revenue equipment and service cars in Publishers Motor Transport and, to that end, arrangements have been made for the sale of such property from the one corporation to the other corporation at net book values, payment to be made by the cancellation of accounts payable of \$77,651.55 and by the transfer of cash in the amount of \$94,650.85. Thereafter, Hills Transportation Co. will lease back the equipment under the terms of a written lease agreement.

It is set forth in the application that in the event the proposed sale is consummated, applicants will make available to the Commission such reports, information and records of Publishers Motor Transport as may be desired by the Commission in the discharge of its administrative and regulatory duties.

The application shows that the equipment involved in the proposed transaction will remain in the control, possession and use of Hills Transportation Co. for the rendition of the public service operations. A review by the staff indicates that earnings of Hills Transportation Co. should be ample to enable it to meet the obligations under the lease agreement and that the carrier corporation has need for the proceeds from the sale of its equipment in order to finance additions to its facilities. We find and conclude, therefore, that the proposed sale of the revenue equipment and service cars will not be adverse to the public interest and we will enter our order granting the application.

The action taken herein shall not be construed to be a finding of the value of the revenue equipment and service cars authorized to be sold nor as indicative of amounts to be included in a future rate base or in operating expenses for the purpose of fixing rates.

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,

IT IS ORDERED that -

1. Hills Transportation Co., a corporation, may sell to Publishers Motor Transport, the operative equipment referred to in this application and Publishers Motor Transport may lease back said equipment to Hills Transportation Co.

2. The equipment to be sold to Publishers Motor Transport under the authority herein granted, shall not be relieved of its devotion to the public use and its status as public utility operative property shall continue as though no sale had taken place, anything in any lease or any contract or agreement to the contrary notwithstanding.

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

Dated at San Francisco, California,
this 19th day of DECEMBER, 1961.

George W. Rowe
President

W. E. Holt

D. L. Fox

George T. Crow

Frederic B. Hoff
Commissioners